ILLINOIS COMMISSION ON
EQUITABLE PUBLIC UNIVERSITY FUNDING

Meeting #7

Welcome to the November 17, 2022 meeting of the Resource Workgroup The meeting will begin at 1:00 p.m. This meeting will be recorded.

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 3:20 p.m. We will call on you during the public comment period and ask that you keep your remarks to under three minutes.

Welcome & Agenda Overview

1:00 pm	Welcome & Agenda Overview
1:10 pm	Action: Approval of minutes from October 20, 2022 Workgroup Meeting
1:15 pm	Introductions
1:20 pm	Update on the Adequacy Workgroup
1:30 pm	Factoring Affordability into UIF and Auxiliaries

2:25 pm	Break
2:40 pm	Endowments
3:10 pm	Review Technical Workgroup Hand-off
3:40 pm	Prep for Commission Meeting
3:50 pm	Public Comment
4:00 pm	Adjournment

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Action: Approval of minutes from October 20, 2022 Workgroup Meeting

Adequacy & Resources: Setting the Adequacy Target

Each institution will have an Adequacy Target, built from the components of what it costs for students to succeed and will vary based on student need. The Adequacy Workgroup is developing these components.

"A University" Adequacy Target

Instruction and Student Services

Student-centered access components

Academic supports

Non-academic supports

Core instructional program costs

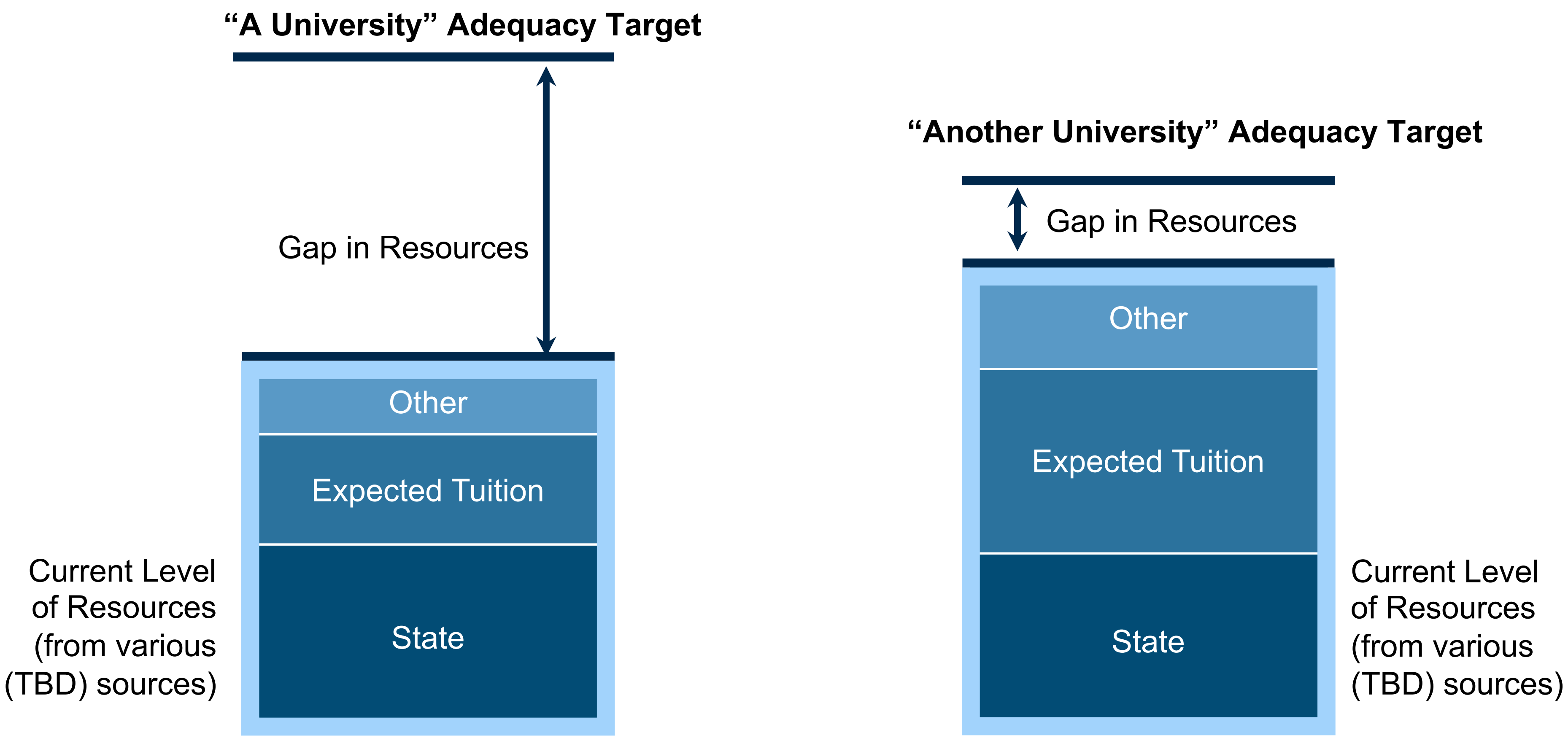
Research & Public Service Mission

Unfunded and inseparable from instructional adequacy/equity

Externally or separately funded

Operations and Maintenance

Adequacy & Resources: Getting to Adequate Funding



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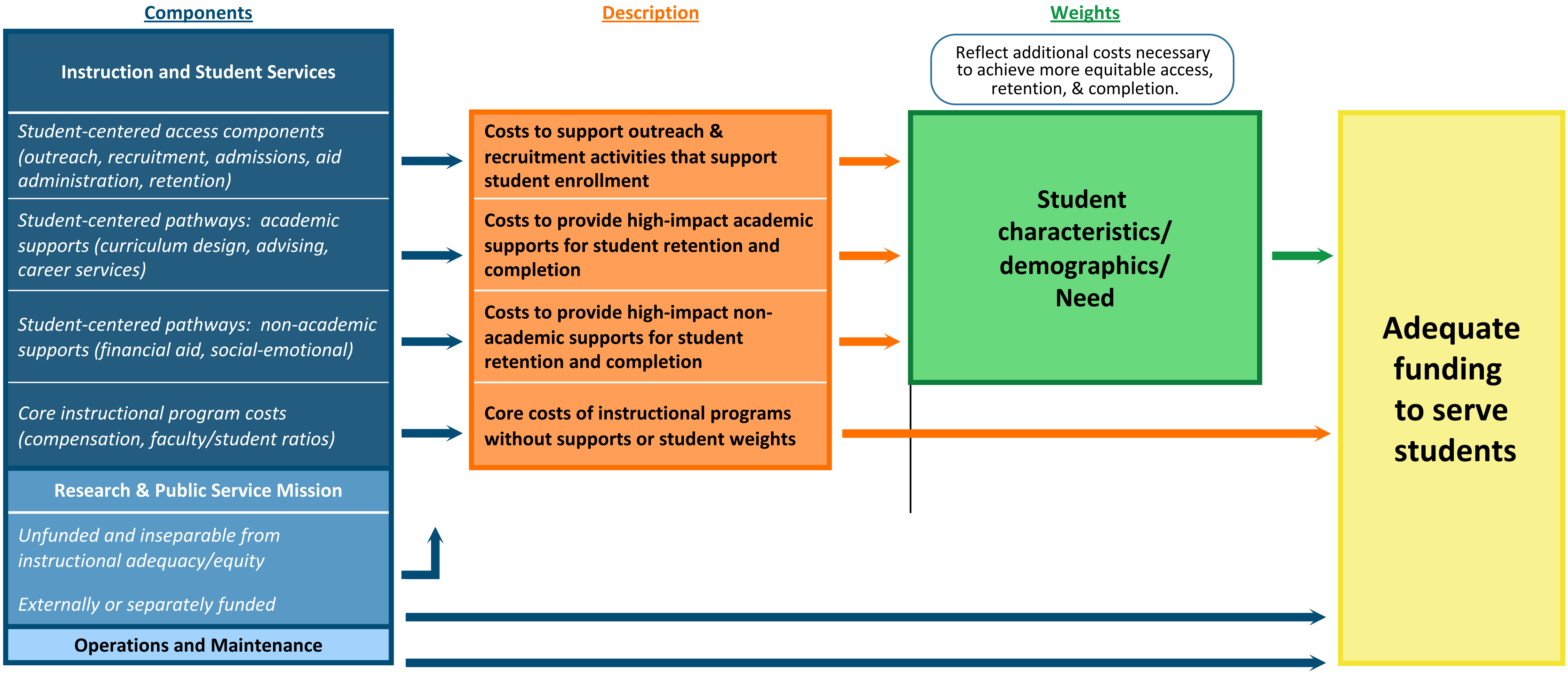
Update on the Adequacy Workgroup

Potential Model for Developing Adequacy Definition



Adequacy Workgroup

Adequacy Component	Description	Rationale
Student-Centered Access	Costs to support outreach, recruitment and enrollment of students	Outreach, recruitment and enrollment activities have costs for all students and will be higher to achieve more equitable access for underserved populations.
Student Centered Pathways: Academic Supports	Costs to provide high-impact academic supports for student retention and completion	Academic supports enhance retention and completion with investment needed to ameliorate historical disadvantages and inequities
Student Centered Pathways: Non-Academic Supports	Costs to provide high-impact supports for student retention and completion	Non-academic supports that enhance retention and completion with investment needed to ameliorate historical disadvantages and inequities
Adjustments for Student Needs	Factor(s) based on student characteristics applied to base costs for access, academic supports, and non-academic supports	To reflect additional costs to close equity gaps and to fund state priorities to achieve better outcomes for target populations
Research, Service & Artistry	Funding to support the research, public service and artistry mission components of each university	Reflect the state's benefit of supporting research, public service and artistry mission of universities
Operations & Maintenance	A stable foundation of financial support for essential operations.	Each institution has certain, fixed costs associated with running a university that are independent of enrollment that need to be supported.

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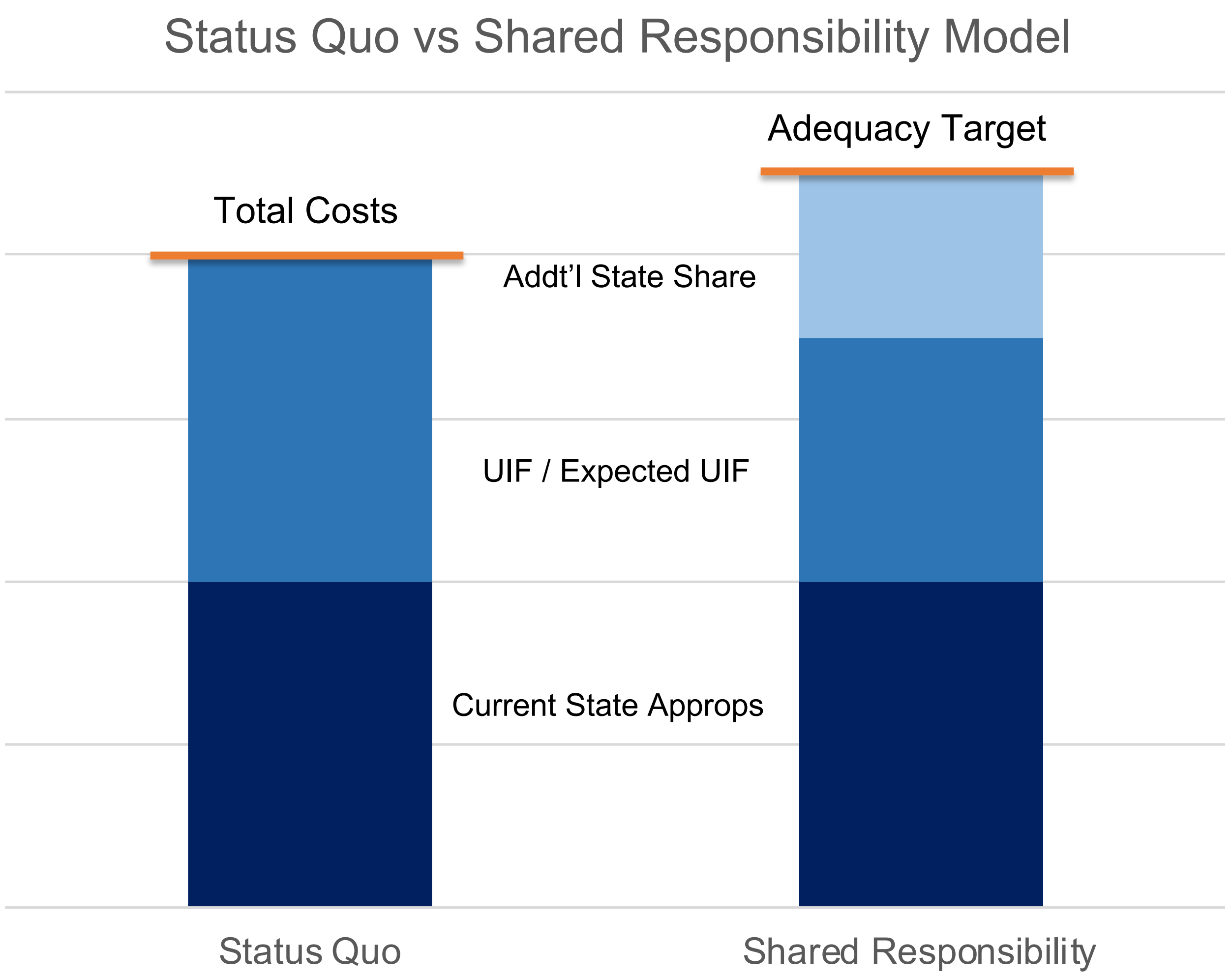
Factoring Affordability into UIF

What is a Shared Responsibility model?

- Currently, the state allocates funds to universities, and universities fill in the remaining gap to costs through tuition and fees, often unaffordable.
- A Shared Responsibility model would assign each university an “Expected UIF” based on its student body, and then allocate new state funds based on the gap to the Adequacy Target.
- This example assumes:
    - The Adequacy Target is higher than the current amount a college spends to educate students
    - The Expected UIF will be lower than current tuition collected.



Defining New Terms

Shared Responsibility Model: A model used to determine the allocation of additional state appropriations to universities. This model assumes the state has responsibility for filling the gap between a university's current Resources (current levels of state appropriations, tuition and fees, and other sources of revenue) and its Adequacy Target.

Actual University Income Fund (UIF): The actual tuition and fees received by universities.

Expected UIF: A derived amount of tuition and fees used in place of Actual UIF in calculating the resources a university has to meet its Adequacy Target. The Expected UIF is equal to the sum of the "Equitable Student Share" of each student enrolled at the university.

Equitable Student Share: A cost to students deemed by the state as a reasonable amount to expect the student to contribute based on a variety of factors, which may include income, wealth, residency, demographics, etc. The actual price students are charged may be different; this figure is used solely for purposes of calculating a university's available Resources.

State Responsibility = Adequacy Target – Resources

Resources = Current State Approps + Other Sources + Expected UIF

Expected UIF = Sum of individual students' Equitable Student Share

Calculating Expected UIF – An Example

Example "Equitable Student Share"	
Group A	$15,000
Group B	$10,000
Group C	$5,000
Group D	$0

	Institution A	Institution B
Group A (# enrolled)	4,000	2,000
Group B (# enrolled)	4,000	2,500
Group C (# enrolled)	1,000	4,000
Group D (# enrolled)	1,000	1,500
Total Expected UIF	**$105.0m**	**$75.0m**

- Establish groups of students and assign different tuition amounts, or "**Equitable Student Share**," that students can reasonably be expected to pay, based on characteristics like income and assets, demographics, or policy priorities.
- The Expected UIF for a university would be:

Expected UIF = (# Group A * $15,000) + (# Group B * $10,000) + (# Group C * $5,000)

Factors to Include in Equitable Student Share

The state can set the Equitable Student Share (ESS) at different levels for different students based on a variety of factors, such as:

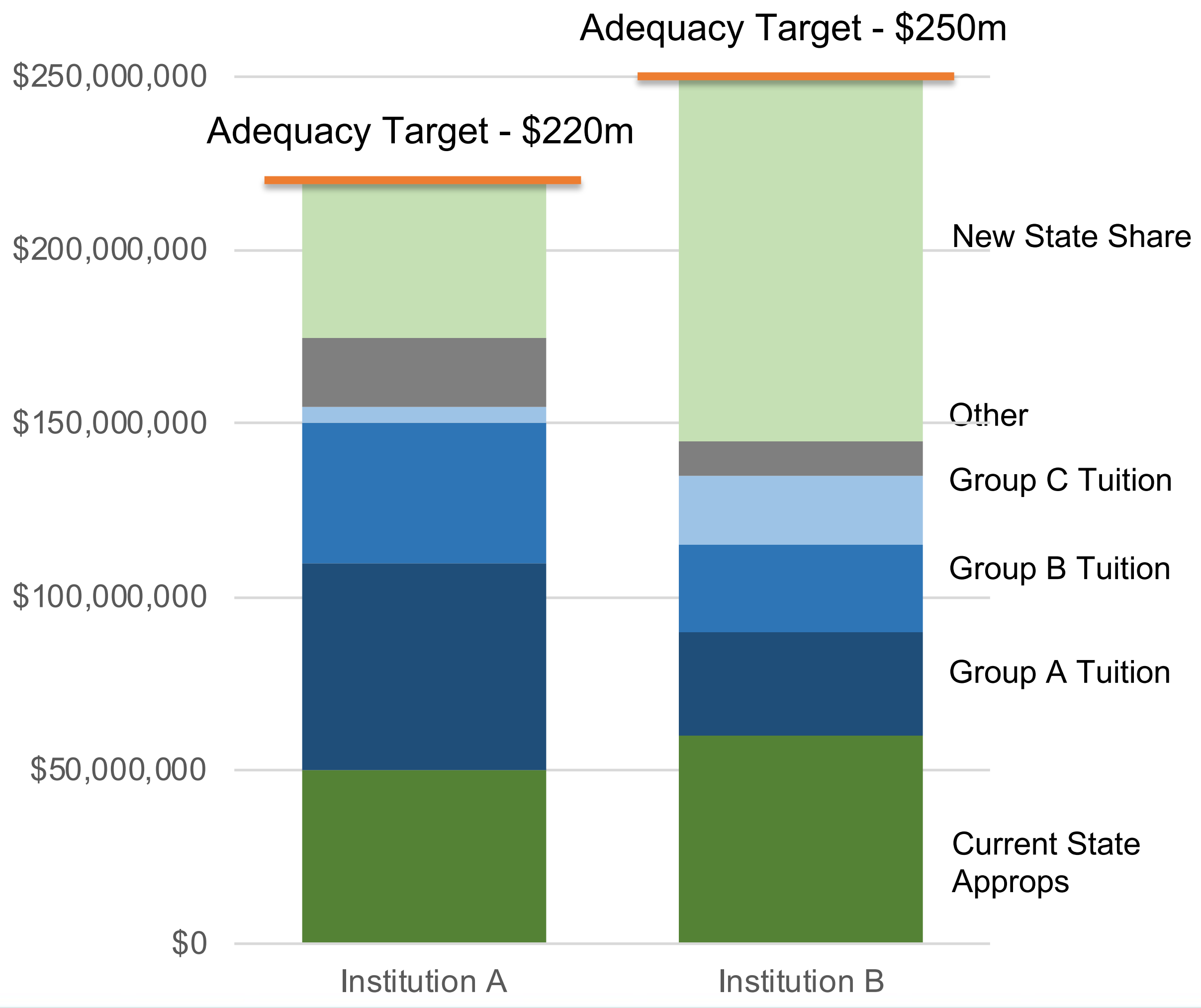
- Income and assets
- Residency
- Historically underserved populations
- State preferences for level of affordability
- Mandatory tuition waiver categories

The state can define any number of student groups and respective ESSs.

- Fewer groups can make the Expected UIF calculation easier to operationalize and understand.
- More groups can reduce the volatility, if a school ends up enrolling a different mix of students than what is predicted and allocated to it based on its Expected UIF.

Connecting Expected UIF and Shared Responsibility

- In this model, the Expected UIF and Adequacy Target will be different for each institution.
- The state's responsibility is to fill in the gap between the Adequacy Target and the Expected UIF and Other institutional revenue.



Implications of Expected UIF and Shared Responsibility

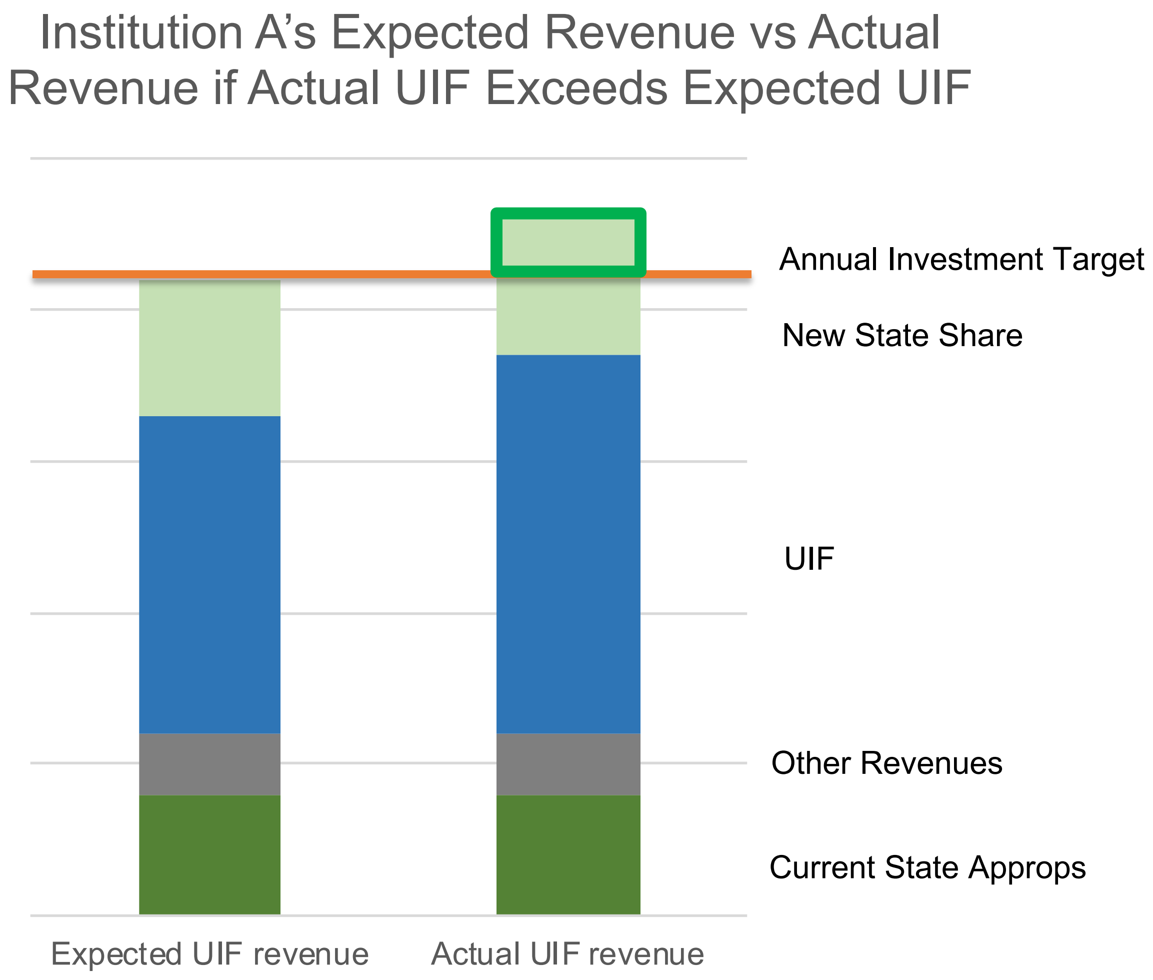
Equitable Student Share and Financial Aid

- Because non-institutional aid goes into the UIF, students should be able to use state, federal, and private aid to meet their ESS.
- Universities can use institutional aid as they see fit; the ESS levels would be net of institutional aid.
- **For consideration**: Whether to set the ESS such that it signals grant aid should be used for non-tuition and fee costs.
  - **Example**: An ESS of $3,000 for a student receiving the max Pell grant ($6,895) would mean the state expects the student to only have to use $3,000 of the grant for T&F, w/ ~$4,000 for other costs of attendance.
  - MAP Grants can only be used for tuition and fees, so a student eligible for the max $7,200 grant might have that aid included in their ESS. MAP grant amounts are also tied to tuition levels. If a school lowers its tuition in response to the new ESS structure, it could reduce the actual UIF revenue below the Expected UIF level.

Scenario of Actual Tuition Exceeding Expected UIF

If Institution A charges more tuition than its Expected UIF, the new state share will exceed the annual investment level the state formula is built around. This poses two problems:

- The state wants to target funds to schools with gaps between resources and adequacy, not to exceed the adequacy threshold.
- The state has an interest in keeping college affordable.

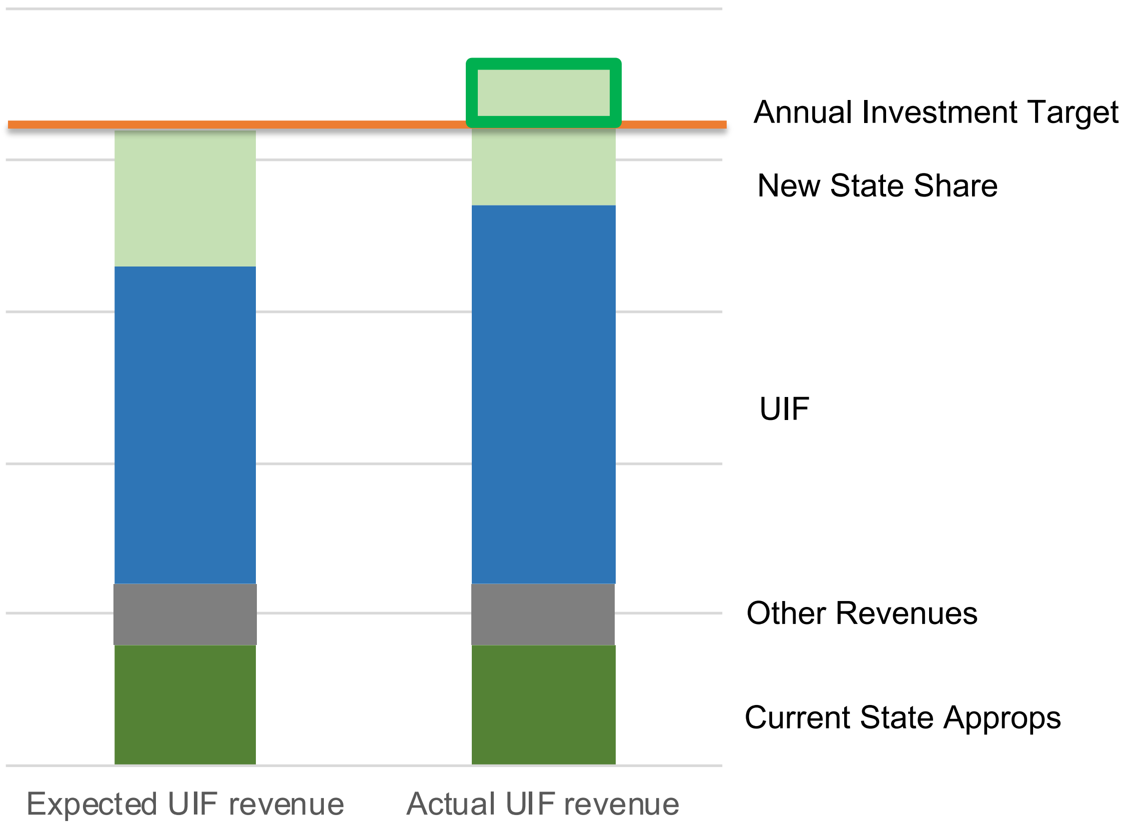


Response to Actual Tuition Exceeding Expected UIF

State options in response:

- Reduce the institution's allocation from the new state share by the overage in the future year.
- Require that the overage be used for need-based aid or student success interventions.
- Others?

Institution A's Expected Revenue vs Actual Revenue if Actual UIF Exceeds Expected UIF



Scenario of Actual Tuition Below Expected UIF

- There is not much incentive for colleges to drop tuition far below the Expected UIF levels, as the state won't make up the lost revenue in calculating the new state share.
- But if the state wanted to incentivize universities to further invest in affordability, it could provide a match through the new state share.
    - **Example**: For every 5% below the Expected UIF a university's Actual UIF is, the state reduces the next year's Expected UIF by 1%. This increases the university's Adequacy gap, which increases its proportion of the new state share.

Shared Responsibility Model - Discussion

- What resonates with you? What concerns you?
- Does this approach appropriately account for affordability?
- What incentives does this create for institutions? For students? For the state?
- If this were the approach:
  - How might IL set the Equitable Student Share levels?
  - How would it factor in financial aid and institutional aid?
  - How many Equitable Student Share groups should there be (or sliding scale)?
  - How to account for cost of attendance versus tuition & fees?

Shared Responsibility Model - Discussion

- Does this approach ensure tuition is not a “release valve” for shortfalls in state funding?
- What happens if an institution’s actual tuition is above or below the “Expected UIF”?
- What are the implications for the model during difficult state budget years (e.g., recessions)?

Factoring Affordability into Auxiliaries

Latest Discussion of Auxiliary Enterprises

Description

- **Auxiliary Enterprises**: Auxiliary enterprises include residence halls, food services, parking facilities, student unions, college stores, and such other services as barber shops, beauty salons, movie houses, and bowling alleys. In some cases these are self-sustaining (fees charged cover expenses) in other cases they may be revenue generators.

% of Institutional Revenue:

- Statewide: 9.3%
- High: 19.7%
- Low: 4.4%

Equity Implications

- Can influence student success: Access to housing, food, transportation, childcare
- Supported by student fees – underlies question about student's ability to pay.
- Quality and quantity of these services may be related to the profile of the students.

Initial Recommendations + Considerations

- More evaluation and discussion.
- Perhaps set some minimum (average) level for "basic needs" auxiliaries – food, housing, etc.

Factoring in Affordability to Auxiliaries

- Average Room & Board: $10,000 (>75% the cost of tuition)
- Auxiliaries are usually self-funded; they are not meant to subsidize other components of adequacy.
- But they do affect adequacy and affordability:
    - Some institutions can charge a lot and provide more-than-adequate housing/food – the state has an interest in making sure that such schools are accessible to all.
    - Some institutions may not provide “adequate” housing/food because the student bodies can’t afford to pay as much – the state has an interest in making sure students at these schools still receive adequate services.

Factoring in Affordability to Auxiliaries

Proposal: Use Expected UIF concept (Expected Auxiliaries).

- Set a reasonable amount of auxiliary revenue a school would get based on its student body.
- Compare it to an adequate level of auxiliary services in the formula. The gap gets added to the adequacy gap total.

Questions:

- Should it be limited to room & board, or include all auxiliaries?
- Will this be sufficient to influence institution's decisions on cost of auxiliaries to students?
- How to account for schools that charge more than Expected?

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Incorporating Endowments and Other Sources of Revenue

Latest Discussion of Grants, Contracts + Endowments

Description

- **Gov't Grants and Contracts**: Revenues from local, state, and federal governments that are for specified purposes and programs (e.g., research, other priorities)
- **Private Grants and Contracts:** Gifts and grants provided to the university from individuals (private donors) or non-governmental organizations Included in this funding category are revenues provided for student financial assistance.
- **Endowments:** Income from endowment and similar fund sources, including irrevocable trusts

Equity Implications

- Capacity to bring in these resources may vary across institutions and are often self-reinforcing (institutions with higher resources have greater capacity to seek other types of resources)
- Access to these dollars can have indirect implications for equity:
  - Research dollars can affect ability to recruit faculty, give students access to STEM or other opportunities.
  - Endowment can endow chairs, free up resources for other spending
- Access to private resources and endowments often reflected of historical wealth inequities and distributed in inverse proportion to racial/ethnic representation at institutions.

Initial Recommendations + Considerations

- More data and analysis needed to establish parameters for including in institutional resource profile

Endowments and Other Sources of Revenue

What questions do we need to answer to arrive at a fair and equitable treatment of endowment as revenue?

- What are common restrictions?
- What percent of annual expenditures are restricted?
- How do the restricted activities relate to or support an adequate education?
- How do endowments affect other aspects of a school's resources (e.g. bond rating)?

Technical Workgroup Hand-Off

Technical Workgroup Hand-off

Evaluate resources through an **equity lens**: does access to the resource provide differential capacity to institutions in a way that affects equity?

UIF: Include in institutions' resource profile, with following considerations:

- Deduct mandatory waivers
- Factor in students' ability to pay (Expected UIF?)
- Further evaluate student fees

Endowments, Grants & Contracts: More data and analysis needed to establish parameters for including in institutional resource profile.

Auxiliaries: More analysis needed of the following:

- Perhaps set some minimum level for "basic needs" auxiliaries
- Perhaps factor in student ability to pay (e.g., Expected Auxiliary revenue)

Preparing for Commission Meeting

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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 and Adjournment

Next Commission Meeting: December 12, 2022