
ILLINOIS COMMISSION ON EQUITABLE PUBLIC UNIVERSITY FUNDING

Illinois Commission on Equitable Public University Funding

November 17, 2023: 9:00am-12:00pm CT

Meeting #11 Notes

Welcome & Introductions

Executive Director Ginger Ostro opened the meeting with a welcome and shared general announcements that the meeting was being conducted via videoconference pursuant to rules adopted by the Commission at the May 30, 2023 meeting. Notice of the meeting was posted in accordance with Open Meetings Act. Executive Director Ostro reviewed the agenda.

Action: Approval of minutes from October 20, 2023 Commission Meeting

Katie Lynne Morton called the roll to approve the minutes from the October 20, 2023 meeting. Co-Chair Representative Carol Ammons motioned to approve the minutes. Commissioner Robin Steans seconded. The roll was called and eighteen commissioners approved.

Commission Overview: Context, Charge & Objectives

Executive Director Ostro shared a number of context-setting slides that showed data points, including:

- Disparities in Postsecondary Attainment
- Equity Gaps Facing African American Students
- Equity Gaps Facing Latinx Students
- Equity Gaps Facing Low-Income Students
- College-going Rates Among High School Graduates Haven't Reached Pre-pandemic Levels
- College Enrollment Gaps by Race/Ethnicity Persist for High School Graduates
- College-going Gaps Persist for Low-Income High School Graduates
- Retention and Advancement Gaps Persist for African American Students
- Retention and Advancement Gaps Persist for Latino Students
- Increase Retention and Advancement for Low-Income Students
- Over 1.7 million Adults Have Some College but No Degree

Martha Snyder walked through the charge of the Commission and the work done by the Resources and Adequacy workgroups to prepare the Technical Modeling workgroup. The work of the Commission is based on two primary documents: *A Thriving Illinois* strategic plan and informed by Chicago State University's Equity Workgroup Group. Snyder reminded the Commission that there are four Co-Chairs and that Pranav Kothari has replaced John Atkinson, as listed on the slide.

Legislative Charge

By July 1, 2023, evaluate the existing funding methods and recommending specific, data-driven criteria and approaches to adequately, equitably, and stably fund our public universities. The recommendations must fulfill the principles established in the strategic plan and also be informed by the findings of the Chicago State University Equity Working Group. Recommendations must be equity-centered and consider 13 areas, including

- Remediating inequities that have led to disparities in access, affordability, and completion for underrepresented students
- Providing incentives to enroll underrepresented students

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- Allowing ongoing monitoring and continuous improvement in funding models, with transparency and accountability
- Funding for institutions that serve underrepresented students, including graduate and professional students
- Supporting individual institution missions, including research and health care
- Holding all universities harmless to their current funding level

The work of the Commission was divided up into three phases: Common Understanding & National Context; Analysis and Modeling; and Cultivating and Finalizing Recommendations.

Draft Formula Framework

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.

Conceptual Model: Resources

Identify Available Resources: Include existing state funding as base, account for an expected tuition and other resources, like endowment. 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.

Proposed Approach to Calculating Adequacy Targets

A flowchart was shared on screen that represents the model’s calculation of an adequate funding level. Each adequacy component consists of a base cost for all students, which is increased by equity and other adjustments for certain student and institution characteristics. Another slide was shared that summarized the base costs and the amounts for each adjustment.

Equity and Institutional Adjustments

The adjustments are intended to accomplish two objectives:

- Incentivize enrollment and success of underrepresented student groups, and
- Reflect the different levels of resources necessary to deliver different programs and missions, and to generate outcomes for different groups of students.

Crosswalk with Commission Legislation and Adequacy Framework

Will Carroll walked through a crosswalk chart on the screen that outlined how the current model components align to the guidance in the legislation. Carroll also walked through a spreadsheet that mirrors the flow chart and shows the amount that corresponds with each adjustment. Commissioner Martire raised a question regarding the percentages listed (10, 20, 30%). These are placeholders for right now.

Draft Formula Output

Will Carroll walked through charts on screen that shared the Adequacy Target Summary and Adequacy Gap. Comments from the Technical Modeling Workgroup were shared:

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- Overall, the model is “directionally correct” in producing an adequate, equitable and stable funding approach.
- Work remains to:
 - Verify/revisit particular adjustments and/or data (e.g., Medical program premium, School size factor, Endowment)
 - Formalize and strengthen data-driven rationale in certain areas (e.g., ESS subsidy levels)
 - Streamline and clearly communicate the objectives of each model component in the context of legislative charge

The Commissioners raised the following questions/discussion points:

- The adequacy gap is showing the current money today, but the state would need to appropriate additional \$1.365B to get to adequacy. Presumably, if there is inflation every year, the gap would increase each year so inflation would need to be covered.
- Appreciation was raised for the crosswalk with the legislation. During previous Commission meetings, it was expressed the importance for simulations run in multiple ways. Can we expect at a future meeting to see different scenarios/simulations? Yes, considering different options for different areas, there is a need to see how things happen (how the model responds to different events: an increase in enrollment, shifts to a higher cost program).
- Is the thought that the model (recommendation) will be passed into state law? And will it be governed until law is changed? Will there be an ongoing look at the model/tweaks at different timeframes?
- The process was reviewed, including the reminder that there is an implementation topic team from TWG looking into this. Models need to be revisited for technical and policy reasons.
- Co-Chair Leader Lightford shared that the goal is for the Commission to set forth recommendations for the General Assembly for what model would be, keeping in mind the process for K12, it's not a yearly check-in. There is a committee created to check-in, maybe every 5 years. Co-Chair Leader Lightford shared that there is NOT a goal to have changes to the model on an annual basis. An annual change would not be consistent with the overarching goal.
- The FY24 budget appropriation for public universities (not including community colleges) was \$80M; the highest single year investment in over two decades. The adequacy gap shared is saying that there is a need to more than double that yearly investment. Years ahead will be more difficult than years behind, so it's important to level-set the environment.
- There was a question around the math of “more than double,” should this be more like 10%? There was a reminder that the intention is to start with “what do we need?” It's a separate issue of “what can we afford” and “what do we do.” How do the real needs shake out?
- Appreciation was shared for the level-set, but there was a note that the narrative is just as important. This is the result of more-or-less two decades of decreased funding. This is what is needed to hit the goals of *Thriving Illinois*. It's important to level-set, but also important to reinforce the idea that “this is what happens when going 20 years without investment.” At some point, the bill becomes due.
- Importance was raised to understand the foundation/base. What is the current gap? What is an equitable formula? Part of conversation that needs to happen should include questions such as: what are we ok living with? What is the goal to live with? Want to get to 100% adequacy, but over what timeframe? Is the idea maybe to get

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everyone to 75% and work from there? Shouldn't approach it as an "all or nothing." What is feasible in the most equitable way.

- Agreement that there is a need to get the numbers right for what is needed, then deal with the political issue of "over what period of time" can we afford to make that increase in. There is a need to make a funding system adequate, equitable and stable while taking pressure off.

Items to be discussed/finalized

These topics/model components will guide our meeting agendas and work

- Benchmark adjustment
- ESS subsidy levels and groups
- Faculty diversity equity adjustment
- Headcount vs FTE
- School Size and Concentration Factors
- Student characteristics for equity adjustments
- Med/Doc premium
- Acad/Non-Acad Support amounts for grad students
- Other Resources: endowment/private gifts
- Addressing Systems and SIU School of Medicine
- Auxiliaries: non T&F support
- O&M calculation

Review and Discussion of Formula Components

Having seen the components of the model, legislative charge, and model output, is the model "directionally correct" in producing an adequate, equitable and stable funding approach?

- Are Medical program costs in the model adequate and reflective of the state's interest in medical education? (Slides 38, 39)
- Does the adjustment for school size reflect the Commission's intent? (Slides 40, 41)
- Does the inclusion of an annual share of Endowment funds reflect the Commission's goals? (Slides 42, 43)
- Should a factor to support a diverse faculty and staff be included in the funding formula? (Slides 44, 45)

Will Carroll walked through Adequacy Target Components: High-cost programs, school size, other resources, diversifying faculty,

High-Cost and Med/Doc/Prof Programs

- Currently, medical programs are grouped with other health doctorates (e.g. audiology, pharmacy) with a 100% premium over base instruction (+\$10,706).
- But medical programs have a uniquely high cost. SIU and UIC have estimated they spend about \$160,000-\$170,000 per medical student (+140,000-\$150,000 over the model's base student)
- An estimate of the average cost of medical education nationally is about \$65,000 per student (+\$45,000)
 - Average out-of-state public tuition = \$61,642
 - Average private tuition = \$64,369
 - Average expenditure per student at public/private stand-alone medical schools = \$65,016

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The Commissioners raised the following questions/discussion points:

- There are a lot of professional programs at UIC that are very expensive.
- An example was shared of a veterinarian school appropriation that was a separate line item in the budget due to complications. Hope was expressed that when simulations are done, the Commission can look at what it would be like to have these areas separate. Concerns were raised about educating future leaders and professionals for the state of Illinois despite not having these areas at NIU.
- Agreement was shared that the best approach may be to separate and fund separately. This may be the best option for the state to consider - separate funding for medical schools.
- A need was expressed to look at a simulation under both instances. What's happening on undergrad campuses – think of it as a pathway program, students need support during their freshman year.
- Does separating out put us down a slippery slope? What's included? Pharmaceutical? Does this cause ways to "work around equity." There was a need expressed to take a hard look at the pros/cons of separating and what the boundaries are.
- Agreement was shared to build out conceptually and move into what looks like in practice. How does simulation treat medical/doctoral programs?
- Support was shared for building representation into the model.

School Size Factor

- The current thresholds and premiums are not based in research of university's economies of scale.
- The cutoffs for the premiums create large "cliffs" that can cause large swings in dollars with the addition or loss of a single student.

Other states with small school adjustments:

- Texas: \$1.3m supplement to each university with <5,000 students; diminishing amount for each student above 5,000 up to 10,000.
- Oregon: Provides additional funds to universities under 4,000 students; amount varies based on the exact enrollment; ranges from \$500-\$3,200 per student

The Commissioners raised the following questions/discussion points:

- Understanding of why the TWG has struggled with this.
- In looking through formula and slides, there are cut offs. UIUC and UIC would be in the "no subsidy" group. Narrowly construed, but agree generally that don't want to create disincentives. Would welcome and want more students. Troubled by the idea of building into the formula that it's a "problem" to have more students that are serving. Not sure it's necessary for what model is trying to achieve. Not necessary to penalize size.
- Some institutions are meant to be intentionally small. Reality is there are economies of scale. Tension is wanting to get it right, not penalize size. What does it actually cost to do right by students? Costs will simply play out differently at smaller institutions.
- Emphasize that this is one factor among many factors that looks at per-student basis. Concerns about cliffs. Maybe it would be a good idea to use rolling averages over time.

Other Resources: Endowment

TWG Feedback: Some members felt that annual giving should also be included; others felt it should not and that including endowments will disincentivize philanthropic gifts. But there is agreement that some portion of giving needs to be included in the formula.

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Considerations:

- Private gifts is the one source of Other Revenue the TWG is considering including in the formula. Other sources (e.g., government grants) are recommended to be excluded due to inapplicability to adequacy costs or lack of data.
- Some portion of endowed and annual gifts come with restrictions, but it is difficult to parse out how restrictions impact applicability to adequacy.
- Endowment may be a more appropriate revenue source in the formula than annual giving, as it is a more stable figure and has more readily available data.

The Commissioners raised the following questions/discussion points:

- From the perspective of schools at different stages in involving philanthropic, every university builds alumni/donor engagement through fundraising. Many have invested quite a bit in philanthropic arms and without endowment, wouldn't have been able to keep doors open if it wasn't for endowment. Damaging relationships between university/donors will have a lot of negative consequences for students – beyond just dollar support.
- Instead of counting 4.2% for endowment spend down, look at universities that don't have a large endowment and give them additional premium/resources to help build endowment/resources. Instead of looking at it as a penalty, look at it as a way to help those without endowments on the other end.
- Outside funding is win-win-win, want to keep robust as possible. Access has a real effect at the local level. How does this methodology take this into account?
- Do we have any idea what percentage of endowments are unrestricted vs. restricted? Are there large dollar amounts in endowments that universities can spend how they want?
- Are the costs that endowments supporting included in the adequacy side? How much of endowments are scholarships? Are they being double-counted?
- Incredibly important to include in the model. This is a serious source of funding (or not) for institutions. Scholarships coming from endowments do implicate in the model and should be considered.
- Suggestion around getting expert input from university advancement professionals to the TWG? Go to a professional organization (CASE) which would have an opinion on whether this is a good idea or not.
- Purpose is to care about all the institutions and how to care about all equally.
- If endowment not included, there should be disaggregation so not paying twice for something being covered by endowment so legislators know what is being funded and not being funded. Needs to be clarified.

Faculty Diversity Adjustment

TWG Feedback: Applying the \$422 to all students does not create incentives or provide support to increase diversity of the faculty; rewards general enrollment.

Alternatives discussed by TWG:

- Leave as is. This is something all institutions should be doing and is part of the concept of an adequate and equitable education.
- Target the adjustment. Tie the funds to the percent of BIPOC faculty or BIPOC students, to create better incentives.
- Remove entirely. The formula cannot adequately incentivize or ensure that institutions address this important issue, and it should be funded through a separate initiative.

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The Commissioners raised the following questions/discussion points:

- The important point was shared about how incredibly difficult it is to have BIPOC faculty. Would like to see a program such as: NIU gets a post-doc from IBHE centrally for five years. If they get tenured then they become faculty members on the roster (campus hire faculty that they produce). If going to be serious about this, there needs to be accountability.
- Agnostic about whether should be in model. Folded in with everything else. Not a dedicated issue. Not sure if flat rate will accomplish what spirit of adjustment is hoping for. Dedicated programs may get us closer to our goal.
- Important that the formula creates adequate assets so institutions can make investments to do a better job of attracting and attaining BIPOC faculty.
- It would be good for universities to explain why they're having difficulty diversifying. State paying to diversify faculty seems off track.
- Students from minority status/students of color want to work with faculty that look like them. Geography, culture has been a challenge. Would like to see the state invest in the retention of BIPOC university faculty/staff.
- There is a need to think about facilities cost depending on size, faculty/staff diversifying is incredibly important. With all, there is a need for the right incentives and measurable outcomes so we can see additional resources - measures to hold accountable. Building capacity with fundraising, incentivizing growth.

Break

The Commission took a short five minute break.

Implementation Topics

Accountability & Transparency

Mike Abrahamson shared a series of slides that outlined the following:

- Theory of Action
 - To be effective, a funding model must not only set expectations for universities, and reward achieving them, but also have consequences for missing the mark on them. This proposal seeks to avoid past formula mistakes by improving on the timing of institutional accountability, the issues of interest for which institutions are being held accountable, and the actionable measures taken to regulate institutions actions and decisions in order to align them with stated goals. While it's reasonable to hold institutions accountable for how they spend new funds, they must be "sufficiently" resourced before they can be expected to meet their target affordability, enrollment, and outcomes goals. However, if they are still not doing so, it may be because they have not adequately invested in the supports, put the right systems in place, and/or equitably targeted specific student groups. As a result of missing targets, institutions could face category-specific consequences that could start with increased monitoring, move to receiving direction on spending, and end with diminished access to additional funds.
- Four Accountability Categories: Spending, Affordability, Enrollment, Persistence & Outcomes
- General Structure
 - Expectations of all institutions: Build out data capacity to satisfy reporting requirements, Annual reports of progress against targets, Spending transparency at a student level by group, Annual spending plans and report of previous years' use of new funds.

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- Accountability Structure: As noted in the theory of action, this accountability structure is centered on adequacy. Institutions will be held responsible for making progress on metrics once they receive sufficient resources to lower prices and build systems necessary to make progress in enrollment, persistence, and completion. However, they will be measured throughout. Accountability measures are layered in consistently as institutions are increasingly better funded. The metrics that will be used for the accountability and transparency oversight will be integrated into the ongoing work that IBHE has already been doing in a *Thriving Illinois*.
- Proposed Principles of an Accountability System: Timing, Categorical Accountability, Oversight for new funds, Effective & Equitable Consequences.

Formula Upkeep

Commissioner Weffer shared that this topic team has a number of preliminary recommendations that have been discussed, including:

- A review committee: important for there to be a seat at table for each university, with a cadence of every five years (start after fourth year of formula implementation). Greater frequency if there are major changes or environmental issues. Alignment with IBHE Strategic Plan (comes up for review at same time) is important.
- A technical subcommittee should look at new data, as it becomes available.
- Keep the formula up to date: use a three-year rolling average (data), midwest employment adjustment rate.

Allocation Formula

Commissioner Martire shared that this topic team has been running models on how the distribution of new money would go. The team has been looking at a number of different ways depending on the size of the state's investment annually and how factors will impact (budget cuts, etc.). The team was trying to prioritize the breakdown based on adequacy gaps.

Future Adequacy

Martha Snyder shared that there were no formal recommendations at this time. The topic team is continuing discussions.

Timeline

It was shared that in consultation with the Co-Chairs, an actual timeline would be determined. It's expected that the Commission's work would wrap up in Q1 of 2024. In the meantime, the Technical Modeling Workgroup would continue to meet bi-weekly. Future Commission meetings are to be determined, with the possibility of two or three additional meetings in 2024.

Public Comment

Martha Snyder reminded members of the public that they have up to three minutes to provide public comment.

- Jennifer Delaney, member of the IBHE and professor of higher education at UIUC. Ms. Delaney shared that she has advocated for college access and state support for higher education throughout her professional career and wants nothing more than to see Illinois reemerge as a leader in higher education and to create a more open, equitable, and stable higher education system that provides broad access. Throughout this process, she raised a number of concerns about both adequacy as

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being “directionally correct” for measuring how much funding is needed, and about the data elements that are (and are not) used in the draft formula. Ms. Delaney spoke about the overall price tag and provided some warnings over seeking such a high price tag. The group discussion today started with many concerns raised about the total cost. The group is *very* right to be worried about this! To summarize, the current approach seeks an additional \$1.365 billion in state funding for institutions; This more than doubles current state appropriations to higher education; To close the adequacy gap in 15 years, an additional \$91 million is needed above inflation *each* year. So far there has been no discussion about how the state budget would be reworked to accommodate this or to provide stability in funding over time. With a requirement to produce a balanced budget each year in Illinois, this sets up a concerning situation where seeking these large increases in state support for higher education institutions will likely reverberate to other important budget areas broadly and for higher education. Importantly, research has shown there are zero sum tradeoffs between state support for higher education and other state budget areas, such that an increase in institutional support can lead to decreases in areas such as: K-12 funding, Student financial aid, and Higher education capital. In her written comments, she included links to scholarly articles (including some of her own publications) that provide a research evidence base in each of these areas: Zero sum between K-12 and institutional appropriations for higher education, Zero sum between student financial aid and institutional appropriations, and Zero sum between higher education capital and institutional appropriations. There are important blind spots in this process by having elements of state support for higher education not included in the funding formula. Specifically, not including MAP grants, deferred maintenance, capital, not including the intersection between the funding formula and institutional price setting, and not fully accounting for the role of subsidies in internal institutional budgeting, etc. Seeking so much for institutional appropriations alone does not fully reflect the total ask for higher education support that will come to the General Assembly each year. In addition, without a hold harmless provision or a similar tool to protect areas not included in the formula – like MAP grants – seeking so much for institutional appropriations sets up situations that will harm students and broader institutional missions. Ms. Delaney shared that the bottom line is that the state will not be able to achieve more equitable outcomes without attending to affordability. However, the funding formula as currently structured, especially with its large price tag for institutional appropriations, will likely erode affordability for students.

- Hannah Keller, the Midwest Policy Manager for Young Invincibles, a nonprofit nonpartisan policy advocacy organization, working with 18-34 year olds on health care workforce and higher education issues. Ms. Keller reoriented in why we’re all here. Grappling with global pandemic in summer 2020, reexamined relationship with race encouraged the Commission to reflect on origins. Ms. Keller urged prioritizing equity as the promise for equality via equity. In spirit of reflection, she shared that equity means that everyone is given what they need to succeed. Universities struggling are those who are serving underrepresented, BIPOC students. She offered the reminder that the Commission is charged with taking steps to dismantle systemic racism that is baked into the country.

Next Steps, Closing Announcements and Adjournment

Martha Snyder closed out the meeting. Before closing, Commissioner Zarnikow expressed thanks to the Technical Modeling Workgroup members who have given their time and for all

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the work they've completed to date. The Technical Modeling Workgroup will meet at its regularly scheduled Thursday morning time on November 30, 2023.

Commission Members in attendance

Senate Majority Leader Kimberly Lightford, Co-Chair
Deputy Governor for Education Martin Torres, Co-Chair
Representative Carol Ammons, Co-Chair
Pranav Kothari, Co-Chair
Senator Mike Halpin
Representative Katie Stuart
Sheila Caldwell
John Coleman
Lisa Castillo-Richmond
Dr. Wendi Wills El-Amin
Cherita Ellens
Lisa Freeman
Dr. Katrina Bell-Jordan
Katie Anselment, designee for Matt Bierman
Warren Richards
Guiyou Huang
Dr. Ani Yazedjian, designee for Aondover Tarhule
Dan Mahony
Ralph Martire
Brandon Schwab
Dr. Karen Colley
Robin Steans
Respicio Vazquez
Simón Weffer
Eric Zarnikow

Commission Members not in attendance

Representative Dan Swanson
Senator Dale Fowler
Representative Mike Marron
Senator Terri Bryant
Cheryl Green
Brandon Kyle
Zaldwaynaka "Z" Scott
Jack Wuest

Support Team Members in attendance

Ginger Ostro
David Antonacci
Jaimee Ray
Martha Snyder
Will Carroll
Toya Barnes-Teamer
Nate Johnson
Brenae Smith
Katie Lynne Morton