HOW TO SURVIVE - AND THRIVE - WITHOUT RAISING TUITION

A case study on how the University of Illinois Board of Trustees froze tuition to boost enrollment and enabled smarter financial decisions in fulfilling their public mission.

Governing Board Best Practices on College Affordability

OCTOBER 2021
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October 2021

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The project focuses on the affordability strategies of the governing boards of five U.S. higher education institutions or systems. The project seeks to explain the role governing board members play in bringing about affordability measures and their relationship with college executives and their agendas. What strategies do they employ? And how has the COVID-19 pandemic changed their approach?

This study of the University of Illinois Board of Trustees focuses on how they have centered their public mission around affordability, using tuition freezes and data transparency to promote smarter financial decisions and guard against snowballing student costs. The study also highlights innovative approaches taken at one of the system’s universities – the University of Illinois Chicago – to generate a diversified revenue base during a tuition freeze.

“Okay, we can survive without increasing tuition.”
ABOUT THE UNIVERSITY OF ILLINOIS

The University of Illinois (UI) is a public university system with three universities located in the cities of Urbana-Champaign (UIUC), Chicago (UIC), and Springfield (UIS). The Urbana-Champaign campus – the system’s flagship – was first established in 1867 as a land-grant university called the Illinois Industrial University and renamed the University of Illinois in 1885. In 1982, the name of the flagship campus was changed to the University of Illinois at Urbana-Champaign to distinguish from the University of Illinois Chicago, which was incorporated into the system that same year. In 1995, Sangamon State University was also incorporated into the system and became the University of Illinois Springfield.

The University of Illinois Chicago is top 10 in their category in the researchers’ own ranking of Public Value Universities, including #1 for percent of Pell students, #3 for percent of in-state students, and #4 for ratio of instructional expenditures to institutional support expenditures. UIC also earned the 2020 Seal of Excelencia certification for service to Latino students and for demonstrating positive student outcomes.

Table 1. Total Enrollment and Net Price by Institution, University of Illinois System

<table>
<thead>
<tr>
<th>University</th>
<th>Location</th>
<th>Fall 2021 Total Enrollment</th>
<th>2019-20 Average Net Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Illinois Urbana-Champaign</td>
<td>Champaign, IL</td>
<td>56,299</td>
<td>$13,517</td>
</tr>
<tr>
<td>University of Illinois Chicago (UIC)</td>
<td>Chicago, IL</td>
<td>34,199</td>
<td>$12,614</td>
</tr>
<tr>
<td>University of Illinois Springfield (UIS)</td>
<td>Springfield, IL</td>
<td>3,944</td>
<td>$11,628</td>
</tr>
</tbody>
</table>

Table 1. Fall 2021 Enrollment, All Students and 2019-20 Average Net Price for full-time beginning undergraduate students.

Figure 1. Tina Weedon Smith Memorial Hall, University of Illinois Urbana-Champaign.
GOVERNANCE CHARACTERISTICS

The University of Illinois is governed by the University of Illinois Board of Trustees. The Board consists of 13 members, including 11 voting members. Nine members are appointed by the governor and approved by the Illinois Senate to serve six-year terms. Three student trustees (one representing each university) are elected for one-year terms by their respective student bodies. The governor, who also serves as an ex-officio member of the board, appoints one of the three student trustees as a voting member of the Board while the other two serve in an advisory capacity. In accordance with state law, trustees must be state residents and no more than five of the nine appointed trustees may come from the same political party.²

The university is led by a systemwide president and three university chancellors who are appointed by the Board of Trustees. The current president of the University of Illinois system, Timothy L. Killeen, was appointed by the Board of Trustees in 2015.

The Board of Trustees has statutory authority to set tuition rates each year for the system’s three universities, sometime between November and June.³ Tuition may vary between the system’s three universities in addition to differential rates by academic program. In accordance with state law, tuition rates for incoming, in-state undergraduates are guaranteed to remain unchanged for four years, with the exception of students who switch universities or degree programs.⁴ Each fiscal year, the Board of Trustees submits a budget request for consideration to the Illinois Board of Higher Education – the statewide higher education coordinating board – the governor, and the Illinois General Assembly.

Figure 2. The University of Illinois Board of Trustees, July 2019. (Photograph by the University of Illinois Urbana-Champaign, https://blogs.uofi. uillinois.edu/view/7334/801500)
## SUMMARY OF FINDINGS

| 1. | The University of Illinois Board of Trustees and its universities embraced fulfillment of their public mission and committed themselves to delivering a “world-class education at an affordable price.” |
| 2. | The Board of Trustees serves effectively as a check against snowballing student costs. |
| 3. | Through systemwide transparency efforts, including unit-level cost reporting, the Board of Trustees empowers administrators to make smarter budgeting decisions. |
| 4. | Tuition freezes spurred the universities to find innovative ways to generate revenue, including public private partnerships and patent royalties. |

The University of Illinois has frozen tuition for in-state undergraduates in six of the past seven years. By focusing on access and affordability in service to their public mission, they boosted enrollment to record-breaking levels in 2021. Since 2015 – the same year as the initial tuition freeze – systemwide enrollment increased 18 percent.
1. The University of Illinois Board of Trustees and its universities embraced fulfillment of their public mission and committed themselves to delivering a “world-class education at an affordable price.”

In 2014, just 42 percent of in-state students admitted to the University of Illinois’ flagship campus chose to attend – a record low. In-state enrollment was 4,974, down from 6,385 in 2006. Despite capping tuition increases at inflation for two years (2013-14 and 2014-15) following a decade of skyrocketing tuition, in-state enrollment had not rebounded.

In 2015, the Board took action to boost enrollment and increase access for in-state students.

They froze tuition.

At the same time, the Board appointed a new systemwide president, Timothy L. Killeen, directing him to develop a new strategic framework for the university system. Killeen responded, telling the Board of Trustees, “We have a chance to reinvent public higher education.”

And in the years that followed, they set out to do exactly that.

The new strategic framework – adopted by the Board of Trustees in 2016 – reaffirms their commitment to promoting student affordability and access, according to President Killeen. The framework’s fourth pillar establishes a goal of using “public funding wisely and strategically” to ensure students “a first-class education at a reasonable cost.”

The Board’s focus on affordability, said Board Chairman Donald Edwards, is connected to the university’s public, land-grant mission. He draws a stark contrast between high-priced elite universities that work for the “good of the few” and the University of Illinois’ “opposite mission” to provide “excellence-in-scale.”

“We’re not just trying to be big, and we’re not just trying to be excellent,” he explained. “We’re trying to be excellent for a lot of people. And that translates to what we call ‘world-class education at an affordable price.’”

Edwards continued, “To fulfill your public mission, you have to remain affordable otherwise you become elite and not public. And so that’s very, very important in and of itself in fulfilling the public mission. You can’t just be cheap, you have to be cheap-excellent and large to fulfill your public mission.”

Edwards recalled how in 2015 when they instituted the initial freeze, tuition was on the high end compared to their peer group – “a negative for the people of Illinois.”

“If you’re overpriced relative to peers,” he said, “you will lose a lot of good students.”
Living up to their commitment to quality – but affordable – higher education, the University of Illinois Board of Trustees voted to freeze tuition for in-state undergraduates in six of the past seven years (2015-19, 2021).12

But freezing tuition was a “mutual decision” between the trustees and administrators, said Dr. Michael D. Amiridis, chancellor of the University of Illinois Chicago. When it comes to prioritizing affordability, UI leaders are in sync. “There is an alignment between the board and the presidents, and the chancellors,” he said.

“We know firsthand there are far too many students who have worked hard that really don’t bother applying because of the optics out there that they can’t afford it,” said Dr. Robert J. Jones, chancellor of the University of Illinois Urbana-Champaign.13

By focusing on access and affordability in service to their public mission, the University of Illinois boosted enrollment to record-breaking levels in 2021.

Since 2015 – the same year as the initial tuition freeze – systemwide enrollment increased 18 percent.14

In-state student enrollment has also increased. The University of Illinois Urbana-Champaign’s freshman class of 2025 includes the second largest number of new in-state students – 5,835 – in the past 10 years.15

“The key priority should be to regain the public trust,” said Amiridis. “And in order to regain the public trust, the approach is: let’s remain affordable because the more that we raise tuition, the less affordable we become, the more we will be losing the public trust.”

Table 2. Total Enrollment at the University of Illinois – Systemwide

<table>
<thead>
<tr>
<th></th>
<th>In-State Students</th>
<th>All Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fall 2011</td>
<td>58,588</td>
<td>77,635</td>
</tr>
<tr>
<td>Fall 2012</td>
<td>57,256</td>
<td>77,443</td>
</tr>
<tr>
<td>Fall 2013</td>
<td>56,482</td>
<td>78,117</td>
</tr>
<tr>
<td>Fall 2014</td>
<td>55,507</td>
<td>78,540</td>
</tr>
<tr>
<td>Fall 2015</td>
<td>55,695</td>
<td>80,292</td>
</tr>
<tr>
<td>Fall 2016</td>
<td>56,158</td>
<td>81,499</td>
</tr>
<tr>
<td>Fall 2017</td>
<td>57,275</td>
<td>83,711</td>
</tr>
<tr>
<td>Fall 2018</td>
<td>58,543</td>
<td>85,960</td>
</tr>
<tr>
<td>Fall 2019</td>
<td>59,754</td>
<td>89,270</td>
</tr>
<tr>
<td>Fall 2020</td>
<td>61,781</td>
<td>90,343</td>
</tr>
</tbody>
</table>

Table 2. Fall Enrollment at the University of Illinois System by year.
Source: Office for Planning and Budgeting, University of Illinois.
Before the University of Illinois Board of Trustees passed a tuition freeze in 2015 – their first in 20 years – university tuition rates were a runaway train.

Between 2000-01 through 2009-10, the Board of Trustees increased base tuition for full-time resident undergraduates by over 150 percent – an average of about 11 percent annually. Over this same time period, the average annual increase in mandatory student fees rose about 10 percent at UIUC and UIC, and 17 percent at UIS.

These increases are in stark contrast to the Board’s rate-setting decisions in more recent years. Between 2010-11 and 2019-20, undergraduate base tuition increased just 16 percent – or an average of 1.7 percent annually. Mandatory student fees also rose at a significantly slower pace, with an average annual increase around 3 percent at UIUC and UIC, and 7 percent at UIS.

According to Board Chair Edwards, “The prior regime, the prior president, and the prior board felt we needed a lot of tuition increases to offset the lower dollars that we were getting from the state. And we haven’t – we’ve adopted the opposite mentality, which is we have to [...] provide the lowest cost, world-class education we can.”

In holding the line on tuition increases, the Board of Trustees has served as an effective check against snowballing student costs.

<table>
<thead>
<tr>
<th>Year</th>
<th>UIUC</th>
<th>UIC</th>
<th>UIS</th>
<th>Year</th>
<th>UIUC</th>
<th>UIC</th>
<th>UIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>5%</td>
<td>3%</td>
<td>3%</td>
<td>2011-12</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>2001-02</td>
<td>18%</td>
<td>19%</td>
<td>4%</td>
<td>2012-13</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>2002-03</td>
<td>20%</td>
<td>22%</td>
<td>10%</td>
<td>2013-14</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>2003-04</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>2014-15</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>2004-05</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>2015-16</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2005-06</td>
<td>9%</td>
<td>9%</td>
<td>14%</td>
<td>2016-17</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2006-07</td>
<td>9%</td>
<td>9%</td>
<td>22%</td>
<td>2017-18</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2007-08</td>
<td>10%</td>
<td>10%</td>
<td>14%</td>
<td>2018-19</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2008-09</td>
<td>10%</td>
<td>10%</td>
<td>13%</td>
<td>2019-20</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2009-10</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>2020-21</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Table 3. History of Tuition Increases at the University of Illinois System

Table 3. Increases in Annual Base Tuition Rates for Full-time Resident Undergraduate Students at the University of Illinois System by Academic Year.
Source: Office for Planning and Budgeting, University of Illinois.
This held true even amidst the significant financial uncertainty brought on by a two-year state budget impasse in FY 2016 and FY 2017.

Despite state higher education funding dropping in FY 2018 to about 30 percent of FY 2015 levels, UI trustees refused to pass on the financial burden to their students. Instead, the university system implemented a series of cost-saving initiatives and structural reforms in spending.

The board members serve as “gatekeepers” to administrative efforts to increase tuition, according to UI board member Ramón Cepeda, who chairs the Board’s Audit, Budget, Finance, and Facilities Committee. “If we don’t want to see an increase, I mean we voice it,” he said.

“We can push back if, for instance, there is a movement afoot to try to increase tuition,” said Cepeda. “We will hear about it before it comes to the committee and there has to be a concerted effort on the Board’s part to really be stewards of the state and for the state [and maintain] affordability.”

What some might call “checks and balances,” UIC’s Amiridis views as a “productive tension” between the Board and administration, a relationship he says is a very good working one.

Sometimes that means “asking hard questions to the management to make sure that the leadership of the university – of the system, including universities – are staying within the bounds of the principles that they define,” Amiridis explained.

“The Board is our boss,” he said.
COVID-19 INSIGHT:

The University of Illinois was not afraid to revisit past tuition decisions in light of new information. Prior to the outbreak of the COVID-19 pandemic, the Board of Trustees approved inflation-based tuition increases of 1.8 percent (Urbana-Champaign and Chicago) and 1 percent (Springfield) for the 2020-21 academic year.22

Later recognizing the financial stress UI students faced during the pandemic, university administrators took action to nullify the tuition increase.

The UI Board of Trustees agreed.

Using university reserves, federal CARES Act funding, and private donations, the university covered the price difference caused by the tuition increase for every new in-state undergraduate through their new Students FIRST COVID-19 Emergency Fund.23 Continuing in-state undergraduates were already unaffected by the tuition increase due to the Illinois’s guaranteed tuition program.

“Well, [the tuition increase] went into the books,” UIC Chancellor Amiridis explained. “But we, in essence, provided enough scholarship funds to the entire freshmen class to offset the course. That’s how we did it. Because we understand how difficult it has been for everybody this last year.”
3. Through systemwide transparency efforts, including unit-level cost reporting, the Board of Trustees empowers administrators to make smarter budgeting decisions.

Transparency on costs is essential to the University of Illinois Board of Trustees holding the universities accountable for spending decisions. As Edwards poignantly stated, “You can’t control your costs if you don’t know what they are.”

Detail-level cost surveys and analyses have been regularly conducted in Illinois higher education for over 50 years. Illinois is also among a small number of U.S. states, including Florida and Minnesota, that routinely collect and track cost data by program-level or academic discipline.

The Illinois Board of Higher Education (IBHE), the statewide coordinating board, has conducted an annual study of state operating costs at Illinois public institutions of higher education since 1965, resulting in the annual publication of the Discipline Unit Cost Study and the Comparative Cost Study. The Comparative Cost Study provides a detailed analysis of costs for instruction, research, and public service, while the Academic Unit Cost Study provides comparative data on instructional costs by student level and academic discipline at each university. The University of Illinois system continues to produce an additional annual cost report for internal use – the Program/Major Unit Cost Study – even though IBHE has not required it since 2012.

The availability of this comprehensive cost data transparency system accompanied by side-by-side revenue information enable administrators to identify opportunities for efficiency and better prioritize spending, and, in turn, allows the Board of Trustees to hold university leaders to account.

Without this level of transparency, said Edwards, the amount of cross subsidization between departments makes it difficult for anyone to understand the financials.

He said, “Bringing transparency and sunlight to the financials – at a minimum each college and then, at the college level, each department – is the beginning of accountability, innovation, cost controls, et cetera.”

Confronting the 2015-2017 budget impasse, the Board of Trustees was able to hold tuition levels constant by challenging the universities to work creatively to “make up the difference,” according to Cepeda.
“We challenged them and [said], ‘Look, go back, and look at programs that aren’t being used effectively. Tighten the belt. Where can we cut? Where can we consolidate? Where can we be more streamlined?’ I mean it was really a test of their ability to prioritize,” recalled Cepeda.

In the higher education industry, Edwards pointed out, departmental costs are often “out-of-whack with the revenues those departments generate.”

Said Edwards, “So, a big initiative at UIC and at UIUC, which I believe runs to the benefit of the institutions and the people that need it in the long run […] is ‘budgeting based on demand.’ And understanding your costs and your revenues at the college-level, department-level versus [previous years].”

Such budgeting techniques make reviewing and containing program costs possible, aiding in academic program evaluation. The Board of Trustees, said Cepeda, challenged the university chancellors to weigh department costs with student demand for programs.

Cepeda explained, “If you’ve got a major that has seen two students come out of it in the last three or four years, do we really need it? Or should we move it to one of the other universities? And so, there was a lot of that – just asking each chancellor at the time to look really hard at ways that they can save money before we start increasing tuition.”

Edwards believes it’s critical for the financial realities to permeate the organization. “My philosophy at the board level is [that] once the deans and the department heads understand everything, over time they will make the appropriate decisions financially for the institution.”

“If people have the financial information, […] they will ultimately do what I believe is best for the institution, which is to control costs where they need to be controlled and invest in areas that need investing.”

Donald J. Edwards
UI Board of Trustees Chair
4. Tuition freezes have spurred the universities to find innovative ways to generate revenue, including public private partnerships and patent royalties.

With the Board of Trustees holding the line on tuition for resident undergraduates and pushing for institutional efficiencies, the system’s universities have taken innovative approaches to containing costs and generating revenue.

By employing public-private partnerships, the University of Illinois Chicago has been able to lower costs of construction and campus services and bolster campus infrastructure, while also increasing revenue. Through a recent partnership with a real estate group specializing in on-campus housing – the first public-private partnership in the University of Illinois system – UIC reduced construction time and cost on a new academic and residential center, according to Chancellor Amiridis.

Edwards sees these opportunities to reduce construction costs throughout the system “by hiring more private expertise to manage that part of our business,” he says. UIC also outsourced some campus services, such as food services and part of its maintenance and custodial services, to private businesses to reduce cost and maintain greater financial flexibility. Through a public-private partnership with a company called Shorelight Education, the university was able to increase international student enrollment, resulting in more than $15 million in annual tuition revenue. These results were achieved quickly and without a cost prohibitive initial investment UIC would have faced if they tried to build their own international student recruitment infrastructure.

Another new source of revenue for UIC – which Chancellor Amiridis refers to as a “secret weapon” – is royalty revenue and patents. UIC has reported 580 issued patents and 289 intellectual property licenses, including three major therapeutics licensed to pharmaceutical companies, including a shingles vaccine, bladder cancer drug, and anti-HIV drug. In FY 2020, UIC generated $50 million in royalty revenue and ranks among the top 10 for royalty revenue generating universities.

While the university does invest royalty revenue into the university’s research portfolio, they also use it to address university-wide infrastructure needs – such as an updated IT system – that would have otherwise put pressure on their other sources of funds, such as state or tuition revenue.

“On generating a diversified revenue base:
“Okay, we can survive without increasing tuition.”

Dr. Michael D. Amiridis
UIC Chancellor

“So last year, we had 50 million dollars in revenue from the royalties,” Dr. Amiridis said. “And even if you take off what the inventor gets therein, that gives you a good sum that provides some cash to deal with the infrastructure issues.”

He continued, “That would cost us 40 million to [address infrastructure issues], but we have the royalty money to be able to put there. We don’t need student money, we don’t need tuition or state money to do that. So this is the combination of options that we had that helped us, actually, enabled us to say, ‘okay, we can survive without increasing tuition.’”
METHODS

Cases were selected from a list of Public Value Universities who are doing the heavy lifting in state higher education. This set of schools was in the top 10 nationally in one of three categories – flagship, metro leader, and regional – out of 196 public universities total. The universities were ranked according to the average of eight factors: net price; net price increase over time; ratio of instruction to institutional support; percent in-state; percent Pell-eligible; six-year graduation rate; Brookings value added; and Harvard mobility index. Two factors, net price and percent Pell-eligible students, were double weighted to account for the fact this study focused on affordability, especially for underrepresented students. When issuing case study final invitations, consideration was given to geographic diversity among the top 10 as well as different governance structures.

The project director conducted interviews, using a semi-structured interview guide, with University of Illinois Board of Trustees members and university administrators, including: Donald J. Edwards, chair of the University of Illinois Board of Trustees; Ramón Cepeda, chair of the Audit, Budget, Finance, and Facilities Committee of the University of Illinois Board of Trustees; Michael D. Amiridis, Ph.D., chancellor of the University of Illinois Chicago; and Nikos Verelas, Ph.D, vice provost for undergraduate affairs and academic programs at the University of Illinois Chicago.

The researchers did not preselect the affordability strategies described in this study. The interviewees were asked to describe the factors they believed contributed to their system or institution’s affordability, and the strategies described are contained therein. In addition to the interviews, the researcher and publication author conducted a document review of current and past board policies, historical board documents and media releases, and other relevant sources and documentation.
END NOTES


2 University of Illinois Trustees Act, 110 ILCS 310/1.


4 University of Illinois Act, 110 ILCS 305/25.


6 Cohen, “U. of I. revamping admissions date after record deferrals.”

7 “Meeting Minutes of the Academic and Student Affairs Committee of the University of Illinois Board of Trustees,” University of Illinois Board of Trustees, 14 Jan 2015, https://www.trustees.uillinois.edu/trustees/minutes/2015/January-14-2015-ASAC.pdf.


27 “The Annual Study of Costs,” University Office for Planning and Budgeting.

Partners for College Affordability and Public Trust (Partners) is a nonprofit, nonpartisan organization dedicated to making high-quality, affordable college education a reality for all Americans.