
ILLINOIS COMMISSION ON EQUITABLE PUBLIC UNIVERSITY FUNDING

Technical Modeling Workgroup Meeting #13 - July 6, 2023 (9am-11am CT)
Meeting Notes

MEETING OBJECTIVES

1. Identify adjustments to ESS proposal based on Commission meeting
2. Resolve high-cost program weights and concentration adjustment
3. Discuss O&M proposal
4. Review summer workplan

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 June 22, 2023 Workgroup Meeting

Commissioner Robin Steans raised an amendment to the minutes as shared to include her rationale. Kim Tran made a motion to approve the minutes from the June 22, 2023 workgroup meeting with the amendment raised by Commissioner Steans. Commissioner Robin Steans seconded the motion. Eleven workgroup members were present and in favor.

Reflections from the June 29, 2023 Commission Meeting

The workgroup members raised takeaways from the meeting, including that the discussion around subsidies offered many clarifications around in-state, out-of-state and priorities to focus on. Corey Bradford shared the benefit to increasing diversity by incentivizing out-of-state students, maybe near the state borders. There were also reflections raised around graduate students, programs and accountability. Beth Ingram shared that graduate education looks very different depending on the specific program. Mike Abrahamson shared his appreciation for the public comment offered and noted the through-line of the comments to be affordability. A working definition of "affordability" to be clear of the meaning would be helpful, and how it's applied. Commissioner Weffer raised a point around financial aid and how it ties into accountability (how are they using and distributing the funding?) and affordability. There was a question raised on where the Commission will land on room and board and whether auxiliaries have been part of funding formulas in other states/examples. Executive Director Ostro appreciated the conversation and engagement in the work that the workgroup brought forward. The conversation around rural students was significant and should be revisited.

Instruction and Student Services Adequacy Calculation: High-Cost Programs

High-Cost Programs

Criteria for inclusion

- High-Cost Programs
 - Higher than average cost per credit for level at 70 percent of IBHE institutions that had the program in 2020, minimum 3 institutions
 - AND costs greater than 120 percent for level statewide in 2012, 2015, and 2020.

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- Since multiple programs met these criteria in Engineering and Visual and Performing Arts, the entire disciplines were included.
- Med/Doc/Prof
 - All doctoral health profession programs
 - (Provisional) Master's programs in same discipline as doctoral health professions.

Nate Johnson walked through a provisional list.

Current Draft Recommended Weights

- 20 percent weight for high-cost programs (all levels)
- 100 percent weight for doctoral health professional programs
 - National expenditure data indicates 75-175 percent higher expenditures than other programs
- Additional equity adjustments to address underrepresentation of students of color in high-cost programs
 - 10 percent points for high-cost programs
 - 30 percent points for doctoral medical

Beth Ingram raised a concern about underrepresentation of gender (for example, women in engineering or men in nursing) and whether the workgroup is concerned about underrepresentation beyond just race.

Michael Moss and Commissioner Dan Mahony presented data from UIC and SIU. Michael Moss walked through a spreadsheet that was shared on screen with a number of fund types, across four years (2019-2022) and within Dentistry, Medicine and Pharmacy. There was a tremendous amount of clinical revenue that is being diverted to instruction. This revenue was not intended to support instruction. Commissioner Mahony commented that medicine receives 17 percent of the SIU state appropriations, with only 2 percent of enrollment.

There was discussion around diversion of funds to cover instruction costs and that a better financial model for medical training needs to be incorporated. There was concern raised by workgroup members about how complicated the model is becoming. Concern was also raised that it's not a mission of the Commission to lower the cost of clinicals.

Commissioner Ralph Martire echoed a previously raised point through the hold harmless, in that not every institution would receive their full adequacy amount in the first year of funding. He walked through a three tier system and how the new funding would help close gaps for the institutions. There are a lot of factors that will depend on the math.

Michael Moss noted that medical programs are very expensive and costs increase every year. Commissioner Mahony explained how an institution with a medical school could end up in tier 4 (per the previous tier conversation) where they receive the least amount of funding and then need to raise tuition to cover costs associated with the medical school.

Commissioner Steans raised that the formula will be complex, and that it's important that the description be simple and straightforward, but that the behind the scenes of the formula *will* be complex. She raised that institutions with medical schools could end up in tier 1 because costs are so high and that they may be at the top of the distribution list. The workgroup should discuss this further.

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Should medical schools be included in this component of the formula, or be taken out and dealt with separately? Commissioner Mahony shared that the Ohio model breaks medical out into a separate bucket. Beth Ingram shared that medical may be an outlier and while it's important, it may be best to be thought about as a separate area.

Operations & Maintenance Proposal

Calculating the per Student Base Funding

Will Carroll walked through the spreadsheet that shows where Operations & Maintenance falls into the overall picture.

Facilities Operations

Analysis of Sources

- APPA: midwest sample size is only 18 schools, including a mix of public/private and wide range of school sizes.
 - Average of facilities O&M (\$5.03), which does not include minor remodeling, is very close to RAMP averages.
 - Recommend not using. If using as a source, will need to research membership requirements.
- RAMP
 - Table F-3: Total new assignable square feet and gross square feet for the entire campus, all funds, is broken out by major use of room
 - Major Use of Room includes: classroom, laboratory, office, study (library), special use, general use, supporting facilities, health care, residential, unassigned.
 - Weaknesses of Table: all funds, not just state-supported space; medical, dental and veterinary facilities are not specifically identified, but are spread across various Major Use areas.
 - Use of Table: use laboratory gross square feet in conjunction with Table F-4.
 - Table F-4: identifies "areas of campus maintained by physical plant with state funds." Includes formulaic calculator of anticipated annual minor remodeling spend per year based on area and portion of replacement costs (<1% of replacement cost). Formula comes from a reliable and consistent source. Formula encompasses type of space and a cost escalation factor based on geographical location of each school.
 - Weaknesses of Table: space totals are based on 2009 space survey unless universities updated on their own.
 - Use of Table: use formulaic calculation for annual university spend already calculated in the table (or portion of the total) as the campus base for minor remodel adequacy. Additionally, using Table F-3, identify portion of the formulaic total that is laboratory space and apply a multiplier for lab space.

Sandy Cavi walked through a number of spreadsheets (Administrative Operations Support, Facilities Operations Support, Total Adequacy Operations).

Discussion

- How do we judge if current space is appropriate?
- Medical/Dental/Veterinary premium not yet applied (SIU SOM not in tables).

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- Overlap with CDB allocations for Capital Renewal. Need IBHE/CDB input.

Overall Concerns

- FTE versus headcount. Which one is more appropriate throughout?
- For factors based on averages, if current spending is supporting current successes, adequacy needs to be based on higher of actual versus average for each school. Otherwise, does not follow “hold harmless.”

Workgroup members expressed appreciation for the calculations and sharing of the information. Mike Abrahamson raised that equitable funding can lead to inequitable physical presences of universities and that just maintaining what we already have goes against what we're trying to do. He shared that the school size adjustment is a good starting place. He shared that there needs to be some sort of equity in the formula otherwise inequities are just being replicated for operations and maintenance of facilities. Historical underfunding can lead to inequities in square footage on different campuses.

Sandy Cavi clarified the following buckets:

- Administrative Operations: comptroller, payroll, computing
- Facilities Operations: “keeping it clean” such as small repairs, lawn mowing, keeping the lights on, anything to do with obtaining space to support the central mission of teaching and learning (maybe rental of space)

Commissioner Steans asked where deferred maintenance fits into the formula and how to address historical deferred maintenance. Sandy Cavi clarified that the column about minor spend or expected spend (called remodeling) is supposed to address deferred maintenance. Institutions are not spending anywhere near the number in that column because there isn't enough funding.

Michael Moss raised that if the workgroup were to truly try to address deferred maintenance, it would blow everything else we've done away because the deferred maintenance is so incredibly massive. He also asked whether the global “gigantic” deferred maintenance was sort of off the table for this Commission. Executive Director Ostro shared that this was the general direction given by the Commission Co-Chairs, considering is so large and also because of the way the state funds it through a capital program.

Kim Tran asked whether there was consideration for small school adjusted for the facilities operations similar to what was included as part of the measure of operations. Commissioner Steans shared that it's important to understand how deferred maintenance lives and works, from an equity point of view (baseline readiness to meet student needs) so that a fiscal and political decision can be made knowing all the background. Corey Bradford asked whether the adequacy for administrative operation takes into account system schools and their administrative cost? Sandy Cavi shared that she allocated the system costs across the schools supported by that system, but that system offices will have their own expenses. Where do the system offices fit into the bigger picture?

Summer Workplan

Will Carroll mapped out what various pieces of the topic teams/implementation topic teams and during which Technical Modeling Workgroup meeting would cover each topic.

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July 20

- Auxiliaries
- Other Resources
- Review all model components and how they fit together
- Discuss ESS treatment of financial aid and affordability options

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

The Commission meetings are to be scheduled in September 2023 and October 2023.

Plan for Subsequent Meetings

Will Carroll outlined next steps, including:

- Auxiliaries and Other Resources develop proposals. HCM is available to meet and assist.
- HCM will help schedule first meetings of the Implementation Topic teams.
- HCM is working on a mock up of a full model that will be circulated to the group.

Public Comment

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

- Jennifer Delaney, member of the IBHE and faculty member at UIUC. Ms. Delaney shared that the affordability discussion today started with a reflection on the focus from the full commission meeting on affordability. She concurs with the importance of addressing affordability for students and families in the process of developing a statewide funding formula and urged the group to incorporate the concept of *simplicity* in addressing affordability. There are numerous academic studies that show both that college pricing is complicated and poorly understood by potential students and that simple messages tend to have a larger impact on student behavior. Higher education's pricing structures are more complicated than airline pricing. Students do not know their individualized prices until after they have decided to apply to a college, are admitted, have submitted financial aid applications, and receive a financial aid package. There is a large body of work on state-level financial aid policies, such as TN Promise program or Georgia HOPE program, which shows that simple messaging is vital for state policies to alter student behavior such as by increasing enrollments. Ms. Delaney recommended defining affordability in a way that is amazingly simple. One recommendation that she has given in the past is to set an expectation of "free" college in Illinois for students who are MAP-eligible. Other approaches are also possible. Ms. Delaney shared that a big idea is needed in this space to develop a way that the formula will support affordability and can be simply communicated to in-state residents. With high-cost programs, it is important

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to separate out those programs that are high-cost due to instructional costs and those that are high-cost due to faculty salaries or other underlying structures. There is a noticeable correlation between high-cost programs and gender inequities in higher education. This is the case both with faculty salaries and anticipated labor-market outcomes for students. Ms. Delaney shared that she does not see that there is a state interest to bake-in gender-based pay inequities in higher education. She echoed Beth's concerns and recommended great caution in identifying "high-cost" programs and how these enter into the formula. The approach taken to attempt to itemize each element of spending has the potential to fundamentally dismantle the cross-subsidization processes within institutional budgeting. A large concern to raise about this is the potential for this approach to reduce educational quality. Cross-subsidization and the intertwined nature of teaching and research (or learning and clinical work, etc.) is learning-enhancing for students. By way of example, consider separating out the funding of clinics from medical education. The nature of education in the medical field requires the intertwining of these areas since it is an apprenticeship-based field that requires "hands-on" training for students to be successful in practice.

Adjournment

The next workgroup meeting was scheduled for Thursday, July 20, 2023 (9am-11am CT).

Workgroup Members in attendance

Mike Abrahamson, designee for Lisa Castillo-Richmond
Kim Tran, designee for Zaldwaynaka Scott
Sandy Cavi, designee for Aondover Tarhule
Robin Steans
Ralph Martire
Simón Weffer
Corey Bradford, designee for Cheryl Green
Beth Ingram, designee for Lisa Freeman
Dan Mahony
Michael Moss, designee for Javier Reyes
Ketra Roselieb, designee for Guiyou Huang

Support Team Members in attendance

Ginger Ostro
Jaimee Ray
Jerry Lazzara
Will Carroll
Martha Snyder
Jimmy Clarke
Nate Johnson
Katie Lynne Morton
Brenae Smith