ILLINOIS COMMISSION ON

EQUITABLE PUBLIC UNIVERSITY FUNDING

# Meeting #12

Welcome to the June 22, 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.

ILLINOIS COMMISSION ON
EQUITABLE PUBLIC UNIVERSITY FUNDING

# Welcome & Agenda Overview

ILLINOIS COMMISSION ON

# EQUITABLE PUBLIC UNIVERSITY FUNDING

| | |
|---|---|
| 9:00 am | Welcome & Agenda Overview |
| 9:05 am | Action: Approval of Minutes from June 8, 2023 Workgroup Meeting |
| 9:10 am | Equitable Student Share and Affordability Discussion |
| 10:15 am | Update from Auxiliaries and Other Resources |

ILLINOIS COMMISSION ON

# EQUITABLE PUBLIC UNIVERSITY FUNDING

| | |
|---|---|
| 10:30 am | Implementation Topic Teams |
| 10:45 am | Public Comment |
| 10:55 am | Plan for Subsequent Meetings |
| 11:00 am | Next Steps & Adjournment |

ILLINOIS COMMISSION ON
EQUITABLE PUBLIC UNIVERSITY FUNDING

# Action: Approval of minutes from June 8, 2023 Workgroup Meeting

# Equitable Student Share

# Equitable Student Share

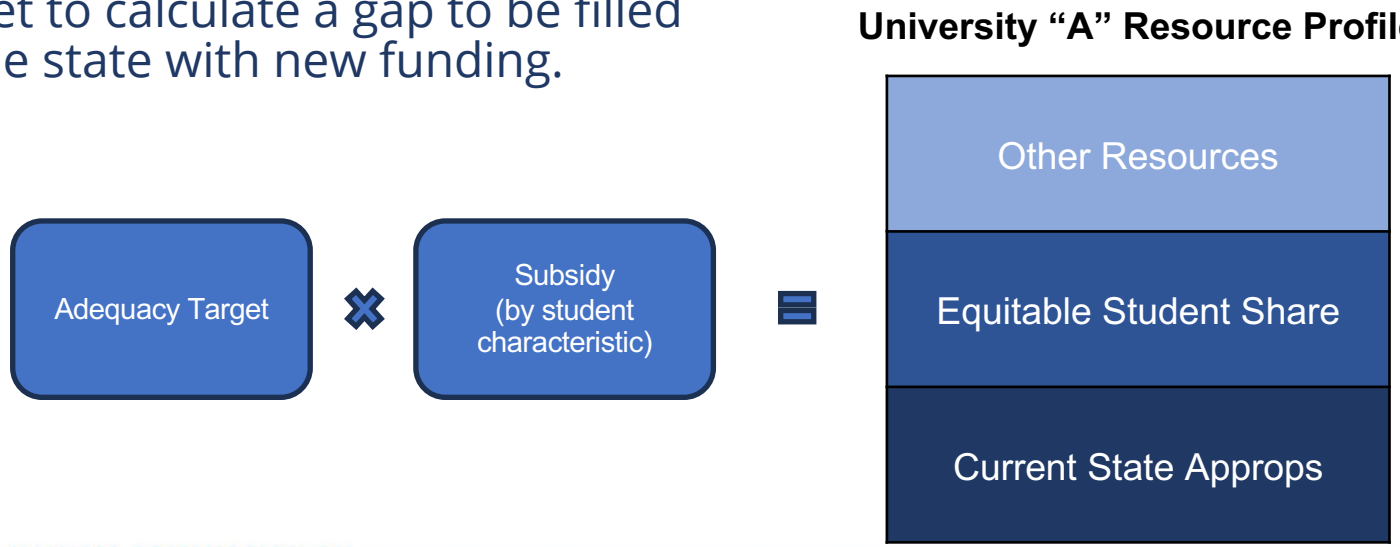
- Terminology
- Affordability Index
- Subsidy Levels
- Factoring in Financial Aid
- Incentivizing Affordability

# Terminology

- Expected UIF vs Equitable Student Share
- Subsidy vs Student Share
  - Subsidies are the discount from the adequacy target based on student characteristics.
  - Student share is the remaining percentage of the adequacy target after all subsidies.
  - Example:  A resident (25%), low-income (50%) student generates 75% in subsidy, resulting in a 25% student share.

# Equitable Student Share – Framework

The Equitable Student Share (ESS) would be calculated by applying subsidy rates – tied to certain student characteristics - to the adequacy target. The greater the share of high-subsidy students a university enrolls, the lower its ESS. The Resources Profile is then measured against the Adequacy Target to calculate a gap to be filled by the state with new funding.



ILLINOIS COMMISSION ON
EQUITABLE PUBLIC UNIVERSITY FUNDING

# Affordability Index

# Equitable Student Share – Affordability Index

To further simplify the communication of the ESS, the formula could use an "Affordability Index" for each university, a weighted average of the student shares.

| | Share of Students in Each ESS Category | | | | | ESS Affordability Index |
|---|---|---|---|---|---|---|
| | 100% | 75% | 50% | 25% | 0% | |
| University A | 11% | 5% | 23% | 10% | 52% | 28.4% |
| University B | 20% | 5% | 17% | 23% | 36% | 37.4% |
| University C | 28% | 3% | 18% | 22% | 30% | 44.3% |

Note: The percentages in the table header represent the student share, not state share.

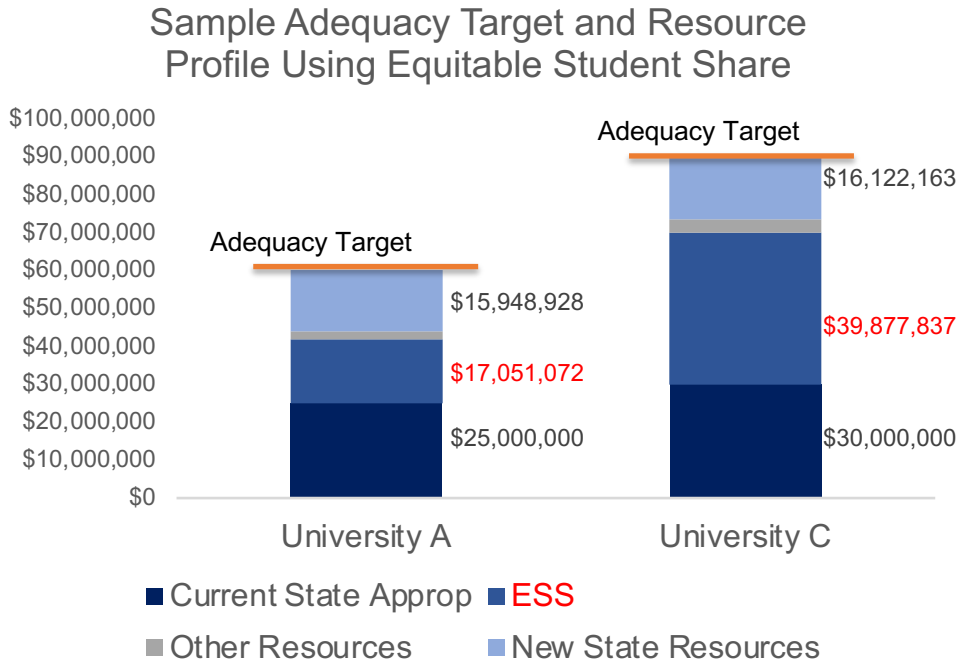
| | Adequacy Target | | ESS Affordability Index | | ESS |
|---|---|---|---|---|---|
| University A | $60,000,000 | | 28.4% | | $17,051,072 |
| University B | $380,000,000 | x | 37.4% | = | $142,070,452 |
| University C | $90,000,000 | | 44.3% | | $39,877,837 |

# Equitable Student Share – Affordability Index

- The Index produces the same total revenue but simplifies the presentation and communication.
  - It presents the ESS as a university-level figure, rather than an individual student-level tuition cost.
  - It retains the incentives to enroll the priority populations - the more adults, rural, low-income, and BIPOC students a school enrolls, the lower its ESS will be.

# Equitable Student Share – Framework

| | Adequacy Target | | ESS Index | | ESS |
|---|---|---|---|---|---|
| University A | $60,000,000 | x | 28.4% | = | $17,051,072 |
| University C | $90,000,000 | | 44.3% | | $39,877,837 |



ILLINOIS COMMISSION ON
EQUITABLE PUBLIC UNIVERSITY FUNDING

# Factoring in Financial Aid

# Equitable Student Share – Factoring in Financial Aid

- We recommend the ESS represent all tuition and fees paid 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.
- The state will still be able to calculate the portion of the adequacy target coming from state sources (operating funds and MAP) and student share of the total adequacy cost for analytical purposes.

ILLINOIS COMMISSION ON
EQUITABLE PUBLIC UNIVERSITY FUNDING

# Subsidy Levels and Calculating Equitable Student Share

# Strawman Subsidy Levels

| Original Strawman Subsidies | |
|---|---|
| Out-of-state undergrad | 0% |
| Graduate/Professional | 0% |
| Resident undergrad | 25% |
| URM (undergrad and grad) | 25% |
| Rural | 25% |
| EBF Tier 1 or 2 | 25% |
| Low-Income | 50% |
| Mandatory Tuition Waiver | 100% |

- These are the original strawman proposed subsidy levels.
- The amounts represent the discount from the adequacy target.
- The amounts are additive up to 100%.

# Calculating Equitable Student Share

**Share of Illinois Students in Strawman ESS Categories**

| Student Share | 100% | 75% | 50% | 25% | 0% |
|---|---|---|---|---|---|
| % of All Students | 28% | 25% | 18% | 14% | 16% |

| | |
|---|---|
| **ESS** | $2,691,529,146 |
| **Actual UIF** | $2,245,247,300 |

Using rough estimates of these populations, the strawman subsidy levels generate an ESS that is greater than current UIF levels, indicating the subsidy levels need to be refined.

We used IBHE's annual Tuition & Fees Report to inform adjustments to subsidy levels to ensure ESS is less than current UIF.

# Analysis of Subsidy Levels

Findings from Tuition & Fees report:

- Undergrads paying $0 out of pocket for T&F make up 20% of all students.
- In-state UGs paying full T&F still pay <50% of the adequacy target.
- 100% of T&F for Out-of-State UGs is 87% of the adequacy target.

Resulting recommended adjustments:

- Increase residence subsidy from 25% to 50%
- Increase URM subsidy from 25% to 50%
- Increase out-of-state UGs from 0% to 25%

# Revised Subsidy Levels

| Subsidy Categories | Strawman | Revised |
|---|---|---|
| Graduate/Professional | 0% | 0% |
| Out-of-state undergrad | 0% | 25% |
| Resident undergrad | 25% | 50% |
| URM | 25% | 50% |
| Rural | 25% | 25% |
| EBF Tier 1 or 2 | 25% | 25% |
| Adult | N/A | 25% |
| Low-Income | 50% | 50% |
| Mandatory Tuition Waiver | 100% | 100% |

Workgroup and Commission members recommended prioritizing low-income and URM students, plus adding adult students as a category.

Next steps are to get counts of these populations, then see if adjustments to the subsidy levels are needed.

# Updated Calculation of Equitable Student Share

**Share of Illinois Students in Revised ESS Categories**

| Student Share | 100% | 75% | 50% | 25% | 0% |
|---|---|---|---|---|---|
| % of All Students | 24% | 6% | 22% | 18% | 30% |

| | |
|---|---|
| **ESS** | $2,042,554,708 |
| **Actual UIF** | $2,245,247,300 |

Actual UIF includes revenue that gets used for institutional financial aid. Because we want to exclude that revenue (institutional aid is not a component of adequacy), the ESS should be substantially lower than the Actual UIF.

**Question**: Is there reliable data available on the amount of institutional aid provided from UIF revenue at each institution?

# Subsidy Levels Discussion

Are these tiers for the different student characteristics appropriate?

- 25% for Rural, EBF, Adult
- 50% for URM and low-income

Should the URM subsidy be lower for out-of-state UGs and grad/prof students (e.g., 25%) than for in-state UGs (50%)?

Should there be a greater subsidy for in-state graduate students than out-of-state?

Currently, IBHE lacks the data to identify low-income graduate students for purposes of this model. Is that an important enough element to incorporate into these subsidies to consider new data collection options?

ILLINOIS COMMISSION ON
EQUITABLE PUBLIC UNIVERSITY FUNDING

# Options for Addressing Affordability

# Equitable Student Share – Options for 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.

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?**
4. **Other?**

# 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 – 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

A university's ESS could be lowered for meeting the threshold or making progress towards it, whether using Option 1 or 2.

| Institution | 2023 Affordability Metric Outcome | 2024 Preliminary ESS | Affordability Factor (5% of Preliminary) | 2024 Final ESS |
|---|---|---|---|---|
| University A | Met Threshold | $40,000,000 | -$2,000,000 | $38,000,000 |
| University B | Met Threshold | $100,000,000 | -$5,000,000 | $95,000,000 |
| University C | Met Growth Target | $350,000,000 | -$17,500,000 | $332,500,000 |
| University D | Did Not Meet Either | $150,000,000 | $0 | $150,000,000 |

ILLINOIS COMMISSION ON
EQUITABLE PUBLIC UNIVERSITY FUNDING

# Other Resources and Auxiliaries Update

ILLINOIS COMMISSION ON
EQUITABLE PUBLIC UNIVERSITY FUNDING

# Implementation Issues
# Topic Teams

# Implementation Issues - Topic Teams

| Accountability & Transparency | Allocation Formula | Formula Upkeep | Future Adequacy |
|---|---|---|---|
| - Use of, or reporting on use of funds<br>- Accountability for or reporting on outcomes<br>- Other reporting requirements (institutional reporting to IBHE; IBHE reports) | - Formula for allocating new funds based on adequacy gaps<br>- Path to full funding<br>- Hold harmless implementation | - Review process (structure and timeline)<br>- Keeping components of the formula up to date (inflation, high-cost program list, etc.)<br>- New data (low-income, first-gen, student parents) | - Should initial adequacy targets be based on a target/projected enrollment rather than current levels?<br>- Should the adequacy target include some amount for growth/innovation? |
| Mike Abrahamson | Ralph Martire | Dan Mahony | Beth Ingram |
| Corey Bradford | Michael Moss | Simón Weffer | Sandy Cavi |
| Robin Steans | Ketra Roselieb | Andrew Rogers | Kim Tran |

ILLINOIS COMMISSION ON
EQUITABLE PUBLIC UNIVERSITY FUNDING

# 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.

# Next Steps

# Next Steps

- June 29th Commission Meeting
  - Equitable Student Share
  - Other Resources and Auxiliaries
  - Summer/Fall workplan
- July 6th Workgroup Meeting
  - High-Cost Programs
  - O&M Proposal
  - Other Resources and Auxiliaries topic teams continue analysis

ILLINOIS COMMISSION ON
EQUITABLE PUBLIC UNIVERSITY FUNDING

# Adjournment

Next Workgroup Meeting:  July 6, 2023

# Appendix

# Expected UIF Calculation

| Share of All Illinois Students in Revised Subsidy Categories | | | | |
|---|---|---|---|---|
| **0%** | **25%** | **50%** | **75%** | **100%** |
| **24%** | **6%** | **22%** | **18%** | **30%** |

| | | | |
|---|---|---|---|
| **Expected UIF** | $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 Expected UIF makes the Expected UIF too high compared to Actual UIF. AND it penalizes schools for enrolling students who receive aid by increasing their Expected UIF.

# Expected UIF Calculation

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

| Share of All Illinois Students in Revised Subsidy Categories | | | | |
|---|---|---|---|---|
| 0% | 25% | 50% | 75% | 70% |
| 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 – Incentive for Affordability

**Affordability Measure:** Percent of students paying less than X% of tuition and fees (residents and/or low-income students)

| 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

| | 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.<br>- Focuses only on T&F costs | - Unable to focus on in-state students<br>- Limited to recipients of federal grants/loans<br>- Based on cost of attendance, which can be gamed |