

ILLINOIS COMMISSION ON EQUITABLE PUBLIC UNIVERSITY FUNDING

Meeting #13

Welcome to the January 23, 2024 meeting of the Commission on Equitable Public University Funding. The meeting will begin at 11:00 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 1:00 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 or via text to 217-720-5269

ILLINOIS COMMISSION ON

EQUITABLE PUBLIC UNIVERSITY FUNDING

Welcome

Ginger Ostro, Executive Director, IBHE

ILLINOIS COMMISSION ON

EQUITABLE PUBLIC UNIVERSITY FUNDING

Approval of minutes from January 8,
2024 Commission Meeting

Ginger Ostro, Executive Director, IBHE

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EQUITABLE PUBLIC UNIVERSITY FUNDING

Agenda Overview

Ginger Ostro, Executive Director, IBHE

ILLINOIS COMMISSION ON EQUITABLE PUBLIC UNIVERSITY FUNDING

- 11:00 am Welcome & Agenda Overview
- 11:05 am Action: Approval of Minutes from January 8, 2024 Meeting
- 11:10 am Timeline and Process
- 11:20am Topics From Last Commission Meeting
 Faculty Diversity
 Equitable Student Share
-

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- 11:50 pm Remaining Outstanding Issues
 Allocation Formula
 Accountability & Transparency
 Other Resources
 Medical Cost Factor
- 1:30 pm Public Comment
- 1:55 pm Next Steps
- 2:00 pm Closing Announcements and Adjournment
-

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Framework of a Funding Model

Framework for Adequate, Equitable, and Stable Funding

Step 1: Build an equity-centered Adequacy Target

“University A” Adequacy Target

Instruction and Student Services
<i>Student-centered access components</i>
<i>Academic supports</i>
<i>Non-academic supports</i>
<i>Core instructional program costs</i>
Research & Public Service Mission
<i>Unfunded and inseparable from instructional adequacy/equity</i>
<i>Externally or separately funded</i>
Operations and Maintenance

Framework for Adequate, Equitable, and Stable Funding

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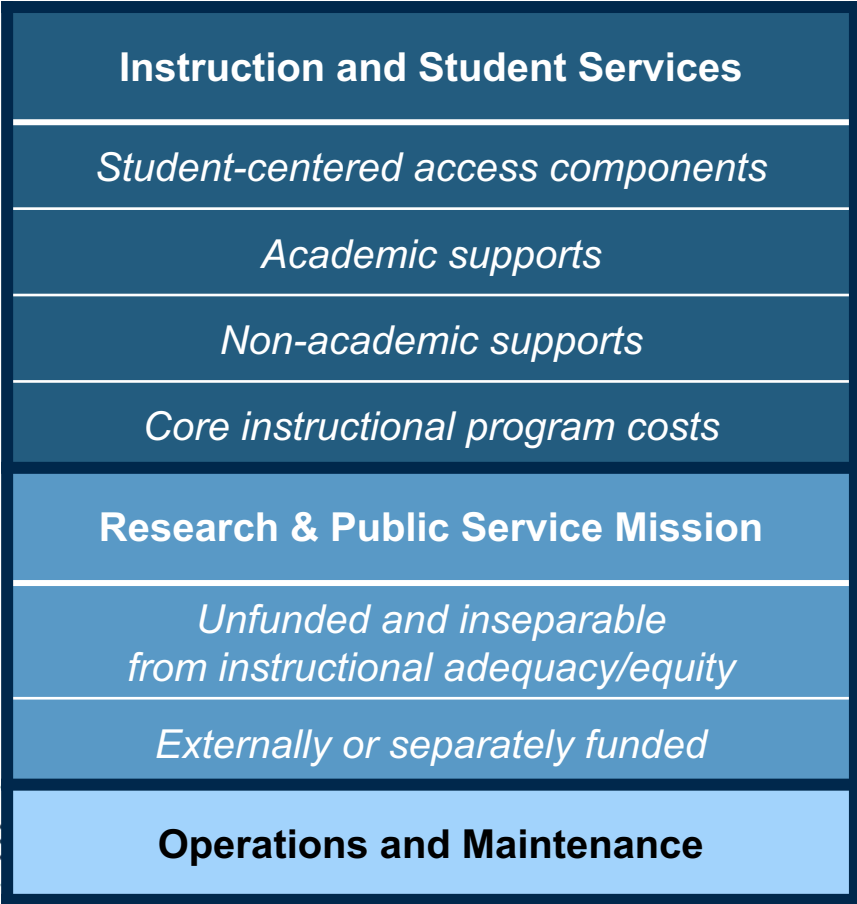
Each component of adequacy has a **base cost per student.**

Equity adjustments provide resources necessary to support all students to succeed, grounded in data of which students require adjustments and how much funding to provide.

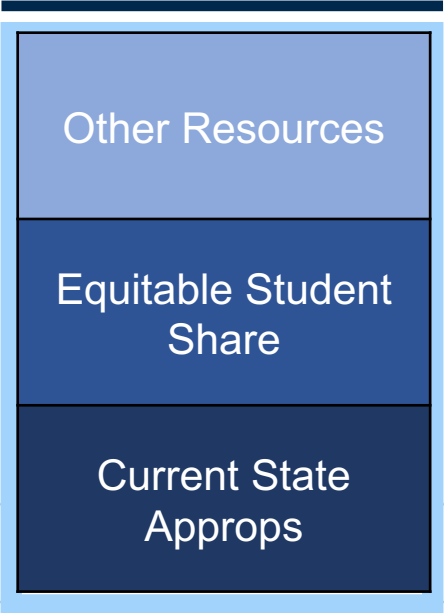
Other cost factors and adjustments account for variation in **institutional characteristics and mission.**

Framework for Adequate, Equitable, and Stable Funding

“University A” Adequacy Target

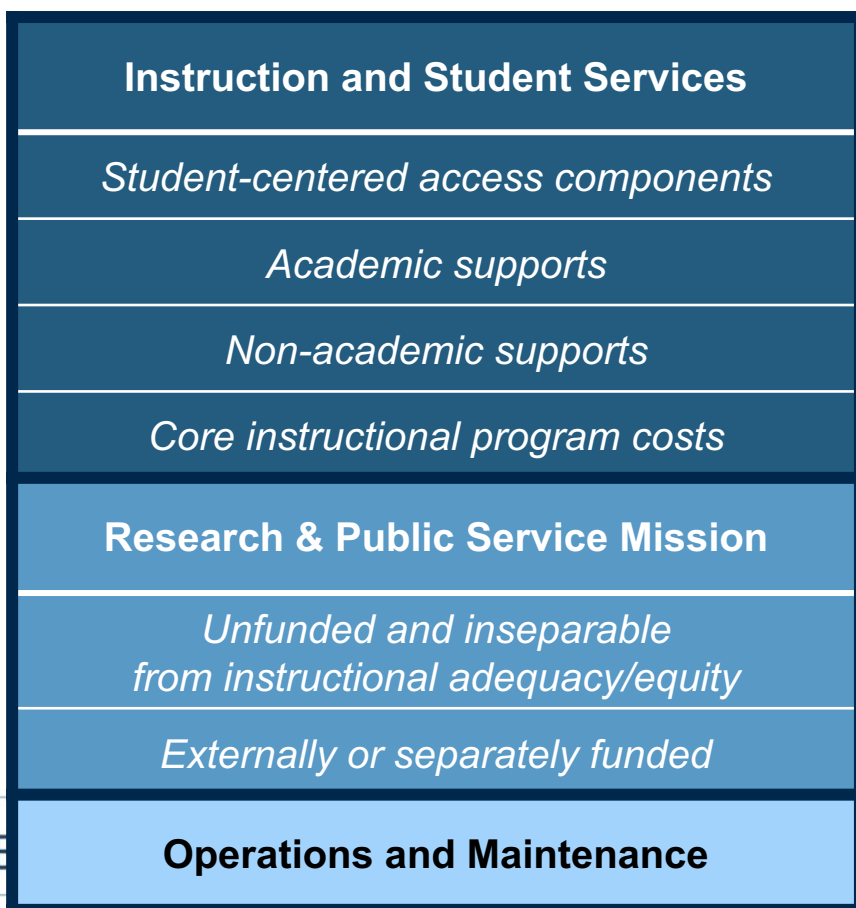


Step 2: Assess the Resource Profile, the existing resources the institution has available to cover the adequacy target.

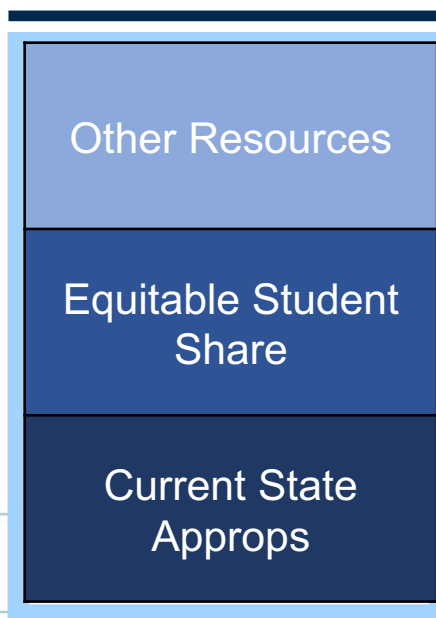


Framework for Adequate, Equitable, and Stable Funding

“University A” Adequacy Target



Step 2: Assess the Resource Profile, the existing resources the institution has available to cover the adequacy target.



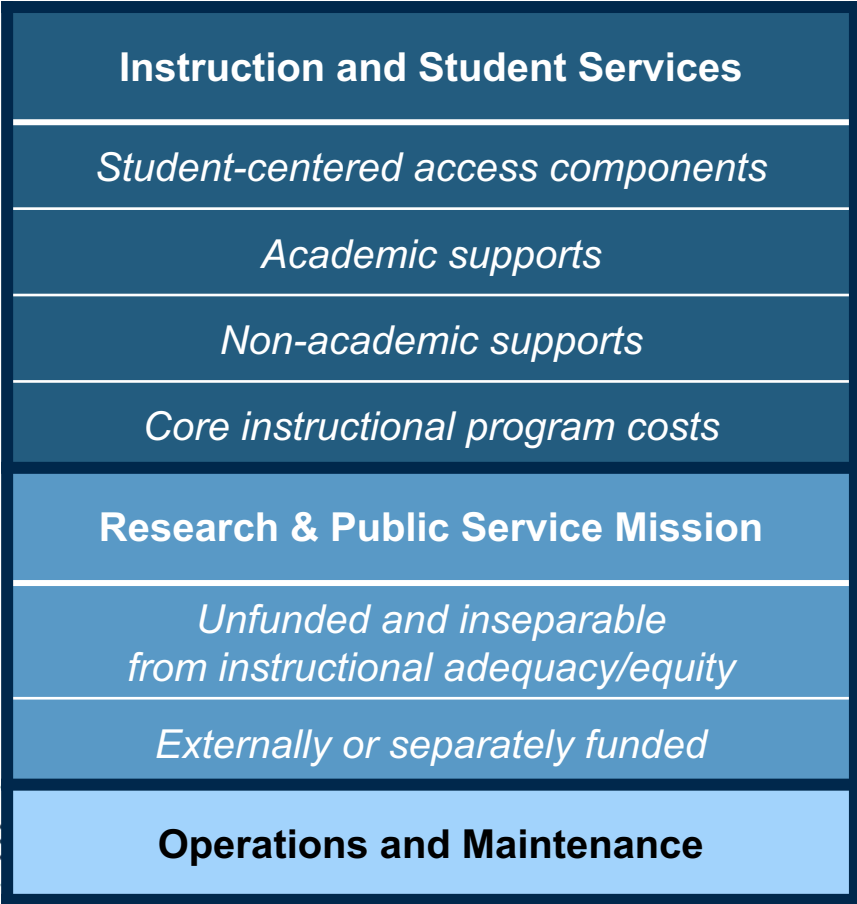
Equitable Student Share incentivizes **affordability** and accounts for students' **ability to pay**

Current State Approps serves as a **hold harmless**, ensuring institutions receive their current levels of funding.

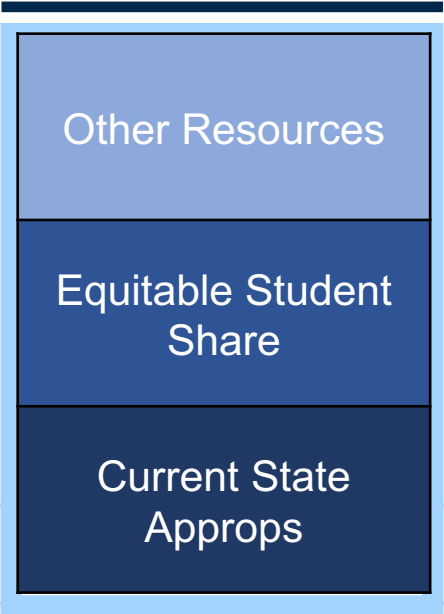
Framework for Adequate, Equitable, and Stable Funding

Step 3: Calculate the Adequacy Gap, the gap in resources

“University A” Adequacy Target



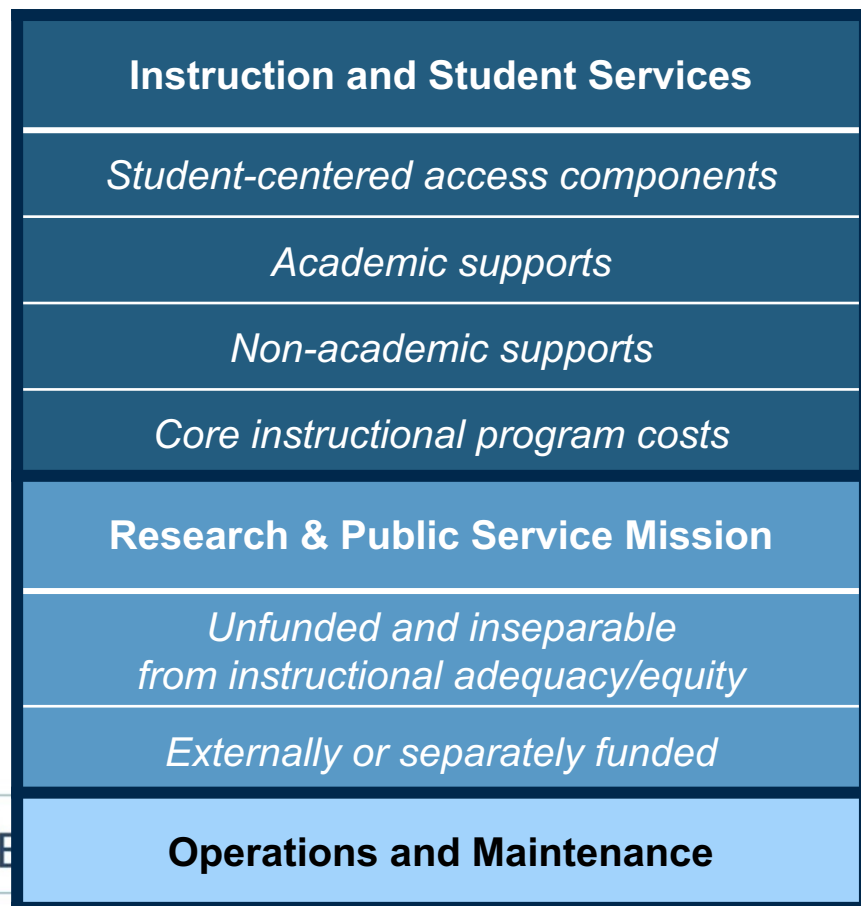
Adequacy Gap



The sum of all institutions' Adequacy Gaps represents the total amount of new state investment required to adequately fund Illinois universities.

Funding Model Framework

“University A” Adequacy Target



Adequacy Gap



Step 4: Allocate new state funds based in part on the size of the adequacy gaps.

The goal will be to fill the statewide gap over a period of time.

This goal will **drive more funding, more equitably**, to universities than in the past.

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Commission Timeline & Process

Timeline

The Commission will deliver its report to the General Assembly **by March 1st** for consideration in the 2024 legislative session

Remaining milestones:

- Two additional Commission meetings in February
- Resolve handful of key outstanding issues in today's meeting
- Finalize recommendations and draft report (February meetings)

- The Commission may not reach agreement on all outstanding issues; some pieces can be left to the legislative process.
- If the Commission does not have a clear position, the report will present considerations for different approaches.

Topics from Last Commission Meeting

The Co-Chairs have recommended paths forward on the following topics, based on the Commission discussion in the last meeting:

- Faculty Diversity
- Equitable Student Share
 - PhDs vs Graduate Students
 - Rural
 - Mandatory Waivers
 - Treatment of financial aid

Co-Chair Recommendations on Topics Discussed

Faculty Diversity	Take out of the formula	Best addressed through other initiatives. Challenging to assess impact and hold institutions accountable within a larger funding formula. The report will also describe the \$422 per student approach and rationale that the Commission originally considered.
ESS - PhDs	Do not include a subsidy for PhDs	PhDs do not pay tuition, but they provide other benefits to institutions – bringing in research grants and lowering instruction costs – which would also need to be accounted for in the formula. To avoid overcomplexity, treat PhDs the same as graduate students in ESS..
ESS - Rural	Do not include a subsidy for rural students.	Resources to increase access for rural students are included in the adequacy costs and equity adjustments. Rural IL counties do have lower incomes on average, but the ESS subsidy reflects the ability to pay of students who attend.
ESS - Mandatory Waivers	No subsidy, but collect better data	A 100% subsidy would align with state policy, but the IBHE data set does not currently have student-level identifiers for those students. The numbers of students are small and not make a material impact on the total ESS Index. The report will recommend collecting this data in the future.

ESS – Factoring in Financial Aid

- ESS represents all tuition and fees that students pay, regardless of how they pay them.
- An in-state, undergraduate student of color who receives a Pell and MAP Grant would have an ESS subsidy of 100%, but also brings up to \$10,000 in financial aid to the institution.
- This creates a very large incentive to enroll students receiving financial aid; a lower ESS *and* the additional revenue.
- Universities could use that revenue to reduce room & board costs for aid recipients, increase services, or reduce other students' tuition.

Alternative: Include MAP revenue in each school's ESS.

Future increases to MAP will also decrease adequacy gaps in the funding formula, as the state helps students pay their share of the adequacy cost through financial aid.

Equitable Student Share – Pell & MAP

- Without any other changes to the formula, adding MAP would increase students' share of the adequacy costs by \$211 million (12%).
- To keep the student share reasonable and affordable, the base in-state subsidies would be increased.

		Base	URM	Low-Income	EBF*	Adult	Rural
In-State	Undergrad	30 40%	+50%	+50%	+10%	+25%	0%
	Grad	25 35%	+50%				
Out-of-State	Undergrad	10%	+25%				
	Grad	5%	+25%				

- These changes decrease the adequacy gap at institutions that enroll large shares of MAP students and increases the gap at those with fewer aid recipients. No change is bigger than 2.5%.

Equitable Student Share – Pell & MAP

	ESS Index			Total ESS			Adequacy Gap	
	Leave As Is	Include MAP		Leave As Is	Include MAP		Leave As Is	Include MAP
Chicago State University	23.1%	25.3%		\$12,580,681	\$13,791,548		\$26,630,015	\$25,419,148
Eastern Illinois University	43.6%	45.0%		\$54,541,983	\$56,313,470		\$68,388,150	\$66,616,663
Governors State University	31.5%	33.0%		\$26,431,017	\$27,702,011		\$65,660,570	\$64,389,577
Illinois State University	46.9%	45.7%		\$183,578,660	\$178,686,382		\$217,452,289	\$222,344,567
Northeastern Illinois University	24.5%	27.3%		\$28,609,456	\$31,893,621		\$106,456,118	\$103,171,953
Northern Illinois University	39.3%	40.4%		\$126,449,046	\$130,100,442		\$187,492,962	\$183,841,566
SIU-Carbondale	51.3%	49.9%		\$126,886,290	\$123,431,258		\$28,695,680	\$32,150,712
SIU-Edwardsville	51.7%	48.8%		\$135,976,560	\$128,473,828		\$129,757,055	\$137,259,787
U of I at Chicago	42.1%	43.7%		\$304,459,624	\$316,057,095		\$357,170,244	\$345,572,773
U of I at Springfield	51.1%	50.5%		\$39,402,820	\$38,953,053		\$28,511,038	\$28,960,806
U of I at Urbana/Champaign	65.1%	64.4%		\$726,831,759	\$718,891,674		\$133,527,749	\$141,467,834
Western Illinois University	45.3%	47.0%		\$67,688,928	\$70,283,721		\$77,701,365	\$75,106,572
Grand Total	49.9%	50.0%		\$1,833,436,825	\$1,834,578,103		\$1,427,443,233	\$1,426,301,956

ESS – Factoring in Financial Aid

Option	Rationale
Leave as is	The ESS reflects what institutions should reasonably and affordably generate through tuition and fees based on the students it enrolls and does not account for how a student would pay (state or federal financial aid, family resources, savings, loans). Not including MAP treats these resources similarly to other resources students use to pay their costs and would increase institutional incentives to enroll low-income students.
Include MAP revenue in each school's ESS	The state makes a significant investment in higher education through its investment in MAP. This investment should be accounted for in the states total contribution to adequacy and affordability.

Key Remaining Issues

Four issues stand out as needing the Commission's focus and input:

Calculation of Adequacy Gap:

- Medical cost factor
- Other Resources

Distribution of New State Investment:

- Allocation Formula

Implementation:

- Accountability

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Allocation Formula

Allocation Formula Principles

Principles the TWG has discussed and is trying to balance:

- Institutions' adequacy gaps should be a primary factor in the allocation, to ensure new funding sufficiently addresses current inequities.
- All schools should receive some reasonable increase (an across-the-board "guardrail") each year there is new money (to help ensure tuition is not a release valve for increasing costs).

These principles present an inherent tradeoff. The larger the guardrail, the more stability for all institutions, but less emphasis on adequacy and equity.

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 size should the guardrail be (if any)?
- What should the target increase be every year?
- How should cuts be allocated?

Proposal Sample Output

Scenario: Guardrail Factor = 67%; State Approp Inc = 9%; Inflation = 3%

Institution	Guardrail % Increase	Guardrail Allocation	% of Gap Unfunded	Share of % Gap	% Gap Allocation	Adequacy Gap \$	Share of \$ Gap	\$ Gap Allocation	Total Allocation
Chicago State University	2.00%	\$789,865	34%	7%	\$2,986,721	\$26,632,274	2%	\$745,866	\$4,522,452
Eastern Illinois University	2.00%	\$859,583	41%	9%	\$3,597,274	\$68,390,367	5%	\$1,915,348	\$6,372,205
Governors State University	2.00%	\$479,335	57%	13%	\$5,005,495	\$65,661,615	5%	\$1,838,926	\$7,323,756
Illinois State University	2.00%	\$1,439,333	45%	10%	\$4,022,781	\$217,456,111	15%	\$6,090,100	\$11,552,214
Northeastern Illinois University	2.00%	\$735,050	62%	14%	\$5,470,916	\$106,458,735	7%	\$2,981,495	\$9,187,461
Northern Illinois University	2.00%	\$1,815,157	46%	10%	\$4,068,312	\$187,498,717	13%	\$5,251,110	\$11,134,579
Southern Illinois University Carbondale	2.00%	\$2,713,200	10%	2%	\$853,936	\$28,699,898	2%	\$803,772	\$4,370,908
Southern Illinois University Edwardsville	2.00%	\$1,270,877	39%	9%	\$3,478,253	\$129,761,000	9%	\$3,634,101	\$8,383,231
University of Illinois at Chicago	2.00%	\$5,056,807	38%	8%	\$3,397,420	\$357,181,937	25%	\$10,003,277	\$18,457,504
University of Illinois at Springfield	2.00%	\$498,693	30%	7%	\$2,693,928	\$28,512,234	2%	\$798,517	\$3,991,138
University of Illinois at Urbana / Champaign	2.00%	\$6,161,978	11%	2%	\$946,963	\$133,537,317	9%	\$3,739,861	\$10,848,801
Western Illinois University	2.00%	\$1,025,019	39%	9%	\$3,456,573	\$77,704,461	5%	\$2,176,200	\$6,657,791
Illinois		\$22,844,896			\$39,978,573			\$39,978,573	\$102,802,041

Context for Discussion

- A 3% increase in state appropriation does not cover all increases in costs at 3% inflation.
- At institutions where tuition makes up a larger portion of total revenue, the increase in state appropriations needed to match inflationary costs while keeping tuition and enrollment flat can be as high as 11%.
- Under the current proposal, a 6% appropriation increase would leave 5 institutions below their respective increase needed to match cost inflation.

Allocation Formula - Guardrail

A guardrail allocates a portion of the funds in an across-the-board manner, with the remaining increase going through an adequacy gap-based allocation.

The guardrail would be calculated as:

- The lesser of inflation **or** half of the state appropriation increase.

Compared to an “inflation first” approach, this ensures at least half of funds will be allocated based on adequacy even when inflation exceeds the state appropriation.

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.

Guardrail Impact on % of Funds Allocated by Adequacy

When the State Appropriation increase is twice the size of inflation **or less**, the guardrail will allocate between 25%-50% of the funds. As the guardrail factor increases, fewer funds are allocated based on adequacy and equity.

Inflation = 3%; State Approp Inc = 4%		
Guardrail Factor	Guardrail Allocation (ATB Allocation)	Percent of Formula Allocated Based on Adequacy & Equity
50%	25%	75%
66%	33%	67%
75%	38%	62%
100%	50%	50%

Impact on Adequacy Gaps of a 4% State Increase

4% Increase in State Appropriations:

- ***Without a guardrail:*** Closes adequacy gaps for most but at smaller percentages than a 9% increase; the growth in adequacy gaps for certain institutions is also higher
 - Range of **-2.7%** (reduction in gap; Governors State) to **+0.5%** (growth in gap; UI-UC).
- ***100% factor:*** Some institutions would still see increases in their adequacy gap. With a range of **-1.4%** (reduction in gap; Governors State) to **+0.1%** (increase in gap; UI-UC).

Note: *The growth in the adequacy gap for some institutions in these scenarios is due to state appropriations currently being a relatively small percentage of overall revenue. Until the state appropriation becomes a larger percentage of overall costs, the increase in the adequacy target costs will outpace the increase in state appropriation and ESS.*

Impact on Adequacy Gaps of a 9% State Increase

9% increase in state appropriations:

- ***Without a guardrail:*** Institutions that are close to fully funded would see slight increases in their adequacy gap; all other institutions' gaps close substantially.
 - Range of a **-6.8%** (reduction in gap; Governors State) to a **+0.3%** (increase in gap; UI-UC).
- ***60% factor:*** The lowest factor at which all adequacy gaps are reduced or flat.
 - Range of **-5.6%** (reduction in gap; Governors State) to **0%** (flat or slight reduction in gap; UI-UC).
- ***100% factor:*** All institutions adequacy gaps are reduced, but smaller reductions to those with the largest gaps.
 - Range of **-4.9%** (reduction in gap; Governors State) to **-0.3%** (reduction in gap; UI-UC).

Impact on Adequacy Gaps

9% State Increase				
Institution	Adequacy Gap	Factor: 0%	Factor: 50%	Factor: 100%
Governors State University	57%	-6.8%	-5.8%	-4.9%
UI - Urbana / Champaign	11%	0.3%	0.0%	-0.3%

4% State Increase				
Institution	Adequacy Gap	Factor: 0%	Factor: 50%	Factor: 100%
Governors State University	57%	-2.7%	-2.1%	-1.4%
UI - Urbana / Champaign	11%	0.5%	0.3%	0.1%

This table summarizes the data points in the prior slides. 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.

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 60%.

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:

- What share of funds should be allocated based on adequacy each year?
- What is the minimum increase an institution should receive that provides stability? Should that be tied to the inflation rate?
- Is there a guardrail factor that appears to 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

Minimum State Increase to Fully Fund Adequacy by Year 15		
Inflation	% Increase	\$ Increase
2%	7.7%	\$87.95 million
3%	9.0%	\$102.80 million
4%	10.1%	\$115.37 million
5%	10.9%	\$124.50 million

Note: All 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.

\$100m per year -

Fully funds all institutions in 15 years, assuming ~3% inflation

\$135m per year -

Fully funds all institutions within 10 years.

\$60m per year -

In Year 15, the state gap is 22% (down from 32%); institutions' gaps range from 11%-31%.

State Funding Cuts - Options

1) Across-the-board

2) 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.

State Funding Cuts - Impact of 4% Cut on Resources

1) Across-the-board

- Each institution would receive a 4% cut in its state appropriation, but the impact on its overall funding would vary based on the portion of its revenue that comes from the state.
- When factoring in state appropriations and tuition resources, a 4% overall cut in state appropriations distributed across the board would result in a **total reduction of state and tuition resources** ranging from 1.0% at UI-UC and ISU to 2.6% at Chicago State.

State Funding Cuts - Impact of 4% Cut on Resources

2) Ratio-based cut and guardrail

- A 4% cut using Option 2 would result in cuts to **state appropriations** ranging from **2.6%** (Northeastern IL) to **5.6%** at UI-UC.
- Option 2 would result in total reduction of **state and tuition resources** ranging from **0.7%** at ISU to **2.0%** at Chicago State.

State Funding Cuts - Impact of 4% Cut on Adequacy

- A 4% cut to state appropriations would **increase each institution's adequacy gap**, whether distributed across-the-board or some combination of guardrail and ratio. However, the range of the impact on equity gaps would vary.
- A 4% cut **across-the-board** results in increases in adequacy gaps ranging from **3.4%** for Chicago State to **1.0%** for Illinois State.
- A 4% cut distributed using a the **ratio-based cut and guardrail** results in increases in adequacy gaps ranging from **4.0%** for SIU-Carbondale to **0.9%** for Illinois State.

State Funding Cuts

Discussion:

- Is the Commission's intent to allocate cuts in the same way as increases (considering adequacy gaps in some part)?
- Or do cuts have an impact such that they warrant a different approach?
- Are there any adjustments you'd recommend to either Option?

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Accountability & Transparency

Accountability and Transparency

January 2024

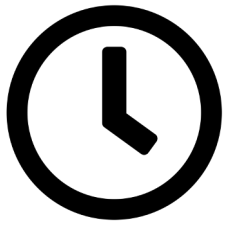
Theory of Action-Principles

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.

To be effective, a funding model must:

- Develop transparency and uniform reporting of university inputs, practices, and outcomes
- Set expectations for universities based on state and institutional goals
- Establish appropriate consequences for falling short of expectations
- Enmesh with existing and relevant accountability systems and agencies
 - Not create undue reporting burdens

Proposed Principles of Accountability System



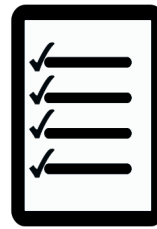
Timing

Institutions will be responsible for new accountability measures once they receive new funding and reach an appropriate threshold of adequacy



Transparency and oversight for new funds

Universities must spend new funding toward achieving goals, and report that transparently



Categorical accountability

Universities must spend new funds such that they improve toward goals in *affordability, enrollment, and persistence and outcomes*. The categories for accountability are intended to mesh with existing/evolving accountability and transparency efforts, such as IBHE's equity plans.



Effective & equitable consequences

If universities are not achieving goals, they will be held accountable in ways that inform and direct new funds rather than defunding institutions existing resources.



Holistic Review

An accountability and transparency body will provide regular oversight by holistically reviewing quantitative and qualitative measures

Four Accountability and Transparency Categories

Spending

Given the substantial new investments institutions should expand spending transparency and, if necessary, accountability for how additional funds are being directed.

Affordability

With significantly additional funding going toward lowering students' expected share of costs, universities should demonstrate an equitable reduction in the overall price of attendance for students.

Enrollment

Universities will have more funds dedicated to increasing affordability and access, which should drive enrollment increases.

Persistence & Outcomes

Outcomes improvements should result from increased resources. However, it takes time to improve supports, and the benefits on student outcomes lag.

- Including both absolute and progress metrics and reductions gaps.

***Metrics in each category should address absolute and progress metrics as well as reduction in gaps.**

Transparency & Accountability Structure

Transparency expectations of all institutions

- Improve data capacity to satisfy higher transparency and reporting needs
- Annual reports of progress against targets
- Annual spending plans and report of previous years' use of new funds

Accountability structure

- 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, data will be gathered and reported throughout
 - Institutional metrics to be determined individually and in concert with state goals
- 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*
- An inside/outside panel will be responsible for general oversight/implementation

Transparency & Accountability Review Panel

Review Panel Responsibilities

- The review panel will be a clearinghouse for all accountability and transparency data created as a part of this funding approach
 - This body will emphasize technical expertise (e.g. some combination of academics, analysts, and student support specialists)
- This group will be responsible for adjudicating instances in which institutions fall short of goals
 - This will include evaluating extenuating circumstances and their effects on progress towards state and institutional goals
 - This will also include determining if and what accountability measure(s) are necessary

The construction of the inside/outside review panel has not yet been determined, but should contain relevant expertise and enmesh with IBHE's plans for an accountability subcommittee. This body should exist *separate and apart* from the formula maintenance body.

Possible Accountability Measures

If after a holistic review an institution is deemed to be adequately funded but has failed to meet stated goals, such as those outlined in the *Thriving Illinois* Equity Plans, possible accountability measures which are aligned with the theory of action are listed below:

01	Closer monitoring of spending	<ul style="list-style-type: none">• IBHE accountability subcommittee could request additional data
02	More direction in how to use funds	<ul style="list-style-type: none">• IBHE accountability subcommittee could advise how institutions use some portion of the new funds received
03	Deeper category-specific reporting	<ul style="list-style-type: none">• IBHE accountability subcommittee could request additional data and require a corrective action plan
04	Diminished access to additional state funds from the formula	<ul style="list-style-type: none">• IBHE accountability subcommittee could limit how much new state funds institutions receive from the equitable funding approach.

Recommendations for Operationalization

These principles and structures need to be operationalized, and so we will recommend that the General Assembly assigns the IBHE the charge of creating an accountability system that realizes these recommendations. This system should be complete with:

1. Overarching state and institutional goals for each institution to strive towards
2. Full system of accountability metrics including targets and anticipated progress toward them
 - These should enmesh with existing accountability systems such as IBHE's institutional equity plans to streamline goals, reporting, and accountability
3. Funding levels/thresholds at which an institution can be reasonably expected to make progress towards state goals in each accountability and transparency category
4. Review current reporting (state and federal) and ensure any new reporting is not duplicative or recommend changes to current reporting that more closely aligns with goals.

Open Questions for the Commission

- At what “threshold” will universities be held accountable?
- What is the outward-facing progress report for the A&T work?
- Should we flag in the report that we need to bolster data and technical abilities at IBHE?

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Medical Cost Factor

Medical Costs

- The Commission looked at different size cost factors to recognize the higher costs of providing medical education, but did not decide on one.
 - 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.
- **The Commission requested we look at a model with colleges of medicine treated as separate schools in the formula.**

Medical Costs

Separating out Schools of Medicine

- This alternative 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.

Separate Schools of Medicine

Key Takeaways:

- The Schools of Medicine are significantly better funded than the rest of the institutions. SIU SOM is 148% fully funded, UIC's is 78% and UI-UC's is 96%.
- SIU has a large state appropriation per student that appears to be a main driver of it being fully funded. Some of that may support residency costs - as that would not be part of the adequacy framework, we have further work to see how to split this out.
- SIU-Carbondale goes from 88% fully funded to 80% by taking out the school of medicine. UIC and UI-UC have much smaller shifts.
- SIU SOM would get just the minimum appropriation increase every year under the allocation formula. The net effect on the SOMs combined with their main campus is mixed: a gain for SIU and UIC, but a small loss for UI-UC.

Separate Schools of Medicine

Key Takeaways continued:

- Separating out SOMs has no impact on other institutions' total adequacy gaps, but does lower their allocations in the first year by 1-5%.
- It does not affect the timeline to fully fund all institutions or significantly alter the pace at which other institutions' gaps close over time.
- Using the higher premium (1100% vs 450%) for medical programs increases SOMs' adequacy gap overall and relative to other institutions, but also requires students to contribute much more in tuition. (\$80k-\$110k vs \$45-\$60k).
- This contributes to a lower overall cost to the state by separating out SOMs; the total adequacy gap goes down by \$24m-\$48m.

Separate Schools of Medicine

Next Steps:

- Identify how much of SIU SOM's appropriation may be supporting residency (and UI-C and UI-UC if applicable).
- Recalculate gaps and then reassess two key factors:
 - Medical cost factor
 - ESS subsidy rates and ESS per student

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Key Outstanding Issues:
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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Wrap Up

What the Commission Has Accomplished

The current approach to funding does not support state attainment and equity goals for higher education; funding has been effectively cut over time and it is distributed inequitably.

The funding system we have designed supports access and success by:

- Specifying the actual level of resources needed to be a strong, equitable higher education system.
- Setting a goal for the state to increase university funding by **\$1.4 billion**, an investment that will benefit all institutions.
- Reducing the tuition burden on students, limiting their share to **42%**.
- Providing over **\$800 million** in new resources for evidence-based, data-driven equity adjustments to address access and success gaps.

An adequate, equitable, stable funding formula

The Commission's recommendations fulfill the core charges it was given

Charge	How the Recommendations Address It
Adequacy	<ul style="list-style-type: none">- Funding for all the core elements needed to deliver a quality education.- Increase over current funding levels to improve access, persistence and completion, especially for underrepresented and historically underserved students.- Accounting for high-cost programs including medical and health professional programs.- Supporting varying levels of research.
Equity	<ul style="list-style-type: none">- Evidence-based equity adjustments for a wide range of student groups with outcome gaps- Adjusting Equitable Student Share to reflect students' ability to pay- Prioritizing adequacy gaps in allocating new funding
Stability	<ul style="list-style-type: none">- Hold harmless- Guardrail in allocation formula- Three-year averages for data elements

	Per Student Base Funding	Access Equity Adjustment	Acad/Non-Acad Supports Equity Adjustment	High-Cost Programs	High-Cost Program Diversity Adjustment	Mission Cost	O&M	Small School Adjustment	Concentration Adjustment	Equitable Student Share
Legislation Guidance										
Remediate Inequities for Underserved Groups		X	X		X				X	X
Adequate, Equitable, and Stable funding	X	X	X	X	X	X	X	X	X	X
Incentives to 4-year Institutions to Enroll Underrepresented Student Groups		X	X		X					X
Funding for IHEs that Serve Underrepresented Student Groups		X	X		X				X	X
Support the Missions of Each Public University Including Research and Healthcare				X	X	X				
Foster the Economic Activity and Innovation Generated by a University's Activities						X				
Consider Percentage of Institutional Aid										X
Consider the Number of UG Students Engaged in Research at Each University						X				
Support Institutional Efforts to Recruit and Retain World-Class Faculty and University leaders						X				

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Next Steps

Next Steps

- Two remaining Commission meetings:
 - Early Feb (review draft report)
 - Late Feb (finalize report)
- Next Meeting: Walk through the output of the model based on decisions made today; present the major components of the first draft of the report.
- TWG meets one more time to close out remaining issues and discuss content of the report

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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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Adjournment

Next Commission Meeting: February 15, 2024
