



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 annual realignment through FY 04 based on the average subsidy per student
- › This was very simple compared to thinking today
- › There has been no systematic realignment of base funding since FY 04



Performance Funding

- › IBHE has been mandated to recommend some funds be allocated 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 determined the formula should be reviewed after 5 years
- › A Working Group of university representatives & others has been created



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 a 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 2 meetings: August 13 & August 23
- › 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
- › 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 timeframe (which follows) seems to be acceptable
 - 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

- › Unless we get feedback to the contrary, assume we will pursue the outline presented to the Legislative HE Working Group
- › Look at options for adjustments to the current performance formula with an eye towards a Base Plus (performance) law
 - Including trying to make it more transparent
 - Must be completed in time for December Board recommendations
- › Begin look at Base Plus formula law language, to be forwarded to Higher Education Working Group no later than May 1
- › Begin discussions of the actual framework for the Base Plus funding formula & timeframe