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Attachment A to BHE 23-30
Draft for BHE Approval

MEMORANDUM

TO: Patrick Tutwiler, Secretary

FROM: Board of Higher Education

DATE: February 14, 2023

SUBJECT: **FY24 Funding Recommendations- Fair Share Funding Investment Areas**

The upcoming fiscal year represents a rare opportunity to fundamentally reimagine how public higher education is financed in Massachusetts. After 18 months of comprehensive research, including analytical support provided by an external consultant and extensive stakeholder feedback, the Board of Higher (BHE) adopted the [Framework for Strategic Public Higher Education Financing](#). The Framework calls for a strengthened and modernized funding structure that works better for both students and institutions. Increased, strategically distributed and expanded resources are needed in key areas, such as financial aid, institutional support, and innovation funding to better serve students and align with the BHE's system priorities and values.

To that end, what follows is a series of FY24 budget recommendations developed in alignment with and in furtherance of the BHE's *Framework* and approved by the BHE during its meeting on February 14, 2023 (BHE 23-30).

Recommendations

With the recent passage of the Fair Share Amendment, Massachusetts is expected to receive considerable new income tax revenue. The Fair Share Amendment explicitly named "public colleges and universities" as one of the three areas to which the added revenues would be devoted. Students attending public institutions of higher education are therefore poised to

benefit greatly from the addition of new monies as early as FY24 since the taxation rates established by the Fair Share Amendment are effective as of January 1, 2023.

Given this unprecedented development and in accordance with the objectives of the Fair Share Amendment, the Board's budget recommendations call for the infusion of \$500M in new dollars into the Commonwealth's system of public higher education along the lines of our unanimously approved Framework for Strategic Public Higher Education Financing.

These additional funds should be invested in key areas that address the following goals:

- 1. Provide additional resources to students and families by significantly increasing our investment in financial aid.**
- 2. Provide funds for wraparound services distributed in a manner aimed at improving institutional capacity to support learners from low-income families.**
- 3. Provide increased support for the Department's capacity and investments in systemic innovation and collaboration.**
- 4. Provide additional funds allocated directly to institutional line-item accounts to better position institutions to meet the mission of the system of public higher education.**

The following outlines how the Board's budget recommendations align with the funding-related design principles of the BHE's *Framework for Strategic Public Higher Education Financing*. **It should be noted that, in addition to the high-level strategic priorities identified below, the BHE further recommends maintaining funding levels, at minimum, for all other Department budgetary line items, and supports total maintenance funding for the State Universities and Community Colleges which includes 3% increase distributed through the performance-based funding formula line items.**

I. Advance Student Participation and Success in High-Quality Affordable Education through Expanding Financial Aid

The BHE's FY24 budget recommends that we more than double financial aid above the FY23 funding level supported annually by new funds. Over the past five fiscal years, the MassGrant Plus element of financial aid has grown to the level needed to largely eliminate "unmet need" for Pell-eligible students at all segments and for all community college students. This still leaves low-income students facing expenses beyond tuition and fees related to the total cost of attendance (room and board, transportation, and others) not currently covered by MassGrant Plus. Extensive research has shown that the full cost of attendance is a major barrier for our lowest-income students above and beyond direct costs. As for low- and moderate-income students, the high Expected Financial Contribution (EFC) anticipated from students and families creates barriers as well as an unacceptably high debt burden. Consistent with the research and the policy options set forth in *Framework*, intended uses for this additional financial aid appropriation include a proposed three-pronged approach:

1. Increasing access and affordability by reducing or eliminating the financial burden for families by delivering a near debt free higher public education.
2. Fully funding a MassReconnect program which would make community college free for all students 25 and over without an existing college degree.
3. Providing funds to support costs of living expenses for all Pell-eligible students to help families more realistically afford college by offering a stipend to help meet their overall cost of attendance.

The Board of Higher Education, working with all stakeholders, would need to adopt guidelines to best implement these new financial aid allocations across these three areas. Further, financial aid resources should be used to improve the pipeline of diverse educators and other high priority occupations in the Commonwealth.

II. Provide significant sustained annual campus funding to support student success

The Board recommends that the legislature create a separate appropriation to fund student supports for socio-economically disadvantaged students in the Massachusetts public higher education system. The proposed fund is based on a calculation of \$2,000 per Pell-eligible student at every public higher education institution in the Commonwealth. This weighted-enrollment funding approach will provide additional resources to expand and implement holistic supports that engender greater student success by cultivating a student-centered approach. Comprehensive wraparound support services are critical to improving completion rates among the Commonwealth's most marginalized students. Additional resources would enable expanded access to proven students supports including, but not limited to, early momentum structures, experiential learning, sustained support services, integrated career education, and faculty engagement and pedagogy. In addition to the creation of a new appropriation that improves student outcomes, **the BHE Budget further recommends increasing funding for the SUCCESS program from \$14M to 18M (\$4M).**

The BHE budget recommendations also ratify the Early College Joint Committee recommendation to **increase the Commonwealth Dual Enrollment line from \$9M to \$12.6M to expand Early College (EC) (\$3.6M).** The EC initiative also provides comprehensive and supportive exposure so students can better the processes and pathways to and through higher education.

EC is successfully removing barriers faced by high school students who have been historically and consistently excluded from and/or subject to significant barriers to college participation, matriculation, and graduation. The most recent data shows that EC students are more likely to immediately enroll in and graduate from college.

III. Recognize innovation and collaboration through the Higher Education Innovation Fund

Since its inception, grants from the Performance Management Set Aside line item, now known as the Higher Education Innovation Fund (HEIF), are used to seed and support new innovations and evidence-based practices in public higher education. **The BHE recommends increased funding for innovations and collaborations that support greater effectiveness, efficiency, and collaboration in our higher education system, consistent with our goals to eliminate inequities in the provision of high-quality public higher education.**

The Innovation Fund also fosters collaboration and has resourced several systemwide initiatives, including the adoption of open educational resources, development of a seamless system of transfer, and expansion of competence-based education and prior learning assessment, all strategies informed by the latest research on necessary reforms to better support all students, especially minoritized students. Equally important, the funds support institutional implementation of policies and programs that are actively transforming institutional cultures to be equity-minded, reimagining and building culturally relevant and civically engaged educational experiences for all learners, and preparing students, particularly learners from marginalized populations, to thrive beyond their time in public postsecondary education.

IV. Improve conditions for success by aligning cost sharing incentives between the state and campuses.

The *Framework for Strategic Public Higher Education Financing* calls for providing institutions with consistent, reliable base funding in order effectively operate and position them **to better meet the mission of the system of public higher education**. Annual campus funding increases are required to simply maintain equitable access to a high-quality, affordable education at the Commonwealth public colleges and universities.

Any redesigned funding structure must consider significant cost drivers, related to employee benefits, collective bargaining salary increases, and other labor costs. Therefore, consistent with the *Framework*, the BHE recommends that the Commonwealth codify the commitment to annually fund the full incremental costs for all years of an agreed upon collective bargaining agreement. The BHE recommends that additional available funding be allocated to support sustainable, fair cost sharing between the Commonwealth and public higher education institutions on the costs of personnel including fringe benefits.