
ILLINOIS COMMISSION ON EQUITABLE PUBLIC UNIVERSITY FUNDING

Technical Modeling Workgroup Meeting #14 - July 20, 2023 (9am-11am CT)
Meeting Notes

MEETING OBJECTIVES

1. Discuss proposals for Auxiliaries and Other Resources.
2. Understand how the components of Adequacy and Resources are coming together in a full model and identify parts for further exploration.
3. Resolve handling of financial aid and affordability incentives in Equitable Student Share

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.

Will Carroll provided an overview of the agenda.

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

Commissioner Robin Steans made a motion to approve the minutes from the July 6, 2023 workgroup meeting. Beth Ingram seconded the motion. Eight workgroup members were present and in favor.

Topic Team Report Out: Other Resources

Grants and Contracts

Commissioner Robin Steans shared that after deliberation with the Mission and Other Resource groups, the Other Resources topic team recommends:

- 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 \$3,800 to \$1,800
- Continue with an additional \$200 per student for public service.

Commissioner Simón Weffer added that during the conversation there was a robust discussion that mentioned not trying to incentivize schools changing their mission. Part of the logic is that by decreasing the \$3,800 to \$1,800 they didn't want the R2 institutions to think that they need to compete to be an R1. Institutions that are good at research should not penalized, but that rather it's important to try to find an equilibrium point between the mission component and the grants and contracts component of research.

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?

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- 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.

Commissioner Steans shared that the Other Resource group is still exploring how to account for gifts in the Resource Profile.

Mike Abrahamson shared his agreement with the approach presented. Will Carroll shared a number of other areas under the Other Resources umbrella that the group would continue to look into.

Walk Through of Mock Model

Will Carroll walked through the mock model that was shared with the workgroup members prior to the meeting. Carroll walked through each of the tabs (Institution Summary, Institutional Base Calculation, Institutional Equity Calculation, ESS Calculation, Adequacy Framework, Per Student Base Funding and Equity Adjustment Amounts).

Carroll clarified that ESS is Equitable Student Share. Commissioner Steans raised the question of where Pell and MAP are factored in. Both are assumed to be part of the Student Share since those resources are brought with the students. It was pointed out that this is an institutional facing analysis but there needs to be a bridge that is understood for how it plays out for an actual student.

Commissioner Steans raised the danger that the amount students are expected to contribute may be increased in the short term due to how large the adequacy number is. Carroll reminded the workgroup that the subsidy percentages can be dialed so that the right amounts are achieved and students aren't paying much more than what they are currently.

Mike Abrahamson noted that in the examples, there was not an R1 institution and asked what would change. Will Carroll changed one of the institutions to an R1 and the workgroup was able to see the change in numbers for each area in real time.

Corey Bradford raised a question about how medical cost is being calculated: is it based on total degree seeking headcount or just the student population? Nate Johnson shared that we are still working to get data from IBHE but at this point it is the percentage of degrees from IPEDs. The distribution, when updated with Illinois data, should be pretty similar. This is the same for high-cost programs as well (calculated based on the credit hour, enrollment from Illinois' cost student reports). There was agreement among workgroup members that the model needs to be revisited once actual data is available to plug in.

Commissioner Ralph Martire shared that philosophically he thinks that approach is good, although we have to look at the final numbers. How much a student from a particular demographic profile should be paying of the base cost of education. Commissioner Martire shared that he thinks the equity adjustment should all be on the state because the inequitable distribution of students matriculating at different universities graduating as staff, etc. in large part are due to systemic racism and discrimination built into, all the way from K12. He shared that there are a number of these public structures that have an interplay that not only denies access to opportunity to minorities generally but actually singles them

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out for discrimination. The equity adjustment ought to be something that the state bears the full brunt of covering.

Commissioner Martire also shared that with the recent Supreme Court decision, it's going to be especially incumbent on state governments nationally now that universities are prohibited from utilizing affirmative action in the admissions process. State governments will need to analyze their public policy system to identify where the structural inequities are built into those systems and find ways to redress those inequities. We are charged with creating an equitable system of higher education finance taking into account the change in federal law. He shared that a lot of the publicly sponsored programs that created systemic racism and created systemic discrimination against minority populations.

Mike Abrahamson shared his agreement. Conceptually, it doesn't make sense to include equity adjustment as part of the student share. Commissioner Steans asked for clarity around separating out the dollars and the potential for political problems.

Commissioner Martire shared that philosophically he believes that students shouldn't be assumed to have the responsibility to cover the cost of making up for inequitable public systems that the state has sponsored for generations through a combination of education policies and tax policies. Commissioner Steans noted that if someone gets a one hundred percent subsidy, effectively it doesn't matter what the base is because it's fully being covered. Concern was raised that there may be a lot of challenges that make this more difficult to support going forward. Commissioner Steans shared her opinion to not separate out so that the same objective is being accomplished in a fully integrated way. Commissioner Martire shared that the K12 formula has segregated lines for factors such as special needs, low income, etc. It was noted by workgroup members that this is an area that needs to be revisited.

Corey Bradford asked about access and why black students are listed as "low." The four-year college going rate gaps are larger for hispanic students than they are for black and American Indian students. Corey Bradford noted that many black students check "two or more races" today than they have in years past. Will Carroll noted that data on two or more races was not available. Executive Director Ostro shared that data on two or more races is reported and that it can be obtained.

Commissioner Steans confirmed her thinking that from an institutional point of view, because those numbers match up with the equity adjustment, that we don't need to do it twice. That we can do it through the equity adjustment and there's no need to do it in some other former capacity that would be too complicated. This was another area noted to return to for further discussion. Commissioner Martire shared that it would be helpful to see data on the net tuition and fees (by university) in addition to the aggregate.

ESS: Financial Aid and Affordability

Equitable Student Share - Factoring in Affordability

- 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.

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- 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.

Simply adding Federal and State aid to the ESS makes the ESS too high compared to Actual UIF. It also penalizes schools for enrolling students who receive aid by increasing their ESS. Building the aid revenue into the subsidy levels similarly disincentivizes financial aid recipients compared to non-recipients. 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.

Ketra Roselieb shared that it would be beneficial to look at the adequacy target compared to what the actual tuition and fees cost are. The analysis is interesting but each institution is different. Commissioner Martire suggested a lesser approach where a computation lesser of or net tuition and fees net of institution aid could be used to determine the adequacy of the university. This would ensure there is no disincentive, but rather a strong incentive to utilize university revenue to create more institutional aid. Nate Johnson noted that while institutions collect this information, often times it is collected differently at each institution. Corey Bradford offered the reminder that the model shouldn't be overcomplicated. There was a suggestion to work with the institutions that are part of the workgroup to come up with a way to identify institutional aid that is comparable as part of the formula, even for the initial stage.

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.

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

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.

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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.

Beth Ingram raised the point that the model is very complicated. She also asked whether universities will be disincentivized from generating more tuition revenue from full pay programs (e.g., foreign students) because the state share would go down the following year. Will the equitable student share be recalculated every year? If so, this creates a model that is complicated and doesn't allow for institutions to fully comprehend and be able to plan their budgets in advance.

Mike Abrahamson asked how fungible resources are. For example, if a recession is expected and a larger number of higher-paying student populations are enrolled, is there an assumption that these two will go hand-in-hand and cause a positive incentive for redeemable redistribution? Corey Bradford shared that the excess revenue calculation shouldn't come into play unless the state has met its one hundred percent share.

Commissioner Martire offered a hold harmless example: in fiscal year one, if your base funding minimum was \$10 and in year two you received \$2 of new state funding then for year three, your base funding minimum would be \$12 starting out. Commissioner Steans suggested three-year rolling averages and raised her concerns around accountability and transparency.

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.

Topic Team Report Out: Auxiliaries

Ketra Roselieb and Mike Abrahamson shared information from their topic team meetings (Auxiliaries).

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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 student's cost of attendance can be attributed 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:

- Possibly more accurate estimate of student need
- Equity-based calculation

Cons:

- May be duplicative with elements of ESS
- Adds complexity to formula

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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:

- Flexibility in spending
- Accountability with desired outcome
- Simplicity

Cons:

- Formula changes needed to make proactive discounts possible
- May not result in desired spending on specific programs
- 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 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:

- Simplicity
- Avoids confusing current auxiliary processes, revenues, and expenditures

Cons:

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

Commissioner Weffer shared that the cost of attendance goes beyond tuition and fees and that is the number one concern from a students perspective. He reiterated comments shared in the last Commission meeting about excluding that from the funding model and looking at the data shared, it further convinces him that there needs to be a case made about some level of affordability around at least the room and board part of auxiliaries. He shared that not having a robust conversation around this would be doing a disservice to students. There are serious opportunity costs for students to study and succeed. Beth Ingram shared her agreement.

Commissioner Steans raised the point that maybe one of the recommendations to share is that MAP should behave more like Pell.

Nate Johnson shared that in some cases institutions sometimes package their aid on the non-tuition side to help students maximize their federal tax credits.

Public Comment

There were no members of the public wishing to make public comment.

Plan for Subsequent Meetings

Will Carroll outlined next steps, including:

- Auxiliaries and Other Resources refine proposals. HCM is available to meet and assist.
- Implementation Topics team kick-off meetings.

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- Finalize data collection for full model build.
- Further discussion of issues raised about the mock model.

Will Carroll reminded the workgroup members what was planned for the upcoming Technical Modeling Workgroup meetings.

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 average and expenditures from all revenue sources)
- Finalize Auxiliaries and Other Resources

August 17

- Allocation Formula
- Formula Upkeep

August 30

- Accountability and Transparency
- Future Adequacy

September 14

- Refine/finalize recommendations

Adjournment

The next workgroup meeting was scheduled for Thursday, August 3, 2023 (9am-11am CT).

Workgroup Members in attendance

Mike Abrahamson, designee for Lisa Castillo-Richmond
Robin Steans
Ralph Martire
Simón Weffer
Corey Bradford, designee for Cheryl Green
Beth Ingram, designee for Lisa Freeman
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