
ILLINOIS COMMISSION ON EQUITABLE PUBLIC UNIVERSITY FUNDING

Technical Modeling Workgroup Meeting #11 - June 8, 2023 (9am-11am CT)
Meeting Notes

MEETING OBJECTIVES

1. Resolve outstanding issues in the Adequacy calculation
2. Discuss Expected UIF
3. Updates on O&M, Other Resources, and Auxiliaries

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.

Martha Snyder provided an overview of the agenda.

Action: Approval of minutes from May 25, 2023 Workgroup Meeting

Commissioner Robin Steans made a motion to approve the minutes from the May 25, 2023 workgroup meeting. Beth Ingram seconded the motion. Ten workgroup members were in favor, one workgroup member abstained.

Reflections from May 30, 2023 Commission Meeting

The workgroup members were given time and space to reflect or share observations from the May 2023 Commission Meeting. Executive Director Ostro was happy at the engagement and noted that Commission members flagged that adult learners were not included in some metrics that were presented during the meeting. In addition, Ostro appreciated the discussion. Commissioner Steans shared that the discussion was very good and noted that there were still questions that emerged following that discussion. Steans also underscored that actual numbers would be helpful when looking at the data. Additional workgroup members shared their agreement. Commissioner Weffer raised a few points: interesting discussion around out of state students and how they factor in, and the discussion around total cost (room and board) and Deputy Governor Torres' reaction. Corey Bradford shared his appreciation for the time extension, given the ground-breaking work that both the Commission and workgroup is participating in. Bradford also shared his feeling towards overcomplication due to the long list of wants and needs. He cautioned the workgroup by way of reminder that complexity is not always best.

Instruction and Student Services Adequacy Calculation

Equity-Centered Adequacy Targets: Discussion

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

Equity adjustment streamlining: Access & Supports

Will Carroll walked through a chart on screen that outlined the adequacy component (student-centered access, academic and non-academic supports), equity adjustment (ranging from low to intensive) and eligible populations.

Equity adjustment streamlining: Core Instruction

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Will Carroll walked through a chart on screen that outlined the adequacy component (faculty diversity initiatives, diversifying high-cost programs), equity adjustment) and eligible populations.

Equity adjustment streamlining

Recommendation: do not change the equity adjustments

- Specific adjustments will not 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.

Commissioner Steans was inclined to agree, but shared that understanding the transparency and accountability on the backend is important. She would like to loop back to this after that part of the discussion since the two need to be considered as a whole. Beth Ingram asked for clarification around the first bullet point. Reporting burdens could soak up resources. Michael Moss commented on the baseline that the equity adjustments are built on, based on average. He would like to revisit this in more detail. Commissioner Weffer raised points around accountability for future conversations. Commissioner Steans raised her concern, echoing Moss, regarding using averages. Commissioner Martire shared that IBHE will likely be charged with coming up with a reporting format, in which case the administrative burden will drop off after a few years. Outcome metrics need to be not just rationale, but have appropriate time periods so that conclusions can be drawn from the data collected. He offered the reminder that it will take the state a number of years to fully fund a formula; it won't happen in the first year. Commissioner Martire shared that the evaluation metric from an accountability standpoint has to be percentage of overall population.

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 Illinois formula can provide additional resources to institutions with higher levels of students that receive equity adjustments.

Graduation rates decline with higher rates of enrollment of low-income students at colleges of the same selectivity and Carnegie Classification. Will Carroll talked through a graph of the enrollment weighted average 6-year graduation rates for moderately selective 4-year institutions, by Carnegie classification and size of low-income enrollments in the 1995 graduation rate cohort 2004.

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.

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Concentration Adjustment: Proposal is to use the areas bolded below

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.

Proposal: Premium on Academic/Non-Academic 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%

Michael Moss asked for clarification around the classification of the institutions in the concentration adjustment chart. Will Carroll shared that the numbers (percentages) are numbers that are received from IBHE based on the low, medium, high and intensive tiers that were previously assigned. The chart/table is not based solely on poverty. Moss was interested in a breakdown of the calculation.

Beth Ingram asked about high school dual enrollment students. They are not included in these numbers, as the workgroup input was for degree-seeking students. HCM would circle back with IBHE for final numbers and circulate the calculation/chart to the workgroup.

Kim Tran indicated that a sliding scale adjustment makes sense since a sliding scale to reflect the population makes sense for the model. Michael Moss shared that having the data would be helpful before weighing in on the percentage ranges presented.

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
- Medical/Doctoral/Professional
 - All doctoral health profession programs
 - (Provisional) Master's programs in same discipline as doctoral health professions

Undergraduate/Graduate programs included are: Engineering (all), Visual and Performing Arts (all), Clinical Nursing, Accounting, Finance.

Medical/Doctoral/Professional programs included are: Medicine, Dentistry, Nursing Practice, Pharmacy, Audiology, Physical Therapy, Occupational Therapy, Veterinary Medicine.

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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

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?

Michael Moss shared that medicine is ten times more expensive (tuition higher) than undergraduate. Moss is working to put some data together, regarding what it takes to run a medical school (why unique, why so expensive) and requested time to share this information with the workgroup at a later time. Commissioner Weffer shared that when thinking about postgraduate programs, we need to think about how to tier them. Some programs are just losses, and some programs are cash cows. Graduate programs are much more difficult to categorize. However, this is also where there are a lot of inequities and so then accountability measures may need to be higher and more intense. Nate Johnson shared that it's very difficult to sort out the actual cost of individual programs at institutions.

Mike Abrahamson shared that this is extremely complex to sort out into both sides of the equation. There should be focus on what lack of adequacy or equity is seen in the programs and what hold harmless language comes up. Where are the gaps? The workgroups have worked very hard to build a model to work towards those gaps on the undergraduate level. Equitable adjustments are on the right track. Postgraduate programs are very expensive, but where is the data that shows there isn't enough to cover these students?

Michael Moss reminded that the legislation calls out every university's mission, graduate and doctoral programs. Commissioner Martire shared that there are two different elements to the formula: an adequacy target of what it costs to operate a theoretical university; and application of that cost to the programs at the university and find out how far they are from the adequacy target based on current resources. Tuition and fees in some of the expensive programs have correspondingly high tuition in their current enrollment. While the adequacy target would increase, the resources to cover that target also rise. The final gap may still be a rational gap compared to other universities. Closing the gap will happen over time; funding will go in each year to help close the gap. Commissioner Martire strongly encouraged that everything is inflation adjusted. He also suggested that there be priority scheduling, as agreed to in the recommendations that prioritizes first dollars in to a university based on criteria identified. Criteria previously discussed include universities that have the greatest gap in adequacy between current resources and their adequacy target, and also those doing the best job of bringing in underrepresented student populations. There needs to be an equitable way to fill the gaps in adequacy and investing the new

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money that the state is putting in. Mike Abrahamson shared that the legislation must be equity centered, with consideration for other areas as well (including missions).

Expected UIF Discussion

- Basic Framework
- Addressing Affordability
- Subsidy Levels

Expected UIF: Framework

Will Carroll provided a basic re-grounding of the 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.

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

- 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.
- 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**%.
- Other?

Michael Moss raised concern that a funding formula would drive how institutions set their tuition rates. Commissioner Robin Steans shared that there is an interaction that needs to be better understood in the example. Sandy Cavi shared that income that a university relies

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on is being taken away in two ways. Cavi shared that it's frightening that the formula would control the tuition approach. It needs to be identified how people are reporting costs. Commissioner Martire reminded the workgroup of the hold harmless. How do universities share in the *new* dollars coming in the door? It's not a penalty since none of the new money is being taken away.

Mike Abrahamson raised the concern of whether there are accountability mechanisms in place to make this happen. Number two above (Other Affordability Measure) seem to be the most effective in what we're trying to get at. Michael Moss shared that many institutions have deliberately changed the pay mix to include more students to help subsidize in-state students. All of the funding goes back to support the in-state students and ensure it's more affordable. Moss' concern on option number two may penalize those who cannot afford to pay in-state tuition. Sandy Cavi shared that we cannot operate one side of the formula in a vacuum; certain schools have a higher than average level of spending in certain student support areas already. To not allow them to keep that level above average means they're being impacted on the front end of the formula. They'll be "hit" on both the front end and the back end of the formula.

Report Out from Topic Teams: Auxiliaries

Topics

Key Issue we're trying to address

- Affordability issues
- Equal access to adequate services that are designed to address student needs related to enrollment, retention and graduation
 - I.e., residence halls, but not bowling alleys

Background information and context

- Cost of attendance
- Debt
- Auxiliaries data

Work we're planning on doing, answering in next conversations

- How auxiliaries could factor in

Auxiliaries: Background Information

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, they can be ancillary additions to the college experience.

- 35% of student respondents experiences food insecurity
 - Food insecure students are 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

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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

Mike Abrahamson walked through a number of comparison charts that shows the average net price for students with less than \$48k in income and enrollment size, in 2010, 2017 and 2020.

Tran walked through a chart showing total annual fees, garnered from state reporting. On average, 32% of all institution fees are directly tied to auxiliary operations. These mandatory fees are not inclusive of all auxiliary operation revenues (i.e., housing).

Summary, Questions, and Recommendations

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

Recommendations:

- 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 fixe auxiliary costs per student to the base formula
 - Similar to institutional research costs

Report Out from Topic Teams: O&M

Andrew Rogers and Sandy Cavi shared that they are in the very beginning stages of their work. They are working to engage with industry data sets.

What is in Institutional Support?

- Executive Management
- Financial Management and Operations
- General Administrative and Logistical Services
- Public Relations / Development

What is in O&M of Physical Plant?

- Superintendence (of facilities)
- Custodial
- Repairs/maintenance
- Grounds Maintenance
- Utility Production and Support
- *Permanent Improvements – I removed for this exercise*
- Security

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- Fire Protection
- Transportation
- Rental of Space
- Other O&M Activities

Cavi walked through the approximate current spend per student headcount and shared a chart on screen. The headcount was broken down into three ranges:

- < 10,000 adjust by 30%
- 10,000 – 20,000 adjust by 15%
- > 20,000 students no adjustment.

The team was waiting on the APPA data, in hopes it would provide a true adequacy number. If not received, there is a possible option B, as follows:

- Sample of Adequacy for O&M using state-supported space as reported in RAMP. State and Income Fund Only.

Further Consideration:

- APPA survey data will hopefully shed some light on how current spending compares to regional peers.
- How do we judge the amount of space/number of structures necessary for given enrollments? How are adjustments made over time?
- Are cleaning and maintenance costs directly correlated to space?
- Physical structures are “easy” to measure, but grounds are not and vary by locale and mission.
- Types of space vary (labs, etc.) Can that be measured?
- Would a 3-year average be more meaningful, especially with Repairs/Maintenance in the total?
- Premium for medical schools?
- This adequacy allocation is a small attempt at providing some support for O&M, but capital expenditures are much higher and more comprehensive than routine cleaning and upkeep.
- Capital funds from CDB need to continue.

Report Out from Topic Teams: Other Resources

Commissioner Steans, Commissioner Dan Mahony and Michael Moss gave an update on their work to date on Other Resources.

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.

What are Common types of Grants?

- Research
 - Probably What Most People Think of When Grants are Discussed

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- Basic and Applied Research from Funders Like NIH or NSF
- Public Service
 - Block Grant to UIC's Federally Qualified Health Center (FQHC), Mile Square
 - Supporting Healthcare & Public Health for Low-Income Individuals and Families
- Instruction
 - T32 Training Grants (Ruth L. Kirschstein)
 - Develop Training for Pre and Postdoctoral Fellows In Support of Future Cancer Research
- Financial Aid
 - Pell Grants

What are Grant Revenue & Expenditures?

Grant Revenue:

- Reimbursements Equal to Grant Expenditures
- Indirect Cost Recoveries

Grant Expenditures:

- Faculty Salaries for Time Working on Grants
- Grant Associate Salaries
- Grant-Funded Graduate Assistant Salaries
- Fringe Benefit Costs
- Grant-Related Materials & Supplies
- Grant-Related Equipment (Not Capitalized)
- User Fees (Charges to Use Core Facilities)
- Travel

What are Grant Infrastructure Costs?

- Wet Lab Buildings & Facilities
 - Utilities
 - Operations & Maintenance
 - Repair & Replacement
- Core Facilities
 - Animal Labs
 - Research Computing
 - Equipment Labs
- Specialized Equipment & Supplies
- Sponsored Program Administration
 - Pre-Award
 - Post-Award
 - Cost Accounting (F&A Rates, Etc.)
 - Compliance
- Faculty
 - Competitive Salaries
 - Competitive Startup Packages
 - Grant-Funded Graduate Assistants
 - Reduced Teaching Load

How are Grant Infrastructure Costs Funded?

- Wet Lab Buildings & Facilities
 - Capital Appropriations

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- 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
- Sponsored Program Administration
 - State Appropriations
 - University Income Fund
 - Indirect Cost Recoveries
- Faculty
 - State Appropriations
 - University Income Fund
 - Indirect Cost Recoveries

Questions for the Workgroup

- What Is Our Goal? What is the Intended Outcome?
- Is Research Subsidized?
- Should State Appropriations Fund Any Portion of Grant Infrastructure Costs?
- Should Additional Consideration be Given to Undergraduate Research?
- What is the Intended Interplay with the Mission Adjustment?

General Discussion: Gifts

- Agreement that Some Portion of Gifts Should be Recognized
 - Is there an Algorithm Commonly Used in Funding Formulas?
 - Can We Base This on a % of Historical Expenditures?
 - Should This be An Adjustment to the Adequacy Target Versus a Resource?
- 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

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 her focus on the mechanisms that will drive the formula and to encourage the group to do more work in these areas. She asked what is the purpose of the formula: there is a mix between thinking about the formula as serving institutions and serving students. This was confounding the purpose and level of analysis is leading to muddy logic throughout. She encouraged the group to resolve this issue and to develop more clarity about what the formula is trying to do. For instance, the conversation about affordability looks very different if the formula is institutionally focused than if the purpose of the formula is to provide postsecondary opportunities for students. If the formula is about institutions, then what is the state trying to achieve? How will the formula meet state goals? While there is a great deal of overlap, institutional goals are not the same as state goals. As such, how will there

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be an alignment between these different purposes? How will the formula not limit institutional innovation? How will the state think about not overstepping its role and limiting institutional autonomy? If the formula is focused on students, then cannot easily defined goals – like free college for low- income students – be used as a yardstick for understanding if the formula will produce the outcomes sought to address principles like college becoming more affordable in the state? Ms. Delaney raised the following regarding the hold harmless: more detail is needed about where hold harmless would be applied and what year would be used as a base year. Selecting only the highwater mark of funding, last year, or the year when the funding formula is completed is not a well-justified decision. Likewise, it is not yet clear if hold harmless will be applied uniformly across all areas or only applied in some areas and not others. Regarding equity adjustments, Ms. Delaney shared that both the groups that will be used for equity measures and how these groups will enter into the model needs to be resolved. In addition, she shared her concern about using different weights for different groups. There was some progress made on this since the last meeting by grouping together different groups. However, this still leaves open the question of whether it is right, and what values are revealed, if there are different dollar values associated with different student groups. In some state-based performance-based funding models, the same amount is offered as an incentive for members of each targeted group. These incentives can be added together if a person Why would we not do this in IL? Regarding affordability, Ms. Delaney shared that it is good to see attention given to affordability from a student point of view, but the expected UIF approach will not yield a more affordable system. This raises the question about what accountability measure will be used in the formula. In addition, there is a need to resolve the issue about how student aid is counted in the formula – is it a student resource or an institutional one? How does this work for federal student aid like Pell, state aid through MAP, and institutional aid? Will all sources of student aid be treated the same? What types of accountability carrots and sticks will be used? For instance, is the commission recommending price controls? Ms. Delaney noted that, so far, there is nothing in the model that addresses stability. This is one of the elements in the legislation and is very important to directly address in thinking about how the formula will work in the future.

Plan for Subsequent Meetings

Will Carroll outlined next steps, including:

- 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

Adjournment

The next workgroup meeting was scheduled for Thursday, June 22, 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

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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
Andrew Rogers

Support Team Members in attendance

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