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# ILLINOIS COMMISSION ON EQUITABLE PUBLIC UNIVERSITY FUNDING

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## **Illinois Commission on Equitable Public University Funding**

December 12, 2022: 12:00pm-3:00pm CT

Meeting #6 Notes

### ***Welcome & Agenda Overview***

Executive Director Ginger Ostro provided background information regarding the meeting logistics and fulfilling the requirements of the Open Meetings Act. Martha Snyder walked through an overview of the agenda for the meeting with highlights of the topics to be covered. Katie Lynne Morton confirmed there was a quorum in attendance.

### ***Action: Approval of minutes from September 2022 Commission meeting***

Katie Lynne Morton called the roll to approve the minutes from the September 1, 2022 meeting.

- Commissioner Atkinson motioned to approve the minutes. Commissioner Martire seconded.
- The roll was called and eighteen commissioners approved.

### ***Action: Approval of the minutes from the November 2022 Adequacy Workgroup meeting***

- Katie Lynne called the roll to approve the minutes from the November 17, 2022 meeting. Eight workgroup members were present and all approved the minutes during roll call.

### ***Commission Reflection: Charge, Objectives, Meeting Arc***

Martha Snyder walked through a number of slides to help reground the Commission members in the work of the Commission, where it came from and why it is so vital. Ms. Snyder reminded members of A Thriving Illinois, the IBHE Strategic Plan, which was developed through stakeholder survey responses, community engagement and virtual focus groups across the states. A thriving Illinois has an inclusive economy and broad prosperity with equitable paths to opportunity for all, especially those facing the greatest barriers. The three strategies for a Thriving Illinois are:

- Close the equity gaps for students who have been left behind,
- Build a strong financial future for individuals and institutions, and
- Increase talent and innovation to drive economic growth.

When A Thriving Illinois was developed, a set of principles were outlined for a public higher education funding system that is equitable, stable and adequate. Those principles include:

- Provide equitable funding so that students can receive the best educational experience and succeed;
- Support a thriving postsecondary system that enriches the state and its residents;
- Fund institutions sufficiently to achieve student, institutional, and state goals;
- Ensure affordability for all students;
- Recognize institutional uniqueness;
- Provide predictability, stability, and limited volatility;
- Include a "hold-harmless" provisions;
- Support accountability;
- Support a collaborative higher education system; and
- Encourage partnerships outside higher education.

Ms. Snyder shared the Legislative Charge with the Commission members. The goals and objectives of the Commission are anchored in establishing:

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- a shared understanding of current funding structure in IL;
- learning from other states to understand various approaches to issues of post-secondary finance;
- and ultimately developing recommendations centered on increasing access and success for historically underrepresented students—Black, Latinx, low-income, rural, and working adults, among others who have been underrepresented and underserved;
- Approaches to state investments that address historical inequities and reflect adequate funding policies; and
- and supporting the varied missions of our universities.

Ms. Snyder shared a reminder of the workplan for the Commission, which includes three phases. Phase one, where we established common understanding and context, has been completed. We are now in Phase two, where we build out the analysis and discuss models. Then we will turn to Phase 3, where we will finalize analysis and modeling and hone in on a set of recommendations. There will be obvious overlap and transition between phases to facilitate us towards conclusion.

To support Phase 2 and 3 of the work, the Commission established three workgroups. It was shared that two of the workgroups have been meeting and would provide update reports during the meeting.

### ***Workgroup Overview***

Ms. Snyder gave an overview of the Adequacy & Resources workgroups and how the workgroups interrelate. Each institution will have an Adequacy Target built from the components of what it costs for students to succeed and will vary based on student need. The Adequacy Workgroup was developing these components. A representation of the components that will foster a more adequate understanding of how to fund universities was shared on screens. Three broad components include: Instruction and Student Services (student-centered access components, academic supports, non-academic supports, core instructional program costs), Research & Public Service Mission (unfunded and inseparable from instructional adequacy/equity) and Operations and Mission. Each institution has Resources available to it. The Resources Workgroup has been determining which types of resources should be counted to determine how close an institution is to adequacy.

### ***Adequacy Workgroup Update***

Commissioners Weffer and Green gave a report of the work that has been ongoing in the Adequacy Workgroup. Weffer shared the potential model for developing adequacy definition, including the components, description and weights.

### ***Instruction and Student Services***

Framing Analytical Questions for Adequacy

- What does it cost to produce a desired outcome (enrollment, persistence, completion) for a student with no need factors? ("base" per student costs)
- What is the relative difference in spending necessary to achieve similar outcomes (enrollment, persistence, completion) for students from particular backgrounds? ("weighted" per student cost)
- Do different types of institutions (size, concentration of populations) require more spending to offer comparable services and supports?
- What additional costs may be associated with different degree levels/program areas?

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## *Approaches for Measuring Adequacy*

### Options:

- Benchmark key student ratios
- Link to staffing costs/salaries
- Incorporate costs of effective program/services
- Apply weights to reflect the additional costs

## *Benchmark a Limited Number of Key Student Ratios*

### Considerations for Technical Workgroup:

- What key factors (averages, ratios) are most important?
- How should these be benchmarked?
- Where are student ratios best applied?

## *Associate to Personnel Costs*

### Considerations for Technical Workgroup:

- Should faculty compensation be benchmarked by discipline? By other criteria?
- Should non-faculty compensation be benchmarked by occupation? Location? Both? Neither?
- How should non-compensation factors be derived?

## *Apply Weights and Adjustments to the Benchmark*

### Considerations for Technical Workgroup:

- How do we establish appropriate weights if a research base isn't available?

## *Incorporating Degree Level/Graduate Education*

### Considerations for Technical Workgroup:

- Which approach best allows for equity to be addressed within the context of advanced degree opportunities?

## *Potential Data Sources for Adequacy*

### High-performing institutions/program components in Illinois

- Advantages: comparable context, 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

## *Discussion Questions*

- Are these the correct analytical considerations for how to measure adequacy for serving different students?
- Is there a preferred approach for benchmarking the costs of serving students? Should the technical workgroup consider more than one/blend approaches?

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- Are there other considerations the technical workgroup should factor in for modeling this component of adequacy?

### *Remaining Issues: 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.

### *Research, Service + Artistry*

#### Considerations for Technical Workgroup

- How can equity be embedded in this component to ensure it reflects some basic level of access but also reinforces the existing mission of institutions?
- Ensure alignment with how factored into resource assessment?

### *Discussion Questions*

- Are there other considerations the technical workgroup should factor in for modeling these components of adequacy?

### 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?

Commissioner Glassman raised the importance of accountability within the formula funding. Not everything has the same timeline and once adequate funding comes into the university, it won't be identifiable until five or six years down the line.

Commissioner Freeman emphasized that the Adequacy Workgroup encourages the Technical Workgroup to explore areas that were not yet explored. There was a request for the Technical Workgroup to bring information back to the Commission for transparency.

Commissioner Martire echoed what Commissioners Freeman and Glassman shared. Commissioner Ellens asked how long will it take to get to equitable outcomes for students of color? How long will it actually take colleges and universities to get to par? Commissioner Weffer shared that the model is not the decision maker, it advises the decision maker and it's important to remember that no model is perfect. Models need to be reassessed.

Co-Chair Atkinson reminded the Commissioners that no matter what changes are made, it will take some time for the funds/resources to catch up. The accountability piece of the Strategic Plan has not been built out yet, but the process will begin soon.

Co-Chair Torres reminded the Commissioners that the end results needs to be attainment and achievable for the state of Illinois, that can be actionable for changing the framework and that the legislature can take a step forward to provide additional funding that grows and is predictable.

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Commissioner Wuest shared a paper with the Commissioners prior to the meeting, which he explained how best to incorporate into the recommendations.

### **Break**

The Commissioners took a seven minute break.

### **President Panel**

Toya Barnes-Teamer introduced President Rick Gallot and President Joseph Savoie. Each President spent a few minutes describing their institutions: Grambling State University and the University of Louisiana Lafayette.

*What have been the implications of the funding formula for your institution and how have you managed priorities within that?*

President Savoie shared that there are similarities between LA and IL recent histories. There was a time of annual state budget reductions in LA for ten years, during which the formula had little to no impact during that time. In the last six or seven years there has been stability in state funding and increases in the last four years. The Louisiana formula encouraged higher production: more degrees awarded, higher success rates for first-generation Pell students. There have been additional investments in student support services. There can be results as long as the right incentives are there and stable.

President Gallot shared that the students simply cannot afford to attend college. There have not been any institution tuition increases. Fee increases were based on student-led decisions/voting. The institution has continued to operate within the budget constraints. The only way to cut down on deferred maintenance was to demolish buildings.

*Has the formula elevated any particular issues related to student success and equity?*

President Savoie shared that additional wraparound services were needed. The formula incentivizes degree completion. There has been a good improvement in degrees awarded. As the formula has begun to be funded in the last few years, the institution has tried to take full advantage of the incentives present. The institution is starting to see direct results.

*What would you say are the biggest challenges or limitations of the formula?*

President Gallot shared that the formula is only funding 25 percent of the budget. It's certainly better than nothing, but there was a recommendation to be careful with how the formula is crafted so that institutions are not penalized. There needs to be resources to go the extra distance to meet students where they are.

President Savoie shared that formulas can become very complicated and confusing. He encouraged the Commission to keep the formula as simple as possible (without a lot of elements). A formula has to be adequate to produce the desired result, fair with incentives for different institutions' missions, consistent over time. A hold harmless is important for institutions to prove themselves. The formula has to be respected and has to be the driver of funding, not just an add on.

*Were specific incentives competing with each other or whether it was part of respecting the mission?*

President Savoie shared that the trip to Carnegie Research 1 was easy and only took 30 years to complete. It takes consistency over time. The formula recognizes research productivity. The formula has encouraged investments in graduate education on research and student success on the undergraduate side.

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*If there's one thing you could "fix" in your formula, but adding something to it, what would it be? What is one thing you would amend/take out?*

President Gallot shared he would add money! Presiden Savoie agreed.

President Gallot shared that increasing the base amount would be welcome. There is still the same amount of acreage and buildings with deferred maintenance so adding to the base would be helpful. Nothing came to mind to take away from the formula.

President Savoie agreed with President Gallot. It's important to understand the significance of the individual institution's missions. At some point, it would be nice to have incentives to encourage creativity and partnerships with other institutions, cooperations. There was nothing to take out, just to build upon with additional resources.

*What are the lessons you've learned from establishing the funding formula?*

President Gallot shared that as a state there is an obligation to educate the people. The burden was shifted from the state to the student, as the decrease in state funding happened. This action put students in a position to take out larger loans. Make higher education a priority, put your money where your mouth is.

President Savoie agreed and shared that evidence-based practices are valid and effective. Find a way to encourage these suggestions (seminars, summer bridge, learning communities, undergraduate, research, career connections). If you can incentivize all these things, there will be improvement.

*Do adult high schools exist in Louisiana to reach parents and adults who don't have a high school diploma to prepare for their entrance into two-year or four-year institutions?*

President Savoie shared that this is a role for elementary, secondary and community colleges. There is a fairly robust program to help students earn their high school equivalency.

*Has there been any acceleration or alignment as the Master Plan in Louisiana was revised?*

President Gallot was required to discontinue all associate's programs with the development of the Master Plan.

President Savoie shared that the formula is well aligned with the Master Plan. The formula has elements to incentivize to encourage results and award institutions for meeting those results. It's important to have alignment between the formula and Master Plan.

*What recommendations would you make for next steps beyond just adopting the formula?*

President Savoie shared that the Board of Regents hosted a series of seminars so that folks understood the elements of the formula. There were a number of meetings to ensure programs were adopted to help get to the goals outlined. A regular public report on how well you're progressing toward your goals (accountability) might be a good idea. The funding formula has to be perceived as fair and respected.

### **Resource Workgroup Update**

Commissioner Glassman and Ketra Rosleib gave a report of the work that has been ongoing in the Resource Workgroup.

#### *Components of a University's Resource Profile*

- University Income Fund (tuition and fees)
- Auxiliaries
- Grants & Contracts (government and private)

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- Endowment
- Hospitals & Athletics

## *Reflections on Building the Resource Profile*

### Equity

- Resources must be evaluated through lens of equity and how they influence an institution's ability and capacity to equitably serve students.
- The key issue is not always the definition and direct use of resources, but a more critical understanding: does having access to the resources provide differential capacity to institutions? Does this have implications for equity?

### Affordability

- Tuition increases and/or variable tuition across institutions can impact equitable access.
- The socioeconomic make-up of a school's student body affects its ability to increase tuition or change student fees.
- State disinvestment can force schools to increase tuition to break even, exacerbating access issues for low-income students.
- A new approach should ensure that increases in tuition are not used as "release valve."

## *Factoring in Affordability: University Income Fund (UIF)*

### Why Factor in Affordability?

- Illinois is historically a "high-tuition, high-aid" state. But research shows that high sticker price dissuades low-income students from enrolling.
- Schools that enroll a high proportion of low-income students can't and shouldn't rely as much on tuition as a source of revenue to meet the adequacy target if the college is to be affordable.
- Factoring in affordability can encourage schools to enroll more low-income students, knowing that the state will cover more of the costs. It can also help ensure affordable in-state options to retain talent.

### Factoring in Affordability - Using "Expected UIF"

- Currently, the state allocates funds to universities, and universities fill in the remaining gap to costs through tuition and fees, often unaffordable.
- The new model would assign each university an "Expected UIF" based on its student body, and then allocate new state funds based on the gap to the Adequacy Target.
- The example assumes:
  - The Adequacy Target is higher than the current amount a college spends to educate students.
  - The Expected UIF will be lower than the current tuition collected.

### Calculating Expected UIF - An Example

- The state would establish groups of students and an "Equitable Student Share" that students in that group can reasonably be expected to pay in tuition.
- The groups would be based on characteristics like income, residency, undergrad/grad, and mandatory tuition waiver eligibility.
- There could be many groups or very few.
- In the examples shown here, Group D might be a mandatory tuition waiver student that is expected to contribute \$0 in tuition. Group A might be an out-of-state, high-income student.

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## *UIF - Recommendations and Further Work*

### Recommendations

- Use the Expected UIF model to account for student ability to pay
- Equitable Student Share groups should account for income, residency, undergrad/grad, and mandatory tuition waiver eligibility.

### Further Work for the Technical Workgroup

- Create a mechanism to address when a school continues to charge high tuition, bringing in more UIF than the "Expected UIF."
- Evaluate how to include fees, including whether they fund adequacy components, are self-sustaining enterprises (e.g. support auxiliaries) are mandatory, etc.

## *Non-Appropriated Resources: Grants, Contracts, Endowments*

### Framework for Considering Non-Appropriated Resources

- Consider how access to grants, contracts, and endowments provide differential and/or inequitable capacity to institutions.
- Technical Workgroup to include these resources in a nuanced way, rather than an "all or nothing":
  - What are the different resources institutions have access to?
  - What are the uses and limitations of these resources?
  - How do these resources impact the components of the Adequacy Target and services to students?
  - What are implications for equity?
  - What are considerations for including these resources in assessing an institution's level of adequate resources?

### Non-Appropriated Funds: Grants, Contracts & Endowments

- Description
  - Government Grants and Contracts: revenues from local, state and federal governments that are for specified purposes and programs (e.g., research, other priorities)
  - Private Grants and Contracts: gifts and grants provided to the university from individuals (private donors) or non-governmental organizations included in this funding category are revenues provided for student financial assistance.
  - Endowments: income from endowment and similar fund sources, including irrevocable trusts.
- Initial Recommendations: more analysis needed to develop a nuanced way to include in the institutional resource profile.
- Equity Implications
  - Capacity to bring in these resources may vary across institutions and are often self-reinforcing (institutions with higher resources have greater capacity to seek other types of resources).
  - Access to these dollars can indirectly impact equity:
    - Research dollars can affect ability to recruit faculty, give students access to STEM or other opportunities.
    - Endowment can endow chairs, free up resources for other spending.
  - Access to private sources and endowments often reflects historical wealth inequities distributed in inverse proportion to racial/ethnic enrollment.

### Grants, Contracts, Endowments - Discussion

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- Does the Commission agree with a nuanced approach to each of these categories of funds, as opposed to an “all of nothing”?
- Are the questions in the framework the right ones?
- Are there particular data or considerations the Technical workgroup should incorporate into its work on this issue?

Commissioner Castillo-Richmond noted that on the UIF slide, it did not explicitly include race. Was this intentional or unintentional? The slides gave income only examples and race/ethnicity were very much talked about during the workgroup discussions.

Commissioner Caldwell mentioned that if the base is not present, it's difficult to get adequate funding. It was recommended that the base funding be prioritized.

Commissioner Ellens shared that “forget about equity, focus on fairness” was frustrating. as a group, we don't want to bend to the difficult task ahead and want to be sure that equity remains at the center of the work. Commissioner Green echoed this point.

Commissioner Mahoney noted that in many ways, there are already incentives in place. There are not incentives towards the focus on student success, relative to race, gender, social economic status. A focus on equity is critically important.

Commissioner Zarnikow asked how deferred maintenance would be addressed. It was part of the Adequacy Workgroup discussions and will be carried forward to the Technical Workgroup in the O+M aspect. The general consensus is that it be addressed outside this Commission's work. How do we keep up so the hole doesn't grow larger? There will be core maintenance included, but the deferred backlog of maintenance will be addressed separately. Commissioner Martire shared that this should be part of the base funding to help get rid of the problem over time.

### *Remaining Issues: Auxiliaries, Hospitals & Athletics*

#### *Auxiliaries*

- Description: Auxiliary enterprises include residence halls, food services, parking facilities, student unions, college stores and such other services as barber shops, beauty salons, movie houses and bowling alleys. In some cases these are self-sustaining (fees charged cover expenses) in other cases they may be revenue generators.
- Equity Implications
  - Can influence student success: access to housing, food, transportation, childcare.
  - Supported by student fees - underlies question about student's ability to pay.
  - Quality and quantity of these services may be related to the profile of the students.
- Recommendations
  - Auxiliaries should be adjusted in some way to account for student ability to pay.
  - The Expected UIF model is not a good fit for Auxiliaries.
  - Focusing just on “room and board” could help to simplify the concept and calculation.
  - Needs further discussion and analysis of options.
- Options
  - Address basic auxiliary needs through the Adequacy Target

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- Create incentive for keeping net price down
- Define an adequate level of “basic needs” in Adequacy Target

### 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 or specific line-item funding.
- 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.
- Equity objective: create incentives through funding for institutions with hospitals/medical education to enroll more students of color and provide pathways for these students to pursue careers in medical profession.

### 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.
- May be some parallels with Research (adequacy might include a minimum level, which some schools are able to fund externally while others require state support).
- Next steps: conduct a deeper analysis of funding and revenue. Likely a separate process.

### Next Steps

The Technical Modeling workgroup starts meeting following the Commission meeting (December 13, 2022). The group will meet bi-weekly starting in 2023. The charge is that the technical workgroup will build upon the conceptual framework established by the Commission (informed by the Adequacy and Resource workgroups) and begin identifying metrics/data, modeling distribution mechanisms and various funding scenarios/implementation options based on spending considerations. The workgroup’s analysis will incorporate the components of adequacy and varying levels of resources (revenue streams) across institutions, as outlined by the Commission. The list of workgroup membership was shared on screen.

### Public Comment

Dr. Barnes-Teamer reminded members of the public that they have up to three minutes to provide public comment.

- Jennifer Delaney, Associate Professor of Higher Education at the University of Illinois Urbana Champagne and member of the Illinois Board of Higher Education. Ms. Delaney shared five big takeaways and a warning for the work so far. The process seems to be on a path to become a complicated formula; simplicity is key. Ms. Delaney doesn’t believe the Adequacy and Resource Workgroups have provided enough guidance to the Technical workgroup. She doesn’t believe the notion of stability has been given enough attention in developing the formula so far. Ms. Delaney shared her concern about how equity is functioning in the current model. She believes the information passed onto the Technical Workgroup doesn’t value mission differentiation across institutions. Ms. Delaney is concerned about equal weighting of using state resources and tuition to meet adequacy since these two funding streams are not equal. She raised the concern of the calculation of expected tuition. Tuition flexibility for institutions is vital.

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### ***Next Steps, Closing Announcements and Adjournment***

Dr. Barnes-Teamer shared next steps for both the Adequacy and Resources Workgroups. The next meeting is scheduled for February 13, 2023. The Commissioners should also be on the lookout for a post-meeting survey.

### *Commission Members in attendance*

Deputy Governor for Education Martin Torres, Co-Chair  
John Atkinson, Co-Chair  
Andrea Porter, designee for Representative Carol Ammons, Co-Chair  
Representative Katie Stuart  
Sheila Caldwell  
Dr. Bill Bernhard  
Lisa Castillo-Richmond  
Dr. Wendi Wills El-Amin  
Cherita Ellens  
Lisa Freeman  
Gloria Gibson  
David Glassman  
Cheryl Green  
Warren Richards  
Guiyou Huang  
Dan Mahony  
Ralph Martire  
Javier Reyes  
Robin Steans  
Respicio Vazquez  
Simón Weffer  
Jack Wuest  
Eric Zarnikow

### *Commission Members not in attendance*

Senate Majority Leader Kimberly Lightford, Co-Chair  
Senator Terri Bryant  
Deputy Republic Leader Dan Brady  
Senator Dale Fowler  
Representative Mike Marron  
Terri Kinzy  
Dennis Papini  
Zaldwaynaka "Z" Scott  
Brandon Kyle

### *Support Team Members in attendance*

Ginger Ostro

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Ja'Neane Minor  
David Antonacci  
Toya Barnes-Teamer  
Martha Snyder  
Will Carroll  
Nate Johnson  
Jimmy Clarke  
Katie Lynne Morton