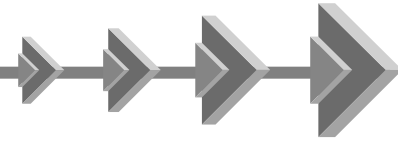


# STATE TAX SUPPORT



- ▶ 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 FY 2017, the State had a budget impasse that significantly impacted the University. In FY 2016, the University received only 27% of its state budget, a shortfall of over \$400 million. Funding was restored to FY 2015 levels late in FY 2017, however because of the timing, approximately half of the FY 2017 appropriation was not received until FY 2018. 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.
- ▶ In FY 2019, state funding for the System began to stabilize, however, nominal funding is still below levels seen in the early-2000s. 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. In FY 2024, the System received a 6.5% general funds increase, 1.8% in FY 2025, and 2.7% in FY 2026, however 2% of the FY 2026 appropriation is contingent upon release by the Governor.
- ▶ Even with the return of more regular state appropriation increases, direct state support is still over \$29 million lower than in FY 2010 in nominal dollars. When adjusting for inflation, direct state appropriations are only 64% of what they were twenty years ago. The cumulative loss in spending authority from rescissions, reductions, and redirections from FY 2002 to FY 2026 is over \$4.37 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. In FY 2002, general funds state tax support represented 73.8% of the System's total State & Income Funds budget, and tuition revenue (income fund) represented 26.1% of the total and 0.1% of funding comes from other state tax funds that support specific operations. In FY 2025 the contributions have flipped with only 29.6% of the System's total State & Income Funds budget coming from state tax support and 70.0% from tuition revenue, and 0.4% coming from other state tax funds.
- ▶ 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 8  
STATE APPROPRIATIONS - U OF I SYSTEM

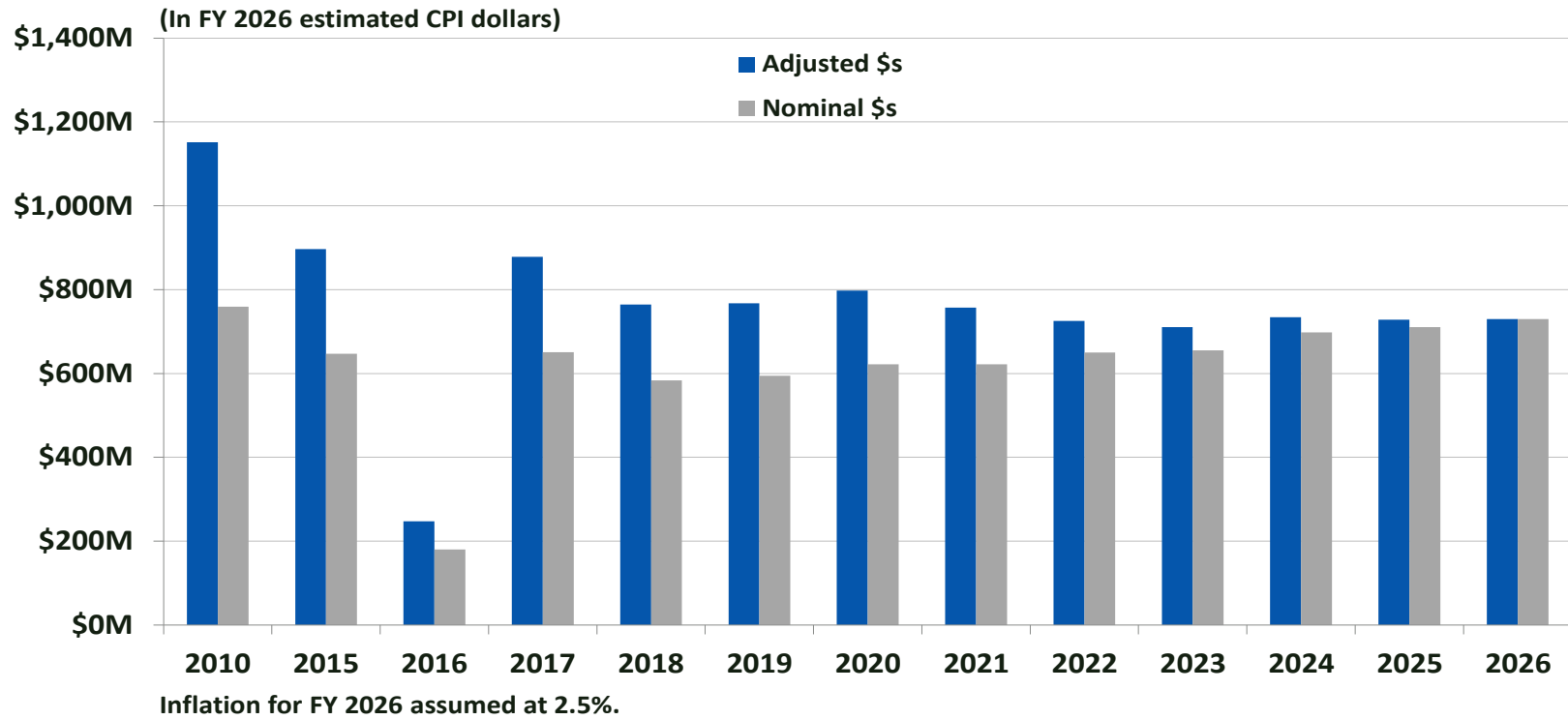


FIGURE 9  
STATE APPROPRIATED AND INCOME FUND  
FY 2015 vs. FY 2025

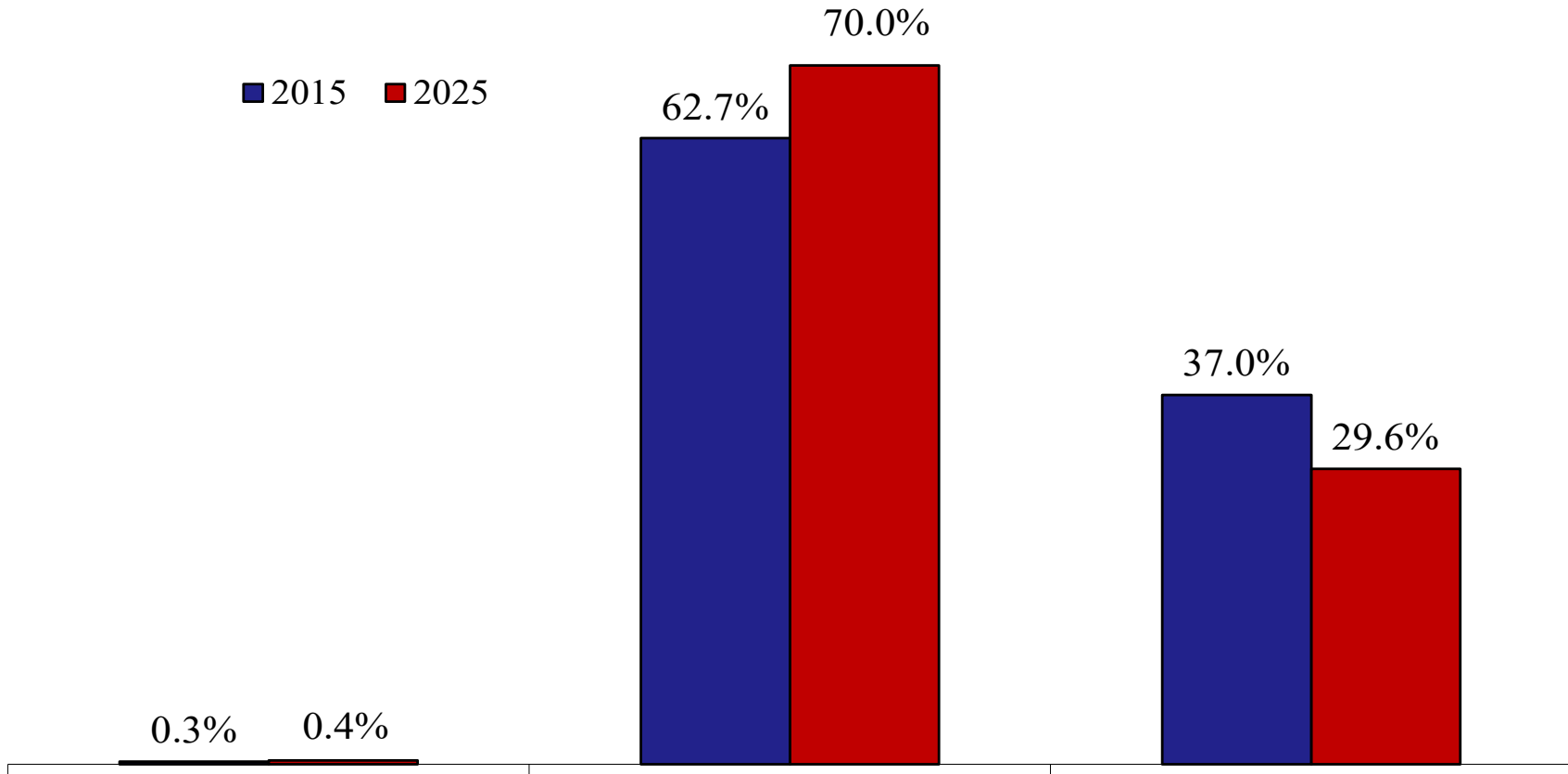
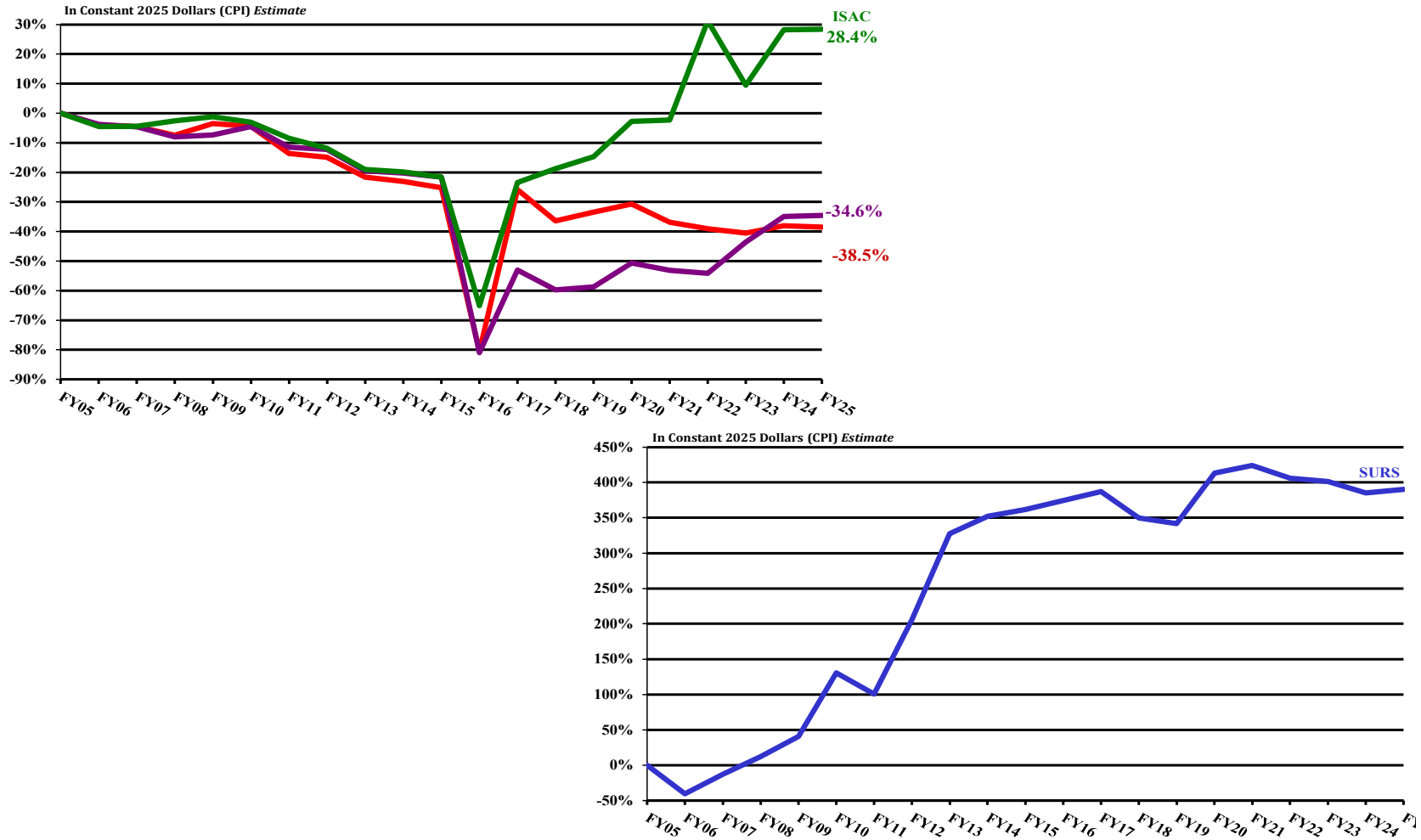


FIGURE 10  
 CUMULATIVE CHANGE IN STATE TAX APPROPRIATION  
 BY HIGHER EDUCATION SECTOR



Note: FY05 – FY25 exclude \$45 million from higher education for Health Insurance payment to CMS.

SURS: FY05 – FY25 include State Pension Fund; FY10 & FY11 SURS includes full funding from pension bonds.

ISAC: FY22 includes \$230 million appropriation for College Illinois

FY13-FY25 higher education includes funding for state surveys. FY 2017 based on Bridge Appropriation.

FY2025 CPI estimate based on a projected 2.7% CPI increase