
ILLINOIS COMMISSION ON EQUITABLE PUBLIC UNIVERSITY FUNDING

Meeting #11

Welcome to the June 8, 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.

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Welcome & Agenda Overview

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9:00 am	Welcome & Agenda Overview
9:05 am	Action: Approval of Minutes from May 25, 2023 Workgroup Meeting
9:10 am	Reflections from May 30, 2023 Commission Meeting
9:20 am	Instruction and Student Services Adequacy Calculation
9:50 am	Expected UIF Discussion

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|----------|---|
| 10:25 am | Report Out from Topic Teams:
Auxiliaries, O&M, Other Resources |
| 10:45 am | Public Comment |
| 10:55 am | Plan for Subsequent Meetings |
| 11:00 am | Next Steps & Adjournment |
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Action: Approval of minutes from
May 25, 2023 Workgroup Meeting

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Reflections from May 30, 2023
Commission Meeting

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Equity-Centered Adequacy
Targets

Adequacy Discussion

- Equity adjustment streamlining
- Concentration Adjustment
- High-Cost Programs

Equity adjustment streamlining – Access & Supports

Adequacy component	Equity Adjustment	Eligible Populations
Student-Centered Access	Low - \$500	Black, American Indian
	Med - \$1,000	Low-income, rural, Hispanic, adult
Academic and Non-Academic Supports	Low - \$2,000	Undergrad: Tier 2 EBF, rural Grad: Hispanic, 2+ races
	Med - \$4,000	Undergrad: adult, Pell, Hispanic, 2+ races, low GPA Grad: Black, American Indian
	High - \$6,000	Undergrad: Black, American Indian, Tier 1 EBF
	Intensive - \$8,000	Undergrad: High + Other

Equity adjustment streamlining – Core Instruction

Adequacy component	Equity Adjustment	Eligible Populations
Faculty Diversity Initiatives	\$422	All students
Diversifying High-Cost Programs	High-Cost - \$1,321	Black, Hispanic, American Indian enrolled in the high-cost programs
	Med/Doc/Prof - \$3,962	Black, Hispanic, American Indian enrolled in the Med/Doc/Prof programs

Equity adjustment streamlining

Recommendation: Do not change the equity adjustments

- Specific adjustments will emphasize the way funds should be used; access, supports, and diversification are things every university should pursue with these funds.
- The breadth of student populations and adjustments is necessary to meet the intent of the Commission and the legislation.
- The incentives and priorities communicated by the equity adjustments are clear.

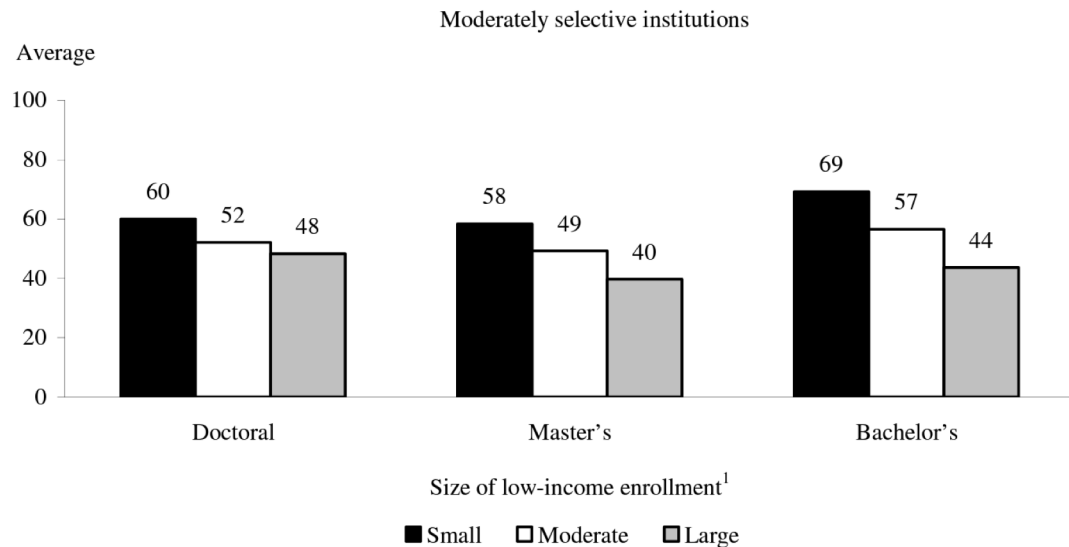
Concentration Adjustment

- Research indicates that higher levels of student poverty at a school have a negative effect on student outcomes, independent of a student's own income level.
- The IL formula can provide additional resources to institutions with higher levels of students that receive equity adjustments.

Institution	Students in Intensive and High equity tiers
Chicago State University	88%
Eastern Illinois University	77%
Northeastern Illinois University	75%
Governors State University	66%
Western Illinois University	64%
Southern Illinois University - Edwardsville	61%
U of I - Chicago	58%
Northern Illinois University	54%
U of I - Springfield	46%
Southern Illinois University - Carbondale	40%
Illinois State University	31%
U of I - Urbana/Champaign	22%
Illinois	45%

Concentration Adjustment

Figure B. Enrollment weighted average 6-year graduation rates for moderately selective 4-year institutions, by Carnegie classification and size of low-income enrollment in the 1998 graduation rate cohort: 2004



Graduation rates decline with higher rates of enrollment of low-income students at colleges of the same selectivity and Carnegie classification

¹ Based on the percent of federal grant aid recipients in graduation rate cohort: small = 20 percent or less, moderate = 21 to 39 percent, large = 40 percent or more.

Concentration Adjustment – Options

Applying the Adjustment:

1. **Weighted equity adjustments** – a premium applied to the \$2k-\$8k academic/non-academic support adjustments
2. **A separate equity adjustment** – an additional amount for all students

Amount of the Adjustment:

1. **Single Adjustment**– one premium for all universities over a threshold concentration level
2. **Sliding Scale**– higher premiums as the concentration level increases

Concentration Adjustment – Proposal

Applying the Adjustment:

1. **Weighted equity adjustments**
– a premium applied to the \$8k-\$2k academic/non-academic support adjustments
2. **A separate equity adjustment**
– an additional amount for all students

Proposal: Premium on Acad/Non-Acad Support adjustments

- **50%** premium for schools **>75%** in the high or intensive tiers
- **30%** premium for schools **60-75%**
- **10%** premium for schools **50-60%**

Amount of the Adjustment:

1. **Single Adjustment**– a single premium for universities over a threshold concentration level
2. **Sliding Scale**– higher premiums as the concentration level increases

High-Cost Programs

Criteria for Inclusion

High-Cost Programs:

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

High-Cost Programs

Undergraduate/Grad	Med/Doc/Prof Health Profession
Engineering (All)	Medicine
Visual and Performing Arts (All)	Dentistry
Clinical Nursing	Nursing Practice
Accounting	Pharmacy
Finance	Audiology
	Physical Therapy
	Occupational Therapy
	Veterinary Medicine

High-Cost Programs

Current Draft Recommended Weights

- 20% weight for high-cost programs (all levels)
- 100% weight for doctoral health professional programs
- Additional equity adjustments to address underrepresentation of students of color in high-cost programs
 - 10 percentage points for high-cost programs
 - 30 percentage points for doctoral medical

High-Cost Programs

Discussion

- Weights
 - Higher weight than 100% for Med/Doc/Prof programs?
- Eligible Programs
 - Should the emphasis be on high-cost programs that are also high-priority, or just high-cost alone?
 - Include programs other than those listed?
 - Include master's level instruction in same disciplines as doctoral medical?

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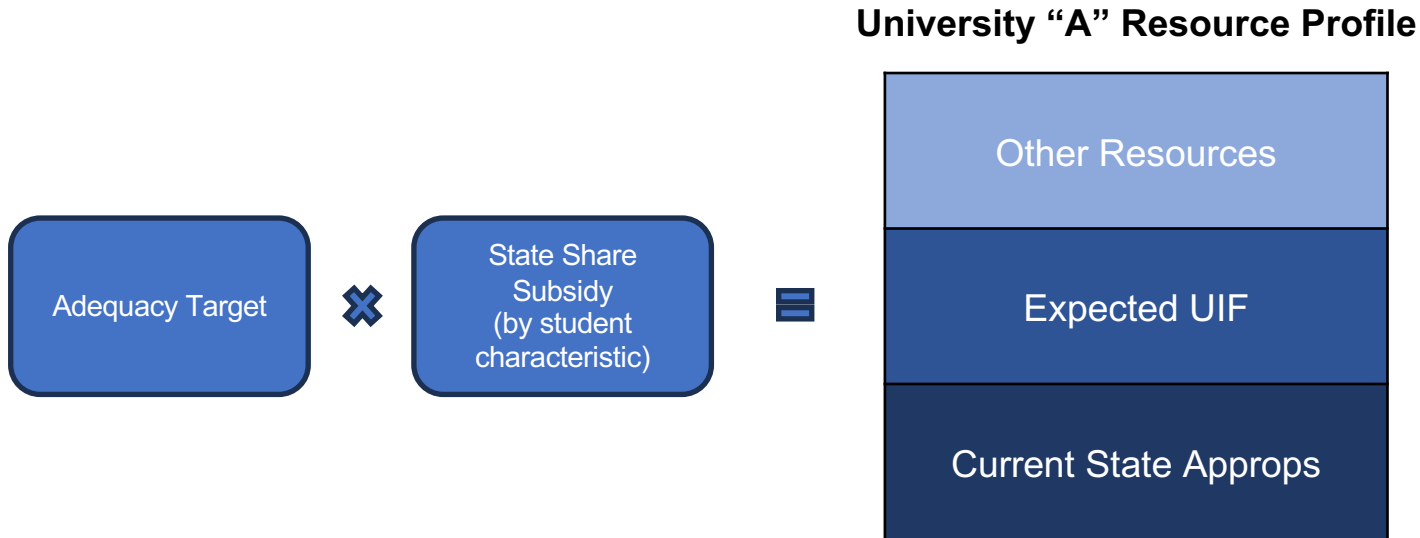
Expected UIF

Expected UIF

- Basic Framework
- Addressing Affordability
- Subsidy Levels

Expected UIF – Framework

The Expected UIF 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 Expected UIF.

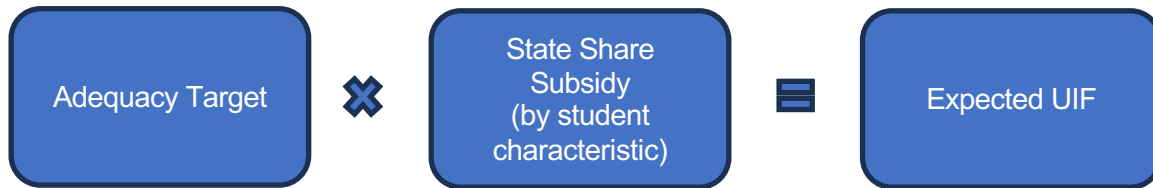


Expected UIF – Addressing Affordability

Using this approach should create an Expected UIF that:

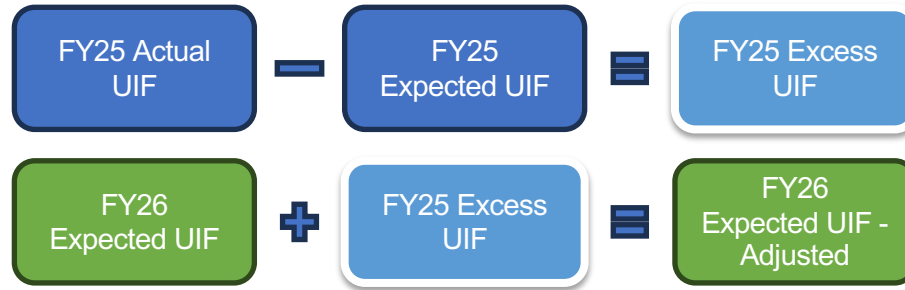
- Would be reasonable for students to pay
- Incentivizes schools to enroll low-income students

But this Expected UIF calculation alone doesn't incentivize or push universities to improve affordability. They could lower tuition to the Expected UIF, but there is no disincentive to increasing tuition.



Expected UIF – Addressing Affordability

One preliminary idea to address affordability was to require Actual UIF to match Expected UIF (w/in a margin of error), or a university's allocation would be reduced by the excess the following year.



However, there is some question about the consistency of how Actual UIF is reported across institutions (e.g. tuition waivers, financial aid).

Expected UIF – Options for Affordability

1. Actual UIF

To use Actual UIF in the model (to generate something like Excess UIF), it should be sufficiently consistent across universities.

IBHE could require institutions to report a new data point that captures all revenue from tuition and fees paid for from sources other than the institution itself.

2. Other Affordability Measure

The formula could use other benchmarks of affordability as a carrot or stick, such as:

- Net price (overall or for low-income students)
- Percent of tuition and fees paid (overall or for low-income students)

Example: universities that fail to keep their net price below a certain level (IL median = \$9k) or reduce it by **X%** a year would have their Expected UIF increased by **Y%**.

3. Other?

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Topic Team Report Outs

Auxiliaries, O&M, Other Resources

Topics

1. Key issue we're trying to address
 - a. Affordability issues
 - b. Equal access to adequate services that are designed to address student needs related to enrollment, retention, and graduation
 - i. I.e. Residence halls, but not bowling alleys
2. Background information and context
 - a. Cost of attendance
 - b. Debt
 - c. Auxiliaries data
3. Work we're planning on doing, answering in next conversations
 - a. How auxiliaries could factor in

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

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
 - Food insecure students are more likely to consider leaving college
- Fees, revenues, expenditures are hard to parse
- Current spending may reflect ability of students to pay, not adequacy

Two indicators of auxiliary funding inadequacy and inequity: net price and debt

Net Price by Income

Net price looks at what students of different income levels pay

- The average annual total cost of attendance including tuition and fees, books and supplies, and living expenses, minus the average grant/scholarship aid

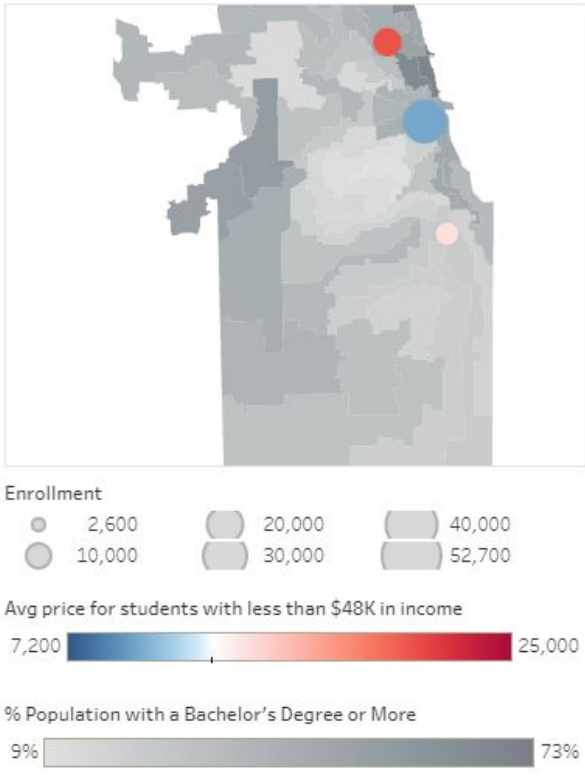
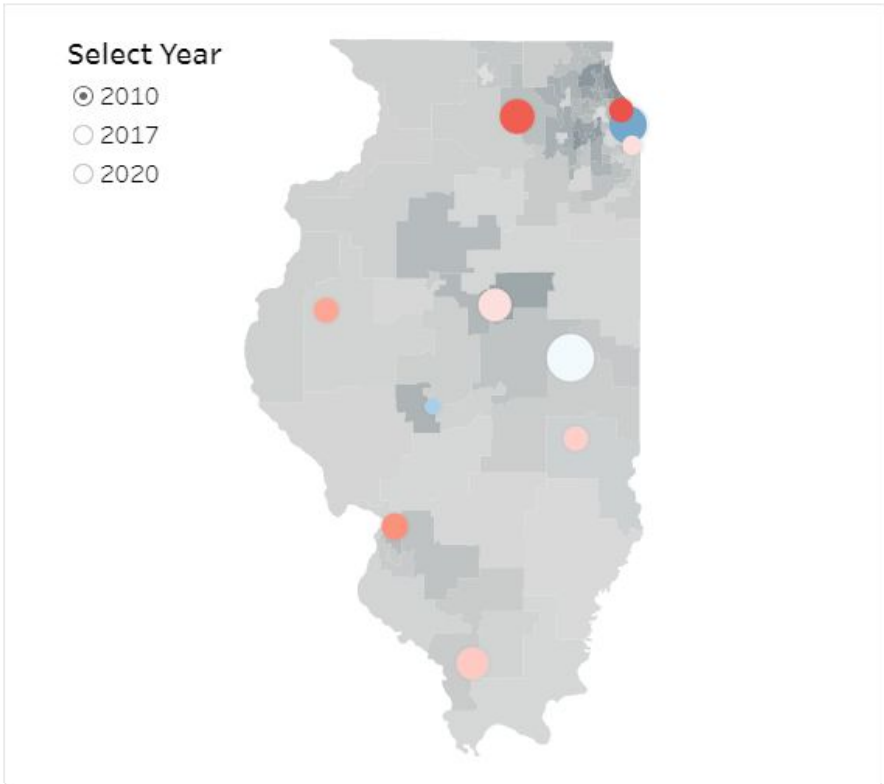
This can show what students actually pay at each university, including some auxiliaries

Debt by Pell Status

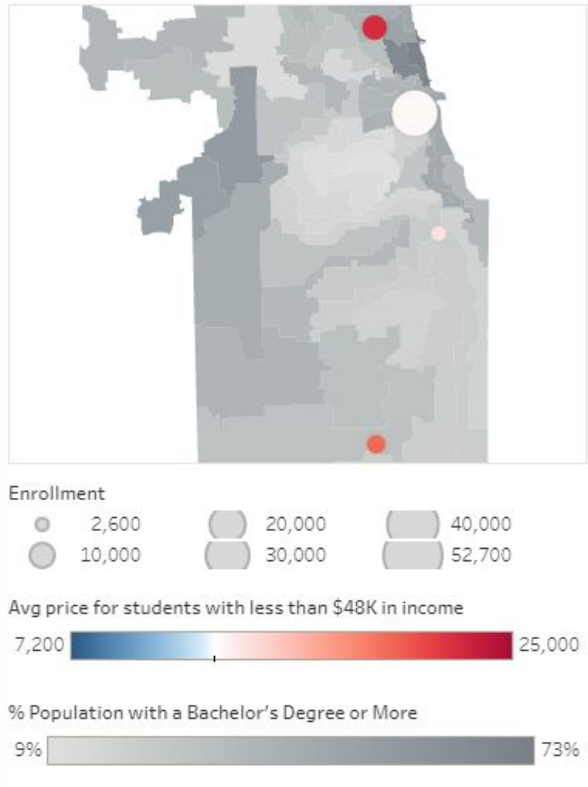
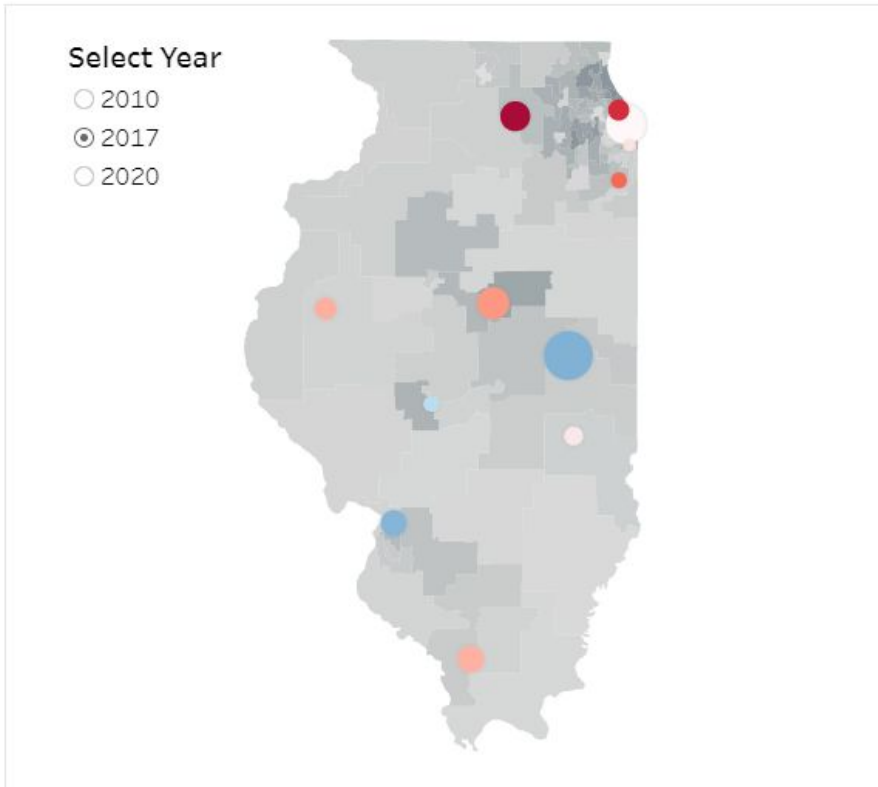
Students take out debt to cover tuition, but also fees and living expenses, which overlap with auxiliaries.

- LI student debt range: \$12k to \$24k,
- HI student debt range: \$13k to \$17k

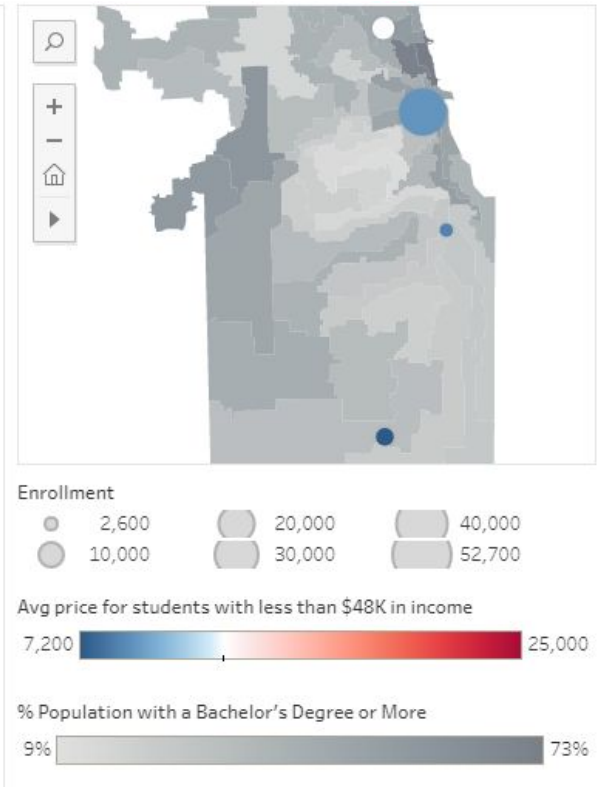
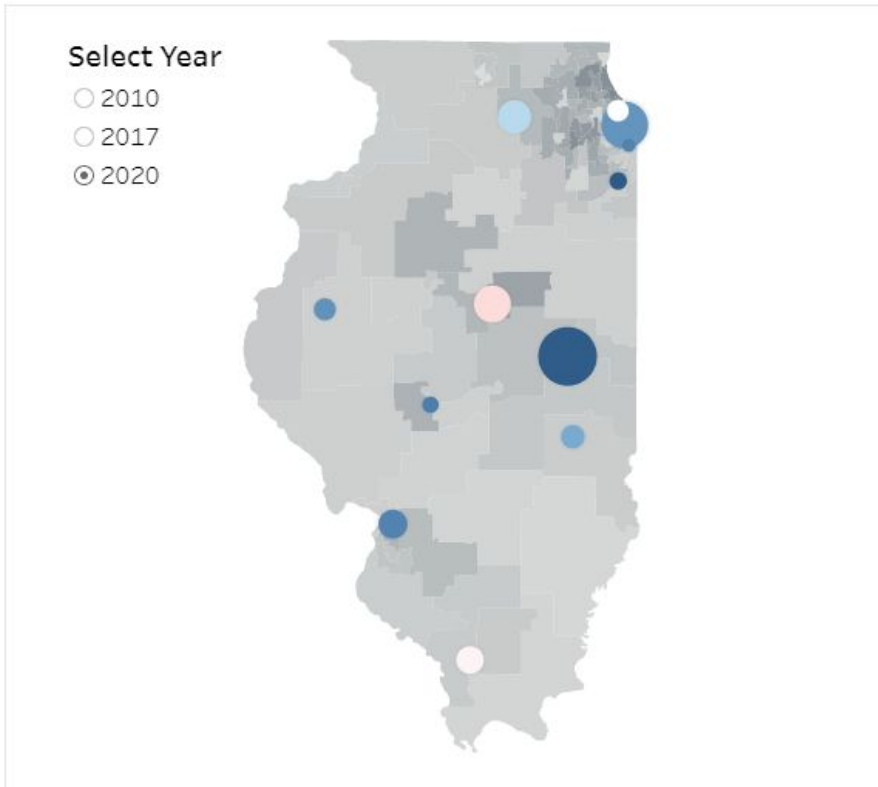
Average net price for students with less than \$48k in income and enrollment size



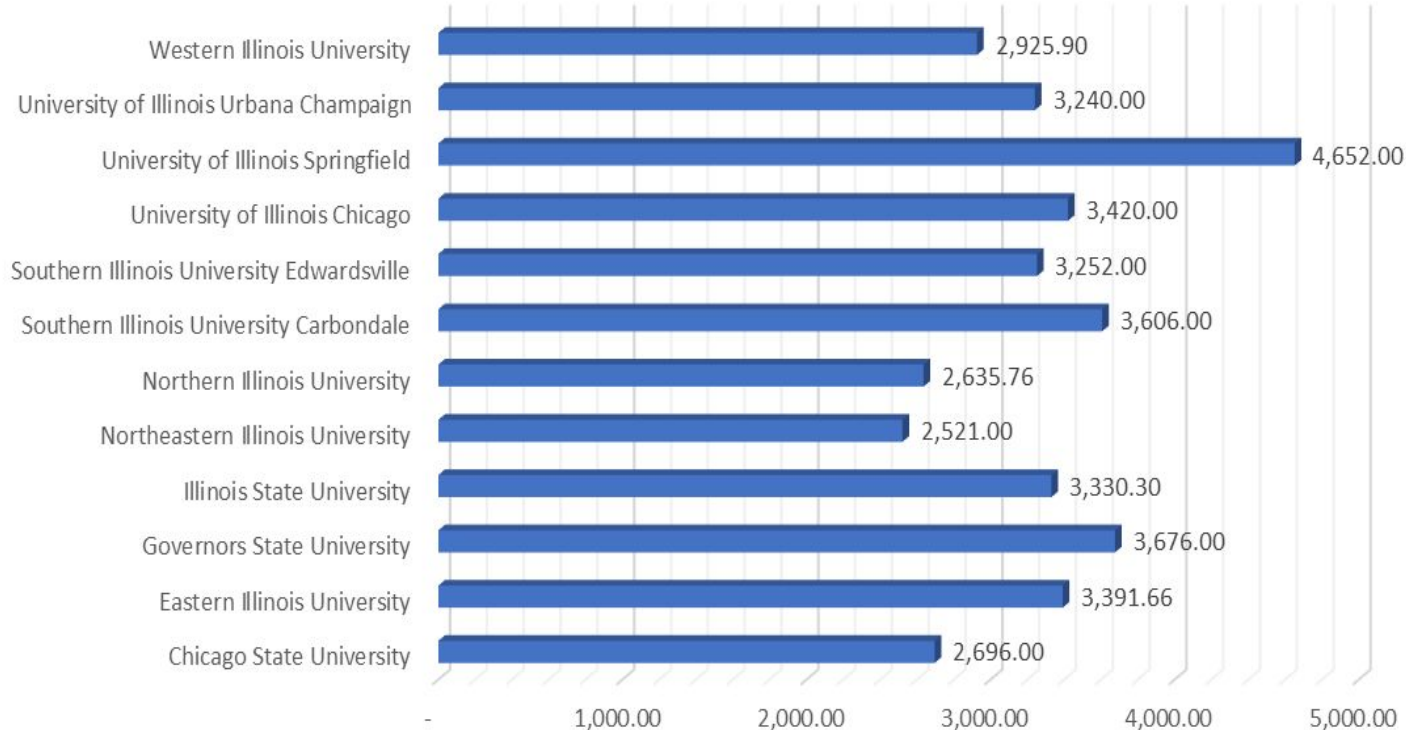
Average net price for students with less than \$48k in income and enrollment size



Average net price for students with less than \$48k in income and enrollment size



Total Annual Fees



On average, 32% of all institutions fees are directly tied to auxiliary operations.

These mandatory fees are not inclusive of all auxiliary operation revenues (ie. Housing)

Summary, Questions, and Recommendations

1. Auxiliary operations at each campus vary greatly
2. Auxiliary operations are to be self-sustaining
3. Identifying which services to students through auxiliary operations are essential to support of educational experience
4. Determining students' ability to pay for these expenses as part of the formula
5. The cost of auxiliary operations would be encompassed in an institutions overall cost of attendance
6. Balancing the dynamic of *encouraging* use of campus auxiliaries towards ERG goals and marginal costs

Recommendation: Properly account for the costs that students incur

- Option 1: Cover essential auxiliary costs as part of the expected student share to address the affordability and access to such resources
- Option 2: Add fixed auxiliary costs per student to the base formula
 - Similar to institutional research costs

Other Resources

Grants & Contracts

What Are Grants and Gifts?

- **Government Grants and Contracts:** Revenues from local, state, and federal governments that are for specified purposes and programs (e.g., research, other priorities).
- **Private Grants and Contracts:** Gifts and grants provided to the university from individuals (private donors), or non-governmental organizations included in this funding category are revenues provided for student financial assistance.
- **Endowments:** Income from endowment and similar fund sources, including irrevocable trusts.

Open Question: Handling of Financial Aid in the Funding Formula?

What are Research Infrastructure Costs?

- Research Buildings & Wet Labs
 - Utilities
 - Operations & Maintenance
 - Repair & Replacement
- Core Facilities
 - Animal Labs
 - Research Computing
 - Equipment Labs

<https://rrc.uic.edu/cores/>
- Specialized Equipment & Supplies
- Research Administration
 - Pre-Award
 - Post-Award
 - Cost Accounting (F&A Rates, Etc.)
 - Compliance
- Faculty
 - Competitive Salaries
 - Competitive Startup Packages
 - Research Assistants
 - Reduced Teaching Load

How are Infrastructure Costs Funded?

- Research Buildings & Wet Labs
 - Capital Appropriations
 - State Appropriations
 - University Income Fund
 - Indirect Cost Recoveries
 - Gifts & Endowments
- Core Facilities
 - Recharge Rates
 - Indirect Cost Recoveries (Subsidized Cores)
- Specialized Equipment & Supplies
 - State Appropriations
 - University Income Fund
 - Indirect Cost Recoveries
- Research Administration
 - State Appropriations
 - University Income Fund
 - Indirect Cost Recoveries
- Faculty
 - State Appropriations
 - University Income Fund
 - Indirect Cost Recoveries

Indirect Cost Recoveries are Not Sufficient to Fully Fund Research Infrastructure Costs – Also Requires State Support

General Discussion: Grants

- Discussion that Research is Heavily Subsidized
 - Research Infrastructure Costs
 - Capped Facilities & Administrative Rates
 - Cost Sharing on Sponsored Programs
 - Case Studies for Discussion
- Counterpoint: No Consensus Outside of Research Universities Themselves

Preliminary Recommendation: Exclude Grants from Resources

Recognize Grants as Mission Related Adjustment to Adequacy Target

Gifts

General Discussion: Gifts

- Agreement that Some Portion of Gifts Should be Recognized
- Funding Formula Must Not Impact Philanthropic Activities
 - If I Donate, Your State Appropriation Will Go Down – Why Bother
 - If I Stop Donating, Your State Appropriation Will Go Up – Why Bother
- How to Recognize in Funding Formula Requires Additional Discussion
 - Restrictions on Gift Usage
 - Highly Decentralized Funding

Other Resources Subcommittee Will Continue Deliberations

Overall Concern

Balancing the Funding Formula:

Adequacy Target, Resources & Adequacy Gap

Applicability to Other Restricted Funds?

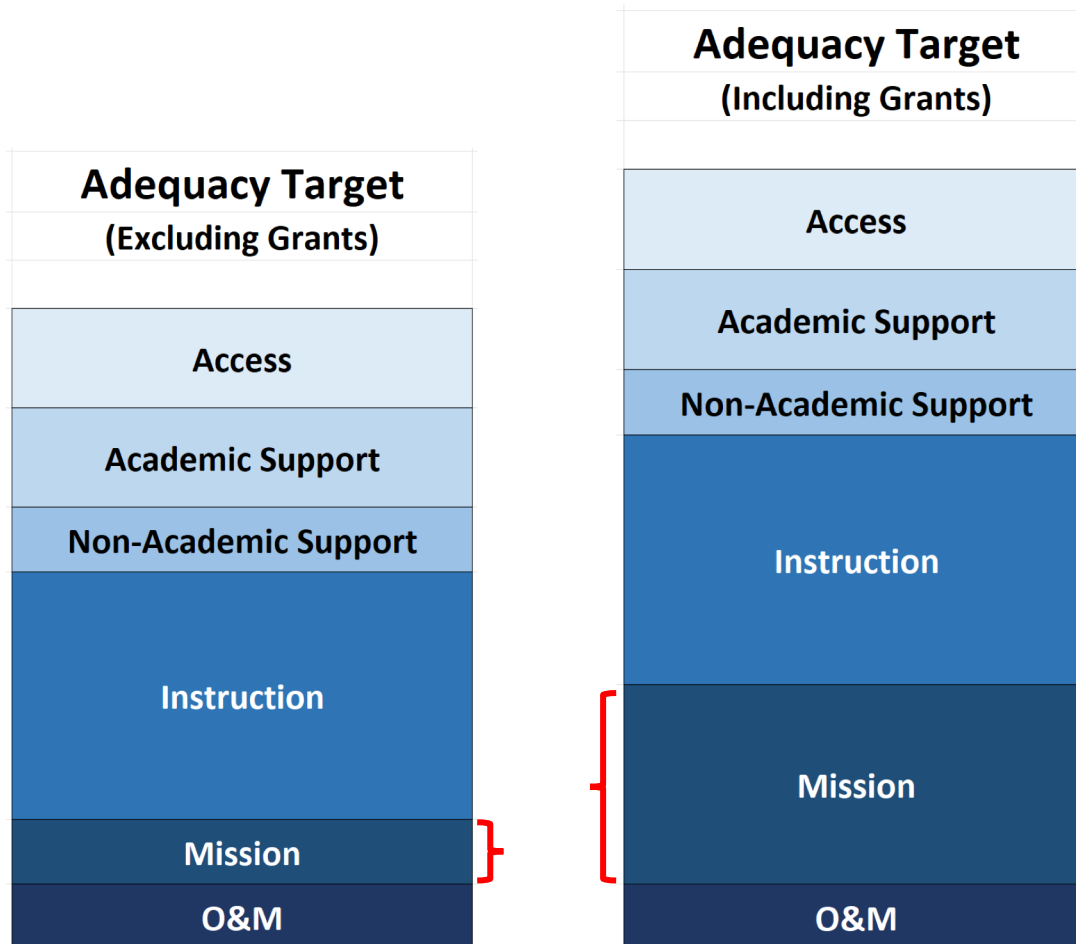
Expenditures Exclude Research

Base Spending and Benchmark Adjustments

Adequacy Component	Expenditure - Options		Base IL Expenditures (per Headcount)		Benchmark Adjustment		
	FY2022 State & UIF Expenditures	FY2022 All Rev Sources	FY2022 - Expend from All Rev Sources	FY2022 - Expend from State & UIF Revenue	Recommendation (mixed)	70% Grad Rate (Spending ratio)	Per Student Adjusted Base
Student Centered Access	\$ 152,760,016	\$ 198,233,364	\$1,073	\$827	\$1,073	\$4,276	\$1,404
Academic Supports	\$ 152,760,016	\$ 198,233,364	\$1,073	\$827	\$1,073		\$1,404
Non-Academic Supports	\$ 58,657,071	\$ 185,399,368	\$1,003	\$317	\$1,003		\$1,313
Core Instruction Costs	\$ 1,527,787,760	\$ 1,979,524,686	\$10,714	\$8,269	\$10,714		\$14,019
Mission (Research, Public Service, Artistry)	\$ 226,718,678	\$ 1,530,043,169	\$8,281	\$1,227	\$1,227	TBD	\$1,227
O&M	\$ 694,170,683	\$ 1,261,514,096	\$6,828	\$3,757	\$3,757	TBD	\$3,757
Total	\$ 2,812,854,224	\$ 5,352,948,048	\$28,973	\$15,225	\$18,848	\$4,276	\$23,124

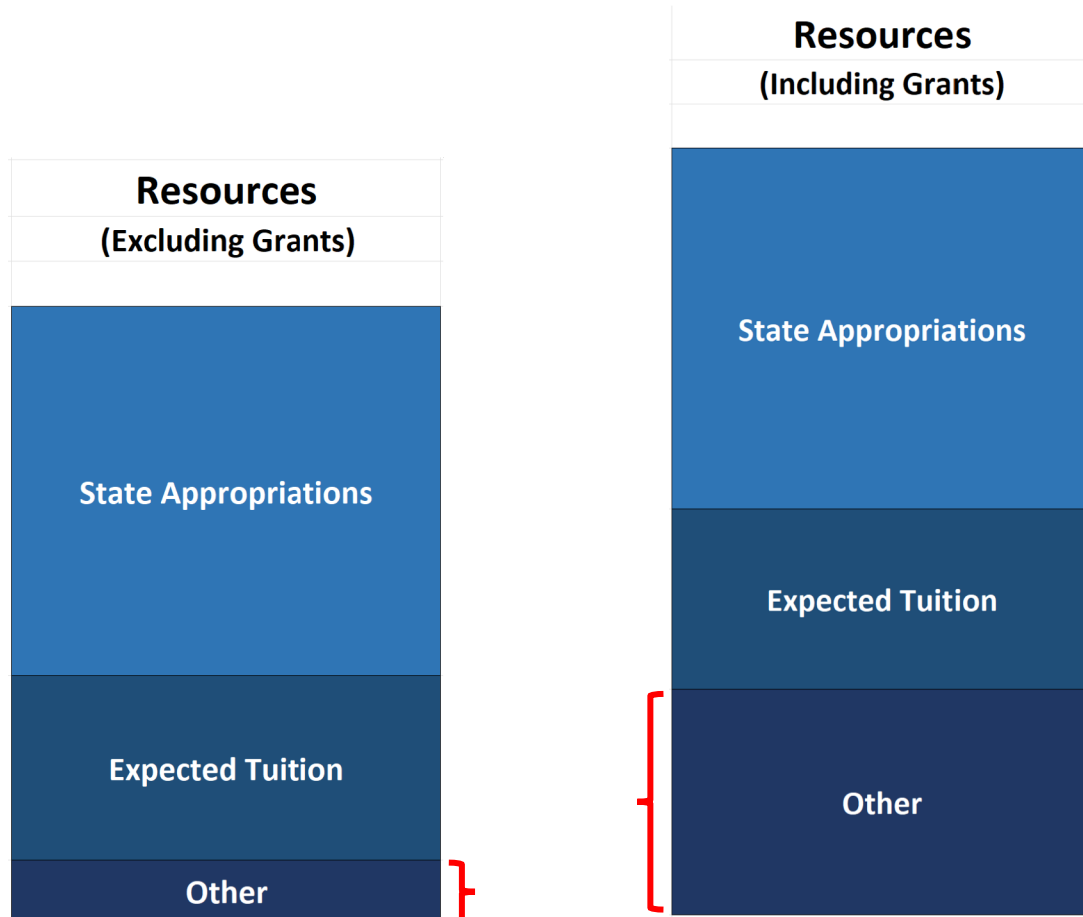
The Majority of Grant Expenditures Would be Recorded as Research, Public Service, and Financial Aid. Grant Expenditures are Therefore Excluded from the Adequacy Target and the Per Student Adjusted Base”.

How Does This Impact the Adequacy Target?



- Excluding Grants Reduces the Total Adequacy Target
- Including Grants Would Increase the Total Adequacy Target

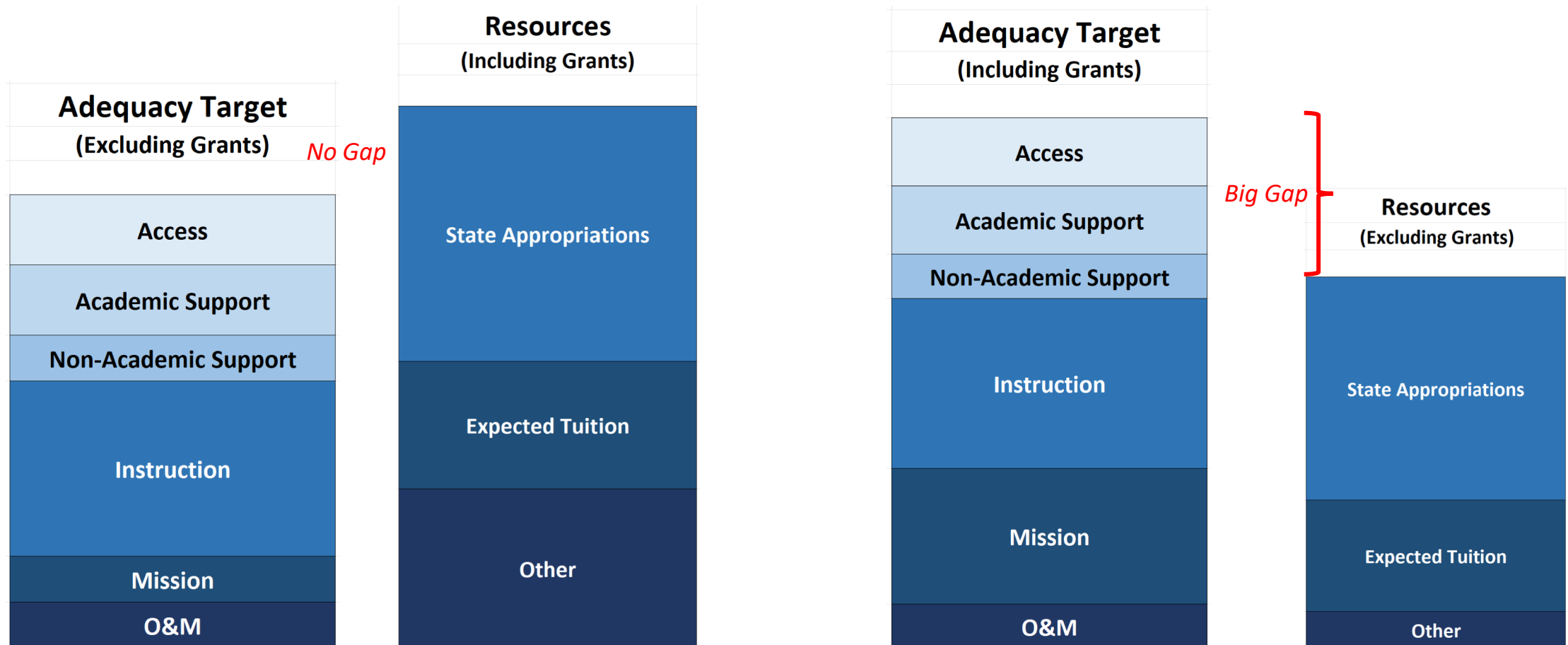
How Does This Impact Resources?



- Excluding Grants Reduces the Resources Available
- Including Grants Would Increase the Resources Available

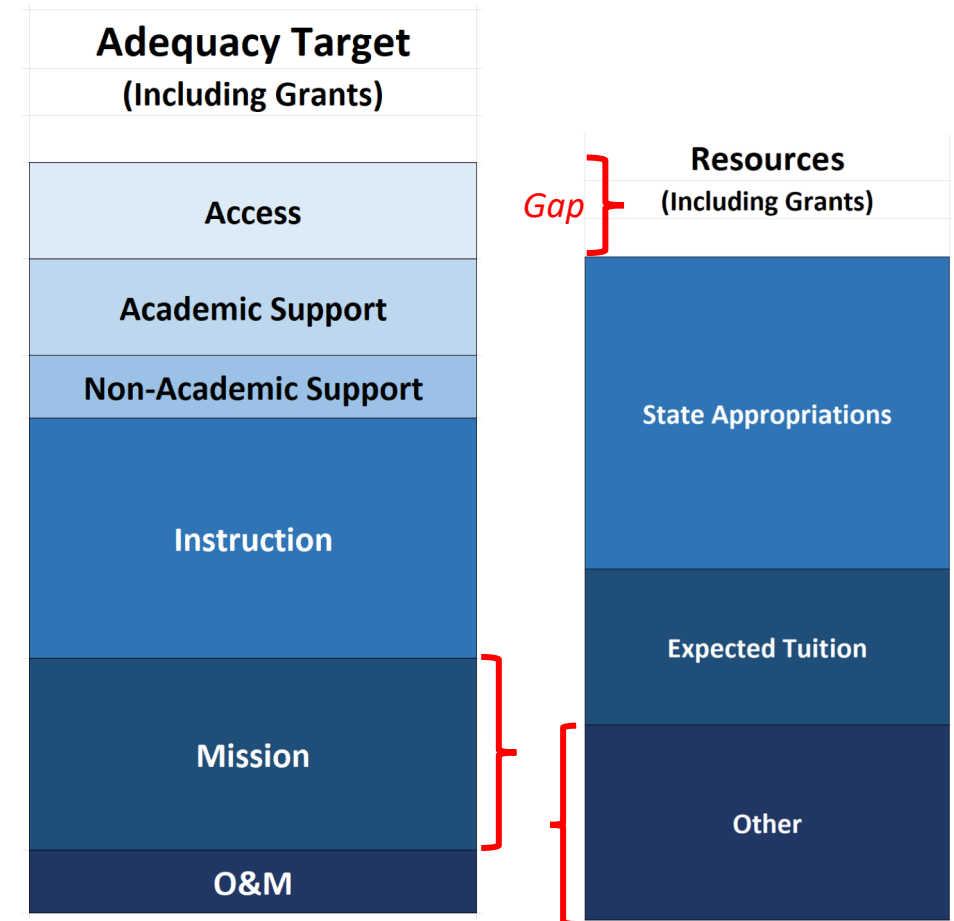
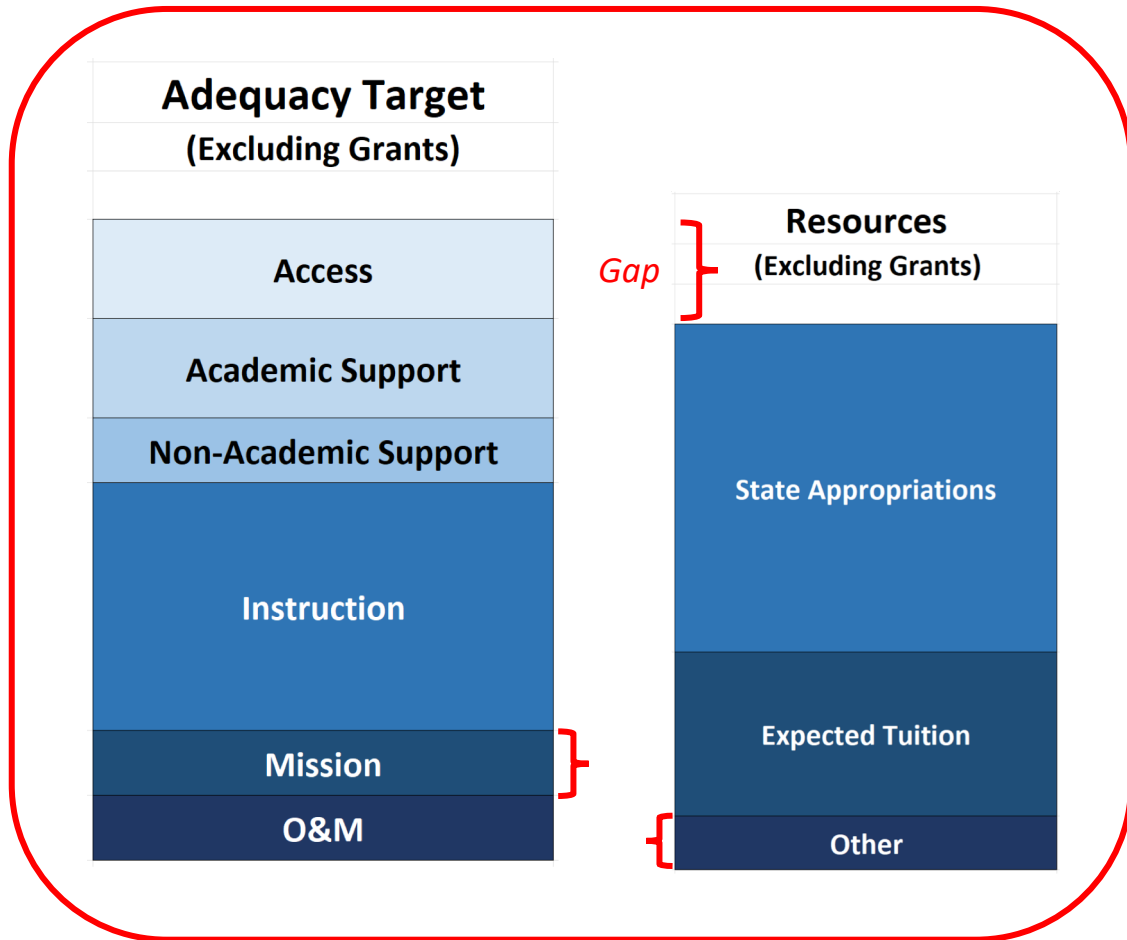
How Does This Impact the Adequacy Gap?

This is Out of Balance and Does Not Make Sense



How Does This Impact the Adequacy Gap?

*Preliminary Recommendation to Exclude Grants as a Resource
Since They are Excluded from the Adequacy Target*



Implications to Other Fund Types?

Percentages are Based on the Data UIC Prepares for the IBHE Revenue & Expenditure Report

- Grants (Exclude from Resources?)
 - 50.8% Research (State & UIF Only)
 - 23.5% Public Service (State & UIF Only)
 - 17.8% Student Services (All Funds)
 - Student Services May be Financial Aid?
- Auxiliaries (Exclude from Resources?)
 - 58.3% O&M (State & UIF Only)
 - 36.7% Independent Ops (Excluded)
 - Athletics (Excluded)

Similar to Grants, Auxiliaries are Excluded from the Adequacy Target.

Similar to Grants, Should Auxiliaries Be Excluded from Resources?

Similar to Grants, Should Auxiliaries be Addressed as an Adjustment to the Adequacy Target Instead (“Student Experience”)?

Appendix

Difficulty Identifying Data Needed to Support Funding Formula

IBHE Expenditure Breakdown (NACUBO)

Table D-1 Total Expenditures by Function, Fiscal Years 2021 and 2022 <i>\$ in Thousands</i>									
<u>PUBLIC UNIVERSITY TOTAL</u>	State-Appropriated and University Income Funds			Other Non-Appropriated Funds			Total Funds		
	FY2021	FY2022	Percent Change	FY2021	FY2022	Percent Change	FY2021	FY2022	Percent Change
General Academic Instruction (Degree-Related)	\$ 969,429.6	\$ 1,045,421.6	0.0%	\$ 293,920.0	\$ 321,793.8	9.5%	\$ 1,263,349.6	\$ 1,367,215.4	8.2%
Vocational/Technical Instruction (Degree-Related)	1,529.3	1,588.4	3.9%	7,067.2	6,667.4	-5.7%	8,596.5	8,255.8	-4.0%
Requisite/Preparatory/Remedial Instruction (Non-Degree)	4,910.5	4,731.6	-3.6%	2,680.0	2,579.9	-3.7%	7,590.5	7,311.5	-3.7%
Departmental Research	207,191.2	191,034.7	-7.8%	2,394.1	4,521.3	88.9%	209,585.3	195,556.0	-6.7%
Admissions, Registration, and Records	48,454.3	50,870.9	5.0%	4,715.7	11,785.9	149.9%	53,170.0	62,656.8	17.8%
Audio-Visual Services	4,124.4	3,913.5	-5.1%	360.9	616.1	70.7%	4,485.3	4,529.6	1.0%
Instructional Computing Support	36,135.5	34,547.2	-4.4%	7,327.1	9,324.3	27.3%	43,462.6	43,871.5	0.9%
Departmental Administration and Personnel Development	167,971.2	161,301.8	-4.0%	78,048.9	73,743.0	-5.5%	246,020.1	235,044.8	-4.5%
Course and Curriculum Development	32,690.5	34,377.9	5.2%	18,022.8	20,705.3	14.9%	50,713.3	55,083.2	8.6%
TOTAL INSTRUCTIONAL PROGRAMS	\$ 1,472,436.4	\$ 1,527,787.8	3.8%	\$ 414,536.6	\$ 451,736.9	9.0%	\$ 1,886,973.0	\$ 1,979,524.7	4.9%
<i>Percent of Total</i>	46.5%	46.3%	-0.5%	9.0%	9.0%	-0.9%	24.3%	23.7%	-2.6%
Institutes and Research Centers	53,415.9	62,345.3	16.7%	319,411.3	336,191.8	5.3%	372,827.2	398,537.1	6.9%
Individual or Project Research	46,877.4	51,539.1	9.9%	381,892.0	393,333.9	3.0%	428,769.4	444,873.1	3.8%
Laboratory Schools	797.2	463.5	-41.9%	12,340.5	13,256.0	7.4%	13,137.7	13,719.5	4.4%
Support for Organized Research	55,105.8	55,469.9	0.7%	33,635.4	28,161.1	-16.3%	88,741.2	83,630.9	-5.8%
TOTAL ORGANIZED RESEARCH	\$ 156,196.3	\$ 169,817.8	8.7%	\$ 747,279.1	\$ 770,942.8	3.2%	\$ 903,475.5	\$ 940,760.6	4.1%
<i>Percent of Total</i>	4.9%	5.1%	4.3%	16.3%	15.3%	-6.2%	11.6%	11.3%	-3.3%
Direct Patient Care	10,968.6	10,984.8	0.1%	188,303.5	288,947.1	53.4%	199,272.1	299,931.9	50.5%
Community Education	10,101.7	10,070.6	-0.3%	46,482.6	44,005.1	-5.3%	56,584.3	54,075.7	-4.4%
Public Broadcast Services	3,314.6	3,068.6	-7.4%	24,388.1	25,041.5	2.7%	27,702.7	28,110.1	1.5%

Expenditures are Available by Function (Instruction, Research, Public Service, Etc.)

Expenditures are Not Segregated by Fund Type (Grant, Gifts, Auxiliaries, Etc.)

IBHE Revenue Breakdown (No NACUBO)

Table A-1
Total Revenue* by Source, Fiscal Years 2021 and 2022
\$ in Thousands

<u>PUBLIC UNIVERSITY TOTAL</u>	FY21 Revenues		FY22 Revenues					
	Total Funds		Unrestricted Sources		Restricted Sources		Total Funds	
	Revenue	Percent of Total	Revenue	Percent of Total	Revenue	Percent of Total	Revenue	Percent of Total
State-Appropriated	\$ 1,169,146.9	15.1%	\$ 1,233,174.7	32.0%	\$ -	0.0%	\$ 1,233,174.7	14.2%
University Income Funds	2,108,040.3	27.2%	2,245,247.3	58.3%	-	0.0%	2,245,247.3	25.9%
Other Non-Appropriated Funds	4,481,291.2	57.8%	371,942.3	9.7%	4,830,664.0	100.0%	5,202,606.3	59.9%
Governmental Gifts and Contracts	1,248,941.2	16.1%	30,507.7	0.8%	1,386,376.8	28.7%	1,416,884.5	16.3%
Private Gifts, Grants, and Contracts	437,241.6	5.6%	633.5	0.0%	470,923.2	9.7%	471,556.7	5.4%
Endowment Income	83,654.7	1.1%	50,484.0	1.3%	19609.53008	0.4%	70,093.6	0.8%
Sales/Service Revenue - Auxiliary Enterprises	720,322.5	9.3%	61,232.8	1.6%	842,837.1	17.4%	904,069.8	10.4%
Sales/Service Revenue -Educational Depts.	641,171.8	8.3%	204,689.7	5.3%	692,336.0	14.3%	897,025.7	10.3%
Sales/Service Revenue - Hospitals	1,264,139.2	16.3%	-	0.0%	1,332,634.1	27.6%	1,332,634.1	15.4%
Other Miscellaneous Revenue	65,930.2	0.8%	3,256.4	0.1%	85,889.9	1.8%	89,146.3	1.0%
Indirect Cost Recovery Funds	19,890.1	0.3%	21,138.1	0.5%	57.4	0.0%	21,195.5	0.2%
Total	7,758,478.5	100.0%	3,850,364.3	100.0%	4,830,664.0	100.0%	8,681,028.3	100.0%

Revenues are Segregated by Fund Type (Grant, Gifts, Auxiliaries, Etc.)

Revenues are Not Available by Function (Instruction, Research, Public Service, Etc.)

ILLINOIS COMMISSION ON
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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.

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Next Steps

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- Expected UIF
 - Options for including financial aid
 - Framework to present to Commission
- O&M Proposal
- Other Resources and Auxiliaries topic teams continue analysis
- Assign the Implementation Issue topic teams

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Adjournment

Next Workgroup Meeting: June 22, 2023
