CTBA | Center for Tax and Budget Accountability

70 E. Lake Street, Suite 1700
Chicago, IL • 60601
www.ctbaonline.org

Illinois' Significant Disinvestment in Higher Education

January 27, 2017

1. SUPPORTING HIGHER EDUCATION MAKES ECONOMIC SENSE

Higher Education has historically been included within one of the four core policy areas—education (inclusive of early childhood, K-12, and Higher Education), healthcare, human services, and public safety—that collectively account for over 90 percent of annual General Fund spending on current services in Illinois.[1] And while the data make clear that investing in Higher Education has always been a legitimate policy priority, it makes more sense now than ever, given the strong correlations between post-secondary educational attainment and economic viability.

Consider, for instance, that since 1980, the only workers in America generally and Illinois specifically who have seen their incomes grow at a rate greater than inflation—i.e. have seen real growth in purchasing power—are those with a college degree.[2] There is also a statistically significant correlation between educational attainment and unemployment rate. As shown in Figure 1, as educational attainment increases, unemployment rate decreases. Indeed, a recent report from the Bureau Labor of Statistics (**BLS**) found that nationally, individuals with less than a high school diploma had an unemployment rate 2.86 times greater than did graduates of four-year universities.[3]

Figure 1
Unemployment Rate by Educational Attainment, 2014

2014	Chicago Area	Illinois	Midwest	National
Less than High School	10.1%	11.3%	9.6%	7.9%
High School Diploma	7.2%	7.5%	5.7%	5.7%
Some College/Associate's	6.3%	6.0%	5.2%	4.8%
Bachelor's (or more)	3.8%	3.4%	2.8%	3.1%

Source: CTBA Analysis of Bureau of Labor Statistics Data

It is no wonder, then, that between 1979 and 2012, those states that realized the greatest increases in productivity also had the largest share of adults with a college degree.[4] In addition, the states with the best high school and college completion rates also had the highest per capita incomes.[5] And the value of completing a college degree from a worker's perspective almost doubled over the last 30 years. In 1979, college graduates earned 23.5 percent more than workers who ended their educational attainment with a high school diploma.[6] By 2011, that earnings gap had grown to 46.9 percent.[7]

Higher Education also plays an important role in helping individuals who come from low income backgrounds to move up the earnings ladder into the middle class and beyond, as underscored by a recent study published by economists Raj Chetty of Stanford University and John Friedman of Brown University.[8] Indeed, their study found that those universities and community colleges which focus on educating students from lower income families are particularly crucial to supporting upward economic mobility. For instance, the study cited the example of City College, Manhattan (**CCM**), which has significant enrollment comprised of low income students. Fully 76 percent of the low income students who attended CCM in the late 1990s moved into the top three-fifths of income distribution post-graduation.[9]

2. ILLINOIS' GENERAL FUND INVESTMENT IN HIGHER EDUCATION HAS BEEN DECLINING SINCE FY2000

The Illinois Board of Higher Education (**IBHE**) is required by statute (110 ILCS 205) to submit annual budget requests to both the General Assembly and Governor. In a typical fiscal year, decision makers then consider these recommendations when determining the amount to appropriate from the General Fund to Higher Education.

Despite the demonstrable economic importance of Higher Education, however, decision makers in Springfield have opted to under-fund IBHE's annual budgetary requests every fiscal year over the last decade, as shown in Figure 2.

Figure 2
IBHE General Fund Budget Recommendations versus Enacted General Fund Appropriations FY2008-FY2017 ($ Millions)

Fiscal Year	IBHE Recommendations	Enacted Appropriations	$ Difference
2008	$2,534	$2,216	-$319
2009	$2,391	$2,211	-$179
2010	$2,233	$2,220	-$13
2011	$2,207	$2,124	-$83
2012	$2,125	$2,108	-$17
2013	$2,108	$1,980	-$128
2014	$2,149	$1,991	-$157
2015	$2,117	$1,948	-$169
2016	$2,048	$755	-$1,293
2017	$2,050	$843	-$1,207

Source: Illinois Board of Higher Education. Fiscal Year 2017 Higher Education Budget Recommendations

But failing to fund Higher Education to the annual levels requested by IBHE does not convey the full magnitude of Illinois' disinvestment in Higher Education. As shown in Figure 3, when General Fund appropriations for core services are reviewed over the FY2000 through FY2015 sequence, it becomes clear that state decision makers singled out Higher Education for more significant cuts (on a percentage basis) than any other core service area.[10]

Figure 3
FY2015 General Fund Appropriations Compared to FY2000, in Nominal Dollars and Adjusted for Inflation and Population Growth

Category	FY2000 Enacted Approps (Nominal $)	FY2015 Enacted Approps (Nominal $)	FY2000 (Adj. for Inflation and Pop to FY2015)	$ Difference	% Difference
Healthcare (including Medicaid	$5.04	$7.45	$9.54	-$2.09	-22%
PreK-12 Education*	$4.84	$6.60	$7.61	-$1.01	-13%
Higher Education	$2.15	$1.99	$3.38	-$1.39	-41%
Human Services	$4.66	$4.81	$7.32	-$2.51	-34%
Public Safety	$1.39	$1.62	$2.18	-$0.56	-26%

Source: CTBA analysis, COGFA.
*FY2015 appropriation for K-12 Education excludes $200 million from the Fund for Advancement of Education that is appropriated for General State Aid. The Illinois State Board of Education includes that $200 million in its FY2015 General Fund budget report.

Indeed, as Figure 3 shows, Higher Education is the only core service area that had a lesser nominal dollar General Fund appropriation in FY2015 than it did in FY2000. Once inflation is taken into account, FY2015 General Fund support for Higher Education was cut by $1.39 billion or 41 percent from FY2000 levels.

That sustained disinvestment in Higher Education is difficult to justify from either a good government or economic policy standpoint. And while the cuts Illinois decision makers imposed on Higher Education over the FY2000-FY2015 sequence are impossible to justify, they pale in comparison to the year-to-year General Fund cuts imposed on Higher Education in FY2016.

3. HIGHER EDUCATION FUNDING SUFFERS HISTORIC YEAR-TO-YEAR CUT IN FY2016

Fiscal Year 2016 was truly unprecedented in Illinois, as lawmakers and the Governor never enacted a final, comprehensive General Fund budget for the year. Instead, fully two-thirds of all FY2016 General Fund spending on current services was authorized by court order or consent decree.[11]

However, legislators and the Governor did enact appropriations for all levels of education in FY2016, from Early Childhood, through K-12 and Higher Education. As shown in Figure 4, in FY2016, Early Childhood received an increase over FY2015 levels, and K-12 Education was subjected to a slight cut (1.1 percent).[12] Higher Education, on the other hand, experienced a year-to-year cut of some $1.323 billion or 67.8 percent from FY2015 levels. Note that this is contrary to national trends, as 37 states increased FY2016 funding for Higher Education over FY2015 levels.[13]

Figure 4
FY2016 Maximum Authorized General Fund Spending
Compared to FY2015 Enacted Budget ($ Millions)

Category	FY2015 Enacted Budget[14]	FY2016 Maximum Authorized Spending	Year-to-Year Difference ($)	Year-to-Year Difference %
Early Childhood Education	$293	$315	$22	7.5%
K-12 Education	$6,262	$6,193	-$69	-1.1%
Higher Education	$1,950	$627	-$1,323	-67.8%

Source: General Fund appropriations for FY2015 are from CTBA analysis of GOMB "FY2017 Operating Budget Detail."

The cuts Illinois imposed on Higher Education in FY2016 made the state a national outlier in two distinct ways.

First, Illinois is one of only four states (joining Arkansas, Kentucky, and Vermont) that cut General Fund support of Higher Education over each of the last two, complete fiscal years (FY2015 and FY2016).[15] Second—and providing further evidence of the state's self-imposed race to the bottom in Higher Education funding—Illinois now holds the undesirable position of being one of only nine states (joining Alabama, Arizona, Idaho, Kentucky, Louisiana, New Hampshire, Pennsylvania, and South Carolina) that has cut per-student Higher Education funding by at least 30 percent since the start of the Great Recession.[16]

4. FY2017 FUNDING FOR HIGHER EDUCATION REMAINS SIGNIFICANTLY BELOW FY2015 LEVELS

The General Assembly passed, and Governor Rauner signed into law, what has been labeled a "stop-gap" General Fund budget for FY2017 (P.A.99-502), that, among other things, appropriates $700 million to Higher Education for the year. On top of that, certain court orders required an additional $26 million in FY2017 for Higher Education, bringing the total for the year to $726 million.[17] And while that constitutes a $99 million increase over FY2016 levels, it remains fully $1.24 billion or 63 percent less than FY2015,[18] which is the last fiscal year in which Illinois had a comprehensive General Fund budget.

Figure 5 compares FY2017 General Fund appropriations for each of Illinois' public universities to FY2015. Figure 5 shows that the University of Illinois, which includes campuses in Chicago, Champaign-Urbana, and Springfield, suffered the largest cut in total dollars ($298 million), while Chicago State University suffered the greatest percentage cut (65.3 percent) from FY2015.

The cuts imposed on Chicago State University constitute particularly questionable public policy, because Chicago State University serves predominately low-income students of color, and hence is crucial in helping those students, many of whom are first generation college students, move into the middle class and self-sufficiency.[19]

Figure 5
Enacted General Fund Appropriations for Public Universities in FY2017 Compared to FY2015, Nominal Dollars

Public Universities	FY2015 Enacted	PA 99-524 (SB2047) Enacted and Stop Gap Budget FY2017	Nominal Difference ($)	Nominal Difference (%)
Chicago State University	$36,330,500	$12,590,000	-$23,740,500	-65.3%
Illinois State University	$72,226,700	$38,291,000	-$33,935,700	-47.0%
Eastern Illinois University	$42,975,700	$26,222,000	-$16,753,700	-39.0%
Governors State University	$24,062,100	$12,757,000	-$11,305,100	-47.0%
Northeastern Illinois University	$36,898,800	$19,562,000	-$17,336,800	-47.0%
Northern Illinois University	$92,946,900	$48,293,000	-$44,653,900	-48.0%
University of Illinois	$647,186,400	$349,204,700	-$297,981,700	-46.0%
Southern Illinois University	$199,558,500	$106,156,000	-$93,402,500	-47.0%
Western Illinois University	$51,445,200	$31,389,000	-$20,056,200	-39.0%
TOTAL	**$1,203,630,800**	**$644,464,700**	**-$559,166,100**	**-46.5%**

Source: CTBA analysis, IBHE data and PA99-524.

It is important to recognize that Figure 5 does not show the full, negative financial impact on public universities of the state's disinvestment in Higher Education because it isolates cuts made solely to direct grants. At the same time Illinois was cutting direct grants to public universities, it was also cutting the Monetary Assistance Program (**MAP**). MAP helps pay tuition costs for lower income students, and hence becomes revenue for the universities and community colleges those students attend. Because the FY2017 General Fund cuts to Higher Education were so significant, in November of 2016, the Illinois Board of Higher Education directly provided $17 million in emergency funding to support the operations of three of the state's most vulnerable universities through the end of the year. Under the arrangement, Western Illinois University would receive about $8.4 million, Eastern Illinois University about $5.6 million, and Chicago State University just more than $3 million.[20]

Taking the long view shows how dramatic the reduction in Higher Education funding has been in Illinois. Figure 6 compares FY2000 appropriations for Higher Education with FY2017, adjusting for inflation. As Figure 6 illustrates, decision makers have chosen to cut Higher Education by approximately 78.5 percent in real terms over this period.[21]

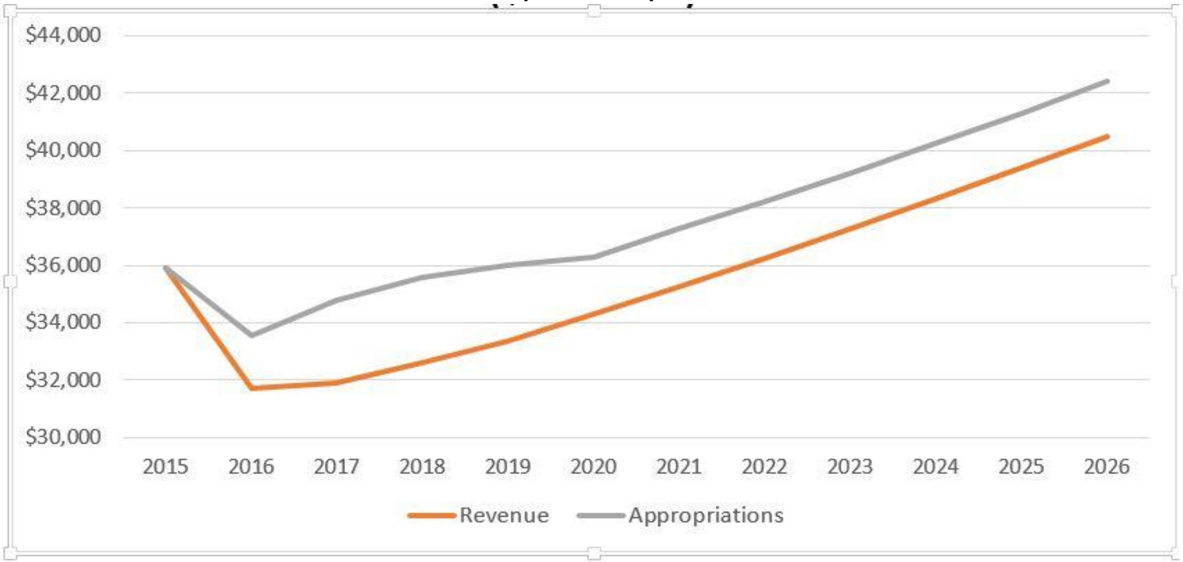
Figure 6
Enacted General Fund Appropriations and Court Ordered Funding for Higher Education in FY2000 Compared to FY2017, Nominal Dollars ($ Billions)

Category	FY 2000 (Nominal)	FY2017 (Nominal)	FY2000 (Adj. for Inflation) to FY2017	$ Difference	% Difference
Higher Education	$2.15	$0.726	$3.38	-$2.65	-78.5%

Source: CTBA analysis of Commission on Government Forecasting and Accountability data.

As things currently stand, there is no basis to believe the state will have the financial capacity to enhance Higher Education funding in the next few years. That is because Illinois has a structural deficit—which simply means that adjusting solely for inflation and population growth, and assuming a normal economy and no changes in state law, year-to-year growth in Illinois' General Fund revenue will not be able to maintain the level of spending on core services that was made in FY2015, the last year Illinois had a final, comprehensive General Fund budget. The structural deficit is depicted in Figure 7.[22]

Figure 7
Illinois State General Fund Structural Deficit
($ Millions)



Source: Growth rate for state revenue sources is approximately 2.8 percent. For the revenue growth rate for federal revenue CTBA used the Congressional Budget Office's Nominal Wage Growth for Workers Covered by Social Security (Percent) from its 2015 Long-Term Budget, which are the same projections used for spending on current year services.

Indeed, it is because of this structural deficit that the state's total accumulated General Fund deficit grew from $5.97 billion at the end of FY2015, to over $9.41 billion by the end of FY2016. The growth in the state's accumulated General Fund deficit from FY2015 to FY2016 is shown in Figure 8.

Figure 8
FY2016 General Fund Deficit Walk-Down ($ Billions)

Step	Revenue	$ Billions	Spending	$ Billions	Remaining Revenue (Revenue - Spending)
(i)	FY2016 Revenue	$30.37	FY2016 Hard Costs	$12.07	$18.30
(ii)	Revenue After Hard Costs	$18.30	Accumulated Deficit Carry Forward from FY2015	($5.97)	$12.33
(iii)	Projected Net FY206 General Fund Revenue Available for Services	12.33	Projected Net General Fund Service Appropriations	$21.74	($9.41)
Projected Accumulated FY2016 General Fund Deficit		**($9.41)**			
Projected Deficit as a Percentage of General Fund Service Appropriations		**-43.8%**			

Source: CTBA, Illinois on Autopilot, the Reality of 2016 (Chicago, February 2016).

Given the state's long standing structural deficit, it is not surprising that, since the Great Recession, Illinois has cut per-student Higher Education funding by a greater percentage than any of the other 15 largest states in America, except for Arizona, as shown in Figure 9.[23]

Figure 9
Change in Per-Student Funding of Higher Education in the 15 Largest States 2008-2015

States	Change in Per-Student Funding (%)
California	-3%
Indiana	-6%
New York	-6%
Ohio	-15%
Texas	-17%
North Carolina	-20%
Georgia	-20%
Washington	-20%
Michigan	-21%
Virginia	-22%
New Jersey	-23%
Florida	-23%
Pennsylvania	-33%
Illinois	-54%
Arizona	-56%

Source: Michael Mitchell, Michael Leachman, and Kathleen Masterson, "Funding Down, Tuition Up State Cuts to Higher Education Threaten Quality and Affordability at Public Colleges," *Center on Budget and Policy Priorities.*

5. CONSEQUENCES OF ILLINOIS' DISINVESTMENT IN HIGHER EDUCATION

5.1 Higher Education Capacity.

Traditionally, funding from state and local governments has been particularly important for supporting instruction at public universities and colleges. According to a recent report by the Center on Budget and Policy Priorities, in 2015 state and local funding accounted for over half—54 percent—of the resources public institutions utilized for instruction.[24] State funding also has historically been a major component of the overall operational budgets of public colleges and universities.

For instance, from 1960 through 1990, state funding made up between 30-40 percent of the University of Illinois (**UI**) operating budget. However, the cuts being implemented to Higher Education funding in Illinois have greatly diminished this support. As shown in Figure 10, only 15 percent of UI's current revenue comes from the state.

Figure 10
2014 Profile of University Dependence on State Funding

University	% of Budget from State Funding	% of Outstanding State Funding	% Out-of-State or International Students	Size of Endowment per Student
Governors State University	26%	15%	0%	$410
Northeastern Illinois University	25%	18%	1%	$1,035
Chicago State University	32%	18%	16%	$1,151
Northern Illinois University	20%	14%	5%	$4,086
Western Illinois University	22%	16%	6%	$4,127
Illinois State University	18%	13%	4%	$4,650
Eastern Illinois University	24%	17%	8%	$4,993
Southern Illinois University	22%	16%	19%	$7,506
University of Illinois	15%	11%	20%	$26,025

Source: Michael Mitchell, Michael Leachman, and Kathleen Masterson, "Funding Down, Tuition Up State Cuts to Higher Education Threaten Quality and Affordability at Public Colleges", *Center on Budget and Policy Priorities*.

In what can only be described as piling on, public colleges and universities have had their capacity reduced not just because of historically low levels of state funding, but also because the state has failed to disburse this historically low funding on a timely basis. This has resulted in a significant backlog of Higher Education voucher payments at the Illinois Comptroller's office. According to the Illinois Board of Higher Education, at the end of December 2014, only $350.8 million (30 percent) of the FY2015 General Fund appropriations for universities had been paid, while $80.1 million (31 percent) of the appropriations for community colleges were paid, and $165.8 million (46 percent) of appropriations for MAP were paid.[25]

Figure 11 delineates how the $1.323 billion year-to-year cut imposed on Higher Education in FY2016 was distributed among the various sub-categories within Higher Education.[26] Note that the Illinois Board of Higher Education received an additional $26 million to cover personnel costs pursuant to court order, which is not reflected in the appropriations identified in Figure 11.

Figure 11
General Fund Appropriations for Higher Education (excluding Universities) in FY2016 Compared to FY2015, Nominal Dollars ($ Thousands)

	FY2015 Enacted	FY2016 Enacted & Autopilot	Nominal Difference ($)	Nominal Difference (%)
Universities	$1,201,777	$350,059	-$851,718	-71%
Board of Higher Education	$3,059	$500	-$2,559	-84%
IBHE Institutional Grants	$7,744	-	-$7,744	-100%
Community College Board	$285,942	$74,142	-$211,799	-78%
Illinois Mathematics & Science Academy	$18,031	$6,000	-$12,031	-67%
Illinois Student Assistance Commission	$376,673	$324,561	-$52,112	-14%
Monetary Award Program	$364.856	$320,799	-$44,058	-12%
State Universities Civil Service System	$1,176	$75	-$1,101	-94%

Source: Illinois Board of Higher Education. (2016). Fiscal Year 2017 Higher Education Budget Recommendations

As Figure 11 shows, in FY2016 every area of Higher Education was cut significantly from FY2015 levels.[27] Cuts of this magnitude are difficult for any public system to absorb without reducing that system's capacity. In the case of Higher Education, that reduced capacity can manifest in numerous ways, including reductions in scholarships for students, fewer academic course offerings, and loss of or failure to attract high-end faculty members. Indeed, Richard Helldobler, the Interim President of Northeastern Illinois University (**NEIU**), told the *Chicago Tribune* in January 2016 that, if state funding for universities does not improve, "there is potential for [NEIU] to shut down."[28]

To date, many public institutions of higher learning have indeed seen their capacity diminished due to the state's spending cuts. For instance:

- Illinois State University cut its budget for instruction by $1.021 million between FY2015 and FY2016.[29]
- Before the FY2016 Higher Education appropriation was enacted, Chicago State University (**CSU**) faced the real possibility of having to close its doors by the end of April 2016. After the reduced funding CSU realized for FY2016, it was ultimately forced to lay off 400 non-faculty employees—40 percent of its workforce.[30]
- Western Illinois University laid off 145 non-instructional staff in 2016, and hundreds of other employees were subjected to mandatory unpaid furloughs or salary reductions. Another 59 workers took early retirement. In addition, Western's Board of Trustees approved elimination of the following academic programs—African-American studies, philosophy, religious studies, and women's studies—due to low enrollment. Western's low enrollment is in part due to revenue losses Western realized from both cuts in direct state grant funding to the university, and cuts in state funding for MAP grants to low income students (as discussed in Section 5.3 below).[31]

- University of Illinois eliminated 484 non-instructional staff positions. Most reductions have come through attrition, and 202 positions, or 41 percent, were in university administration at the system level. Salaries and hiring have remained frozen for the past two years.[32]
- Eastern Illinois University laid off 177 civil service employees earlier this year and mandated 18 unpaid furlough days for administrators and professional staff.[33]

5.2 Higher Tuition Costs.

The two most readily available options that public colleges and universities have to offset the state's disinvestment in Higher Education are spending cuts like those referenced above and tuition increases. Indeed, in-state tuition in Illinois has increased by a range of 50-100 percent over the past decade.[34] Tuition increases in that range not only significantly outstrip inflation, but also the rate of growth in income for the vast majority of families. In fact after inflation, 90 percent of U.S. workers were earning less in 2014 than they did in 1980.[35] Hence, by forcing public colleges and universities to resort to material tuition increases to make up for funding cuts, the state is making Higher Education less affordable for most Illinois families.

5.3 Reductions in MAP Grant Funding.

At the same time General Fund spending cuts are pushing tuition costs for students up, the state is also disinvesting in its most important student grant program that helps low income families meet the rising cost of sending their children to college. The Illinois Student Assistance Commission (**ISAC**) administers MAP, which provides low income students financial aid in the form of grants that do not have to be repaid. In the 2014-2015 academic year, Illinois appropriated $357 million of General Fund spending for need-based MAP grants, which helped more than 128,000 students. The amount allocated for MAP claims from the 2015-16 academic year was 12.1% lower than the previous year, and so far **nothing** has been appropriated to pay grants from the current 2016-17 academic year. Over 160,000 eligible applicants were declined MAP Grants in FY2016 because of inadequate funding. MAP funding is so important to low income students that it can determine whether they have the financial wherewithal to complete school or be forced to drop out.

According to ISAC, many colleges and universities went ahead and credited student accounts for first term (unpaid from the state) MAP awards, although some schools withheld other financial aid, such as Pell grants, pending payment from the state for MAP. Concordia University, for example, covered its students' MAP grants for the school year, while the Illinois Institute of Technology in Chicago did not.[36]

In the end, the FY2016 MAP grant cuts had consequences. For instance, in January 2016, an estimated 1,000 students did not re-enroll in both public and private universities due to unpaid MAP grants.[37]

5.4 Increased Debt.

In addition to hiking tuition and school fees to make up in part for the loss of state funding, many public colleges and universities are also borrowing funds to cover operating costs. This can temporarily lessen the need to reduce academic programming while permit public institutions to satisfy extant contractual obligations. But debt is a limited, and increasingly expensive, option for institutions of higher learning, and in fact borrowing to cover current operating costs is simply not sustainable over time.

Moreover, the cost of debt being incurred to help get public universities and colleges through the significant financial challenges created by the historically low levels of support Higher Education received in FY2016 and FY2017 has been artificially high—precisely because of the state funding cuts which forced public institutions to resort to debt in the first place. As of June 2015, Moody's Investors Service downgraded seven Illinois public universities (University of Illinois, Illinois State University, Southern Illinois University, Northern Illinois University, Governors State University, Northeastern Illinois University, and Eastern Illinois University), and 15 community colleges because of state funding concerns.[38]

5.5 Reduced Enrollment.

Another consequence of the state's disinvestment in Higher Education is reduced enrollment in Illinois' universities. Approximately 5,500 fewer students were enrolled in Illinois public universities in the 2015-2016 school year than the previous year. [39] According to IBHE, 10 of the state's 13 public universities saw a significant decrease in enrollment over that sequence, as previously depicted in Figure 12. What's more startling is that in the 2015-2016 school year, 16,461 residents left Illinois to attend institutions of higher learning in other states, while only 2,117 residents of other states chose to attend public universities in Illinois.[40]

Figure 12
Illinois Public University Enrollment 2016-2017

University	2015 Enrollment	2016 Enrollment	Difference	% Difference
Chicago State University	3,618	2,734	-884	-24%
Eastern Illinois University	7,282	6,234	-1,048	-14%
Southern Illinois University-Carbondale	14,995	13,880	-1,115	-7%
Western Illinois University	9,561	8,934	-627	-7%
Northern Illinois University	16,502	15,712	-790	-5%
Northeastern Illinois University	6,366	6,101	-265	-4%
U of Illinois at Urbana	47,644	48,765	1,121	2%
Governors State University	3,921	3,985	64	2%
Southern Illinois University-Edwardsville	11,985	11,870	-115	-1%
University of Illinois at Chicago	28,687	28,935	248	1%
University of Illinois at Springfield	3,921	3,985	64	2%
Illinois State University	18,183	18,533	350	2%
Total	**172,644**	**169,569**	**-3,095**	-2%

Source: IBHE Data Points Fall 2016 Enrollment Snapshot for Public Universities

6. RACIAL DISPARITIES REINFORCED BY HIGHER-EDUCATION FUNDING CUTS

Generally speaking, when MAP grants are cut for low income and first generation students, students of color tend to get hit the hardest because they rely more heavily on MAP grants than do their more affluent—and predominantly white—counterparts. Institutions that are majority-minority tend to have smaller reserves and endowments than other institutions of higher learning, which means majority-minority institutions generally have lesser capacity to use scholarships to offset tuition costs previously covered by MAP grants.

That said, the importance of MAP grant assistance to low income students generally, and low income minority students in particular, is made quite clear once statistics on student debt are considered. Americans owe roughly $1.3 trillion in student debt, an amount that borrowers of all races and incomes are struggling to repay.[41] African-Americans, however, are faring far worse than their white peers when it comes to incurring college debt. Here, the numbers are compelling: approximately 42 percent of African-American families have student loans, compared to 28 percent of white families.[42] Not only are blacks borrowing at a higher rate than whites, but they are also experiencing a lower return on investment from that borrowing, because of discrimination in labor markets.

In 2015, the most recent period for which unemployment data is available by both race and educational attainment, 4.1 percent of black college graduates aged 25 and older were unemployed. For white college graduates in the same age range, the unemployment rate stood at just 2.4 percent, meaning black college graduates are almost twice as likely to be unemployed as their white peers.[43] Nationally, the Economic Policy Institute found that African-American college graduates are the only group of college educated workers who have an unemployment rate which closely aligns to the overall unemployment rate (5.3 percent). That differs from all other racial and ethnic subgroups who are college graduates, each of which experience unemployment rates below the overall rate.[44]

Figure 13 shows unemployment rate by educational attainment and race.

Figure 13
2015 Unemployment Rate by Race and Education Level

	Black	White
No High School Diploma	16.6%	6.9%
High School Diploma	9.6%	4.6%
Some college experience	7.4%	4.0%
Bachelor's degree and higher	4.1%	2.4%

Source: Elise Gould and Tanyell Cooke, Unemployment for Young Black Grads is Still Worse than it was for Young White Grads in the Aftermath of the Recession, *Economic Policy Institute.*

Against this backdrop, one would hope the Governor and General Assembly in Springfield would go the extra mile to help traditionally disadvantaged young adults who want to improve their lives and afford college. Unfortunately, just the opposite is occurring in Illinois, as evidenced by both the General Fund cuts to Higher Education overall, and the MAP grant program specifically.

Moreover, if Illinois continues down the path of cutting Higher Education, it may very well put the continued viability of Chicago State University—Illinois's only majority-minority university, serving 4,500 mostly African-American, low income, and/or returning adults—in doubt.

7. HIGHER EDUCATION CUTS HURT THE ECONOMY

To this point, the analysis contained in this report has focused primarily on how the state's disinvestment in Higher Education has impacted Illinois' institutions of higher learning and the students who attend them. However, the damage caused by this disinvestment goes beyond the state's system of Higher Education, and impacts the private sector economy of the communities where universities and colleges are located. That's because each public institution of higher learning in Illinois is also an economic hub—professors and administrative staff own homes near campuses, many students rent private apartments and buy school books and supplies, while everyone employed by or attending the applicable college or university buys essentials and consumes various forms of entertainment. All this consumption stimulates the local private sector economy.

But how can the economic impact of a college or university be valued? Well, economists generally attempt to measure this impact by using economic multipliers.

An economic multiplier measures the amount of private sector economic change that occurs when spending (by government, organizations, businesses, or institutions) increases (or decreases). In other words, if the state increases funding for its public universities and colleges, those institutions in turn may hire more professors or provide more student aid thus increasing enrollment. The new professors and/or students then engage in economic transactions in the local community—like renting apartments, buying clothes, or getting their car repaired, that otherwise would not occur. Then those businesses that sold the clothing or fixed the car, in turn spend the money received from the student or professor in question, generating more economic activity.[45] In this manner, one person's spending becomes another's income, which is in turn spent on other purchases in the local economy.

A recent study by Diego Mendez-Carbajo, an economics professor at Illinois Wesleyan University in Bloomington, Illinois, examined the economic impact of universities. Using McLean County—where both Illinois State University (**ISU**) and Illinois Wesleyan are located—as the basis of his study, Dr. Mendez-Carbajo found that the economic multiplier for Higher Education in the region was 1.3565.[46] In other words, for every dollar of economic activity generated by a college or university, McLean County received $1.36 in private sector economic activity. The study found similar multiplier effects in Peoria and Champaign counties. However, the study found that the economic multipliers for university/college economic activity were even larger in the Chicago area (2.266) and for the entire state of Illinois (2.286).[47] This is because in those larger regions, there is less "leakage" of economic activity. For example, there are no textbook publishers in McLean County, so when a student at ISU buys a textbook, some of the money spent on the book leaves McLean County to end up in whatever community (or state) is home to the textbook publisher. However, this is typically not the case in Chicago specifically and Illinois generally, where many forms of business—including textbook publishers—operate, and thus there is less "leakage" of economic activity.

Of course, rather than investing in Higher Education, Illinois has been disinvesting for over a decade now. Universities and colleges have, for the most part, responded to the cuts with some combination of cutting spending and raising tuition. For example, ISU cut its instruction budget by $1.021 million between FY2015 and FY2016.[48] ISU's spending on its instruction budget is primarily for salaries of academic and administrative staff. Applying the multiplier for McLean County of 1.36 to these cuts shows that the private sector economic loss that McLean County can be anticipated to realize because of those cuts at ISU will be $1.384 million.[49] This loss is not only felt in McLean County of course, it is felt across the state. And considering that each public college and university has had to deal with budget cuts over the past two Fiscal Years, the state-wide impact can be expected to be even greater—that is to say worse—than the example of McLean County above.

For more information, contact the Center for Tax and Budget Accountability:

Ralph Martire, Executive Director, (312) 332-1481 or rmartire@ctbaonline.org
Bobby Otter, Budget Director, (312) 332-2151 or botter@ctbaonline.org
Daniel K. Hertz, Senior Policy Analyst, (312) 332-1481 or dhertz@ctbaonline.org
Danielle Stanley, Research Associate, (312) 332-1285 or dstanley@ctbaonline.org

ENDNOTES

[1] CTBA, *It Is All About the Revenue: Why Both Current FY2016 General Fund Budget Proposals Fall Short* (Chicago: August 2015). http://ctbaonline.org/sites/default/files/reports/www.ctbaonline.org/file/ajax/field_report_file/und/form-rcw2YfBgSY_B0_nrLddmgLOYMofIgUxcc2EOBe7fGek/1442350525/R_2015.07.30_CTBA%20It%20Is%20All%20About%20the%20Revenue.pdf
[2] CTBA. *The Value Propositions Associated with Funding Research-Based K-12 Education Practices.* September 06, 2016. http://www.ctbaonline.org/reports/value-propositions-associated-funding-research-based-k-12-education-practices.
[3] *Bureau Labor of Statistics **(BLS**), Earnings and Unemployment Rates by Educational Attainment, 2015. United States Department of Labor.* March 15, 2016. https://www.bls.gov/emp/ep_chart_001.htm.
[4] CTBA. *The Value Propositions Associated with Funding Research-Based K-12 Education Practices.* September 06, 2016. http://www.ctbaonline.org/reports/value-propositions-associated-funding-research-based-k-12-education-practices.
[5] Paul W. Bauer, Mark E. Schweitzer, and Scott Shane, "State Growth Empirics: The Long-Run Determinants of State Income Growth", Federal Reserve Bank of Cleveland, (Cleveland, OH, May 2006), 4.
[6] [6] Noah Berger & Pete Fisher, "A Well-Educated Workforce is Key to State Prosperity", Economic Analysis and Research Network, (Washington, DC, August 22, 2013), http://www.epi.org/files/2013/A%20well-educated%20workforce%20is%20key%20to%20state%20prosperity.pdf
[7] Noah Berger & Pete Fisher, "A Well-Educated Workforce is Key to State Prosperity", Economic Analysis and Research Network, (Washington, DC, August 22, 2013), http://www.epi.org/files/2013/A%20well-educated%20workforce%20is%20key%20to%20state%20prosperity.pdf.
[8] Raj Chetty, John Friedman, Emanuel Saez, Nicholas Turner, and Diane Yagan, "Mobility Report Cards: The Role of Colleges in Intergenerational Mobility", *NBER*, (January 2017), http://www.equality-of-opportunity.org/papers/coll_mrc_paper.pdf.
[9] David Leonhardt, "America's Great Working-Class Colleges", *The New York Times*, January 22, 2017, https://www.nytimes.com/2017/01/18/opinion/sunday/americas-great-working-class-colleges.html?_r=0.
[10] Commission on Government Forecasting and Accountability (COGFA), State of Illinois Budget Summary: Fiscal Year 2000-2015
[11] CTBA. *Illinois General Fund Spending in FY2016: How Elected Officials Cut Billions in Core Service Expenditures While Worsening the Deficit—All Without Casting a Vote.* October 27,2016. http://ctbaonline.org/reports/illinois-general-fund-spending-fy2016-how-elected-officials-cut-billions-core-service.
[12] CTBA. *Illinois General Fund Spending in FY2016: How Elected Officials Cut Billions in Core Service Expenditures While Worsening the Deficit—All Without Casting a Vote.* October 27,2016. http://ctbaonline.org/reports/illinois-general-fund-spending-fy2016-how-elected-officials-cut-billions-core-service.
[13] Michael Mitchell, Michael Leachman, and Kathleen Masterson, "Funding Down, Tuition Up State Cuts to Higher Education Threaten Quality and Affordability at Public Colleges", *Center on Budget and Policy Priorities*, Updated August 15,2016. http://www.cbpp.org/research/state-budget-and-tax/funding-down-tuition-up.
[14] General Fund appropriations for FY2015 are from CTBA analysis of Governor's Office of Management and Budget **(GOMB)**, Fiscal Year 2017 Operating Budget Details, February 2016.
[15] Michael Mitchell, Michael Leachman, and Kathleen Masterson, "Funding Down, Tuition Up State Cuts to Higher Education Threaten Quality and Affordability at Public Colleges", *Center on Budget and Policy Priorities*, Updated August 15,2016. http://www.cbpp.org/research/state-budget-and-tax/funding-down-tuition-up.
[16] Michael Mitchell, Michael Leachman, and Kathleen Masterson, "Funding Down, Tuition Up State Cuts to Higher Education Threaten Quality and Affordability at Public Colleges", *Center on Budget and Policy Priorities*, Updated August 15,2016. http://www.cbpp.org/research/state-budget-and-tax/funding-down-tuition-up.
[17] CTBA. *Illinois General Fund Spending in FY2016: How Elected Officials Cut Billions in Core Service Expenditures While Worsening the Deficit—All Without Casting a Vote.* October 27,2016. http://ctbaonline.org/reports/illinois-general-fund-spending-fy2016-how-elected-officials-cut-billions-core-service.
[18] CTBA. *Illinois General Fund Spending in FY2016: How Elected Officials Cut Billions in Core Service Expenditures While Worsening the Deficit—All Without Casting a Vote.* October 27,2016. http://ctbaonline.org/reports/illinois-general-fund-spending-fy2016-how-elected-officials-cut-billions-core-service.
[19] Jodi, Cohen, Chicago State University Layoffs Come at a Cost. *Chicago Tribune*, August 2, 2016, http://www.chicagotribune.com/news/ct-chicago-state-layoffs-cost-20160802-story.html.
[20] Dawn Rhodes, Monique Garcia, and Peter Matuszak, "Illinois Higher Education Board to Send $17M to Chicago State, WIU, EIU," *Chicago Tribune,* November 23, 2016 https://www.google.com/amp/www.chicagotribune.com/news/local/breaking/ct-illinois-universities-emergency-funding-20161123-story,amp.html.
[21] Growth rate for state revenue sources is approximately 2.8 percent. For the revenue growth rate for federal revenue CTBA used the Congressional Budget Office's Nominal Wage Growth for Workers Covered by Social Security (Percent) from its 2015 Long-Term Budget, which are the same projections used for spending on current year services.
[22] Growth rate for state revenue sources is approximately 2.8 percent. For the revenue growth rate for federal revenue CTBA used the Congressional Budget Office's Nominal Wage Growth for Workers Covered by Social Security (Percent) from its 2015 Long-Term Budget, which are the same projections used for spending on current year services.
[23] Growth rate for state revenue sources is approximately 2.8 percent. For the revenue growth rate for federal revenue CTBA used the Congressional Budget Office's Nominal Wage Growth for Workers Covered by Social Security (Percent) from its 2015 Long-Term Budget, which are the same projections used for spending on current year services.

[24] Michael Mitchell, Michael Leachman, and Kathleen Masterson, "Funding Down, Tuition Up State Cuts to Higher Education Threaten Quality and Affordability at Public Colleges", *Center on Budget and Policy Priorities*, Updated August 15,2016. http://www.cbpp.org/research/state-budget-and-tax/funding-down-tuition-up.
[25] Illinois Board of Higher Education. (2016). Fiscal Year 2017 Higher Education Budget Recommendations. Page 103. http://www.ibhe.org/Fiscal%20Affairs/PDF/FY17BudgetBook.pdf
[26] Illinois Board of Higher Education. (2016). Fiscal Year 2017 Higher Education Budget Recommendations. Page 103. http://www.ibhe.org/Fiscal%20Affairs/PDF/FY17BudgetBook.pdf
[27] Illinois Board of Higher Education. (2016). Fiscal Year 2017 Higher Education Budget Recommendations. Page 103. http://www.ibhe.org/Fiscal%20Affairs/PDF/FY17BudgetBook.pdf
[28] Terrie Morgan-Bescker, "NEIU warns employees it will run out of cash by December. Chicago Tribune, October 15, 2015, http://thetimes-tribune.com/news/neiu-warns-employees-it-will-run-out-of-cash-by-december-1.1957843.
[29] Valerie, Wilson. *Black unemployment is significantly higher than white unemployment regardless of educational attainment. Economic Policy Institute.* December 17, 2015. http://www.epi.org/publication/black-unemployment-educational-attainment/
[30] Jodi Cohen, Chicago State University Layoffs Come at a Cost, *Chicago Tribune*, August 2, 2016, http://www.chicagotribune.com/news/ct-chicago-state-layoffs-cost-20160802-story.html.
[31] Dawn Rhodes, Western Illinois University Prepares to Cut Degree Programs, *Chicago Tribune,* June 7, 2016, http://www.chicagotribune.com/news/local/breaking/ct-western-illinois-eliminate-programs-met-20160607-story.html.
[32] Jeanne Kuang, University of Illinois Planning Staff Layoffs Due to State Budget Stalemate, *Chicago Tribune*, April 20, 2016, http://www.chicagotribune.com/news/local/breaking/ct-university-of-illinois-layoffs-20160420-story.html.
[33] Katie Lobosco, Illinois University Forced to Lay Off 200 Workers, *CNN Money*, February 12, 2016, http://money.cnn.com/2016/02/12/pf/college/illinois-college-layoffs/.
[34] The downward spiral: the impact of Illinois' year without a budget. Adler University Institute on Social Exclusion. June 2016. Web 10 October 2016. http://www.illinoispartners.org/wp-content/uploads/2016/07/ISE_IllinoisReport_v01.pdf.
[35] Thomas Piketty, Middle Class Political Economist, July 15, 2014, http://www.middleclasspoliticaleconomist.com/2014/07/piketty-on-minimum-wage.html.
[36] http://www.chicagotribune.com/news/ct-college-map-grants-20160331-story.html
[37] http://www.wsj.com/articles/illinois-budget-deadlock-hits-college-enrollments-145316094.
[38] Moody's Investors Service, Rating Action: Moody's Places Seven Illinois Public Universities on Review for Downgrades, June 10, 2016, https://www.moodys.com/research/Moodys-Places-Seven-Illinois-Public-Universities-on-Review-for-Downgrade--PR_903367621.
[39] Jean Lotus, Enrollment Drops at 10 Illinois Public Universities, Chronicle Media, October 10, 2016,
[40] http://www.chicagotribune.com/news/local/breaking/ct-illinois-universities-enrollment-met-20160908-story.html.
[41] Berman, Jillian. *Watch America's student loan debt grow $2,726 every second*. *Market Watch*, 30 January 2016. Web. 20 June 2016. http://www.marketwatch.com/story/every-second-americans-get-buried-under-another-3055-in-student-loan-debt-2015-06-10.
[42] Quinton, Sophie. *The disproportionate burden of student—loan debt on minorities. The Atlantic*, 05, May 2015. Web. 20 June 2016. http://www.theatlantic.com/education/archive/2015/05/the-disproportionate-burden-of-student-loan-debt-on-minorities/392456/.
[43] Valerie, Wilson. *Black unemployment is significantly higher than white unemployment regardless of educational attainment. Economic Policy Institute.* December 17, 2015. http://www.epi.org/publication/black-unemployment-educational-attainment/
[44] Elise Gould and Tanyell Cooke, Unemployment for Young Black Grads is Still Worse than it was for Young White Grads in the Aftermath of the Recession, *Economic Policy Institute*, May 11, 2016, http://www.epi.org/publication/unemployment-for-young-black-grads-is-still-worse-than-it-was-for-young-white-grads-in-the-aftermath-of-the-recession/.
[45] Boardman, Anthony E., Greenberg, David H., Aidan R., Weimer, David L., *Cost-Benefit Analysis: Concepts and Practice.*
[46] Mendez-Carbajo, Diego, "Economic Impact Study of Higher Education in McLean County, IL", (Bloomington, IL: June 2016), https://blogs.iwu.edu/dmendez/.
[47] Mendez-Carbajo, Diego, "Economic Impact Study of Higher Education in McLean County, IL", (Bloomington, IL: June 2016), https://blogs.iwu.edu/dmendez/.
[48] Illinois State University, Fiscal Year 2015: Budget Review, (Bloomington, IL: September 27, 201 4),8. http://budget.illinoisstate.edu/FY2015%20Budget%20Review_for%20web2.pdf.
[49] CTBA analysis of Illinois State University budget data and Dr. Diego Mendez-Carbajo's multipliers for McLean County.