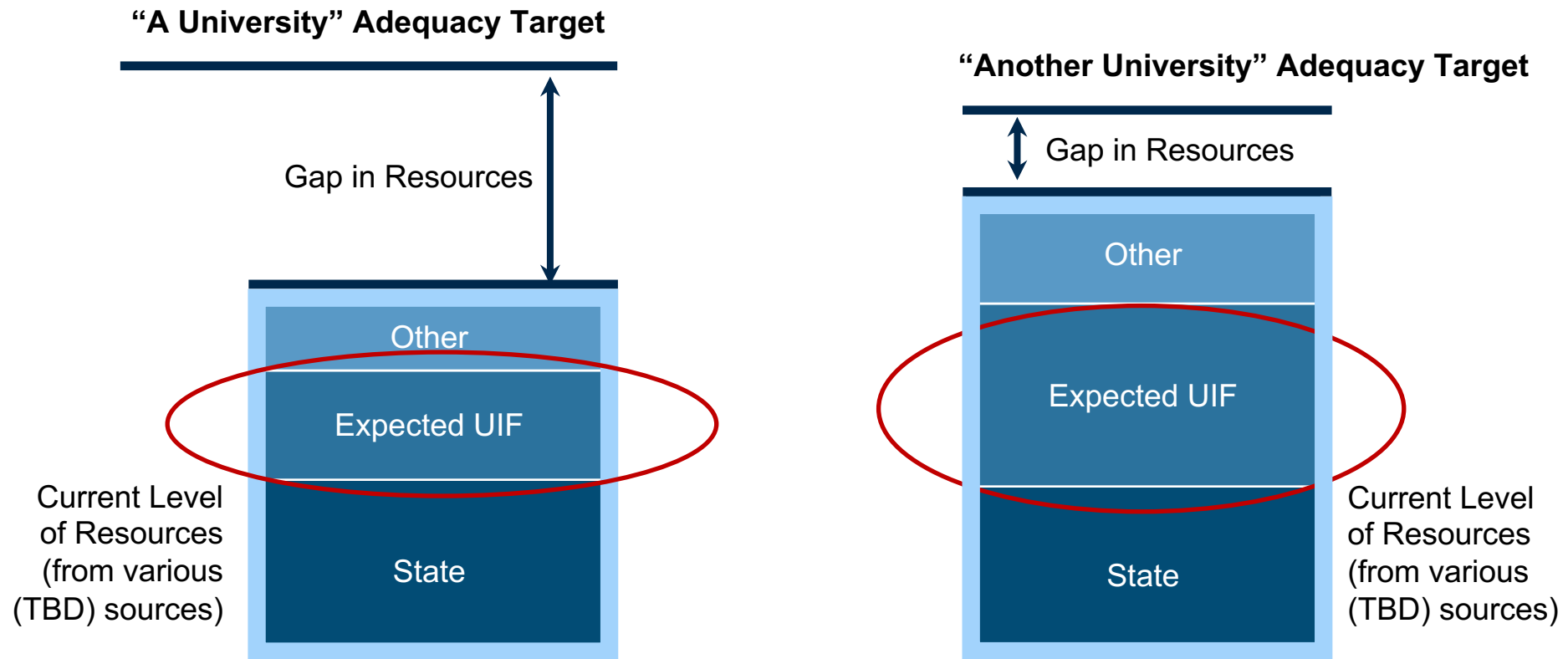

ILLINOIS COMMISSION ON
EQUITABLE PUBLIC UNIVERSITY FUNDING

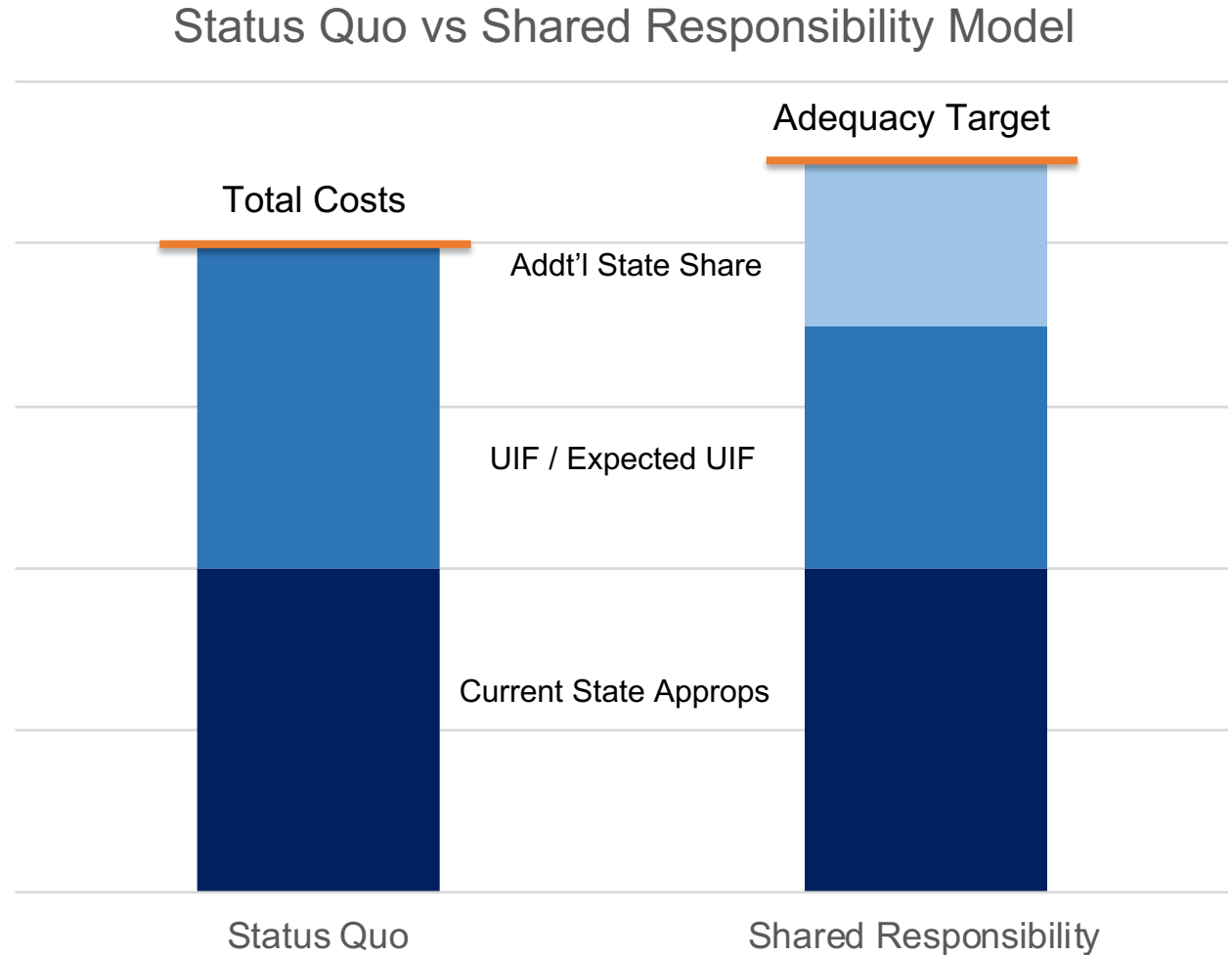
Evaluating UIF & Reflecting Student
Ability to Pay

“Expected UIF” in a Shared Responsibility Model



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

To Calculate “Expected UIF,” We Should Factor in Affordability

- Illinois is historically a “high-tuition, high-aid” state. But research shows that high sticker price dissuades low-income students from enrolling.
- Even though out-of-pocket tuition and fees are relatively low for Pell/MAP recipients, the full cost of attendance is still a major barrier.
- Colleges that enroll a high proportion of low-income students can’t and shouldn’t rely as much on tuition as a source of revenue to meet the adequacy target if the college is to be affordable.
- Factoring in affordability can encourage colleges to enroll more low-income students, knowing that the state - rather than higher income students - will cover more of the costs. This will help ensure affordable in-state options to retain talent.

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:

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

Sample 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.

Current Context for Equitable Student Share

Avg Tuition & Fees Paid at IL Public 4yrs

Pell Recipients	\$1,700
In-State Students	\$6,400

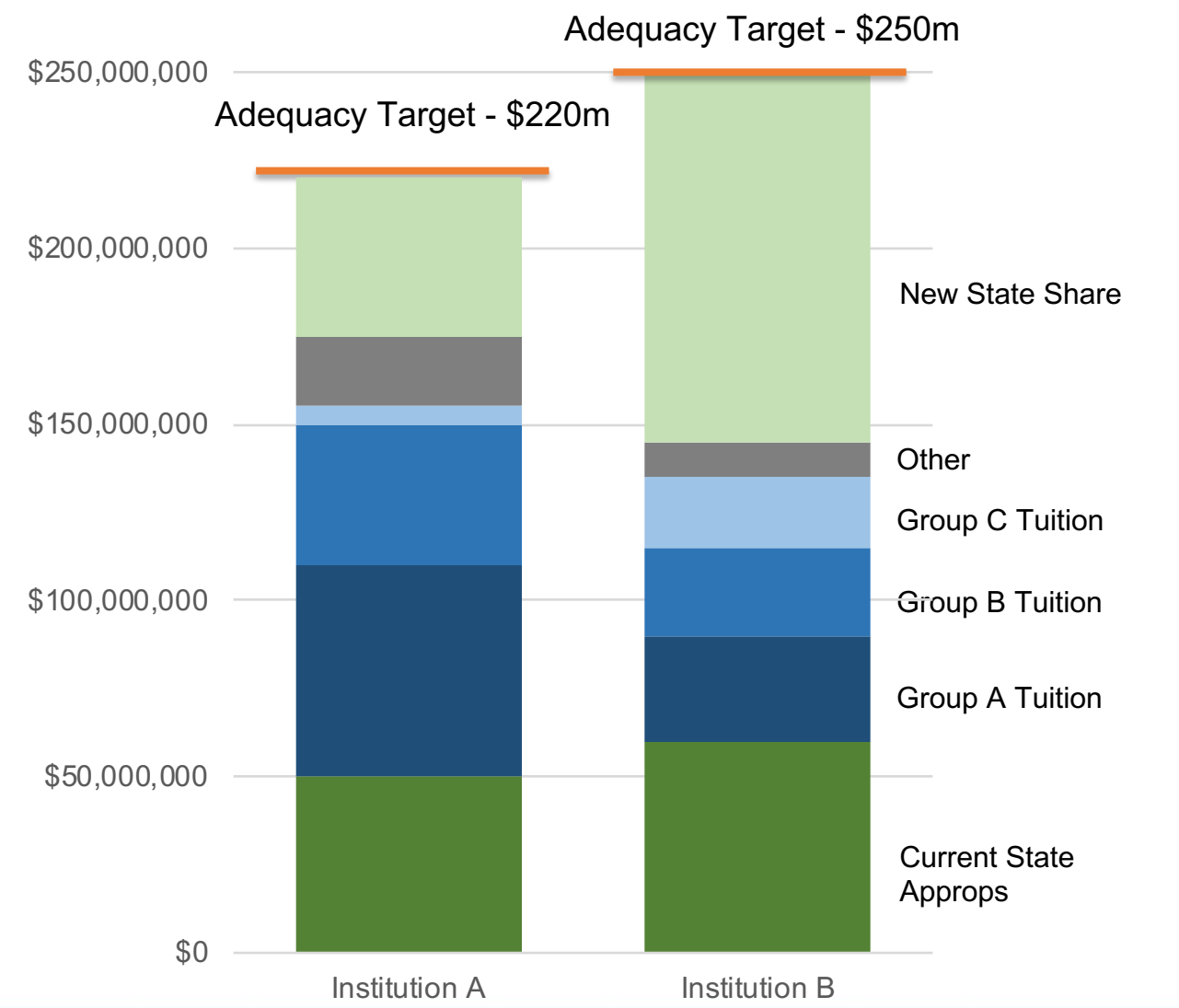
Range of Avg Net Price Paid at IL Public 4yrs (includes full cost of attendance)

Income	Net Price Range
\$0 - \$30k	\$5,000 - \$14,000
\$30k - \$48k	\$8,000 - \$15,000
\$48k - \$75k	\$11,500 - \$19,000
\$75k - \$110k	\$15,000 - \$25,000
\$110k+	\$18,800 - \$27,000

- The current amounts students pay can help in setting the ESS levels. To improve affordability, the state may want the ESS to be lower than the amounts students currently pay.
- Expected UIF would most likely capture just Tuition & Fees, as many of the remaining costs of attendance (e.g., room and board) do not go into the 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.



Shared Responsibility – K-12 comparison

- In Illinois' K-12 funding formula, the local district contribution is comparable to the Expected UIF in the university model.
- For K-12, the state calculates an expected district contribution from local property taxes, based on the capacity of a district to raise revenue from its tax base.
- Similarly, in the university model, the formula would calculate a school's Expected UIF based on its students' Equitable Student Share amounts.

Considering the Implications of Expected UIF and Shared Responsibility

Equitable Student Share and Financial Aid

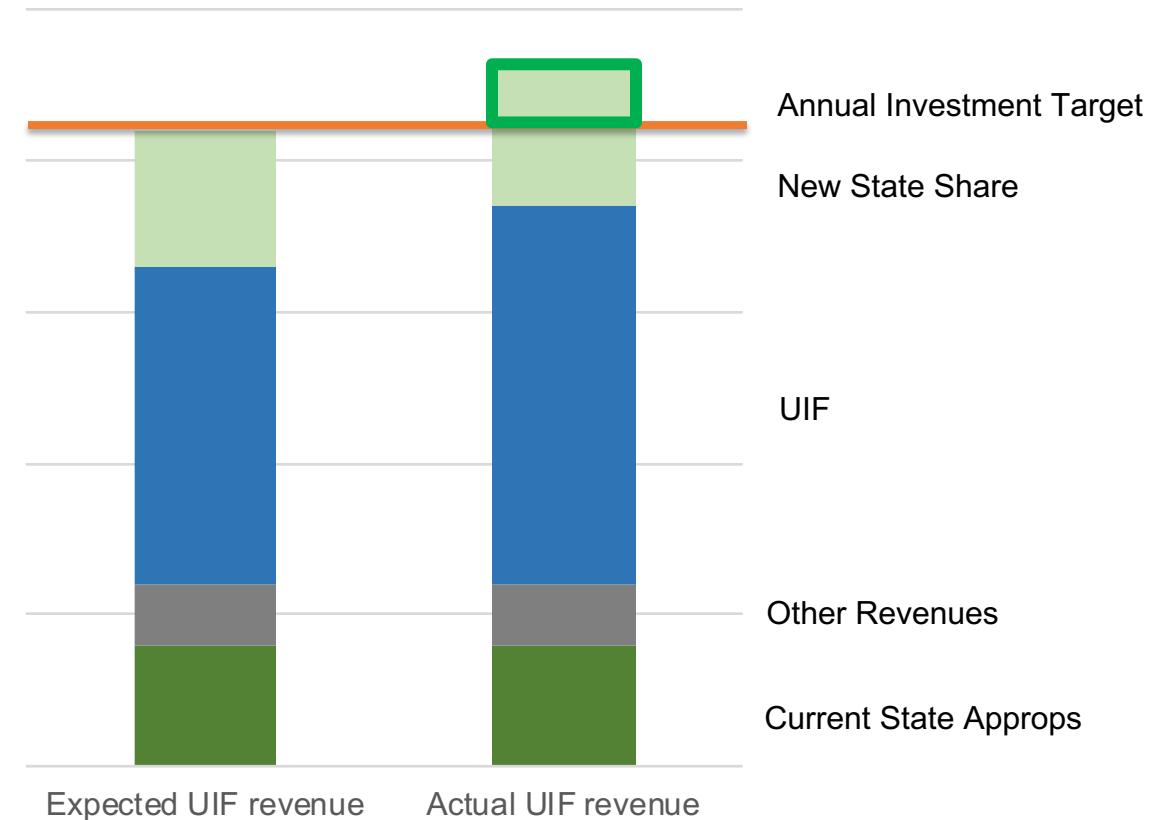
- Because non-institutional aid goes into the UIF, students should be able to use state, federal, and private aid to meet their ESS.
- Universities can use institutional aid as they see fit; the ESS levels would be net of institutional aid.
- **For consideration:** Whether to set the ESS such that it 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.

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

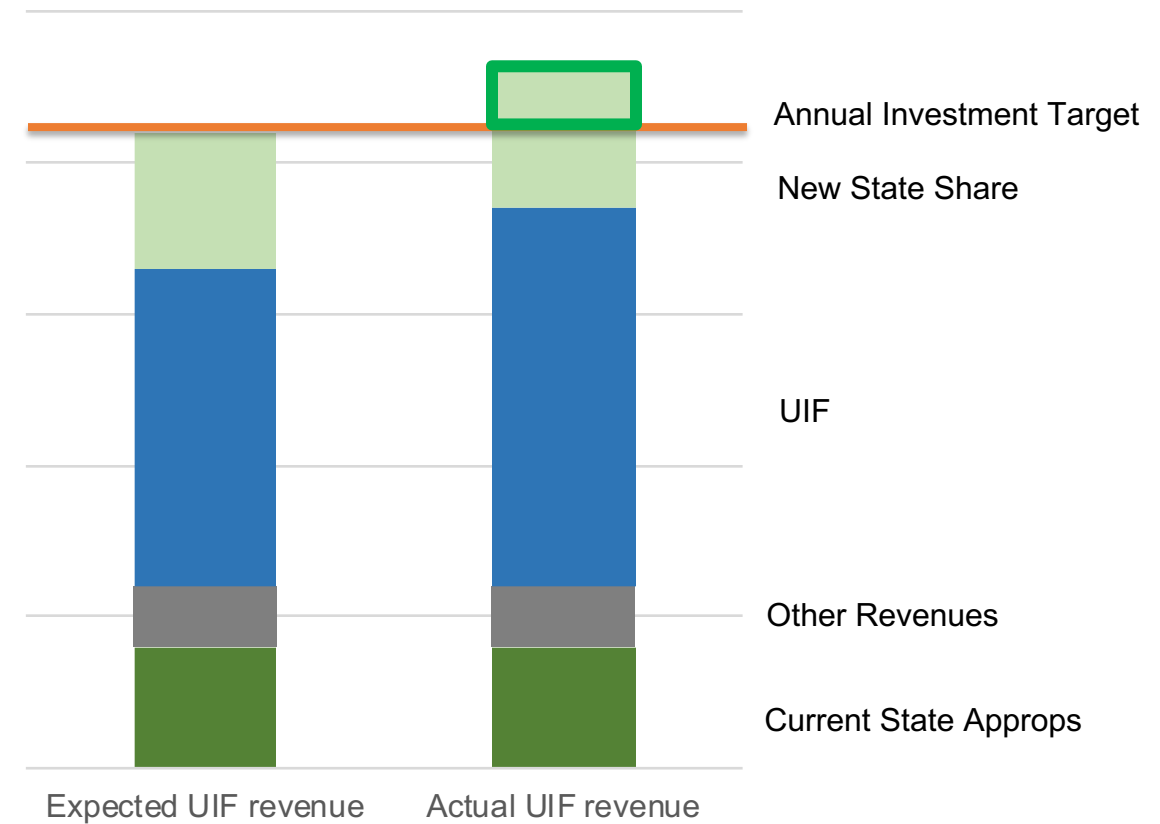


Response to Actual Tuition Exceeding Expected UIF

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)?