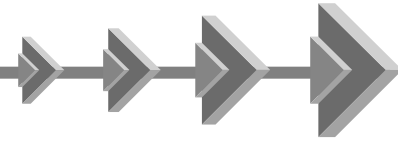


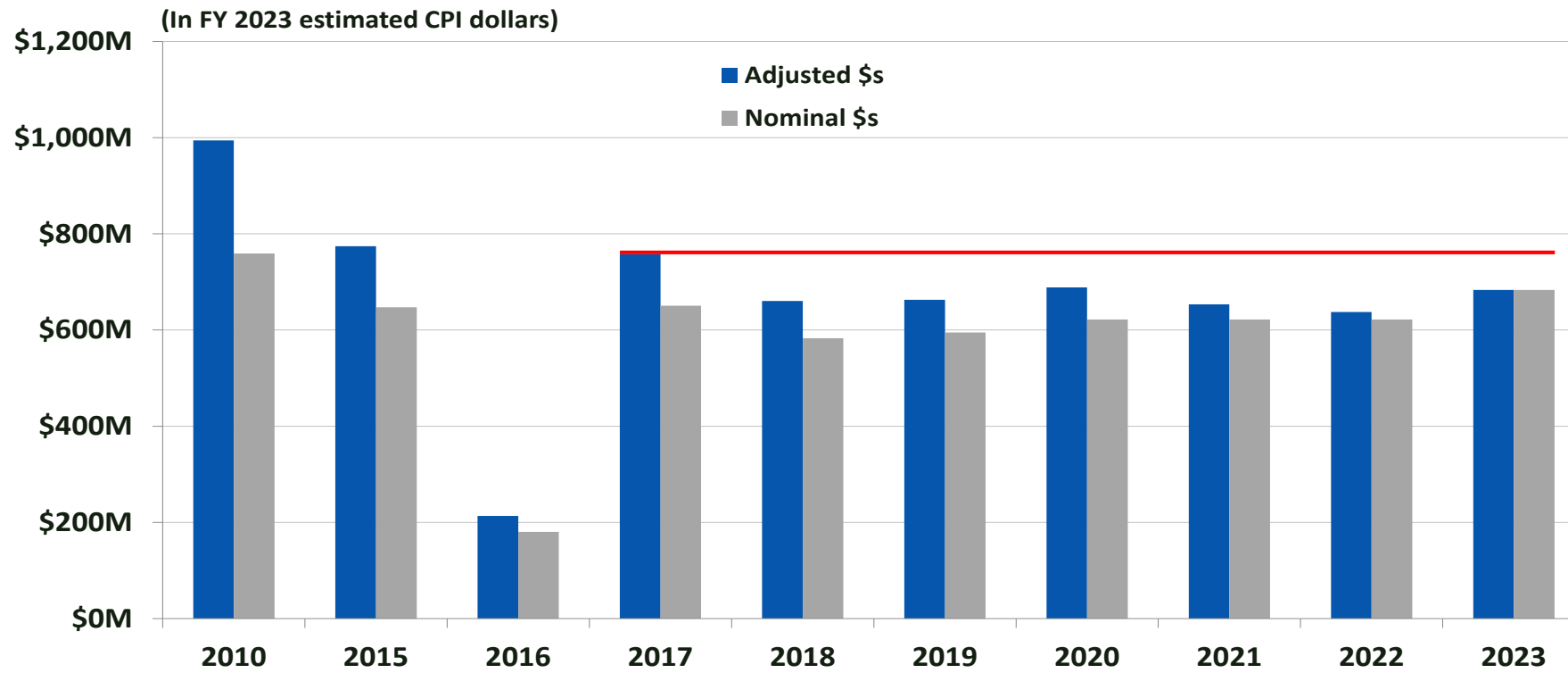
STATE TAX SUPPORT



- ▶ The University of Illinois System has seen sharp fluctuations in direct state tax support over the past three decades, but particularly since FY 2002. In FY 1990 the State provided strong support to the System as part of general tax increase actions and between FY 1990 and FY 2001, the System enjoyed a period of moderate and stable increases in direct tax support.
- ▶ From a high-water mark in FY 2002, direct state appropriations to the University declined from \$803.6 million in FY 2002 to \$646.7 million in FY 2015 (excluding the transfer of the State Scientific Surveys). In FY 2016 and to date for FY 2017, the State had a budget impasse that significantly impacted the University. In FY 2016, the University received only \$180.1 million or approximately 27% of its state budget. In FY 2017, the State appropriated \$350.6 million in bridge funding which represents approximately 54% of the final FY 2015 funding level. In addition to the outright reductions in direct support, beginning in FY 2002, the University annually has \$24.9 million of its appropriation redirected back to the State to cover a portion of health insurance costs as well as mid-year cash rescissions in FY 2002, FY 2003, FY 2004, FY2009 and FY 2015. Finally, in FY2018 the general assembly passed a full budget that also included additional funding for FY 2017 expenses.
- ▶ In FY 2019, state funding for the System began to stabilize, however, nominal funding is still below levels seen in the mid-1990s. The System received a 2% general funds increase in FY 2019, 4.6% in FY 2020, and a supplemental 4.5% increase for FY 2022 late in the fiscal year. Funding for FY 2023 increased 0.8% but was related to two special legislative initiatives.
- ▶ Even with the return of more regular state appropriation increases, nominally, direct state support is still over \$100 million lower than in FY 2015. When adjusting for inflation, direct state appropriations are half of what they were twenty years ago. The cumulative loss in spending authority from rescissions, reductions, and redirections from FY 2002 to FY 2022 is over \$3.97 billion.
- ▶ Inconsistent direct state tax support to the System makes long term fiscal planning difficult. The key variable in achieving moderate and predictable tuition increases is adequate and stable direct state tax support.
- ▶ The System is more dependent upon tuition revenue today than it was in FY 2002. A decade ago, general funds state tax support represented 39.4% of the System's total state & Income funds budget, and tuition revenue (income fund) represented 60.3% of the total. X.X% of funding comes from other state tax funds that support specific operations.
- ▶ The State spent approximately \$9,310 less per University of Illinois student in FY 2022 than it did in FY 2000 when accounting for the impact of inflation and for changes in the mix of students enrolled.
- ▶ In a one-year comparison from FY 2020 - FY 2021 Illinois ranked 10th in changes in tax appropriations for higher education among the fifty states. Over a ten-year period, Illinois ranks 18th in changes in tax support.

- ▶ The state continues to provide indirect tax support in the form of payments made for pensions and benefits on our behalf. A large portion of the funding for pensions is related to the past underfunding, or legacy costs, and does not represent the normal pension costs.

FIGURE 9
STATE APPROPRIATIONS - U OF I SYSTEM



Inflation for FY 2022 and FY 2023 assumed at 2.5%.

FIGURE 10
STATE APPROPRIATED AND INCOME FUND
FY 2013 vs. FY 2023

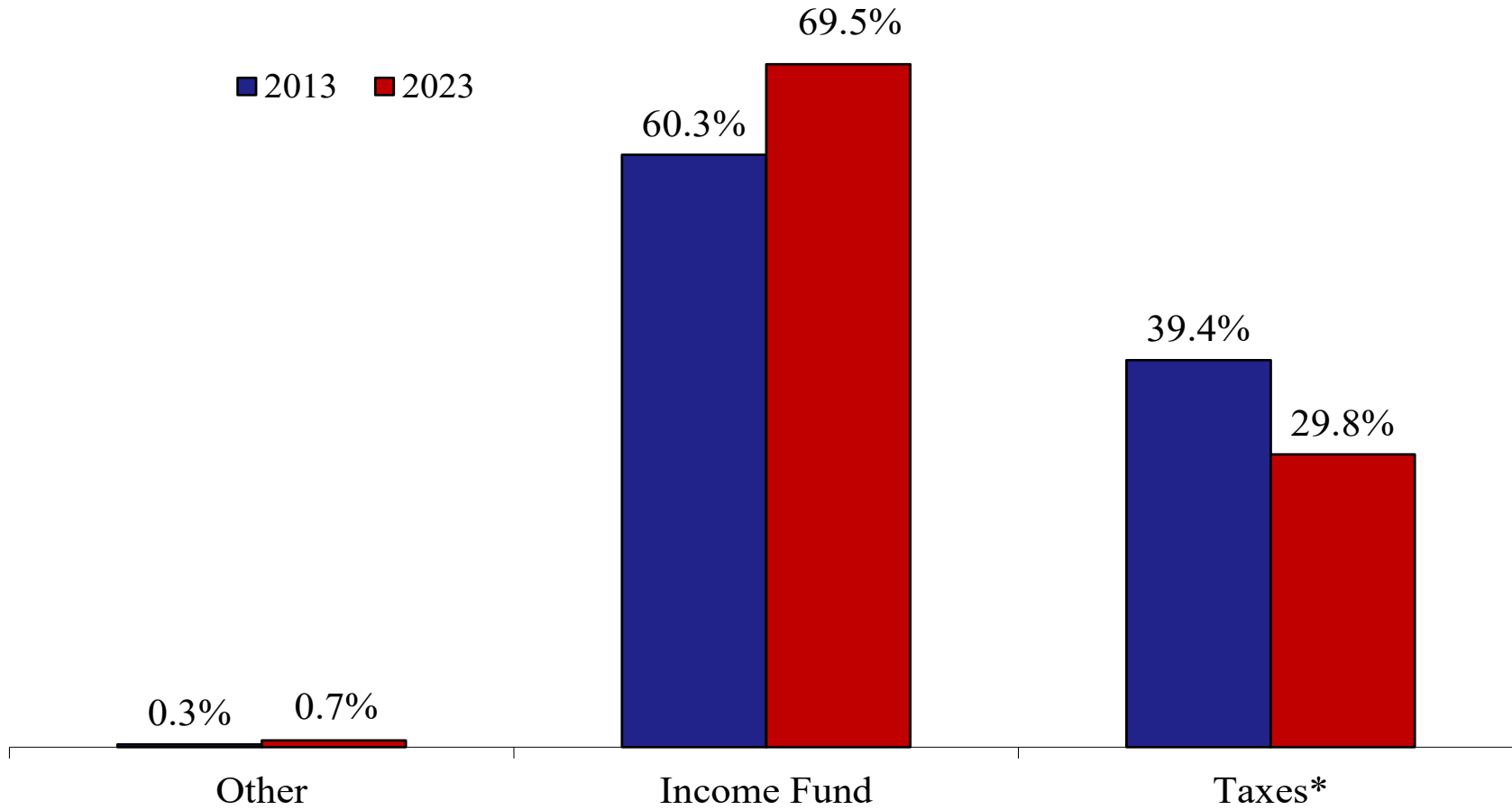


TABLE 64
STATE OF ILLINOIS PAYMENTS ON BEHALF OF THE UNIVERSITY
FY 2000 THROUGH 2023
(Dollars in Thousands)

	Retirement	Fringe Benefits	Health Insurance	Total
2000	\$ 90,606.5	\$ 127,261.8		\$ 217,868.3
2001	94,267.3	154,420.1		248,687.4
2002	99,014.4	157,024.2	\$ 24,893.2	280,931.8
2003	112,980.6	169,170.4	24,893.2	307,044.2
2004	727,269.3	210,084.4	24,893.2	962,246.9
2005	114,279.8	232,952.6	24,893.2	372,125.6
2006	70,462.8	257,464.0	24,893.2	352,820.0
2007	107,981.7	268,675.0	24,893.2	401,549.9
2008	144,642.4	296,838.0	24,893.2	466,373.6
2009	191,959.8	294,061.8	24,893.2	510,914.8
2010	291,255.1	343,490.0	24,893.2	659,638.3
2011	321,272.4	361,929.0	24,893.2	708,094.6
2012	403,628.5	414,456.0	24,893.2	842,977.7
2013	588,267.0	495,399.0	24,893.2	1,108,559.2
2014	644,332.0	430,581.0	24,893.2	1,099,806.2
2015	681,677.0	491,054.0	24,893.2	1,197,624.2
2016	836,040.0	500,451.0	24,893.2	1,361,384.2
2017	1,086,799.0	524,665.0	24,893.2	1,636,357.2
2018	1,040,721.0	669,767.0	24,893.2	1,735,381.2
2019	1,194,362.0	(148,878.0)	24,893.2	1,070,377.2
2020	1,373,809.0	(186,149.0)	24,894.2	1,212,554.2
2021	1,518,692.0	374,731.0	24,894.2	1,918,317.2
2022	1,103,008.0	257,997.0	24,894.2	1,385,899.2
2023*	1,164,907.0	278,637.0	24,894.2	<u>1,468,438.2</u>
INCREASE				<u>\$ 1,250,569.9</u>

FY2004 reflects sale of pension obligation funds. Portion from bonds \$597,245.0 thousand.

FY 2016 SURS reflects GASB 68 changes and reflects "pension revenue recognized" and not actual payment

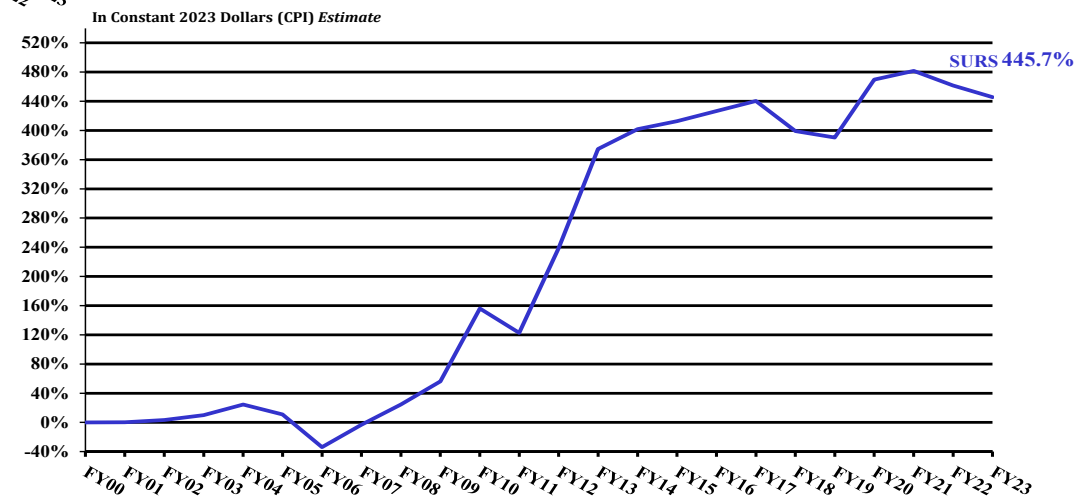
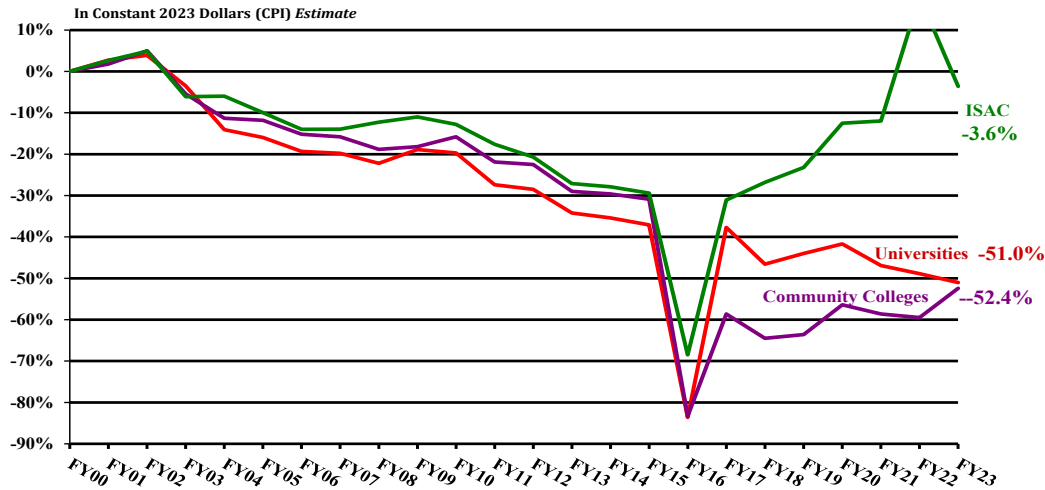
FY 2018 began GASB accounting for OPEB - no longer represents amount paid for benefits.

FY 2019 - FY 2022 reflects OPEB adjustment for over assessment of universities, and using actual data and

*Retirement estimate based on the University's actual percentage of total SURS from prior

year and fringe benefits based on 5 year average increase.

FIGURE 11
 CUMULATIVE CHANGE IN STATE TAX APPROPRIATION
 BY HIGHER EDUCATION SECTOR



Note: FY02 – FY23 exclude \$45 million from higher education for Health Insurance payment to CMS.
 SURS: FY05 – FY23 include State Pension Fund; FY10 & FY11 SURS includes full funding from pension bonds.
 ISAC: FY22 includes \$230 million appropriation for College Illinois
 FY13-FY23 higher education includes funding for state surveys.
 FY 2017 based on Bridge Appropriation.
 FY2023 CPI estimate based on a projected 5.0% CPI increase