

AGENDA ITEM 4.
STATE LEGISLATIVE & BUDGETARY UPDATE

Submitted for: Information

Summary: The Illinois General Assembly adjourned its spring 2014 legislative session after approving bills that make appropriations for State Fiscal Year 2015. State legislators also considered 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 taken this spring. Approved measures included a bill creating a pilot program to ensure the availability of MAP grants for dislocated workers, along with a mandate for ISAC to study deferred tuition models for paying for college.

Action requested: None.

ILLINOIS STUDENT ASSISTANCE COMMISSION

STATE LEGISLATIVE UPDATE

This year, the General Assembly adjourned its spring legislative session nearly a full day ahead of its midnight, May 31 deadline. While the Governor had recommended that the state maintain its current income tax rates rather than allowing them to drop as scheduled on January 1, 2015, there was insufficient support in the House for keeping the rates steady. Without that tax vote and with no alternative revenue-generating measures to make up for the projected \$2 billion revenue reduction, appropriators resorted to a budget that is largely at Fiscal Year 2014 levels but relies heavily on interfund borrowing and extended payment delays. While he ultimately signed most of the appropriations bills for FY15, the Governor described the overall spending plan as “an incomplete budget that does not pay down the bills but instead postpones the tough decisions.”

Under **House Bill 6094** (Dunkin/Kotowski – **Public Act 98-0678**), higher education will receive about \$1.99 billion in state general funds in FY15, or about 6% of the expenditures from the state’s general funds. Public universities were cut by a range of 0.21% to 0.26%. Community colleges’ key state funding lines were all held harmless (i.e., base operating grants and equalization grants, plus grants to support adult education and career and technical education). In a measure that sparked controversy during floor debate, nineteen specific community colleges were appropriated a total of about \$1.2 million to help reimburse the tuition and fees waived on behalf of Illinois Veteran Grant (IVG) recipients.

With respect to ISAC’s budget, HB 6094 fell far short of the Governor’s recommendation of a \$50 million increase for MAP and did not include an allocation for College Illinois!® marketing. However, the agency made important progress by securing funding for outreach and grant administration. Work will be on-going to ensure that the needs of the agency, students, and families can be met in future fiscal years.

The FY15 budget that is now law provides for the following:

- MAP is funded at \$373,254,500. This is an essentially level appropriation (an increase of \$56,400 over FY14).
- With one exception (see the final bullet point below), all other scholarship, grant, and loan repayment programs that ISAC administers were kept at their FY14 levels.
- ISAC received a new allocation of \$1,020,700 to fund Outreach, Research, and Training. This is about half of the amount originally requested by the Commission. However, as a new funding line in a difficult budget year, it provides a necessary “foot in the door” for future funding and a sign that legislators recognize the importance of college access programming.
- The budget bill does not include a new, separate funding line to pay for agency operations. Instead, drafters revised the language of the MAP appropriation to allow for up to 2% of MAP dollars to be available for the agency’s “administrative and operational costs.” (For FY14 year, this authority applied only to MAP administration, excluding other operating costs.) This effectively provides much of the administrative budget support requested by the Commission.

- As requested, ISAC was provided a small increase in spending authority for the Higher Education License Plate (HELP) Program, which uses the fees from special vanity license plates to fund student grants.

With respect to substantive legislation, a total of 510 bills passed both houses during this spring session. Measures of interest to ISAC are summarized below.

- MAP PILOT PROGRAM FOR DISLOCATED WORKERS:
Senate Bill 3306 (Rose/Scherer) passed both chambers unanimously despite concerns expressed by several members about the bill’s redistributive impact. For the 2015-2016 and 2016-2017 academic years, SB 3306 would require the Commission to give additional consideration to the needs of dislocated workers, with the intent of allowing applicants who are dislocated workers an opportunity to secure grants even if applying later than the general pool of applicants. In effect, the Commission would estimate the amount needed to serve dislocated workers who filed FAFSAs through the summer months and reserve dollars to serve those applicants. After stopping award announcements for the general pool of applicants (likely in February or March), ISAC would continue to make awards **only to dislocated workers** through the summer. In order to assure that funding would be available for dislocated workers who applied through the summer, fewer dollars could be allocated to other applicants, meaning that the initial suspense date for the general pool of applicants would have to occur a few days earlier.

ISAC currently estimates that if the agency reserved funds to process dislocated workers’ applications through July, the number of dislocated workers receiving grants would almost double (from about 4,700 this year to just under 9,000 in FY15). However, about 3,200 other students who applied earlier, who had financial need, who would attend schools in all sectors, and who would otherwise have received grants would **not** be helped.

The agency will collect data from institutions to try to determine the success of those students who receive grants as a result of the program.

Another measure related to the priorities for MAP awarding was **HB 4463** (Kosel), which stalled in the House Higher Education Committee. The bill would have codified the existing requirement that schools adopt satisfactory academic progress (SAP) policies for their students who receive financial aid, among other minor changes.

- IMPLEMENTING A “PAY IT FORWARD” TUITION MODEL:
Several bills were filed this spring to adopt a deferred tuition model in Illinois. In most deferred tuition models, the student would enter a public university or community college without paying an initial tuition bill. Instead, the student would sign a contract or promissory note pledging to pay a percentage of his income for a number of years after leaving school. These payments would eventually be used to fund the institutions in future years, an arrangement that is referred to in some cases as a “Pay It Forward” or “Pay It Forward, Pay It Back” program. No state has actually implemented such a program, but the creation of an Oregon commission to develop a pilot program has led to a wave of legislative interest in Illinois and elsewhere.

Ultimately, one bill on this topic passed: **HB 5323** (Franks/Frerichs) directs ISAC to study the concept “with specific regard to funding and programmatic practicality and feasibility” and report to the General Assembly on or before December 1, 2014.

- COLLEGE ILLINOIS!® INVESTMENT MANAGERS AND CONSULTANTS:

SB 452 (Clayborne/Turner) is intended to increase the diversity of the investment consultants and managers who do business with the state. In the bill’s original form, it would have affected only the pension systems; in the final days of session an amendment was adopted that made ISAC subject to the same changes. Unfortunately, because ISAC hires managers and consultants under the Procurement Code, whereas pension systems are exempt from that process, it appears that the agency will not be able to comply fully with certain aspects of the bill. A legislative “safety valve” was included in the language so that ISAC is only required to comply with the new rules to the extent that they do not conflict with other laws to which the Commission is subject. Still, staff intend to work with the bill’s sponsors to ensure that ISAC can actually comply with the bill’s intent. The bill sponsors acknowledged ISAC’s concerns and agreed to work over the summer to develop follow-up legislation if needed. (Given the late consideration of the amendment that added ISAC, the House sponsors felt that they didn’t have enough time to remove provisions affecting ISAC before the end of session.) Because the bill will not take effect until January 1, 2015, there is an opportunity to resolve the issue during the fall veto session and avoid any conflict.

Several other bills related to CI! were filed but were not approved this session. Those included **SB 3527** (Barickman), which would have required colleges to “certify future tuition and fees”; **SB 3528** (Barickman), which would have ended new CI! contract sales and replaced prepaid tuition contracts with annuities; and **HB 4763** (Brown), which would have extended state tax benefits to non-Illinois 529 savings or prepaid tuition plans.

- HANDLING STUDENT DATA:

One bill was filed in each chamber this spring to place strict new controls on access to student data. As initially filed, both **HB 4558** (Drury) and **SB 3092** (Delgado/Drury) would likely have imperiled efforts to establish and use a fully functional P-20 longitudinal data system as already required by state law. After significant resistance from across the education community and among researchers, the Senate sponsor agreed to work with advocates on both sides of the debate and attempt to advance an agreed bill in the veto session. The P-20 Council has already begun these discussions by convening interested stakeholders, including the House and Senate sponsors and staff from multiple agencies, institutions, and organizations (including ISAC).

- EXPANSION OF TUITION DISCOUNTING AT EASTERN ILLINOIS UNIVERSITY:

Both chambers approved **SB 2765** (Righter/Hays) to allow expansion of the Panther Promise program at EIU. Statute currently limits universities’ ability to offer tuition waivers to 3% of available undergrad tuition revenue. This would raise that cap to 10% for EIU. The higher cap will allow Eastern to grant additional need-based tuition discounts, up to \$2,500/year for four years, to students from families making up to three times the federal poverty level. EIU has reported that this affordability measure has helped the school to achieve its enrollment goals. Legislators encouraged other public universities to consider implementing similar programs to make Illinois universities more competitively priced when compared to other states’ institutions.

- INCREASING AVAILABILITY OF, AND REPORTING ON, DCFS SCHOLARSHIPS:
Legislators voted to increase (from 40 to 53) the number of tuition waivers available to current and former wards of the state through the Department of Children and Family Services Scholarship Program. They also approved extending each waiver for up to five years rather than the current four. **HB 4652** (Feigenholtz/Hunter) also requires DCFS to report on outcomes for program recipients.
- ALLOWING A REPLACEMENT FOR THE GED:
The Illinois Community College Board (ICCB) successfully advocated a bill to remove all specific references in state law to the General Educational Development (GED) test or certificate, replacing those with more generic references to a high school equivalency test or certificate. The proposal was spurred by the sale of the GED to a for-profit entity that substantially raised prices and changed the format of the test. By changing statutory references to more descriptive language rather than the specific product name, **HB 4336** (Jakobsson/Frerichs) will allow for the adoption of a different high school equivalency program if a better alternative becomes available. The law will not, itself, eliminate the use of the GED.
- NEW FOUNDATION TO SUPPORT ILLINOIS VETERANS:
The Illinois Department of Veterans Affairs gained approval for a bill (**SB 3222** – Hastings/Rosenthal) that establishes a not-for-profit foundation to support work initiated by, and with staff support and participation from, IDVA. The Illinois Joining Forces Foundation is meant to sustain efforts among various veteran-serving entities to better coordinate programs and services. ISAC participates in the Illinois Joining Forces education committee.
- HIGHER EDUCATION DISTANCE LEARNING ACT:
SB 3441 (McGuire/Pritchard) authorizes the Illinois Board of Higher Education (IBHE) to coordinate interstate reciprocity agreements governing distance learning for participating institutions in this State.
- GRANT ACCOUNTABILITY & TRANSPARENCY ACT:
HB 2747 (Crespo/Kotowski), which creates the Grant Accountability and Transparency Act, is an initiative of the Governor’s office based on the recommendations of the Illinois Single Audit Commission. The intent is to strengthen and streamline requirements for awarding and reporting on grants across all state agencies, based on federal grant requirements.
- CALLING FOR CONSUMER PROTECTIONS FOR STUDENT LOAN BORROWERS:
The House adopted a resolution (**House Resolution 620** - Jakobsson) that calls on Congress to increase consumer protections, including access to bankruptcy, for student loan borrowers.
- LATINO STUDENT ACHIEVEMENT STUDY GUIDE:
The Senate adopted a resolution (**Senate Resolution 903** – Martinez) directing the Illinois Board of Higher Education (IBHE) and ICCB to work with the Latino Family Commission “to develop a self-study guide on the current status and achievement levels for Latino students.” The guide will be distributed to all Illinois public universities and community colleges.

Bills that were not successful this spring included a measure to dramatically reduce the tuition and fees that may be charged by public universities (HB 3360), a bill to create a zero-interest loan program for underserved populations (HB 3653), an elimination of partial tuition waivers for university employees (HB 5385), a tuition freeze exclusively for students in STEM fields (HB 5833), an expansion of performance funding (SB 2950), and a proposal to require that any intergovernmental contract worth \$250,000 or more be subject to the state's Procurement Code (HB 4430).