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*Foster social and economic justice through advancing fact-based public policy solutions*

## MEMORANDUM

**TO:** Corey S. Bradford Sr., Ph.D.  
Vice President for Administration and Finance  
Governors State University

**FROM:** Ralph Martire

**DATE:** March 14, 2023

**SUBJECT:**

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### 1) Background

The following summarizes potential approaches to the calculation of “**Equitable Student Share**” or “**ESS**,” and the role ESS will play in the final adequacy formula.

Our commission is working to create a formula that will determine the “Adequacy Target” of funding each public university needs to educate the student population it serves and otherwise satisfy its mission. Among other things, that Adequacy Target will:

- (i) be equity based;
- (ii) include funding for elements that will support enhanced matriculation and graduation rates for traditionally underrepresented students at all public universities; and
- (iii) include adjustments to ensure each university that is currently serving a student population consisting of a relatively high proportion of traditionally underrepresented students receives the financial resources needed to support its existing student population through to graduation.

Currently, Illinois makes appropriations from its General Fund to the state’s 12 public universities to cover a portion of their general operating costs. In addition to these appropriations, public universities cover their remaining costs from a variety of sources, including everything from grants, earned income, and endowment funding, to tuition and fees charged to students. The tuition and fees received by a university are its “**University Income Fund**” or “**UIF**.”

For purposes of creating the model, there will be two different values ascribed to UIF funds. First is the “**Expected UIF**” amount. This will be the dollar amount of UIF funding a university will be expected to collect from its student population, adjusted predicated on the unique demographics of said student population. This calculation will be based on the sum of the Equitable Student Share that is assigned to each student then enrolled at the university in question.

Second is the “**Actual UIF**,” which, as the name implies would be UIF funds a particular university actually collects in a given year. The Actual UIF will be used to adjust a university’s relative priority for receiving new state funding in a given fiscal year. This could be done in a number of ways, but at a minimum will be used to move a university to a lower funding priority status, if the university in question has Actual UIF that exceeds its Expected UIF by a defined percentage or amount.

Once it is possible to determine an Adequacy Target for each public university, a formula for determining how much of the funding for a particular university’s Adequacy Target should come from state appropriations and how much should come from UIF will be created. This formula will also determine how to account for other university resources from grants, endowments, earned income, and other sources, after factoring in considerations such as restrictions on the use of proceeds.

## 2) Equitable Student Share

In the final model, the role of Equitable Student Share will be to help identify how much of a public university’s final Adequacy Target *should* be borne by its student population. Note: ***the Equitable Student Share calculation does not increase or decrease the Adequacy Target itself.***

Determining the Equitable Student Share requires two separate calculations. First, we have to determine the base, annual tuition and fee cost a student should be expected to cover out-of-pocket, if that student has the means to afford a college education with no assistance (the “**Base Amount**”). We also have to determine whether auxiliary costs like room and board should be included in the Base Amount. Finally, we have to determine if the Base Amount should be predicated on the mean or median tuition and fee cost currently charged across all 12 public universities (inclusive or not of any auxiliary costs), or whether it would make more sense to compute the mean or median cost of the different universities grouped by student population—i.e. the four largest universities, the four mid-sized universities, and the four smallest universities.

Once the Base Amount is determined, the question becomes how, or even if, it should be adjusted over time. One of the concerns our commission is addressing is the affordability of college. If the Base Amount grows annually along with growth in UIF, the incentive for universities to lower costs is diminished. Hence it may make sense to hold the Base Amount flat, so that over time it becomes a lesser value, in real, inflation adjusted terms, or even include a factor that reduces the Base Amount over time.

For sake of simplicity, let’s assume the Base Amount is the median annual tuition and fee cost currently charged across all 12 public universities. The next step in the process is determining how much of that Base Amount the formula will assume it is appropriate for a particular student to pay, based on that student’s unique demographic characteristics. Adjustments could be made for numerous factors, including everything from income level, to historically discriminated against populations, rural residency, quality of high school experience, etc.

One approach would be to make the following adjustments as part of determining the Equitable Student Share *for each in-state, undergraduate student* (the thought being Illinois tax payers shouldn't have to subsidize the cost for out of state students, and graduate student adjustments would be different from undergraduate for host of reasons):

(i) a student who is a Pell Grant recipient would have their Equitable Student Share of the Base Amount reduced by 50%; and

(ii) a student who identifies as a racial or ethnic minority would have their Equitable Student Share of the Base Amount reduced by 25%; and

(iii) a student who attended a Tier 1 or Tier 2 High School would have their Equitable Student Share of the Base Amount reduced by 25%; and

(iv) a student who comes from a rural residence (as defined by the IBHE from time to time via rule making) would have their Equitable Student Share of the Base Amount reduced by 25%.

The suggestion would be that these factors operate cumulatively, so that a Pell recipient who is a minority from a rural area would have an Equitable Student Share of zero dollars.

All students who qualify for mandatory tuition waivers would also have an Equitable Student Share of zero dollars.

A different calculation would be required for in state graduate students, with reductions to Equitable Student Share based on factors like having an income that is 200% or less of the federal poverty level, as well as the factors delineated in subparts (ii) and (iv) above. (The high school a grad student attended would not be particularly relevant at this juncture).

CTBA is looking into mean costs for various graduate programming at Illinois public universities to help inform the graduate school component of student share.

### **3) Creating Tiers for Distribution**

After a final methodology for determining ESS is created, Equitable Student Share can then play a positive role in ensuring new funding from the state goes to the universities that are most in need. For instance, universities can be sorted into Tiers based on the concentration of students they educate who qualify for a 75% or greater discount from the Base Amount.

So for instance, if at least X% of a university's population qualify for a discount from the Base Amount of 75% or more, that University is Tier 1. Tier 1 universities would share a high percentage of the new year-to-year funding the state appropriates to higher ed (**New HE Approps**) through the General Fund, say 50%.

Tier 2 universities would have a lesser percentage of their student populations meet the 75% discount standard than Tier 1 universities, but still have at least Y% of their student population meet this standard. Tier 2 universities would then share the next say, 40% of New HE Approps with Tier 1 universities, leaving the final 10% for universities in Tier 3.

How universities share the New HE Approps within a Tier distribution would be predicated on their respective “Percentages of Adequacy,” which would take into account their respective Actual UIF revenue, including MAP and Pell Grants.