**Resources Work Group**
**Public Comments**
**Jennifer A. Delaney**
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Thank you for the opportunity to offer public comment.

In reflecting on the discussion today, calculating “expected” is challenging and will require more thought for me to produce a full response. My initial take is like President Glassman that it feels like “putting a round peg in a square hole”.

It also does not seem necessary to me to calculate “expected” in order to use a shared responsibility model.

- While Ginger argued that the equitable student share is not prescriptive, expected UIF feels like price controls. This is concerning.

Multiple times in this conversation the complications of the model were raised. To me this also indicates that the model as presented with the inclusion of “expected” elements is failing at being a transparent and simple formula.

- As Eric Z. said, “complexity is the enemy of a funding formula”. He also asked, why not use percent of Pell recipients in a simple weighted formula?
- If this same shared responsibility model was targeted to an enrollment-based model with weights for different types of students, then could not the same goals be reached?

Concerns with the “expected” approach:

- It seems likely to reduce institutional competitiveness to attract students.
    - It would add risk of losing state money (or not meeting expected tuition) to the calculation about how to set institutional aid.
- Incentives seem likely to encourage raising tuition prices to make sure that expected UIF is met. They could also create incentives to restrict enrollment growth.

To address an additional topic covered today, conceptually, I would argue that student aid should be applied to the full cost of attendance, not only tuition and fees. For students living expenses and forgone earnings are the largest expenses of attending college, not tuition and fees.

I also want to highlight the importance of thinking about counter-cyclical funding. Currently higher education institutions are cut at each economic downturn. This is a moment when we tend to see enrollment increases (with an exception during COVID-19) and increased student needs.

- The model presented today would limit institution ability to raise tuition during downturns.
- If tuition was raised above the expected UIF, then in the year after the downturn, institutions would face a cut in state funding. This becomes a double whammy for institutions to be cut during the downturn and cut again when coming out of recovery for not acting as “expected”.

In terms of thinking about room and board, most of the rest of the world uses living maintenance grants for students. I recommend this as an alternative model to consider. It is nicely focused on students and can be adjusted to reach equity goals. Most programs are structured as vouchers so students can take their living maintenance grants to any institution (instead of being tied to a particular institution).

Finally, I wanted to offer some thinking about the questions I would ask about some of the budget categories discussed today within a shared responsibility model.

With **endowments**, what is the shared responsibility of past donors to support today's students? Does their responsibility extend beyond the constraints that they put on their initial gifts?

- To me the limitation on funds for consideration would be a 4-5% spending rate.

What is the responsibility of the federal government through their **research grant** programs to support today's students? Does their responsibility extend beyond the research the funding is intended to support?

- To me the limitation on funds for consideration would be ICR funds.

What is the responsibility of **self-supporting enterprises** (auxiliaries) to support today's students? Do auxiliaries need to be set up to generate profits that can then subsidize the teaching and learning function of institutions? Most auxiliaries currently do not break-even and the need to generate profits will make things like room and board even more expensive for students.

- In this case I think it is helpful to think through a K-12 analogy. Often wealthy school districts (including those within adequacy frameworks) rely on private money to fund all arts and extracurricular programs. This leaves more money from the state for academics. Poor districts either do not offer arts or do so with state funds thereby cutting into academic revenues. This has not been a big point of controversy since the adequacy funding is primarily concerned with academics. Why would not the same logic apply to higher education and thereby exclude self-supporting enterprises from the adequacy calculation?
- To me the limitation on funds for consideration would be any "revenues" generated beyond operating and deferred maintenance costs of auxiliaries.

It seems to me to be a dead end to try to "tax" these restricted funds for purposes other than their initial intent – research grants, self-supporting auxiliaries, and endowments (guided by donor intent).

- Perhaps the state can put in restrictions to limit the use of state appropriations to subsidize these areas, but to expect that they would be taxed to support core instructional functions seems out of bounds to me.
- As long as activities are aligned with institutional missions, then their use is their best use.
- We saw this recently at the federal level, to my mind the 1.4% Trump endowment tax from the Tax Cuts and Jobs Act of 2017 (TCJA) on the approximately 60 largest college endowments was a misstep because it draws endowment wealth away from institutional purposes. For instance, these funds can no longer be used for student aid. In addition,

there is not a clear purpose for the federal government to hold those funds and they do nothing to enhance college affordability.

- One counterargument to the Trump endowment tax raised by institutions was that institutions could do more with their endowment payouts to increase institutional aid or serve more Pell-eligible students. While that counterargument was unsuccessful in the case of the TCJA, I think there is something of value in this argument. Guidance like this to encourage institutions to use endowment wealth in ways that are aligned with their mission and student-focused on affordability and equity goals might be more effective than "taxing" endowment wealth (or payouts) in a funding formula.