



Comptroller Daniel W. Hynes

APRIL 2002 ISSUE



Fiscal FOCUS

QUARTERLY

IN THIS ISSUE
Fiscal Smarts
...PAGE 2



IN THIS ISSUE
Focus On Revenue
...PAGE 8



IN THIS ISSUE
Focus On Spending
...PAGE 9



IN THIS ISSUE
Vital Statistics
...PAGE 15



A Profile of Illinois Higher Education

Illinois has a long tradition of excellence in higher education. The University of Illinois, established as a Land Grant school in 1862, has been and continues to be a national leader in many disciplines. But the system of higher education is much more diverse and complex. There is a strong array of public and private institutions that includes 12 public universities, 48 community colleges, 99 private, non-profit institutions, and 26 proprietary institutions.

The public universities include Chicago State University, Eastern Illinois University, Governors State University, Northeastern Illinois University, Western Illinois University, Illinois State University, Northern Illinois University, Southern Illinois University, and the University of Illinois. The community colleges are spread throughout 39 local community college districts. The private schools include names such as the University of Chicago and Northwestern University, while DeVry Institute of Technology and the Rockford Business College are examples of some of the proprietary institutions.

COVER STORY continued, page 5

Dear Readers:

This issue of *Fiscal Focus* is devoted to higher education in Illinois. Although the complete picture includes public, private and proprietary institutions, this issue concentrates on the state government role in supporting public colleges and universities.

State expenditures of appropriated funds for higher education totaled \$2.7 billion in fiscal year 2001, up 8.6 percent from the \$2.5 billion spent in fiscal year 2000. However, given the recent recession and state budget difficulties, General Funds support for higher education will be strained.

With state support constrained, colleges and universities are considering raising tuition and fees. That prospect will not be good news for current students and their parents, but there is better news for parents who have more years to save for their children's college educations. Section 529 College Savings Plans allow families to invest in prepaid tuition plans or managed investment funds while their children are still young (see *Economic Focus* on page 3).

Your comments about this or our other publications are always welcome. Your input can be sent directly, or via the web site at www.ioc.state.il.us.

Sincerely,

Daniel W. Hynes
Comptroller



Cover Story	cover
.....cont.	5, 10, 11, 12, 16
From The Comptroller	2
Fiscal Smarts	2
.....cont.	4
Economic Focus.....	3
.....cont.	4
Interesting Web Sites	4
How Illinois Stacks Up	6
Focus on Revenue	8
Focus on Spending	9
.....cont.	7
Local Government Line.....	13
.....cont.	14
Fiscal Forum	14
Vital Statistics	15
.....cont.	16
January 2002 Tables.....	17
February 2002 Tables	18
March 2002 Tables	19



Fiscal Focus is one of the ways the Comptroller's Office strives to assist taxpayers and the people of Illinois. This monthly report is designed to provide fiscal information of general interest and in compliance with state statutes.

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Fiscal Smarts

College Tour Addresses Credit Card Debt

“After visiting 15 college and university campuses across the state, it is clear to me that students are being aggressively solicited by credit card companies from the first day they set foot on campuses and many of them are simply not equipped to deal with the easy access to ‘free money.’ It is also clear to me that students need more consumer-oriented education on the responsible use of credit cards.”

Daniel W. Hynes
State of Illinois Comptroller

During the months of August through November 2001, Comptroller Hynes embarked on a statewide college tour to discuss the issues and problems of credit card debt as it relates to college students. Comptroller Hynes has been a constant voice for fiscal responsibility in Springfield as it pertains to state finances, and during this college tour he took the message of fiscal

responsibility to college students, specifically addressing the issues of credit card use and personal financial management.

Comptroller Hynes met with students, parents and administrators at 15 different colleges and universities throughout Illinois. Each visit brought greater insight into the problems of over-solicitation and marketing of credit cards to students, distribution of student information to credit card companies for solicitation, and most importantly, the lack of educational information and materials available to students related to the responsible use of credit cards.

A recent study indicated that 70 percent of the undergraduates at 4-year colleges had at least one credit card and that almost 20 percent of those students were frequent spenders who carried a debt of \$10,000 or more. Most stu-

FISCAL SMARTS continued, page 4



New Tuition Plans Encourage Savings

Qualified state tuition programs, or 529 College Savings Plans, were created under Section 529 of the Internal Revenue Code to help people save for the cost of higher education. These programs provide several key benefits for investors, including tax savings, flexibility in selecting portfolios professionally managed by major mutual fund companies, and allowing you to control withdrawals for the life of the account. The money saved in 529 plan accounts can be used to pay tuition, books, fees and certain room-and-board charges.

There are two types of 529 plans: Prepaid Tuition Plans and Managed Investment Programs.

Prepaid Tuition Plans

Prepaid tuition plans are college savings plans that are guaranteed to increase in value at the same rate as college tuition. The main benefit of these plans is that they allow a student's parents to lock in tuition at current rates. Illinois' prepaid tuition plan is called College Illinois!

College Illinois! started in 1998 and is administered by the Illinois Student Assistance Commission (ISAC). Backed by the State of Illinois, program participants purchase semesters of college equal to the current rate of tuition and fees at Illinois public institutions. When the beneficiary is ready to go to school, they receive benefits that keep pace with tuition and fee increases at in-state public schools.

According to ISAC, College Illinois! has sold over 22,000 contracts, which represents the first three enrollment periods

through June 2001, with approximately \$340 million committed to purchasing tuition and fee benefits for use at public and private institutions nationwide. An estimated 95% of College Illinois! purchasers are Illinois residents.

The program is open to all Illinois residents and non-Illinois residents purchasing for an Illinois beneficiary. As of January 1, 2002, all program benefits can be used at in-state, out-of-state, public or private institutions and plan earnings are 100 percent exempt from state and federal income taxes. Also, Illinois residents can participate in both College Illinois! and other Section 529 savings plans. There is no prohibition against participation in more than one such program.

Managed Investment Funds

These funds are more flexible than prepaid tuition plans but also have a risk of losing money. Most are open to anyone and the money can be used at virtually any accredited school in the US for approved expenses related to higher education. These plans follow asset-allocation guidelines, with stocks giving way to bonds as the child nears college. Illinois' managed investment plan is called Bright Start.

Bright Start began on March 27, 2000 and is administered by the Treasurer's Office.

According to the Treasurer's Office, in two years the program has grown to over \$272 million with over 42,000 accounts. Of this, 23,315 (55%) are Illinois residents with over \$140 million put away for college savings. Since January 1, 2002, the

program has really grown due not only in large part to the new income tax deduction, but also because of increased awareness. Over the last three months, more than 10,000 Illinois residents have established Bright Start accounts worth over \$78 million.

On January 1st, Illinois became one of three states that offer an unlimited state income tax deduction. This means that every dollar deposited into the Bright Start College Savings Program can be deducted from Illinois income taxes next year. Furthermore, if the money is used for any qualified college expenses (tuition and fees, room and board, books, supplies, lab fees, computers, software, etc.) at any qualified school in the United States, then the earnings on the account are exempt from both federal and state income taxes. Tax free college savings that can be used for nearly all college expenses anywhere.

Upromise

Upromise Investments, Inc., a registered broker-dealer and wholly-owned subsidiary of Upromise, Inc., offers another way parents can save for college.

Upromise is a rebate program that is set up so parents, grandparents, uncles, aunts, other relatives and friends can buy from Upromise's network of participating companies including 50,000 + realtors, 100 + online stores, 7,000 restaurants, 8,500 + retail stores, and many grocery stores. Purchasers earn rebates ranging from less than 1% to 10% of their purchases. The money is deposited directly into a 529 plan set up for the buyer's designated child.

In Illinois, Upromise is linked to the Bright Start program. Upromise tracks purchases when people register their credit cards with the company and the contributions automatically are invested quarterly into a Bright Start account.

ECONOMIC FOCUS continued, page 4

Alternatives to State Prepaid Tuition Plans

There are a few alternatives that have some of the characteristics of prepaid tuition plans. The earnings on these investments, however, may be subject to local, state, and federal taxes each year, unlike prepaid tuition plans. In addition to the alternatives listed below, several schools have tuition gift certificate programs.

- CollegeSure CD
- Education IRAs
- National Prepaid Tuition Consortium
- Penalty-Free Withdrawals from Individual Retirement Plans
- SAGE Scholars Program
- US Series EE Savings Bonds
- Inflation-Adjusted T-Bonds ■

Fiscal Smarts concluded from page 2

dents are not familiar with the long-term repercussions that credit card debt can cause. Unlike a bad grade on a mid-term exam, a person's credit history can be reported by credit rating agencies for up to seven years. Bad credit can result in future credit being denied for apartment leasing, or car or home loans, and future career plans can be jeopardized.

After the campus meetings with students, parents and administrators, the Comptroller decided it was important to continue to raise awareness of the issue of student credit card debt. The Comptroller's Office is currently working with universities and colleges to bring educational materials to students that will help them address the issues of personal financial management and credit cards.

For example, the office is working with the Illinois Student Assistance Commission to provide students with educational brochures to help inform students about the use of credit cards. In addition, Comptroller Hynes is working with student leaders to help bring an increased awareness of the issue of credit card use. At Quincy University, Students for Free Enterprise has established a "Credit Card Awareness Week" with the goal of providing educational materials to students pertaining to credit card use and an increased awareness of the issue. ■

Some of the Companies Participating in Upromise

- | | |
|-----------------|------------------------|
| AT&T | America Online, Inc. |
| Citibank | Borders Group |
| Coca-Cola | Century 21® |
| CVS/pharmacy | Coldwell Banker® |
| ExxonMobil | ERA® |
| General Motors | Countrywide Home Loans |
| McDonald's | Staples |
| Toys"R"Us, Inc. | Starwood Hotels |

• Interesting Web Sites •



Organization

State Government

- Illinois Board of Higher Education
- Illinois Community College Board
- Illinois Student Assistance Commission
- Bright Start
- State Universities Retirement System
- Chicago State University
- Eastern Illinois University
- Governors State University
- Illinois State University
- Northeastern Illinois University
- Northern Illinois University
- Southern Illinois University-Carbondale
- Southern Illinois University-Edwardsville
- University of Illinois-Chicago
- University of Illinois-Springfield
- University of Illinois-Urbana/Champaign
- Western Illinois University

Federal Government

- United States Department of Education
- FASFA On-line

Regional Associations

- Midwestern Higher Education Commission (MHEC)
- New England Board of Higher Education
- Southern Regional Education Board
- Western Interstate Commission for Higher Education

Other Organizations

- National Center for Public Policy and Higher Education
- American Association for Higher Education
- American Association for Community Colleges
- American Council on Education
- Association of Community College Trustees
- Center for Higher Education Policy Studies
- College Board
- College Source online
- Education Commission of the States
- Educational Resources Information Center (ERIC)
- Learning in Illinois
- Natl. Assoc. State Universities and Land-Grant Colleges
- State Higher Education Executive Officers (SHEEO)
- State-by-State Report Card for Higher Education
- The Center for Community College Policy

WEB Site Address

- www.ibhe.state.il.us
- www.iccb.state.il.us/
- www.isac-online.org/gateway.html
- www.brightstartsavings.com/index_home.html
- www.surs.com/
- www.csu.edu
- www.eiu.edu
- www.govst.edu
- www.ilstu.edu
- www.neiu.edu
- www.niu.edu
- www.siuc.edu
- www.siu.edu
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- www.uis.edu
- www.uiuc.edu
- www.wiu.edu
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- www.ecs.org/
- www.accesseric.org
- www100.state.il.us/learning/students.cfm
- www.nasulgc.org
- www.sheeo.org
- measuringup2000.highereducation.org/
- www.communitycollegepolicy.org/

Enrollment Trends

If undergraduate enrollment figures are any indication, the “demand” for higher education in the United States has grown steadily over the past decades. According to the National Center for Educational Statistics (NCES), fall enrollment figures have grown from just over 7 million students in 1970 to about 15 million in 2000,

In 2001, there were 25,064 less students enrolled than in 1997, a decrease of 4.5 percent since 1997.

Faculty members are an essential part of higher education. Like fall enrollment figures, faculty counts at Illinois public universities also fluctuate up and down from year to year. Some universities have more

number of degrees conferred by Illinois public universities is beginning to increase. From 1995 to 1997, the number of conferred degrees decreased from 43,170 to 41,901 (-2.9%). This downward trend reversed direction in 1998 and by 2000 the number of degrees conferred by Illinois public universities had grown to 43,115, an increase of 2.9% over the 1997 low. The three institutions in the University of Illinois system accounted for 15,786 or 36.6% of the degrees conferred in 2000. The Carbondale and Edwardsville campuses of Southern Illinois University were a distant second awarding 8,024 or 18.6% of the degrees in 2000.

Total Enrollment Illinois Public Colleges and Universities

Institution	1997	1998	1999	2000	2001
University of Illinois-Urbana/Champaign	38,070	38,307	38,851	38,465	37,684
University of Illinois-Chicago	24,921	24,799	24,610	24,942	28,114
Northern Illinois University	22,082	22,473	22,843	23,248	23,783
Illinois State University	20,331	20,394	20,470	20,755	21,035
Southern Illinois University-Carbondale	21,908	22,251	22,323	22,552	19,441
Western Illinois University	12,200	12,610	12,934	13,089	13,206
Southern Illinois University-Edwardsville	11,207	11,520	11,877	12,193	12,442
Northeastern Illinois University	10,224	10,545	10,937	10,941	10,999
Eastern Illinois University	11,777	11,735	11,226	10,637	10,531
Chicago State University	8,722	8,416	7,580	6,914	7,079
Governors State University	6,117	6,164	6,150	6,105	5,860
University of Illinois-Springfield	4,463	4,334	4,079	3,942	4,288
Public University Total	192,022	193,548	193,880	193,783	194,462
Community College Total	367,605	344,556	340,522	339,673	340,101
Total	559,627	538,104	534,402	533,456	534,563

Source: Illinois Colleges and Universities, Illinois Board of Higher Education.

and are projected to reach 16.3 million by 2005 and possibly 17.5 million by 2010.

In Illinois, approximately 753,000 students were enrolled in higher education institutions in the fall of 2001, with about 45 percent enrolled in community colleges, 26 percent in public universities, and 29 percent in private universities. A breakout of the public colleges and universities is shown in the table. Unlike the national trend, total fall enrollments in Illinois public colleges and universities are down for the period from 1997 to 2001. Although the total is down by over 25,000 students, most of the decrease is attributable to the community colleges. For the public universities, the trend is rather flat with fluctuations up and down from year to year. For example, for the 5-year period from 1997 to 2001, the enrollment at Chicago State University is down 1,643 students, but there was a small increase of 165 students from 2000 to 2001. Similar fluctuations are evident for other schools, but considering total enrollment there is a downward movement from 1997 to 2001.

faculty in 2001 than they had in 1998, and some have fewer faculty members. The University of Illinois-Urbana/Champaign has the largest faculty with 1,715 in 2001, followed by the Chicago campus with 1,030 and Northern Illinois University with 852. Despite having the most faculty members, the head counts at these institutions are down from the levels in 1998. Overall, the total full-time faculty head count is down slightly from 12,365 in 1998 to 12,288 in 2001 (see table).

Despite falling off in 1995 and 1996, the

State Government Organization

In addition to the public universities and community colleges, there are a number of other state agencies involved in higher education in Illinois. The Illinois Board of Higher Education (IBHE) is responsible for the planning and coordination of higher education. The IBHE develops an annual state budget for higher education, reviews and approves degree-granting programs offered by public and independent institutions, and reviews and approves the operating authority for independent post-secondary institutions. In addition,

Faculty Head Count Illinois Public Colleges and Universities

Institution	1998	1999	2000	2001
University of Illinois-Urbana/Champaign	1,746	1,702	1,722	1,715
University of Illinois-Chicago	1,056	1,056	1,009	1,030
Northern Illinois University	891	856	847	852
Illinois State University	784	807	839	842
Southern Illinois University-Carbondale	862	853	868	839
Western Illinois University	587	596	590	604
Eastern Illinois University	577	568	556	559
Southern Illinois University-Edwardsville	457	451	460	459
Northeastern Illinois University	280	329	272	270
Chicago State University	279	272	259	257
Governors State University	176	185	189	185
University of Illinois-Springfield	147	155	148	149
	7,842	7,830	7,759	7,761
Community College Total	4,523	4,522	4,502	4,527
Total	12,365	12,352	12,261	12,288

Source: Illinois Colleges and Universities, Illinois Board of Higher Education.

the IBHE administers grants for health education, engineering equipment, cooperative work-study, professional develop-

COVER STORY continued page 10

HOW Illinois Stacks Up

Comparison of Rankings, Selected States

State	Rankings	
	Per Pupil Support	Tuition & Fees
Connecticut	3	9
Illinois	32	13
Indiana	20	18
Iowa	9	25
Kentucky	6	34
Michigan	36	7
Minnesota	8	15
Missouri	29	17
Nevada	45	50
Utah	40	48
Vermont	48	1
Wisconsin	37	22

Source: CQ's State Fact Finder, Rankings Across America, 2002.

Illinois Lags in Support of Higher Education

Illinois ranked 32nd among the states in per pupil support for higher education. With spending of \$5,059 per pupil, Illinois was \$297 below the \$5,356 spending figure for the nation. The amounts for each state were calculated by using 1999 enrollment numbers from the U.S. Department of Education and a survey of fiscal year 2001 state appropriations for higher education.

The top five states in per pupil support were: North Carolina (\$7,465), Alaska (\$7,419), Connecticut (\$7,336), Hawaii (\$7,294), and Mississippi (\$7,266). The state with the lowest ranking was New Hampshire with spending of \$2,826 followed by Arizona (\$3,231), Vermont (\$3,292), Colorado (\$3,388), and Montana (\$3,696).

Compared to surrounding states, only Michigan (\$4,832) and Wisconsin (\$4,688) ranked lower than Illinois. Making the top ten were Kentucky (\$6,834), Minnesota (\$6,503) and Iowa (\$6,363). Indiana and Missouri with spending per pupil of \$5,560 and \$5,155 ranked 20th and 29th.

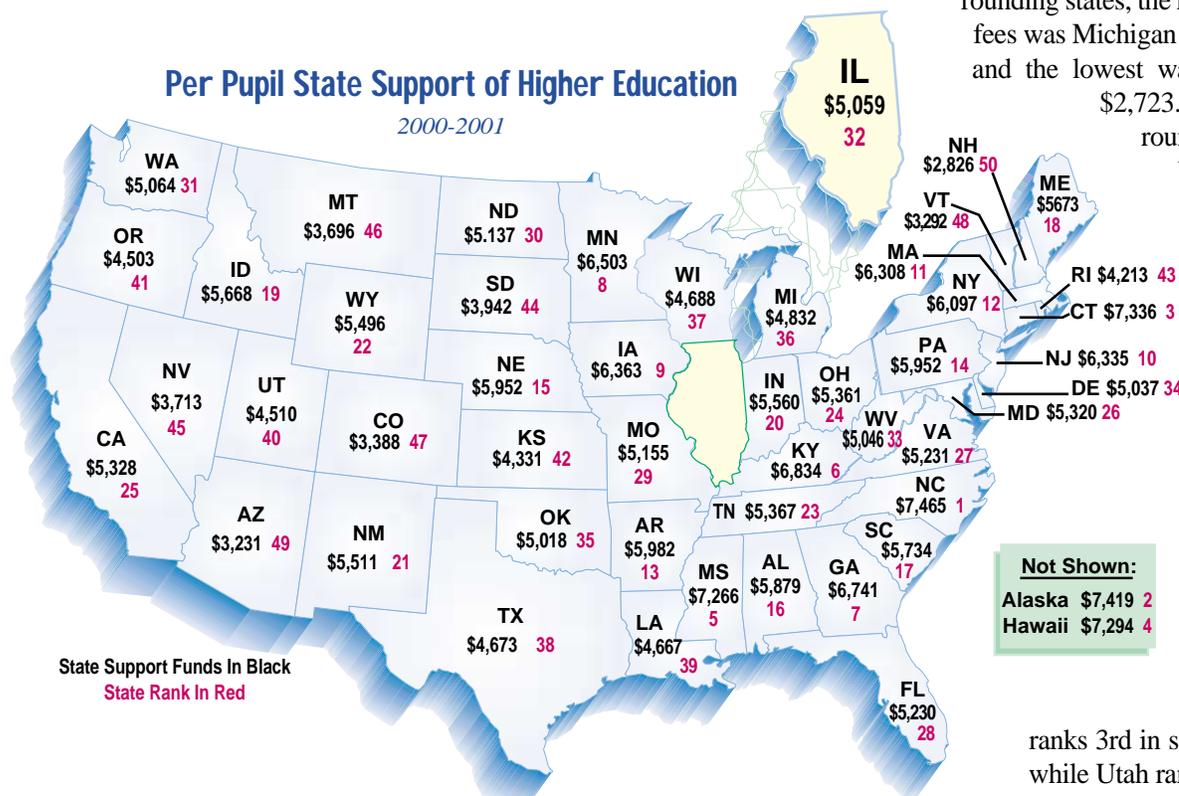
For the 1999-2000 school year, Illinois ranked 13th in average tuition and fees at public universities. With average tuition and fees of \$4,038, Illinois was \$687 above the \$3,351 figure for the United States. Vermont was number one with \$6,913 in tuition and fees, while Nevada was 50th at \$2,034. For surrounding states, the highest ranking for tuition and fees was Michigan with \$4,538 ranking them 7th and the lowest was Kentucky ranked 34th at \$2,723. While the rest of the surrounding states fell somewhere in

between, Michigan was the only state to rank higher than Illinois.

It may seem that there should be an inverse correlation between state support and tuition. The more state support the lower the tuition and vice versa. While it appears that this is true for some states such as Vermont, Illinois and Michigan, it is not always the case. For example, Connecticut ranks 3rd in state support and 9th in tuition while Utah ranked 40th in state support and 48th in tuition. ■

Per Pupil State Support of Higher Education

2000-2001



Not Shown:
Alaska \$7,419 2
Hawaii \$7,294 4

Source: CQ's State Fact Finder, Rankings Across America, 2002.

million in fiscal year 2001, an increase of \$22.8 million or 7.0% from fiscal year 2000 spending of \$325.8 million, and a 90.3% increase from fiscal year 1992 spending of \$183.2 million.

In fiscal year 2001, students at private institutions received \$179.4 million or 51.5% of MAP funds. Students at public universities received \$128.1 million or 36.7% and community college students received \$41 million or 11.8%. The average MAP award of \$2,500 in fiscal year 2001 was an increase of \$117 or 5% over fiscal year 2000. Compared to the average tuition and fee figure for Illinois students of \$6,095 for academic year 2000-2001, the average MAP award represented 41.0% of the total.

The FFEL program ensures Illinois students and families have access to private capital for loans to meet college expenses. Under the program, ISAC serves as the guarantor of loans made to qualified students. Loan volume has fluctuated over the past decade reflecting a wide variety of program changes. From fiscal year 1991 to 1995, loan volume increased substantially reflecting higher loan limits, the creation of the new loan type called unsubsidized loans and increased college costs. Beginning in fiscal year 1996, the federal government began to provide direct student loans through the FFEL program, reducing the number and amount of loans guaranteed by ISAC. Currently ISAC and the federal government each facilitate about one-half of the FFEL loans made in the state.

Students who attend college accrue a wide variety of benefits to both themselves and society as a whole. College training can help individuals achieve higher incomes and make larger contributions to society. A recent report from the Institute of Governmental and Public Affairs at the University of Illinois entitled "Illinois Higher Education: Building the Economy, Shaping Society" indicates obtaining a Bachelor's degree significantly increases the potential earnings of Illinois citizens, that the increased earnings of students lead to increased tax receipts for the State, and that citizens with a college education are likely to have better health, a greater sense of civic responsibility, and increased likelihood of employment. ■

**Illinois Student Assistance Commission Programs
Fiscal Year 2001**

<u>Grant and Scholarship Programs</u>	<u>Expenditures</u>	<u>Recipients</u>	<u>Average Award</u>
Monetary Award Program (MAP)**	\$348,572,038	139,421	\$2,500
Illinois Incentive for Access Grant Program (IIA)	7,490,750	19,024	394
Student-to-Student Grant Program (SSIG)	913,249	2,940	311
Higher Ed License Plate Program (HELP)	43,850	N/A	N/A
Illinois Veteran Grant Program (IVG)	18,852,942	11,756	1,604
Illinois National Guard Grant Program	4,309,663	2,934	1,469
Merit Recognition Scholarship Program (MRS)	5,175,250	5,270	982
Minority Teachers of Illinois Scholarship (MTI)	2,287,960	501	4,567
David A. Debolt Teacher Shortage Scholarship Program (DTSS)	1,541,488	334	4,615
Arthur F. Quern Information Technology Grant	2,596,471	1,070	2,427
Bonus Incentive Grant Program (BIG)	481,860	1,226	393
Grants for Dependents of Police/Fire/Correctional Officers	197,886	52	3,806
Robert C. Byrd Honors Scholarship Program	1,656,313	1,123	1,475
Total	\$394,119,720	185,651*	

<u>Loan Programs</u>	<u>Net \$ Guarantees</u>	<u>Net # Guarantees</u>	<u>Average Guarantee</u>
Federal Stafford Subsidized Loan Program	\$304,943,737	82,277	\$3,706
Federal Stafford Unsubsidized Loan Program	245,449,145	53,986	4,547
Federal PLUS Loan Program	60,733,703	7,983	7,608
unlLoan Consolidation Loan Program	105,280,379	3,650	28,844
Total	\$716,406,964	147,896	

* Students may participate in more than one program, therefore, recipient totals across programs do not represent total unduplicated students served.

**Includes funds distributed in the Less-Than-Half-Time and Summer MAP Demonstration Projects.

Source: Illinois Student Assistance Commission.

FOCUS On Revenue

Tuition and Fee Trends

Although tuition and fees at Illinois public universities and community colleges have increased rapidly in recent years, these institutions remain a bargain when compared to the state's private colleges and universities. For fiscal year 2002, tuition and fees aver-

graduate students at Illinois public universities ranged from \$2,454 at Governors State University to \$4,994 at the University of Illinois Champaign/Urbana. For that academic year, public community college tuition and required fees range from as low

save early as the annual costs for these schools can cost as much as a new car. For the 2000-2001 academic year, six private institutions in Illinois had full-time tuition and required fees in excess of \$20,000. These include Illinois Wesleyan University at \$20,410, Knox College \$21,174, Lake Forest College \$21,190, Northwestern University \$24,714, the School of the Art Institute of Chicago \$20,220, and the University of Chicago which led the state with annual undergraduate tuition and fees of \$25,239.

Tuition and required fees have increased well in excess of the rate of inflation in recent years with the greatest percentage growth at private institutions. Between 1990 and 2002, average tuition and fees at Illinois public universities grew \$2,165 or 92.9%, while community college tuition and fees increased \$806 or 87.1%. The average increase at private institutions was \$8,912 during this period with average 2002 tuition and fees almost 2.1 times their 1990 level. The comparable increase in the consumer price index over the past twelve years was just 42.8%.

Unfortunately, the period of tuition and fee increases in excess of the inflation rate is likely to continue at state supported institutions. Since the state government financial squeeze will limit the amount of public funds made available for higher education, higher tuition becomes the alternative means of raising funds for higher education budgets. For example, the University of Illinois is proposing a 10% tuition increase at its three campuses. This is consistent with increases being proposed at many other major public Midwest universities. ■

Average Weighted Tuition and Fees for Illinois Resident Undergraduates

	1985	1990	1995	2000	2001	2002*
Public Universities	\$ 1,503	\$2,330	\$3,303	\$4,067	\$4,277	\$4,495
Community Colleges	732	925	1,259	1,576	1,653	1,731
Independent Institutions	5,630	8,193	11,467	15,428	16,362	17,105

* Estimate

Source: Illinois Student Assistance Commission.

age \$4,495 at public universities in Illinois and \$1,731 at public community colleges. In contrast, the average tuition and fees at independent institutions is \$17,105. Of course, the actual expenditure on tuition and fees is often reduced by various forms of student assistance including scholarships, tuition waivers, loans, and campus employment.

For the 2000-2001 academic year, tuition and required fees for full-time in-state under-

as \$1,170 for Southeastern Illinois College to \$1,860 for Carl Sandburg College. Out-of-state residents pay higher tuition rates that are more comparable to rates that are charged at private institutions. For example, at the University of Illinois Champaign/Urbana, the current undergraduate tuition for in-state residents is \$3,910. This rises to \$11,730 for out-of-state residents.

Families whose children might want to attend private institutions should begin to





Student Assistance in Illinois

Financial assistance to meet college expenses is available in many forms including state, federal, institutional, and private scholarships and grants and loans, as well as state-funded tuition waivers and employment provided by schools. For academic year 1999-2000, students at Illinois higher education institutions received \$3.208 billion in student financial aid: \$876 million from the federal government, \$663 million from state appropriations including tuition waivers and employment, \$801 million from institutional funding and \$868 million from other sources including guaranteed student loans.

About \$390 million of the state-funded scholarship and grant aid currently provided to Illinois students and families is administered by the Illinois Student Assistance Commission (ISAC). ISAC administers the Monetary Award Program (MAP) and the Federal Family Education Loan Program (FFEL), as well as several smaller scholarship and grant programs. In combination the scholarships, grants, and loans administered by ISAC help hundreds of thousands of Illinois students access the postsecondary education of their choice.

MAP is one of the single largest programs of its kind in the nation, second only to the state of New York. MAP awards are based on financial need and are applicable only to

tuition and mandatory fees. Among other criteria, students must be attending an approved Illinois institution at least half-

time to be eligible for an award. Individual financial need is determined through a unified application form that also is used to determine eligibility for federal aid. MAP awards are limited to the lesser of \$4,968 (for academic year (2001-2002), tuition and fees, or unmet need.

In academic year 2000-2001 (fiscal year 2001) ISAC processed 139,421 MAP awards, the largest number of awards in the history of the program. The number of awards in fiscal year 2001 represents a 2.0% increase over fiscal year 2000 and a 21.5% increase over fiscal year 1992.

In fiscal year 2001, 32% of MAP recip-

ients attended public universities, 33% attended community colleges and 35% attended private institutions which includes proprietary institutions. About 40% of recipients were freshmen, 25% were sophomores and 35% were upper-classmen. In fiscal year 2001, about 37% of the students receiving MAP grants were determined to have no personal financial resources to contribute to their college education. The average annual income of fiscal year 2001 MAP eligible students and their families was under \$20,000 per year.

The value of MAP awards totaled \$348.6

FOCUS ON SPENDING continued, page 7

Fiscal Year	Monetary Award Program (in millions)							
	Total Awards		Private Institutions		Public Universities		Community Colleges	
	Number	Value	Number	Value	Number	Value	Number	Value
1992	114,755	\$ 183.2	35,666	\$ 95.1	40,999	\$ 67.1	38,090	\$ 21.0
1993	110,251	200.8	34,992	99.5	40,356	78.9	34,903	22.4
1994	123,141	206.6	36,439	95.8	44,386	85.9	42,316	24.9
1995	127,219	239.7	38,547	115.0	44,222	94.3	44,450	30.4
1996	129,983	255.3	40,443	123.7	44,297	99.4	45,243	32.2
1997	127,607	263.3	39,679	125.8	44,749	105.3	43,179	32.2
1998	127,039	279.7	40,566	133.8	45,378	112.8	41,095	33.0
1999	136,456	306.7	45,788	154.2	45,849	116.4	44,819	36.1
2000	136,697	325.8	47,729	167.5	44,280	120.8	44,688	37.4
2001	139,421	348.6	48,563	179.4	44,663	128.1	46,195	41.0

Source: Illinois Student Assistance Commission.

Fiscal Year	Number of Loans	Value of Loans (millions)
1992	151,374	\$400.8
1993	153,644	428.8
1994	193,869	626.9
1995	181,259	613.5
1996	113,577	408.2
1997	123,346	459.5
1998	123,999	474.8
1999	135,314	529.2
2000	134,457	539.2
2001	144,246	611.1

*Includes loans under the Stafford Supplemental Loans to Students, Parent Loans for Undergraduate Students, and Illinois Opportunity Loan Programs.

Source: Illinois Student Assistance Commission.

ment for teachers, matching funds for federal and other agency contributions, as well as grants authorized by the Higher Education Cooperation Act and the Financial Assistance Act for Non-public Institutions of Higher Education.

The Illinois Community College Board (ICCB) is responsible for administering

ronment. State involvement in higher education also includes the University Retirement System and the Universities Civil Service Merit Board.

Governance

Illinois has never seemed completely satisfied with the governance of higher educa-

for capital projects. The IBHE soon developed a four-phase master plan, and in phase II of the master plan a group known as Committee N outlined a governance system which came to be known as the System of Systems. The structure of the System of Systems was to have the IBHE coordinate five separate systems: the University of Illinois system, the Southern Illinois University system, a Regency University system governed by a Board of Regents (new), a Governors University system governed by a Board of Governors (transformed from the Teachers College Board), and the Illinois Community College system. This system was operational until 1996 when legislation abolished the Board of Governors and the Board of Regents and established separate Boards of Trustees for each university. In addition, Sangamon State University in Springfield was made a part of the University of Illinois.

Now each public university and community college has a governing board of trustees made up of 7 members. The pub-

Degrees Conferred by Illinois Public Universities

University	1995	1996	1997	1998	1999	2000
University of Illinois-Urbana/Champaign	9,738	9,524	9,472	9,539	9,506	9,561
Southern Illinois University-Carbondale	6,259	6,211	6,242	5,997	5,938	5,767
University of Illinois-Chicago	5,130	4,897	5,006	5,243	5,077	5,265
Illinois State University	4,701	4,299	4,293	4,146	4,266	4,782
Northern Illinois University	4,738	4,959	4,667	4,673	4,692	4,723
Eastern Illinois University	2,763	2,583	2,604	2,717	2,780	2,853
Western Illinois University	2,975	2,832	2,658	2,599	2,699	2,822
Southern Illinois University-Edwardsville	2,048	2,040	2,076	2,141	2,155	2,257
Northeastern Illinois University	1,673	1,549	1,481	1,451	1,480	1,585
Governors State University	1,180	1,156	1,340	1,344	1,392	1,437
Chicago State University	1,098	1,110	1,171	1,212	1,193	1,103
University of Illinois-Springfield	867	988	891	923	936	960
Total	43,170	42,148	41,901	41,985	42,114	43,115

Source: Illinois Colleges and Universities, Illinois Board of Higher Education.

the Public Community College Act to maximize the ability of community colleges to provide high-quality, accessible, cost-effective educational opportunities for the individuals and communities they serve. This authority includes statewide planning, coordination of programs and services, approval of new units of instruction, and the provision of grants to community colleges.

The ICCB oversees a system of 48 community colleges located in 39 districts that provide a wide range of programs such as adult education, vocational training, family literacy, English as a second language, and workforce development and training. Community colleges offer training in over 240 different occupations.

Other state agencies involved in the higher education budget category include the Illinois Student Assistance Commission (ISAC) that administers student financial assistance programs to help needy students finance their college educations (see *Focus on Spending*), and the Illinois Mathematics and Science Academy (IMSA) that provides math and science learning for high school students through research and service in a laboratory envi-

tion. Special study committees have come and gone, and Illinois continues to tinker with its system.

Before 1961, Illinois' system of governance was decentralized among a Board of Trustees for the University of Illinois, a Board of Trustees for Southern Illinois University, a Teachers College Board, and the Superintendent of Public Instruction that governed the community colleges. Coordination of higher education was left up to the governor and the legislature.

The enactment of the Higher Education Act of 1961 created the Illinois Board of Higher Education to develop master plans, review and make recommendations on operating budgets, and establish priorities

Illinois Higher Education Expenditures

	1992	1993	1994	1995
University of Illinois	\$ 706.757	\$ 722.148	\$ 748.191	\$ 788.2
Southern Illinois University	240.383	248.645	254.251	260.8
Northern Illinois University	123.724	126.963	130.854	136.4
Illinois State University	100.535	104.304	106.620	107.5
Western Illinois University	64.097	65.177	66.599	69.4
Eastern Illinois University	53.677	54.655	55.933	57.4
Northeastern Illinois University	44.591	45.588	45.871	47.7
Chicago State University	33.882	35.627	37.371	41.0
Governors State University	24.295	24.623	25.733	26.5
Sangamon State University	22.167	22.874	23.565	24.0
State CC/East St. Louis	6.414	6.375	6.105	6.0
Board of Governors	7.211	7.206	7.358	6.5
Board of Regents	1.335	1.343	1.358	1.3
Board of Higher Education	55.268	50.622	68.967	62.2
Community College Board	243.542	246.125	259.453	273.0
Student Assistance Commission	319.114	338.035	397.411	459.2
Mathematics and Science Academy	11.529	11.482	11.568	12.2
Universities Retirement System	3.496	18.957	13.923	13.9
Universities Civil Service Merit Board	0.900	0.885	0.906	0.8
Appropriated Funds Total	\$ 2,062.916	\$ 2,131.633	\$ 2,262.039	\$ 2,395.5
General Funds Total	\$ 1,588.386	\$ 1,588.289	\$ 1,636.755	\$ 1,742.2
General Funds % of Total Appropriated Funds	77.0%	74.5%	72.4%	72.8%

NOTE: Beginning August 1, 1996, tuition and fee revenues became locally held funds controlled by the institutions. This change accounts in part for the increase in General Funds as a percentage of total appro-

lic university governing boards are responsible for setting institutional policies, establishing tuition and fees, personnel and student admissions. This latest change to decentralize higher education governance occurred when several other states

were reorganizing in the opposite direction, creating new, single boards to coordinate higher education institutions.

Higher Education Expenditures

State government expenditures from appropriated funds in support of higher education operations and grants totaled \$2.7 billion in 2001. This total includes approximately \$2.5 billion in general funds (the General Revenue Fund and the Educational Assistance Fund) and about \$247 million in other funds.

As a group, the colleges and universities have the largest share of state expenditures. For example, in 2001 the colleges and universities accounted for \$1,428.8 million or 52.6 percent of the total state expenditures for higher education followed by the Student Assistance Commission with \$603.2 million (22.2%), the Community College Board with \$327.9 million (12.1%), the State Universities Retirement System with \$235.4 million (8.7%), and the Board of Higher Education with \$104.7 million (3.9%).

Expenditures - Appropriated Funds						
	1996	1997	1998	1999	2000	2001
011	\$ 805.599	\$ 661.560	\$ 659.161	\$ 686.349	\$ 719.054	\$ 768.080
023	259.431	199.327	199.595	210.898	220.741	236.452
021	132.469	95.104	97.404	101.101	106.153	112.038
055	108.050	74.920	75.799	81.022	83.324	87.764
035	68.302	51.407	52.442	55.108	58.181	61.700
069	57.356	41.298	41.870	45.987	47.638	51.093
071	47.618	46.479	36.079	39.171	42.430	43.534
007	41.709	30.537	34.105	36.991	39.288	41.406
041	27.070	30.084	22.722	23.891	24.855	26.748
042	-	-	-	-	-	-
010	5.685	-	-	-	-	-
039	5.177	-	-	-	-	-
090	1.067	-	-	-	-	-
002	64.487	61.753	81.500	95.074	111.193	104.702
092	254.259	270.126	284.526	304.974	308.643	327.951
025	445.097	483.810	476.222	483.201	496.826	603.173
060	12.420	13.139	13.369	14.182	14.714	15.768
053	123.911	159.547	201.624	218.844	227.239	235.391
099	0.937	1.048	1.125	1.002	1.129	1.178
081	\$ 2,460.644	\$ 2,220.139	\$ 2,277.542	\$ 2,397.795	\$ 2,501.408	\$ 2,716.977
024	\$ 1,836.010	\$ 1,940.386	\$ 2,062.505	\$ 2,208.683	\$ 2,332.900	\$ 2,469.819
077%	74.6%	87.4%	90.6%	92.1%	93.3%	90.9%

led by the universities and were no longer included in the State appropriations process. appropriated funds.

Within the category of colleges and universities, the University of Illinois led the way with expenditures of \$768.1 million followed by Southern Illinois University with \$236.5 million, Northern Illinois with \$112.0 million, Illinois State University with \$87.8 million, and Western Illinois

Instructional Costs per Credit Hour by Student Level, 2000

Institution	Lower	Upper	Graduate I	Graduate II
Chicago State University	\$258.54	\$300.54	\$325.11	NA
Eastern Illinois University	184.96	222.58	364.96	NA
Governors State University	NA	246.20	349.36	NA
Illinois State University	176.88	236.08	363.41	540.48
Northeastern Illinois University	177.13	240.24	381.43	NA
Northern Illinois University	148.97	247.69	422.91	473.84
Southern Illinois University-Carbondale	171.02	239.42	492.99	561.04
Southern Illinois University-Edwardsville	181.58	247.69	432.95	883.55
University of Illinois-Chicago	133.59	248.94	486.16	730.04
University of Illinois-Springfield	NA	285.85	362.88	978.22
University of Illinois-Urbana/Champaign	143.82	257.33	481.95	741.13
Western Illinois University	169.09	225.69	326.31	NA
Total	\$162.45	\$246.12	\$429.37	\$702.88

Source: Illinois Board of Higher Education.

University with \$61.7 million.

Expenditures of total appropriated funds have increased \$654 million or 31.7 percent from 1992 to 2001. Appropriated general funds expenditures increased \$881 million or 55.5 percent over that same period. The faster increase in general funds expenditures is reflected in the fact that general funds grew from 77.0 percent to 90.9 percent of total appropriated funds due primarily to university income funds

becoming locally-held funds. Given the recent recession and state budget difficulties, General Funds support for higher education will be strained.

According to the 2000 Carnegie Classification system for accredited colleges and universities, the twelve public universities in Illinois fall into three separate categories: Doctoral/Research Universities -

Extensive (includes UI-Chicago, UI-Champaign/Urbana, NIU, and SIU-Carbondale), Doctoral/ Research Universities - Intensive (ISU), and Master's Colleges and Universities I (CSU, EIU, GSU, NEIU, WIU, SIU-Edwardsville, UI-

Springfield). This classification system helps to illustrate the differences in size, mission and complexity among universities.

Typically, larger universities with doctoral research missions have higher expenditures than smaller universities primarily serving undergraduates. This pattern tends to hold when examining costs per credit hour for Illinois public universities, but there are some exceptions. For example, in 2000 the instructional costs per credit hour averaged \$162.45 for lower division students, \$246.12 for upper division students and \$702.88 for graduate II level students. The costs per credit hour for upper division students at Eastern Illinois University were \$222.58 compared to \$239.42 at SIU-Carbondale. For Graduate I level students the costs per credit hour were \$364.96 at EIU compared to \$492.99 at SIU-Carbondale. However, the per credit hour costs for Graduate II level students at UI-Springfield were \$978.22 far outpacing the costs at UI-Urbana/Champaign (\$741.13) and UI-Chicago (\$730.04).

Higher Education Revenues

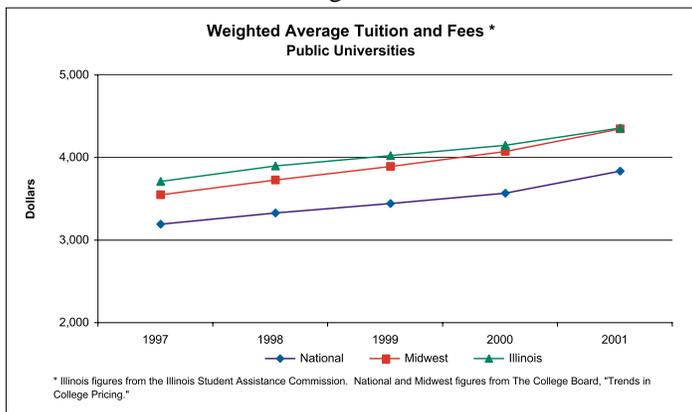
Public colleges and universities do not rely solely on state funds. Total revenues available also include sources such as tuition and fees, federal grants, private funding, and income from sales and services. Beginning on August 1, 1996, tuition and fee revenues are held locally and are no longer included in the state appropriations process. Nevertheless, tuition and fee rev-

COVER STORY continued, page 12

venues are an important addition to the state funds supporting higher education in Illinois.

Tuition and fees are lower at the community college level than at 4-year universities. For example, full-time tuition and fees at John A. Logan Community College were \$1,140 in 2001 while Governors State University charged \$2,526, Western Illinois University charged \$ 4,206, and the University of Illinois-Chicago charged \$5,470.

Tuition and fees for undergraduates at



Illinois 4-year public universities averaged \$4,495 for 2001, while the average tuition and fees for community colleges was \$1,731 (see *Focus on Revenue*). Nationally, tuition and fees for undergraduates attending in-state public universities in 2001 averaged \$3,754 an increase of \$267 or 7.7 percent over the previous year. According to the College Board's annual report entitled "Trends in College Pricing 2001," the 7.7 percent increase (following a 4.4 percent increase the previous year) is the highest rate of increase since 1993.

The College Board's report indicates that tuition and fees are highest in the New England region (\$4,892) followed by the Middle States (\$4,795), the Midwest (\$4,266), the South (\$3,198), the Southwest (\$3,170), and the West (\$2,934). Illinois' average of \$4,495 places it slightly above the national and Midwest averages.

Tuition and fees have been rising consistently over the past years even when the national economy was performing well (see line chart). Now that the effects of the recent recession have lowered state rev-

enues and led states to cut back on state expenditures, colleges and universities throughout the Midwest are faced with the prospect of increasing tuition and fees even more. The University of Illinois, for example, is proposing a 10 percent tuition increase at its three campuses, and the Chancellor of Southern Illinois University said he will ask the Board of Trustees to raise tuition by 20 percent next year and 15 percent in each of the following three years.

Assessing Higher Education in Illinois

In a recent report by the National Center for Public Policy and Higher Education entitled "Measuring Up 2000: the State-by-State Report Card for Higher Education," Illinois ranked first among the 50 states. Illinois' top score of 88.8 (grade B+)

was a composite based on 30 measures in six categories: Preparation (grade A), Participation (grade A), Affordability (grade A), Completion (grade C+), Benefits (grade B-) and Learning (incomplete).

Preparation scores were based on measures such as high school completion rates and K-12 achievement tests. Participation was measured by the number of high school freshmen enrolling in college within 4 years and the number of working-age adults (age 25 to 44) enrolled in some type of postsecondary education. Family ability to pay college expenses and state grants for low-income families were used as affordability measures, and the completion scores for each state were based on the number of freshmen returning for their sophomore years and the number of students completing degrees within five years.

Benefits were scored with measures such as adult literacy skills, eligible residents voting in national elections, increases in total personal income, and the percentage

of persons age 25 to 65 with a bachelor's degree or better. The learning category was not scored for any state. Illinois, like the other states, lacked information on the educational performance of college students that would permit systematic state or national comparisons.

The authors of the study emphasized that the report card highlights both the strengths and the weaknesses of state higher education systems. This should enable policymakers to build on what is working and to fix any deficiencies. However, that could be a major challenge because the study describes what was measured in each state, but does not discuss why each state performed the way it did. It is up to each state to grapple with the why questions and their particular state goals and policies.

Difficult Choices Ahead

Higher education is still believed by many people to be a guarantee of future well-being, not only for individuals, but also for society at large. Efforts are being made to get more students, especially those from low-income families, into college. These efforts are primarily centered on making college more affordable to more students. At the national level, enrollments are projected to increase steadily in future years in part because of these efforts.

The recent recession, however, has reduced the flow of revenues to state governments. The states, in turn, are cutting back on their traditional support for higher education. Colleges and universities are looking at tuition and fee increases to offset the loss of state support. If tuition and fees are increased too much, more students may be unable to afford a college education.

According to Patrick M. Callan, in a February 2002 report for The National Center for Public Policy and Higher Education, past experience shows that:

- 1) higher education is likely to absorb larger cuts than other sectors when revenue shortfalls are allocated among state services;

Hynes' Action Spurs \$1.4 Million in Tax Reductions

As was reported in the October 2001 *Fiscal Focus Quarterly*, data collected for the Fiscal Responsibility Report Card - 2000 indicated that townships were carrying high fund balances. In fiscal year 2000, the fund balances of township governments were significantly higher than all other local governments including municipalities, counties, fire protection, library, and park districts.

In February 2001, the Comptroller's Office began investigating why townships were amassing large surpluses. An analysis of township reporting revealed that 378 of the state's 1,443 townships had fund balances in fiscal year 2000 equal to more than two years of expenditures. Last July, the Comptroller's Office sent letters to those townships, informing them that if the surpluses were not earmarked for specific projects or statutory commitments, they could face legal liability.

Surplus Fund Survey

The Local Government Division developed a survey and, in August 2001, mailed it to the townships reporting a fund balance of more than 200% of their expenditures. Seventy-six percent of townships responded and provided the following information regarding their townships fund balances:

1. Money is accumulating in restricted funds.

Forty-eight percent of townships that responded stated that excess funds were in the General Assistance Fund. Nineteen percent wanted to see a change in the General Assistance formula for payouts,

and 15 percent wanted to have a one-time transfer from this fund (as was allowed in 1992).

Townships are required to provide emergency (transition) assistance to needy individuals, including emergency medical expenses, commonly referred to as General Assistance. These funds cannot be used to pay for any other projects or services except for those directly related to General Assistance. The courts have consistently ruled against excessive General Assistance levies.

Forty-two percent of the townships indicated that excess funds were in the Joint Bridge Fund.

The Joint Bridge Fund can only be used to pay for township projects for which the state and county agree to provide matching funds. Townships are required to tax at the maximum rate for three years, even if the maximum rate provides substantially more funds than are necessary to pay for the project. Surplus funds can not be used for any thing other than joint state/county/township projects. However, a bill signed into law this summer, allows the use of these funds for other township road projects. Another new law allows townships to deposit interest from restricted funds into any township fund(s). This law provides townships some flexibility in keeping the restricted funds with high balances lower.

2. Townships do not have the discretion

to set up a Capital Fund, which would provide a method to dedicate large sums for long-term capital project purchases.

Case law requires that governments dedicate funds that are in excess of 200% of expenditures. The use of Capital Funds is instrumental in helping develop budgets and dedicating large sums for long-term projects.

3. Many townships are unaware of the case law calling for them to legally dedicate funds, and have not explicitly gone through the process of dedicating funds.

While 92 percent of townships indicated that they were saving for capital long-term projects, only 50 percent stated they had a written plan to dedicate the funds. Many governments have requested information to help them legally dedicate funds.

Sixteen percent stated that they would like to pursue different budgetary procedures, which presumably would include legally dedicating funds. Another 29 percent stated they would report differently in the future, presumably reporting that the surplus funds are dedicated.

Township Responses to Surplus Funds Survey

Action/Outcome	Number of Townships	Percent Townships	Taxpayer Savings
Dedicate Funds	149	39.4%	N/A
One Time Expenditure	158	41.7%	N/A
Rebate	4	1.1%	\$383,000
Reduce Levy or Abate	55	14.6%	\$1,095,000

4. There is an overall lack of understanding about the General Assistance (GA) levying requirements and the State's ability to pay high cost claims.

The State has guaranteed payment, in excess of township fund balances for GA, if the township has 0.1% of its Equalized Assessed Value (EAV) in the General Assistance Fund each year. However, many townships continue levying at a high rate, building fund balances in great excess of past years' expenditures. Some township officials believe that they must levy 0.1% annually, compared to having a total 0.1% of EAV in the GA Fund to qualify for State

assistance. Others continue to levy excessive amounts because they do not want to accept State assistance in paying the bills, which would require they comply with State regulation and rules.

Many townships provided additional comments on their survey stating they want to keep the General Assistance fund balance high to cover the increase in claims anticipated due to the downturn in the economy. Regardless of the township reasons, the courts have consistently struck down levies for GA that exceed two years of spending.

5. Tax caps and Truth-in-Taxation laws pressure officials to keep levies and fund balances high in case of emergencies.

Three percent of townships claimed they needed to keep levies high due to tax caps that are currently imposed in their county or the fear of tax caps being implemented in the near future. Many township officials that do not live in tax cap areas stated that the restrictions of the Truth-in-Taxation laws were a major factor in choosing to keep surpluses instead of reducing levies.

6. Some townships simply have too much money.

The Township Officials of Illinois introduced legislation this session to allow townships to create and utilize a Capital Projects fund and to allow for a one time transfer from General Assistance to other funds. If both these bills pass, townships will have several more tools to reduce surplus balances.

Six percent of townships responding to the survey provided additional information stating they knew their fund balances were too high and planned to lower their fund balances by reducing levies or by refunding the balances to taxpayers.

Recommendations

The Local Government Division has spent the last year educating townships about the potential problems associated with high fund balances and benefits to providing appropriate legal remedies. The Comptroller's Office recommended four methods to address the real or perceived problems associated with surplus of funds

including:

- Incorporation of long-term financial planning and dedicating funds
- Adjusting budget and levy practices
- Spending the money
- Returning the money

This prompting by Comptroller Hynes has led three Illinois townships to give an estimated \$435,000 in surplus money back to taxpayers in the past six months, and has resulted in 55 townships reducing the amount they sought to collect from the public by almost \$1 million.

Officials in Fulton Township (Whiteside County) said they expect to rebate roughly \$100,000 to qualified homeowners later this spring. Last fall, LaClede Township (Fayette County) estimated that it would be rebating \$85,000, which would translate into a \$150 to \$250 rebate per homeowner. In September, Bourbonnais Township officials in Kankakee County mapped out plans to rebate up to \$250,000 to homeowners with rebate checks ranging from \$20 to \$160.

In March 2002, the Local Government division contacted townships with surplus funds to determine what, if any, outcome the townships had pursued to lower their fund balances. Eighty percent of the townships with potential surpluses have informed the Comptroller's Office that they have addressed their surplus funds. The table on page 13 indicates how townships have worked to provide a different financial position to their residents, lowered their tax levy, or returned funds.

The Comptroller's Office found that 55 townships (15%) have lowered their tax levies for fiscal year 2002 by a combined total of nearly \$1 million since being warned that townships with surplus funds could face lawsuits for stockpiling cash. The largest levy reduction was \$303,000 in South Moline Township in Rock Island County. Cambridge, Broadwell, Benton, and Monmouth townships also reduced levies by between \$30,000 and \$50,000.

One hundred forty-nine townships or 39% have legally dedicated funds by passing resolutions, ordinances, or announcing the purpose of the surplus at town meetings.

Comptroller Hynes praised the actions of the township boards. "This was a case of state and local government working in partnership in the best interests of the taxpayers. These officials recognized that they had received more tax money than they needed, and they acted in a fiscally responsible way to correct the situation. In the end, the taxpayers were the winners."

Bryan Smith, Executive Director of Township Officials of Illinois, applauded Hynes' efforts. "The Comptroller helped townships avoid potential problems, and helped taxpayers at the same time. This is what good government is all about." ■

Fiscal Forum

Our last questions concerned state government involvement in workforce development with an emphasis on how much the state should spend to train workers. The questions and the responses from our readers are presented below.

Should the State continue to provide grants to train workers?

YES.....75% NO.....35%

If you answered YES, how much should the State spend to train workers?

More than last year? **38%**
About the same as last year? . . . **54%**
Less than last year? **8%**

This issue's question concerns a question states face in supporting higher education.

Should the State provide more student financial help (e.g., loans, grants, scholarships, tax breaks) to help counter increases in tuition and fees?

YES _____ NO _____

To respond to this question, simply log onto the Comptroller's Web site at www.ioc.state.il.us.

Vital Statistics

The Heartbeat of Illinois' Finance

Fiscal Crisis Worsens In Third Quarter

While a decline in the fiscal condition of the General Funds during the third quarter was anticipated, a significant decrease in revenue performance has exacerbated the problem. The dramatic downturn in revenues has led to an unprecedented backlog of bills being held due to the lack of cash.

General Funds revenues through the first three quarters of fiscal year 2002 were \$187 million or 1.1% below last year, including the \$226 million transfer from the Budget Stabilization Fund. Absent the infusion of rainy day dollars, General Funds "base" revenues were down \$413 million or 2.4%. Through the first half of the fiscal year, "base" revenues were down \$85 million or 0.8%. In the third quarter of fiscal year 2002, revenues declined by an additional \$328 million or 5.6%. Revenues declined in each month of the third quarter.

At the end of March the General Funds cash balance stood at \$145 million, \$140 million below last year and \$981 million lower than the balance at the beginning of the year. The dramatic drop in the General Funds cash balance was concentrated in the General Revenue Fund (the state's largest operating fund) where the balance fell from \$683 million at the start of the year to \$31 million at the end of March.

In addition, the Comptroller's Office was holding \$1.163 billion in General Revenue Fund (GRF) vouchers payable and transfers out that could not be paid due to a lack of cash. As a result, the effective GRF balance was a negative \$1.132 billion at the

end of March. Over the same period last fiscal year, the GRF balance declined \$951 million from \$997 million to \$46 million. However, unpaid bills at the end of last March totaled \$277 million, leaving an effective balance of a negative \$231 million. This year's effective cash position is \$901 million worse than last year.

The dramatic and rapid deterioration of the state's effective cash position was due mostly to an economic recession that began in the spring of 2001. That recession was exacerbated by the tragic events of September 11th. Last year, GRF cash flow difficulties began in mid-February and lasted through late April 2001. This year, cash flow problems developed in late August and are expected to last at least through the end of fiscal year 2002.

In order to alleviate at least some of the payment delays, the Comptroller ordered the balance in the Budget Stabilization Fund transferred to the GRF. On November 14, 2001, \$226 million was transferred and paid out the same day. Under state law, the amount transferred from the Budget Stabilization Fund is effectively a loan and must be repaid by the end of the fiscal year.

Despite the transfer from the Budget Stabilization Fund, the backlog of unpaid bills has grown steadily. Payment delays reached 18 business days during December and grew to as long as 28 days during the third quarter. On March 7 the GRF effective cash balance (available cash minus unpaid bills) hit a negative \$1 billion for the first time ever. The effective

cash balance continued to deteriorate and stood at a negative \$1.132 billion at the end of March.

Revenues

General Funds revenues through the third quarter of fiscal year 2002 were \$16.687 billion, \$187 million or 1.1% lower than the first nine months of fiscal year 2001. This decline includes the \$226 million transfer from the Budget Stabilization Fund. Absent that transfer, General Funds "base" revenues were down \$413 million or 2.4% from the prior year.

The weakness in revenues was evident across most receipt sources, especially those tied most directly to the economy, namely income and sales taxes. Individual income tax receipts are down 2.4% and have been below last year in six of the last nine months, including sizeable drops in January and March.

Corporate income taxes have been hit even harder by the recession, falling 22.3% through the third quarter of the fiscal year. Receipts from this source have fallen in five of the last nine months, including double-digit declines in the last four months.

Although sales taxes were up 2.2%, that growth is somewhat misleading because it does not reflect the six-month suspension of the sales tax on motor fuel last year. While sales taxes have fallen in four of the last nine months, the five months that grew have exhibited growth almost entirely due to the exemption last year. If receipts are adjusted for this factor, sales taxes would have declined by approximately 1.1% over the first three quarters.

Investment income has suffered dramatic declines every month this year, due to low investable balances in the General Funds as well as low interest rates. Through the third quarter receipts are down \$107 million or 49.1% accounting for 25.9% of the total decline in "base" revenues for the year.

Expenditures

Through March, General Funds spending totaled \$17.668 billion, \$438 million or 2.4% below last year. The decrease includes

VITAL STATISTICS continued, page 16

an \$85 million increase in lapse period spending, a \$313 million decrease in spending from current year appropriations, and a \$210 million decrease in transfers out. Last year transfers out included a \$260 million transfer from the General Revenue Fund for the Illinois FIRST Program. Absent that transfer last year, transfers this year would be up \$50 million.

The decrease in spending from current year appropriations is due to the lack of available cash to make payments. At the end of March, the Comptroller's office was holding \$1.119 billion in vouchers and \$44 million in transfers due to the lack of cash in the General Funds compared to \$283 million in vouchers last March. Had cash been available, fiscal year 2002 General Funds spending through nine months would be up \$444 million or 2.4% - not down \$438 million or 2.4%.

Awards and grants spending increased \$353 million or 3.1% while operations increased \$258 million or 5.0%, transfers out declined \$210 million or 12.4% and all other spending decreased \$2 million. After nine months of fiscal year 2002, expenditures have exceeded revenues by \$981 million resulting in a decrease in the available cash balance from \$1.126 billion at the beginning of the fiscal year to \$145 million at the end of March.

Of the \$353 million increase in grant spending, both Public Aid and the Department of Human Services are up by \$44 million. Awards and grants spending by the State Board of Education is up \$89 million, while higher education and Teachers' Retirement System grants have increased by \$97 and \$67 million respectively.

Spending for operations totaled \$5.405 billion through March, \$258 million higher than comparable expenditures last year. Higher education operations are up 6.9% or \$97 million, while all other operations increased \$161 million (4.3%).

Looking Ahead

The fiscal year 2002 General Funds budget passed in May 2001 was predicated on

\$894 million in revenue growth. After two downward revisions, the Bureau of the Budget's current estimate of \$24.350 billion for 2002 still assumes \$244 million in growth. In order to reach that estimate,

'At the end of March, the Comptroller's office was holding \$1.119 billion in vouchers and \$44 million in transfers due to lack of cash in the General Funds.'

revenues will need to grow 9.1% over the remaining three months of the fiscal year. Given the results of the last three quarters, that amount of growth appears highly unlikely. At this point it seems clear that this year's revenues will fall below last year marking the first year-over-year revenue decline in fifty years.

The deterioration of fiscal year 2002 revenues raises questions about revenue growth next year. Although current economic forecasts call for growth, it is unclear whether that growth will be translated into revenue growth. There appear to be a number of factors combining to minimize fiscal year 2003 revenue growth.

Perhaps the two most obvious are the result of federal actions. These are the elimination of the inheritance tax and the accelerated depreciation allowed under the recently enacted federal economic stimulus package. The inheritance tax loss is expected to reduce fiscal year 2003 revenue by an estimated \$70 million. According to the Bureau of the Budget, the new federal depreciation rules might reduce state corporate income tax revenue by as much as \$250 million next year.

It is also unclear whether economic growth will generate a significant increase in personal income tax receipts. The factors that drive income tax liability are the same ones that influence income. These include: employment levels, wage increases, capital gains, and inflation. In order for employment growth to generate signifi-

cantly higher income, employment levels must first recover to pre-recession levels and that will clearly take time. In addition, it appears that the other factors, especially capital gains and inflation, will not play a major role in income growth in the near future.

The fiscal year 2003 budget presented in February was based on \$480 million in General Funds revenue growth. That increase was based on economic growth next year and on the assumption that this year's revenue levels would be much higher than will actually occur. In addition, the original 2003 budget did not reflect the new federal depreciation rules. Given these uncertainties, it is possible that revenue growth next year might do little more than raise revenue levels to those reached in fiscal year 2001. ■

Cover Story concluded, from page 12

- 2) the state and higher education institutions are likely to shift shortfalls to students and their families by raising tuition when higher education faces cuts in state funding; and
- 3) states are unlikely to make new or additional investments in student financial aid that will offset increases in tuition. Indeed, student aid may be reduced during a recession.

State budget shortfalls, coupled with the projected increases in college enrollments, will bring state governments face-to-face with the question of how to accommodate additional students without additional state financial support. New student enrollments will not be distributed evenly throughout the nation. Some states will experience enrollment increases and some states will not. As noted in the beginning of this article, enrollments in Illinois have been down and remain flat. So the demand for more dollars for more students may be less in Illinois than in other states. However, the situation is such that university administrators and state policymakers will have difficult choices to make in the next few years. ■

JANUARY 2002

GENERAL FUNDS REVENUES, EXPENDITURES AND BALANCES (Dollars in Millions)

	Seven Months			
	Jan. 2002	FY 2002	Change From Prior Year	
			\$	%
Total General Funds				
Available Balance	\$ 211	\$ 1,126	\$ (391)	(25.8) %
Revenues	2,087	13,260	50	0.4
Expenditures	2,083	14,171	(53)	(0.4)
Ending Balance	\$ 215	\$ 215	\$ (288)	(57.3) %
General Revenue Fund				
Available Balance	\$ 33	\$ 683	\$ (314)	(31.5) %
Revenues	1,787	11,278	12	0.1
Expenditures	1,756	11,897	(97)	(0.8)
Ending Balance	\$ 64	\$ 64	\$ (205)	(76.2) %
Common School Special Account Fund				
Available Balance	\$ 75	\$ 66	\$ (3)	(4.3) %
Revenues	141	915	32	3.6
Expenditures	138	903	23	2.6
Ending Balance	\$ 78	\$ 78	\$ 6	8.3 %
Education Assistance Fund				
Available Balance	\$ 87	\$ 355	\$ (60)	(14.5) %
Revenues	83	622	(9)	(1.4)
Expenditures	127	934	19	2.1
Ending Balance	\$ 43	\$ 43	\$ (88)	(67.2) %
Common School Fund				
Available Balance	\$ 15	\$ 21	\$ (15)	(41.7) %
Revenues	329	1,464	55	3.9
Expenditures	314	1,455	41	2.9
Ending Balance	\$ 30	\$ 30	\$ (1)	(3.2) %

Note: Total General Funds excludes interfund transfers while the individual funds include such transfers. Numbers may not add due to rounding.

GENERAL FUNDS REVENUES (Dollars in Millions)

	Seven Months			
	Jan. 2002	FY 2002	Change From Prior Year	
			\$	%
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	\$ 850	\$ 4,180	\$ (101)	(2.4) %
Corporate	23	365	(98)	(21.2)
Total, Income Taxes	\$ 873	\$ 4,545	\$ (199)	(4.2) %
Sales Taxes	565	3,677	126	3.5
Other Sources:				
Public Utility Taxes	118	628	(6)	(0.9)
Cigarette Taxes	33	233	0	0.0
Inheritance Tax (gross)	25	205	(23)	(10.1)
Liquor Gallonage Taxes	13	76	(2)	(2.6)
Insurance Taxes and Fees	2	115	14	13.9
Corporation Franchise Tax and Fees	21	99	16	19.3
Investment Income	11	94	(74)	(44.0)
Cook County IGT	0	154	0	0.0
Other	28	140	(3)	(2.1)
Total, Other Sources	\$ 251	\$ 1,744	\$ (78)	(4.3) %
Total, Cash Receipts	\$ 1,689	\$ 9,966	\$ (151)	(1.5) %
Transfers In:				
Lottery Fund	\$ 51	\$ 288	\$ 18	6.7 %
State Gaming Fund	20	290	5	1.8
Protest Fund	0	2	(4)	(66.7)
Other Funds	23	178	(84)	(32.1)
Total, Transfers In	\$ 94	\$ 758	\$ (65)	(7.9) %
Total, State Sources	\$ 1,783	\$ 10,724	\$ (216)	(2.0) %
Federal Sources:				
Cash Receipts	\$ 293	\$ 2,252	\$ 47	2.1 %
Transfers In	11	58	(7)	(10.8)
Total, Federal Sources	\$ 304	\$ 2,310	\$ 40	1.8 %
Total, Base Revenues	\$ 2,087	\$ 13,034	\$ (176)	(1.3) %
Transfer from Budget Stabilization Fund	0	226	226	N/A
Total, Revenues	\$ 2,087	\$ 13,260	\$ 50	0.4 %

GENERAL FUNDS ANALYSIS OF EXPENDITURES (Dollars in Millions)

	Seven Months			
	Jan. 2002	FY 2002	Change From Prior Year	
			\$	%
Expenditures:				
Awards and Grants:				
Public Aid	\$ 399	\$ 2,876	\$ 70	2.5 %
Elem. & Sec. Education:				
State Board of Education	321	2,661	75	2.9
Teachers Retirement	69	479	52	12.2
Total, Elem. & Sec. Education	\$ 390	\$ 3,140	\$ 127	4.2 %
Human Services	184	1,648	30	1.9
Higher Education	109	544	63	13.1
All Other Grants	94	964	40	4.3
Total, Awards and Grants	\$ 1,176	\$ 9,172	\$ 330	3.7 %
Operations:				
Other Agencies	\$ 409	\$ 3,072	\$ 156	5.3 %
Higher Education	179	1,189	83	7.5
Total, Operations	\$ 588	\$ 4,261	\$ 239	5.9 %
Transfers Out	\$ 121	\$ 1,174	\$ (184)	(13.5) %
All Other	1	38	0	0.0
Vouchers Payable Adjustment	\$ 197	\$ (474)	\$ (438)	N/A
Total, Base Expenditures	\$ 2,083	\$ 14,171	\$ (53)	(0.4) %
Repayment to Budget Stabilization Fund	0	0	0	0.0
Total, Expenditures	\$ 2,083	\$ 14,171	\$ (53)	(0.4) %

COMPARISON OF SPENDING FOR OPERATIONS BY OBJECT (Dollars in Millions)

	Seven Months			
	Jan. 2002	FY 2002	Change From Prior Year	
			\$	%
Personal Services:				
Regular Positions	\$ 207	\$ 1,441	\$ 74	5.4 %
Other Personal Services	22	153	5	3.4
Total, Personal Services	\$ 229	\$ 1,594	\$ 79	5.2 %
Contribution Retirement	42	295	15	5.4
Contribution Social Security	15	103	6	6.2
Contribution Group Insurance	40	365	11	3.1
Contractual Services	42	332	10	3.1
Travel	2	15	1	7.1
Commodities	10	80	3	3.9
Printing	1	6	1	20.0
Equipment	2	23	(4)	(14.8)
Electronic Data Processing	4	31	1	3.3
Telecommunications	6	33	(1)	(2.9)
Automotive Equipment	2	11	1	10.0
Other Operations	193	1,373	116	9.2
Total, Operations	\$ 588	\$ 4,261	\$ 239	5.9 %

COMPARISON OF SPENDING FOR AWARDS AND GRANTS (Dollars in Millions)

	Seven Months			
	Jan. 2002	FY 2002	Change From Prior Year	
			\$	%
State Board of Education:				
General State Aid	\$ 269	\$ 1,619	\$ 119	7.9 %
All Other	52	1,042	(44)	(4.1)
Public Aid	399	2,876	70	2.5
Human Services	184	1,648	30	1.9
Higher Education:				
Student Assistance Commission	96	299	9	3.1
Community College Board	3	193	29	17.7
Other	10	52	25	92.6
Teacher's Retirement	69	479	52	12.2
Children and Family Services	55	423	(48)	(10.2)
Aging	18	134	9	7.2
Revenue	1	84	50	147.1
All Other	20	323	29	9.9
Total, Awards and Grants	\$ 1,176	\$ 9,172	\$ 330	3.7 %

FEBRUARY 2002

GENERAL FUNDS REVENUES, EXPENDITURES AND BALANCES (Dollars in Millions)

	Eight Months			
	Feb. 2002	FY 2002	Change From Prior Year	
			\$	%
Total General Funds				
Available Balance	\$ 215	\$ 1,126	\$(391)	(25.8) %
Revenues	1,515	14,775	(38)	(0.3)
Expenditures	1,605	15,776	(282)	(1.8)
Ending Balance	\$ 125	\$ 125	\$(147)	(54.0) %
General Revenue Fund				
Available Balance	\$ 64	\$ 683	\$(314)	(31.5) %
Revenues	1,281	12,559	(61)	(0.5)
Expenditures	1,323	13,220	(379)	(2.8)
Ending Balance	\$ 22	\$ 22	\$ 4	22.2 %
Common School Special Account Fund				
Available Balance	\$ 78	\$ 66	\$(3)	(4.3) %
Revenues	106	1,021	29	2.9
Expenditures	127	1,030	30	3.0
Ending Balance	\$ 57	\$ 57	\$(4)	(6.6) %
Education Assistance Fund				
Available Balance	\$ 43	\$ 355	\$(60)	(14.5) %
Revenues	65	687	(4)	(0.6)
Expenditures	86	1,020	72	7.6
Ending Balance	\$ 22	\$ 22	\$(136)	(86.1) %
Common School Fund				
Available Balance	\$ 30	\$ 21	\$(15)	(41.7) %
Revenues	309	1,773	56	3.3
Expenditures	314	1,769	51	3.0
Ending Balance	\$ 25	\$ 25	\$(10)	(28.6) %

Note: Total General Funds excludes interfund transfers while the individual funds include such transfers. Numbers may not add due to rounding.

GENERAL FUNDS REVENUES (Dollars in Millions)

	Eight Months			
	Feb. 2002	FY 2002	Change From Prior Year	
			\$	%
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	\$ 534	\$ 4,715	\$(89)	(1.9) %
Corporate	14	379	(107)	(22.0)
Total, Income Taxes	\$ 548	\$ 5,094	\$(196)	(3.7) %
Sales Taxes	427	4,103	115	2.9
Other Sources:				
Public Utility Taxes	80	708	(28)	(3.8)
Cigarette Taxes	33	266	0	0.0
Inheritance Tax (gross)	24	229	(25)	(9.8)
Liquor Gallonage Taxes	8	84	(2)	(2.3)
Insurance Taxes and Fees	4	119	14	13.3
Corporation Franchise Tax and Fees	10	108	15	16.1
Investment Income	9	103	(92)	(47.2)
Cook County IGT	0	154	0	0.0
Other	7	147	(8)	(5.2)
Total, Other Sources	\$ 175	\$ 1,918	\$(126)	(6.2) %
Total, Cash Receipts	\$ 1,150	\$ 11,115	\$(207)	(1.8) %
Transfers In:				
Lottery Fund	\$ 43	\$ 331	1	0.3 %
State Gaming Fund	25	315	10	3.3
Protest Fund	2	5	(1)	(16.7)
Other Funds	8	185	(87)	(32.0)
Total, Transfers In	\$ 78	\$ 836	\$(77)	(8.4) %
Total, State Sources	\$ 1,228	\$ 11,951	\$(284)	(2.3) %
Federal Sources:				
Cash Receipts	\$ 287	\$ 2,540	32	1.3 %
Transfers In	0	58	(12)	(17.1)
Total, Federal Sources	\$ 287	\$ 2,598	20	0.8 %
Total, Base Revenues	\$ 1,515	\$ 14,549	\$(264)	(1.8) %
Transfer from				
Budget Stabilization Fund	0	226	226	N/A
Total, Revenues	\$ 1,515	\$ 14,775	\$(38)	(0.3) %

GENERAL FUNDS ANALYSIS OF EXPENDITURES (Dollars in Millions)

	Eight Months			
	Feb. 2002	FY 2002	Change From Prior Year	
			\$	%
Expenditures:				
Awards and Grants:				
Public Aid	\$ 401	\$ 3,277	70	2.2 %
Elem. & Sec. Education:				
State Board of Education	353	3,013	111	3.8
Teachers Retirement	68	548	60	12.3
Total, Elem. & Sec. Education	\$ 421	\$ 3,561	\$ 171	5.0 %
Human Services	218	1,866	42	2.3
Higher Education	142	686	92	15.5
All Other Grants	97	1,061	35	3.4
Total, Awards and Grants	\$ 1,279	\$ 10,451	\$ 410	4.1 %
Operations:				
Other Agencies	\$ 429	\$ 3,502	184	5.5 %
Higher Education	164	1,352	92	7.3
Total, Operations	\$ 593	\$ 4,854	\$ 276	6.0 %
Transfers Out	\$ 102	\$ 1,275	\$(273)	(17.6) %
All Other	2	40	(1)	(2.4) %
Vouchers Payable Adjustment	\$(371)	\$(844)	\$(694)	N/A
Total, Base Expenditures	\$ 1,605	\$ 15,776	\$(282)	(1.8) %
Repayment to Budget				
Stabilization Fund	0	0	0	0.0
Total, Expenditures	\$ 1,605	\$ 15,776	\$(282)	(1.8) %

COMPARISON OF SPENDING FOR OPERATIONS BY OBJECT (Dollars in Millions)

	Eight Months			
	Feb. 2002	FY 2002	Change From Prior Year	
			\$	%
Personal Services:				
Regular Positions	\$ 210	\$ 1,651	86	5.5 %
Other Personal Services	22	176	7	4.1
Total, Personal Services	\$ 232	\$ 1,827	\$ 93	5.4 %
Contribution Retirement	43	338	18	5.6
Contribution Social Security	14	117	6	5.4
Contribution Group Insurance	60	425	12	2.9
Contractual Services	39	370	12	3.4
Travel	1	16	0	0.0
Commodities	9	89	2	2.3
Printing	1	7	1	16.7
Equipment	1	24	(6)	(20.0)
Electronic Data Processing	3	34	1	3.0
Telecommunications	5	38	2	5.6
Automotive Equipment	1	12	0	0.0
Other Operations	184	1,557	135	9.5
Total, Operations	\$ 593	\$ 4,854	\$ 276	6.0 %

COMPARISON OF SPENDING FOR AWARDS AND GRANTS (Dollars in Millions)

	Eight Months			
	Feb. 2002	FY 2002	Change From Prior Year	
			\$	%
State Board of Education:				
General State Aid	\$ 269	\$ 1,888	140	8.0 %
All Other	84	1,125	(29)	(2.5)
Public Aid	401	3,277	70	2.2
Human Services	218	1,866	42	2.3
Higher Education:				
Student Assistance Commission	49	348	35	11.2
Community College Board	91	284	36	14.5
Other	2	54	21	63.6
Teacher's Retirement	68	548	60	12.3
Children and Family Services	50	473	(42)	(8.2)
Aging	14	149	6	4.2
Revenue	0	84	49	140.0
All Other	33	355	22	6.6
Total, Awards and Grants	\$ 1,279	\$ 10,451	\$ 410	4.1 %

GENERAL FUNDS REVENUES, EXPENDITURES AND BALANCES

(Dollars in Millions)

	Nine Months			
	Mar. 2002	FY 2002	Change From Prior Year	
			\$	%
Total General Funds				
Available Balance	\$ 125	\$ 1,126	\$ (391)	(25.8) %
Revenues	1,911	16,687	(187)	(1.1)
Expenditures	1,891	17,668	(438)	(2.4)
Ending Balance	\$ 145	\$ 145	\$ (140)	(49.1) %
General Revenue Fund				
Available Balance	\$ 22	\$ 683	\$ (314)	(31.5) %
Revenues	1,647	14,206	(219)	(1.5)
Expenditures	1,638	14,858	(518)	(3.4)
Ending Balance	\$ 31	\$ 31	\$ (15)	(32.6) %
Common School Special Account Fund				
Available Balance	\$ 57	\$ 66	\$ (3)	(4.3) %
Revenues	113	1,134	25	2.3
Expenditures	116	1,146	28	2.5
Ending Balance	\$ 54	\$ 54	\$ (6)	(10.0) %
Education Assistance Fund				
Available Balance	\$ 22	\$ 355	\$ (60)	(14.5) %
Revenues	82	769	(16)	(2.0)
Expenditures	61	1,081	44	4.2
Ending Balance	\$ 43	\$ 43	\$ (120)	(73.6) %
Common School Fund				
Available Balance	\$ 25	\$ 21	\$ (15)	(41.7) %
Revenues	307	2,080	77	3.8
Expenditures	315	2,084	61	3.0
Ending Balance	\$ 17	\$ 17	\$ 1	6.3 %

Note: Total General Funds excludes interfund transfers while the individual funds include such transfers. Numbers may not add due to rounding.

GENERAL FUNDS REVENUES (Dollars in Millions)

	Nine Months			
	Mar. 2002	FY 2002	Change From Prior Year	
			\$	%
Revenues:				
State Sources:				
Cash Receipts:				
Income Taxes:				
Individual	\$ 561	\$ 5,276	\$ (132)	(2.4) %
Corporate	153	532	(153)	(22.3) %
Total, Income Taxes	\$ 714	\$ 5,808	\$ (285)	(4.7) %
Sales Taxes	453	4,557	97	2.2
Other Sources:				
Public Utility Taxes	113	821	(25)	(3.0)
Cigarette Taxes	33	300	1	0.3
Inheritance Tax (gross)	25	254	(23)	(8.3)
Liquor Gallonage Taxes	8	92	(2)	(2.1)
Insurance Taxes and Fees	46	165	18	12.2
Corporation Franchise Tax and Fees	9	117	10	9.3
Investment Income	9	111	(107)	(49.1)
Cook County IGT	23	177	0	0.0
Other	19	166	(6)	(3.5)
Total, Other Sources	\$ 285	\$ 2,203	\$ (134)	(5.7) %
Total, Cash Receipts	\$ 1,452	\$ 12,568	\$ (322)	(2.5) %
Transfers In:				
Lottery Fund	\$ 45	\$ 376	\$ 24	6.8 %
State Gaming Fund	30	345	5	1.5
Protest Fund	0	5	(3)	(37.5)
Other Funds	36	222	(78)	(26.0)
Total, Transfers In	\$ 111	\$ 948	\$ (52)	(5.2) %
Total, State Sources	\$ 1,563	\$ 13,516	\$ (374)	(2.7) %
Federal Sources:				
Cash Receipts	\$ 342	\$ 2,882	\$ (17)	(0.6) %
Transfers In	6	63	(22)	(25.9)
Total, Federal Sources	\$ 348	\$ 2,945	\$ (39)	(1.3) %
Total, Base Revenues	\$ 1,911	\$ 16,461	\$ (413)	(2.4) %
Transfer from Budget Stabilization Fund	0	226	226	N/A
Total, Revenues	\$ 1,911	\$ 16,687	\$ (187)	(1.1) %

GENERAL FUNDS ANALYSIS OF EXPENDITURES

(Dollars in Millions)

	Nine Months			
	Mar. 2002	FY 2002	Change From Prior Year	
			\$	%
Expenditures:				
Awards and Grants:				
Public Aid	\$ 400	\$ 3,677	\$ 44	1.2 %
Elem. & Sec. Education:				
State Board of Education	536	3,550	89	2.6
Teachers Retirement	69	616	67	12.2
Total, Elem. & Sec. Education	\$ 605	\$ 4,166	\$ 156	3.9 %
Human Services	209	2,075	44	2.2
Higher Education	71	757	97	14.7
All Other Grants	103	1,164	12	1.0
Total, Awards and Grants	\$ 1,388	\$ 11,839	\$ 353	3.1 %
Operations:				
Other Agencies	\$ 399	\$ 3,901	\$ 161	4.3 %
Higher Education	152	1,504	97	6.9
Total, Operations	\$ 551	\$ 5,405	\$ 258	5.0 %
Transfers Out	\$ 213	\$ 1,489	\$ (210)	(12.4) %
All Other	\$ 4	\$ 44	\$ (2)	(4.3) %
Vouchers Payable Adjustment	\$ (265)	\$ (1,109)	\$ (837)	N/A
Total, Base Expenditures	\$ 1,891	\$ 17,668	\$ (438)	(2.4) %
Repayment to Budget Stabilization Fund	0	0	0	0.0
Total, Expenditures	\$ 1,891	\$ 17,668	\$ (438)	(2.4) %

COMPARISON OF SPENDING FOR OPERATIONS BY OBJECT

(Dollars in Millions)

	Nine Months			
	Mar. 2002	FY 2002	Change From Prior Year	
			\$	%
Personal Services:				
Regular Positions	\$ 199	\$ 1,850	\$ 86	4.9 %
Other Personal Services	22	198	8	4.2
Total, Personal Services	\$ 221	\$ 2,048	\$ 94	4.8 %
Contribution Retirement	42	380	20	5.6
Contribution Social Security	14	131	6	4.8
Contribution Group Insurance	40	465	(11)	2.3
Contractual Services	42	413	12	3.0
Travel	2	18	0	0.0
Commodities	10	99	(1)	(1.0)
Printing	1	7	0	0.0
Equipment	0	25	(8)	(24.2)
Electronic Data Processing	3	37	1	2.8
Telecommunications	5	42	4	10.5
Automotive Equipment	2	14	0	0.0
Other Operations	169	1,726	141	8.9
Total, Operations	\$ 551	\$ 5,405	\$ 258	5.0 %

COMPARISON OF SPENDING FOR AWARDS AND GRANTS

(Dollars in Millions)

	Nine Months			
	Mar. 2002	FY 2002	Change From Prior Year	
			\$	%
State Board of Education:				
General State Aid	\$ 269	\$ 2,157	\$ 161	8.1 %
All Other	267	1,393	(72)	(4.9)
Public Aid	400	3,677	44	1.2
Human Services	209	2,075	44	2.2
Higher Education:				
Student Assistance Commission	27	375	25	7.1
Community College Board	3	287	37	14.8
Other	41	95	35	58.3
Teacher's Retirement	69	616	67	12.2
Children and Family Services	47	520	(41)	(7.3)
Aging	23	171	6	3.6
Revenue	0	85	12	16.4
All Other	33	388	35	9.9
Total, Awards and Grants	\$ 1,388	\$ 11,839	\$ 353	3.1 %

Illinois Virtual Campus

With technology becoming better and cheaper each year, it is not surprising that more and more families have computers in their homes. The higher education community is taking advantage of this fact. Many colleges and universities in Illinois are now offering courses, and even entire degree programs, over the Internet. To promote the idea of online learning and coordinate the offerings from various schools, Illinois has developed the Illinois Virtual Campus (IVC) to serve as a gateway to these services.

The IVC is a directory of distance courses, and certificate and degree programs offered by Illinois colleges and universities. Visiting the IVC website allows access to thousands of online and other distance learning courses and programs.

When viewed last week, the IVC website listed over 3,200 offerings available through five major delivery modes: broadcast TV, correspondence, interactive TV, stored media, and the Internet. Of the total offerings, 2,162 or 67 percent were available via the Internet. The Internet courses ranged from the traditional subjects like Art Appreciation, Business, and Economics to offerings such as GRE preparation.

The costs to students to enroll in these online courses are similar to in-residence tuition costs, although there is usually a small extra fee charged. For example, Northern Illinois charges about \$130 per credit hour, Eastern Illinois University about \$132 per credit hour, the University of Illinois about \$143 per credit hour, and Lewis and Clark Community College about \$56 per credit hour.

According to the Illinois Virtual Campus, the annual enrollment in Internet courses totaled 46,678 (13,582-Fall 2000, 19,764-Spring 2001, and 13,332-Summer 2001). ■

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Comptroller Daniel W. Hynes is the chief fiscal officer for the state, managing its financial accounts, processing more than 18 million transactions a year, and performing a watchdog role to assure that all payments meet the requirements of the law. The Comptroller's Office also provides timely and accurate fiscal information and analysis to the Governor, the Illinois General Assembly, and local government officials so they can make informed budget decisions. In addition, the Office oversees the state's private cemetery and funeral home industry.

COMPTROLLER DANIEL W. HYNES

Contact us at our web address: <http://www.ioc.state.il.us>

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