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# ILLINOIS COMMISSION ON EQUITABLE PUBLIC UNIVERSITY FUNDING

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## Meeting #9

Welcome to the June 29, 2023 meeting of the Commission on Equitable Public University Funding. The meeting will begin at 10:30 a.m. This meeting will be recorded. Closed Captioning can be accessed by clicking on the speech bubble in the lower left corner.

Members of the general public will remain muted throughout the meeting and will have the opportunity to comment during the public comment period. To make a comment, please leave your name, the organization you represent, and the topic you would like to address in the Q&A section by 12:10 p.m. The Q&A function is at the bottom of the screen. We will call on you during the public comment period and ask that you keep your remarks to under three minutes.

If you have technical difficulties during the meeting, please contact David Antonacci at [antonacci@ibhe.org](mailto:antonacci@ibhe.org) or via text to 217-720-5269

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Welcome

Ginger Ostro, Executive Director, IBHE

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# Approval of minutes from May 2023 Commission Meeting

Ginger Ostro, Executive Director, IBHE

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## Agenda Overview

Ginger Ostro, Executive Director, IBHE

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# ILLINOIS COMMISSION ON EQUITABLE PUBLIC UNIVERSITY FUNDING

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10:30 am	Welcome & Agenda Overview
10:35 am	Action: Approval of Minutes from May 2023 Meeting
10:40 am	Commission Overview: Charge, Objectives, Level Setting
10:45 am	Technical Modeling Workgroup Overview & Update
10:50 am	Equitable Student Share and Affordability Discussion

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# ILLINOIS COMMISSION ON EQUITABLE PUBLIC UNIVERSITY FUNDING

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11:50 am	Break
12:00 pm	Topic Team Updates – Auxiliaries and Other Resources
12:20 pm	Status Update and Summer/Fall Workplan
12:40 pm	Public Comment
12:55 pm	Next Steps
1:00 pm	Closing Announcements and Adjournment

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## Commission Reflection: Charge & Objectives

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# Goals + Scope

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- Create a shared understanding of how Illinois' public universities are funded and the alignment of these approaches to critical state goals and objectives.
- Cultivate information from other state approaches for financing postsecondary education that promotes equitable access and success.
- Consider how to address the various functions of a university and account for different institutional missions.
- Develop recommendations for an adequate, equitable and stable formula centered around increasing access and success for underrepresented and historically underserved student populations while reflecting the varied missions of Illinois' public universities.
- Complementary work supporting accountability and transparency
  - Equity Plans and Practices
  - ***A Thriving Illinois*** Accountability System

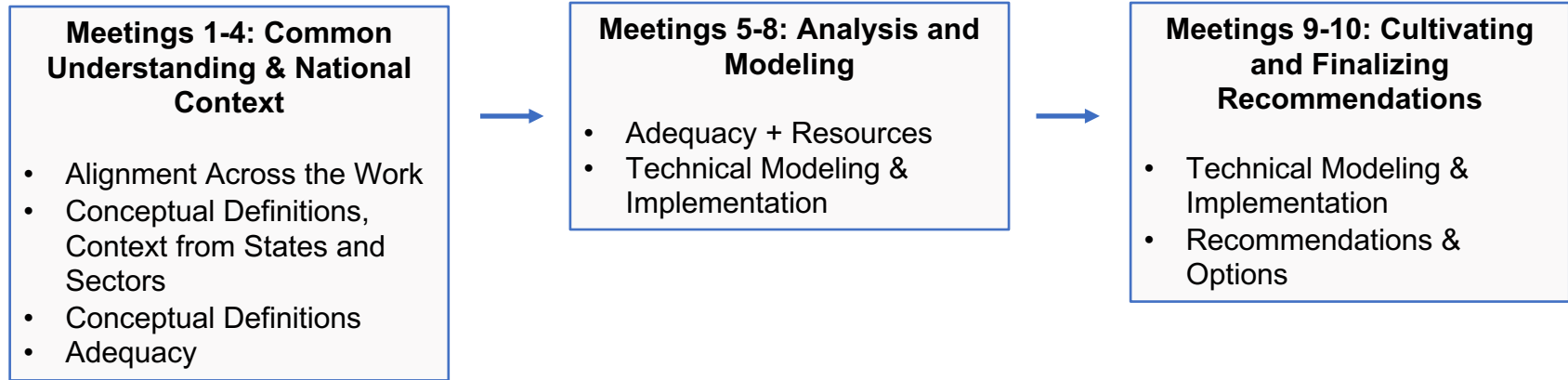
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# Workplan Phases

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# Conceptual Model: Similar to K-12 EBF

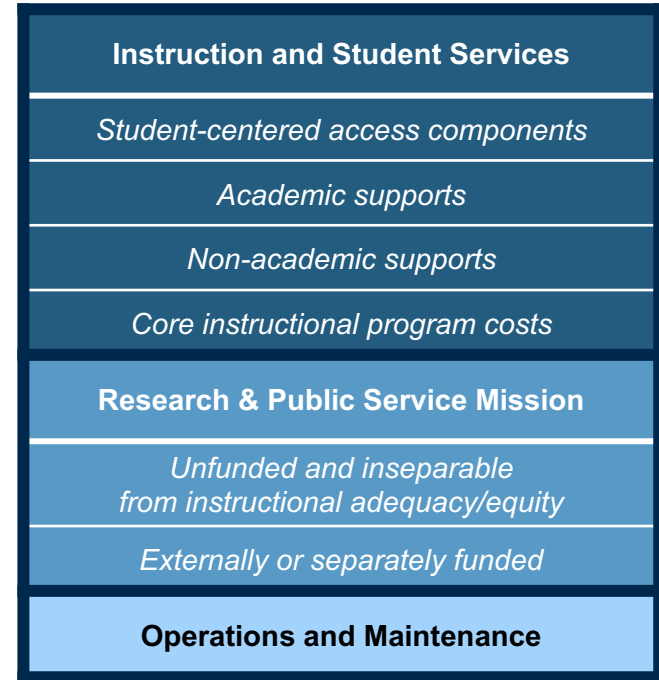
## Start with an Equity-Centered Adequacy Target

Each institution will have an Adequacy Target, primarily built from student-centered components of what it costs for students to succeed.

**Equity adjustments** will be made based on variable student need to reflect the priority of increasing more equitable access and success for historically underserved student populations.

Adequacy will also consider research, service, and artistry missions. Cost for facilities operations and maintenance included, as well.

### “University A” Adequacy Target



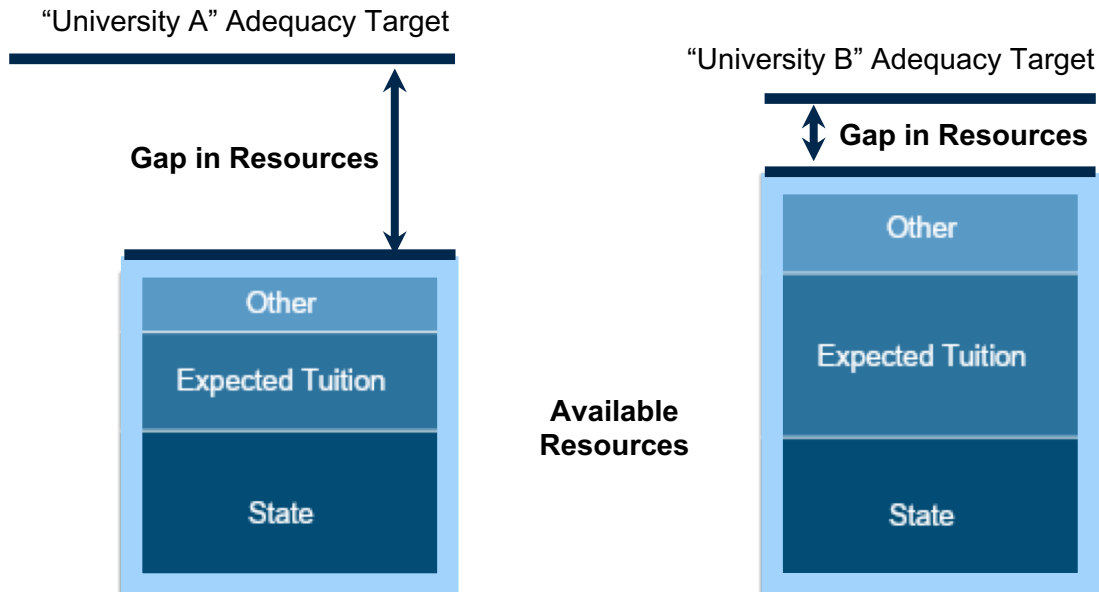
# Conceptual Model

## Identify Available Resources

Include existing state funding as base, account for “expected tuition,” and other resources, like endowments. “Expected tuition” or “Equitable Student Share” rather than actual tuition helps address affordability.

## State Funds Fill in Gap in Resources

Model to be developed, but goal to distribute new resources equitably, with more going to institutions furthest from Adequacy Target



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# Technical Modeling Workgroup Update

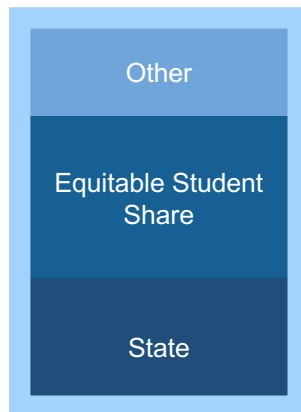
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# Last Commission Meeting: Adequacy Target

## Adequacy Target



## Resource Profile



## Ongoing work:

- O&M proposal
- High-cost programs
- Small school and concentration adjustments
- Data updates
- Draft university targets

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Equitable Student Share  
& Affordability

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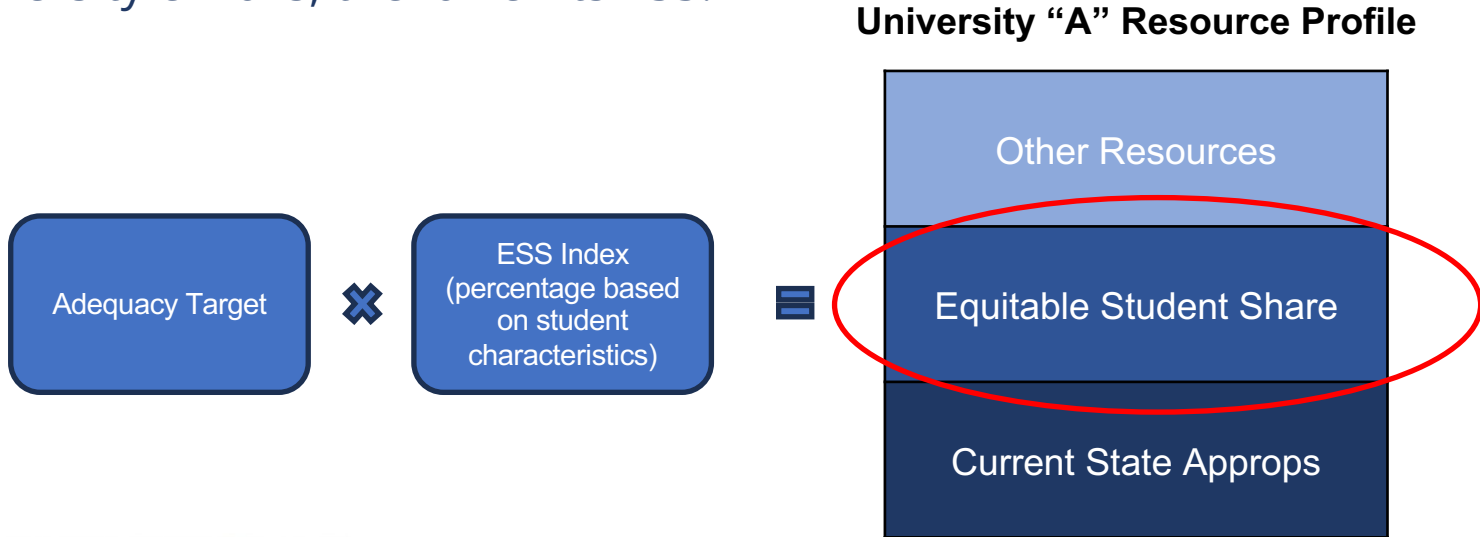
# Equitable Student Share

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- Framework
- Calculating Equitable Student Share Index
- Subsidy Levels
- Incentivizing Affordability

# Equitable Student Share – Framework

The Equitable Student Share (ESS) represents a reasonable and affordable amount a university is expected to generate through tuition and fees based on the characteristics of its student body. The greater the share of high-subsidy student groups (e.g., low-income, underrepresented minority) a university enrolls, the lower its ESS.

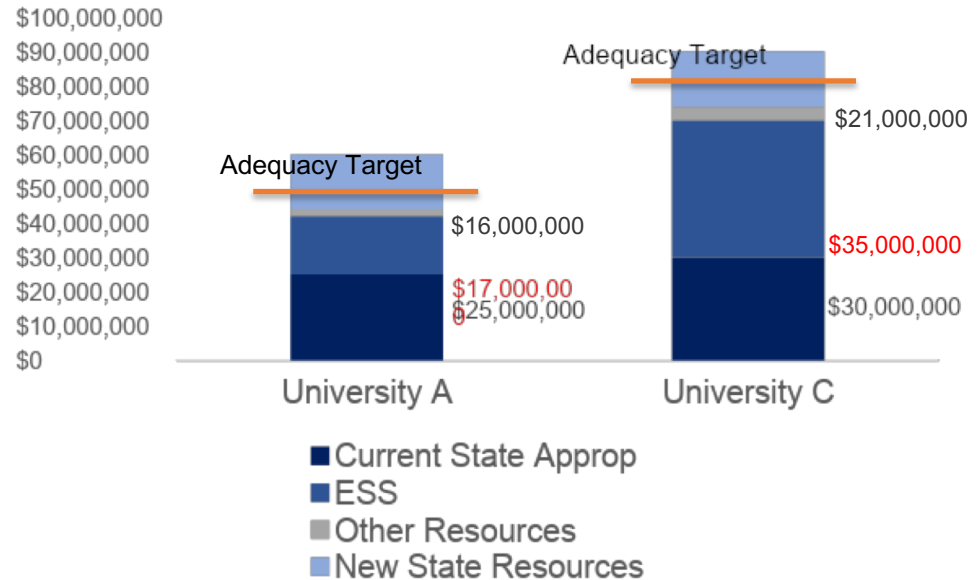




# Equitable Student Share – Framework

- 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 calculate an “Equitable Student Share” (ESS) for each university based on its student body, recognizing the make-up of a student body affects a school’s ability to generate tuition.

Sample Adequacy Target and Resource Profile Using Equitable Student Share



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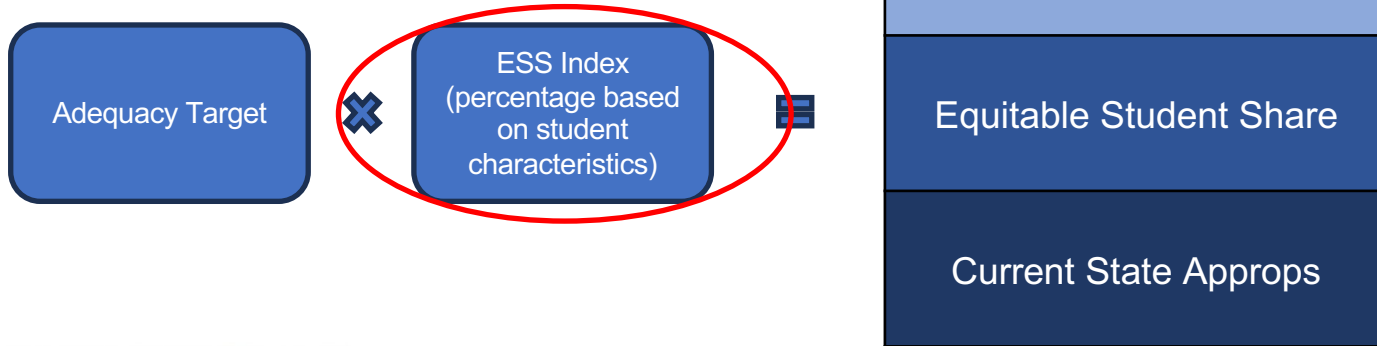
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# Calculating Equitable Student Share Index

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# Equitable Student Share – Framework

The Equitable Student Share (ESS) would be calculated by applying subsidy rates – tied to characteristics of a university's student body - to the adequacy target. The greater the share of high-subsidy student groups (e.g., low-income, underrepresented minority) a university enrolls, the lower its ESS.



# Equitable Student Share

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## Proposed Approach

- Set subsidies that indicate how much of the adequacy cost will be covered by sources other than tuition and fees *in aggregate* for different student characteristics.
- The subsidies would be additive for student groups with multiple characteristics (e.g., rural and low-income students, or adult and underrepresented minority), but wouldn't exceed 100%.

# Strawman Subsidy Levels

Original Strawman Subsidies	
Out-of-state undergrad	0%
Graduate/Professional	0%
Resident undergrad	25%
URM (undergrad and grad)	25%
Rural	25%
EBF Tier 1 or 2	25%
Low-Income	50%
Mandatory Tuition Waiver	100%

- These were the original strawman subsidy levels; we will discuss some revisions.
- They would be additive, such that the subsidy for universities enrolling rural (25%), resident undergrad students (25%) from EBF Tier 1 schools (25%) would be 75%.

# Calculating Equitable Student Share

The students' share is the remaining percentage after accounting for all subsidies. A student share of 25% implies the tuition and fees will cover 25% of the adequacy target *in aggregate*.

The formula would calculate the percent of a university's student body that falls into the different student share levels.

Sample Student Groups	Subsidy Total	Students' Share
Out-of-state undergrads	0%	100%
Rural, adult, resident undergrads	75%	25%
URM, low-income, resident undergrad	100%	0%

Percent of the Student Body in Each Student Share Level					
Students' Share	100%	75%	50%	25%	0%
University A	14%	14%	17%	17%	38%
Illinois	28%	25%	18%	14%	16%

# Equitable Student Share – ESS Index

The “ESS Index” would be a weighted average of the student shares. The ESS Index represents the portion of the adequacy target that should be covered by the institution’s overall tuition and fee revenue, including that paid with financial aid. This does not represent any individual student’s tuition.

Students' Share	Percent of Student Body in Each Student Share Level					ESS Index
	100%	75%	50%	25%	0%	
University A	12%	26%	10%	10%	43%	38%
University C	29%	20%	22%	18%	12%	59%
Illinois	28%	25%	18%	14%	16%	59%

	Adequacy Target		ESS Index		ESS
University A	\$60,000,000		38%		\$22,800,000
University C	\$90,000,000	x	59%	=	\$53,100,000
Illinois	\$4,500,000,000		59%		\$2,655,000,000

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## Revising Subsidy Levels

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# Revision of Subsidy Levels

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The subsidy levels were refined for a few reasons:

- Initial calculations generated too high of an Equitable Student Share
- Strawman subsidy levels suggested higher prices than what many students currently pay:
  - In-state undergraduates paying full tuition and fees currently pay <50% of the adequacy target on average.
  - Out-of-state undergrads paying full price pay 87% of the adequacy target on average.
- Commission members suggested adding subsidies for adult students and increasing the subsidy for underrepresented minority students.

# Revised Subsidy Levels

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		Base	URM	Low-Income	EBF	Adult	Rural
In-State	Undergrad	50%	+50%	+50%	+25%	+25%	+25%
	Grad	25%	+50%				
Out-of-State	Undergrad	25%	+25%				
	Grad	0%	+25%				

The Technical Modeling Workgroup also suggested:

- Prioritizing in-state students (*higher base levels*)
- Limiting the maximum subsidy out-of-state students can receive (*max of 25%, whether URM, low-income, or both*)

Subsidies are additive but capped at 100%

# Subsidy Levels

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## Next Steps:

- Get student-level data to estimate the number of students at each subsidy level.
- Evaluate possible changes based on those student counts.
  - Example: Approx. 2/3rds of all first-year undergraduates are from EBF Tiers 1 and 2 high schools, which may be too expansive for an additional 25% subsidy.
- Estimate total Equitable Student Share using new student counts and compare to actual tuition revenue.

# Subsidy Levels Discussion

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1. Are these the right characteristics to incentivize through ESS?
2. Should the adult, rural, or EBF be conditional on a student also being low-income or URM status?
3. Are the relative size of subsidies for the different student characteristics appropriate?
4. Should the state provide additional incentive to enroll out-of-state students from priority populations (adults, rural, URM, low-income) with a subsidy for those characteristics?
5. Currently, IBHE lacks the data to identify low-income graduate students for purposes of this model. Is that an important enough element to incorporate into these subsidies to consider new data collection options?

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Options for Addressing  
Affordability

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# Equitable Student Share – Options for Affordability

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ESS incentivizes universities to enroll low-income, URM, and other priority populations. It helps them to lower tuition if they choose by shifting more responsibility to the state but does not directly incentivize that.

To influence affordability, the formula could incorporate one or both of the following options:

- 1. Comparison of ESS vs actual external tuition revenue**
- 2. Affordability Measure** (e.g. net price, percent of T&F paid)

# Equitable Student Share – Options for Affordability

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## 1. Comparison of ESS vs actual external tuition revenue

**What it is:** Comparison of an institution's ESS with "external tuition revenue," all revenue from tuition and fees paid for from sources other than the institution itself.

**How it would work:** Universities would be expected to bring their actual external tuition revenue to the ESS level, over time and dependent on the state fulfilling its obligation to funding the adequacy gap. The formula adjusts a university's ESS or allocation based on progress towards that goal.

### **Pros:**

- Reflects actual resources available to the university.

### **Cons:**

- Topline number inhibits an assessment of equity; universities could reduce costs for out-of-state or higher-income students.
- Requires a change in data reporting.

# Equitable Student Share – Options for Affordability

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## 2. Affordability Measure

**What it is:** A benchmark of affordability, using metrics such as the net price or the percent of tuition and fees paid. The benchmark could be for all-students and/or low-income students.

**How it would work:** Example: Universities that keep their net price below \$**X** or reduce it by **Y**% a year would have their ESS decreased by **Z**%.

**Pros:**

- Ability to look at affordability for specific populations (residents, low-income).

**Cons:**

- Some drawbacks to both net price and percent of T&F paid as metrics.
- Does not address the scenario of a university bringing in more tuition revenue than its ESS.



# Equitable Student Share – Incentive for Affordability

A university’s ESS could be lowered for meeting the threshold or making progress towards it, whether using Option 1 or 2.

Institution	2023 Affordability Metric Outcome	2024 Preliminary ESS	Affordability Factor (5% of Preliminary)	2024 Final ESS
University A	Met Threshold	\$40,000,000	-\$2,000,000	\$38,000,000
University B	Met Threshold	\$100,000,000	-\$5,000,000	\$95,000,000
University C	Met Growth Target	\$350,000,000	-\$17,500,000	\$332,500,000
University D	Did Not Meet Either	\$150,000,000	\$0	\$150,000,000

# Equitable Student Share – Options for Affordability

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## Discussion Questions

1. What do you like or dislike about these options?
2. Do these create the right incentives for universities and the state?
3. Does it help to pair them together, or do you prefer one over the other?
4. Is it important for the formula to have an incentive on affordability, or can it be addressed through transparency or other state policies?

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Break

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## Auxiliaries

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# Auxiliaries: Background Information

## Description

**Auxiliary Enterprises:** Auxiliary enterprises can both be non-academic supports for students and also generate revenue. They can be revenue positive, neutral, or require supplementing

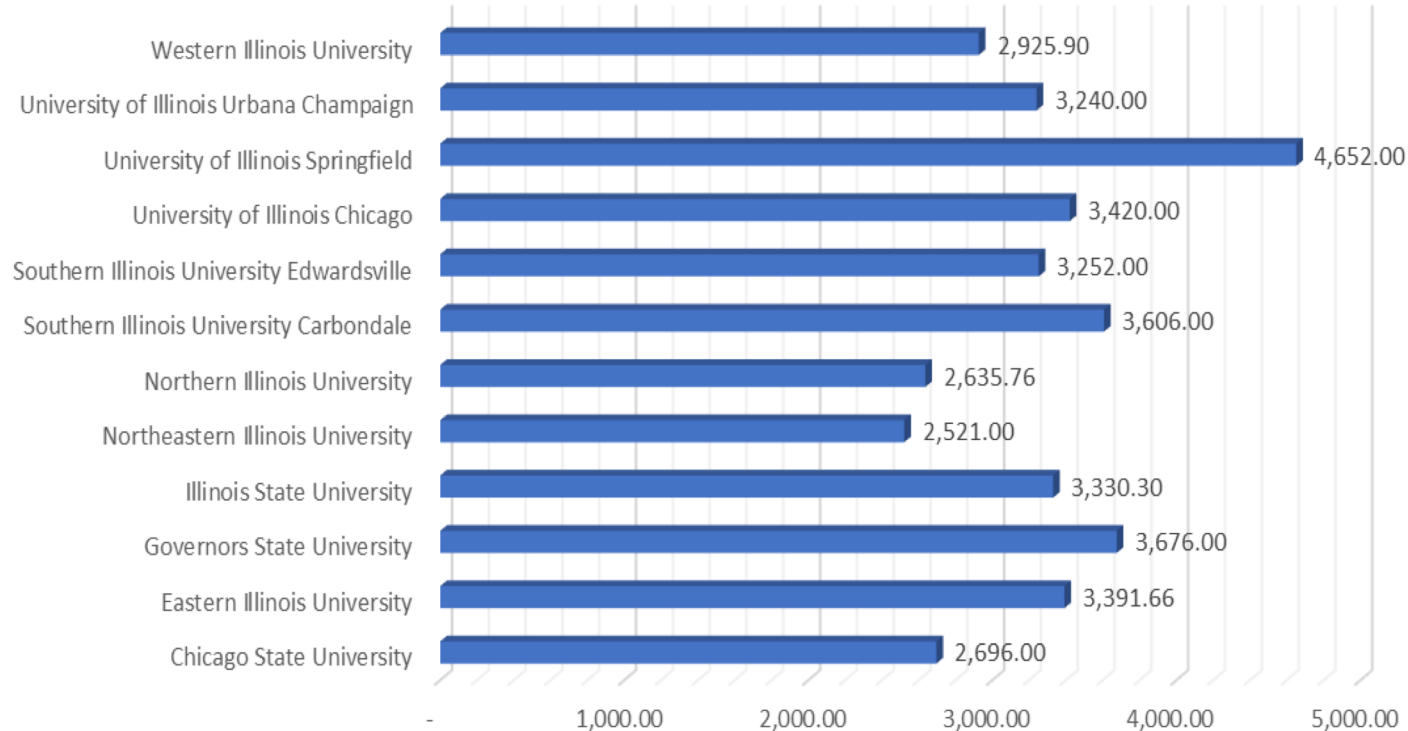
- Residence halls
- Food services
- Student unions
- College stores
- Bowling alleys
- Vending machines

## Issues

Auxiliaries can be essential for some students to be able to enroll/persist, or they can be ancillary additions to the college experience.

- 35% of student respondents experienced food insecurity
- Fees, revenues, expenditures are hard to parse
- Current spending may reflect ability of students to pay, not adequacy
- Equitable access to adequate services that are designed to address student needs related to enrollment, retention, and graduation

## Total Annual Fees



On average, 32% of all institutions fees are directly tied to auxiliary operations.

These mandatory fees are not inclusive of all auxiliary operation revenues (ie. Housing)

# Summary, Questions, and Recommendations

1. Auxiliary operations at each university vary greatly
2. Auxiliary operations are designed to be self-sustaining, but may not be in reality
3. The need to identify which auxiliary services are essential to support students' educational experience
4. How to incorporate students' ability to pay for auxiliary services as part of the formula ("cost of attendance")
5. Balancing the dynamic of *encouraging* use of campus auxiliaries towards ERG goals and additional investments into these services

Recommendation: Properly account for the attendance costs that students incur

- Option 1: Cover essential auxiliary costs as part of the expected student share to address the affordability and access to such resources
- Option 2: Add auxiliary costs to the base formula per student and/or proportional based on students' ability to pay
  - Similar to institutional research costs

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## Other Resources

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Overall Status and Summer/Fall  
Workplan

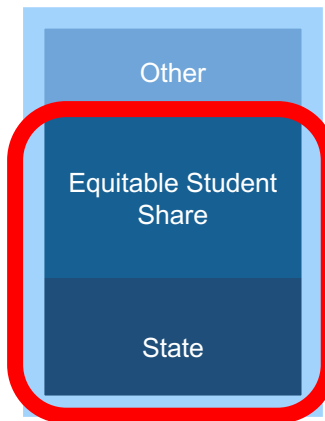
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# Status of Work

## Adequacy Target



## Resource Profile

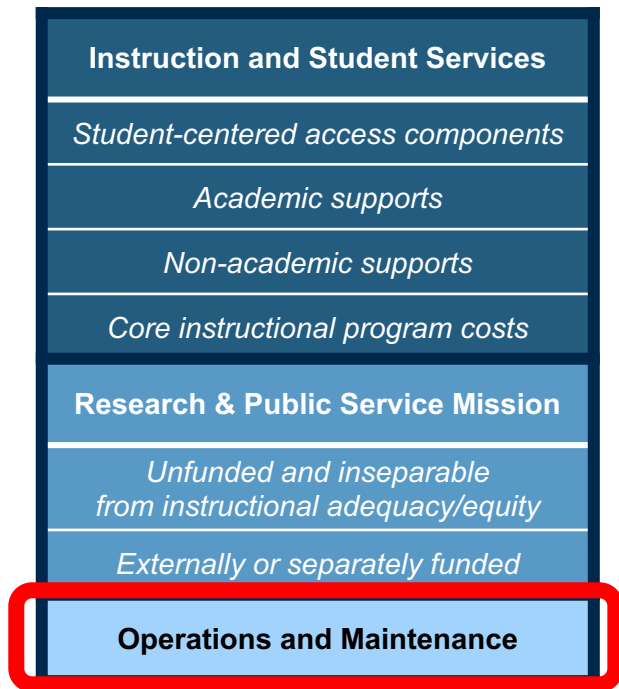


The technical modeling workgroup has strong frameworks in place for most of the adequacy target and resource profile.

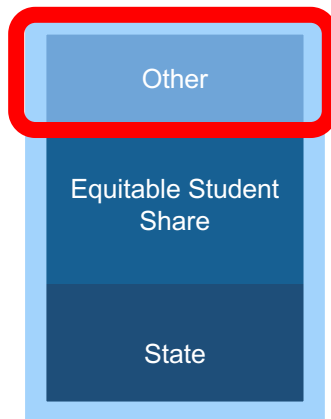
Summer work will refine the concepts and calculations.

# Status of Work

## Adequacy Target



## Resource Profile



The workgroup is currently developing proposals for O&M, Other Resources, and Auxiliaries.

Summer work will finalize these items.

# Implementation Topics

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## **Accountability & Transparency**

- Use of, or reporting on use of funds
- Accountability for or reporting on outcomes
- Other reporting requirements (e.g., institutional reports to IBHE; IBHE reports)

## **Allocation Formula**

- Formula for allocating new funds based on adequacy gaps
- Path to full funding
- Hold harmless implementation

## **Formula Upkeep**

- Review process (structure and timeline)
- Keeping components of the formula up to date (inflation, high-cost program list, etc)
- New data (low-income, first-gen, student parents)

## **Future Adequacy**

- Should initial adequacy targets be based on a target/projected enrollment rather than current levels?
- Should the adequacy target include some amount for growth/innovation?

# Draft Timeline

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Month(s)	Objective
July & August	<ul style="list-style-type: none"><li>- Complete O&amp;M, Other Resources, and Auxiliaries proposals</li><li>- Refine Adequacy Target calculation and Equitable Student Share proposal</li><li>- Create draft institutional Adequacy Targets and Resource Profiles</li><li>- Develop proposals for implementation topics</li></ul>
September	<ul style="list-style-type: none"><li>- Present first draft of complete model and implementation recommendations to Commission for feedback</li></ul>
October	<ul style="list-style-type: none"><li>- Incorporate Commission feedback</li><li>- Present revised model and final recommendations</li></ul>
November	<ul style="list-style-type: none"><li>- TBD depending on feedback</li></ul>

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## Public Comment

Facilitated by Dr. Toya Barnes-Teamer, HCM Strategists

Instructions for Members of the Public:

Please wait for your name to be called. Public comments will be limited to three (3) minutes per person. People participating by phone should dial \*3 to raise their hand, we will call on you to provide comment.

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## Next Steps

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# Next Steps

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## **Upcoming Workgroup Meetings**

- July 6
- July 20
- August 3
- August 17
- August 31

## **Next Commission Meeting**

- September TBD



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# Closing Announcements and Adjournment

Dr. Toya Barnes-Teamer, HCM Strategists

Next Meeting: September 2023

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