ILLINOIS COMMISSION ON
EQUITABLE PUBLIC UNIVERSITY FUNDING

Meeting #14

Welcome to the July 20, 2023 meeting of the Technical Modeling Workgroup. The meeting will begin at 9:00 a.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 and the organization you represent in the Q&A section by 10:15 a.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

9:00 am	Welcome & Agenda Overview
9:05 am	Action: Approval of Minutes from July 6, 2023 Workgroup Meeting
9:10 am	Topic Team Report Out: Other Resources
9:35 am	Walk Through of Mock Model
10:00 am	ESS: Financial Aid & Affordability

10:20 am	Topic Team Report Out: Auxiliaries
10:45 am	Public Comment
10:55 am	Plan for Subsequent Meetings
11:00 am	Next Steps & Adjournment

Action: Approval of minutes from July 6, 2023 Workgroup Meeting

Topic Teams Report Out: Other Resources

Other Resources: Grants and Contracts

After deliberation with the Mission and Other Resource groups we are recommending:

- Other Resources for Research including Grants and Contracts be excluded from the Resource Profile.
  - But there should be a corresponding transparency proposal to include a mechanism to better track this funding and it should be monitored over time to determine if and to what extent it should be incorporated in future iterations of the model.

- We recommend the Mission Adjustment for Research be adjusted and set as follows:
  - Masters to remain at $600
  - R2/R3 to remain at $1,200
  - R1 shift from the recommended $3800 to $1,800

- Continue with an additional $200 per-student for public service.

Other Resources: Gifts

- Agreement remains that some portion of gifts should be recognized.
  - Can an algorithm be used to predict a universities level of revenues to be generated by gifts?
    - To what extent can/should historical revenues be used in addition? Instead?
- Funding formula needs to incent continued philanthropic activities
  - Incentivize both institutions that already have high revenues from gifts but allow for other institutions to expand their philanthropic activities.

The Other Resource group is still exploring how to account for gifts in the Resource Profile.

Walk Through of Mock Model

ESS: Financial Aid & Affordability

Equitable Student Share – Factoring in Financial Aid

- ESS represents a reasonable and affordable amount a university can generate through tuition and fees based on the characteristics of its student body.
- We recommend the ESS represent all tuition and fees revenue that students bring with them, regardless of source, *excluding institutional aid*.
    - Avoids problematic incentives of financial aid recipients increasing a university's ESS.
    - Recognizes the complex institutional decisions that go into financial aid packaging.
    - Maintains the incentive to enroll low-income students and enables universities to lower tuition.

Equitable Student Share - Financial Aid

Share of Students in ESS Categories				
100%	75%	50%	25%	0%
24%	6%	22%	18%	30%

ESS	$2,042,554,708		
Fed/State Aid	$451,186,665		
Total	$2,493,741,373	**Actual UIF**	$2,245,247,300

Simply adding Federal and State aid to the ESS makes the ESS too high compared to Actual UIF. AND it penalizes schools for enrolling students who receive aid by increasing their ESS.

Equitable Student Share - Financial Aid

Building the aid revenue into the subsidy levels similarly disincentivizes financial aid recipients compared to non-recipients.

Share of Students in ESS Categories				
100%	**75%**	**50%**	**25%**	**30%**
24%	**6%**	**22%**	**18%**	**30%**

The average Pell and MAP grants equal about 30% of the adequacy target - so the 100% subsidy category is adjusted up to 70% to reflect that amount.

Equitable Student Share – Institutional Aid

- Tuition revenue that is used to support institutional aid should not be included in ESS, since it does not represent additional revenue capacity from students and does not fund adequacy expenses.
- Therefore, taking institutional aid out of UIF provides a good guideline for the statewide Equitable Student Share amount.

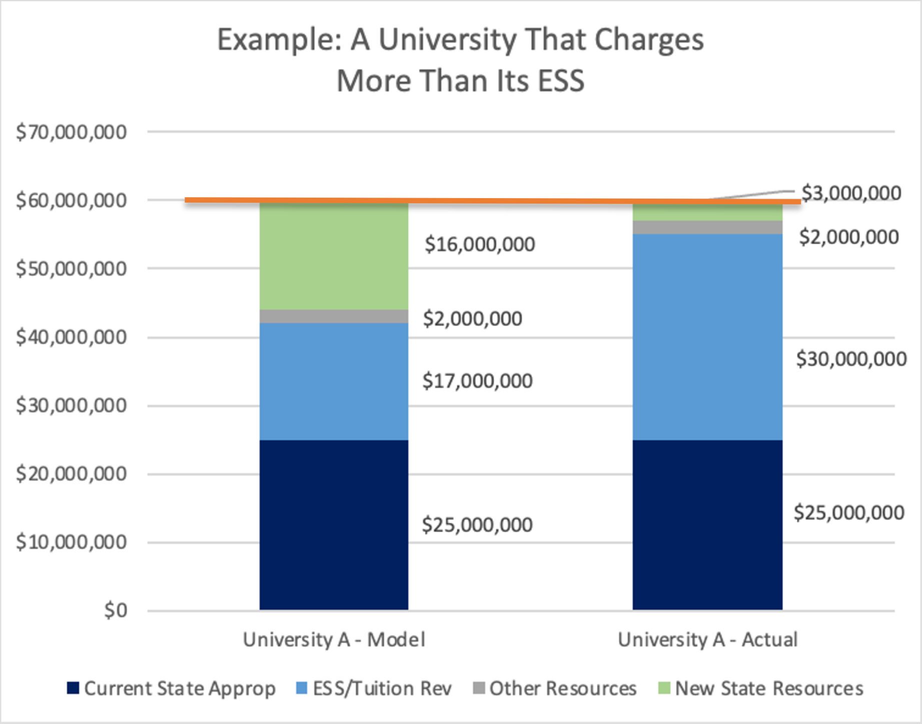
	UIF		Institutional Aid		Equitable Student Share
Illinois	$2,250,000,000	-	$500,000,000	=	< $1,750,000,000

How is institutional aid used? When are waivers used instead?

Do the uses align with this approach to netting out institutional aid from tuition revenue?

Equitable Student Share – Affordability

- ESS incentivizes universities to enroll low-income, URM, and other priority populations. It helps them to lower tuition if they choose by shifting more responsibility to the state, but does not directly incentivize that.
- The model does not account for excess revenue from tuition in any way.



Equitable Student Share – Options for Affordability

To influence affordability, the formula could consider the following options:

1. **ESS vs actual external tuition revenue**
2. **Affordability Measure** (e.g. net price, percent of T&F paid)
3. **Both**

Equitable Student Share – Options for Affordability

1. **ESS vs actual external tuition revenue**

What it is: Comparison of an institution's ESS with "external tuition revenue," all revenue from tuition and fees paid for from sources other than the institution itself.

External tuition revenue = Gross T&F charged to all students – Gross institutional aid

How it would work: Universities would be expected to bring their actual external tuition revenue to the ESS level, over time and as the state fulfills its obligation. The formula adjusts a university's ESS or allocation based on progress towards that goal.

Pros:

- Reflects actual resources available to the university.

Cons:

- Topline number inhibits an assessment of equity; universities could reduce costs for out-of-state or higher-income students.

- Requires a change in data reporting.

Equitable Student Share – Incentive for Affordability

Option 1: Compare ESS to Actuals - Adjust the following year's ESS by any tuition revenue collected the prior year in excess of the ESS level (+5% margin of error).

Institution	2023 Equitable Student Share	+5% Margin of Error	2023 Actual External T&F Revenue	2023 Excess Revenue	2024 Equitable Student Share	2024 Final ESS
University A	$ 29,990,106	$ 31,489,611	$ 30,000,000	$ -	$ 29,990,106	$ 29,990,106
University B	$ 119,070,311	$ 125,023,827	$ 118,000,000	$ -	$ 119,070,311	$ 119,070,311
University C	$ 32,809,677	$ 34,450,161	$ 35,000,000	$ 549,839	$ 32,809,677	$ 33,359,516
University D	$ 95,984,209	$ 100,783,420	$ 105,000,000	$ 4,216,580	$ 95,984,209	$ 100,200,790
University E	$ 53,112,901	$ 55,768,547	$ 50,000,000	$ -	$ 53,112,901	$ 53,112,901

Equitable Student Share – Options for Affordability

2. Affordability Measure

What it is: A benchmark of affordability, using metrics such as the net price or the percent of tuition and fees paid. The benchmark could be for all-students and/or low-income students.

How it would work: Example: Universities that keep their net price below $**X** or reduce it by **Y**% a year would have their ESS decreased by **Z**%.

Pros:

- Ability to look at affordability for specific populations (residents, low-income).

Cons:

- Some drawbacks to both net price and percent of T&F paid as metrics.
- Does not address the scenario of a university bringing in more tuition revenue than its ESS.

Equitable Student Share – Incentive for Affordability

Option 2: Affordability Measure - Reduce a university's ESS if they meet or make progress towards affordability benchmarks.

Institution	Residents Paying <25%	Residents Paying <50%	Pell Eligible Paying 0%	Pell Eligible Paying <25%
University A	63.5%	70.3%	77.3%	90.4%
University B	54.5%	64.0%	72.8%	87.6%
University C	44.5%	59.9%	34.7%	74.9%
University D	36.7%	47.7%	59.5%	80.6%
Statewide average	**44.7%**	**54.7%**	**61.1%**	**82.7%**
University Median	***49.7%***	***60.0%***	***67.2%***	***89.0%***
Strawman Threshold	55.0%	65.0%	70.0%	95.0%
Currently meeting the threshold	4	4	6	2

Equitable Student Share – Options for Affordability

Discussion

- Is it necessary for the formula to incentivize affordability?

- Could there be an out-of-formula lever instead of in-formula to address affordability?

- Is there a way to address concerns about over-complicating the formula while still incentivizing affordability?

Topic Teams Report Out: Auxiliaries

Auxiliaries: Background Information

Description

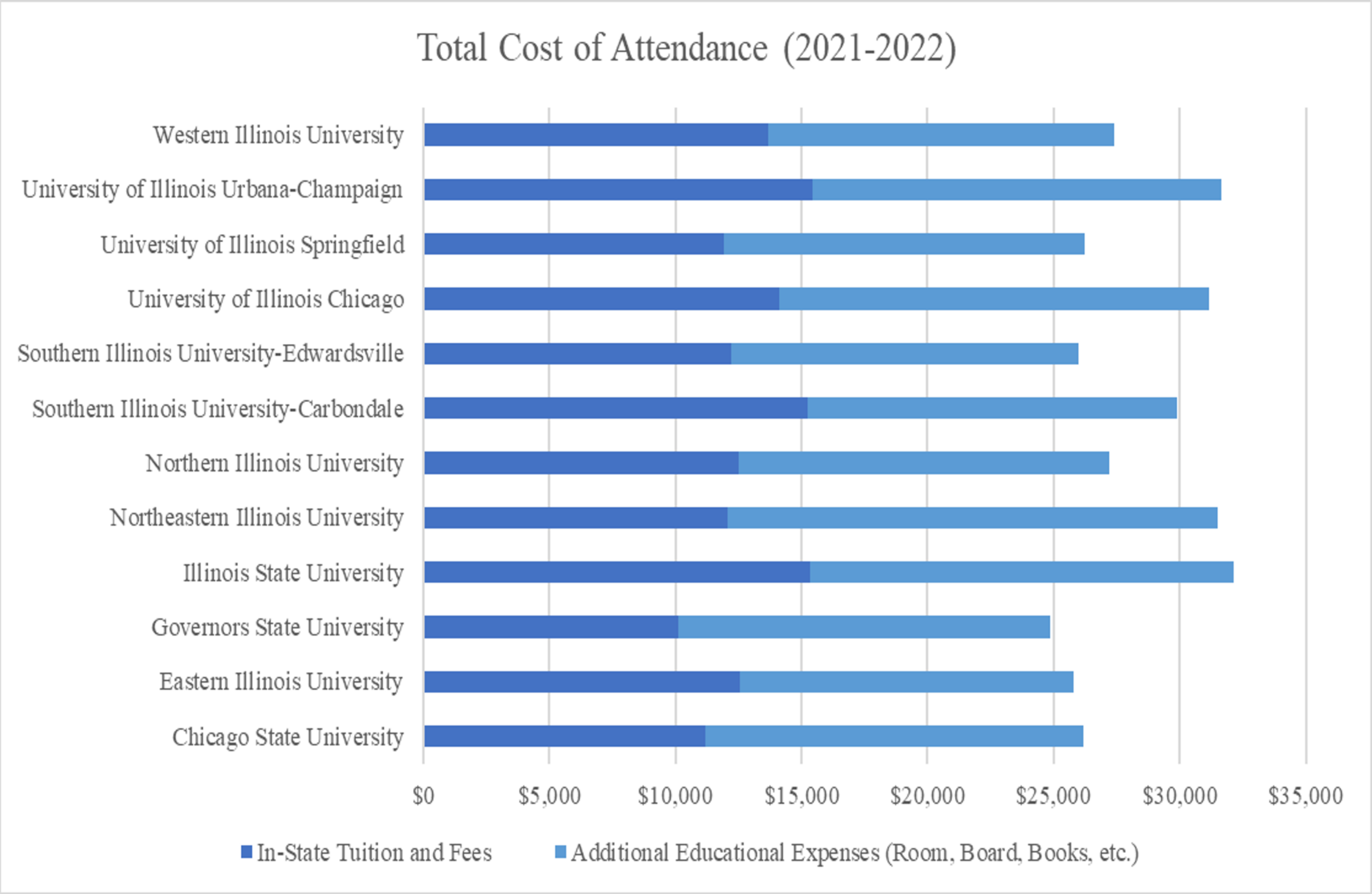
Auxiliary Enterprises: Auxiliary enterprises can both be non-academic supports for students and also generate revenue. They can be revenue positive, neutral, or require supplementing

- Residence halls
- Food services
- Student unions
- College stores
- Bowling alleys
- Vending machines

Issues

Auxiliaries can be essential for some students to be able to enroll/persist, or they can be ancillary additions to the college experience.

- 35% of student respondents experienced food insecurity
- Fees, revenues, expenditures are hard to parse
- Current spending may reflect ability of students to pay, not adequacy
- Equitable access to adequate services that are designed to address student needs related to enrollment, retention, and graduation



On average, 54% of a students cost of attendance can be attributed to to expenses beyond tuition and fees (of which the majority is tied to housing and dining costs).

The median expense for each of these institutions is an additional $14,735 in financial need beyond that of general instruction (tuition and fees).

Summary, Questions, and Recommendations

1. Auxiliary operations at each university vary greatly
2. Auxiliary operations are designed to be self-sustaining, but may not be in reality
3. The need to identify which auxiliary services are essential to support students' educational experience
4. How to incorporate students' ability to pay for auxiliary services as part of the formula ("cost of attendance")
5. Balancing the dynamic of *encouraging* use of campus auxiliaries towards ERG goals and additional investments into these services

Recommendation Option 1: Cost of Attendance

Calculate the number of students that fall into demographics (following ESS subsidy calculation) that may need additional financial assistance for other educational expenses such as food, housing, books, etc. Then assign tiers to each university based on the relative percentage of students in need. Then include a subsidy for each tier based on what it costs to provide additional educational support to students.

Pros

1. Possibly more accurate estimate of student need
2. Equity-based calculation

Cons

1. May be duplicative with elements of ESS
2. Adds complexity to formula

	Percentage of Students at a School in Each Student Share Category						
Institution	100%	75%	50%	25%	0%	**ESS Index**	**Tier**
University A	19%	12%	12%	40%	17%	44%	1
University B	11%	4%	22%	30%	34%	32%	2
University C	8%	7%	13%	17%	55%	24%	3

Recommendation Option 2: Accountability and Net Price/Cost of Attendance

Revisit the Affordability Adjustment and the accompanying accountability metrics such that the formula funds and incentivizes universities to lower their net prices for students that fall into demographics (following ESS subsidy calculation) that may need additional financial assistance for other educational expenses such as food, housing, books, etc.

Pros

1. Flexibility in spending
2. Accountability with desired outcome
3. Simplicity

Cons

1. Formula changes needed to make proactive discounts possible
2. May not result in desired spending on specific programs
3. Data is imperfect

Recommendation Option 3: No Inclusion of Auxiliaries and Other Costs of Attendance

Auxiliaries are hard to factor into a model, since they are generally supposed to be self-sustaining; when they realize that goal, they don’t need to be accounted for, and when they don’t, the effect is often that they spend less (and it’s hard to measure that *lack* of data).

If there the previous two options are untenable, it may be better to omit them from the formula entirely, and focus on shoring up the existing affordability and student service elements.

Pros

1. Simplicity
2. Avoids confusing current auxiliary processes, revenues, and expenditures

Cons

1. Doesn’t directly address key part of college-going and retention
2. May disincentivize equitable spending on Room & Board

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.

Workplan

August 3	- Aim for Draft Institutional Level Model - Revisit ESS subsidies; evaluate total cost and the prioritization of equity; revisit calculation of Instruction and Student Services per student base (incl. use of statewide avg and expend. from all revenue sources) - Finalize Auxiliaries and Other Resources
August 17	- Allocation Formula - Formula Upkeep
August 30	- Accountability & Transparency - Future Adequacy
September 14	- Refine/finalize recommendations

Next Steps

- Auxiliaries and Other Resources refine proposals. HCM is available to meet and assist.
- Implementation Topics team kick-off meetings.
- Finalize data collection for full model build.
- Further discussion of issues raised about the mock model.

Adjournment

Next Workgroup Meeting: August 3, 2023

Appendix

Equitable Student Share – Options for Affordability

	Students Paying Less Than X% of T&F	Net Price
Pros	- Able to focus on in-state students	- Captures full cost of attendance
Cons	- Measure is largely driven by financial aid; does not incentivize lowering tuition levels. - Focuses only on T&F costs	- Unable to focus on in-state students - Limited to recipients of federal grants/loans - Based on cost of attendance, which can be gamed