

ILLINOIS COMMISSION ON EQUITABLE PUBLIC UNIVERSITY FUNDING

Meeting #14

Welcome to the February 15, 2024 meeting of the Commission on Equitable Public University Funding. The meeting will begin at 9:00 a.m. 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 11:00 a.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 or via text to 217-720-5269

ILLINOIS COMMISSION ON

EQUITABLE PUBLIC UNIVERSITY FUNDING

Welcome

Ginger Ostro, Executive Director, IBHE

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Approval of minutes from January 23,
2024 Commission Meeting

Ginger Ostro, Executive Director, IBHE

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Agenda Overview

Ginger Ostro, Executive Director, IBHE

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- 9:00 am Welcome & Agenda Overview
 - 9:05 am Action: Approval of Minutes from January 23, 2024 Meeting
 - 9:15 am Process & Timeline
 - 9:30am Overview of Draft Report
-

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- 10:00 am Discussion of Outstanding Issues
 - 11:30 am Public Comment
 - 11:55 am Next Steps
 - 12:00 pm Closing Announcements and Adjournment
-

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Commission Timeline & Process

Timeline

- **Feb 13:** Draft report sent to Commission for review
- **Feb 15:** Commission meeting
 - Discuss outstanding issues
- **Feb 20:** Comments on report due
- **Feb 27:** Commission meeting
 - Review comments and resulting changes made to report
- **Mar 1:** Submit final report

Remaining Issues

The following issues have not been resolved or require additional discussion by the Commission:

Calculation of Adequacy Gap:

- Research
- Medical cost factor
- Other Resources

Distribution of New State Investment:

- Allocation Formula

Implementation:

- Formula Upkeep Process
- Target Investment Level and Timeframe for Full Funding

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Report Overview

Commission Report Outline

- **Introduction**
- **Context for the Commission's work**
Thriving Illinois, current funding system & historical and existing inequities
- **Commission overview**
Charge, membership & process
- **Formula Framework**
Adequacy Target, Resource Profile & Adequacy Gap
- **Implementation**
Allocation Formula, Formula Upkeep, Accountability & Transparency
- **Outstanding Issues**
Medical Programs & Other Resources *[tbd]*

Commission Report Content (continued)

Additional Commission recommendations

- Faculty diversity investment
- Hospitals & Athletics
- Deferred Maintenance
- Addressing non-tuition and fee costs
- Additional student populations
- IBHE capacity
- Data

Appendices

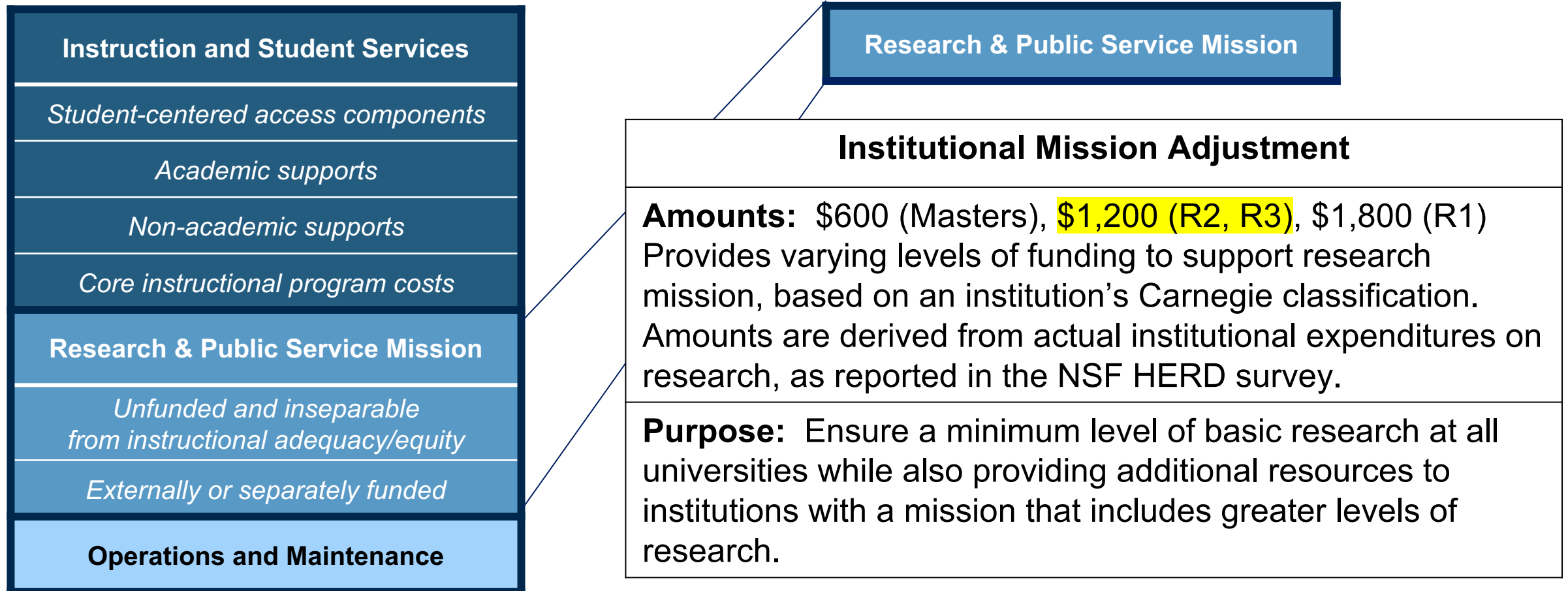
- Commission Membership
- Crosswalk of Formula to Legislative Charges
- Comparison Matrix of State Funding Formulas
- Enrollment of Various Student Populations by University
- Technical Appendix – Data Sources and Methodology
- Possible Metrics to Inform Accountability and Transparency

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Research

Current Model



Research - Revised Proposal

The Commission requested an approach that differentiates between R2s and R3s.

	Avg. Current Spend per capita	Current Formula	Proposed
R1	\$3,832	\$1,800	\$1,800
R2	\$1,271	\$1,200	\$1,300
R3	\$1,065	\$1,200	\$1,100
Masters	\$74	\$600	\$600

In the initial approach, the base Research cost was intended to increase funding for Masters, while matching the current average institutional spending on research at the R2 and R3 levels.

For R1s, the TWG decided to bring down from their average in recognition of the additional grant revenue.

The revised proposal uses the same "match current spending" principles, but disaggregates between R2 and R3.

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Formula Upkeep Process

Funding Formula Review Committee

A Funding Formula Review Committee should be charged with submitting recommended updates to the General Assembly every five years.

- Consist of a mix of current Commission members and new members.
- Include representatives from universities and other key stakeholders.
- A technical subcommittee working with IBHE can develop initial recommendations for the Committee's consideration.

Discussion: How soon should the Committee meet and how frequently?

Funding Formula Review Committee

It can be helpful for the agency to have some authority to make technical changes or determinations in implementing the formula.

- Example: Data definitions

Policy changes should be made through legislation.

Current draft: “Provide IBHE administrative authority to make technical changes to the formula on an annual basis to address issues that arise before the Review Committee convenes. Only major policy changes should require statutory changes.”

Discussion: How should the report delineate administrative authority for IBHE?

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Allocation Formula

Allocation Formula

Proposal: Guardrail with remaining increase split 50/50 between the share of adequacy gap percentage and the share of adequacy gap dollars.

- **Guardrail:** Provide the same percent increase to all institutions
- Share of **adequacy gap percentage:** The percent “fully funded” an institution is divided by the sum of all institutions’ percentages.
- Share of **adequacy gap dollars:** A university’s total dollar gap divided by the statewide total dollar gap

Key Questions:

- What share of new funding should go out across-the-board vs based on adequacy gaps?
- What should the target increase be every year?
- How should cuts be allocated?

Guardrail Impact on % of Funds Allocated by Adequacy

The guardrail is equal to the **lesser** of inflation **or** half of the state appropriation increase.

A guardrail factor – or a weight applied to the guardrail – can further adjust how much funding goes out across-the-board versus based on adequacy.

As the guardrail factor increases, fewer funds are allocated based on adequacy and equity.

In many funding situations, the guardrail will allocate between 25%-50% of the funds.

Guardrail Factor	Percent of Funding Allocated by Guardrail	Percent of Funding Allocated by Adequacy Gaps
50%	25%	75%
67%	33%	67%
75%	38%	62%
100%	50%	50%

Guardrail Impact on Institutional Allocations

Institution	9% State Increase			4% State Approp Increase		
	Factor: 50%	Factor 67%	Factor: 100%	Factor: 50%	Factor: 67%	Factor: 100%
Chicago State University	\$3,612,349	\$3,608,485	\$3,600,758	\$1,602,913	\$1,600,337	\$1,595,185
Eastern Illinois University	\$5,523,112	\$5,412,780	\$5,192,115	\$2,381,161	\$2,307,606	\$2,160,497
Governors State University	\$6,482,972	\$6,194,575	\$5,617,779	\$2,689,056	\$2,496,791	\$2,112,260
Illinois State University	\$10,457,268	\$10,191,917	\$9,661,214	\$4,470,774	\$4,293,873	\$3,940,071
Northeastern Illinois University	\$8,209,774	\$7,882,970	\$7,229,364	\$3,430,919	\$3,213,051	\$2,777,313
Northern Illinois University	\$9,952,598	\$9,833,639	\$9,595,720	\$4,344,071	\$4,264,764	\$4,106,152
Southern Illinois University Carbondale	\$4,322,523	\$4,625,009	\$5,229,983	\$2,122,779	\$2,324,437	\$2,727,752
Southern Illinois University Edwardsville	\$7,430,835	\$7,316,709	\$7,088,457	\$3,226,509	\$3,150,426	\$2,998,258
University of Illinois at Chicago	\$15,962,960	\$16,295,545	\$16,960,714	\$7,316,372	\$7,538,095	\$7,981,541
University of Illinois at Springfield	\$3,300,253	\$3,229,844	\$3,089,026	\$1,419,840	\$1,372,901	\$1,279,022
University of Illinois at Urbana / Champaign	\$8,147,242	\$9,441,102	\$12,028,823	\$4,483,570	\$5,346,144	\$7,071,291
Western Illinois University	\$5,762,352	\$5,685,700	\$5,532,398	\$2,509,944	\$2,458,844	\$2,356,642
Illinois	\$101,657,032	\$101,657,032	\$101,657,032	\$45,180,903	\$45,180,903	\$45,180,903

This table shows each institution's allocation at different guardrail factors: 50%, 67%, and 100%. As the guardrail factor increases, SIU-C, UIC, and UIUC receive larger allocations, while the remaining institutions receive smaller allocations.

Guardrail Factor Impact on Adequacy Gaps

Change in Adequacy Gap - 9% State Increase				
Institution	Adequacy Gap	Factor: 50%	Factor: 67%	Factor: 100%
Governors State University	55%	-5.1%	-4.9%	-4.4%
UI - Urbana / Champaign	8%	0.1%	0.0%	-0.2%

Change in Adequacy Gap - 4% State Increase				
Institution	Adequacy Gap	Factor: 50%	Factor: 67%	Factor: 100%
Governors State University	55%	-1.8%	-1.6%	-1.2%
UI - Urbana / Champaign	8%	0.4%	0.3%	0.2%

As the guardrail factor increases, UI-UC (and others closer to fully funded) makes more progress on its adequacy gap, while Governor's State (and others farthest from fully funded) sees less progress in closing its gap.

Guardrail Factor Impact on State Appropriations

Increase in State Appropriations (9% State Increase)			
Institution	Factor: 50%	Factor: 67%	Factor: 100%
Governors State University	27.4%	26.2%	23.8%
UI - Urbana / Champaign	2.7%	3.1%	3.9%

Increase in State Appropriations (4% State Increase)			
Institution	Factor: 50%	Factor: 67%	Factor: 100%
Governors State University	11.4%	10.6%	9.0%
UI - Urbana / Champaign	1.5%	1.8%	2.3%

As the guardrail factor increases, UI-UC (and others closer to fully funded) receive increases to their state appropriation closer to or above inflation (3%), while Governor's State (and others farthest from fully funded) see smaller increases.

Summary of Guardrail Factors

- The higher the guardrail factor:
 - Institutions with the largest gaps close their gaps more slowly.
 - More funding is distributed in an across the board manner, ensuring some minimal increase for all institutions.
- The higher the state appropriation, the lower the factor would need to be for all institutions see a reduction in their gap.
 - At a 9% increase in state funding, all institutions reduce their gaps at a guardrail factor of 64%.
 - At 4%, two institutions still have small increases (0.2%) in their gaps with a 100% guardrail factor.

Guardrail Factor

There is no way to calculate the “right” guardrail factor – it is a decision that weighs the following factors:

- The likelihood of large state increases in funding
- A trade-off between funding adequacy/equity (lower guardrail) and stability (higher guardrail)

Discussion: Does the Commission want to include a specific guardrail recommendation? Does a guardrail factor of 67% strike the right balance?

Setting a Target Annual Increase

- The Commission can recommend a target annual increase for the General Assembly to appropriate each year (similar to EBF).
- The target increase would be intended to:
 - Close the adequacy gap within a certain timeframe
 - Use state funds to close the inflation-adjusted gap
 - Increase the likelihood of larger appropriations than in years past
- The target increase would **not** be intended to:
 - Eliminate all future needs to increase tuition
 - Fully cover all cost increases at universities

Target Increase

\$135m per year (12%) -

Fully funds all institutions within 10 years.

\$100m per year (9%) -

Fully funds all institutions in 15 years

\$60m per year (5%) -

In Year 15, the state gap is 21% (down from 32%);
institutions' gaps range from 11%-31%.

Discussion: Does the Commission want to include a recommended timeframe and/or annual funding level in the report?

*Note: Calculations assume annual increases in ESS and Other Resources equal to inflation.
This is not the same as an increase in current tuition levels, as ESS is lower than current tuition.*

Allocating State Funding Cuts

Proposal: Ratio of the statewide adequacy gap to each institutional adequacy gap, plus a guardrail

- Allocates cuts using the same principle as the formula for increases: prioritizing state resources for those farthest from adequacy.
- Does not solve the issue that universities more reliant on state appropriations receive larger cuts to their overall revenue, but reduces that impact compared to across-the-board.

Example Calculation - 4% Cut

Institution	Guardrail Cut %	Guardrail Cut \$	Scaled Ratio- Based Cut %	Scaled Ratio- Based Cut \$	Total Cut in State Approp (%)
Chicago State University	-2.0%	-\$789,865	-1.2%	-\$470,748	-3.2%
Eastern Illinois University	-2.0%	-\$859,583	-0.9%	-\$400,388	-2.9%
Governors State University	-2.0%	-\$479,335	-0.7%	-\$156,813	-2.7%
Illinois State University	-2.0%	-\$1,439,333	-0.8%	-\$593,299	-2.8%
Northeastern Illinois University	-2.0%	-\$735,050	-0.6%	-\$219,595	-2.6%
Northern Illinois University	-2.0%	-\$1,815,157	-0.8%	-\$741,954	-2.8%
Southern Illinois University Carbondale	-2.0%	-\$1,968,850	-2.0%	-\$1,967,748	-4.0%
Southern Illinois University Edwardsville	-2.0%	-\$1,270,877	-1.0%	-\$612,000	-3.0%
University of Illinois at Chicago	-2.0%	-\$4,655,939	-0.9%	-\$2,200,725	-2.9%
University of Illinois at Springfield	-2.0%	-\$498,693	-1.3%	-\$320,189	-3.3%
University of Illinois at Urbana / Champa	-2.0%	-\$6,123,367	-4.4%	-\$13,495,306	-6.4%
Western Illinois University	-2.0%	-\$1,025,019	-1.0%	-\$498,574	-3.0%
Illinois	-2.0%	-\$22,590,452	-2.0%	-\$22,590,452	-4.0%

Discussion and Alternative

Members of the TWG were supportive of this general concept.

However, some wanted an option that would narrow the range of impacts across institutions, such that no single institution would take a much larger cut than others.

A guardrail factor greater than 100% can limit that range.

Comparing 100% and 150% Guardrail Factors

Institution	100% Guardrail Factor	150% Guardrail Factor
Chicago State University	-3.2%	-3.6%
Eastern Illinois University	-2.9%	-3.5%
Governors State University	-2.7%	-3.3%
Illinois State University	-2.8%	-3.4%
Northeastern Illinois University	-2.6%	-3.3%
Northern Illinois University	-2.8%	-3.4%
Southern Illinois University Carbondale	-4.0%	-4.0%
Southern Illinois University Edwardsville	-3.0%	-3.5%
University of Illinois at Chicago	-2.9%	-3.5%
University of Illinois at Springfield	-3.3%	-3.6%
University of Illinois at Urbana / Champaign	-6.4%	-5.2%
Western Illinois University	-3.0%	-3.5%
Illinois	-4.0%	-4.0%

Under the baseline proposal (100% guardrail factor), the cuts range from 2.6% to 6.4%

With a 150% guardrail factor, the cuts range from 3.3% to 5.2%.

Allocating Cuts

Discussion:

Does the Commission want to recommend a specific guardrail factor to use in the formula for allocating cuts?

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Medical Programs

Medical Programs

Remaining Questions:

- How should schools of medicine be separated out in the formula?
- What cost factor to provide to medical programs?
 - Possible range from 450% (national and other state data) up to 1100% (based on costs provided by SIU and UIC).
 - Other health professional programs continue to receive a 100% cost factor.

Separating out Schools of Medicine

- This approach treats the Schools of Medicine at SIU, UI-C, and UI-UC as separate institutions, calculating their own adequacy targets, resource profiles, and adequacy gaps.
- SIU-Carbondale, UI-C, and UI-UC are split into two institutions each, one with college of medicine students and one with all other students.
- Data are not ready for full implementation
 - Required a number of assumptions that have not been fully pressure tested (e.g., what portion of state appropriations are used for schools of medicine)

Draft Output w/ Separate Schools of Medicine

Institution	Degree-Seeking Enrollment	Adequacy Target	Resource Profile	Adequacy Gap	Percent of Adequacy Target Funded
Chicago State University	2,322	\$73,946,649 -	\$51,438,569 =	\$22,508,080	69.6%
Eastern Illinois University	6,339	\$160,407,847	\$97,935,521	\$62,472,325	61.1%
Governors State University	4,412	\$111,172,532	\$49,525,882	\$61,646,650	44.5%
Illinois State University	20,425	\$453,992,211	\$254,010,543	\$199,981,667	56.0%
Northeastern Illinois University	5,943	\$163,265,538	\$64,126,329	\$99,139,209	39.3%
Northern Illinois University	15,856	\$388,784,729	\$215,983,232	\$172,801,497	55.6%
Southern Illinois University Carbondale	10,657	\$266,135,262	\$217,501,218	\$48,634,044	81.7%
<i>Southern Illinois University - SOM</i>	<i>406</i>	<i>\$48,299,706</i>	<i>\$42,639,134</i>	<i>\$5,660,572</i>	<i>88.3%</i>
Southern Illinois University Edwardsville	12,660	\$314,140,274	\$195,929,158	\$118,211,115	62.4%
University of Illinois at Chicago	31,498	\$823,257,774	\$507,297,056	\$315,960,718	61.6%
<i>University of Illinois at Chicago - SOM</i>	<i>1,528</i>	<i>\$186,831,808</i>	<i>\$86,882,509</i>	<i>\$99,949,300</i>	<i>46.5%</i>
University of Illinois at Springfield	3,937	\$88,395,275	\$63,419,909	\$24,975,365	71.7%
University of Illinois at Urbana / Champaign	53,491	\$1,178,179,841	\$1,081,201,494	\$96,978,347	91.8%
<i>University of Illinois at Urbana / Champaign - SOM</i>	<i>149</i>	<i>\$19,873,151</i>	<i>\$11,244,444</i>	<i>\$8,628,707</i>	<i>56.6%</i>
Western Illinois University	7,370	\$189,057,837	\$118,547,564	\$70,510,272	62.7%
Illinois	176,991	\$4,465,740,432	\$3,057,682,563	\$1,408,057,869	68.5%

Note: The cost factor and ESS subsidy levels for Schools of Medicine are still under discussion. As placeholders, the current model uses a 1100% cost factor and reduces each school's ESS Index by 45% (to reach a more reasonable and affordable level, similar to current tuition revenue per student)

Assumptions and Notes About the Draft Output

The draft model tries to approximate actual revenue and costs for SOMs:

- **Costs of \$160k:** Used the 1100% cost factor
- **Tuition revenue of \$40k-\$60k:** Adjusted the ESS Index down
- **State appropriations of \$13k** at UIC and UIUC and **\$60k** at SIU

The model does not capture other sources of revenue (e.g. clinical) that schools of medicine use to support their higher costs per student.

Note that SIU's larger appropriation per student is the reason it is closer to fully funded than the other schools of medicine.

Medical Programs

Discussion:

- Does the Commission want to recommend separating out Schools of Medicine in the formula?
- Does the Commission have a preferred cost factor or other way to account for the higher costs of these program?
 - Is there a baseline or minimum level of support within the formula that the Commission might recommend, while acknowledging that additional support may be necessary and could be handled outside the formula?

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Other Resources

Other Resources: Endowment

Commission Discussion and Context:

- Some stated that counting a portion of the endowment will disincentivize future philanthropy and that a substantial portion of the funds are restricted.
- Others voiced that the state must account for these resources in the formula given their scale, inequitable distribution, and impact on student outcomes.
- Estimated annual endowment revenue in the current model ranges from \$95,000 to \$80,000,000.
- Endowment revenue currently provides \$119.6 million towards adequacy costs.
- A \$1 million gift changes an adequacy gap by \$10,500, based on using a 4-year average and 4.2% spend-down rate. This changes the average adequacy gap by 0.01% and the allocation by less than \$100.

Other Resources: Endowment

Alternative: A Commission member suggested counting endowment revenue only from endowments above a certain value. Endowments should be large enough before they must contribute those resources towards adequacy.

Proposal: Base the minimum for an endowment on its ability to generate funds that support continued fundraising activities. Include 4.2% of the total endowment value, but exempt the first \$1 million in revenue from the formula.

Rationale: This ensures institutions have sufficient resources to support fundraising activities. \$1 million is derived from the overhead spending by the universities' endowment foundations; most lower-resourced institutions spend less than this, while larger endowed institutions spend \$5+ million.

Alternative – \$1m in Exempted Endowment Revenue

Institution	Fundraising Costs Supported by Endowment	Total Endowment Value	Other Resources Counted in Model	
			Current Model (4.2% of Value)	Alternative (Exempt first \$1m)
Chicago State University	\$706,311	\$5,935,750	\$249,302	\$0
Eastern Illinois University	\$648,886	\$57,840,625	\$2,429,306	\$1,429,306
Governors State University	\$366,708	\$2,259,375	\$94,894	\$0
Illinois State University	\$4,937,112	\$134,397,775	\$5,644,707	\$4,644,707
Northeastern Illinois University	\$680,476	\$11,471,225	\$481,791	\$0
Northern Illinois University	\$5,293,631	\$80,502,475	\$3,381,104	\$2,381,104
Southern Illinois University Carbondale	\$12,022,365	\$151,086,200	\$6,345,620	\$5,345,620
Southern Illinois University Edwardsville	\$1,312,066	\$24,999,850	\$1,049,994	\$49,994
University of Illinois at Chicago		\$391,193,510	\$16,430,127	\$15,430,127
University of Illinois at Springfield	\$40,479,000	\$20,616,544	\$865,895	\$0
University of Illinois at Urbana / Champaign		\$1,908,771,421	\$80,168,400	\$79,168,400
Western Illinois University	\$2,116,707	\$57,331,475	\$2,407,922	\$1,407,922
Illinois	\$1,714,387	\$2,846,406,225	\$119,549,061	\$109,857,180

Other Resources - Options

Option	Pros/Rationale	Cons
Percent of endowment	Endowments provide real resources to institutions to cover adequacy costs that the state should consider when allocating its funds; 4.2% is based on the current national level of spending from endowments.	New gifts to the endowment would have small impact on universities' state appropriation, which could disincentivize giving. <i>(Alt: could use current endowment value only and not factor in new gifts)</i>
Add fundraising to adequacy costs	Brings institutions up to the statewide average of development revenue derived from endowments. All institutions could benefit from additional fundraising capacity; avoids disincentivizing actual fundraising.	Equal fundraising capacity will not eliminate disparities in size and wealth of universities' alumni bases. The state's allocation would not account for the difference in access to resources.
New Proposal: Exempted minimum endowment level	Protects a portion of endowment revenue that is necessary to support adequate fundraising activities, set at \$1,000,000. Counts 4.2% of any endowment spending that exceeds that protected level.	Does not eliminate the potential disincentive on giving.

Note: For options #1 and #3, the 4.2% figure could be adjusted.

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Public Comment

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.

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Next Steps

Next Steps

- **Feb 20:** Comments on report due
- **Feb 27:** Commission meeting
 - Review comments and resulting changes made to report
- **Mar 1:** Submit final report

Using the Feedback Form

1. Feedback can be provided as “General Comments” or “Specific Comments”
 - a. The General Comments section addresses issues that may apply to more than one section of the report or to issues not currently covered in the report.
 - b. The Specific Comments section should include comments directed at a particular section or wording of the report. For example, these might be suggested line edits or new language.
2. Describe in a few words the topic your comment addresses in “Topic of Comment” field.
3. Record your comment/feedback in the “Comment” field.
4. Directions are included on the form to add additional rows, if needed.
5. Save your document and email to Katie Lynne at katie_lynne_morton@hcmstrategists.com

All final comments are due by 5pm CT on February 20, 2024

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Adjournment

Next Commission Meeting: February 27, 2024
