

# Charge to the Work Group

University Funding Formula Working Group

August 13, 2018

# Reworking the Performance Formula

- ▶ When approving the current performance formula based on legislation it was decided it should be revisited & that time has come
- ▶ It has been a tumultuous period in Illinois higher education finance in the period since the original formula was approved
- ▶ The annual Board recommendations based on the formula have only been implemented twice
- ▶ Formulas generally are easier to implement when overall funding is increasing
- ▶ Years since the formula was approved saw the budget impasse & declining state support

# Reworking the Performance Formula

- ▶ Recommendations generally have only been to apply the formula to the minimum 0.5% of funding
- ▶ General belief is a formula must apply to at least 5% of funding to be meaningful
- ▶ In addition to the formula itself, the group will consider what percentage of funding the formula should redistribute
- ▶ The original formula was developed to start all universities from a zero point
- ▶ This is a logical assumption if the intent is to measure change in performance but it also assumes the base funding is appropriate

# Addressing an Overall Funding Formula

- ▶ After passing the elementary & secondary formula the General Assembly has been asking about the university funding formula
- ▶ Equalization grants act as a funding formula for community colleges
- ▶ IBHE has determined that there never was a systematic funding formula
- ▶ There was some annual realignments to funding based on costs/state subsidies until FY 1995 & lesser realignments continued until FY 2002
- ▶ There has been no systematic realignment since FY 2002

# Addressing an Overall Funding Formula

- ▶ There has been substantial change within the public university system since FY 2002
- ▶ GA Higher Education Working Group has indicated they want to focus on a university funding formula
- ▶ There has been additional public discussion advocating for the development of a funding formula that would go beyond the performance model
- ▶ IBHE promised the GA that we would include consideration of an overarching funding formula in conjunction with the review of the performance formula
- ▶ A formula needs to be in place by November 13 to be applied to the recommendations to the IBHE Board for FY 2020 funding