
ILLINOIS COMMISSION ON EQUITABLE PUBLIC UNIVERSITY FUNDING

Adequacy Workgroup Meeting #7 - November 17, 2022 (9am-12pm CT)
Meeting Notes

MEETING OBJECTIVES

1. Provide update on Resources Workgroup
2. Review what will be handed off to Technical Workgroup
 - Summarize status of each component of Adequacy
 - Consider ways to operationalize Research
 - Review outstanding issues (O&M deferred maintenance, Hospitals, Athletics)
3. Discuss Texas research re: how to measure components of Adequacy
4. Discuss how to reflect future changes in adequacy
5. Plan for report out to full commission

Welcome & Agenda Overview

Executive Director Ginger Ostro opened the meeting with general announcements regarding Open Meetings Act, that the meeting will be recorded and instructions for any members of the public who would like to participate in Public Comment. Martha Snyder provided an overview of the agenda.

Action: Approval of minutes from October 20, 2022 Workgroup Meetings

Commissioner Caldwell made a motion to approve the minutes from the October 20, 2022 workgroup meeting. Commissioner Freeman seconded the motion. All workgroup members were in favor.

Introductions

Martha Snyder started a round of introductions and asked each workgroup member to introduce themselves.

Update on the Resource Workgroup

Will Carroll shared about how the workgroups interrelated by sharing a sample university target, built from the components of what it costs for students to succeed and will vary based on student need. The Adequacy Workgroup is developing these components.

Each institution has Resources available to it. The Resources Workgroup is determining which types of resources should be counted to determine how close an institution is to adequacy.

Resource Workgroup

Institutional Revenue Categories/Definitions:

- University Income Fund (tuition)
- Auxiliaries
 - Factoring in affordability
- Grants & Contracts (Government & Public)
- Endowment
 - How to include in a way that acknowledges connection to adequacy (endowed chairs, financial aid), but also limitations

Factoring in Affordability using "Expected UIF"

- Each institution will have a different "expected UIF" level, based on the types of students it enrolls (demographics, income, etc.).

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- The state used the expected UIF, rather than actual UIF, to calculate the institution's available revenue.
- The state's responsibility is to fill in the gap between the Adequacy Target and the available revenue.

Commissioner Weffer asked if the UIF essentially is the "expected family contribution" that the university expects to have? What are the different groups of tuition (in state/out of state, international, etc.)? Yes, this is a good way of thinking about the expected family contribution, but the factors that go into the calculation may be different. The student is the parallel to the university in this example. The Resource Workgroup plans to discuss in more depth the groups of tuition at the upcoming meeting. The workgroup will wrestle with many factors in designing these groups.

Commissioner Steans asked whether the "state share" includes MAP. Any type of non-institutional aid will be a question and this is part of the upcoming conversation with the Resource Workgroup. The equitable student share would probably be set not including MAP or Pell since that is money that comes into the UIF for the institutions.

Commissioner Ellens asked how the "expected UIF" is calculated, especially considering the current family contribution calculation is flawed. In concept, the idea would be similar and there would be a formula that looks into student income, wealth and other factors. In coming up with that target, are we factoring in years of disinvestment and/or underfunding? The expected UIF and adequacy target are expected to adjust based on equity.

Mike Abrahamson echoed what Commissioner Ellens shared, regarding historical inequities. It's worth looking into the unintended consequences or incentives that this model provides.

Kevin Jackson asked whether the most important "thing" is the adequacy target, on the shared graphs. Many other factors on the graph are fixed numbers. There are three big pieces: adequacy target (how do we calculate?), adequate funding (how do we get there and what do we count?), how does the state fill in the gap/bucket? Would it be important to think about future tuition from practical realities (and trends)?

Commissioner Weffer asked for clarification regarding the graphic shared on screen and how the sections apply.

Commissioner Freeman shared that national trends, aspirational and student mix, but that the students in this model (higher education) are more mobile than the students in the K-12 EBF model. As we plan for the future, we need to think about this moving forward.

Texas Study: Adequacy in Community Colleges

Martha Snyder shared background information about the Texas study on Adequacy in Community Colleges that was shared out with the Workgroup members ahead of the meeting.

Adequacy in Community College Finance

What does it cost to provide an adequate community college education?

- Researchers in Texas just completed first-ever analysis to answer this question. Needs refinement, but big step forward
- Established relationships between student need factors, institutional factors, student achievement on state outcomes, and spending per college

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- Were able to calculate:
 - **Base cost** per student
 - **Student weights** for colleges that enroll students who need more resources to achieve
 - **Institutional weights** for smaller colleges

Martha Snyder walked through the calculations and additional costs associated with serving different student groups and institutional factors. The base per student cost (constant) equals \$4536.85.

Commissioner Caldwell raised concerns around outcomes, college completion and the definition of a college degree. Part of the adequacy funding includes efficiency: what colleges are being efficient?

Mike Abrahamson shared that the study was relevant and the NCHEMS study hinted towards much of what was raised.

Review of Public Comment

Commissioner Freeman asked for time to debrief from the public comments provided in previous meetings. HCM Strategists shared that a separate meeting was held with Jennifer Delaney to further discuss. Executive Director Ostro shared back the comments that Jennifer Delaney raised during her public comment at the Commission meeting.

- The approach is very focused on institutional expenditures and is not the best path to define adequacy as it's complicated
- Will understanding institutional budgeting help understand adequacy?
- Each of the state's institutions uses a different model
- Are there areas that should be kept out of the adequacy calculation?
- Suggestion to focus on subsidy values - how much are students subsidized at each institution?

Commissioner Freeman asked that the workgroup acknowledge the cautions that Jennifer Delaney outlined. Commissioner Caldwell agreed that the information was helpful and raised that codifying current practices will make it hard to get to an adequacy model where funds can be redistributed.

Commissioner Martire shared that national average costs were taken into account when calculating the K-12 EBF model. When there is a woefully underfunded system, the focus ought to be on making sure that new dollars are added and go to areas that traditionally have been underfunded and serving underrepresented populations. If there will be variations in enrollment, there needs to be a smoothing process so there aren't shocks to the system. Commissioner Martire shared a concern around outcomes-base funding, in that metrics to change systems need to be long term. Changes need to be rationally designed to change a system in a meaningful way.

Commissioner Green echoed agreement to Commissioner Martire's comments. Change is possible to improve outcomes, but resources are needed.

Commissioner Ellens shared that the conversation is important to have to understand how budgeting is done to take into consideration when evaluating and creating a dynamic formula. There has to be consideration of the historical underfunding across the state that are serving primarily black and latin-x students. There will still be an issue when there is not enough "new state funding."

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Commissioner Caldwell shared the importance of the definition of adequacy to “make right.” How do we make right for institutions with students who have been underfunded? If we can look at strategies to accelerate equity and adequate funding, there was a desire to look at that.

Commissioner Steans asked that we remember there are multiple tools available with creative ways to address.

Review Technical Workgroup Hand-off

Instruction and Student Services

The potential model for developing adequacy definition was shared on screen as a reminder for the workgroup members.

Approaches for Measuring Adequacy

Options:

- Benchmark key student ratios
- Link to staffing costs/salaries
- Incorporate costs of effective programs/services
- Weight specific factors
- Square footage for facilities-related costs

In looking at the measurements, Kevin Jackson asked how trends towards online education and expansion of options play into square footage for facility-related costs. Commissioner Weffer asked about the backlog of capitol issues (fixing leaking roofs, deferred maintenance) what of this is adequacy?

Benchmark a Limited number of key Student Ratios

Sample student ratios include: students per faculty/instructional staff; students per student services staff; students per academic and instructional support/administration staff.

Commissioner Freeman asked the technical workgroup to be reminded that the whole world experienced COVID, but only Illinois higher education experienced the budget impasse.

Commissioner Steans suggested weighting based on student demographics. What are the implications of looking at these ratios?

Associate to personnel costs

Sample personnel costs include: average faculty/instructional salary; non-instructional salary; benefits as percent of salary; operations and maintenance; other non-compensation expenses as percent of total compensation.

Apply Weights and Adjustments to the Benchmark

Sample adjustments for student needs include: first-time & transfer-in students incremental weight; headcount; black, latinx, low-income students; Pell students; Disabled students; Completions; Priority programs (e.g., STEM, Social Work, Graduate/Medical); Small institution weight (baseline FTE added to each institution).

Kevin Jackson asked whether there have been conversations about potential risk with respect to the formulas related to the supreme court cases that are being heard.

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Commissioner Caldwell flagged that there are external stakeholders that will look at a potential formula and ask specific questions regarding historical underfunding and the process. Can/should the word “current” be added to funding? It’s important to keep in mind the crucial distinction that this is an approach to funding that is trying to catch groups that have been underfunded.

Nate Johnson shared that the framework being used for the supreme court cases around admissions treats college admissions and higher education as a “prize” distributed to some students over other. This approach treats this more as a service with a goal of different levels of funding to achieve different outcomes.

Break

The workgroup took a short break before reconvening.

Measuring Components of Adequacy

Considerations for Different Degree Levels/Graduate Education

- Option 1
 - Separate graduate and medical education as one category
 - Separate graded and medical education as two categories
- Option 2
 - Include in the overall formula with weights that generate different costs (Masters, Ph.D., Medical, Professional)
- Option 3
 - Include, but don’t differentiate, weights from those used for undergraduate education

Potential Data Sources for each Component of Adequacy

High-performing institutions/program components in Illinois

- Advantages: comparable content, data, financial structures, ease of “translation”
- Disadvantages: Limited number, limited range of funding and performance levels, challenges maintaining objectivity, reflects historical funding patterns

High-performing institutions/programs out of state

- Advantages: wide range of performance and funding levels, sources for new ideas, easier to be objective
- Disadvantages: different contexts, financial structures, data classifications, hard to connect funding to specific outcomes

Academic research

- Advantages: potential for more rigorous connections between funding and outcomes, credibility with key stakeholders
- Disadvantages: limited number of use cases in context of overall funding levels

Commissioner Steans flagged that these potential sources could be combined/mixed. Commissioner Green asked for the definition of “high performing.” Martha Snyder shared George State and examples related to this institution. Commissioner Caldwell added that looking into graduation rates and progress would be beneficial. When talking about “high performing,” institutions are now being tracked by social mobility rate, which could be an additional factor to include.

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Review Technical Modeling Hand-off

Operation and Maintenance

Martha Snyder summarized the description, rationale, approaches, potential measures to calculate costs and the final considerations for the technical modeling workgroup: Inequities that may be part of potential cost calculations.

Commissioner Steans flagged the addition of deferred maintenance under the considerations section. Commissioner Freeman shared that industry standard formulas are looked at each year by institutions. There are ways the industry looks at how much funding you should receive based on the square footage and age of the square footage. Deferred maintenance backlogs should probably be pulled out, but there should be something in the formula that stops this backlog from never being addressed.

Commissioner Green shared that the description for operations and maintenance is important and integral to the equitable funding formula. For example, the “prettiness” of the campus versus the state of the academic buildings and/or residence halls and living learning communities.

Research, Service & Artistry

Martha Snyder summarized the description, rationale, approaches, potential measures to calculate costs and the considerations for the technical modeling workgroup: should be grounded in equity and not just current size of institutions research operations.

Commissioner Freeman shared her concern that funding received from the state does not adequately reimburse the cost associated with doing the research. She asked that the workgroup looks at the research already done and not create shortfalls that will damage the institutions, faculty and students. We cannot have a formula that reinforces unfunded mandates but that expects equity.

Commissioner Weffer shared that from a faculty perspective, there is inequity in funding availability by discipline. Research funding is hard to secure across disciplines, which is important to remember. Kevin Jackson highlighted the risks associated with creating incentives. Depending on the direction this moves, this could have unintentional consequences with a heavier burden than was intended.

Nate Johnson shared the challenge to figure out the exact methodology; it’s important to have the right incentives and not the wrong incentives. Commissioner Freeman shared the concern that unless specific prohibitions are put in place to stop the state from gaming the system, they will continue to do so. There is a base level of commitment that needs to go into the formula. We need to specifically prohibit, in statute, perverse incentives for the state.

Commissioner Steans asked whether a strawman will be prepared to hand to the Technical Modeling workgroup so they have a starting point.

Remaining Issues: Deferred Maintenance, Hospitals, Athletics

Hospitals

- Currently included in lump sum appropriation from state to institutions.
- For states with funding formulas, these activities are addressed outside the core funding formula, using a carve-out, set-aside of specific line-item funding.

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- Next steps: gain a better understanding of hospital funding as portion of state appropriation; continue to evaluate how best to place in context of equity and adequacy.

Athletics

- Most athletics programs are not self-sustaining and therefore are cross-subsidized through other resources; certain programs/institutions do gain significant revenue from athletics.
- Athletics have not been a factor in state funding formulas.
- Next steps: requires significantly more research and understanding for funding and revenue. Likely a separate process.

There was discussion about Athletics amongst the Workgroup members. Martha Snyder raised that there is not great research available. Commissioner Weffer advocated for a separate analysis that returns into the technical model, since it would be a serious deep dive. Commissioner Steans shared that the formula will need to have the flexibility for institutions to make decisions about where to spend incremental dollars.

Deferred Maintenance

- Significant levels of deferred maintenance across institutions which have implications for equity
- Discussion focused on considerations reflecting the deferred maintenance in O+M versus treating within the capital budget process
- Next steps: Recognize the need to address deferred maintenance and implications on equity but use capital budget process to facilitate addressing gaps.

Reflecting Future Changes in Adequacy

Supporting Future Adequacy

- Each component of an adequacy cost model reflects status quo/grounded in current costs.
- How can the model also support and incent growth of the system toward future goals for increased and more equitable access and success?

Mike Abrahamson flagged that there should be some investigation into peak enrollment, by institution, which flows directly to some of the recruiting goals mentioned in the model. The target shouldn't be limited to the status quo from the past decades.

The adequacy target will change as the student mix changes; how do we move the system in a direction to accommodate for this changing target? There may be a way to invest in innovation to help further the path forward. Building in a review every three to five years can help evaluate the effectiveness.

Commissioner Caldwell shared that institution's competition is nowhere: students aren't transferring or attending other institutions, they're simply just not enrolling anywhere. Institutions need to figure out ways to captivate and compel them through strategies built into the formula.

Commissioner Freeman shared that if the timing and incentives are wrong, institutions will be encouraged to enroll students and be able to support those students, less adequately, causing less success. There is an individual student behind every single data point. Institutions that are historically underfunded will have to make funding decisions. The

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Technical Modeling workgroup should be encouraged to think about the process from a student centric framework.

Commissioner Green echoed Commissioner Freeman's comment. What is the cost of not educating these groups?

Prep for the Commission Meeting

The next Commission meeting is scheduled for December 12, 2022 (12pm-3pm CT). Each workgroup will report out the summative of the considerations to be handed off to the Technical Modeling workgroup. Workgroup members were asked to volunteer.

Public Comment

Members of the public wishing to make public comment were given three minutes:

- Jennifer Delaney, member of the IBHE and faculty member at UIUC. Ms. Delaney shared the concern that equity is a value held by the group, but that it is often listed last in statements and in how it will enter the funding model. She recommends moving equity to be more central. She shared that she raised a similar concern about the centrality of equity in her meeting with HCM and IBHE, and also shared a number of international funding models for higher education that put equity at the center such as South Africa, and those that hold up institutional missions as central such as in Finland. Ms. Delaney also highlighted the importance of looking at international funding models, especially in the higher education space. This is important for thinking about how best to structure the work going forward. Ms. Delaney also highlighted that much of this discussion had been about other models that are based on systems that use inequitable property tax bases. While there might be something that can be learned from these models, she warned against equating funding models that use a property tax base for funding with Illinois' approach that has nearly zero property tax use at four-year institutions. For example, the Illinois K-12 funding model is seeking to promote adequacy across an unequal property tax base; the local capacity target that Commissioner Martire mentioned is also based on inequities in property tax bases; the Texas study is based on a community college system that is funded on an unequal property tax base; and there is no unequal property tax based in four-year institution funding in Illinois. Ms. Delaney recommends that the workgroup considers subsidy values and to be very clear about the areas where the state should be providing subsidies to enhance equity. Truly savvy students should not chase the lowest net price, but rather the highest subsidy value since that helps to direct more resources to themselves and to ensure that they receive a higher quality education.

Next Steps and Adjournment

The next full Commission meeting was scheduled for Monday, December 12, 2022 (12pm-3pm CT).

Workgroup Members in attendance

Mike Abrahamson, designee for Lisa Castillo-Richmond
Robin Steans
Ralph Martire
Simón Weffer
Cheryl Green

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Lisa Freeman
Cherita Ellens
Respicio Vazquez
Sheila Caldwell
Kevin Jackson, designee for Bill Bernhard

Support Team Members in attendance

Ginger Ostro
Ja'Neane Minor
Jaimee Ray
Martha Snyder
Jimmy Clarke
Will Carroll
Nate Johnson
Toya Barnes-Teamer
Katie Lynne Morton