

IL Funding Commission
Technical Workgroup meeting
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Public Comment
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There are three pillars in the charge to this funding commission. There has been a lot of attention paid to adequacy and now more attention is being paid to equity. However, very little attention has been paid to the concept of stability.

I want to urge this group to make recommendations to the full commission specifically about stability. I do not see an obvious place in the process where this will happen, but I worry that stability will not be thoughtfully addressed if the technical workgroup does not specifically make time and space to address this issue, and to make recommendations to the full commission.

First, it is important to note how funding formulas do not directly address stability. As we have seen in K-12 formulas, formulas can be underfunded – funded at 50%, 75%, etc. There is also a prohibition in Illinois against a current general assembly tying the hands (in terms of spending commitments) of a future general assembly.

Because of this, stability will not likely enter the formula directly. I recommend that additional and complimentary recommendations be made about stability specifically.

I have a new book coming out about volatility in higher education and want to share three research-based ways of thinking about stability that might be practical policy-relevant recommendations for this group.

1. Identify a dedicated revenue stream for higher education.
 - a. There are vast differences across states in level of volatility by state.
 - i. The most stable states are Western states with resource-based state revenue bases tend to be more stable than other tax bases.
 1. For example, TX institutions directly receive state oil revenues.
 - b. There are other examples of states that use dedicated revenue stream for higher education
 - i. Maryland = 0.5% corporate tax that is held in a trust for higher education
 - ii. Bible belt states and lottery revenue earmarked for higher education. TN, FL, etc. (not NC). Nearly all of this money goes into merit-based student aid programs.
2. Invest in student aid
 - a. States with higher spending levels on student aid recover more quickly from cuts to state appropriations (Doyle and Delaney, forthcoming).
 - i. Students tend to be a more attractive funding category for policymakers than institutions.
 - b. Recommend continued investment in MAP grants, but also to explicitly think about the balance between student-based voucher spending through MAP and direct institutional appropriations.

- c. I recognize that MAP is not within the purview of this commission, but it is still worth considering complimentary recommendations for this important revenue stream for institutions and vital need-based aid for students.
- 3. Find ways to make state spending counter-cyclical.
 - a. It is inevitable that there will be future economic downturns and that higher education as one of the largest discretionary budget categories will be one of the first areas on the chopping block.
 - b. Historically (not during COVID), enrollments increase during economic downturns when the state is cutting institutional funding forcing institutions to do more with less and calling into question educational quality.
 - c. At the federal level, the Pell grant as a quasi-entitlement serves a counter-cyclical function that supports low-income students during economic downturns (and supports students when states are cutting higher education funding).
 - d. There are examples of counter-cyclical funding in other domains like unemployment insurance.
 - e. Just focusing on state student aid spending, there are some examples of states that have built in buffers for economic downturns:
 - i. South Dakota – Need based Scholarship Program (Senate Bill 237) using an endowment-like model that only spending interest off a one-time appropriation.
 - ii. Tennessee – Education Lottery Program – lottery funding held in a trust with protections against “raiding” the fund for other state purposes. This money funds the Tennessee Promise program.
 - iii. Nebraska – Nebraska Opportunity Grant program functionally works in conjunction with funding from the Susan Bennett Foundation, which funds wraparound services related to students who receive the state grant.

I hope this feedback is helpful. I would be happy to share more detailed citations and research on these topics if that would be helpful for the group.