

**BOARD OF HIGHER EDUCATION
REQUEST FOR BOARD ACTION**

NO.: BHE 24-58

BOARD DATE: June 11, 2024

**APPROVAL OF THE COMMUNITY COLLEGE AND STATE UNIVERSITY FUNDING
FORMULA ALLOCATIONS FOR FY2025 AND AUTHORIZATION OF TIMELINE TO
REVIEW AND UPDATE THE FUNDING FORMULAS**

MOVED: The Board of Higher Education (BHE) hereby affirms the Community College and State University funding formula methodology for FY25, and delegates to the Commissioner the authority to allocate the FY25 funds during the summer months, subject to the enactment of FY25 GAA appropriations (line items 7066-1400 and 7100-4000).

The BHE further:

- directs the Commissioner to use the Community College and State University funding formula methodology to award grants and/or determine allocations funded by other appropriations in FY25, where deemed necessary or appropriate by the Commissioner, upon a determination by the Commissioner that the purpose of the grant is aligned with the intended outcomes of the funding formulas; and
- directs the Commissioner to evaluate the efficacy of existing funding allocation formulas for public higher education institutions and their alignment with the Strategic Higher Education Finance (SHEF) Framework. To that end, the Commissioner shall, after consultation with stakeholders, develop recommendations on the funding formulas with the goal of ensuring alignment with the Key Design Elements, Goals, and Principles of SHEF.

The BHE further directs the Commissioner to provide regular updates to the BHE and to work with the Finance and Administrative Policy Advisory Council to propose funding formula recommendations to the BHE no later than Fall 2025.

VOTED: Motion approved and advanced to the full BHE by the Executive Committee on 6/3/2024; and adopted by the BHE on 6/11/2024.

Authority: M.G.L. c. 15A, § 9(dd); M.G.L. c. 15A, §15B; Line item 7066-1400 of section 2 of Chapter 165 of the Acts of 2014; Line items 7066-1400 and 7100-4000. Section 2 of Chapter 28 of the Acts of 2023.

Contact: Matthew Cole, Deputy Commissioner of Administration, Finance and Operations

BACKGROUND

Under Massachusetts General Law, the Board of Higher Education is charged with developing funding formulas for the community colleges and state universities. M.G.L. c. 15A, § 9(dd). Section 2 of Chapter 28 of the Acts of 2023, as well as the language in the GAA funding formula line items 7066-1400 and 7100-4000, obligates the BHE approve both a methodology and an allocation for these funds.

The BHE has traditionally discharged this obligation by approving a methodology and an allocation together ahead of distributing funds, most recently on February 14, 2023 (BHE 23-29). That approach had the unintended consequence of delaying the distribution of funds, as the DHE must wait until it receives fall data from the campuses before it can update the formula and then ask the BHE to allocate the funds. Delaying this allocation impacts the campus budget development cycle as the allocation is added to their base budget each year.

In June of 2023, the BHE addressed this issue by shifting the approach to approve the underlying methodology, while also delegating authority to the Commissioner to determine allocations based on prospective data. BHE 23-65 (June 20, 2023). Consistent with this new approach, Department staff are asking the BHE to affirm the current methodology in June 2024 for the allocation of funds that we anticipate will be appropriated in the FY 2025 budget with campus data from the most recently completed fiscal year and fall term.

This motion further delegates the authority to the Commissioner to allocate the FY25 appropriations during the summer months once the FY25 GAA is finalized. This will allow funds to be distributed to the campuses before or shortly after the start of the academic year.

The Board's vote on this motion would:

1. Confirm there is no change in the methodology approved by BHE 23-29 and affirm that it shall be the method for allocating any FY25 GAA appropriations 7066-1400 and 7100-4000
2. Direct the Commissioner, where deemed necessary or appropriate, to use the funding formulas to determine grant allocations for other appropriations. The intended purpose of this approach is to help reduce administrative burdens, expedite grant distributions, increase funding predictability to support campus planning, and incentivize outcomes guided by the funding formulas.
3. Confirm that the underlying data for funding formula allocations will be the most recently completed fiscal year and fall term data.
4. Delegate the allocation of FY25 funds consistent with the approved methodology to the Commissioner.

Finally, this motion recognizes that the funding formulas are in need of review and updating. Formula funding for the Community Colleges and State Universities was first established between 2013 and 2015. During that time, the Department formed planning committees to develop the formulas, and the work was facilitated and supported by the National Center for Higher Education Management Systems (NCHEMS). While the formulas differ by segment, they reflect a combination of base funding variables, derived primarily from credit FTE enrollment, and performance outcomes, including primarily degree attainment.

With the release of the Strategic Higher Education Finance (SHEF) Framework there is both an opportunity and responsibility for the BHE and the Department to review the formulas for the purpose of aligning the formulas with the key design elements, goals, and principles of the SHEF Framework.

Accordingly, this motion directs the Commissioner to work with stakeholders to evaluate the efficacy of existing funding allocation formulas for public higher education institutions with the goal of alignment with the SHEF Framework.