University Funding Formula Development Update

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History & Review

› There has never been a full-fledged, systematic (base) funding formula for state universities in Illinois
› Illinois believed to be the only state without a base formula
› A base funding formula is not required but also not prohibited
› There was some regular realignment annually through FY 95 based on the average subsidy per student & some lesser realignment in the years that followed
› This was very simple compared to thinking today, as can be seen in the performance funding law
› There has been no systematic realignment of base funding since FY 04
Performance Funding

- IBHE has been mandated to recommend the allocation of some funds based on performance since FY 13.
- Reallocations took place only in the early years & only 0.5%/yr.
- Formula closely linked to the law.
- For FY 19, 0.5% was set-aside but biggest loser would have lost only 0.15%, biggest winner just 0.3%.
- IBHE initially decided the formula should be reviewed after 5 years.
- A Working Group of university representatives & others has been created to work on a university funding formula.
Base Funding Formula

› Following passage of the new K-12 formula the General Assembly noted there also are community college formulas but there is not an overall university formula

› The General Assembly is clearly interested in a base formula

› Years of change without adjustments have created distortions

› Several elements of the performance formula, such as enrollment, can logically fit into a base funding formula

› IBHE Funding Formula Working Group asked to also consider base funding formula
IBHE University Funding Formula Working Group

› First 3 meetings: August 13, August 23 & September 11
› Reviewed current formula & options for different elements
› Options include possible base funding elements
› Review of other state performance formulas
› Research: Performance funding does not result in meaningful positive changes in performance
› Formula should be transparent but current formula is complicated & opaque
› Group understand the need to focus on a base funding formula
› Working Group concerned about being required to implement a base formula too quickly (time & proportion of funding)
Legislative Higher Education Working Group

› Presentation on university funding: August 30

› Questions from the IBHE Working Group discussed:
  – Should formula be performance or mainly a base formula?
    › Interest was clearly more for a base formula but also with perf. elements
  – What is the timeframe?
    › IBHE recommended a timeframe that seems to be acceptable to them (based on feedback from the IBHE Working Group)
  – What proportion of funds should be included?
    › Phase-in is anticipated, no specific time for phase-in at this time
  – Should formula assume new funds or also base funding?
    › Slow phase-in but eventually much of the base
    › Some discussion of how to guarantee support levels
  – What priorities, missions, outcomes should be considered?
    › Public Agenda, performance law, keeping students in Illinois represent a good place to start
Legislative Higher Education Working Group

› Clear desire from the group for a base funding formula
  – Liked the idea of a base formula with performance elements (Base Plus)

› Based on input from IBHE Working group we recommended:
  – Look at changes to the performance formula for FY 19 with an eye towards a move to base funding & improved transparency
  – Recommend changes to the performance funding law to require a base funding formula with performance elements in time to be passed before the end of the 2019 legislative session
  – A new formula would be approved in time to be incorporated into the FY 2021 IBHE university funding recommendations

› They did not formally accept this outline before we left but seemed inclined to see it as a good framework
Next Steps

› Pursue the outline presented to the HE Working Group with one exception:
  – IBHE Funding Formula Working Group supports using the existing formula for FY 2020 funding, rather than modifying it
  – They prefer to move directly to considerations of the new, Base Plus funding formula

› Begin look at Base Plus formula law language, to be forwarded to Higher Education Working Group by April 10

› Discussions of the actual Base Plus funding formula would begin once the new law is approved