ILLINOIS COMMISSION ON

EQUITABLE PUBLIC UNIVERSITY FUNDING

Technical Modeling Workgroup Meeting #17 - August 31, 2023 (9am-11:30am CT)
Meeting Notes

MEETING OBJECTIVES

1. Review proposals for Formula Upkeep, Accountability and Transparency, and Future Adequacy
2. Explore refinements to Equitable Student Share subsidy levels based on updated data.
3. Review the full model to understand its key components, incentives, and outputs; and to identify and discuss unresolved issues.

Welcome & Agenda Overview

Executive Director Ginger Ostro opened the meeting with a general welcome and announcements regarding Open Meetings Act, that the meeting will be recorded and instructions for any members of the public who would like to participate in Public Comment.

Martha Snyder provided an overview of the agenda.

Action: Approval of minutes from August 17, 2023 Workgroup Meeting

Ketra Roselieb made a motion to approve the minutes from the August 17, 2023 workgroup meeting. Robin Steans seconded the motion. Eight workgroup members were present and in favor. One workgroup member abstained.

Equitable Student Share

Framework

Will Carroll walked through the process used to impute data to get the model to a close enough place to break down and analyze.

ESS represents a reasonable and affordable amount a university is expected to generate through tuition and fees based on the characteristics of its student body. ESS would be calculated by applying subsidy rates - tied to characteristics of a university's student body - to the adequacy target. The greater the share of high-subsidy student groups (e.g., low-income, underrepresented minority) a university enrolls, the lower its ESS.
[Adequacy Target] x [ESS Index: percentage based on student characteristics] = [Resource Profile, made up on Other Resources, Equitable Student Share, Current State Appropriations].

Corey Bradford asked what was included in the "fees" mentioned. The way the ESS Index is being designed and used allows for wiggle room. The ESS represents a portion of the total cost, which may include fees that students are expected to pay. Corey Bradford shared that the UIF does not include mandatory fees. Commissioner Robin Steans raised two thoughts: the goal is to make things more affordable than they currently are; it is going to take time to get to full funding and those full funding levels will move over time. There needs to be room to grow.

Various support staff and workgroup members gave their versions of explanations to a parent that was seeing this for the first time or a legislator that might not have all the background knowledge.

- The index represents the portion of the adequacy cost that is going to be generated by students and tuition fees. The student share, in some ways, of the adequacy cost and that varies across institutions. Schools that enroll high proportions of low income students, underrepresented minorities, adults, EBF tier 1 and 2, rural students have a lower share than schools that enroll a lot of out of state, graduate students, high income students, etc.
- In an ideal world and if we were fully funding the formula, this is the portion of base cost of education that the students attending these universities would be covering in tuition and fees, based on their unique demography. This is a dollar amount in an ideal world that the student population would be paying and no more than this, based on their demographic.

Commissioner Robin Steans asked whether this is the adjusted base. She also asked whether the equity adjustment should be included or not in the ESS. She shared her concern regarding whether the base we're spending right now as the system is right and that the only problem is not the equity adjustment, but that it's both/and. The adjustment, the way the group got to the base adjustment, there are some overlapping assumptions on costs that are necessary that deal with both, but not all of them do. This is an element to revisit once the full model has been shared.

Will Carroll shared that this is just the base cost and not inclusive of equity adjustments. Sandy Cavi asked for confirmation around whether fees are included. She shared that the only fees that would be in the adequacy cost are the ones where the revenue shoots to the income fund, which is practically none. Fees should not be taken into account here.

Commissioner Simón Weffer seconded Commissioner Steans' both/and argument. There needs to be specific talking points presented when sharing the model with the larger group and when it moves to the legislature so that folks are able to understand how far institutions have fallen behind in funding and why it's important to talk about new dollars going into the model. There has to be a lever for institutions to make up the difference.

Commissioner Ralph Martire agreed about the big picture of the both/and. He also emphasized that whatever gap is identified between current funding and what is needed, the amount should grow by relatively meaningful increments overtime. He also clarified that there's no desire to penalize individual institutions through increases to tuition/fees. We need to rationally recognize there is only so much new funding in a given year. Commissioner Dan Mahony raised a number of concerns regarding the supreme court decisions, raising tuition and the potential diversity (or lack of) in student population moving forward at institutions.

Commissioner Robin Steans reminded everyone that it would really help to see everything in one place, with real numbers/data. It's important to see how areas of the model work together. Sandy Cavi asked if MAP and Pell are included in the ESS number. Commissioner Simón Weffer raised that if an institution like UIUC raises enrollment, it will have downstream effects. He also raised that institutions need to get into the habit of incorporating diversity, equity and inclusion into their enrollment plan(s).

Following the conversation, Will Carroll noted the areas in which need to be followed up on when the full model is shared.

Strawman Subsidy Levels
Subsidies are additive but capped at 100%. ESS is the percent remaining after applying the subsidies (e.g., 75% subsidy = 25% student share). The subsidy levels were placed into the model and it was shown that the subsidy level was diluted, causing not much impact in subsidy levels around the specific areas. This made it hard to say that the model created a priority around any of the outlined demographics.

Will Carroll shared a chart with revised subsidy levels.

- Reduce the base for each group - this creates more room for the impact of the subsidies linked to student characteristics.
- Reduce subsidies for EBF and Rural, based on TWG and Commission feedback.
- Produces an ESS of $1.77 billion: $500m less than current UIF and an overall ESS index of 50%.

Mike Abrahamson shared that as a whole, this looks to be generally the right adjustments. He also raised his opinion for the lack of need for a rural subsidy. Nate Johnson pointed out that on low-income and EBF there is the conceptual idea that is trying to be captured and then the actual data. Both areas of data are imperfect measures of a student's ability to pay. Commissioner Dan Mahony raised the concern that in some areas of study, the graduate degree is needed. Michael Moss shared that there is too much weighting for undergraduates (six weights) versus only two weights for graduate/professional programs. He shared that there should not be harm in a funding formula for having strong and successful graduate and professional programs.

Commissioner Ralph Martire shared his agreement that EBF is not fully a measure of a student's ability to pay, but rather the underfunding for years from the state for the K12 district in which they attended. Some of this is making up the underfunding of the K12 system and the additional supports that this students will need to successfully graduate from a university.

Examining EBF Tier

- EBF Tier 2 students are more like Tier 3 & 4 students than Tier 1 students along lines of income and race.
- Over a third of EBF Tier 1 students are not low-income.
- This could be reason to:
    - Provide different subsidies for Tiers 1 and 2, and/or;
    - Make the EBF Tier subsidy conditional on low-income status.

Alternative Approaches for EBF Tier

- Provide different subsidies for Tiers 1 and 2
    - e.g., 25% for Tier 1, 10% for Tier 2
- Make the EBF Tier subsidy conditional on low-income status.
    - e.g., 25% for Tier 1 or 2 for low-income students only

Commissioner Robin Steans added that we need to take into account the complexity of districts moving across tiers. There, at least, needs to be some definition on what their EBF tier means. Commissioner Ralph Martire shared that a substantial number of students (minority and low-income) moved from Tier 1 to Tier 2 when CPS moved across tiers.

EBF Tier is the only subsidy for about 20,000 Illinois undergraduate students (~20%). The income-conditional option creates a very bimodal distribution. Will Carroll walked through a chart shared on screen. Commissioner Robin Steans shared an example of CPS students (her own) who shouldn't be prioritized but that due to EBF tiers will fall into the category of stacking subsidies.

Options for EBF Tier data in the final model
Instead of the current imputed data, for the final model we would recommend either:

- Deriving a socioeconomic status measure based on the school's zip code.
- Use a more sophisticated multivariate imputation, with IBHE collecting better EBF Tier Data in future years.

Implementation Team Report Out: Formula Upkeep
Funding Formula Review Committee

- Mix of current Commission members and new members
- Representatives from each university and representatives of key stakeholder groups
- A technical subcommittee of the larger Funding Formula Review Committee will develop recommendations for the larger committee
- Would consider new data as it becomes available (low-income other than Pell, first-gen, student parents, student with disabilities)
- The Committee would be charged with providing IBHE with recommendations for adjustments and a formal evaluation of the formula on a periodic basis

There was discussion around a larger (size, number of members) funding formula review committee, likely with a subgroup to do the detailed work. Commissioner Ralph Martire shared information about how the K12 EBF review works.

Review Process

- A formal review at least once every 5 years (begin after the 4 th year of the formula), but allow for more frequent if a problem is identified
- Aligned w/ IBHE strategic plan timing as much as possible
- The legislature grants IBHE the authority to make most of the formula changes within the approved funding formula framework
- Only major policy changes would go to the legislature for approval

Formula Upkeep

- Use the Midwest inflation (employment cost index) rate to adjust the elements in the formula (base costs, equity adjustments)
- Use a 3-year rolling average for institutional data utilized in developing the target

Implementation Team Report Out: Accountability and Transparency
Possible Recommendations
Theory of Action
To be effective, a funding model must not only set expectations for universities, and reward achieving them, but also have consequences for missing the mark on them. This proposal seeks to avoid past formula mistakes by improving on the timing of institutional accountability, the issues of interest for what institutions are being held accountable and the actionable measures taken to regulate institutions actions and decisions in order to align them with stated goals.

While it's reasonable to hold institutions accountable for how they spend new fundings, they must be "sufficiently" resources before they can be expected to meet their target affordability, enrollment and outcomes goals. However, if they are still not doing so, it may be because they have not adequately investing in the supports, put the right systems in place and/or equitable targeted specific student groups. As a result of missing targets, institutions could face category-specific consequences that could state with increased monitoring, move to receiving direction on spending, and end with diminished access to additional funds.

Four Accountability Categories
Spending
- Given the substantial new investments institutions should expand spending transparency and be held accountable for how additional funds are being directed.

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

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

Outcomes
- Outcomes improvements should result from increased affordability and access. However, it takes time to improve supports, and the benefits on student outcomes lag. Including both absolute and progress metrics and reductions gaps.

Corey Bradford noted that when developing these, that all institutions will not be starting at the same place. Data should be disaggregated. Faculty diversity needs to fit somewhere within the accountability categories.

General Structure
- Expectations of all institutions
  - Build out data capacity to satisfy reporting requirements
  - Annual reports of progress against targets
    - Spending transparency at a student level by group
  - Annual spending plans and report of previous years' use of new funds
- Accountability Structure
  - As noted in the theory of action, this accountability structure is centered on adequacy
    - Institutions will be held responsible for making progress on metrics once they receive sufficient resources to lower price and build systems necessary to make progress in enrollment, persistence and completion.
      - However, they will be measured throughout
  - Accountability measures are layered in consistency as institutions are increasingly better funded

Mike Abrahamson shared and explained an example of introduction accountability and transparency categories. Commissioner Robin Steans added additional details and opened it up for the workgroup to discuss.

Commissioner Simón Weffer noted that Corey Bradford's comment regarding faculty diversity is so complex and difficult as an outcome. When talking about outcomes and goals, many are a huge challenge and it's important to remember that. Commissioner Dan Mahony suggested changing to "lowering cost." He also shared an example of metrics and the discussion around what is feasible in one year versus six years, etc. Michael Moss shared that a lot of the work done so far is based on the assumption that there will be a significant increase in state appropriations that continues over a number of years. Commissioner Simón Weffer reminded the group of the three pillars that are built into the legislation: adequacy, equity and stability.

Possible Accountability Ideas: Institutions

- Metrics: improvement to certain numbers or by percentage
    - Institutions are expected to improve by a certain amount, percentage, or to a certain threshold.
- Review panel evaluates for compliance
    - A review panel of diverse stakeholders looks at universities' provided data and explanations to determine if universities are living up to their goals in each category.
        - That could either be a whole, or by category

For either accountability trigger, steps such as the following would occur:

- Closer monitoring of spending
- More direction in how to use funds (e.g., revised spending plan from state, controlled menu)
- Not have access to other resources/incentives (e.g., innovation resources) until they meet or make progress in previously stated goals
- Deeper category-specific reporting (e.g., admissions, enrollment, or retention processes)
- Diminished access to additional funds from the formula

Open Questions

- Should institutions be responsible for the same set of metrics?
- Should institutions propose their own goals, have uniform expectations, or have the Commission set goals?

Executive Director Ginger Ostro pointed out that there are also other components of how to close equity gaps; for example, the equity plans that each institution has to complete. Where does this fit in? There is a piece to address in the funding formula, but thinking of all the places where this will arise is helpful and a way to weave everything together that should be integrated. The workgroup members reminded Ginger that they would like her to join their call(s) to further discuss this.

Implementation Team Report Out: Future Adequacy

Sandy Cavi shared two questions that the implementation team has been working through:

- Should initial adequacy targets be based on targeted or projected enrollment rather than current level?
    - The implementation team does not recommend this. To incentivize growth with an eye only on enrollment doesn't take into consideration other areas that the school and state need to look at. Campuses do attempt to project enrollments during annual budgeting which is a very difficult task. There is an expected enrollment cliff in 2027, which the group doesn't think is wise to cause further frustration.

- Should the adequacy target include some amount for growth and innovation?
  - The implementation team does not think this is necessary. If the state wants to incentivize a program, they could do a special appropriation as has been done in the past. If the university chooses to do this, there is an ISL process to go through.

Commissioner Robin Steans offered some suggestions and ideas to think about, which Sandy Cavi would take back to the implementation team and would be added to the list of "parking lot" ideas.

Public Comment
Members of the public wishing to make public comment were given three minutes:

- Jennifer Delaney, member of the IBHE and professor of higher education at UIUC. Ms. Delaney shared the equitable student share is meaningless without clarity on the accountability metrics and how they would be applied to institutions in relation to this part of the formula. It still appears that the equitable student share will place pressure on institutions to raise tuition, which is contrary to the intent to create a formula that improves affordability in the state. The equitable student share is codifying a "robin hood" model at the student level. It is stating that those who can pay will be subsidizing those who cannot. This is a shift from having the state have the responsibility for access and equity to being a responsibility shared by all tuition-paying students. This is a big shift in messaging and expectations. Public higher education is therefore no longer a state-supported good, but rather enrolling in a university would now carry with it the responsibility for individuals to provide financial resources to support their peers to promote access in an equable manner. This approach is treating student tuition as a public good, which she has argued before is not a reasonable conceptual model for thinking about tuition paid by individuals. Practically, Ms. Delaney thinks this logic has the potential to push students towards private institutions where the tuition dollars paid are seen as a private good and focused on supporting the individual who paid those tuition dollars. Ms. Delaney also shared that both growing tuition and raising enrollments contribute to institutional revenues. The model does not fully account for institutions shifting enrollments. She encouraged the group to identify state goals for enrollments. Can benchmarks be identified based on something like state workforce needs? This would allow enrollment growth or maintenance goals that could be clearly articulated in this model and incentives can be aligned to enrollment targets. She shared that more clarity is needed on how different types of student aid enter the model. Based on the discussion of equitable student share, it seems that MAP and Pell are being counted as 100% a student resource. This raises the concern that state subsidies for low-income students will decrease and subsidies will be redirected to middle- and upper-income students. It also sounds like institutional aid is 100% an institutional resource. This is problematic for institutions since this money is not spent on operations, but rather is spent by students that receive the scholarships. There seemed to be some concern that all in-state students would receive subsidies. Ms. Delaney shared that she feels the need to remind the group that this is currently the status quo. State support for higher education is derived from the collection of taxes paid by residents. As such, it makes sense for the state to subsidize those resident students who already paid to support the universities in the state. Moving to a model that no longer offers subsidies to some in-state residents (thereby treating them as out-of-state students) is concerning. Ms. Delaney also shared that stability needs to be explicitly addressed in the formula or through policy recommendations. She published a piece yesterday in *The Chronicle of Higher Education* that might be helpful in thinking through the issue of stability and some options for solutions and shared the link: https://www.chronicle.com/article/higher-eds-financial-roller-coaster.

Plan for Subsequent Meetings
Martha Snyder reminded the workgroup members what was planned for the upcoming Technical Modeling Workgroup meetings.

September 8
- TWG Off-cycle meeting to discuss model

September 14
- TWG meeting to refine draft recommendations for the Commission meeting

September 21
- Commission Meeting (10:30am-1:30pm CT)

September 28
- TWG incorporates Commission feedback

October 12
- TWG incorporates Commission feedback

October 20
- Commission Meeting (9:00am-12:00pm CT)

Adjournment
The next workgroup meeting was scheduled for Friday, September 8, 2023 (9am-11:30am CT).

Workgroup Members in attendance
Mike Abrahamson, designee for Lisa Castillo-Richmond
Sandy Cavi, designee for Aondover Tarhule
Robin Steans
Ralph Martire
Simón Weffer
Corey Bradford, designee for Cheryl Green
Dan Mahony
Michael Moss, designee for Javier Reyes
Andrew Rogers
Ketra Roselieb, designee for Guiyou Huang

Support Team Members in attendance
Ginger Ostro
Jaimee Ray
Will Carroll
Martha Snyder
Jimmy Clarke
Nate Johnson
Katie Lynne Morton
Brenae Smith