

INITIAL REVIEW OF STATE FUNDING METHODS



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WHAT IS THE CURRENT BASE FUNDING SITUATION IN ILLINOIS?



- Known as a “base-plus” budgeting method
- Centered around a combination of factors:
 - Salary support
 - New facilities
 - Maintenance funding
 - New program requests
- +/- from the previous fiscal year appropriation based on final funding recommendations of the General Assembly
- No base formula to disperse state appropriated dollars

HOW DOES RELEVANCY PLAY A ROLE IN STATE METHODS FOR FUNDING?



- Funding policies among other states are a combination of different priorities and strategic decisions
- Nevada Example – defined a new state economic development strategy with two goals: Diversification and Innovation
- What would be relevant to Illinois?
 1. Meeting the needs of non-traditional students
 2. 60 X 2025
 3. Student Retention
 4. Faculty Retention

ITEMS TO BE CONSIDERED



1. Compare the Illinois existing method of funding higher education with the methods used in other states
2. Determine whether other methods would be appropriate and useful in Illinois
3. Submit a report of recommendations to the higher education working group, with a target date of May 2019

STATES' DETERMINATIONS OF FUNDING LEVELS FOR HIGHER EDUCATION



Vary from State to State and Within States in Major Ways:

1. Formula Versus Non-Formula Funding Methods
2. Performance Based Funding Methods
3. Use of Student-Derived Revenues

TYPICAL COMPONENTS OF STATE HIGHER EDUCATION **FUNDING** FORMULAS



1. Instruction
2. Remedial Instruction
3. O&M/Physical Plant
4. Academic Support
5. Library Support
6. Student Services
7. Institutional Support
8. Public Service
9. Research
10. Scholarships

Most states only use a fraction of the components in their formulas

COMMON ELEMENTS PREVALENT ACROSS STATES THAT USE FORMULAS



- Formula-driven states fund instructional activities through their formula
- Most of the states using a formula include a component of operations and maintenance of physical plant
- Most other metrics or funding components included in state formulas are calculated based on a percentage of the instructional support funding level, which makes them indirectly tied to enrollment levels

THREE EXAMPLES OF WHAT OTHER STATES ARE DOING



- Fully Formula-Driven - Texas
- Partially Formula-Driven (Hybrid) - New Mexico
- No Formula - Washington

EXAMPLE STATE I – TEXAS (FORMULA)



- Texas funding formulas are driven principally by enrollment and the actual cost of program delivery
- Texas has a small performance fund that is distributed outside the formula and is only applied to general academic institutions
- More than 50% of state appropriations for general academic teaching institutions are allocated via the following:
 1. An Instruction and Operations Formula
 2. Teaching Experience Supplements
 3. An Infrastructure Formula
 4. A Small Institution Supplement
- For every Texas institution, 25% of student-derived revenues are appropriated through the legislature
- Tuition rates are set by statute
 - Institutions are allowed to increase enrollment beyond the statute and pocket the difference

EXAMPLE STATE 2 – NEW MEXICO (HYBRID)



- New Mexico implemented a new funding formula for FY13
- This formula is used for calculating workload and funding needs for the budget recommendation
- To reflect mission differentiation between schools, New Mexico uses a separate funding formula for:
 1. Research Universities
 2. Regional/Comprehensive Universities
 3. 2 Year Colleges
- Each institution's FY12 instruction and general appropriations are used as the “base” for the formula.
- 5% of the total base will be distributed by PBF measures

EXAMPLE STATE 3 – WASHINGTON (NO FORMULA)



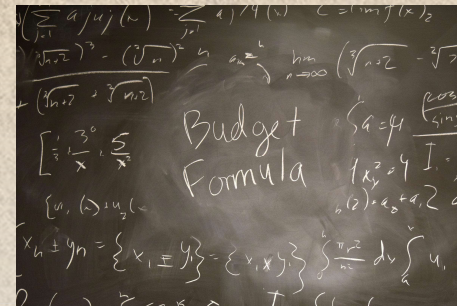
- In 2007, Washington resurrected performance based funding by allocating a portion of its institutions' budget based on student success
- The system rewards colleges when students reach various achievement points in their academic careers. One point is awarded each time a college student:
 1. Makes nationally recognized standardized test gains in math or in English language reading or listening
 2. Passes a remedial math or English course with a qualifying grade to advance toward college-level work
 3. Earns the first 15 college-level credits
 4. Earns the first 30 college-level credits
 5. Completes the first 5 college-level math credits
 6. Earns a certificate backed by at least one year of college, earns a 2Y degree or completes an apprenticeship
- A set dollar amount is predetermined and awarded for each achievement point
- No upper limit to the number of achievement points an institution can earn

START WITH A PLAN

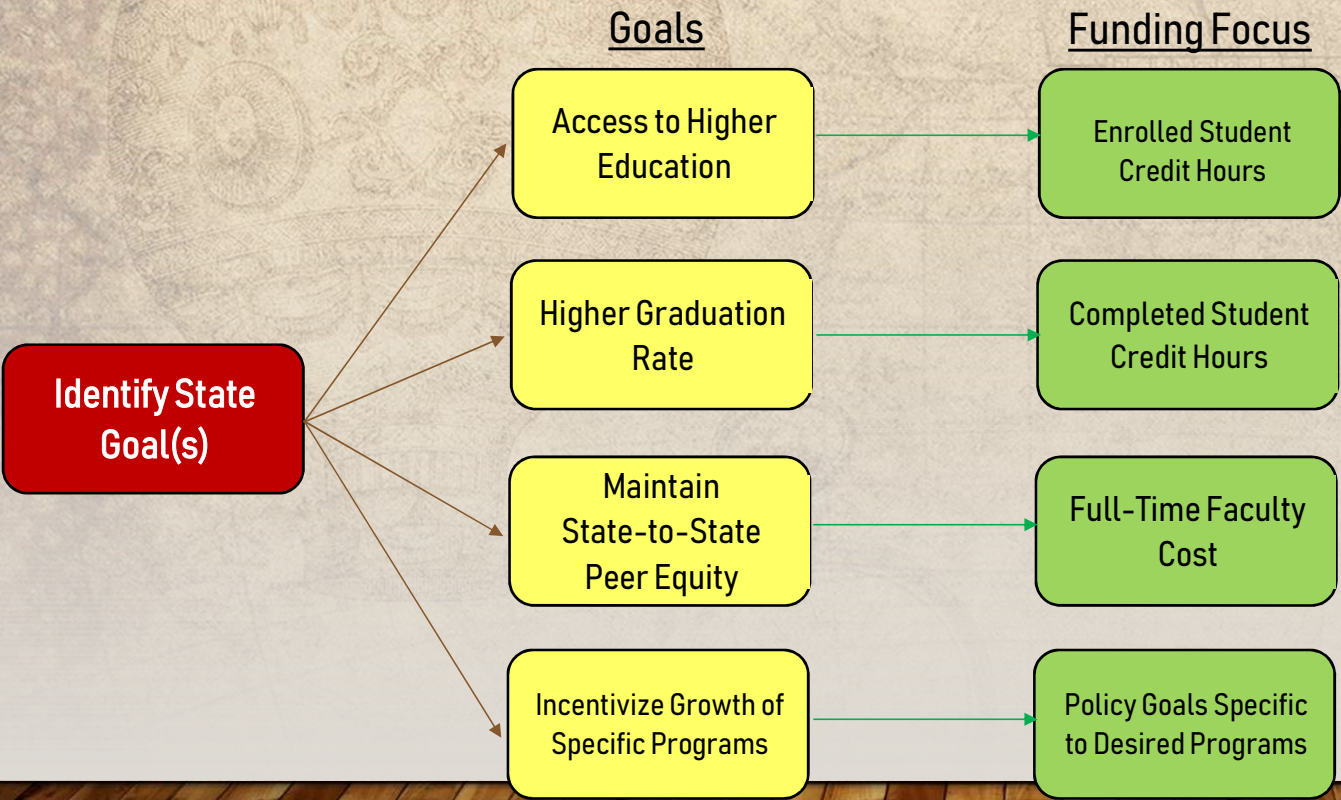


Designing and Evaluating a Base Funding Model First Requires:

- Defining the policy goals of Illinois
 - Follow existing legislation or recommend revisions to current law
- Discussing and focusing on the context and drivers shaping higher education in Illinois
- Coming up with recommendations on key principles and approaches for reforming Illinois' current funding model
- Example: Drive a message that declining funding levels and challenging student demographics are critical constraints on public universities' contribution to the state's economic goals?



STATE GOALS DETERMINE FUNDING PRACTICES IN MOST STATES



“Best practice in funding higher education depends on policy goals.”

STATE LEARNING LAB



Funding Success: State Learning Lab on Innovative Postsecondary Funding Mechanisms

- Hosted by the National Governor's Association with support from the Lumina Foundation
- Involves an application and selection process
- Share evidence based and postsecondary education finance models across states

Topics that will be covered:

- State financing programs that address the rising cost of college
- Increasing equity and access
- Aligning postsecondary financing with state attainment goals and workforce needs
- Incentivizing engagement, retention and completion through support services
- Explore innovations and refinements of outcome-based funding models
- Student debt, refinancing and tax policies

QUESTIONS?



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SOURCE

SRI International. "States' Methods of Funding Higher Education." Report for the Nevada Legislature's Committee to Study the Funding of Higher Education. August 2012.