ILLINOIS COMMISSION ON
EQUITABLE PUBLIC UNIVERSITY FUNDING

REPORT ON THE COMMISSION'S
RECOMMENDATIONS

March 1, 2024

To the Members of the Illinois General Assembly:

On behalf of members of the Commission on Equitable Public University Funding, we are pleased to submit this report in fulfillment of its charge to recommend "specific data-driven criteria and approaches to the General Assembly to adequately, equitably, and stably fund public universities in this State and to evaluate existing funding methods." The report includes recommendations for an adequacy-based, equity-centered funding model to distribute state resources to public universities. These recommendations recognize and address both the historic inequities underlying Illinois' access and attainment gaps among different groups of students as well as the unique institutional missions and characteristics across the state.

The Commission's work is aligned with the state's new higher education strategic plan, *A Thriving Illinois: Higher Education Paths to Equity, Sustainability, and Growth*, which outlines the need to invest in higher education in a way that is equitable, stable and sufficient and created a set of core principles as the foundation of any new funding approach. It also builds on the recent reinvestment in higher education under the leadership of the General Assembly and Governor JB Pritzker.

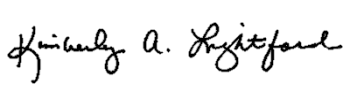
The Commission has produced the framework for a funding model that will, with the necessary State funding, ensure that all students at Illinois universities receive a quality and affordable education, regardless of their background or where they choose to attend. The funding model:

- Determines for each institution a **unique funding level based on its students' needs**, mission, and mix of programs.
- Encourages **greater access and success** for historically underrepresented students.
- Provides **a funding increase to every institution** when new dollars are invested.
- Ensures institutions have **flexibility** to invest in ways that best serve their students.
- Incentivizes institutions to **reduce reliance on student tuition** with increased state investment.
- Distributes new funding through an **equity allocation**.
- Calls for **transparency and increasing accountability** as institutions get closer to adequate funding.

The Commission believes these recommendations can deliver on the benefits of an adequate, equitable, and stable funding system as set forth in the legislation. We look forward to working with you to fund a world-class university system that improves access, attainment, and career opportunities for students across the state, supports the state's economic growth and innovation, and eliminates historical inequities and disparities.

Sincerely,

Co-Chairs of the Illinois Commission on Equitable Public University Funding



Kimberly Lightford
Senate Majority Leader

Carol Ammons
Representative

Pranav Kothari
IBHE Board Chair

Martin Torres
Deputy Governor
for Education

ACKNOWLEDGEMENTS

This report was made possible by the thoughtful contributions, effort, and support of many individuals and groups.

We would like to thank all the members of the Commission who spent over two years dedicating their expertise and time to this work. The full membership of the Commission is listed in the Appendix of this report. We are also immensely grateful to the representatives who were appointed to the workgroups by Commissioners. These workgroups were the engine of the Commission's work, developing thoughtful proposals on very complex issues for the Commission's consideration. A full list of workgroup members is on the Commission's website.

We thank the citizens, stakeholders, and especially students who submitted public comment throughout the process.

We thank HCM Strategists for facilitating and contributing valuable content expertise to the Commission's work.

Staff at IBHE provided essential leadership, support, research, and data to the work. Special thanks to Executive Director Ginger Ostro and her team, including Emily Chase, Jerry Lazzara, Eric Lichtenberger, Ja'Neane Minor, and Jaimee Ray.

Finally, we are grateful for the support of funding partners, including CME Group Foundation, Crown Family Philanthropies, Joyce Foundation, Steans Family Foundation, and anonymous foundations, who provided the financial resources needed to carry out a project of immense scope, scale, and impact.

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INTRODUCTION

The Illinois Commission on Equitable Public University Funding is pleased to share the results of its work to develop a more adequate, equitable, and stable approach to funding the State's public universities. This new approach recognizes and addresses both the historic inequities underlying Illinois' access and attainment gaps among different groups of students as well as the variety of unique institutional missions and characteristics across the state.

The Commission has produced the framework for a funding model that will, with the necessary State funding, ensure that all students at Illinois universities receive a quality and affordable education, regardless of their background or where they choose to attend. The funding model:

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- Distributes new funding through an equity allocation.
- Calls for transparency and increasing accountability as institutions get closer to adequate funding.

After nearly two decades of disinvestment, the state has made historic investments in higher education in the past four years, including appropriations to universities and student financial aid. The State has increased MAP funding by 75% since 2019 to an all-time high of $701 million and increased the AIM High grant from $35 million to $50 million. In Fiscal Year 2024, the State provided more than $2.5 billion to higher education overall.

Yet, to fully meet student needs in an adequate and equitable manner, the funding approach developed by the Commission estimates that the State of Illinois would need to increase funding to universities by approximately $1.4 billion in current dollars. This gap includes $787 million in new spending for equity components and $473 million in increased spending for all students. The remainder of the gap – close to $150 million – is a result of reducing the amount expected from students' tuition and fees and greatly reducing students' share of the overall cost. This investment would build on the significant successes in recent years to improve affordability, especially for low- and middle-income students.

These amounts represent unprecedented investment in higher education for the State, which will have to be met over time. The Commission believes this report makes the case that addressing historic underfunding and inequity warrants ambitious and deliberate investment. Such an investment also builds a significant public asset for Illinois and generates a significant return for the state's taxpayers. A 2016 study of the economic impact of higher education in McClean County found that every dollar spent on higher education generated $1.36 in economic activity, while a University of Illinois system study found that every public dollar spent generates $3.01 in return (Mohammadi & Beck, 2016, University of Illinois System, 2022).

Under the new formula, the funding needed at each institution is based on the particular make-up and needs of the student body, the characteristics and mission of the institution, and the resources it has available to it. Unlike the existing approach, the new formula is dynamic and would provide incentives and resources to

institutions that increase enrollment of historically underserved populations. With the necessary State investment, the formula is also intended to reduce the burden on students who have borne an increasing share of the costs of higher education due to state disinvestment. In Fiscal Year 2023, universities relied on tuition and fee revenue for $2.3 billion (65%), while they received $1.2 billion (35%) from State appropriations. The formula would flip that dynamic, with the State responsible for 57% of the total cost of adequacy, compared to 40% coming from tuition and fees and 3% from other institutional resources. Even as the State works towards fully funding adequacy, new resources from the State will be distributed in a more equitable manner, targeted to the institutions farthest from adequately funded.

The Commission worked diligently and deliberately for over two years to develop this report. The Commission learned from other funding approaches, evaluated data on student achievement gaps, and examined high-impact and evidence-based practices. The result of the effort is a higher education funding formula unlike any other in the nation. There are issues on which the Commission did not reach a conclusion and not every Commission member agrees with every element of the formula. The report reflects the areas where questions remained and where additional work will be needed in future years. On the whole, the formula makes significant strides to ensure the State invests in higher education at historic levels with equity at the center. The Commission looks forward to supporting the General Assembly as it considers the report.

Background and Context

Through Public Act 102-0570, the 2021 Illinois Legislature established the Commission on Equitable University Funding to recommend to the General Assembly at a minimum "specific data-driven criteria and approaches to adequately, equitably and stably fund public universities in the State and to evaluate existing funding methods." This report summarizes the Commission's work over the past two years and the resulting recommendations consistent with the legislative charge.

A Thriving Illinois and the CSU Equity Working Group

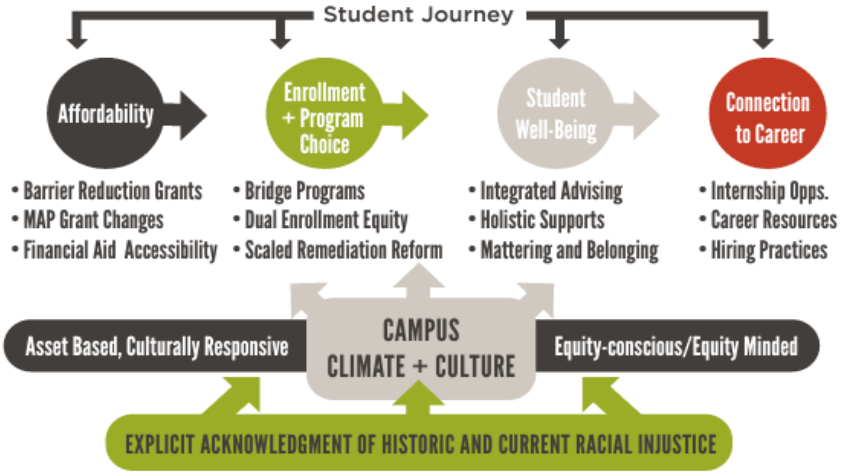
The legislative charge and work of the Commission is aligned to the state's higher education strategic plan, *A Thriving Illinois: Higher Education Paths to Equity, Sustainability and Growth* (*A Thriving Illinois*) and the recommendations of Chicago State University's Equity Working Group for Black Student Access and Success in Illinois Higher Education (CSU Equity Working Group). Both aim to address the significant educational attainment disparities present in Illinois across geographic, income and racial and ethnic demographics.

Adopted by the Illinois Board of Higher Education and endorsed by the Illinois Student Assistance Commission and Illinois Community College Board in 2021, *A Thriving Illinois: Higher Education Paths to Equity, Sustainability, and Growth* recognizes that higher education is the path to a thriving Illinois and that educational equity and Illinois' economic growth are inseparable. As such, the strategies outlined in the plan are designed to close equity gaps, build stronger financial futures, and increase talent and innovation to drive economic growth. The recommended strategies include developing a more equitable, adequate, and sustainable higher education funding system that would:

- Provide equitable funding so that students can receive the best educational experience and succeed;
- Support a thriving postsecondary education system that enriches the state and its residents;
- Fund institutions sufficiently to achieve student, institutional and state goals;
- Ensure affordability for all students;
- Recognize institutional uniqueness;
- Provide predictability, stability and limited volatility;
- Include a hold harmless provision;
- Support accountability;
- Support a collaborative higher education system; and
- Encourage partnerships outside of higher education.

The CSU Equity Working Group came together in 2020 to address the crisis facing Illinois' Black students and the state's education and economic sectors. The group, composed of 40 cross-sector leaders, developed an action plan to close the equity gaps that persist for Black students at all phases of their educational journey. The figure below summarizes the recommendations for higher education, which include acknowledgement of the racial injustices embedded in the postsecondary system, the creation of a funding formula that prioritizes racial equity, additional financial resources for institutions serving Black students, and making campuses safe and supportive environments for Black learners.

Figure 1: Equity Working Group for Black Student Access and Success



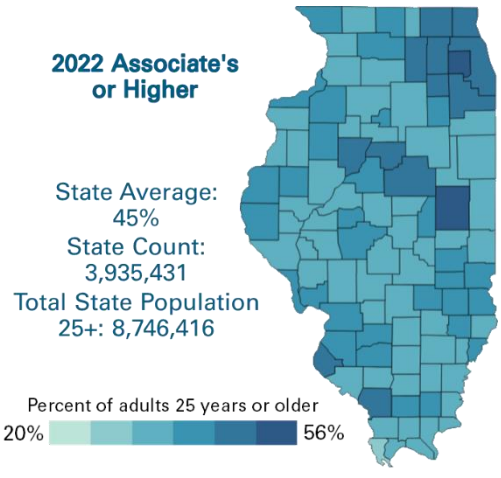
Understanding the Need for a More Equitable Illinois

The Commission's work is driven and informed by the deep and persistent gaps that exist across the full postsecondary continuum in educational access and attainment that exist across geography, race and ethnicity, and income.

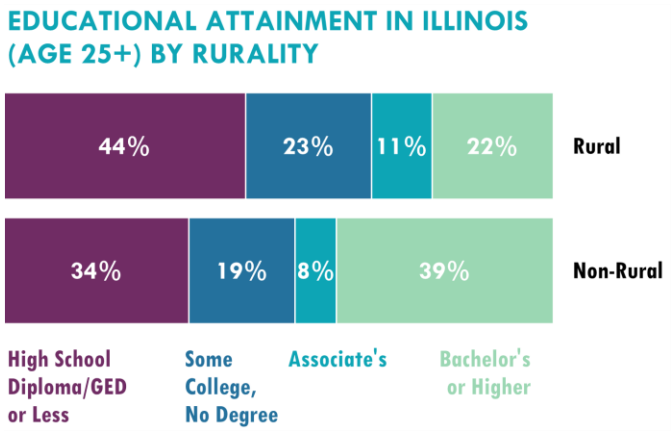
Geography

- Attainment rates range across the state from a high of 59% in DuPage County to a low of 18% in Alexander County.
- Rural adults are less likely to have a bachelor's degree but more likely to have an associate's or some college than adults from non-rural areas. Overall, college attainment rates are lower for rural adults (33%) compared to non-rural adults (46%).
- Rural adults are also more likely to have only a high school diploma or GED than non-rural adults.

Figures 2 and 3: Educational Attainment by County and Rurality



Source: 2022 American Community Survey 5-Year Estimates



Race and Ethnicity:

Between 2013 and 2021, enrollment dropped 37% for African Americans at the same time that enrollment for white undergraduates dropped by 34%. There are now 40,000 fewer African American students enrolled than there were in 2013. Enrollment among Latino students has increased since 2013, but there was a significant drop during COVID, such that the overall increase has only been 3%.

Attainment gaps are dramatic when the data is disaggregated by race and ethnicity. While 72% of Asian adults and 49% of white adults have a degree, only 31% of Black adults and 23% of Latino adults have a degree.

Figures 4 and 5: Enrollment Change over Time

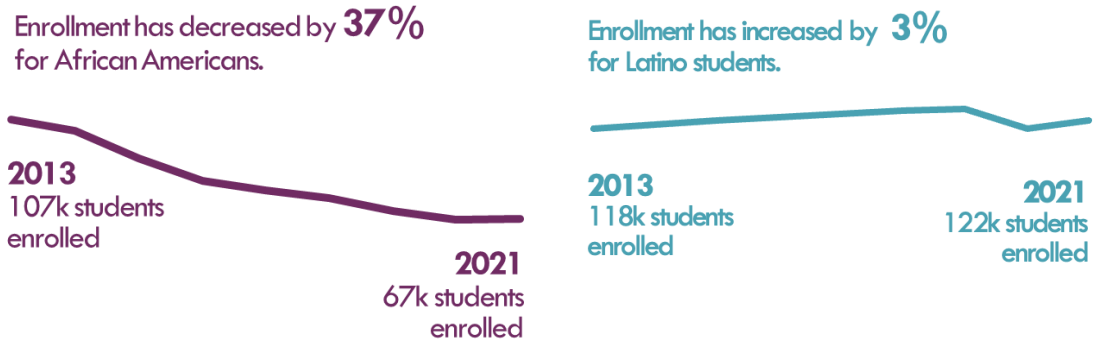
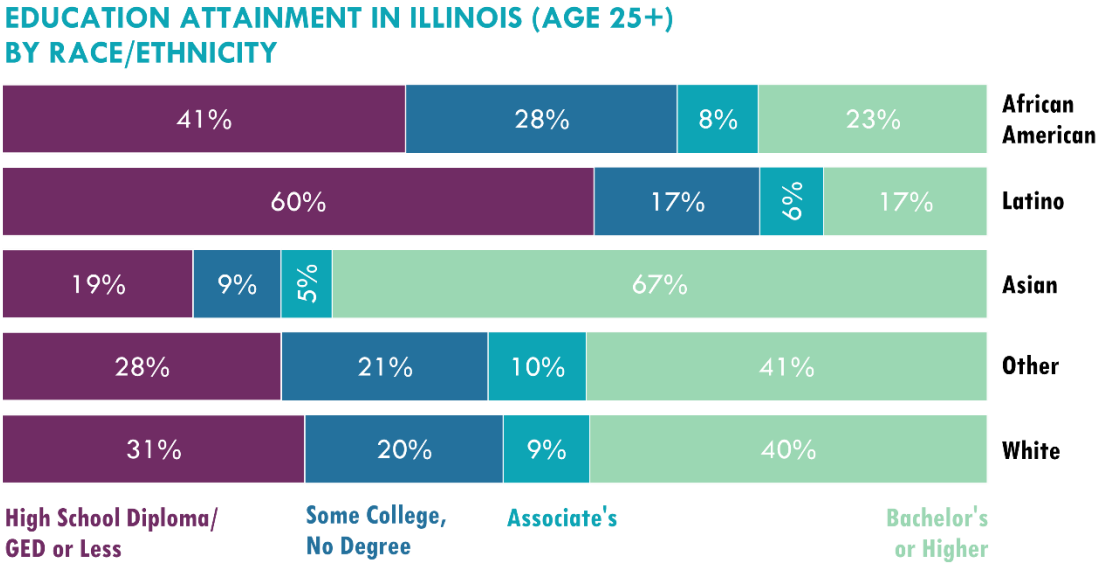


Figure 6: Education Attainment by Race



These gaps have to do with a lack of access to higher education and barriers to success once enrolled. College enrollment gaps by race/ethnicity persist, with fewer than half of African American and Latino high school graduates going on to college right after high school. Once there, African American students at

Illinois' public universities are graduated at half the rate as white students, while Latino students are graduated at a rate 17 percentage points below that for white students.

Figure 7: College Enrollment Rates for Illinois High School Graduates

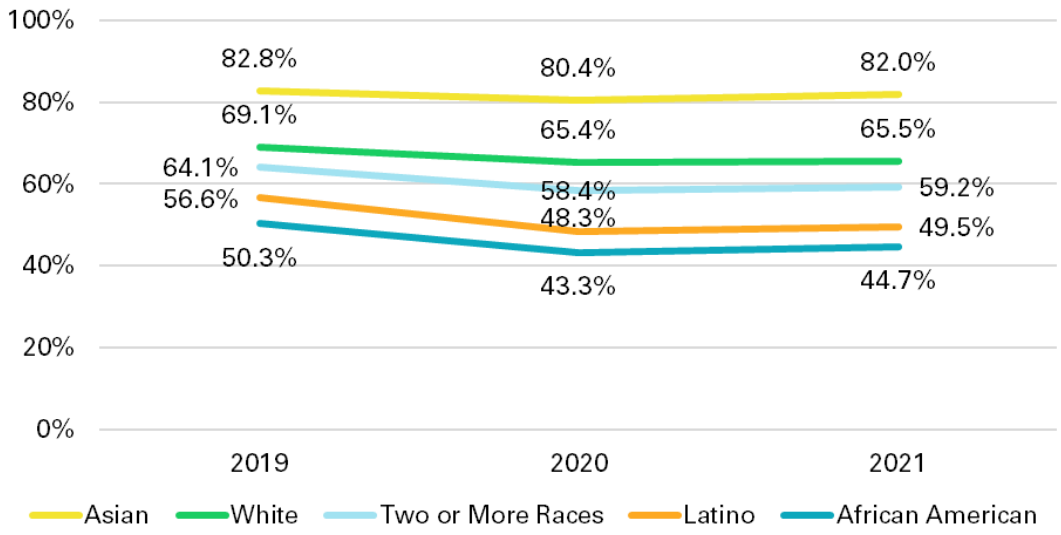
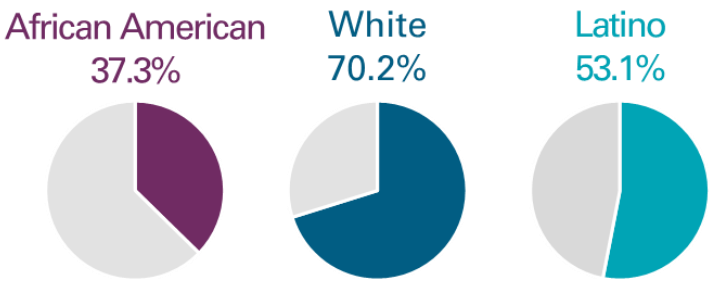


Figure 8: Graduation Rates at Public Universities



Gaps in enrollment, retention, and graduation exist for students from low-income families as well. Only 25% of high school graduates from low-income families continue on to a 4-year college, compared to nearly half of their higher-income peers. And once there, barely half graduate on time, compared to nearly three-quarters of their peers.

Figure 9: College Enrollment Rate for High School Graduates by Income

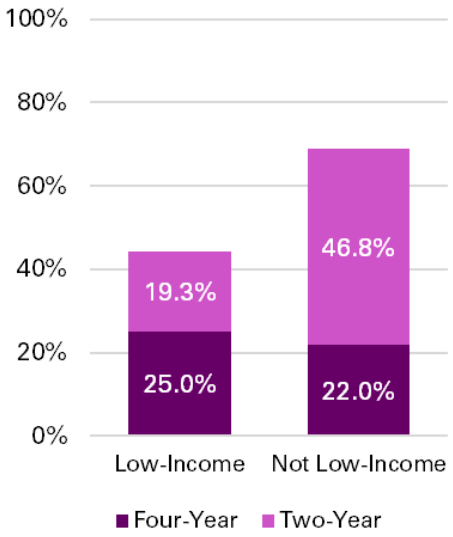
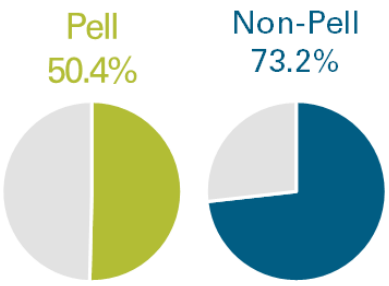


Figure 10: Graduation Rates at Public Universities



Each institution serves a very different student body, with different needs (See Appendix D). The charge to the Commission recognized these challenges and called for a funding model to overcome these gaps.

Legislative Charge

The Illinois General Assembly recognized these challenges and more in the legislation it passed establishing this commission. Public Act 102-0570 included a number of findings that establish the context for the Commission's charge. These findings included:

- The significant disparities in college access, affordability, and completion for historically underserved students, and the influence of systemic racism on these disparities.
- The connection between the state's current funding system and inequitable resources and outcomes.
- The importance of adequate, equitable, stable funding for ensuring students have the support and services they need.
- The historical underfunding of Illinois universities, and the disproportionate impact of those cuts on students of color.
- The increasing reliance on tuition to fund higher education and the increasing debt students are taking on to fund their education.
- The state's moral obligation and economic interest to dismantle and reform structures that create or exacerbate racial and socioeconomic inequities in higher education.

Public Act 102-0570 specifically charged this Commission with delivering "a report on the Commission's recommendations, including specific criteria and funding approaches in accordance with all applicable laws, to establish an equity-based funding model for the allocation of State funds to public universities." The charge notes that the recommendations must be equity-centered and consider 13 specific areas.

Those areas are:

1) Remediating inequities in funding that have led to disparities in access, affordability, and completion for underrepresented and historically underserved student groups, including students who are Black, Latinx, or from low-income families.
2) Ensuring that this State adequately, equitably, and stably funds public institutions of higher education in a manner that recognizes historical and current inequities impacting underrepresented minorities' higher education access and completion.
3) Providing incentives to all 4-year institutions of higher education in this State to enroll underrepresented and historically underserved student groups, including students who are Black, Latinx, or from low-income families, in proportion to the diversity of this State's population.
4) Allowing ongoing monitoring and continuous improvement of the public university funding models by requiring transparency and accountability in how State appropriations are expended and identifying a mechanism to study and review the implementation of any funding model developed and the long-term implications of this Act.
5) Creating guidelines for how funding is distributed during times of significant economic hardship, as defined by the Commission, so that public institutions of higher education are able to adequately, equitably, and stably serve students.
6) Ensuring that this State adequately and stably funds public institutions of higher education that serve underrepresented and historically underserved student groups, including students who are Black, Latinx, or from low-income families, and graduate and professional students, including doctors, dentists, pharmacists, and veterinarians.
7) Supporting the diverse individual mission of each public university, including its commitment to research and health care enterprises that serve and enhance the well-being of the residents of this State.
8) Fostering the economic activity and innovation generated by a university's activities, while recognizing the impact historic funding inequities may have had on the university's activities.
9) Taking into consideration the percentage of institutional aid provided from an institution's annual budget.
10) Taking into consideration the number of undergraduate students engaged in research at each university.
11) Supporting institutional efforts to recruit and retain world-class faculty and university leaders.
12) Ensuring stable and adequate funding for all institutions and that all universities are held harmless to their current funding level. The Commission may consider and report approaches to and the impact of a hold harmless funding provision for institutions of higher education as part of its final recommendations.
13) Taking into consideration the long-term implications and outcomes of the funding systems.

Structure and Process of Commission

Public Act 102-0570 established the membership of the Commission, including naming four co-chairpersons. The Commission chairpersons are Senate Majority Leader Kimberly Lightford, Representative Carol Ammons, Deputy Governor for Education Martin Torres, and IBHE Chair (John

Atkinson until October 2023 and then Pranav Kothari).[1] The full Commission includes 33 members, with representatives from the General Assembly, each of the 12 universities, advocacy organizations, fiscal policy organizations, faculty, a health care expert, a legal expert, a public university student, and a member of the Illinois Student Assistance Commission. The legislation charged IBHE with providing administrative support to the Commission and the workgroups, administering the Commission's operations, and ensuring that the requirements of Public Act 102-0570 were met.

The Commission began its work in November 2021. The initial phase of the Commission's work focused on creating a shared understanding of how Illinois' public universities are funded and the alignment of these approaches to critical state goals and objectives. The Commission heard from experts and reviewed research to learn from other state approaches for financing postsecondary education that promote equitable access and success. The Commission evaluated postsecondary funding models in Oregon, Louisiana, Colorado, Tennessee, California, as well as the Evidence-Based Formula (EBF) used in Illinois' K-12 system.

The Commission recognized that the other states' models were only for distribution of resources, rather than helping define a sufficient level of resources. Therefore, the Commission chose to pursue an equity-centered adequacy funding model more akin to the State's K-12 EBF model. To help adapt such a model to the specific dynamics of the higher education sector, and to consider how to address the various functions of a university and account for different institutional missions, the Commission established three workgroups: Adequacy, Resource, and the Technical Modeling Workgroup.

The role of the workgroups was to inform the analytical, data, and technical modeling components of the Commission's work. The workgroups comprised a subset of Commission members and other assigned representatives. Each member of the Commission had the opportunity to serve or have a designee serve on a workgroup. Workgroups were not decision-making bodies, but provided added, focused capacity to the Commission to elevate and understand options for addressing funding components and considerations. The representatives on the workgroups were selected by the co-chairs and reflected the groups and organizations on Commission with regional, mission and other attributes represented.

Adequacy Workgroup: The Adequacy workgroup supported the Commission's work in identifying the components that comprise an adequate and equitable finance structure for universities in context of the legislative charge and definitional concepts developed by the Commission. The workgroup analyzed the various functions of a university and ways to account for different institutional missions in developing institutional "Adequacy Targets" that help inform the cost of achieving adequacy for each institution.

Resource Workgroup: The Resource workgroup defined the different types of resources that would be available to institutions to contribute toward their Adequacy Targets. These Resource Profiles include resources from the state, such as appropriations, as well as student tuition and fees and "other" institutional resources, such as private gifts, grants, and contracts.

[1] Former IBHE Board Chair John Atkinson was the original chairperson representing IBHE but was replaced by Chair Kothari in October 2023.

The Adequacy and Resource workgroups met from June until December 2022. Once the Commission reviewed the output of these two workgroups and determined an overarching conceptual framework, it empaneled the Technical Modeling Workgroup in January 2023.

Technical Modeling Workgroup: The Technical Modeling Workgroup took the conceptual framework informed by the Adequacy and Resource Workgroups and advanced by the Commission to begin modeling funding scenarios and implementation options. The workgroup identified the data points aligned to the adequacy components and resource work, developed Adequacy Targets and Resource Profiles based on the identified components, and modeled and analyzed various funding scenarios for state investment and allocation of resources.

Public Input and Transparency: The Commission benefited from an open process with many opportunities for public input. All meetings of the Commission and workgroups were conducted according to the Illinois' Open Meetings Act. Materials and minutes were posted to the Commission's website. All meetings ended with time for public comment. Written public comments were also accepted and posted to the Commission website. The Commission is grateful to all those who attended and contributed comments at the meetings and thereby to the work of the Commission.

Illinois University Funding Context

As noted in the establishing legislation, the Commission's work seeks to reform a funding system that has contributed to racial and socioeconomic inequities and has suffered from historical disinvestment in public universities. Historically, the General Assembly has provided across-the-board increases or decreases to each university's operating funds. A handful of universities also receive line-item appropriations to support specific activities such as scholarships, research, institutes, community outreach and support, or student success initiatives.

An across-the-board funding approach perpetuates allocation decisions first made decades ago. It fails to account for the changing characteristics and needs of students attending Illinois' public universities. Research demonstrates that it requires additional resources to support historically underrepresented and underserved students in successfully completing a degree (Levin et al, 2022). Some institutions enroll higher percentages of these students, requiring greater investment at these institutions. Furthermore, as all Illinois institutions work to increase access for these student groups, they will all need additional resources. An across-the-board funding approach is static, unresponsive to overall changes in enrollment and relative shifts between institutions. Across-the-board funding does not invest Illinois' higher education resources strategically to advance current State priorities or to reflect the current needs of the system.

These challenges are further exacerbated by a long period of underinvestment in public universities. Until the recent increases provided by Governor Pritzker and the General Assembly, Illinois had cut its support for higher education over the past two decades in nominal dollars, and by a much larger amount when adjusting for inflation. According to an analysis by the Center for Tax and Budget Accountability, from 2000 to 2020, the state investment in colleges and universities dropped by 46% in inflation-adjusted terms. (Wasik et al, 2023) Table 1 looks at a shorter time frame from 2015 to 2023, but illustrates a 22% cut in inflation adjusted terms, with all universities within a percentage point or two of the statewide average.

Table 1: Illinois University Funding from FY 2015 to FY 2023
(inflation-adjusted $ in thousands)

	FY 2015	FY 2023	Dollar Change	Percent Change
Chicago State University	$50,746	$40,077	-$10,749	-21%
Eastern Illinois University	$57,759	$43,503	-$14,347	-25%
Governors State University	$31,970	$24,353	-$7,666	-24%
Northeastern Illinois University	$49,025	$37,345	-$11,756	-24%
Western Illinois University	$68,378	$52,077	-$16,407	-24%
Illinois State University	$95,963	$73,125	-$22,988	-24%
Northern Illinois University	$121,076	$92,217	-$29,049	-24%
Southern Illinois University (system total)	$267,633	$207,972	-$60,080	-22%
University Of Illinois (system total)	$847,502	$669,441	-$179,389	-21%
Illinois	**$2,437,554**	**$1,909,552**	**-$528,002**	**-22%**

As those resources diminished, institutions were forced to increase tuition. Between 2000 and 2021, the average tuition and fees at the twelve public universities increased by 115 percent (Wasik et al, 2023). According to the College Board, average published tuition and fees ("sticker price") at public universities in Illinois went up by 63% in inflation-adjusted dollars between 2004-05 and 2016-17. Since then, inflation has slightly outpaced tuition increases, but tuition remains 46% higher in constant dollars than it was 20 years ago (Ma & Pender, 2023). Looking across community colleges and universities, since 1980 Illinois has seen a 374% increase in the total revenue generated by tuition, the fourth highest in the nation. As a result, higher education is increasingly reliant on student tuition as a major source of revenue. Net tuition accounted for 18.6% of total revenue in 2001 but grew to 29.5% in 2022. For the public universities, tuition makes up 33.1% of total revenue (SHEEO, 2023).

Illinois has started to reverse course in recent years, but it still has a way to go. Since 2019, public appropriations for public universities per full-time equivalent have increased by 10.7% in constant dollars. That is a notable increase, but only falls in the middle of the pack among the 50 states and D.C. (SHEEO, 2023).

Enrollment declines, partly attributable to rising student costs and declining institutional competitiveness, have created additional challenges for many of the universities and for the state in meeting its attainment goals. The decline has been uneven, impacting certain institutions more severely than others. Between 2017-18 and 2021-22, Chicago State University lost 31% of its student headcount and Northeastern Illinois University lost 40% of its headcount. On the other hand, the University of Illinois Chicago and University of Illinois Urbana-Champaign experienced 11% and 15% increases in student headcount, respectively. These enrollment disparities also impact equitable funding, as the increases in enrollment helped some of these institutions weather the state appropriation cuts, while the lost tuition revenue exacerbated the impact of state cuts at institutions losing enrollment, especially among students of color.

Overview of Funding Formula Framework and Goals

Overall Framework

The Commission's charge was not just to develop a new way to distribute state funds to Illinois universities, but to develop an adequate, equitable, and stable funding system. Many states' higher education finance systems – including those reviewed by the Commission – have ways of addressing equity and other priorities in how they *distribute* funding. But none define the total funding that should be provided in order to ensure adequacy and equity. The concept of funding based on adequacy is more prevalent in K-12 finance systems, including in Illinois. Therefore, to meet its charge, the Commission looked to lessons from Illinois' Evidence-Based Formula (EBF) in developing a new framework for financing universities. If this framework is enacted, Illinois will set a new standard for how to fund universities adequately, with equity embedded, that: (i) when fully funded, institutions will have the resources they need to fulfill their individual missions and meet the needs of all their enrolled students, irrespective of race, ethnicity, income status, or other innate characteristics; (ii) while funding for institutions is increasing over time to reach full funding, public universities in Illinois will be gaining additional resources needed to help them attract, retain, and graduate more traditionally underrepresented students; and (iii) institutions which already have a relatively high proportional enrollment of traditionally underrepresented students will receive additional resources to help those institutions meet the needs of these students by, among other things building and enhancing the supports needed to counter structural racism specifically, and historical disadvantage by race, ethnicity, and income generally.

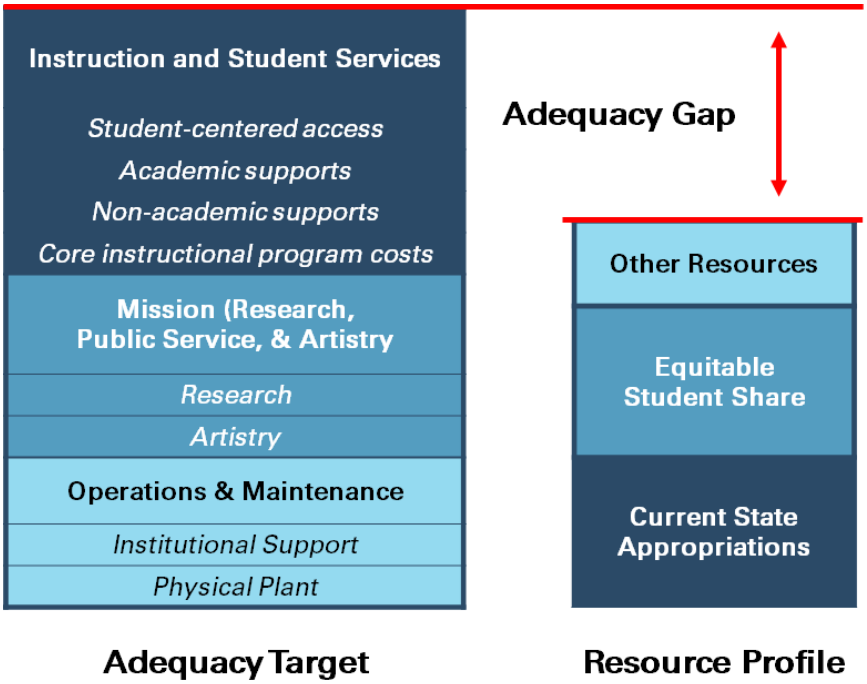
The conceptual framework for an adequate and equitable funding system starts with an equity-centered **Adequacy Target** for each institution. This target reflects the total cost of what it takes for institutions to provide support for students to succeed, from instruction and student services to operations and maintenance and research. **Equity adjustments** are made to the target based on different levels of student need, as evidenced by state data and costs rooted in research, to achieve equitable access and success for historically underserved student populations. **Other cost adjustments** are made based on institutional characteristics to reflect variations in size and mission.

Next, the framework identifies the **Resource Profile**, the resources available to cover the costs of the Adequacy Target. These include existing levels of State funding, an estimate of a reasonable and affordable level of tuition and fees, and other resources like gifts and grants.

Finally, over time, new **State funds fill in the Adequacy Gap** between the Adequacy Target and Resource Profile. Increases in State funding each year will prioritize equity, predicated on each institution's Adequacy Gap, while also ensuring that all institutions receive some new funding annually to build stability into the funding formula.

The conceptual framework is dynamic. Institutions' Adequacy Gaps will be recalculated each year to ensure they reflect the current needs of students and institutions, as well as higher costs due to inflation. As institutions evolve – by enrolling more historically underrepresented students, growing their enrollment, adding new programming, or expanding their research mission – this framework will ensure State funding keeps up with those changes.

Figure 11: Adequacy Framework



Goals: Adequacy, Equity, Stability, and Affordability

To operationalize this framework in a funding formula that calculates adequacy, or the cost of fully funding universities to achieve desired outcomes, the Commission defined the key goals underlying the framework: adequacy, equity, stability, and affordability.

Adequate Funding: This is the aggregate amount of funding necessary: (i) to equitably support all students to enroll in an Illinois public university and complete a degree without placing undue financial burden on students and families and (ii) for each university to carry out its mission based on its individual characteristics. Each university is unique in its mission and individual characteristics, much like the students they serve. The cost of adequacy will vary across institutions based on the different needs of students being served, different degree types, and the different mission components across institutions. Achieving adequacy requires directing new State investments to institutions with the greatest Adequacy Gaps after accounting for other revenue sources.

How the Formula Supports Adequate Funding: The formula accounts for the costs of all the core elements needed to deliver an education of sufficient quality, inclusive of needed equity-based adjustments, to generate material, long-term and sustainable growth in statewide student attainment. Every institution's Adequacy Target represents an increase over current spending to support students. These adequacy components, once fully funded, should improve access, persistence and completion for all students, and especially for underrepresented and historically underserved students. To uphold and support the individual missions of each university, including research and graduate education, the formula differentiates funding needs for high-cost/high-priority programs (including medical and other health professional degrees) as well as those institutions with high levels of research. The formula identifies the

need for $1.4 billion[2] in additional state funding to universities to support the full cost of equity-centered adequacy, with the anticipation that this would be funded over a period of time.

Equitable Funding: An equitable funding formula recognizes the varying levels of financial resources available to each institution, accounts for differences in students' ability to pay, and factors in the different levels of support needed for students from varying backgrounds to be successful, particularly those historically underserved by higher education. This includes, but is not limited to, Black, Latinx, low-income (receiving a MAP or Pell Grant), rural, and adult student groups. An equitable funding formula requires that institutions both receive and use dollars in a way that recognizes these differences in need. Student groups with the largest equity gaps are not evenly distributed across Illinois' universities. Appendix D illustrates the variance in enrollment of a few historically underrepresented and underserved student groups across the twelve universities. Equitable funding will prioritize distribution of new State funding to institutions based on their enrollment of these populations. It will also provide incentives for institutions to recruit and retain more of these students, knowing that the State will support the additional costs associated with ensuring these students' success.

How the Formula Supports Equitable Funding: The formula calculates adequacy in an evidence-based, data-driven way that accounts for access and achievement gaps. The adequacy target for a university will rise or fall based on the needs of the students they enroll and serve. The formula includes nearly $800 million in the cost of adequacy to support evidence-based, data-driven equity adjustments to address access and success gaps (see Tables E-3 and E-5 in Appendix E for a list of the practices that informed these adjustments). Universities will receive this additional funding based on enrolling students from the following populations: adults, rural students, students who attended EBF Tier 1 and Tier 2 high schools[3], students from low-income families, and underrepresented minority students. The formula also puts more responsibility for funding the Adequacy Target on the State and less on student tuition. Finally, the allocation of new State resources will be driven primarily by the Adequacy Gaps, thereby ensuring new resources are targeted to institutions farthest from adequately funded. Regardless of the level of State investment, this produces a more equitable allocation of State funds over the current across-the-board approach.

Stable Funding: State funding should be predictable year-over-year, avoiding volatility and inequitable or arbitrary cuts while making progress toward achieving adequate and equitable funding for all institutions.

How the Formula Supports Stable Funding: The formula only allocates future changes in State funding, ensuring institutions are held harmless at their current funding levels. The formula also uses a three-year average for most data points, which reduces the impact of large swings from one year to the next.

Affordability: State funding should provide sufficient resources to universities to begin reducing the burden placed on students in the form of tuition and fees. A funding formula focused on affordability should expect students to pay a reasonable and affordable amount towards their education. Students should not

[2] The $1.4 billion estimate reflects current dollars.
[3] EBF Tier 1 and Tier 2 school districts are historically and currently the least well-resourced in the state resulting in students attending underfunded schools with inequitable access to resources to support learning.

be expected to pay for any of the costs related to equity adjustments, which are linked to historic inequities and seek to put those students on equal footing for success. A reasonable and affordable amount will vary based on students' ability to pay, which the formula takes into account based on available data.

How the Formula Supports Affordability: The formula is designed to allocate State funds in a way that considers students' need for state support in affording the cost of higher education by utilizing a concept of "Equitable Student Share." Under the formula, Equitable Student Share (ESS) is the hypothetical dollar amount an institution should generate from student tuition and fees, including financial aid, based on the characteristics of the institution's student body. It is not the actual amount that students are currently paying. The purpose of the ESS computation is to, over time, shift some of the costs of higher education away from tuition and fees paid by students and their families to State funding. Based on current enrollment, the initial share of the total cost coming from ESS would be 40% statewide, with variation across institutions. As universities enroll more Illinois residents, especially low-income students, underrepresented minority students, adults, and students who attended EBF Tier 1 and Tier 2 high schools, the formula will lower the institutions' share of revenue expected to be generated from tuition and fees. This shifts more responsibility for the total cost from students to the State. As new State investment fills the Adequacy Gap, institutions should gain the resources to help keep their costs affordable. In-state students, both graduate and undergraduate, are also subsidized in the formula. This will help make Illinois universities more competitive with out-of-state institutions so they can keep more Illinois talent in the State.

Description of the Funding Formula

The formula calculates an **Adequacy Target** for each institution. This Adequacy Target represents the full amount needed to deliver an equitable and adequate education, based on the specific characteristics of the institution and its student body. The Adequacy Target is made up of three core components that are essential to delivering a quality education and student success: Instruction and Student Services, Mission, and Operations and Maintenance (O&M). Each of these components has a base cost per student. Equity Adjustments are made to the base cost to reflect variable student need and the state's priority of increasing more equitable access and success for historically underserved student populations. Adjustments are also made for institutional characteristics, such as research mission and size. These adjustments are intended to accomplish two objectives: 1) account for the different levels of resources necessary to deliver different programs and missions, and to generate successful academic outcomes for different groups of students, and 2) incentivize the enrollment and success of historically underrepresented student groups.

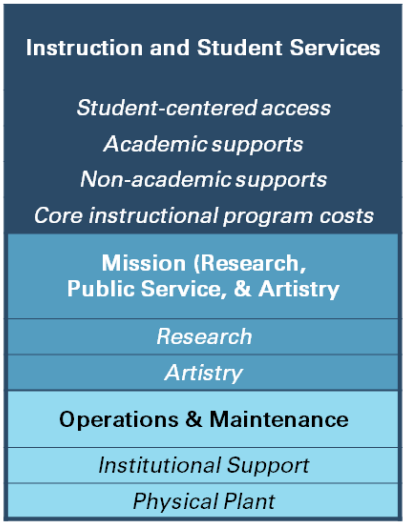
The formula next calculates a **Resource Profile** for each institution. The Resource Profile represents the amount of resources an institution has available to cover the costs of its Adequacy Target. The Resource Profile is made up of current state appropriations, Equitable Student Share, and Other Resources such as grants, contracts, and gifts. The Equitable Student Share estimates a reasonable and affordable amount of tuition and fees an institution should collect from its student body, based on the characteristics of that body.

Finally, each institution's **Adequacy Gap** is calculated by subtracting the Resource Profile from the Adequacy Target. The Adequacy Gap is the primary driver of future state allocations, as discussed in the Allocation Formula section below.

Adequacy

The components of an adequate education as outlined by the Adequacy Workgroup are represented in Figure 12. They are Instruction and Student Services, Mission, and Operations and Maintenance. Instruction and Student Services consists of Student-Centered Access (e.g., summer bridge programs), Academic Supports (e.g., Learning Communities), Non-Academic Supports (e.g., career services), and Core Instructional Program Costs. Mission comprises Research, Public Service and Artistry. Operations and Maintenance includes Institutional Support and Physical Plant.

Figure 12: Adequacy Target Framework



To focus its efforts on the most essential elements of higher education, the Commission excluded some costs from the adequacy framework. The framework does not include expenditures for hospitals, athletics, auxiliaries (e.g. housing), health insurance, or deferred maintenance. While these topics can absolutely impact adequacy and equity, many also introduce a level of complexity that the Commission did not have the data or information necessary to disentangle sufficiently at this time. Future work could examine how to incorporate these categories into the formula, or how to fund them separately in a way that prioritizes

adequacy and equity. The Commission also notes that the adequacy framework also does not include institutional financial aid. The formula addresses affordability in the Resource Profile through Equitable Student Share by setting an affordable and reasonable amount to be generated from tuition revenue based on the individual characteristics of the student body, net of institutional aid. This approach, discussed more in the Equitable Student Share section below, leaves universities free to pursue institutional aid decisions without impact in the formula.

Approach to Defining Adequacy

To develop the adequacy costs used in the formula, the Commission started by calculating the average statewide expenditures per student headcount in each of the adequacy components. Given that Illinois' universities have been underfunded for many years, the Commission recognizes that the current level of spending fails to provide both adequate and equitable funding. Therefore, the Commission sought to identify a benchmark or goal that would inform the right increase to the current spending level. There is a substantial body of research linking increases in expenditures and state appropriations with improved student outcomes[4], including estimates that at four-year universities, a $1,000 per FTE increase in appropriations is linked to a 1.5 percentage point increase in the likelihood of completing a bachelor's degree. (Chakbarati et al, 2020). A regression analysis of the relationship between graduation rates and "education and related expenditures" at public and private four-year institutions identified a similar ratio, wherein a one percentage point increase in the graduation rate was associated with a $500 increase in spending per FTE. Using this analysis and research as a guide, the Commission included an increase in spending that could be associated with an increase in the graduation rate at Illinois universities from its current level of 63.3% to 70%. This translates to providing universities with $5,161 more per student over current spending levels.[5] The Commission recognizes that many other factors go into graduation rates and does not expect that full funding of the formula will guarantee a 70% graduation rate statewide. Rather, the Commission found it an informative way to determine a reasonable increase in spending to move towards an ambitious benchmark for systemwide outcomes.

Next, the Commission established equity adjustments for various base spending components, described in more detail further below. The Commission identified services within each adequacy component that are necessary to address historical inequities and existing gaps in student outcomes. The costs of the adjustments were derived from evidence-based access and student success practices (See Appendix E). The overall increase in spending from the equity adjustments makes progress towards the $5,161 base per student increase and does so in a way targeted at the students farthest below the statewide average graduation rate. After accounting for the increased spending from the equity adjustments, a gap of $660 per student remained to the target increase. The formula distributes that $660 across the Instruction and Student Services base costs. This approach increases overall state spending to a level associated with a noteworthy completion goal, both by investing heavily in equity to eliminate existing achievement gaps and by raising the floor for all students.

[4] See also Demings and Walters, 2018, which finds a 10% increase in institutional spending increases bachelor's degree attainment at four-year institutions by 4.5% and Bound et. al., 2019, which finds that a 10% decrease in state appropriations per FTE for public four-year institutions leads to a 3.6% decrease in bachelor's degree completion.

[5] The ratio of $1,000 per FTE to 1.5 pp increase was adjusted by converting to headcount and inflating to current dollars. Further details are provided in the technical appendix.

The flowchart below illustrates the calculation of an institution's Adequacy Target. Below that, Table 2 provides the costs and adjustment amounts that are used in the formula. For a given institution, the formula calculates the cost associated with every individual degree-seeking student within each adequacy component, then sums them all to generate the Adequacy Target. Every degree-seeking student – undergraduate, graduate, and professional – receives the base cost, with equity adjustments added to that base cost if the student or institution is eligible. All costs are per student except for the Physical Plant costs which are based on the square footage of the institution. The formula is limited to only degree-seeking students and uses headcount rather than FTE in calculating the target. The intent of using headcount in the formula is to provide adequate resources to those students enrolling part-time as well. However, some Commission members did believe it would be reasonable to use FTE, especially for components like Core Instructional Program Costs where the costs do vary more based on full-time and part-time enrollment.

Figure 13: Adequacy Target Flowchart

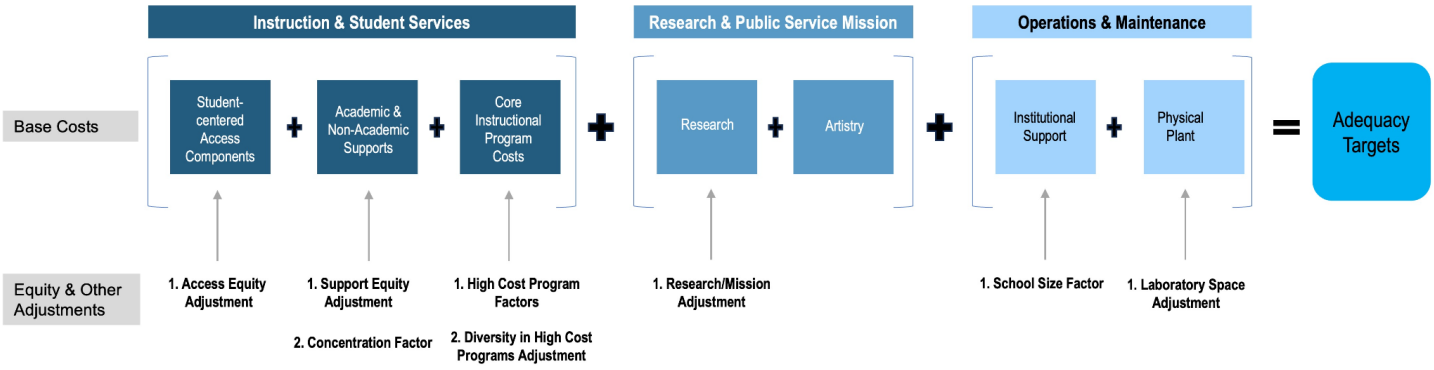


Table 2: Adequacy Base Costs and Adjustments

Adequacy Component		Base Cost Per Student (*All Students*)	Adjustment 1	Adjustment 2
Instruction and Student Services	Student-Centered Access	$1,136	**Access Equity Adjustment** Medium, Low +$1,000, $500 *Undergrad (UG) only*	
	Academic & Non-Academic Supports	$2,196	**Support Equity Adjustment** Intensive, High, Medium, Low +$8,000, $6,000, $4,000, $2,000 *UGs eligible for all, Grad/Prof eligible for High & Medium*	**Concentration Factor** >75% of UG in Int/High: +50% 60-75%: +30% 50-60%: +10% *Applied to Adjustment 1 amounts*

Table 2: Adequacy Base Costs and Adjustments, continued

Adequacy Component		Base Cost Per Student (*All Students*)	Adjustment 1	Adjustment 2
Instruction and Student Services, *continued*	Core Instructional Program Costs	$9,797	**High-Cost Programs Factor** High-Cost: +20% Health Prof: +100% Medical: TBD *All students enrolled in these programs are eligible; Applied to Base cost*	**Diversity in High-Cost Programs Adjustment** High-Cost: +45% Health Prof: +69% Medical: +18% *All students enrolled in these programs are eligible; Applied to Adjustment 1*
Research & Public Service Mission	Research	$600	**Research Factor** R3: +$500 R2: +$700 R1: +$1,200 *Applies to all students*	
	Public Service & Artistry	$200	N/A	
Operations & Maintenance	Institutional Support	$1,941	**School Size Factor** Sliding scale from 45% to 0% based on the total enrollment, capped at 20,000 students. *Applies to all students*	
	Physical Plant	$7.78 (per sq ft)	**Laboratory Space Adjustment** +$1.54 per lab sq ft	

The following section provides details about each adequacy component including defining the costs included therein and explaining any equity or other adjustments.

The Commission notes that it did not have as extensive data or research available to develop some of the equity adjustments for graduate students as it did for undergraduates or the research available to fully assess the costs of needed supports. For example, there is not a measure of low-income for graduate students in the formula, as they are not eligible for Pell or MAP Grants, the criteria used for undergraduates. The formula review process should assess new opportunities for expanding the data used in the formula to account for graduate and professional students and should provide an overall assessment of how well the formula provides for an adequate and equitable graduate education, recognizing the wide variations in types of graduate programs.

Instruction and Student Services

Student-Centered Access – This component includes costs related to outreach, recruitment, and enrollment of students, including admissions and financial aid offices.
Base Cost: $1,136 per student

Equity Adjustment #1 – Access

- **Eligibility**: Undergraduate students who are adults, underrepresented minorities (URM), low-income family (Pell or MAP), rural.
- The eligible populations were identified based on four-year college enrollment rate gaps among graduating high school students in Illinois as seen in Table 3 below.
- **Amounts:** $500 or $1,000 per student
- The amounts were derived from costs of evidence-based practices that increase college enrollment among historically underrepresented students (See Appendix E). Student populations with the larger college enrollment gaps receive the higher adjustment amount.
- **Purpose:** Incentivize and support activities that increase the enrollment of historically underrepresented student groups.

Table 3: Access Equity Adjustment Tiers

Statewide 4-yr College Going Rate Gap	Student Characteristic	Tier	Equity Adjustment Amount
-21.8%	**Low-Income**/Not Low-Income	Medium	$1,000
-19.0%	**Rural**/Not Rural	Medium	
-16.2%	**Latino**/White	Medium	
-9.8%	**Black**/White	Low	$500
-9.1%	**Native**/White	Low	
N/A	**Adult**	Low	

Academic and Non-Academic Supports – This component includes costs related to providing high-impact supports for student retention and completion, including academic supports (curriculum design, academic advising, career services, and tutoring) and non-academic supports (single stop centers, emergency aid, student mental health supports, and services related to non-academic needs like housing, transportation, and childcare). Academic and Non-Academic Supports were combined into one category for the formula as many of the most effective evidence-based interventions combine elements of both.
Base Cost: $2,196 per student

Equity Adjustment #1 – Holistic Supports

- **Eligibility**: Adults, low-income family (Pell or MAP), rural, low high school GPA, EBF Tiers 1 & 2, and URM.
  Eligible populations were identified based on year-over-year retention rate gaps at Illinois

universities. For graduate and professional students, the only available or applicable data is URM.

- **Amounts:** $2,000, $4,000, $6,000, or $8,000 per student
  The amounts were derived from costs of holistic evidence-based practices that increase college retention and completion among historically underserved students (See Appendix E). Populations are grouped into four tiers based on the size of the retention gap: Intensive, High, Medium, and Low. Students with multiple characteristics are placed one tier above the tier associated with their highest characteristic. Graduate and professional students are eligible for the same adjustment amount as undergraduates of the same race/ethnicity.
- **Purpose:** Incentivize and support activities that increase the retention and completion of historically underserved student groups.

Table 4: Holistic Supports Equity Adjustment Tiers

Statewide 4-yr College Going Rate Gap	Student Characteristic	Tier	Equity Adjustment Amount
N/A	High + Other	Intensive	$8,000
-22.1%	**American Indian** / White	High	$6,000
-20.3%	**African American** / White		
-14.8%	**EBF Tier 1** / EBF Tier 4		
N/A	Medium + Other		
-12.5%	**Adult** / Under 25	Medium	$4,000
-10.4%	**Low-Income (Pell)** / Not Low-Income		
-10.2%	**Low high school GPA** / 3.0+ GPA		
-8.9%	**Hispanic** / White		
-7.6%	**2 or more races** / White		
N/A	Low + Other		
-5.4%	**EBF Tier 2** / EBF Tier 4	Low	$2,000
-2.1%	**Rural** / Not Rural		

Equity Adjustment #2 – Concentration Factor

- **Eligibility**: Institutions with high levels of students in the Intensive and High tiers of Academic and Non-Academic Supports.
- **Amounts**: An increase to the Holistic Supports equity adjustment amount ($8,000, $6,000, $4,000, and $2,000). A 50% increase at universities with more than 75% of undergraduate students in the Intensive and High tiers, a 30% increase at institutions between 60%-75%, and 10% for those between 50%-60%. For example, the Holistic Supports equity adjustments at a university with a 50% concentration factor would be $12,000, $9,000, $6,000, and $3,000. These higher equity adjustment amounts are applied to all students, undergraduates, and graduates, who are eligible for the Holistic Supports adjustments.
- **Purpose**: Provide additional resources to serve each student at institutions with greater concentrations of historically underserved students. A strong body of research demonstrates the

impact of concentrations of poverty in the K-12 sector (Poverty & Race Research Action Council, 2011) and similar concentration factors are used in some other states' postsecondary funding formulas. This is a complement to the headcount-driven Holistic Supports equity adjustment. Institutions with large total enrollments of eligible students will receive a large share of the overall funding driven by that equity adjustment, while those that enroll high percentages of such students will benefit from the concentration factor regardless of the total enrollment.

Core Instructional Program Costs – This component includes costs related to delivering instructional programs, primarily faculty.
Base Cost: $9,797 per student

Adjustment #1 – High-Cost/High-Priority Program Factor

- **Eligibility**: High-cost programs are engineering, fine arts, and registered nursing, based on consistently higher than average costs relative to other programs at the same level (lower, upper, graduate) across multiple institutions, time periods and states. High-cost/high-priority programs are health professions doctoral programs and master's level programs in the same disciplines that feed into those doctorates: medicine, veterinary medicine, dentistry, pharmacy, physical therapy, and audiology/speech pathology. This is based both on the high cost of those programs and the state's specific identification of the programs as a priority in the originating legislation.
- **Amount**: 20% add-on to the base instructional cost for students enrolled in high-cost programs (an additional $1,959 per student); 100% for students enrolled in identified health professional programs (an additional $9,797 per student). Amounts were based on an analysis of Illinois' cost per credit hour in these programs and cost study data in other states. An additional weight may be given specifically for MD programs or an amount set aside, outside of this factor, to the three schools of medicine based on their higher overall cost and historical level of reliance on state appropriations. See the Outstanding Issues section for further discussion.
- **Purpose**: Partially account for the expense of offering programs requiring more expensive equipment, higher faculty salaries, or smaller class sizes. There is a trade-off between more comprehensively addressing program cost, which would reinforce the status quo mix of program offerings among institutions (and the allocation of resources to programs that historically enroll fewer underrepresented student populations), and not including any adjustment for cost, which would especially burden institutions with more expensive program mixes. This weight was not intended to fully cover every cost difference, so institutions will still have to balance their program offerings based on the resources they have available.

Equity Adjustment #2 – Diversity in High-Cost Programs

- **Eligibility**: Underrepresented minority students enrolled in high-cost programs, including undergraduate, graduate or professional students.
- **Amount**: 45% additional premium for high-cost programs (an additional $877), 69% for specific health professional programs (an additional $6,720), 18% for medical degree programs (additional amount TBD based on cost factor). These amounts are the premiums needed to eliminate disparities in funding created by the high-cost program factor.
- **Purpose**: Incentivize and support activities that increase the enrollment and retention of URM students in high-cost and high-cost/high-priority health professional programs. This equity

adjustment is needed because of disproportionately low rates of representation of students of color in these fields. Thirteen percent of URM students are in high-cost/high-priority programs, whereas 19% of non-URM students enroll in these programs. If not for this equity adjustment, the high-cost program factors could further exacerbate inequities in resources supporting historically underrepresented minority students. The public benefits of supporting more URM students in these fields extend beyond education, including reducing racial health disparities that arise from underrepresentation in the medical field.

Mission

Research, Public Service, and Artistry – The twelve universities have a range of missions in addition to educating undergraduate and graduate students. Using the Carnegie Classification system for research activity, Illinois has two R1 research universities (Very High Research Activity), three R2s (High Research Activity), an R3 (Moderate Research Activity), and six Master's universities. Undergraduate research is a "high-impact practice" identified by the American Association of Colleges and Universities that improves student success. All students, therefore, should have opportunities to participate in some level of research as part of an adequate education. The research conducted at these institutions also contributes to significant advancements for the economy and welfare of the state, nation, and world. Universities are also anchor institutions of their communities, providing services and cultural opportunities to local residents, as part of their mission.
Base Cost: $600 for research per student; $200 for service and artistry per student.

Adjustment #1 – Research Factor

- **Eligibility:** All students at R1, R2, and R3 universities
- **Amount:** $500 per student for R3, $700 for R2, and $1,200 for R1
  The amount was derived in part from Illinois universities' expenditures on research, while also limiting the amount for R1s based on the understanding that research activity also generates revenue to cover some of those costs.
- **Purpose**: The state has an interest and role in supporting the research that certain universities are engaged in. R1 universities spend more per student than these amounts, but also receive outside grant support that offsets some of those costs. These amounts are intended to represent the state contribution to the research mission. The amounts and the Carnegie classifications eligible for each adjustment amount were based on groupings of institutions identified in an analysis of institutional research expenditures in the National Science Foundation's Higher Education Research and Development survey.

Operations & Maintenance

Institutional Support – Every institution has costs related to the basic administration of running a university, such as central administration salaries, business office, human resources, and so on.
Base Cost: $1,941 per student

Adjustment #1 – School Size Factor

- Eligibility: All students at institutions with less than 20,000 students.
- Amount: Up to a 45% weight applied to the base cost, for up to $2,814 in total cost per student. The weight decreases proportionally as the size of the institution increases, until institutions over 20,000 students receive no increase above the base cost.
- Purpose: All institutions have some fixed costs that are independent of enrollment. This factor accounts for efficiencies of scale and ensures a stable base of funding to support those fixed costs regardless of enrollment size.

Physical Plant – This component includes costs related to the operation and maintenance of the physical campus of a university, such as custodial services, snow removal, painting, repairs, etc.
Base Cost: $7.78 per square foot ($5.12 for statewide average O&M costs, $2.66 for minor remodeling)

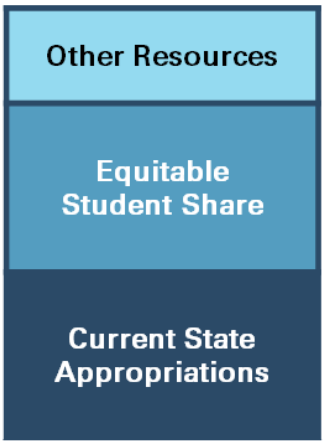
Adjustment #1 – Laboratory Space Factor

- **Eligibility:** Laboratory square footage
- **Amount**: A 30% weight applied to the $5.12 per square foot O&M cost.
- **Purpose**: Similar to the high-cost program factor, this adjustment recognizes the different missions and program mixes of institutions by providing a higher level of funding for the higher cost of maintaining laboratory space.

Resources

In building the framework for the Resource Profile, the Commission sought to evaluate the resources institutions have available to meet student needs through the lens of equity, considering how they influence an institution's ability and capacity to equitably serve students. The Commission noted that the issue is not always the definition and direct use of resources, but a more critical understanding of whether having access to the resources provides differential capacity to institutions, and whether it has implications for equity.

Figure 14: Resource Profile Framework



The Commission identified three categories of resources that should factor into each institution's Resource Profile, represented Figure 14. Those categories are Equitable Student Share, Other Resources, and existing state appropriations. Equitable Student Share represents the student contribution, a calculated hypothetical level that represents a reasonable and affordable amount of tuition and fees institutions should be generating based on their specific student body. The framework considers only those resources that are available to cover costs included in the Adequacy Target in calculating the Adequacy Gap. Resources that are available only to support activities or services not included in the Adequacy Target, such as hospitals are not included in the formula.

Equitable Student Share

The Commission developed a new concept, "Equitable Student Share," to represent the amount of revenue that institutions should be expected to contribute towards the costs of adequacy through student tuition and fees. The Commission believes that universities' current reliance on tuition is too great. This reliance has arisen partly out of necessity, as state cuts forced institutions to raise revenue in other ways. However, it creates inequities for students and reduces the competitiveness of Illinois public universities as students head out-of-state for more affordable options.

Therefore, the formula does not use actual tuition revenue, which would only embed these problems into the formula. Instead, the formula uses Equitable Student Share (ESS), which is a hypothetical calculation that represents a reasonable and affordable amount a university should be expected to generate through tuition and fees based on the characteristics of its student body.

> **Equitable Student Share** – A hypothetical calculation that represents a reasonable and affordable amount a university should be expected to generate through tuition and fees based on the characteristics of its student body.
>
> ESS is used solely for the purpose of apportioning responsibility for meeting an institution's Adequacy Target between tuition and fees and State appropriations. It does not impact or dictate an institution's actual tuition and fee structure, nor does an institution's actual tuition and fees generated impact its Resource Profile or Adequacy Gap.

Through ESS, the formula incentivizes affordability and the additional enrollment of students from low-income families and other priority populations for whom the state wishes to reduce the burden of the cost of college. Institutions that enroll a high proportion of such students cannot and should not rely as much on tuition as a source of revenue if the goal is to make attending college more affordable and accessible to a wider range of Illinois students. By adjusting the ESS based on the enrollment of traditionally underrepresented and other priority populations, the formula encourages institutions to enroll more of these students, knowing that the state will cover more of the costs. The ESS is also designed to help enhance affordable in-state options for Illinois residents in order to better retain talent.

The ESS is calculated by applying subsidy rates – tied to the characteristics of a university's student body – to the Adequacy Target. The subsidy rates represent what portion of the cost of adequacy will be covered by the state or other resources. The Commission identified four populations eligible for subsidies based on the premise that the state bears a greater responsibility for covering the costs of adequacy to support their enrollment and success: underrepresented minority students, students from low-income families, students who attended EBF Tier 1 or 2 high schools, and adults. The Commission also includes subsidies differentiating between in-state and out-of-state students, and graduate/professional and undergraduate students. These choices reflect the state's and institutions' ongoing efforts to prioritize affordability for in-state students and undergraduate students, as well as

a limitation on the data available to identify graduate students with eligible characteristics such as being from a low-income family. The formula assumes a lower level of subsidy for out-of-state students, but this should not disincentivize institutions from continuing to recruit them if the higher out-of-state tuition can cover most of their own costs.

The subsidy rates put forward by the Commission, shown in Table 5, are based on a combination of data indicating students' ability to pay and state policy priorities. See Table E-5 In Appendix E for some of the data on student's family income that the Commission considered in developing these rates. The ESS subsidies reflect, in large part, a state policy choice about which students the state wishes to cover a greater share of the cost for. This choice is grounded in data showing the burden of college cost on different populations, and also reflects efforts to keep more Illinois students in-state as well as to address historical inequities that do not always show up in income data.

To determine the portion of the cost of higher education the state should cover under the formula, the ESS creates a base subsidy rate for that student group, the amount of which depends on whether the student is in- or out-of-state, and whether she or he is a graduate or undergraduate student. Additional subsidies are added to the base, which are predicated on specific student characteristics. Regardless, the maximum subsidy is capped at 100%. In other words, the maximum portion of the cost of students' education that the state will have to cover is 100%.

The subsidy levels for two student characteristics are conditional. Out-of-state undergraduates can receive a maximum 25% subsidy above the base, if they are underrepresented minority students, from low-income families, or both. A student who attended an EBF Tier 2 high school would receive an additional 10% subsidy over the base only if that student is also from a low-income family.

Example 1: In-state undergraduates from low-income families have an 80% subsidy.
Base Subsidy (30%) + Low-Income (50%) = 80%

Example 2: In-state undergraduates who are Black and from low-income families have a 100% subsidy.
Base Subsidy (30%) + URM (50%) + Low-Income (50%) = 130%, capped at 100%

Example 3: Out-of-state undergraduate students who are Hispanic have a 35% subsidy.
Base Subsidy (10%) + URM or Low-Income (25%) = 35%

Table 5: Equitable Student Share Subsidy Rates

		Base Subsidy	URM	Low-Income	EBF Tier 1/ Low-Income EBF Tier 2	Adult
In-State	Undergrad	30%	+50%	+50%	+10%	+25%
	Grad	25%	+50%			
Out-of-State	Undergrad	10%	+50%			
	Grad	5%	+50%			

EBF Tier 2 is conditional on low-income; that is, students who attended an EBF Tier 2 high school receive an additional 10% subsidy only if they are also low-income.

These rates result in seven possible aggregate subsidy levels for Illinois undergraduates, and two each for Illinois graduate/professional, out-of-state undergraduate, and out-of-state graduate/professional students. Table 6 shows what percentage of the total population in the preliminary data that are in each aggregate subsidy level.

Table 6: Share of All Students in Each ESS Aggregate Subsidy Level
(Percentages total to 100%)

In-State Undergrads	30% (base only)	40% (EBF tier)	55% (adult)	65% (EBF tier + adult)	80% (low-income or URM)	90% (URM or low-income + EBF tier)	100% (multiple factors)
	20%	3%	2%	0.2%	7%	10%	18%
In-State Graduates	25% (base only)	75% (URM)					
	11%	4%					
Out-of-State Undergrads	10% (base only)	35% (URM or low-income)					
	8%	2%					
Out-of-State Graduates	5% (base only)	30% (URM)					
	13%	1%					

The subsidy levels are then converted into an ESS Index. This is calculated through a weighted average of the subsidy levels and the percent of students at each subsidy level. The greater the share of high-subsidy student groups (e.g., in-state, low-income, underrepresented minority) a university enrolls, the lower its ESS Index. This lowers its total Resource Profile and increases its Adequacy Gap, which is the amount the state is expected to cover over time. In this way, the ESS is an effective and targeted way to shift the cost burden from students to the state.

The ESS Index represents the "student share" of the cost of adequacy. Specifically, it is the portion of the base costs of the Adequacy Target that the formula deems appropriate for universities to generate through tuition and fees, including that paid with financial aid. The Commission chose to apply the ESS Index only to the base costs and not the equity adjustments. The intention is that students should bear no responsibility for the costs of the equity adjustments that are necessary to provide them with equal opportunity.

Table 7: Sample ESS Calculation

	Adequacy Target		ESS Index		ESS
University A	$60,000,000	x	38%	=	$22,800,000
University B	$90,000,000		59%		$53,100,000

The ESS calculation represents the total amount of tuition and fees revenue that the formula assumes students should bring with them from an external source to the institution, regardless of source. This calculation specifically excludes institutional aid. The ESS is based on the net revenue expected from tuition and fees based on the student population at a particular institution. The formula assumes institutions can generate this amount however they wish, with or without aid and tuition discounts. Whether an institution charges a student $5,000 and provides no aid or charges $50,000 with a $45,000 scholarship, it receives a net of $5,000 to spend on adequacy. Therefore, institutional aid is essentially "off-formula" – it is neither an expense nor revenue included in the formula. Institutions will continue to be able to pursue their institutional aid policies and practices without it affecting their output in the formula.

The ESS is agnostic to whether students pay tuition and fees using financial aid, including MAP and Pell Grants, or any other external source. The intent is to treat financial aid resources similarly to any other resource a student would use to pay their tuition and fees. This creates additional incentives to institutions to enroll students from low-income families. The 50% ESS subsidy for students from low-income families means that the State will shoulder a large portion of the adequacy cost for that student. Where MAP and Pell cover much of the student's cost, the institution will have additional state resources to reduce room and board costs for aid recipients, increase services, or reduce other students' tuition.

It is helpful for policymakers to understand the interaction between the state's investment in MAP Grants and the proposed framework. In FY23, students attending Illinois universities brought over $280 million in MAP grants with them; this represents about 15% of the total Equitable Student Share amount. These resources, and any future change in the MAP grant award level, would not affect the formula either at a specific institution or statewide. The ESS would still represent the portion of adequacy costs that should come from students, through tuition and fees. An increase in MAP would mean that low-income students would pay more of their share with financial aid rather than from their own savings or with debt. This is similar to how MAP policy is considered currently, as a way to help reduce the burden of tuition that students are asked to pay. The funding formula adds additional incentives to enroll these students, which would be diminished if actual MAP revenue were accounted for separately in the ESS. Accounting for actual MAP revenue could also give a false impression of progress towards fully funding adequacy. If accounted for, an increase in MAP would reduce the Adequacy Gap and indicate progress towards fully funding adequacy, despite only addressing affordability. That could mask a lack of progress in providing the operating funding needed to deliver the equity-centered adequate education identified by the formula. It may also have an inequitable impact on adequacy, because the institutions that enroll higher shares of MAP students would see their Adequacy Gaps shrink the most as the state increases MAP grants. This would reduce their allocation of new funding, thereby reducing the funds they have to provide a quality education to these students. Still, some Commission members felt that actual MAP revenue should be reflected in order to recognize the other major way the State funds higher education.

Neither the ESS Index nor the subsidy rates are intended to represent, set, or even incentivize any individual student's tuition. Although they are derived from student-level calculations, the ESS and ESS Index are institution-level figures that are used solely for determining, under the formula, how much of

the cost of higher education should be covered by the State rather than by students' tuition and fees. No part of the ESS calculation in any way interferes with a university's flexibility in how they raise that amount from students, including through differential pricing and discounting. The actual amount raised in tuition and fees does not factor into the formula. The formula relies on incentives and rewards to encourage the enrollment of the priority populations and lowering of costs for those populations. The ESS does not represent the state's expectation of tuition and fees in the first year of implementing the formula. Rather, it represents that amount *once institutions are fully funded at adequacy.* Therefore, institutions may not bring tuition and fees in line with their ESS immediately but can make progress towards that level over time as State investment increases.

The Commission considered other groups and levels for the ESS subsidies, specifically rural students, PhD and other graduate students, and students eligible for mandatory tuition waivers. Some Commissioners felt that these groups warranted additional or more refined ESS subsidies as well.

The Commission suggests that future reviews of the funding formula, as recommended in the Implementation section below, should give close attention to Equitable Student Share. This is a brand-new concept and way to incentivize affordability and address the state responsibility for funding higher education. While the Commission considered the implications related to issues such as actual tuition and fees, financial aid, and enrollment incentives, it is critical to assess the actual impact based on full implementation. The formula review process should review disaggregated data related to tuition and fee levels at universities, actual tuition and fees paid by students, other costs of attendance, MAP and Pell Grant revenue, and other data to evaluate the impact.

The Commission did agree that mandatory tuition waiver students should have an ESS subsidy of 100 percent, to align with state law and policy objectives. Students eligible for mandatory tuition waivers[6] are already, by State law, 100 percent subsidized but the institution typically bears that cost. While institutions do report some data to IBHE on students receiving these waivers, it is not integrated into the student-level data necessary to identify these students in the construction of the formula. The Commission recommends that IBHE work with institutions to begin collecting that data and incorporate a 100 percent subsidy for them once the data is operational.

Other Resources

The Commission sought to understand how access to other revenue sources, including grants, contracts, and endowments, provide differential capacity to institutions. The Commission sought to account for these resources in a nuanced way, rather than taking an "all or nothing" approach. The Commission recognizes that many of these sources come with significant restrictions on their use and are not available to cover costs included in the Adequacy Target. For example, institutions receive government and private grants and contracts to carry out specific activities or deliver specific services that do not impact students' education. At the same time, the Commission also recognizes that access

[6] Mandatory tuition waivers include Teachers Scholarships: Special Education Grants, General Assembly Scholarships, Reserve Officers' Training Corps (ROTC) Scholarships, Department of Children and Family Services (DCFS) Scholarships and Fee Waiver, Partial Tuition Waivers for Children of University Employees, Senior Citizen Courses Act, Honorary Scholarships, Illinois Veteran Grants, Illinois National Guard Grants, and MIA/POW Scholarships.

to these resources varies widely across institutions and can impact equity.

The Commission focused its work on private gifts (e.g., annual giving and endowment revenue), given that this revenue has more overlap with Adequacy Target costs. The Commission considered a number of approaches to determining the appropriate portion of these resources to include in the Resource Profile. The Commission did not reach a conclusion on this issue but presents three options in the Outstanding Issues section below. One of the three options was used for the purposes of providing a complete model output for discussion purposes, but that does not signal a preference or recommendation among the options.

The Commission did consider whether to incorporate grants and contracts in Other Resources, but determined that for various reasons, including restrictions and irregular timing of awards that would create instability in funding, decided to omit them from the formula.

Current State Appropriations

In addition to its other charges, the legislation specifies that the Commission's recommendations should create a funding formula that provides institutions with stability. Specifically, the legislation calls for a hold harmless provision, so that in implementing the formula no institution faces a cut from current levels. Therefore, the formula assumes that each university's current State funding is available in subsequent years to cover some of the Adequacy Target. The current State appropriation covers a substantial portion of the Adequacy Target for some universities, but much less for others. This variation has a significant impact on the Adequacy Gaps and therefore on the allocation of future increases in state funding.

To calculate the level of State appropriations that goes into each institution's Resource Profile, the formula uses a three-year average of each institution's State appropriation, as is true with most data points used in the formula. The Commission also includes some of the line-item appropriations for specific projects, programs, and initiatives in the assessment of State appropriations. Specifically, the Commission would include any appropriations that have significant overlap with the activities and concepts included in the Adequacy Target. The list will have to be revisited every year in order to make that determination. See Appendix E for the current list.

Summary of Formula Draft Output

The formula estimates a total Adequacy Gap of $1.408 billion. This gap includes $787 million in new spending for equity adjustments and $473 million in increased spending for all students. The remainder of the gap – close to $150 million – is a result of using the ESS to effectively shift from student tuition and fees to the State the responsibility of funding the costs of the Adequacy Target. The statewide Adequacy Target is $4.466 billion, while universities have an estimated $3.058 billion in current available resources. The Adequacy Targets for all 12 universities are all higher than their current comparable expenditures as well.

Overall, Illinois universities are currently funded at 68.5% of the total Adequacy Target. There is a broad range in how close individual universities are to being funded adequately, or their Percent Adequately Funded. The Percent Adequately Funded ranges from 39% at Northeastern Illinois University to 92% at University of Illinois Urbana-Champaign (excluding the Schools of Medicine).

The figure below shows the statewide costs of each component of the Adequacy Target and Resource Profile, the resulting Adequacy Gap, percent of the Adequacy Target that is currently funded.

Figure 15: Statewide Adequacy Target, Resource Profile, and Adequacy Gap

Adequacy Target

Student-Centered Access	
Base Cost	*$294,935,000*
Access Equity Adjustment	*$72,859,000*
Acad & Non-Acad Supports	
Base Cost	$294,935,000
Non-academic supports	$595,575,000
Core instructional program costs	*$99,141,000*
Core Instruction Costs	
Base Cost	$1,734,037,000
High-Cost Program Factor	$288,115,000
Diversity in High-Cost Programs	$19,427,000
Research &Y Artistry	
Base Cost	$141,593,000
Research Adjustment	$143,469,000
Core Instruction Costs	
Base Cost	$343,587,000
School Size Factor	*$30,303,000*
Physical Plant	
Base Cost	*#390,699,000*
Lab Space Adjustment	*$17,065,000*
Adequacy Target	**$4,465,740,000**

Resource Profile

Other Resources	***$119,549,000***
Equitable Student Share	*$1,808,6101,000*
Current State Appropriations	*$1,129,523,000*
Resource Profile	**$3,057,683,000**

Adequacy Gap	**$1,408,057,000**
Percent of Adequacy Funded	**68%**

**The draft output uses one of the approaches to Other Resources that are discussed in the Outstanding Issues section for the purpose of presenting a complete model only. It does not reflect a recommendation or decision by the Commission.*

The formula is effective at shifting more responsibility for the total cost of education to the State. Currently, universities rely on tuition revenue for $2.1 billion (64%), compared to only $1.2 billion (36%) from State appropriations. The formula would flip that dynamic, as seen in Table 8. The State would be responsible for 57% of the total cost of adequacy, compared to 40% for students, and 3% from other institutional resources. The State's share of the cost of adequacy ranges from 83% and 84% at Northeastern and Chicago State to 34% at UIUC.

Table 8: Share of Adequacy Target When Fully Funded – Illinois

State	$14,337	57%
Student (ESS)	$10,219	40%
Other Resources	$675	3%
Total Adequacy per Student	**$25,232**	

The new investment by the State required to fill the Adequacy Gap will be highly targeted to historically underserved students. The equity adjustments will drive $787 million of the increased investment. The statewide Adequacy Target represents what would be an increase of $1.26 billion over current spending at universities, after adjusting for expenditures not included in the adequacy framework. This means that over 62% of the increased investment in higher education will focus on making Illinois funding more equitable than it has been in the past.

Under the formula, the average adequacy cost for a "base student" without any equity characteristics is $20,785. The formula creates significant financial incentives for universities to enroll students from historically underrepresented groups and other priority populations, as each student can increase an institution's Adequacy Gap by an additional $13,000, or more if they enroll in a high-cost program. Illinois universities currently spend $18,000 per student on average, in comparable expenses. When fully funded, the formula will increase that average spending per student to $25,232. This puts Illinois' support for higher education well above other states in the region and the nation (SHEEO, 2023) and more in line with spending at high-performing universities.

With a few exceptions, the institutions farthest from their Adequacy Targets are those with the largest shares of in-state students from low-income families, underrepresented minorities, adults, and other populations that are eligible for equity adjustments. The exceptions are institutions that currently receive relatively high or low state appropriations per student, namely Chicago State University (partially driven by declining enrollment in recent years) and Illinois State University, respectively.

Table 9: Output of Model Using Preliminary Data – Institutional Adequacy Targets, Resource Profiles, and Adequacy Gaps

Institution	Degree-Seeking Enrollment	Adequacy Target	–	Resource Profile	=	Adequacy Gap	Percent of Adequacy Target Funded
CSU	2,322	$73,946,649	–	$51,438,569	=	$22,508,080	69.6%
EIU	6,339	$160,407,847	–	$97,935,521	=	$62,472,325	61.1%
GSU	4,412	$111,172,532	–	$49,525,882	=	$61,646,650	44.5%
ISU	20,425	$453,992,211	–	$254,010,543	=	$199,981,667	56.0%
NEIU	5,943	$163,265,538	–	$64,126,329	=	$99,139,209	39.3%
NIU	15,856	$388,784,729	–	$215,983,232	=	$172,801,497	55.6%
SIUC	10,657	$266,135,262	–	$217,501,218	=	$48,634,044	81.7%
SIU-SOM	*406*	*TBD*	–	*TBD*	=	*TBD*	*TBD*
SIUE	12,660	$314,140,274	–	$195,929,158	=	$118,211,115	62.4%
UIC	31,498	$823,257,774	–	$507,297,056	=	$315,960,718	61.6%
UIC-SOM	*1,528*	*TBD*	–	*TBD*	=	*TBD*	*TBD*
UIS	3,937	$88,395,275	–	$63,419,909	=	$24,975,365	71.7%
UIUC	53,491	$1,178,179,841	–	$1,081,201,494	=	$96,978,347	91.8%
UIUC-SOM	*149*	*TBD*	–	*TBD*	=	*TBD*	*TBD*
WIU	7,370	$189,057,837	–	$118,547,564	=	$70,510,272	62.7%
Illinois	**176,991**	**$4,465,740,432**	–	**$3,057,682,563**	=	**$1,408,057,869**	68.5%

Note: The data used in the formula to generate these estimates is current through Fiscal Year 2023 and Academic Year 2021-2022, and will need to be updated going forward, which will change some of the output estimates.

Note: The statewide totals include estimates for the Schools of Medicine using one of the approaches discussed in the Outstanding Issues section for purposes of presenting a complete model only. It does not reflect a recommendation or decision by the Commission.

The Commission examined scenarios for the investment level needed to close Adequacy Gaps, shown in Table 10 below. The Commission did not settle on a recommended annual increase. The Commission recognizes the urgency to address the historical and current inequities and also appreciates the challenges of securing the historic levels of investment required to do so. The Co-Chairs also recognize that the formula is valuable for addressing inequity regardless of how much is put into the formula.

Table 10: Timeframe to Close Adequacy Gaps at Different State Investment Levels

$135 million (12% annual increase)	Fully funds all institutions within 10 years
$100 million (9% annual increase)	Fully funds all institutions within 15 years
$60 million (5% annual increase)	After 15 years, the statewide Percent of Adequacy Target Funded will be 79%, up from 68%. Institutional Adequacy funding levels will range from 89% to 70%.

Note: All calculations assume annual increases in ESS and Other Resources equal to inflation.
This is not the same as an increase in current tuition and fee levels, however, as ESS is lower than current tuition and fees.
The $60 million scenario uses a 25% guardrail factor, the mechanics and implications of which are discussed in the following section.
However, the Commission did not decide on a final guardrail factor; this is presented for illustration purposes only.

IMPLEMENTATION

Allocation Formula

The Commission's legislative charge was to recommend ways to adequately, equitably, and stably fund universities in a way that recognizes and addresses historical and current inequities. Institutions' Adequacy Gaps provide the basis for an equitable allocation of new state funding under the formula—that is how the new funding into the formula gets allocated to each institution. An allocation formula based on the Adequacy Gap ensures that new funding is targeted to institutions that are farthest from adequately funded, advancing equity.

Note that given that no institution is adequately funded by current calculations, all institutions receive some increase in funding from new state appropriations. In addition, all institutions' past state appropriations are protected by a hold harmless.

The allocation formula can also be designed to ensure all institutions receive a reasonable increase to help account for increasing annual costs and relieve pressures to increase tuition – this would provide stability but not necessarily equity in the funding system. The Commission developed an allocation formula that strikes a reasonable balance between these objectives, emphasizing funding for equity while providing stability. The allocation model has three components: Percentage Gap, Dollar Gap, and Guardrail. The Guardrail provides stability, rather than equity, in the allocation formula.

First, the guardrail would set aside a portion of funds to be allocated through an across-the-board increase. Specifically, the percent increase to be allocated by the guardrail would be equal to the lesser of 1) the inflation rate or 2) half of the percentage increase in state appropriations. This calculation caps the portion of the state increase that would be allocated across-the-board, ensuring at least half of the funding goes out based on adequacy gaps even in high-inflation situations. The guardrail also advances the principle of stability in the funding formula. The Commission considered the concept of a guardrail in the allocation formula because without one, some institutions would receive very small increases relative to the overall state increase. For example, a 6% increase in state appropriations would provide a 1.0% increase in state funding for UIUC if all funds were distributed based on Adequacy Gaps alone.

However, the Commission also recognizes the guardrail perpetuates the status quo approach to allocating funding in an across-the-board manner, which is counter to the Commission's charge to establish an equity-based funding model for the allocation of State funds. In situations where the increase in state appropriations is no more than twice the inflation rate, the guardrail would mean only half of new funds would be allocated based on Adequacy Gaps. Therefore, the guardrail would be further adjusted by a guardrail factor, a weight that reduces the size and impact of the guardrail. For example, if the guardrail calculation determines 3% of funds should be allocated across-the-board, a guardrail factor of 33% would lower that to 1%.

Example:
Inflation = 3%
State appropriations increase = 7%
Guardrail = 3% (3% inflation rate is less than half of 7% appropriation increase)
Guardrail factor = 33%
Increase allocated across-the-board: 1% (33% * 3%)
Increase allocated by adequacy formula: 6% (7% minus 1%)

Table 11 shows an example of a $75 million increase in state funding, and how the guardrail factor impacts how much of that $75 million would be allocated based on the guardrail versus based on Adequacy Gaps.

Table 11: Percent of New Funding Allocated by Guardrail or Adequacy Gaps at Different Guardrail Factor Levels

Guardrail Factor	Percent of Funding Allocated by **Guardrail (across-the-board)**	Percent of Funding Allocated Based on **Adequacy Gaps**
50%	25%	75%
67%	33%	67%
75%	38%	62%
100%	50%	50%

Note: When the state appropriation increase is more than twice the level of inflation, a greater percentage goes out based on adequacy gaps.

The Commission did not reach agreement on a recommended guardrail factor. The co-chairs and other Commission members felt strongly that the guardrail factor should be as low as possible so as to prioritize equity and adequacy in allocating new state funds. On the other hand, another group of Commission members expressed concern that too low of a guardrail factor would not provide enough funding to those institutions closer to fully funded to ensure they could keep up with annual cost increases, especially in years of lower state investment. The Commission notes that larger annual increases in the state appropriation will reduce the importance of the guardrail factor in ensuring all institutions receive a reasonable increase each year.

After determining the guardrail allocation, half of the remaining new funds would be allocated based on each institution's share of the absolute dollar gap (Dollar Gap) and half on the size of its Adequacy Gap measured as a percentage of its Adequacy Target relative to other institutions (Percentage Gap). The Dollar Gap allocation directs funds to those with larger absolute gaps, which can derive from institutional size and level of underfunding. The Percentage Gap allocation directs funding to institutions that are proportionally most underfunded relative to their Adequacy Target.

The Commission uses both the Dollar and Percentage Gap approaches as a way to ensure that all institutions make steady progress towards achieving adequacy. The Commission explored an option that allocated solely on the Percentage Gap but found that institutions with large dollar gaps like ISU and UIC were left with sizable Adequacy Gaps well after most other institutions had completely closed their gaps. By including the allocation based on the Dollar Gap share, all institutions reach 92% funding adequacy

before any institution's gap is completely closed. See Table 12 for an illustration of these two different ways of measuring the Adequacy Gap, and each institution's relative share.

Example:
CSU's Dollar Gap: $22,508,080
Statewide Dollar Gap: $1,408,057,869
CSU's Dollar Share of Adequacy Gap = $22,508,080 / $1,408,057,869 = 1.6%

CSU's Percentage Gap: 30.4%
Sum of All Institutions' Percentage Gaps: 550.5%
CSU's Percentage Share of Adequacy Gap = 30.4% / 550.5% = 5.5%

CSU's Combined Share = 0.5*1.6% + 0.5*5.5% = 3.6%

Table 12: Institutional Share of State Adequacy Gap, by Percentage and Dollar

Institution	Share of Adequacy Gap $	Share of Adequacy Gap %	Combined Share
Chicago State University	2%	6%	4%
Eastern Illinois University	4%	7%	6%
Governors State University	4%	10%	7%
Illinois State University	14%	8%	11%
Northeastern Illinois University	7%	11%	19%
Northern Illinois University	12%	8%	10%
Southern Illinois University Carbondale	3%	3%	3%
SIU School of Medicine	0%	0%	0%
Southern Illinois University Edwardsville	8%	7%	8%
University of Illinois Chicago	23%	7%	15%
UIC School of Medicine	7%	10%	9%
University of Illinois Springfield	2%	5%	4%
University of Illinois Urbana-Champaign	7%	2%	4%
UIUC School of Medicine	1%	8%	4%
Western Illinois University	5%	7%	6%
Illinois	**100%**	**100%**	**100%**

Tables 13a and 13b provide example calculations using this allocation formula. These examples assume 3% inflation and a 25% guardrail factor. Table 13a uses a $75 million increase in state appropriations, or about 6.6%, while Table 13b uses a $30 million increase, or about 2.7%. The $75 million increase results in a 0.75% across-the-board increase, totaling $8.1 million. The remaining increase of $66.9 million is split evenly between the Percentage Gap and Dollar Gap allocations. The $30 million increase results in a 0.33% across-the-board increase, totaling $3.8 million. The remaining $26.25 million is split evenly between the Percentage Gap and Dollar Gap allocations. Schools of Medicine have been excluded from this example, given that their treatment in the formula is one of the Outstanding Issues.

Table 13a: Example of $75 Million Allocation Formula Calculation

Institution	Guardrail % Increase	Guardrail Allocation	Share of % Gap	% Gap Allocation	Share of $ Gap	$ Gap Allocation	Total Allocation
CSU	0.75%	$296,199	7%	$2,303,105	2%	$582,600	$3,181,903
EIU	0.75%	$322,344	9%	$2,946,835	5%	$1,617,035	$4,886,213
GSU	0.75%	$179,751	13%	$4,195,712	5%	$1,595,663	$5,971,126
ISU	0.75%	$539,750	10%	$3,329,945	15%	$5,148,316	$9,018,011
NEIU	0.75%	$275,644	14%	$4,594,568	8%	$2,566,121	$7,436,332
NIU	0.75%	$680,684	10%	$3,358,045	13%	$4,447,940	$8,486,669
SIUC	0.75%	$738,319	4%	$1,373,385	4%	$1,245,346	$3,357,050
SIU-SOM	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*
SIUE	0.75%	$476,579	9%	$2,850,371	9%	$3,075,457	$6,402,406
UIC	0.75%	$1,745,977	9%	$2,903,962	24%	$8,178,332	$12,828,272
UIC-SOM	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*
UIS	0.75%	$187,010	6%	$2,137,846	2%	$646,463	$2,971,319
UIUC	0.75%	$2,296,263	2%	$622,812	8%	$2,510,189	$5,429,264
UIUC-SOM	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*
WIU	0.75%	$384,382	8%	$2,821,964	5%	$1,825,089	$5,031,435
Illinois		**$8,122,900**		**$33,438,550**		**$33,438,550**	**$75,000,000**

Table 13b: Example of $30 Million Allocation Formula Calculation

Institution	Guardrail % Increase	Guardrail Allocation	Share of % Gap	% Gap Allocation	Share of $ Gap	$ Gap Allocation	Total Allocation
CSU	0.33%	$131,117	6%	$725,677	2%	$210,102	$1,066,895
EIU	0.33%	$142,690	7%	$928,507	4%	$583,148	$1,654,345
GSU	0.33%	$79,569	10%	$1,322,011	4%	$575,441	$1,977,021
ISU	0.33%	$238,928	8%	$1,049,220	14%	$1,856,626	$3,144,775
NEIU	0.33%	$122,018	11%	$1,447,685	7%	$925,415	$2,495,118
NIU	0.33%	$301,315	8%	$1,058,074	12%	$1,604,051	$2,963,440
SIUC	0.33%	$326,828	3%	$432,735	3%	$449,107	$1,208,669
SIU-SOM	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*
SIUE	0.33%	$210,965	7%	$898,113	8%	$1,109,095	$2,218,173
UIC	0.33%	$772,883	7%	$914,999	22%	$2,949,335	$4,637,216
UIC-SOM	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*
UIS	0.33%	$82,783	5%	$673,606	2%	$233,133	$989,521
UIUC	0.33%	$1,016,475	1%	$196,240	7%	$905,244	$2,117,959
UIUC-SOM	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*
WIU	0.33%	$170,152	7%	$889,162	5%	$658,178	$1,717,493
Illinois		**$3,750,000**		**$13,125,000**		**$13,125,000**	**$30,000,000**

Reduction Formula

The Commission considered a different allocation formula to be used in situations when the state cuts funding to universities. The Commission agreed to the general framework of this approach but did not reach agreement on the final details. There was a desire to follow the same principle as the formula for increases: prioritize state resources for those farthest from adequacy. The Commission opposed an across-the-board approach to allocating cuts.

The reduction formula starts with a guardrail as well. It then allocates the remaining cut based on how much closer to, or farther from, adequately funded an institution is compared to the state overall. The formula adjusts the statewide percent cut for each institution based on the ratio of its Percentage Gap to the statewide Percentage Gap. For example, if ISU's Percentage Gap is 44% and the statewide gap is 31.5%, ISU's ratio is 72% (31.5 divided by 44). If the statewide cut is 4%, ISU's "ratio-based cut" would be 72% of 4%, or 2.9%. Each institution's ratio-based cut is applied to its prior state appropriation. This generates a larger dollar cut than the actual amount remaining after the guardrail. Therefore, all institutions' cuts are scaled down proportionally to fit within the remaining cut.

The Commission's discussion of the guardrail factor in the cut scenario was similar to that for increases. Though the Commission did not decide on a final guardrail factor in a cut scenario, the prevailing sentiment was that it should be less than 100%. Commissioners stated that it was even more important to prioritize equity during times of cuts, especially for those institutions that may not have as much access to other resources. However, some Commission members expressed concern that this ratio-based cut approach could lead to severe cuts at some institutions, and that it would warrant a guardrail factor larger than 100% to restrict the range of potential cuts.

Formula Upkeep

The funding formula will need to be properly maintained, both annually and on a longer-term basis. This includes calculating updated Adequacy Gaps each year using the most recent data, adjusting costs in the formula for inflation, and making adjustments to the formula itself to ensure continued alignment with the state's policy goals. IBHE should be responsible for maintaining and implementing the formula each year, though any changes to the underlying model would require legislative approval. This new responsibility for IBHE will require additional capacity for the agency.

A **Funding Formula Review Committee** should be created and charged with recommending updates to the formula.

The Funding Formula Review Committee should:

- Exist as a standing committee that is charged with studying and reviewing topics related to the implementation of the funding formula, providing assistance to policymakers, and making recommendations for any required modifications to the formula.
- Be established soon after the enactment of a new funding formula and meet regularly.

- Conduct a comprehensive review and produce a report on the functioning of the funding formula every five years. This cycle should align with IBHE's strategic plan development timeline as much as possible. The five year review period, and the distinction between technical updates and a full policy review, follows best practices identified by SHEEO.
- Receive recommendations from a technical subcommittee that will work closely with IBHE staff in developing these recommendations and submit recommendations to the General Assembly.
- Consist of a mix of current Commission members and new members.
- Include representatives from each university as well as other key stakeholders.

IBHE's annual implementation of the formula should:

- Recalculate each institution's Adequacy Target, Resource Profile, and Adequacy Gap every year. These calculations should use updated data for all variables where available.
- Inflate the costs embedded in the formula (base costs, equity adjustments, other factors) each year using the Midwest Employment Cost Index inflation rate. This rate best reflects local costs and the primary driver of university costs, which is salaries and benefits.

Accountability and Transparency

This funding formula identifies the need for the state to invest equitably more than a billion dollars into the higher education system over the next decade and beyond. The adequacy model posits that this level of resources will lead to improvements in access to higher education and student outcomes, including the closing of equity gaps by race, income, and other characteristics. Policymakers, students, and taxpayers deserve an accompanying system of accountability and transparency that provides assurance that the new investment will be used to drive such a change.

The Commission believes such a system should account for proper timing of institutional accountability, the elements of the formula for which institutions are held accountable, and the measures taken to improve the effectiveness of new resources and the achievement of state goals. Institutions should be held responsible for making progress on metrics once they receive sufficient resources to build systems necessary to make progress in affordability, enrollment, persistence, and completion. (A list of relevant metrics is provided in Appendix G; these are not recommendations but a starting point for policymakers to consider.) However, data transparency is critically important and greatly lacking at this point. For this reason, data will be gathered and reported throughout. The metrics that will be used for the accountability and transparency oversight in the funding formula should be integrated into the ongoing accountability, learning, and improvement work that IBHE has undertaken already as part of the implementation of *A Thriving Illinois.*

IBHE is in the process of establishing an Accountability Committee, which will be considering accountability for the state's higher education system. The Commission believes that this Committee should incorporate the following concepts into its work. Work on this structure could begin in the immediate future, even preceding legislative action on the Commission's report, as the activities and principles laid out here are important to advance regardless of the funding structure.

The accountability and transparency system should include:

1. A performance review body of no more than 15 individuals with relevant technical expertise to oversee and implement the accountability and transparency system. This body should be comprised of IBHE and other policymakers as well as external stakeholders.
2. Overarching state goals for each institution to strive towards, including but not limited to increased rates of matriculation to and graduation within five years from public universities in Illinois by traditionally underrepresented student populations generally, and low income, Black, and Latino students specifically.
3. A full system of accountability metrics including targets and anticipated progress toward them. These should integrate with existing accountability systems such as IBHE's institutional equity plans to streamline goals, reporting, and accountability.
4. Funding levels/thresholds at which an institution can be reasonably expected to make progress towards state goals in each accountability and transparency category.
5. Review current reporting and accountability systems (state, federal, accreditor) to ensure any new reporting is not duplicative or recommend changes to current reporting that more closely aligns with goals.

The accountability and transparency system should focus on metrics in four categories that are directly related to the objectives and theory of action embedded in the funding formula. Institutions should have individual metrics tied to these categories, but those metrics should be linked to and in support of statewide goals.

- **Spending**: Given the substantial new investments institutions should expand spending transparency and, if necessary, accountability for how additional funds are being directed.
- **Affordability**: With significantly additional funding going toward lowering students' expected share of costs, universities should demonstrate an equitable reduction in the overall price of attendance for students.
- **Enrollment**: Universities will have more funds dedicated to increasing affordability and access, which should drive more equitable enrollment increases.
- **Persistence and Outcomes**: Outcomes improvements should result from increased resources. However, it takes time to improve supports, and the benefits on student outcomes lag. Include both absolute and progress metrics and reduction in gaps.

The following principles should be reflected in the accountability and transparency system:

Timing

Institutions will be responsible for new accountability measures once they receive new funding and reach a threshold of adequacy.

- Institutions cannot improve their performance on metrics without first having the resources necessary to construct the programs, systems, and supports to improve student enrollment, affordability, persistence, or outcomes.
  - Each of these will take varying levels of time to see the efforts of a university come to fruition, as some important metrics (e.g. graduation rate) are lagging indicators.

- A minimum threshold of adequacy for these categories of accountability should be identified.

Transparency and Oversight:

Universities will be expected to spend new funding toward achieving goals and report the spending of new funds transparently. While institutions will not be held responsible under the accountability system until they have received a threshold level of resources, data will be gathered and reported throughout. IBHE will also provide an annual report summarizing institutions' reports and aggregating information to assess progress towards statewide goals. IBHE should examine ways to consolidate existing reporting requirements, both for institutions and the reports it produces. Necessary reports and considerations for this process include:

- Annual spending plans and report of previous years' use of new funds, disaggregated to ensure as much granularity as is necessary.
- Annual reports of progress against targets.
- Recognition that institutions may need to invest in improved data capacity to satisfy higher transparency and reporting needs.

Effective and Equitable Consequences:

Universities will be expected to spend new funds such that they make progress against goals in affordability, enrollment, and persistence and outcomes.

- Institutions will be expected to improve overall metrics as well as close gaps among historically underserved and underrepresented student populations.
- Institutions will be expected to improve toward their enrollment and outcomes goals, as defined in their equity plans, including but not limited to:
  - Enhancing affordability for students in an equitable manner.
  - Enrolling populations that reflect state and institutional equity goals.
  - Closing credit accumulation, retention, and completion gaps among student populations.

Holistic Review:

Strictly evaluated quantitative measures are often ineffective for judging the complex, varied work that institutions have to do to improve equity and outcomes. The entity responsible for the holistic review process should:

- Request and interpret relevant data;
- Consider extenuating circumstances;
- Observe complex institutional change processes; and
- Assess compliance and progress toward goals.

Institutions should participate in a regular holistic review of their progress. If an institution is deemed to be adequately funded but has failed to meet stated goals, possible accountability measures could include:

1. Closer monitoring of spending: IBHE Accountability Committee could request additional data.

2. More direction in how to use funds: IBHE Accountability Committee could advise how institutions use some portion of the new funds received.
3. Deeper category-specific reporting: IBHE Accountability Committee could request additional data and require a corrective action plan.
4. Restricted or diminished access to additional state funds from the formula: IBHE Accountability Committee could restrict the timing or amount of new state funds institutions receive.

The Commission notes that treating Schools of Medicine as distinct institutions in this formula could require a tailored approach to the accountability and transparency structure for those three institutions. For example, those institutions do not submit their own Equity Plans to IBHE. IBHE could consider that as a requirement if they are separately funded in the formula. They may also warrant a different set of metrics that are available and relevant to their mission and students.

Outstanding Issues

Other Resources

The Commission sought to develop a recommendation that would account for Other Resources in a nuanced and equitable way. The focus of the work was on private gifts, specifically the revenue from endowments. The Commission chose not to account for the annual giving outside of the endowment, as quality data was not readily available. As noted earlier, the Commission also decided against including grants in Other Resources for various reasons, including restrictions and irregular timing of awards that would create instability in funding.

Illinois's universities have access to endowments of vastly different size. Based on typical spend down rates from endowments, Illinois universities generate between $22 per student and $1,495 per student in annual revenue. The Commission also noted that those Illinois universities with some of the largest endowments still trail behind their peer institutions in other states. The Commission agreed that it is important for all institutions to be able to grow their endowments, which will benefit students. Some members of the Commission expressed concern that counting endowment revenue in the formula would disincentivize future giving and anger past endowment donors.

The Commission considered the fact that portions of endowment revenue are restricted. This reduces the flexibility institutions have and can require them to spend funds in a way they would not otherwise. On the other hand, some of those restrictions may still overlap with costs considered in the adequacy framework. The Commission did not find a good data source to help analyze this issue more closely. Additionally, the Commission noted that the foundations that manage universities' endowments make decisions independently of their university and the IBHE, reflecting their history. Public university foundations were founded in part to ensure donor investments could not be "swept" by the state.

The Commission considered three proposals but did not reach agreement. They are presented here for consideration by the General Assembly. See Appendix E for further details on each proposal. **Note that the draft output presented in the report uses Option 1. This is not a recommendation but was included to provide a complete model for discussion purposes.**

Option 1 – Percent of Endowment Value

This option would count 4.2% of the 4-year average of each institution's endowment value in the Resource Profile. The 4.2% figure is based on a national survey of endowment spend down rates at colleges and universities. (National Association of College and University Business Officers, 2023) The exact percentage could be adjusted. This approach generates $119 million that is included in the Resource Profile, thereby reducing institutions' Adequacy Gaps.

Option 2 – Percent of Endowment Value, Exempt the First $1 million in Revenue

This option seeks to protect endowments below certain levels, to ensure institutions have built a strong enough foundation before they are expected to contribute revenue towards the costs of adequacy.

Therefore, this option exempts the first $1 million in revenue, then counts 4.2% of any endowment revenue above that level. The $1 million figure is based on current spending from endowment on administrative fundraising costs. One-third of institutions spend less than $1 million on these costs, while most other institutions spend significantly more than that. This threshold would not count any revenue from those low-endowment institutions until they have built larger endowments. This proposal would generate about $110 million that would be included in the Resource Profile.

Option 3 – Add Fundraising to Adequacy Costs

This option would provide institutions with more funding to support fundraising efforts, adding a cost to the Adequacy Target. Institutions with smaller endowments generate less through administrative fees on that endowment to support development and fundraising efforts. The specific proposal would provide additional funds to institutions below the statewide average. This proposal would add about $2.2 million to institutions' Adequacy Targets but would not include anything in the Resource Profiles.

Medical Cost Factor and Schools of Medicine

The Commission recognizes there are particularly high costs associated with delivering quality medical programs. The Commission collected data from national sources and from Illinois' three Schools of Medicine to help inform the additional costs that should be provided in the formula for students enrolled in medical programs. SIU and UIC provided data that indicated they spend about $160,000 per medical student. Nationally, stand-alone medical schools spend $65,016 per student, based on an analysis of IPEDS data. American Association of Medical Colleges data indicate the median tuition for private schools is $64,369. These national data serve as proxies for what it may cost to deliver a medical education by removing other sources of funding and expenditures that can co-mingle with the medical school. SIU and UIC representatives indicated that the national data do not represent the cost of medical education and noted that their estimates align with comparisons they have done with peer institutions.

The Commission did not settle on an appropriate cost factor to apply in the formula. The $65,000 national cost estimate corresponds to a 450% cost factor, while the $160,000 Illinois cost estimate corresponds to a 1100% cost factor. **The draft model output discussed in this report uses the 1100% only for discussion purposes**. It is not the Commission's recommendation, but a starting point for analysis. The General Assembly could also choose to include a lower cost factor but provide additional appropriations for medical schools separate from the formula to support additional costs it deems necessary to support quality medical education. This factor would apply only to students in medical degree programs. Students enrolled at Schools of Medicine in other degree programs would receive any high-cost/high-priority health professional program adjustment based on their program of study. Students in high-cost/high-priority health professional programs, such as Veterinary, Pharmacy, and Dental, would continue to receive the 100% cost factor for that category of programs.

In using the 1100% factor, the Commission was attempting to approximate the current costs and resources at the Schools of Medicine as a starting point for analysis. The universities indicated a total cost of about $160,000. Approximating the actual resources generated from tuition and fees required an adjustment to the Equitable Student Share. Using the formula's existing subsidies would produce an ESS per student of

over $100,000 at all three Schools of Medicine. Therefore, the formula would lower the ESS Index at each School of Medicine by 45% to generate an ESS amount of $45,000 to $60,000, which more closely aligns with actual average tuition and fees revenue. The state appropriation per student varies at each School of Medicine. SIU reported a state appropriation of $60,383 per student and UIC reported $13,111. As discussed below, UIUC did not provide a separate appropriation amount for its School of Medicine. This produces a gap between costs and resources ranging from $14,000 per student at SIU to $65,400 per student at UIC. The universities do use revenue from clinical activities to cover some of this gap currently. The Commission has not discussed whether or how to consider those revenues in the formula.

The Commission did reach agreement that the state's three Schools of Medicine should be considered as separate institutions in the formula. Including them in overall university Adequacy Gap calculation universities masked significant variation in the levels of adequacy and resources available to the institutions. The three Schools of Medicine are housed at Southern Illinois University Carbondale (SIU-C), University of Illinois Chicago, and University of Illinois Urbana-Champaign. To separate the Schools of Medicine, the appropriate portions of the state appropriations, square footage, and endowment were assigned to each School of Medicine. While SIU's School of Medicine already reports its revenue, expenditures, and square footage separately to IBHE, the University of Illinois Schools of Medicine had to provide new data. The University of Illinois Urbana-Champaign indicated that it does not budget in a way that could identify the state appropriations that goes to its School of Medicine. Therefore, as a placeholder until better data is available, the formula used the difference between in-state and out-of-state tuition at the UIUC School of Medicine as a proxy for the state appropriation per student. This number, $12,896, is very similar to the per student state appropriation at the UIC School of Medicine, which is $13,111. Additional analysis would also be needed to determine the right portion of the SIU – School of Medicine state appropriation to apply to the formula. The SIU – School of Medicine reports $91,744 per student in State appropriations, but representatives of SIU noted that one-third of this funding supports costs related to medical residents ($13.4 million out of the $39.2 million appropriation). Residents are not included in the headcount in the formula, as they are not degree-seeking students, so the resources supporting them are also excluded. Finally, a portion of the endowment values of the main institutions were assigned to each School of Medicine based on each school's proportional enrollment. To separate out the Schools of Medicine in the formula, IBHE would need to establish more definitions and data standards to ensure consistency and rigor of these various data points.

Other Commission Recommendations

This section of the report summarizes the Commission's thinking on a set of key issues that arose during the work but did not end up directly in the funding formula. The Commission's work was thorough and comprehensive in considering how to define an adequacy and equity-focused funding formula. However, not every component of higher education finance could be addressed in the funding formula. The Commission's work intersects with other areas of higher education finance and policy that fell outside of the scope of its work, but that are essential to consider in light of the Commission's work. There are also elements of the formula that Commission members suggested be particular focus of the first formula review process. Given the newness of this funding approach, the Commission is particularly interested in assessing how the formula performs in certain areas. This section captures the Commission's thoughts on a range of important topics related to funding and supporting a high-quality and equitable higher education system in the state.

- **Diversifying Faculty and Staff:** The Commission considered including a cost in the Adequacy Target intended to support the recruitment and retention of a diverse faculty and staff. The proposal considered would have provided a small amount per student, the amount coming from examples of initiatives underway at some Illinois universities. Research has shown that greater levels of faculty and staff of color can improve outcomes for underrepresented minority students.

  The Commission believes that diversifying faculty is a critical issue for universities, students, and the state and requires significant attention and investment. Some Commission members believed that it is core to the concept of adequacy and should be included in the formula. On the other hand, some members felt that including it in the formula would lose focus on the issue. The funds would not be required to be spent on those efforts, and it would be challenging to assess the impact and hold institutions accountable. Therefore, the Commission recommends that the state increase its investment in the Diversifying Higher Education Faculty in Illinois (DFI) program and continue to seek ways to support faculty and staff of color, current and prospective, in the state.

- **Hospitals & Athletics:** The Commission decided not to consider funding for these two categories. They are not included in the Adequacy Targets. The complex financing of these enterprises would have required more time than the Commission could dedicate given the rest of its work. These issues do have potential implications for adequacy, equity, and access to resources. Future formula reviews could examine how to treat these topics in a formula.

- **Deferred Maintenance:** The Commission decided not to incorporate deferred maintenance into Adequacy Targets, although there is funding for minor renovations. The Commission's choice is not a reflection of the importance of the need to properly fund deferred maintenance. The current deferred maintenance cost sits at $6.8 billion across the 12 universities and has more than doubled since 2012. Students should be able to expect and need safe, quality, and current facilities. Deferred maintenance also has equity implications, which is particularly important to note given that the formula does not include any equity element in the Physical Plant component. But the Commission agreed that the state's capital budget is the appropriate vehicle to address this issue, and strongly supports a significant investment.

- **Additional Student Populations:** The Commission was interested in incorporating student parents, students with disabilities, and first-generation students into the equity adjustments of the Adequacy Target and ESS and including students who are mandatory tuition waiver eligible in ESS. The Commission also heard public comment mentioning student groups such as English language learners, unhoused students, and undocumented students. Currently IBHE does not have student-level data needed to add any of those groups into the formula. IBHE is working towards collecting some of that data, and the Commission recommends adding these populations into the formula when the data is ready. The Commission also noted that a preferred definition for low-income would be based on income eligibility for Pell Grants, rather than receipt of a Pell Grant, given the other eligibility restrictions. Future work should explore options for expanding that definition to capture all students from low-income families.

- **IBHE Capacity:** Running and administering a new formula will significantly expand the duties and responsibilities of IBHE, including more robust data collection and analysis, technical modeling, communication, assistance to institutions, and oversight. IBHE will need an increase of new resources to expand its capacity to successfully implement the new funding formula.

- **Non-Tuition and Fees Costs:** The funding formula creates incentives to improve affordability of tuition and fees through the Equitable Student Share. However, the Commission recognizes that the other costs of attending college can be a major barrier for students and have significant equity implications. Nationally, the typical costs of housing, food, books, supplies, and other expenses are more than one-and-a-half times greater than tuition and fees. The Commission suggests the State study other ways to address these costs, including by considering these costs for later inclusion in the formula, or by examining reforms to the MAP Grant such as having it cover non-tuition and fees costs. The Commission recognizes that such a reform to the MAP Grant would require significant additional funding, and that MAP also does not currently cover all of tuition and fees costs or, in many years, serve all eligible applicants.

- **Data:** In addition to collecting data for new student populations, the Commission wishes to ensure the highest quality data is used to implement the formula with fidelity. To ensure all students who should be eligible for equity adjustments and ESS subsidies are identified accurately, IBHE should engage with ISBE to conduct a data match on all students dating back at least 10 years. This will allow IBHE to capture the EBF Tier of every student's high school, some of which was missing from the data set used in developing the formula.[7] The data match will need to match the student's high school with the EBF Tier level at the time the student was enrolled. The data match could also incorporate data to supplement or refine weights, such as the number of years a student attended an EBF Tier 1 or 2 school, or characteristics of the schools attended (free and reduced-price lunch eligibility, graduation rate, race/ethnicity composition, college access rate, etc.).

[7] The Commission developed a work around to impute estimated EBF Tiers based on other student characteristics. See Technical Appendix, Data Definitions and Notes for a more complete explanation of that process.

» **Funding Formula Review Committee Priorities:** The Commission suggests that the Funding Formula Review Committee's first comprehensive five-year review give close attention to Equitable Student Share. This is a brand-new concept and way to address affordability and state responsibility for funding higher education. While the Commission fully considered the implications related to issues such as actual tuition and fees, financial aid, and enrollment incentives, it is critical to assess the actual impact based on full implementation. The formula review process should review disaggregated data related to tuition and fee levels at universities, actual tuition and fees paid by students, other costs of attendance, MAP and Pell Grant revenue, and data to evaluate the impact.

The Funding Formula Review Committee should also examine the formula's overall treatment of graduate and professional students. The Commission did not have as extensive data or research available to it to develop some of the equity adjustments for graduate students as it did for undergraduates or research to fully assess the costs of needed supports. For example, there is not a measure of low-income for graduate students in the formula, as they are not eligible for Pell or MAP Grants, the criteria used for undergraduates. The review process should assess new opportunities for expanding the data used in the formula to account for graduate and professional students and should provide an overall assessment of how well the formula provides for an adequate and equitable graduate education, recognizing the wide variations in types of graduate programs.

The Committee should also consider new student-level data to incorporate into the formula as it becomes available (low-income other than Pell/MAP, first-gen, student parents, student with disabilities, mandatory tuition waivers, English language learners, unhoused students, and undocumented students) and consider opportunities to supplement or refine existing equity adjustments and ESS subsidy levels using new data, such as the number of years a student attended an EBF Tier 1 or 2 high school, or socioeconomic characteristics of the high schools (free and reduced-price lunch, graduation rate, etc.).

Appendix A: Commission Membership

Senator Co-Chair

Kimberly Lightford, *Senate Majority Leader*
Illinois General Assembly

IBHE Chair or Designee; Co-Chair

John Atkinson, *Board Chair*
Illinois Board of Higher Education
*Replaced by **Pranav Kothari**, IBHE Board Chair, October 19, 2023*

Chair of Senate Higher Education Committee

Scott Bennett, *Senator*
Illinois General Assembly
*Replaced by **Sen. Mike Halpin**, January 27, 2023*

Spokesperson, House Higher Education Committee

Dan Brady, *Representative and Deputy Republican Leader*
Illinois General Assembly
*Replaced by **Rep. Dan Swanson**, March 14, 2023*

Minority Spokesperson of Senate Higher Ed or Designee

Dale Fowler, *Senator*
Illinois General Assembly

Representative

Mike Marron, *Representative*
Illinois General Assembly

Senator

Chapin Rose, *Senator and Assistant Republican Leader*
Illinois General Assembly
*Replaced by **Sen. Terri Bryant**, June 13, 2022*

Chair, House Higher Education Committee

Katie Stuart, *Representative*
Illinois General Assembly

Southern Illinois University Carbondale Member

Sheila Caldwell, *Vice President for Antiracism, Diversity, Equity, and Inclusion*
Southern Illinois University Carbondale

Representative Co-Chair

Carol Ammons, *Representative*
Illinois General Assembly

Governor Appointee; Co-Chair

Martin Torres, *Deputy Governor for Education*
Office of the Governor

University of Illinois Urbana-Champaign Member

Andreas Cangellaris, *Provost*
University of Illinois Urbana-Champaign
*Replaced by **William Bernhard**, Interim Vice Chancellor for Academic Affairs and Provost, September 1, 2022; Replaced by **John Coleman**, Vice Chancellor and Provost , August 2, 2023*

One member representing a higher education advocacy organization focused on eliminating disparities in college completion in this State for low-income and first-generation college students and students of color

Lisa Castillo-Richmond, *Executive Director*
Partnership for College Completion

Health Care Expert from public higher education

Wendi Wills El-Amin, *Associate Dean of Equity, Diversity, and Inclusion*
Southern Illinois University School of Medicine

One member representing a statewide advocacy organization focused on improving educational and employment opportunities for women and adults

Cherita Ellens, *President and CEO*
Women Employed

Northern Illinois University Member

Lisa Freeman, *President*
Northern Illinois University

Northeastern Illinois University Member

Gloria Gibson, President
Northeastern Illinois University
*Replaced by **Katrina Bell-Jordan**, Interim President, July 28, 2023*

Eastern Illinois University Member

David Glassman, President
Eastern Illinois University
*Replaced by **Matt Bierman**, Vice President for Business Affairs, July 6, 2023*

Governors State University Member

Cheryl Green, *President*
Governors State University

Two members representing an organization that advocates on behalf of public university faculty members who are each employed by a different university

Diane Otieno Owino Hayes, *Professor*
Southern Illinois University Edwardsville
*Replaced by **Warren Richards**, Instructor, November 1, 2022*

Western Illinois University Member

Guiyou Huang, *President*
Western Illinois University

Illinois State University Member

Terri Kinzy, *President*
Illinois State University
*Replaced by **Aondover Tarhule**, Interim President, February 24, 2023*

Public University Student

Brandon Kyle, *Vice-Chair & Student*
IBHE Student Advisory Council
Governors State University

Southern Illinois University Edwardsville Member

Dan Mahony, *President*
Southern Illinois University Edwardsville

One member representing a fiscal policy research organization focused on the impact that State-level budget and tax policies have on equitable education funding solutions

Ralph Martire, *Executive Director*
Center for Tax and Budget Accountability

University of Illinois Springfield Member

Dennis Papini, *Provost,* University of Illinois Springfield
*Replaced by **Brandon Schwab**, Vice Chancellor for Academic Affairs and Provost, August 2, 2023*

University of Illinois Chicago Member

Javier Reyes, *Provost*
University of Illinois Chicago
*Replaced by **Karen Colley**, Provost and Vice Chancellor for Academic Affairs, July 27, 2023*

Chicago State University Member

Zaldwaynaka "Z" Scott, *President*
Chicago State University

One member representing a statewide advocacy organization focused on developing an equitable birth-to-career educational system

Robin Steans, *President*
Advance Illinois

Legal expertise in higher education finance

Respicio Vazquez, *General Counsel*
Elgin Community College

Two members representing an organization that advocates on behalf of public university faculty members who are each employed by a different university

Simón Weffer, *Associate Professor*
Northern Illinois University

One member representing a statewide organization that advocates for alternative education and bridge programs and the re-enrollment of students in this State

Jack Wuest, *Executive Director*
Alternative Schools Network

ISAC Chair or designee

Eric Zarnikow, *Executive Director*
Illinois Student Assistance Commission

Appendix B: Crosswalk of Formula Legislative Charge

Section 20 of SB 0815 charged the Commission with developing recommendations that consider a number of factors. This appendix summarizes those factors and identifies which pieces of the formula address each factor. The Commission believes its process and the content of this report have successfully weighed all of the priorities the General Assembly charged it with addressing.

Legislative Charge	Per Student Base Funding	Access Equity Adjustment	Acad/Non-Acad Supports Equity Adjustment	High-Cost Programs	High-Cost Program Diversity Adjustment	Mission Cost	O&M	Small School Adjustment	Concen-tration Adjustment	Equitable Student Share
Remediate Inequities for Underserved Groups		x	x		x				x	x
Adequate, Equitable, and Stable funding	x	x	x	x	x	x	x	x	x	x
Incentives to 4-year Institutions to Enroll Underrepresented Student Groups		x	x		x					x
Funding of IHEs that Serve Underrepresented Student Groups		x	x		x				x	x
Support the Missions of Each Public University Including Research and Healthcare				x	x	x				
Foster the Economic Activity and Innovation Generated by a University's Activities	x					x				
Consider Percentage of Institutional Aid										x
Consider the Number of UG Students Engaged in Research at Each University	x					x				
Support Institutional Efforts to Recruit and Retain World-Class Faculty and University leaders	x									

APPENDIX C: COMPARISON MATRIX OF STATE FUNDING FORMULAS

			Illinois K12 EBF	Oregon	Louisiana	Colorado	Tennessee	California CC's
Formula Components	Enrollment (Access)	**Enrollment Included**	**Yes.**	**Yes.**	**Partial.**	**Yes.**	**No.**	**Yes.**
		Description	Enrollment is part of the adequacy calculation for each district.	33% of total funding. Distributes resources based on student credit hour (SCH) **completions** of Oregon resident students at undergraduate and graduate levels.	Student Credit Hours (SCH) are a component of the cost calculation component of the funding model.	Included as part of step 1 (base building) and step 2 (performance)	Enrollment is not a direct factor (though the outcome measures do correlate with enrollment)	~70% of funding through The "base" component which is primarily based on college enrollment and overall district size.
		Equity Reflected	**Yes.**	**No.**	**Yes.**	**Yes.**	**N/A**	**Yes.**
		Description/Analysis	The adequacy calculation for districts includes specific factors for student demographics, including students with IEPs, ELL and low-income.	N/A	Underrepresented Minority Cost Adjustment added to institutions that have a URM population above the state average.	1) The step 1 calculation includes a factor for first-generation enrollment: both number of first-generation as well as proportion/concentration of first-generation. 2) Step 2 (performance) includes growth of enrollment for special populations (Pell, First-Generation, Minority)	N/A	**Yes.** ~20% of funding distributed through the supplemental allocation for % of low-income students enrolled (students receiving a Pell Grant, a California College Promise Grant and/or an AB540 waiver for the payment of nonresident tuition (undocumented low-income students)).
		Costs/Variation in Program/Course Type	**Partial.**	**Yes.**	**Yes.**	**No.**	**N/A**	**No.**
		Description/Analysis	Not specific to enrollment but the adequacy calculation includes an "investment cost factor" and adjustments to salary based on regional wage.	Program and course-level cost weighting system. All resident student completed hours are collected for all levels of instruction across all disciplines. Cost weights are then applied for each level/discipline combination.	SCHs are weighted by a cost multiplier based on discipline and level.	N/A	N/A	N/A

			Illinois K12 EBF	Oregon	Louisiana	Colorado	Tennessee	California CC's
Formula Components, continued	**Evidence-Based Practices/Costs of Supports Reflected or Used to Inform Weights within the Formula**	**Evidence Based Practices Included**	**Yes**	**No.**	**Partial.**	**No.**	**No.**	**No.**
		Description/Analysis	Evidence-Based practices are included in the adequacy calculation	Funding does not include direct investment in specific supports/practices or any analysis of costs to provide these support/practices. **Weights associated with equity groups were not empirically informed** by the types/costs of supports necessary for students to be successful and the variation across different groups.	The "Base SCH" component of the formula includes an "academic support amount" based on the ratio of total budget spent on academic support/services across SREB regional institutions. However, this as well as the **weights associated with the equity groups of the funding model, were not empirically informed.**	Funding does not include direct investment in specific supports/practices or any analysis of costs to provide these supports/practices.	Funding does not include direct investment in specific supports/practices or any analysis of costs to provide these supports/practices. Weights associated with equity groups were not empirically informed. However, the state did provide additional, targeted, grant funding to institutions consistently struggling under the OBF model. These grant funds focused on development and implementation of specific student success strategies.	The formula does not consider specific supports/practices or any analysis of costs to provide these supports/practices. Weights for equity groups do not appear to be empirically informed. However, the state also funds a Block Grant program (funded separately from the formula) called the Student Equity and Achievement Program. This program provides funding to institutions who must maintain student equity plans, provide student matriculation services, adopt multiple measures placement policies, and provide all eligible students with an education plan.

			Illinois K12 EBF	Oregon	Louisiana	Colorado	Tennessee	California CC's
Formula Components, continued	**Outcomes**	**Outcomes Included**	**No.**	**Yes**	**Yes.**	**Yes.**	**Yes.**	**Yes.**
		Description/Analysis	Specific outcomes are not an explicit component.	50% of total funding. Rewards degree and certificate completions by Oregon resident students.	Outcomes include: **1) Completers:** Retention/progression; time to award; completers; dual enrollment; cross enrolled. 2) Research 3) Workforce: Completers aligned to 4 &5 star jobs	Outcomes included as part of Step 2 calculation. Outcomes include: Credential production Retention Rate Grad at 100% time Grad at 150% time	Outcomes are the primary driver of funding for both universities and community colleges. Credit Hour Accumulation Degrees: Bachelor, Master, Doctorate/Law Research, Service, Sponsored Programs Six-year Graduation Rate Degrees per 100 FTE	~10% of funding. Student Success metrics funding include: **Student Progress**: CTE, Transfer **Completion**: Associate Degree for Transfer, Associate Degree **Outcomes**: Wage Earnings
		Equity Reflected	N/A	Yes.	Yes.	No.	Partial.	Partial.
		Description/Analysis	N/A	Completions by students in underrepresented categories are counted at a higher weight. For Oregon this includes: -Low-income -Racial/ethnic minoritized - Rural - Veteran	Completions by students in underrepresented categories are counted at a higher weight. For Louisiana this includes: -Pell -Age (25+) - Underrepresented minoritized populations	The Step 2 equity indicators focus only on enrollment factors	Adult and low-income students receive and extra weight for credit hour progression and undergraduate degree completion. Does not include racial/ethnic factors and does not consider equity beyond undergraduate levels. Weights were not empirically derived.	Low-income students receive additional funding for each outcome achieved. Race/ethnicity are not included.
		Priority Degree	N/A	Yes.	Yes.	No.	No.	No.

			Illinois K12 EBF	Oregon	Louisiana	Colorado	Tennessee	California CC's
Formula Components, continued	Outcomes, continued	**Description/Analysis**	N/A	An area of study bonus is applied for STEM, healthcare and bilingual education degree	Completions in degree areas aligned to 4&5 star jobs are included as a specific outcome/receive more "weight."	N/A	N/A	N/A
		Costs/Variation in Program/Degree Type	N/A	Yes.	No.	No.	No.	No.
		Description/Analysis	N/A	Yes. 1. There are differential weights applied across level of degree: Baccalaureate degrees – 2.0. Doctoral degrees – 1.4. Master's and professional degrees – 1.0. 2. Cost-weighting adjustments are made to reflect program duration and type	The cost component of the funding model is primarily based on SCH, not incorporated into the outcomes.	No.	No.	No.
	Mission	**Mission Considered**	**N/A**	**Yes.**	**No.**	**No.**	**Yes.**	**No.**
		Description/Analysis	N/A	Mission allocation is "off the top", so can also be considered base funding allocation. Based on historical funding levels for services, programs or operations, adjusted for inflation (CPI). Includes resources for Dual Credit completions.	Outcomes include research but no variation or mission aligned considerations reflected.	N/A	Metrics are common across each institution but the weights associated with each institution vary based on institution priorities and mission.	N/A

			Illinois K12 EBF	Oregon	Louisiana	Colorado	Tennessee	California CC's
Formula Components, continued	Other	**Other components**	**Yes.**	**No.**	**Yes.**	**Yes.**	**Yes.**	**No.**
		Description/Analysis	1. Salary Cost included. Calculation makes adjustment for regional wage differences as component.	N/A	The Cost calculation is the primary component of the funding model, based on: 1.) "Core Cost:" weighted SCH (student credit hour weighted by a multiplier dependent on discipline and level) X Base SCH value (includes SREB avg. for salary + benefits, course offerings, degree level of students, class size, and support services) 2.) Operations Plan + Maintenance and General Services	There is a third step which is special purpose at discretion of the legislature.	Operations and Maintech represent approximately 15% of funding. An additional 5% in bonus funding is available through the quality and performance formula.	N/A

			Illinois K12 EBF	Oregon	Louisiana	Colorado	Tennessee	California CC's
Adequacy	Adequacy Calculated	**Formula Components Used to Inform Adequacy**	**Yes.**	**No.**	**No.**	**No.**	**No.**	**Partial/Yes**
		Description/Analysis	Adequacy target for each district are calculated based on funding components outlined. 1) Investment cost factors – educational practices proven to improve student achievement, 2) student demographics, 3) salary/regional wage differences.	**Model is an allocation model for state funding**. It does not calculate or consider specific adequacy levels across different institutions. However, the approach to mission could provide a model for incorporating that into an adequacy assessment (standardizing that calculation as part of each institution's adequacy "profile").	**Model is an allocation model for state funding**. However, some of the different components of the formula could be used to inform an adequacy calculation.	**Model is an allocation model for state funding.**	The formula is used to build the budget request but does not guarantee funding. **Model is an allocation model for state funding.**	The formula is used to develop a total computational revenue (TCR) for each institution. Each metric of the formula has an associated dollar rate. However, it is not clear how these dollar rates were established/if they were empirically informed. More than most states, the total amount of funding necessary to meet each institution's state funding component of the TCR is met (due to Proposition 98 guarantee). If the state projects that revenue may come in under its original estimate, a deficit factor is applied, reducing the amount available to a district by a system wide percentage. This percentage is based on the size of the estimated shortfall.

			Illinois K12 EBF	Oregon	Louisiana	Colorado	Tennessee	California CC's
Resources	Variation in Resource Levels	**Consideration of other resources**	**Yes.**	**No.**	**No.**	**No.**	**No.**	**Yes.**
		Description/Analysis	Local resources are a factor with districts that have higher levels of property tax wealth expected to contribute more to adequacy level.	The funding model does not factor in other sources/levels of resources.	The funding model does not factor in other sources/levels of resources.	The funding model does not factor in other sources/levels of resources.	The funding model does not factor in other sources/levels of resources.	Student enrollment fees and local property revenue are factored in. If the amount of the calculated state apportionment is less than the district's local property tax revenues and student enrollment fees, then the district does not receive any state general apportionment amount.
		Prioritized State Funding	**Yes.**	**No.**	**No.**	**Partial.**	**No.**	**Yes.**
		Description/Analysis	New state funding is prioritized to districts furthest from their adequacy target (Tier Funding)	Funding first goes to the "base" or "mission" funding but funding is not prioritized based on gaps in adequacy or other resource considerations.	Funding is not prioritized based on gaps in adequacy or other resource considerations.	When step one is prioritized it directs money to address gaps/historic disparities.	Funding is not prioritized based on gaps in adequacy. Funding is distributed based on the relative change of outcomes and the amount appropriated.	Yes. Proposition 98 provides a guaranteed state minimum level of funding for K-12 and CC's. At least 40% of state revenue must be allocated to K-12 and CC's (approx. 11% goes to CC's). While this minimum fluctuates based on revenue available, it still prioritizes state funding. Additionally, state funding is directed to those institutions with

								gaps between their calculated "TCR" and state enrollment fees and local property tax revenue.

			Illinois K12 EBF	Oregon	Louisiana	Colorado	Tennessee	California CC's
Stability	Stability	**Stability Included**	**Yes.**	**Partial**	**Yes.**	**Partial.**	**Partial.**	**Yes.**
		Description/Analysis	**Base funding minimum** guarantees districts same level of funding as received in prior year. In addition to this commitment there is a **Minimum Funding Level** that commits new state funding of at least $350 million per year.	Formula uses three-year averages for the enrollment and outcomes portions of the funding model. This provides a level of stability in those variable metrics. The Mission funding also provides a "base" or consistent level of funding (adjusted for CPI). **Specific appropriation amount, however, is not guaranteed.**	Base funding is built off prior year base and is largest component of the funding formula.	Funding model is an allocation model used to distribute whatever level of funding is available each year (not a guaranteed level of funding). The funding in step 1 is base building, providing a level of stability. However, the percentage or priority for funding between steps 1 and steps 2 are at the discretion of the legislature each year.	The mechanics of the model – including the weighting structure and the use of three year averages are intended to ensure only minimal shifts in funding levels year-to-year. However, the funding model has redistributed resources across institutions.	The funding formula has a phased in approach which contains a minimum revenue (hold harmless) guarantee for districts from 2018-19 through 2024-25; districts will receive at least the 2017-18 total computational revenues, adjusted by COLA each year, through 2024-25.

APPENDIX D: ENROLLMENT OF VARIOUS STUDENT POPULATIONS BY UNIVERSITY

Figure D-1: High School GPA Distribution for Incoming Freshmen in Fall of AY2022-23 by Illinois Public University

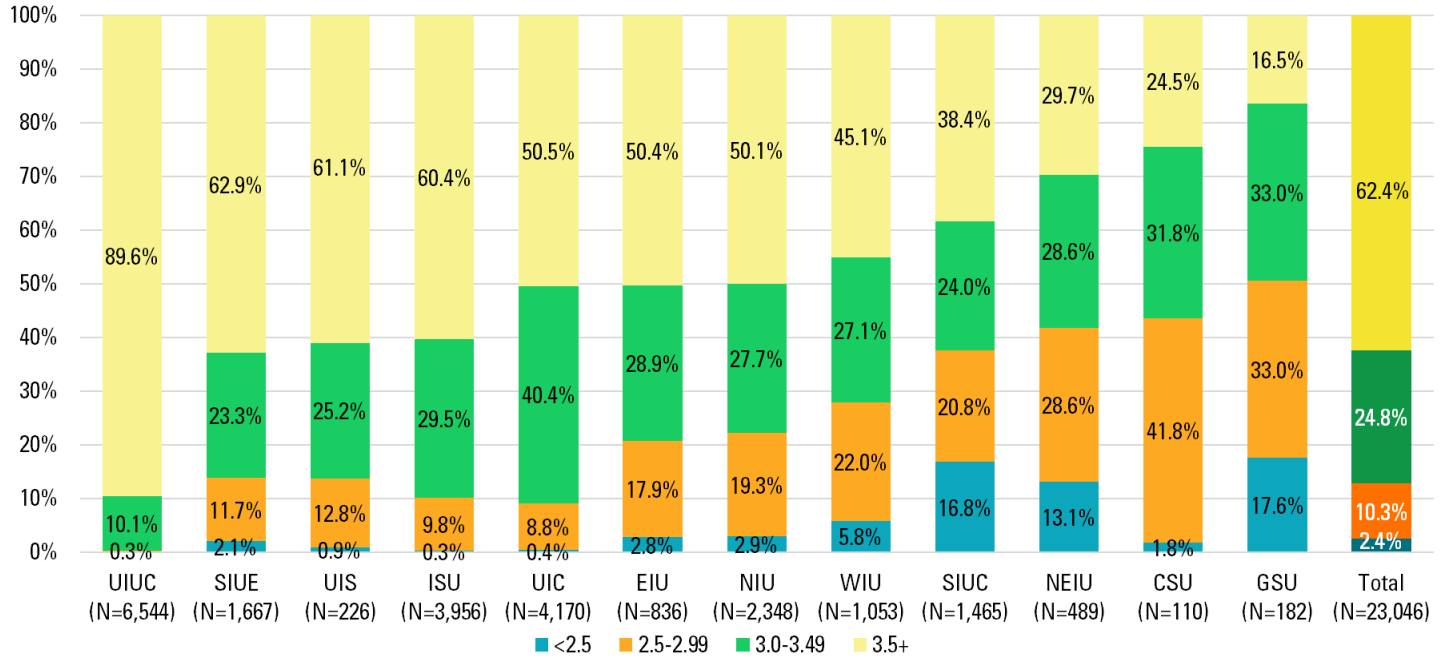
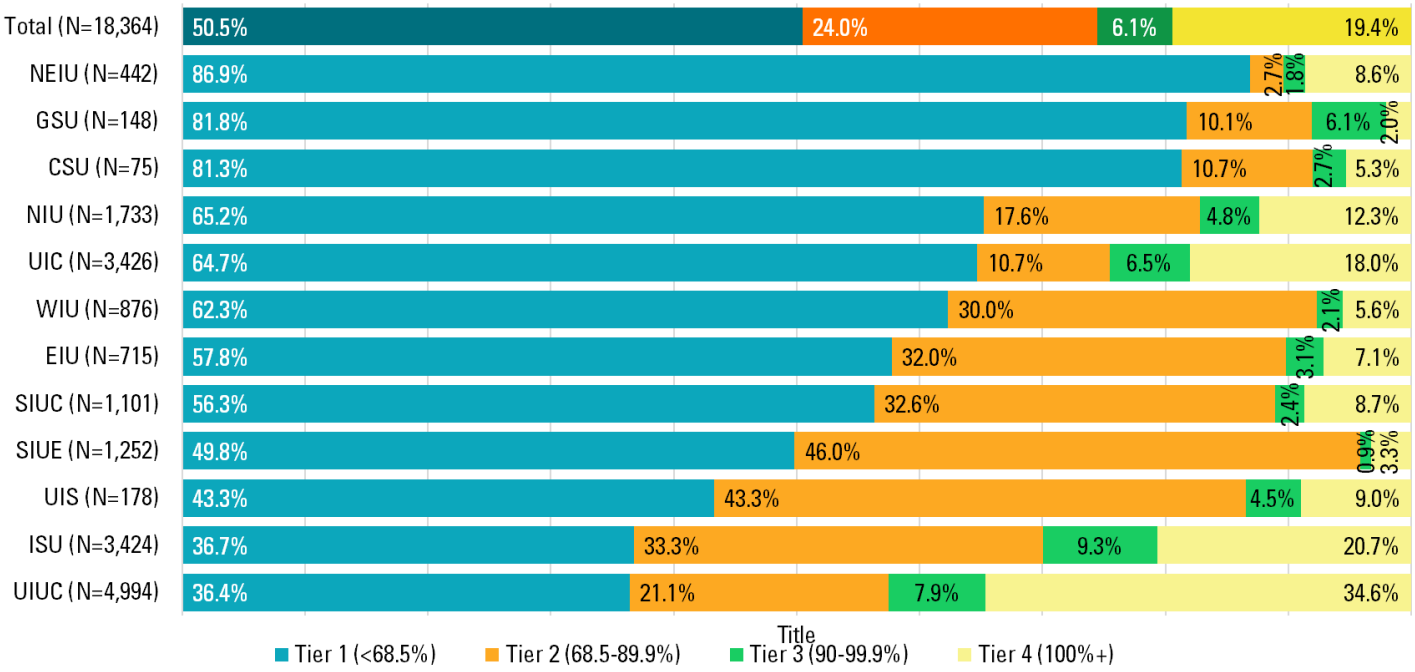


Figure D-2: Distribution of New Full-Time Freshmen by the Funding Adequacy of their Illinois Public High School



Note: In the K-12 Evidence Based Funding formula, school districts are grouped into Tiers based on their level of adequacy funding (as shown by the percentages next to each Tier). Tier 1 districts are the least adequately funded.

Figure D-3: Student Parent Status among Undergraduates at Illinois Public Universities

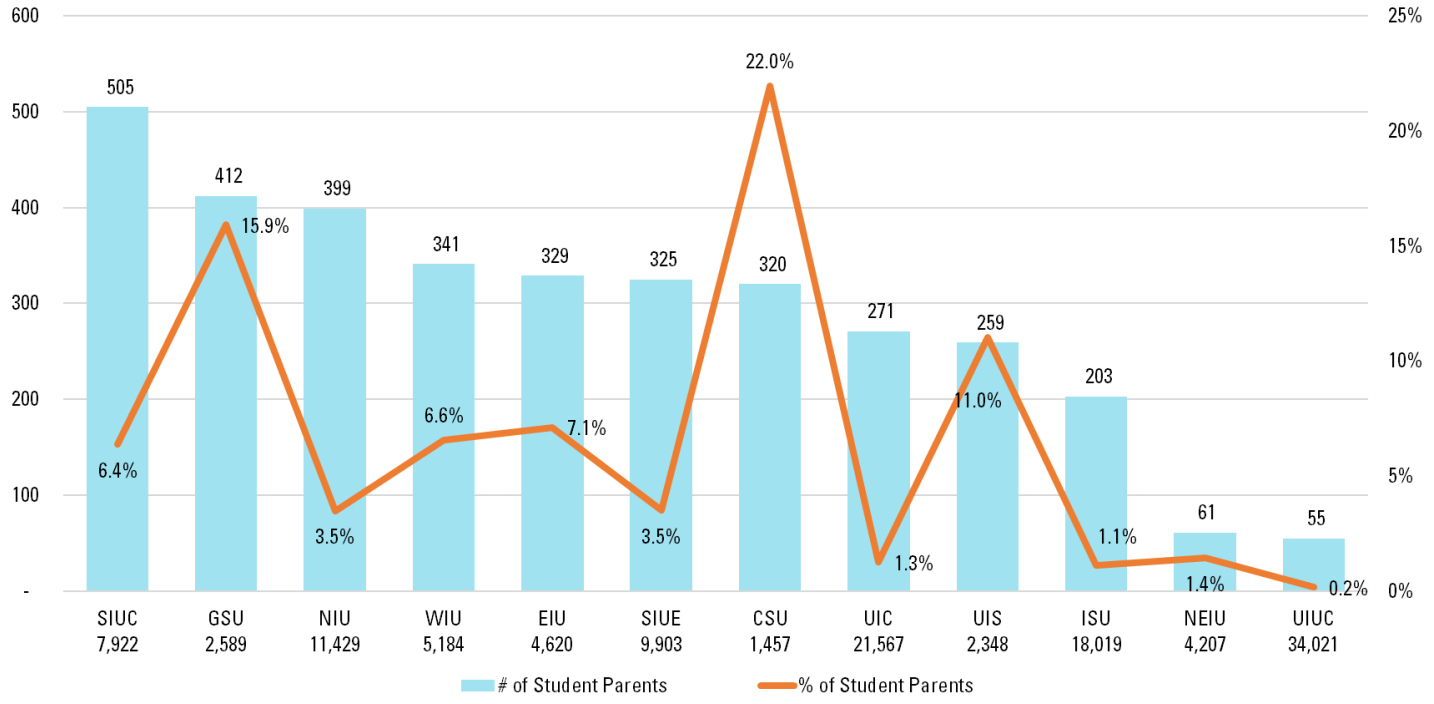
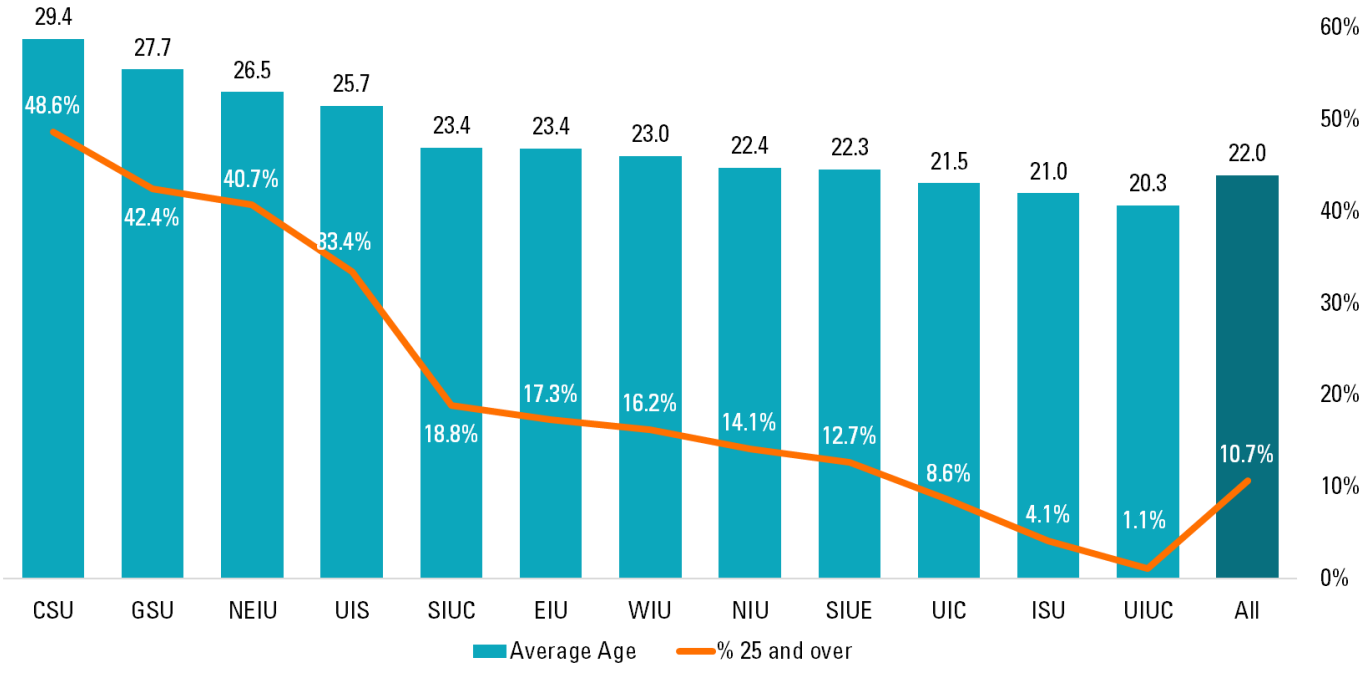


Figure D-4: Age of Undergraduates at Illinois Public Universities



APPENDIX E: TECHNICAL APPENDIX – DATA SOURCES AND METHODOLOGY

This section provides the data points, sources, and methodologies used to derive the various components of the formula.

Adequacy Base Costs

The base costs of each component of the adequacy framework begins with the statewide expenditures from Fiscal Years 2020-22 as reported in IBHE's Revenues and Expenditures – Appendix D (R&E report). IBHE groups expenditures into major categories, such as Student Services and Instructional Program. In order to crosswalk the IBHE categories with the definitions and components of adequacy as defined by the Commission, some expenditures were moved or excluded from IBHE's original categories:

- Expenditures for Financial Aid Administration are moved from "Student Supports" to "Academic Supports."
- Expenditures for the subcategory of Museums and the category of Public Services are excluded, as the Mission component of adequacy was defined using an alternative approach.
- Expenditures for the subcategories of Hospitals, Financial Assistance, and Intercollegiate Athletics are removed from their broader IBHE expenditure categories and not included in the calculation of adequacy.
- Expenditures for categories of Independent Operations, Refunds & Lapse, Contribution to CMS Group Health Insurance, Medicare, Organized Research, and Public Service are excluded and not included in the calculation of adequacy.[8]

Once these changes were made, the IBHE categories were crosswalked into the different Adequacy components in the following way:

Appendix E-1: IBHE Categories Crosswalked to Adequacy Components

Access	One-half of R&E report's "Academic Supports" expenditures, all revenue sources
Academic Supports	One-half of R&E report's "Academic Supports" expenditures, all revenue sources
Non-Academic Supports	R&E report's "Student Services" expenditures, all revenue sources
Core Instructional Program Costs	R&E report's "Instructional Program" expenditures, all revenue sources
Mission	Separate approach – see below
O&M	R&E report's "Physical Plant" and "Institutional Support" expenditures, State & UIF revenue sources only.

[8] Organized Research and Public Service are aligned with the "Mission" adequacy component, but the calculation of the adequacy costs for Mission were derived using an alternative data source.

The Commission decided to include expenditures from all revenue sources for the Instruction and Student Services components of adequacy (Access, Academic Supports, Non-Academic Supports, and Core Instruction Costs). O&M only includes expenditures from State & UIF revenue sources. The rationale for including expenditures from other revenue sources for the former adequacy components is that these expenditures directly contribute to student outcomes. On the other hand, many O&M expenditures are less directly related to an adequate education or the core mission of the public universities, and much of those expenses is covered by sources of revenue other than state appropriations and tuition and fees ("State Funds"). In fact, while State Funds make up 74% of the revenue that supports Instruction and Student Service costs, they only comprise 54% of the revenue for O&M costs. Additionally, nearly 75% of all expenditures from other revenue sources go towards Mission and O&M costs, and the variation across institutions is much wider in these categories.

Table E-2: Statewide Average Expenditures Per Student
in Each Adequacy Component by Revenue Source

Adequacy Component	FY2022 – All Rev Sources	FY2022 – State & UIF Revenue
Student Centered Access	$1,073	$827
Academic Supports	$1,073	$827
Non-Academic Supports	$1,003	$317
Core Instruction Costs	$10,714	$8,269
Mission (Research, Public Service, Artistry)	$8,281	$1,227
O&M	$6,828	$3,757
Total	**$28,973**	**$15,225**

System office expenditures were allocated to each university based on that university's share of the system's expenditures in each category. Expenditures at the Southern Illinois University School of Medicine were allocated to Southern Illinois University Carbondale.

Once each fiscal year's data was organized this way, an enrollment-weighted average of the three fiscal years was calculated for each institution in each category. The sum of those institutional weighted averages was divided by the three-year average of degree-seeking headcount at all institutions. This generates the current average spending per student in each adequacy component.

Next, this statewide spending for each component within Instruction and Student Services was increased in two ways. The Commission first set an overall target for an increase in expenditures based on research linking state appropriations to increases in graduation rates. There is a substantial body of research linking increases in state appropriations with improved student outcomes, including estimates that at four-year universities, a $1,000 per FTE increase in appropriations is linked to a 1.5 percentage point increase in the graduation rate (Chakbarati et al 2020). A regression analysis of the relationship between graduation rates and "education and related expenditures" at public and private four-year institutions identified a similar ratio, wherein a one percentage point increase in the graduation rate was associated with a $500 increase in spending per FTE. Using this analysis and research base as a rough guide, the final ratio used was $600 per FTE for each percentage point increase, or $638 per headcount based on the statewide Headcount/FTE

ratio of 1.06 over the past five years., Therefore, to increase the current 63.3% graduation rate[9] at Illinois universities to 70%, the state would need to provide universities with $4,276 more per student. The research was based on data from 2018, so the formula adjusted the $4,276 increase for inflation to $5,161 using the BLS Consumer Price Index for All Urban Consumers (CPI-U) from January 2018 to January 2023.

Next, the Commission established equity adjustments for various adequacy components, the costs of which were derived from evidence-based access and student success practices. Statewide, the equity adjustments increased spending by $660 less than the target increase. The formula distributes that remaining $660 across the Instruction and Student Services component base costs proportional to each component's share of the total cost of Instruction and Student Services.

Two additional adjustments were made to the components in Instruction and Student Services. First, Student Centered-Access, Academic Supports, and Non-Academic Supports were combined into one cost. The equity adjustments to these components are absolute dollars, not percentages, so combining them into one category does not impact other pieces of the formula. Second, the Core Instructional Program Costs had to be adjusted to account for the high-cost program factor. The statewide average for Core Instructional Program Costs after the $660 increase was $11,366 per student. This average includes spending on instruction in those programs defined in this framework and formula as high-cost, meaning that the lower-cost programs spend less per student than $11,366. After setting the cost factors that will be applied to the base cost for high-cost programs, a base cost for all other courses and programs can be calculated such that the weighted average of all courses – after applying the cost factors – equals the $11,366. The resulting base cost for Core Instruction Costs is $9,797 per student. The cost-factors for high-cost, high-cost/high-priority health, and medical programs increase that base by 20%, 100%, and – in the draft model for discussion purposes only – 1100%, respectively.

Mission

The Mission base cost consists of two pieces; one representing costs for research and another for costs associated with artistry. The adequacy cost for artistry is set at $200 per student. This figure is based on calculations of the additional cost per credit hour in Illinois of providing visual and performing arts programs over other programs. Support for the higher cost of these programs enables institutions to provide greater programming and artistic contributions to students and the community.

For research, the formula provides a base of $600 per student at all universities, with additional amounts per student based on the institution's Carnegie Classification. The state support for research was derived from institutional expenditures on research, as reported in the National Science Foundation's Higher Education Research & Development (HERD) survey. HERD data indicated distinct tiers of research expenditures within the 12 universities along a number of different metrics, such as the national rank in total expenditures, the ratio of institutional to total expenditures, institutional expenditures per capita, and total expenditures per capita. These tiers lined up with the institutions' Carnegie Classifications as well. Once the institutions were grouped by Carnegie Classification, the average institutional expenditures per capita were calculated. The R3 university spends about $1,100 per student, R2 universities spend $1,300,

[9] 63.3% is calculated from IPEDS Graduation Rate 2021 survey data; the number of completers within 150% time divided by the adjusted cohort.

Masters universities spend $100, and R1s about $3,800. Statewide, the average is about $1,400 per student. The Commission recommends increasing the base amount at Masters universities to $600 in order to expand access to research. This $600 per student is then used as the base cost, with increases applied to research institutions according to their Carnegie Classification as described below.

Operations & Maintenance

Each institution's O&M adequacy costs consists of three components: Institutional Support, Physical Plant, and Minor Remodeling. The Institutional Support cost per student used in the formula is the average of the twelve universities' three-year weighted average spending in this category as reported in IBHE's Revenue & Expenditures report.

The Physical Plant cost per square foot is calculated slightly differently, as it must account for the 30% premium for laboratory space. Each university's three-year weighted average of expenditures on Physical Plant was divided by the sum of its non-lab space square footage plus 1.3 times its lab space square footage. This calculation produces each university's estimated spending on non-lab space square footage, assuming they spend 30% more on lab space. The formula uses the average of all twelve universities' spending on non-lab space for the adequacy calculation, plus a 30% premium above that amount for lab space.

The Minor Remodeling cost per square foot is calculated by dividing the three-year average of statewide total recommended spending on minor remodeling, as reported in IBHE's Capital RAMP Table F-4, by the three-year average of statewide total square footage.

The Physical Plant and Minor Remodeling costs per square foot are applied to the total state-supported square footage ("Area of Campus Maintained by Physical Plant with State Funds") as reported in IBHE's Capital RAMP Table F-4, Fiscal Years 22-24. The lab space cost per square footage is applied to the Average Laboratory GSF for both Research and Instruction from IBHE's Capital RAMP Table F-3, Fiscal Years 22-24.

Data Definitions and Notes:

Adult – Over the age of 25
Low-income – Received a Pell or MAP grant
Rural – Rural zip code of home address as defined by the U.S. Census Bureau
Underrepresented minority – African American, Hispanic, American Indian or Alaska Native, Two or More Races, Native Hawaiian or Pacific Islander
EBF Tier – EBF Tier of students' most recent high school code (only available for Illinois residents who attended public high schools)
Low high school GPA – Below a 2.5 GPA

Note: In the student-level data file used to develop the formula, EBF Tier data was missing for 58% of Illinois undergraduate residents. IBHE is pursuing a data matching process with ISBE to retrieve more complete data. To develop a more accurate estimate, the Commission imputed EBF Tiers for any Illinois undergraduates residents with missing values. It was determined that among the existing students with EBF Tier data, the variable most closely correlated with EBF Tier was underrepresented minority status. For each institution, a weighted average EBF Tier was calculated for non-URM students and for URM students. For example, among non-URM students at Governors State University (GSU), the weighted average EBF Tier was 1.88, while among URM students at GSU, the weighted average EBF Tier was 1.15. Therefore, for students without an EBF Tier at GSU, non-URM students were assigned an EBF Tier of 2, while URM students were assigned an EBF Tier of 1.

Note: The number of students with "Race not Reported" for the race/ethnicity variable was higher than expected at some institutions (up to 9%) and varied significantly by institution (ranging from 9% to 0%). One institution also had no students reported as "Two or More Races." These variations can have sizable impacts on the funding formula, given the equity adjustments and ESS subsidies for underrepresented minority students. IBHE will need to support institutions to improve the quality and consistency of their data reporting as part of the implementation of this formula.

Adjustments

Student-Centered Access
Equity Adjustment #1 – Access
Eligibility: Adults, underrepresented minorities (URM), low-income, rural (undergraduates only)
The eligible populations were identified based on 4yr-college enrollment rate gaps among high school students in Illinois, using IBHE data. Adults were added as an eligible population by the Commission in recognition of the additional costs and necessity of recruiting adult learners. Student counts of the eligible populations are derived from an IBHE student level data file for Academic Years 2020-2021 to Academic Year 2022-2023.

Table E-3: Access Equity Adjustment Tiers

Statewide 4-yr College Going Rate Gap	Student Characteristic	Tier	Equity Adjustment Amount
-21.8%	**Low-Income**/Not Low-Income	Medium	$1000
-19.0%	**Rural**/Not Rural	Medium	
-16.2%	**Latino**/White	Medium	
-9.8%	**Black**/White	Low	$500
-9.1%	**Native**/White	Low	
N/A	**Adult**	Low	

Amounts: $500 or $1,000
The amounts were derived from the middle range of costs of evidence-based practices that increase college enrollment among historically underrepresented students, as illustrated in the following table.

Table E-4: Costs of Best Practices in Enrolling Historically Marginalized Students

Upward Bound	$4,900 per student
Bottom Line	$1,000 per student
Talent Search	$540 per student
College Advising Corps	$170 per student

Student groups with larger gaps receive the higher adjustment amount.

Academic & Non-Academic Supports
Equity Adjustment #1 – Holistic Supports
Eligibility: Adults, low-income, rural, low high school GPA, EBF Tiers 1 & 2, and URM.
Eligible populations were identified based on statewide retention rate gaps at Illinois universities, using IBHE data on first-time, full-time undergraduates from Fall 2020 to Fall 2021.
Student counts of the eligible populations are derived from an IBHE student level data file for Academic Years 2020-2021 to Academic Year 2022-2023.

Table E-5: Holistic Supports Equity Adjustment Tiers

Statewide 4-yr College Going Rate Gap	Student Characteristic	Tier	Equity Adjustment Amount
N/A	High + Other	Intensive	$8000
-22.1%	**American Indian** / White	High	$6000
-20.3%	**African American** / White		
-14.8%	**EBF Tier 1** / EBF Tier 4		
N/A	Medium + Other		
-12.5%	**Adult** / Under 25	Medium	$4000
-10.4%	**Low-Income (Pell)** / Not Low-Income		
-10.2%	**Low high school GPA** / 3.0+ GPA		
-8.9%	**Hispanic** / White		
-7.6%	**2 or more races** / White		
N/A	Low + Other		
-5.4%	**EBF Tier 2** / EBF Tier 4	Low	$2000
-2.1%	**Rural** / Not Rural		

Amounts: $2,000, $4,000, $6,000, or $8,000
The amounts were derived from costs of holistic evidence-based practices that increase college retention and completion among historically underserved students. In addition to relying on research on effective programs that identified costs per student, shown in Table 12, amounts were also informed

by conversations with a number of organizations that provide such services. These organizations included: One Million Degrees, CUNY ASAP/ACE, National Louis University, iMentor, and HOPE Chicago program.

Table E-6: Summary of Findings from Evidence-Based Holistic Support Programs

Program	Cost	Service	Impact	Context
CUNY ASAP **CUNY ACE**	$4,676 ($5,428 counting costs of retention)	Advisors, full-time enrollment, financial assistance incl for basic needs, tutoring, career services. *Advisor ratio of 1:120-150 students* Monthly seminar, monthly advisor meeting, four-year academic plan for on-time graduation, career services, required internship	17 pp increase in grad rates 17 pp increase in BA completion	NY and OH CCs, dev ed students NY public 4yr colleges, first year students, 80% low-income
Project Quest	$12,464 (22% of cost is financial aid)	Advising, financial aid, academic supports, counseling, referrals to outside agencies, meetings on life skills (overall more workforce training focused)	13 pp increase in postsec attainment	Adults earning AA and 1-year certificates at CCs in health, business, IT, manufacturing
Opening Doors	$2,461	Learning Communities – linked courses, counseling, tutoring, and textbook voucher	4.6 pp increase in completers	CC students in NY
One Million Degrees		Program coordinators, tutors, professional development coaches, and financial stipends *Coordinator ratio of 1:65*	11-16 percent increase in retention	Students at City Colleges of Chicago
TRIO Student Support Services	$1,752	Academic advising, may also include tutoring, labs, workshops, special courses.		Low-income, first-gen students (all types of colleges)
Bottom Line	Increases BA attainment by over 2 pp per $1,000	Access advising (pre-college) and Success advising (in college support)	7.6 pp (16%) increase in BA completion, but only 1.6 pp due to in-college advising	IL, OH, NY, MA Low-income, first-gen students

Populations are grouped into four tiers based on the size of the retention gap: Intensive, High, Medium,

and Low. Students with multiple characteristics are placed one tier above the tier associated with their highest characteristic.

Equity Adjustment #2 – Concentration Factor

Eligibility: Institutions with high levels of students in the Intensive and High tiers of Academic and Non-Academic Supports. Student counts of the eligible populations are derived from an IBHE student level data file for Academic Years 2020-2021 to Academic Year 2022-2023.

Amounts: An increase to the Holistic Supports equity adjustment amount. A 50% increase at institutions with more than 75% of students in the Intensive and High tiers, a 30% increase at institutions between 60%-75%, and 10% for those between 50%-60%. For example, an institution with 80% of students in the Intensive and High tiers would receive $12,000 for students in the Intensive Tier, $9,000 for students in the High tier, $6,000 for students in the Medium tier, and $3,000 for students in the Low tier.

Core Instructional Program Costs

High-Cost/High-Priority Program Factors

Eligibility: If fully funded, the adequacy target should be enough for all institutions to offer a mix of higher and lower-cost programs that reflect student demand and the public purpose of IBHE institutions. The high-cost/high-priority weights were included to provide some additional support for a limited set of the highest-cost programs without diverting too much of the formula allocation away from the other priorities identified in the legislation. Programs receiving the
high-cost premium include:

- Engineering (all CIP code 14.XXXX)
- Fine arts (all CIP code 50.XXXX)
- Registered nursing (CIP code 51.38XX)

These account for about 19% of all credit hours statewide and are among the most consistently and persistently high cost. They were offered by at least three IBHE institutions, were at least 20% more expensive than average for their level at 70% of the institutions that offered them in 2012, 2015 and 2020, and were more expensive than average in at least two of three other states with publicly available statewide cost studies (Texas Higher Education Coordinating Board 2022, Minnesota State Colleges and Universities 2020, State University System of Florida 2019).

The list of programs initially identified as high-cost based on IBHE cost studies for the three years included:

Table E-7: High-Cost Entities

LowerDiv	14.08	Civil Engineering
LowerDiv	14.19	Mechanical Engineering
LowerDiv	50.07	Fine and Studio Art
LowerDiv	50.09	Music
UpperDiv	14.01	Engineering, General
UpperDiv	14.08	Civil Engineering
UpperDiv	14.10	Electrical, Electronics and Communications Engineering
UpperDiv	50.03	Dance
UpperDiv	50.07	Fine and Studio Art
UpperDiv	50.09	Music
UpperDiv	51.38	Registered Nursing, Nursing Administration, Nursing Research and Clinical Nursing.
UpperDiv	52.03	Accounting and Related Services
GradI	50.09	Music
GradI	52.08	Finance and Financial Management Services/Insurance/Management Science

Cost studies can be sensitive to methodology and there is not a single way that states analyze costs by discipline if they do so at all. Other states do the analysis at different levels of detail, but also tend to find engineering and fine arts to be above average cost, whether in aggregate or at a more granular level like Illinois. Since most of the biggest engineering and fine arts disciplines met the criteria in Illinois, and because they were high cost in other states, the entire broad categories (CIP code 14 and 50) were included for the premium. Since accounting and finance were not specifically identified in other states and the broader CIP code for business programs was not high cost in other states, those disciplines were not included for the high-cost premium. Nursing was specifically identified in two other states as well as in Illinois, even though health professions more generally were not, and so that program was included.

Since PA 102-0570 specifically emphasized doctoral-level health professions, a high-cost/high-priority weight was also given to the programs identified in the legislation (medicine, dentistry, pharmacy, and veterinary medicine) as well as other licensed health doctoral professions (physical therapy, audiology, nursing practice, occupational therapy) and master's level programs in the same disciplines that feed into those programs. This includes CIP codes 01.8001, 51.0201, 51.0202, 51.0204, 51.0401, 51.2001, 51.2308, and 51.3818.

Amount: 20% is added to the base Core Instructional Program Costs for students enrolled in high-cost programs, based on the threshold used for the cost study analysis. This amount partially covers the cost differential for institutions without creating strong incentives to grow those programs at the expense of others and without diverting significant resources from other programs. 100% is added for students enrolled in specific health professional programs, based on the priority given to the programs in PA 102-0570 as well as analysis of national cost data and tuition rates. Three analyses presented to

the commission included: 1) institutions that offer only or primarily (>50%) health professions doctorates have 72% higher-than-average operating costs of other four-year and graduate degree granting institutions; 2) a regression analysis using total enrollment and % medical professional degrees implies 108% higher costs for those programs, and 3) the costs were 177% higher if institutions with zero or 100% medical doctorates are excluded. Another factor considered was that nationwide tuition rates reflecting cost without state subsidy (private or out-of-state tuition) for health doctorates are typically 50%-100% higher than for other programs.

There was significant discussion of the costs and roles of medical schools in particular, and the methodology to provide adequate funding for them is still under consideration. The three medical schools in Illinois have different histories, cost structures, and different levels of reliance on state appropriations. To some extent, their current funding reflects these different roles. The oldest and largest medical school is at UIC, has a large research and clinical operation, and enrolls a mix of in- and out-of-state students. The SIU medical school includes a significant clinical site in Springfield that was created and funded by the state starting in the 1970s both to educate medical students and to improve regional medical care. It enrolls only Illinois resident medical students and is already broken out as a separate unit in IBHE's revenue and expenditure reports. The most recent and smallest medical school at UIUC has a bioengineering focus, collaborates on clinical care with the Carle health system, and enrolls primarily out-of-state students. An additional amount specifically for MD programs or colleges of medicine, whether based on a cost factor or historical amounts of state appropriation for each of the three schools is also under review but has not yet been decided by the Commission.

Equity Adjustment #1 – Diversity in High-Cost Programs
Eligibility: Underrepresented minority (URM) students enrolled in high-cost and high-cost/high-priority health programs. The share of URM students enrolled in these programs is based on CIP codes in the IBHE student level data file. While the premium weight was based on credit hours in the IBHE cost study, there is no IBHE data available on student race/ethnicity at the course- or credit-hour level. Students enrolled in these programs, however, tend to take the most courses in that program (e.g. engineering students take more engineering courses).

Amount: 45% additional premium for URM students in high-cost programs, 69% for specific health professional programs, 18% for medical degree programs. These amounts are the premiums needed to offset disparities in funding created by the high-cost program factor. When these factors are applied, there is no net change to the average funding per student for URM students compared to other students using the high-cost/high-priority weights. Without these factors or with lower factors, average funding per URM student would decrease when the weights are applied.

Table E-8: 2020-22 IBHE Systemwide Rates of URM Enrollment
in High-Cost-High/Priority Programs Used to Derive Additional Weights

	Percent of all other students' majors	Percent of URM students' majors	Ratio of program percentages
Unweighted programs	80.6%	86.7%	93%
High-cost programs (engineering, fine arts, nursing)	15.9%	11.0%	145%
High-cost/high-priority health doctorate (ex. MD)	2.5%	1.5%	169%
High-cost/high-priority health doctorate-MD	1.0%	0.9%	118%

Mission

Research, Public Service, and Artistry
Research Factor
Eligibility: R1, R2, and R3 universities
Amount: $500 per student for R3, $700 for R2, and $1,200 for R1
The amount was derived in part from Illinois universities' expenditures on research as reported in the NSF HERD Survey. The average institutional research expenditures per capita were calculated for each Carnegie Classification grouping of universities. The R3 university spends about $1,100 per student, R2 universities spend $1,300, Masters universities spend $100, and R1s about $3,800. The increase over the base cost for R2s and R3s, $700 and $500 respectively, are intended to raise them to their current average spending level, R1s would receive an increase of $1,200 per student. While equal to or less than current expenditures, this approach simplifies the overall formula by recognizing that many expenditures are paid for through grants and contracts. These revenue sources can have large swings from year-to-year based on the timing of acquiring research grants. Therefore, rather than account for these in the Resource Profile side of the formula, the Commission chose to provide a lower Research Factor to these universities, essentially "netting out" the grant revenue while still providing a larger per student amount to support the more intensive research mission at these universities.

Rationale: The state has some interest and role in supporting the research mission of R1-R3 universities. Research universities spend far more per student than these amounts, but also receive outside grant support that offsets some of those costs. These amounts are intended to represent the state contribution to their research mission.

Operations & Maintenance

Institutional Support
School Size Factor
Eligibility: Institutions with less than 20,000 students.
Amount: A maximum 45% weight is applied to the base cost for Institutional Support, with the weight decreasing proportionally as the size of the institution increases from 0 to 20,000. Institutions with more than 20,000 students receive no increase above the base cost. Weights for institutions with less than 20,000 students equal 45% times the enrollment divided by 20,000.

Laboratory Space Factor
Eligibility: Average Laboratory GSF for both Research and Instruction from IBHE's Capital RAMP Table F-3, Fiscal Years 22-24.
Amount: A 30% weight applied to the $5.12 per square foot O&M cost. See description of O&M Physical Plant above for description of calculation.

Equitable Student Share

Equitable Student Share is an estimated amount of revenue that the state expects an institution to generate from tuition and fees. The amount is not tied to the actual tuition and fees an institution receives. The ESS is tied to the characteristics of the student body at each university, derived from a series of subsidy rates tied to specific students characteristics.

To calculate the ESS, the formula first calculates the total subsidy for each student at a university. Every student has a base subsidy derived from two characteristics: in-state vs out-of-state and graduate vs undergraduate. Additional subsidies can be added to that base subsidy depending on additional characteristics, up to a maximum of 100%. The additional subsidies are for students who are underrepresented minorities, low-income, attended an EBF Tier 1 high school, attended an EBF Tier 2 *if they are also low-income*, and adults. Students who attended an EBF Tier 2 high school but are not low-income receive the 50% low-income subsidy, but not the 10% EBF Tier 2 subsidy. Out-of-state undergraduates can receive a maximum additional 25% subsidy, whether they are underrepresented minority students, low-income students, or both.

Table E-9: Equitable Student Share Subsidy Rates

		Base Subsidy	URM	Low-Income	EBF Tier 1/ Low-Income EBF Tier 2	Adult
In-State	Undergrad	30%	+50%	+50%	+10%	+25%
	Grad	25%	+50%			
Out-of-State	Undergrad	10%	+50%			
	Grad	5%	+50%			

** EBF Tier 2 is conditional on low-income; that is, students who attended an EBF Tier 2 high school receive an additional 10% subsidy only if they are also low-income.*

Once all students' total subsidies are calculated, the formula uses the percentage of the 3-year average enrollment that falls into each possible total subsidy amount to calculate a weighted average subsidy for the university. The ESS Index is equal to 100% that subsidy percentage. In the example below, half of the institution's enrollment receives a subsidy of 80% or more. The weighted average of the subsidy is 61%, so the ESS Index is 39% (100%-61%).

Table E-10: Example of ESS Index Calculation

Subsidy Rate	0%	10%	55%	80%	100%	Weighted Average	ESS Index
Share of Enrollment	5%	25%	20%	15%	35%	61%	39%

Finally, the ESS Index is multiplied by the institution's base cost to produce the total ESS, before adding in any of the equity adjustments. The Commission believes that the cost of providing the equity adjustments should be solely the responsibility of the state. The equity adjustments represent the additional costs necessary to help students overcome historical inequities and the barriers they face. Any portion of those costs that would be passed on to the students themselves would only increase the barriers.

Other Resources

Option 1 – The endowment value is based on a four-year average of the end of year endowment value reported in IPEDS. The amount reported in IPEDS for the University of Illinois System was allocated proportionally across the system's three universities based on the endowment value of each university.

Option 2 – The calculation starts with the size of each university's alumni base, which is a more relevant population for fundraising than current enrollment. The alumni base is represented by the total number of degrees issued from 2001-2002 to 2020-2021, using IPEDS data. Next, a 4.25% overhead cost fee is applied to the endowment revenue value generated under Option 1. This represents the overhead revenue generated for development and fundraising from each university's endowment. The overhead revenue is divided by the alumni base for each university and for the state as a whole. The gap between the statewide average and each institution is calculated. Any institution with a gap receives funding equal to that gap times its alumni base.

Option 3 – This option subtracts $1 million from the value generated in Option 1. For institutions with endowment revenue of less than $1 million, the $0 revenue is included in the Resource Profile.

Table E-11: Other Resource Option Amounts by Institution

Institution	4-Year Average Endowment Value	Option 1 4.2% of Value *Added to Resource Profile*	Option 2 Exempt first $1m of Option 1 *Added to Resource Profile*	Option 3 Fundraising Capacity Adequacy Cost *Added to Adequacy Target*
CSU	$5,935,750	$249,302	$0	$88,529
EIU	$57,840,625	$2,429,306	$1,429,306	$161,904
GSU	$2,259,375	$94,894	$0	$163,275
ISU	$134,397,775	$5,644,707	$4,644,707	$299,070
NEIU	$11,471,225	$481,791	$0	$189,342
NIU	$80,502,475	$3,381,104	$2,381,104	$418,687
SIUC	$151,086,200	$6,345,620	$5,345,620	$265,307
SIUE	$24,999,850	$1,049,994	$49,994	$271,417
UIC	$391,193,510	$16,430,127	$15,430,127	$7,570
UIS	$20,616,544	$865,895	$0	$97,059
UIUC	$1,908,771,421	$80,168,400	$79,168,400	$0
WIU	$57,331,475	$2,407,922	$1,407,922	$198,345
Illinois	**$2,846,406,225**	**$119,549,061**	**$109,857,180**	**$2,160,505**

State Appropriations

The funding formula uses a three-year average of state appropriations, to be consistent with the approach to calculating the Adequacy Target.

The bulk of state appropriations for universities are appropriated as Operating funds from the Education Assistance Fund. Some institutions also receive funding for scholarships, and a few receive specific appropriations aimed at a specific initiative, project, or center. As noted in the body of the report, the Commission recognizes that some of these specific uses overlap with the costs of adequacy and therefore should be counted in the Resource Profile. The following table indicates which line-item appropriations the Commission included in the Resource Profile.

Table E-12: Appropriations included in the Resource Profile

Chicago State University	
CSU Education Improvement Fund	Include
Pharmacy School	Include
Eastern Illinois University	
Equity-Based Student Achievement Program	Include
Grow Your Own Teachers @ EIU Scholarships	Include
Southern Illinois University	
Daily Egyptian	Include
National Corn-to-Ethanol Research Center	Do not include
Programming @ Bellville	Do not include
SIU Office of Community Engagement	Do not include
SIU Institute of Rural Health	Do not include
SimmonsCooper Cancer Center	Do not include
Pharmacy school	Include
University of Illinois	
Labor & Employment Relations	Include
Prairie Research Center	Do not include
Hospital	Do not include
Illinois Heart Rescue	Do not include
Illinois Innocence Project	Do not include
University's Climate Jobs Institute	Do not include
Hispanic Center for Excellence	Include
Dixon Springs Agricultural Center	Include
Public Policy Institute	Include
College of Dentistry	Include
Pharmacy School in Rockford	Include
Illinois Fire Services Institute	Do not include
Emergency Mosquito Abatement	Do not include
Mosquito Research and Abatement	Do not include
Prairie Research Center	Do not include
Pet Population Control	Do not include
Carbon Dioxide Capture Technology (FY22 Reapprop)	Do not include
Carbon Capture, Utilization & Storage	Do not include
Water Reports Under ARPA	Do not include

State appropriations are currently allocated to the Southern Illinois and University of Illinois systems as a whole, rather than to each university. The systems have the authority to allocate their Operating appropriation to each university as they choose. Additionally, some of the line-item appropriations are for activities specific to a particular university, while others support activities at multiple campuses. To determine which state appropriations resources, from both Operating and line-item appropriations, should be in each university's Resource Profile, the systems' representatives on the Technical Modeling Work Group identified which amounts are allocated to each university. Note that this process will have to be

repeated each year in calculating the Resource Profiles. Finally, any state appropriations that were allocated to the system office were distributed to universities' Resource Profiles based on their proportional share of enrollment.

Allocation Formula

The allocation formula begins by calculating a guardrail percentage increase that is applied to each institution's most recent state appropriation. An institution's state appropriation includes any line-items included in their Resource Profile, as described above. The guardrail is equal to the lesser of the current inflation rate (using the Midwest Employment Cost Index) or half of the percentage increase in state appropriations for universities. The guardrail factor would then be applied to the guardrail rate.

For example, if the inflation rate were three percent and the state appropriation increase was seven percent, the guardrail would be three percent, the lesser of three and half of seven. A guardrail factor of 67% would produce a final guardrail allocation of a two percent increase to every university.

Example:
Inflation = 3%
State appropriations increase = 7%
Guardrail = 3% (3% < 7%/2)
Guardrail factor = 67%
Amount allocated across-the-board: 2% (67% * 3%)
Amount allocated by adequacy formula: 5% (7%-2%)

Of the remaining state appropriation increase, half of the funds would be allocated based on each institution's share of the Dollar Gap, and half would be allocated based on each institution's share of the Percentage Gap. For the Dollar Gap, each institution's total dollar Adequacy Gap would be divided by the state's total dollar Adequacy Gap. Any institutions with a negative gap would be set to zero before calculating the state's total gap. Each institution would receive its respective percentage of the total amount being distributed in this way. The share allocated based on the Percentage Gap is based on each institution's adequacy gap divided by its adequacy target. This figure represents how far the institution is from being fully funded. All the institutions' Percentages are summed, then each institution's Percentage Gap is divided by the sum. Any state with a negative Percentage would be excluded from the sum. As with the dollar share, each institution would receive its respective percentage of the total amount being distributed in this way.

The formula for cuts uses the same guardrail approach, but with a guardrail factor of 100%. Therefore, unless inflation is negative, the lesser will always be half of the percent change in the state appropriation. The remaining cut is allocated based on a ratio of each institution's Percentage Gap to the state's overall Percentage Gap (the sum of all institutions' gaps divided by the sum of all institutions' Adequacy Targets). The percent change in state appropriations is multiplied by the ratio, and that resulting percentage is applied to the institution's most recent state appropriation. This produces a "ratio-based cut" for each institution. The sum of all these cuts will exceed the actual statewide cut, so the cut to each institution is scaled down. First, an institution's "ratio-based cut" is divided by the statewide total of "ratio-based cuts"

to identify a percentage share. That percentage share is multiplied by the amount of the state appropriations cut remaining after the guardrail cut is applied. The Commission also considered an option that would narrow the range of possible cuts, to avoid having any institution bear too severe of a cut. This could be done simply by increasing the guardrail factor to more than 100%.

APPENDIX F: SAMPLE ALLOCATIONS OF NEW FUNDING

The following tables illustrate four scenarios using two different levels of state funding increase ($30 million and $100 million) and two different guardrail factors (50% and 25%). The tables illustrate the impact of these variables on the appropriations and adequacy gaps for each institution. The Schools of Medicine are excluded as the Commission has not decided on the details of calculating their Adequacy Gaps. Since these schools received about 4.3% of the total state appropriation in recent years, that amount has been removed from each scenario, with the remainder allocated according to the formula to the other institutions.

Table F-1: Allocation of a $30 million Increase in State Appropriations

Institution	Adequacy Gap $	Adequacy Gap %	Current State Approp	50% Guardrail Factor		25% Guardrail Factor	
				Year 1 Allocation	New Adequacy Gap %	Year 1 Allocation	New Adequacy Gap %
CSU	$22,508,080	30.40%	$39,493,233	$1,190,868	30.40%	$1,214,904	30.40%
EIU	$62,472,325	38.90%	$42,979,167	$1,754,056	38.70%	$1,856,748	38.60%
GSU	$61,646,650	55.50%	$23,966,733	$2,022,832	54.30%	$2,254,642	54.10%
ISU	$198,899,406	44.00%	$71,966,633	$3,206,203	43.80%	$3,423,118	43.70%
NEIU	$99,139,209	60.70%	$36,752,500	$2,548,381	59.90%	$2,811,365	59.70%
NIU	$171,841,169	44.40%	$90,757,867	$3,114,634	44.30%	$3,233,017	44.30%
SIUC	$48,112,567	18.20%	$98,442,481	$1,496,376	18.70%	$1,310,348	18.80%
SIUE	$118,816,829	37.70%	$63,543,852	$2,328,890	37.50%	$2,436,534	37.50%
UIC	$315,960,718	38.40%	$232,796,971	$5,112,103	38.60%	$4,935,072	38.60%
UIS	$24,975,365	28.30%	$24,934,642	$1,061,570	27.90%	$1,128,489	27.80%
UIUC	$96,978,347	8.20%	$306,168,341	$3,041,165	8.70%	$2,193,139	8.80%
WIU	$70,510,272	37.30%	$51,250,933	$1,835,749	37.10%	$1,915,451	37.10%
SIU-SOM	$5,635,537	11.70%	$24,495,213	*TBD*	*TBD*	*TBD*	*TBD*
UIC-SOM	$99,949,300	53.50%	$20,043,427	*TBD*	*TBD*	*TBD*	*TBD*
UIUC-SOM	$8,628,707	43.40%	$1,930,585	*TBD*	*TBD*	*TBD*	*TBD*
Illinois	**$1,406,074,481**	**31.50%**	**$1,129,522,580**	**$28,712,827**	**31.50%**	**$28,712,827**	**31.50%**

Table F-2: Allocation of a $100 million Increase in State Appropriations

Institution	Adequacy Gap $	Adequacy Gap %	Current State Approp	50% Guardrail Factor		25% Guardrail Factor	
				Year 1 Allocation	New Adequacy Gap %	Year 1 Allocation	New Adequacy Gap %
CSU	$22,508,080	30.40%	$39,493,233	$4,021,203	26.70%	$4,075,502	26.60%
EIU	$62,472,325	38.90%	$42,979,167	$6,067,494	36.10%	$6,299,479	35.90%
GSU	$61,646,650	55.50%	$23,966,733	$7,240,835	49.80%	$7,764,506	49.30%
ISU	$198,899,406	44.00%	$71,966,633	$11,153,401	42.10%	$11,643,422	42.00%
NEIU	$99,139,209	60.70%	$36,752,500	$9,059,645	56.00%	$9,653,739	55.60%
NIU	$171,841,169	44.40%	$90,757,867	$10,636,469	42.40%	$10,903,901	42.30%
SIUC	$48,112,567	18.20%	$98,442,481	$4,588,224	17.60%	$4,167,977	17.70%
SIUE	$118,816,829	37.70%	$63,543,852	$7,994,248	35.80%	$8,237,421	35.70%
UIC	$315,960,718	38.40%	$232,796,971	$16,659,979	37.20%	$16,260,059	37.30%
UIS	$24,975,365	28.30%	$24,934,642	$3,682,346	25.00%	$3,833,519	24.90%
UIUC	$96,978,347	8.20%	$306,168,341	$8,315,169	8.30%	$6,399,441	8.50%
WIU	$70,510,272	37.30%	$51,250,933	$6,290,410	34.90%	$6,470,459	34.80%
SIU-SOM	$5,635,537	11.70%	$24,495,213	*TBD*	*TBD*	*TBD*	*TBD*
UIC-SOM	$99,949,300	53.50%	$20,043,427	*TBD*	*TBD*	*TBD*	*TBD*
UIUC-SOM	$8,628,707	43.40%	$1,930,585	*TBD*	*TBD*	*TBD*	*TBD*
Illinois	**$1,406,074,481**	**31.50%**	**$1,129,522,580**	**$95,709,424**	**29.80%**	**$95,709,424**	**29.80%**

APPENDIX G: POSSIBLE METRICS TO INFORM ACCOUNTABILITY AND TRANSPARENCY

	Metric Name	General Principle	Example Description	Where is Data Reported	State of the data	Disaggregates
Spending Metrics	Median per-student institutional aid	The amount of institutional aid students receives from institutions	The median value institutional aid offered to all degree-seeking headcount students.	IPEDS	Needs recalculation	None
	Student services spending per student by degree-seeking headcount	Identify the level of resources going to the services that directly support students.	The sum of all student service spending utilized in the funding formula in a fiscal year divided by the number of degree-seeking headcount students	IPEDS & IBHE	Can be calculated	None
	Core instruction spending per student by degree-seeking headcount	Identify the level of resources going to the services that directly support students.	The sum of all core instruction spending utilized in the funding formula in a fiscal year divided by the number of degree-seeking headcount students	IPEDS	Can be calculated	Program/major
	Access spending per student by degree-seeking headcount	Identify the level of resources going to the services that directly support building pathways for students into the institutions	The sum of all access spending utilized in the funding formula in a fiscal year divided by the number of degree-seeking headcount students	IPEDS	Already reported	Geographic (zip code)
	Prospective spending plan	Identify the spending priorities and intentions of institutions aligned with the goals of the funding formula	Spending plan detailing use of formula funds for the next fiscal year that include plans for spending on access, academic and non-academic supports, and institutional aid for specified groups	IL General Assembly		None
	Retrospective spending report	Recognize how institutions actually used their funds, as compared to their stated goals.	Reporting on the use of formula funds over the last fiscal year, detailing explanation for any discrepancy with the prospective plan of the previous year	IL General Assembly		None

Affordability Metrics	Average net price for MAP & Pell students	Identify how affordable an institution is for targeted student groups	The average amount that MAP and Pell students pay to attend an institution in a single academic year after subtracting scholarships and grants the student receives.	IPEDS	Can be calculated	Race, First-generation
	Net price by income	Identify overall affordability for all students relative to the students' access to resources.	The average amount that students in specified income brackets pay to attend an institution in a single academic year after subtracting scholarships and grants the student receives.	IPEDS	Already reported	Race, First-generation, Income levels, ESS Subsidy categories
	Net tuition and fee revenue from 0%-75% ESS students	Identify how closely an institutions actual tuition and fee revenue follows expected revenue for these priority populations	Aggregate tuition & fee received from the students in 0-75% ESS categories	N/A	N/A	None
	Median debt burden upon graduation	Quantify the full financial burden students experience upon graduation	The median value of debt a student has once they graduate	IPEDS/College Scorecard	Already reported	Race, Income, First-generation
	Loan repayment rate (3 years, 5 years, 10 years)	Identifying how long students carry the financial responsibility of college after graduation. Further allows us to identify which students need to be prioritized for lower net prices	The percentage of borrowers who, within three years of the year they entered repayment, did not default on their loans and have reduced the amount owed on their loan when they entered repayment by at least $1.	IPEDS/College Scorecard	Can be calculated	Race, Income, First-generation
	Unmet Need	Identifies the overall affordability of college	The student's Cost of Attendance, minus their Expected Family Contribution, less any need-based aid received, such as Gift Aid, Federal Work-Study or Federal	IPEDS	Already reported, but needs greater granularity	Race, Income, First-generation, full-time/part-time, on-campus/off-campus

			Direct Subsidized Loans and institutional scholarship.			
	% of Pell/MAP eligible students with tuition and fee free college	Identifying high affordability for a priority population	The percent of students whose EFC qualifies them for MAP who pay no T&F	N/A	N/A	Race, Income, First-generation, full-time/part-time,
Enrollment Metrics	Freshman enrollment	Quantifying overall student populations as well as subgroup populations	The count of degree-seeking student attending an institution for the first time at the undergraduate level	IBHE & IPEDS	Currently Reported	Race, Income, First-generation, full-time/part-time
	IL undergraduates	Quantifying overall student populations as well as subgroup populations	The count of degree-seeking student attending an institution at the undergraduate level (prior to receiving a bachelor's degree)	IBHE & IPEDS	Currently Reported	Race, Income, First-generation, full-time/part-time, Years of enrollment
	IL Graduates	Quantifying overall student populations as well as subgroup populations	The count of degree-seeking student attending an institution pursuing a graduate credential	IBHE & IPEDS	Currently Reported	Race, Income, First-generation
	0%, >25%, >50%, >75% ESS	Identifying if institutions refrain from accepting highly subsidized student populations	The percent of students who are are 0-75% ESS category	N/A	N/A	None
	High-cost program enrollment gaps	Quantifies enrollment in high-cost programs that have previously had equity gaps in enrollment	Enrollment gaps as percent of students racial, economic, and geographic lines	N/A	N/A	None
	Faculty diversity reflecting student pop.	Identifying the diversity of staff faculty and will allow the review panel to see progress in diversifying staff	Racial demographics of faculty as a percent of the racial demographics of students	N/A	N/A	None

Persistence and Outcome Metrics	Avg. credit completion for first-years	Identifies students the rate of students that are not on track to graduate by the end of their first year	The average number of credits completed by degree-seeking students within their first calendar year of enrollment	N/A	N/A	Race, Income, First-generation, full-time/part-time
	University Withdrawal rate with student loans above $0, $5k, and $10k in debt:	Quantifies the "college debt, no degree" population to focus future policies on	Percent of students who withdraw or "stop out" with >0$, >$5k, >$10k in debt	N/A	N/A (Only withdrawal rate calculated)	Race, Income, First-generation, graduate and undergraduate
	University and Program-level Cohort Default Rate at 3yr, 5yr, and 10yr:	Quantifies what student credentials and what populations are most likely to experience a bad ROI.	Percent of institution graduates who default on their loans within 3, 5, and 10 years of graduation	College Scorecard & IPEDS	Cohort Default Rate is reported, but not broken out by years	Race, Income, First-generation, undergraduate and graduate
	Earnings (25%, 50%, 75% percentile of graduate earnings):	Identifies which programs and students receive the greatest financial boost from their credential	The 25%, 50%, and 75% percentile of incomes for institutional graduates	College Scorecard		Race, Income, First-generation, graduate and undergraduate
	Gateway Course Completion Rate	What students have academic path lengthened by developmental courses	The percentage of students completing college-level introductory math and English courses, tracked separately, in their first year.	N/A	N/A	Race, Income, First-generation
	On-Time Credit Accumulation Rate	Tracks academic efficiency throughout a student's academic experience	The percentage of students earning sufficient credits toward on-time completion in their first year (30 credits a year for full-time and 15 credits a year for part-time)	N/A	N/A	Race, Income, First-generation
	Cohort Graduation rate	Quantifies what percentage of students ultimately leave the institution with a credential.	The number of students who graduate in four years, five years, and six years with a credential divided by the number of students who form the adjusted cohort for the graduating class.	IBHE & IPEDS	Already reported	Race, Income, First-generation

ILLINOIS COMMISSION ON

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