

Finance and Administrative Policy Advisory Council (FAAP AC)

Strategic Review of Public Higher Education Financing: First Discussion of Policy Options

November 3rd, 2022

Agenda

- ▶ **Introduction and background**
- ▶ Approach to identifying and assessing policy options
- ▶ Range of policy options and implications for funding
- ▶ Summary of policy options
- ▶ Appendix

What does the strategic review aim to accomplish?

Key Objectives for the Commonwealth's Strategic Review

- ▶ Promote better understanding of the current state of higher education financing and higher education outcomes in MA
- ▶ Learn from the experience of other states to identify range of potential policy choices for consideration in MA context
- ▶ Solicit input and enable discussion across the stakeholder ecosystem in MA about potential impacts of policy choices
- ▶ Recommend range of options for the financing system design, along with the potential impact of these options, to the Board of Higher Education

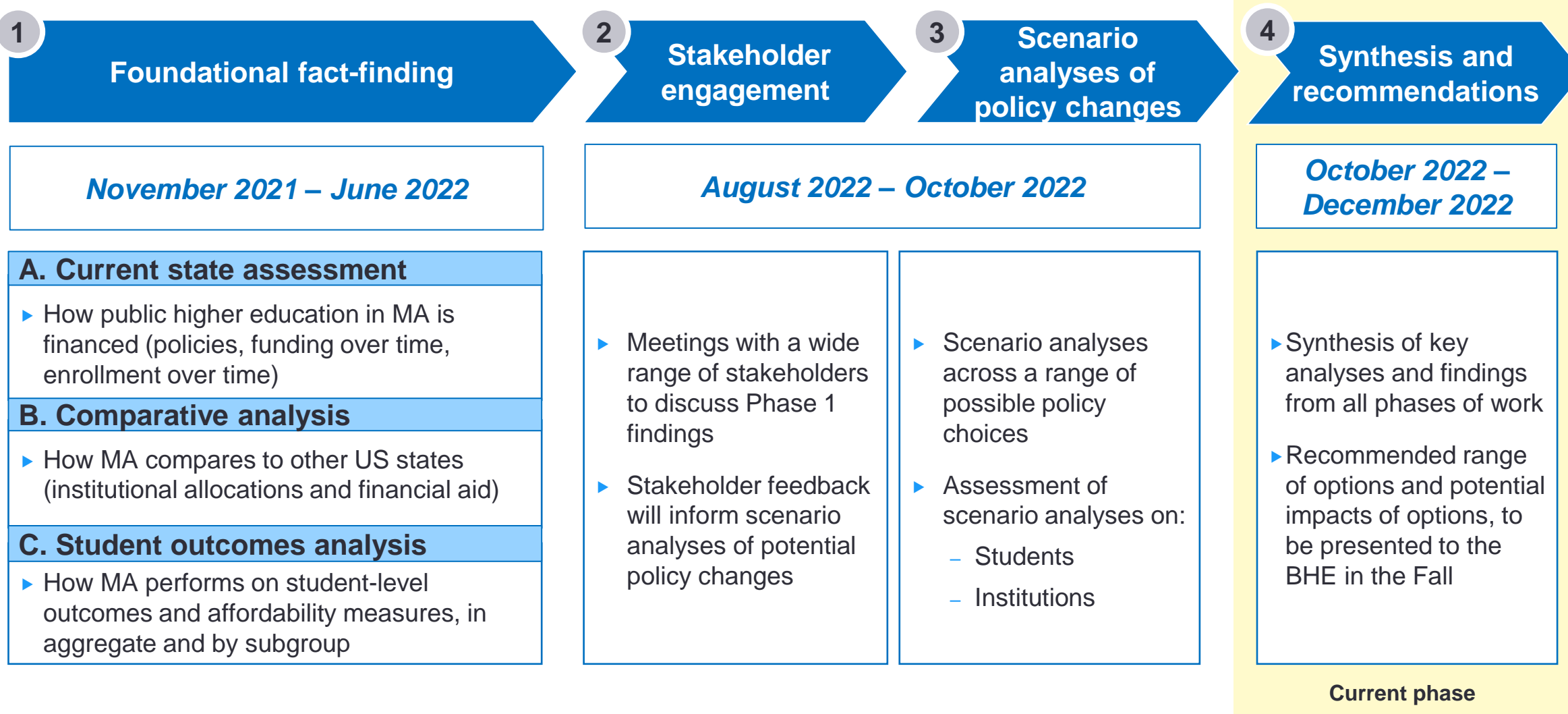
Current focus

Prioritized Areas of Focus for the Commonwealth's Strategic Review

- ▶ Resident undergraduate students in public higher ed institutions (community colleges, state universities, UMass)
- ▶ State funding (considered in the context of total revenue and student-driven revenue)

The Board of Higher Education is conducting this strategic review under the assumed context of the willingness of the Commonwealth to invest more in public higher education

What are the phases of the strategic review project?



What are the BHE's next steps in the synthesis and recommendations phase?

Synthesis and recommendations

November 3

Launch public discussion about policy options

Current discussion

**November 3 –
December 13**

Solicit input from stakeholders and refine policy options and recommendations

December 13

Bring recommendations to the BHE for consideration and vote

**December 13, 2022 –
2023 and beyond**

- ▶ Continue to refine recommendations
- ▶ Advance elements that can be implemented by direct BHE action or through executive action & budget
- ▶ Work to build consensus across internal and external stakeholders
- ▶ Work with Governor and Legislature to advance broad solution

Why undertake a strategic review of public higher education financing now?



Shifting demographics and increased competition for students

- ▶ Student enrollment has been flat to declining in the past decade and is projected to continue declining
- ▶ Online and non-degree alternative education offerings have been taking share from in-person campuses
- ▶ COVID-19 placed significant, additional downward pressure on enrollment



Persisting equity gaps

- ▶ The needs of students are changing, with some students requiring more support
- ▶ Equity gaps in outcomes persist among student groups (i.e., based on race & ethnicity or income status)



Rising cost of education

- ▶ The total cost of attendance at higher education institutions has steadily risen, outpacing household income growth
- ▶ The average debt burden for students taking out loans has also grown over the past decade



The approach to state funding of public higher education in MA has not kept pace with the tremendous changes experienced by both institutions and students across the MA higher education landscape

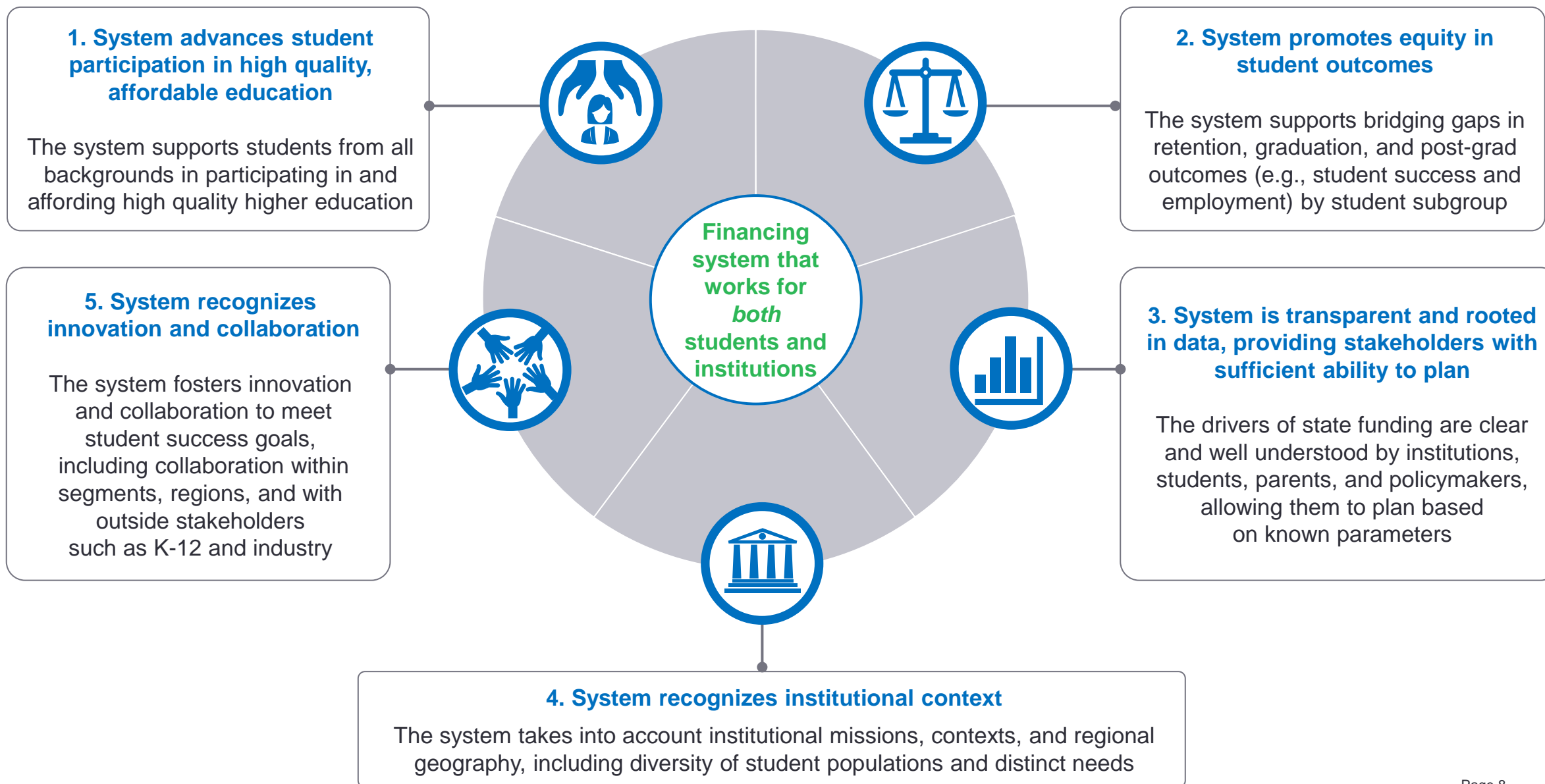
Higher education funding policy choices are in the national spotlight; MA has an opportunity to consider funding policy choices that meet the moment and the challenges and goals for students and institutions

Why is the Board of Higher Education leading the strategic review?

Role of the Board of Higher Education

- ▶ M.G.L. Chapter 15, Section 1:
 - ▶ *“The board of higher education, in this chapter called the board or the council, shall be responsible for defining the mission of and coordinating the state's system of higher education”*
 - ▶ *“The board shall work in conjunction with boards of trustees to hold the system accountable for achieving its goals and establishing a comprehensive system to measure quality by defining educational achievement and success with the use of standards and measurements.”*
 - ▶ *“The board shall,, work to coordinate its activities within a framework of an integrated public education system extending from early childhood programs through the university level, to promote coordination and greater benefits to students.”*
- ▶ Under M.G.L., certain key authorities over UMass campuses reside solely with the UMass Board of Trustees (Chapter 75, Section 1):
 - ▶ *“There shall be a University of Massachusetts...which shall continue as a public institution of higher learning within the system of public higher education and shall be governed by the board of trustees established herein. In addition to the authority, responsibility, powers and duties specifically conferred by this chapter, the board of trustees shall have all authority, responsibility, rights, privileges, powers and duties customarily and traditionally exercised by governing boards of institutions of higher learning.”*
- ▶ While the Commonwealth has a decentralized higher education system, **the funding strategy is inherently a systemic property, and the BHE is best positioned to bring forth recommendations for the good of the whole**

What principles have guided the analysis and discussion to date?



Case for Change: The current system for financing public higher education in the Commonwealth does not fully support these key principles



1. System advances participation in high quality, affordable education

- ▶ Participation rates have been declining prior to COVID-19 and have accelerated since. Affordability is a barrier for many students, with a large share of students taking on debt

“ I support expanding financial aid. **More aid money could attract more students and raise enrollments**”



2. System promotes equity in student outcomes

- ▶ Gaps in outcomes persist between groups, yet a very small amount of funding to institutions is tied to closing equity gaps

“ **What resources does it take to support students from different groups**, such as Pell-eligible or URM students? *The idea of considering what it takes to provide students with the resources they need is logical*”



5. System recognizes innovation and collaboration

- ▶ The current system provides limited support for innovation, with funding falling from ~\$7.5m in FY14 to ~\$2.5m today

“ *These are extremely important funds to programs such as competency-based education and Mass Transfer. I have seen the **ways they move us forward***”

Financing system that works for both students and institutions



4. System recognizes institutional context

- ▶ The system could tie a greater share of funding to each institution's student composition and outcomes

“ **Each institution's performance outcomes should be a part of the formula. Institutions should also be rewarded for their ability to attract people to their school**”



3. System is transparent and rooted in data

- ▶ The current system is not driven by a clear, well-understood strategy. Instead, it is mostly dependent on economic conditions

“ *These historical dollars only show what the state could afford...the reason this was happening is because there was **no apparent strategy to financing***”

Case for Change: The current system should be significantly strengthened to better serve students and institutions and align with our systemic values

The current system for financing public higher education in the Commonwealth does not meet the key principles and should be significantly changed, modernized, and strengthened



While reasonable people can disagree on the specifics of what should come next, **we should not be satisfied with the financing system** we have:

- ▶ Not for its benefits on students
- ▶ Not for its impact on institutions
- ▶ Not for its alignment with our systemic goals and values
- ▶ Not for its value to taxpayers
- ▶ Not at a time of accelerating challenge and opportunity

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What are the design principles that informed what policy options the Commonwealth could consider moving forward?

In developing the framework of policy options, we adopted the following design principles:

- ▶ Take a holistic approach recognizing many interdependencies
- ▶ Seek transparency and simplicity wherever possible
- ▶ Provide specificity but also offer choices within a rational and transparent framework



Our initial policy options will:

- ▶ Specify high-level goals and parameters
- ▶ Offer multiple options (scenarios), with analyses of impacts and costs of alternatives
- ▶ Support students across the spectrum
 - ▶ At both 2- and 4-year institutions
 - ▶ Full-time and part-time
 - ▶ First time and returning
- ▶ Address transition issues
- ▶ Set the stage for further refinement ahead
 - ▶ Provide a structure allowing a healthy public dialogue among stakeholders both before and after a BHE vote on December 13
 - ▶ Set up the BHE and DHE to be a constructive catalyst and partner for change

The policy options under consideration address five high level goals

1**Make college more accessible and affordable for students**

- 1) Address barriers to participation for low-income and part-time students
- 2) Address burdensome debt levels for low- and middle-income students and families

2**Bolster institution funding to support student success****3****Ensure system-level capacity to foster innovation and collaboration****4****Align incentives between the State and campuses****5****Increase simplicity, transparency, and predictability for all**

What is the approach to laying out the policy options?

- ▶ **For each of the five high level goals, we have offered three options:**
 - Option A codifies the set of policies and, in some cases, adds key elements and has modest investment beyond today's levels
 - Option B adds new key elements and invests significantly in higher education
 - Option C builds on Option B with further elements and investment

- ▶ **For each set of options, we also specify the following:**
 - Policy codifications and choices
 - Impacts on students and/or institutions
 - Costs to the Commonwealth

- ▶ **We provide areas for further exploration where needed**

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- ▶ **Range of policy options and implications for funding**
 - **Make college more accessible and affordable for students**
 - Bolster institutional funding to support student success
 - Ensure system-level capacity to foster innovation and collaboration
 - Align incentives between the State and campuses
 - Increase simplicity, transparency, and predictability for all
- ▶ Summary of policy options
- ▶ Appendix

Case for Change: As challenges with affordability increasingly affect student outcomes and debt uptake, MA could use financial aid to improve accessibility and affordability

1

Goal: Make college more accessible and affordable for students

- 1) Address barriers to participation for low-income and part-time students
- 2) Address burdensome debt levels for low- and middle-income students and families

Case for change

Participation rates in public higher education have been sinking

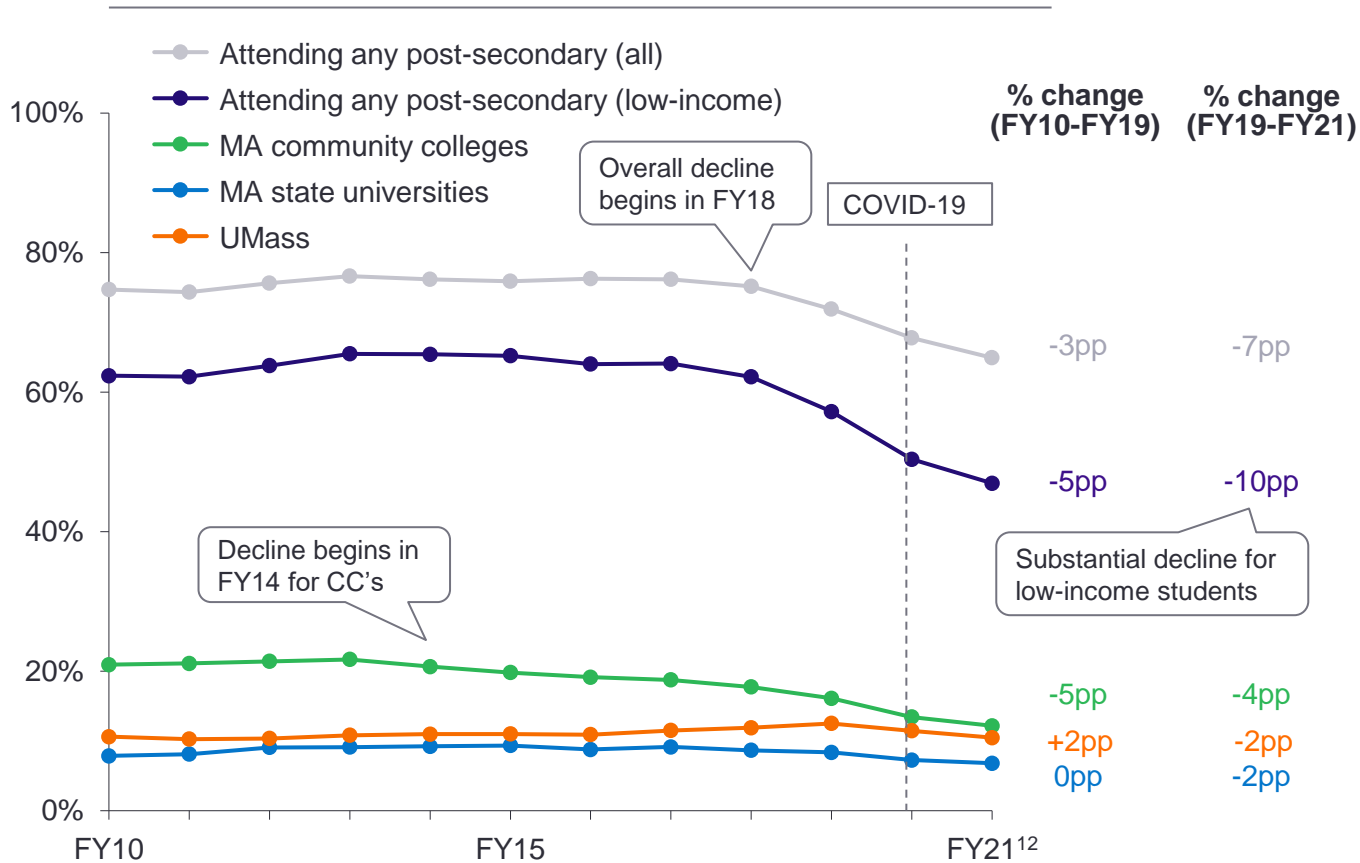
Equity gaps in completion remain large

Debt levels have grown in size and frequency

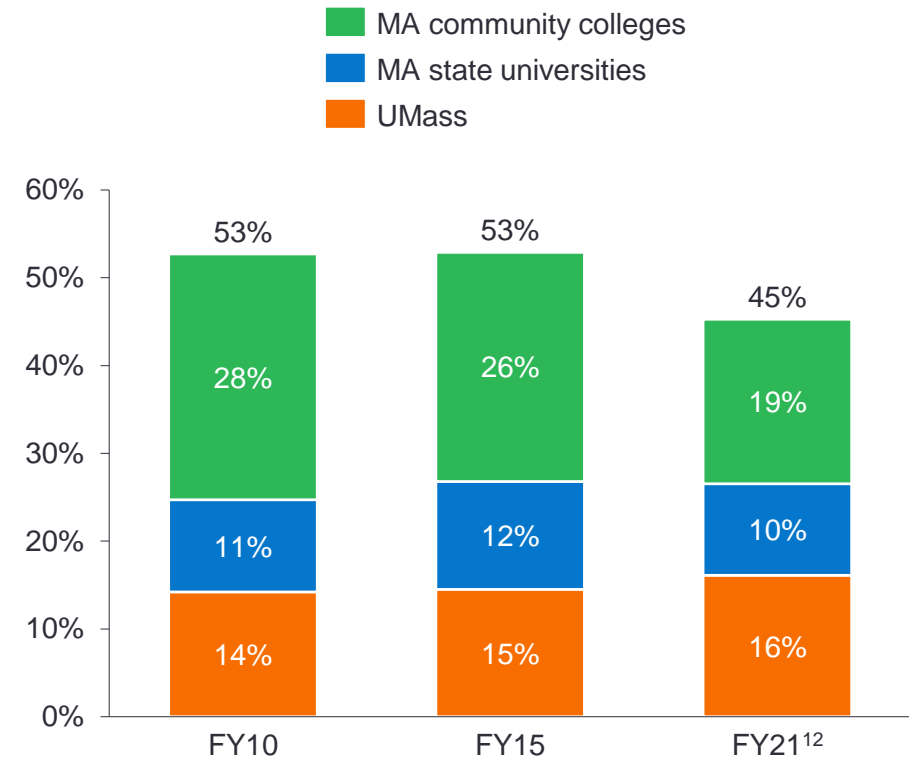
Many other states have implemented promise programs for financial aid

Case for Change: Even prior to COVID-19, participation rates were declining; the rising cost of attendance has likely been a barrier to access, especially for low-income students

Post-secondary participation rate (enrolling within 16 months of graduation) for graduating MA high-school students, FY10 – FY21^{1,2}



Post-secondary participation rate in MA public HED for graduating MA high-school students (as % of HS students enrolling in postsecondary), FY10 – FY20¹



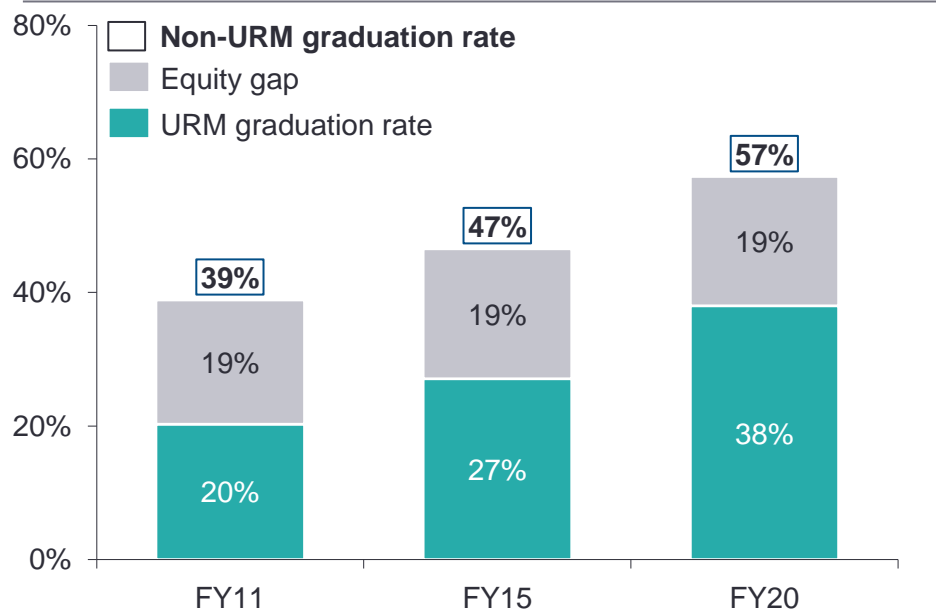
1. Analysis only includes graduates of public high schools in Massachusetts, which accounted for ~90% of all graduates in SY18-19

2. Because 16-month participation data is not yet available for FY21, FY21 data in the chart is the 9-month participation rate adjusted to the 16-month rate using the previous 5-year average of 16-month to 9-month participation ratios

Source: MA DESE; National Student Clearinghouse

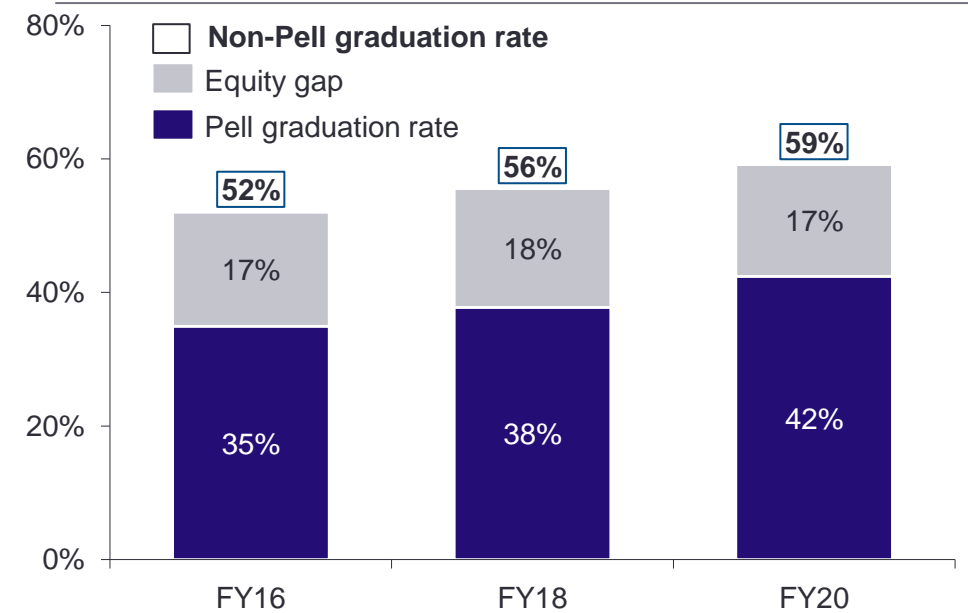
Case for Change: Large equity gaps between student groups persist across segments; increased financial aid could help reduce these outcome gaps

Graduation rates for first-time, full-time undergraduate students attending MA public institutions, by URM status, FY11 – FY20 ¹



MA equity gap %	FY11	FY15	FY20
MA equity gap %	19%	19%	19%
CC equity gap %	8%	9%	8%
SU equity gap %	12%	8%	11%
UMass equity gap %	17%	15%	15%

Graduation rates for first-time, full-time undergraduate students attending MA public institutions, by Pell status, FY16 – FY20



MA equity gap %	FY16	FY18	FY20
MA equity gap %	17%	18%	17%
CC equity gap %	8%	4%	6%
SU equity gap %	3%	6%	8%
UMass equity gap %	12%	16%	11%

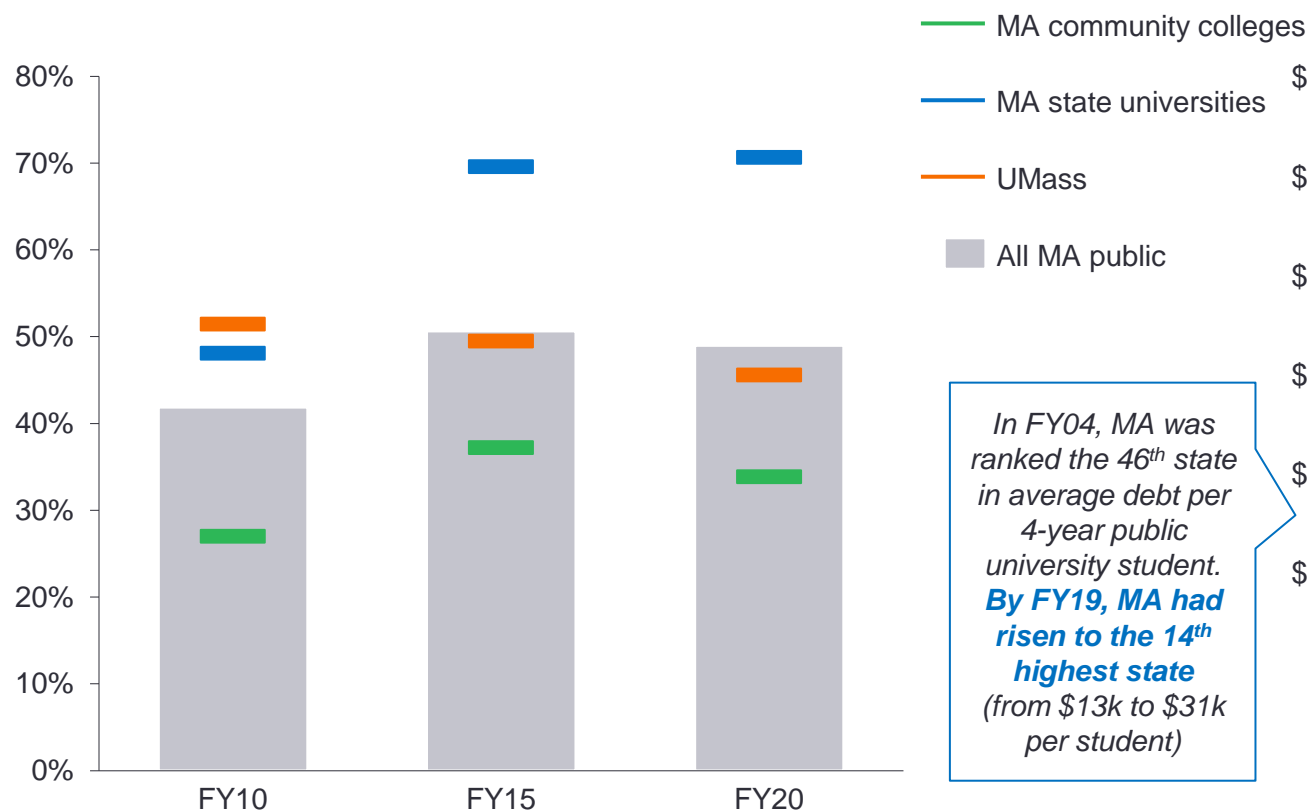
Note: segment averages are calculated using weighted averages by total enrollment

1. Race and ethnicity classifications were adjusted between FY10 and FY11. For consistency, only years with the new classifications are shown here

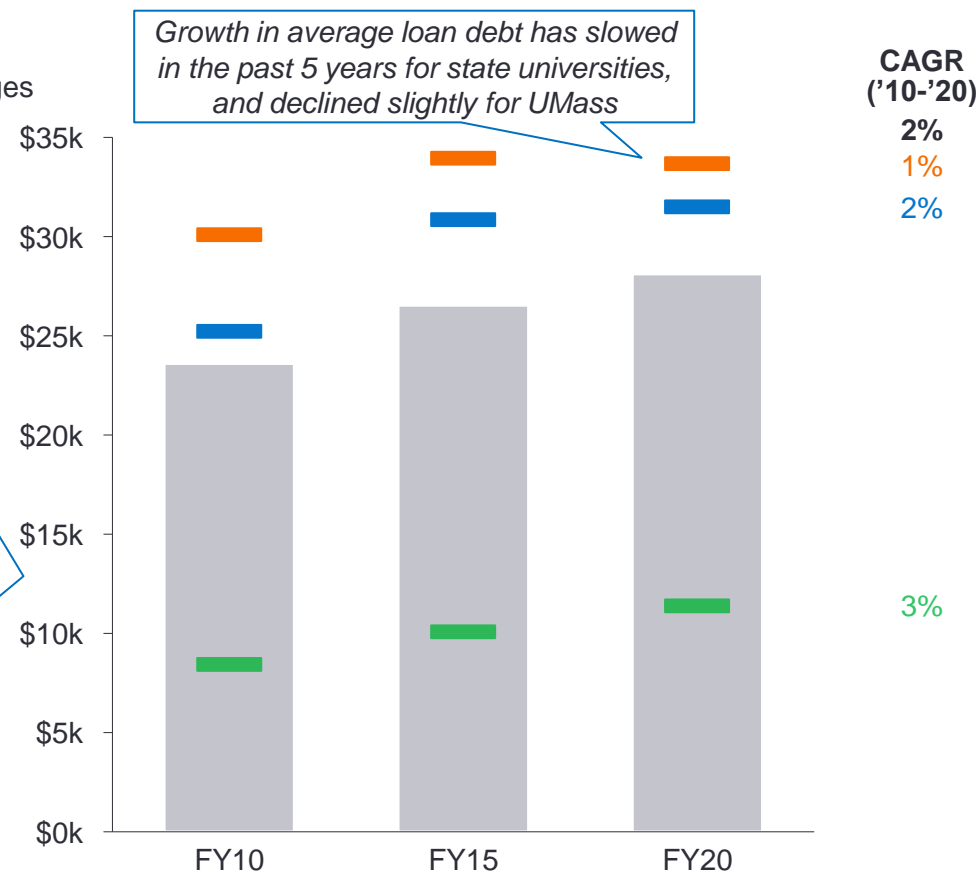
Source: IPEDS

Case for Change: Despite a falling share of debt uptake at two segments since FY15, the average debt burden per student (for those with loans) has risen over FY10-20

Percent of graduating students with student loan debt, by year and sector, FY10 – FY20



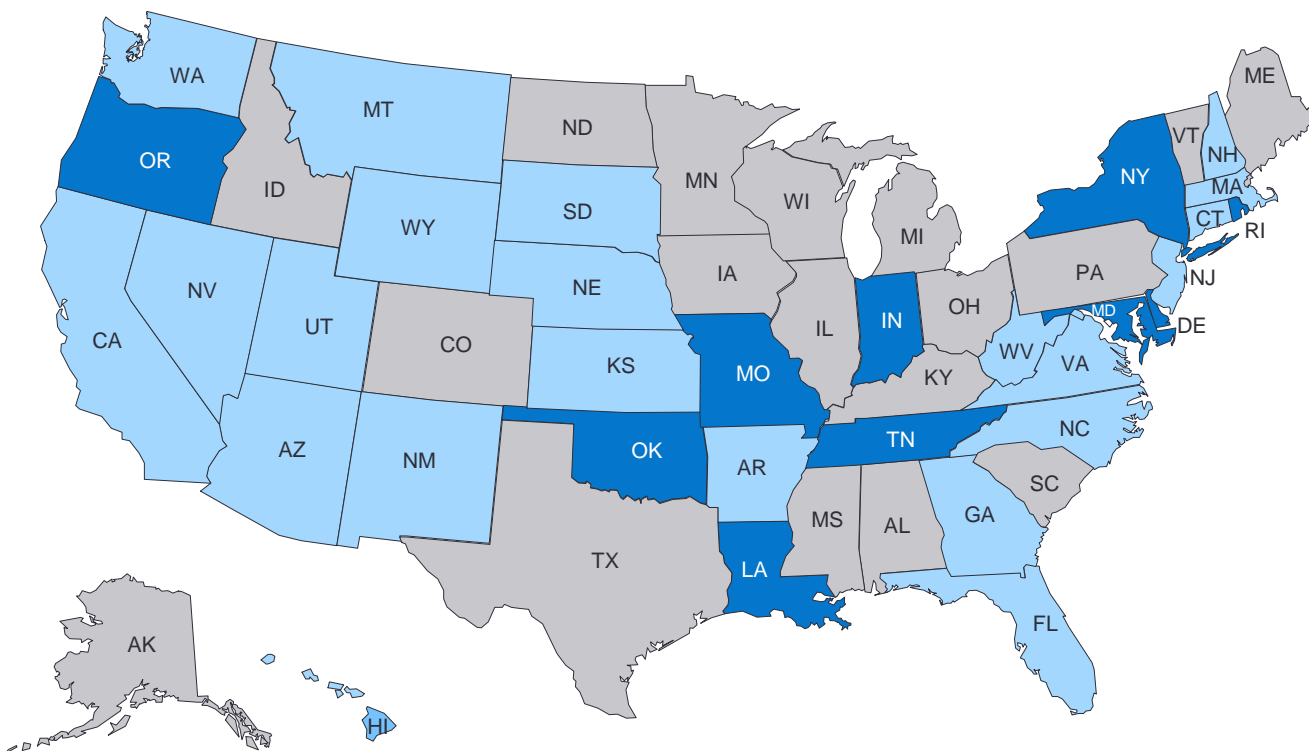
Average amount of student loan debt for graduating students carrying loans, by year and sector, 2020 dollars, FY10 – FY20



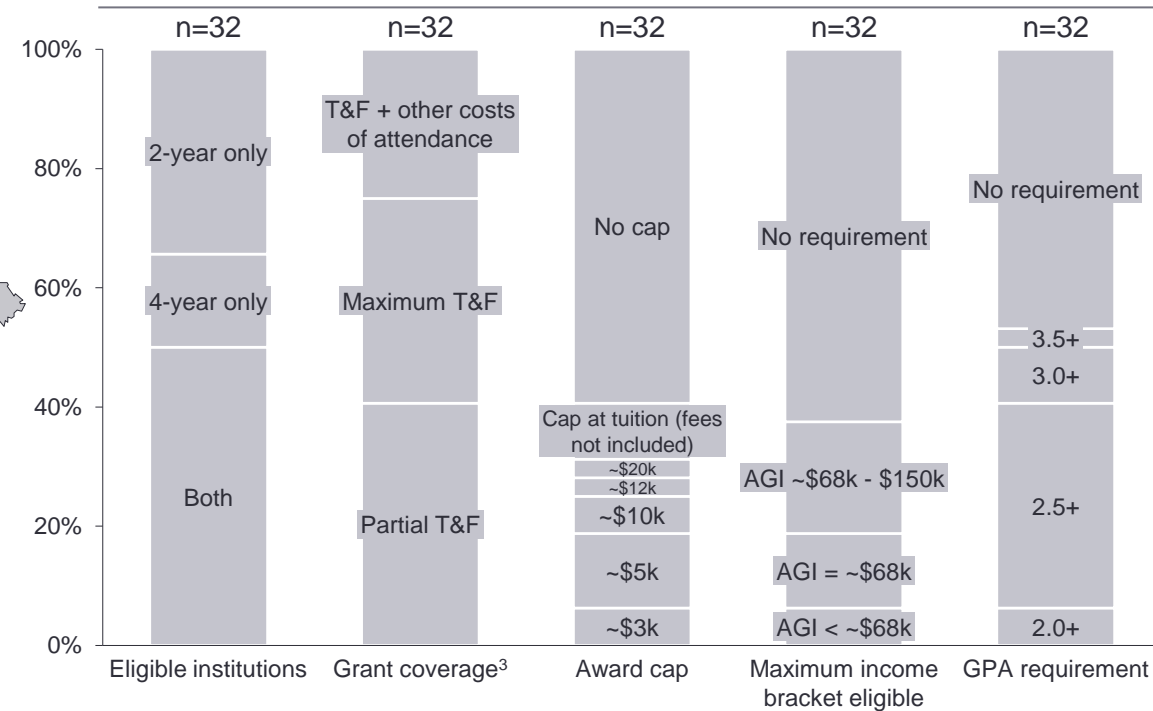
Case for Change: There are many examples nationally of state financial aid programs (such as Promise Programs) when considering available policy choices

States with a statewide Promise Program, 2021

- Statewide promise program recognized by all notable sources¹
- Statewide promise program recognized by 1-3 notable sources²
- No statewide promise program (18 states)



Promise Program characteristics, 2021



- ▶ States like Washington and most recently New Mexico have enacted **ambitious first-dollar programs** that allow students to dedicate other aid, including Pell Grants, towards costs such as books, housing, meal plans and transportation
- ▶ Promise programs have been gaining traction, **with 9 out of 32 programs** established in the past 5 years
- ▶ **6 out of 32 programs** have income eligibility cutoffs above the Pell-cutoff (e.g., 100k in Indiana, 150k in New York)

1. The notable sources which track Promise Programs are College Promise, Education Trust, Free College Now, and Penn Ahead


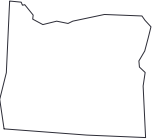

2. MASSGrant Plus is recognized as a Promise Program by Free College Now, but not by the Education Trust, College Promise, or Penn Ahead

3. States with first-dollar promise programs which fully meet tuition & fees are considered to be covering costs beyond tuition & fees, since eligible students would receive federal dollars in addition to the state tuition & fee grant

Source: Tennessee Comptroller of the Treasury; State Board of Higher Ed websites; Statesman Journal; College Promise; Education Trust: A Promise Worth Keeping; Free College Now; Penn Ahead

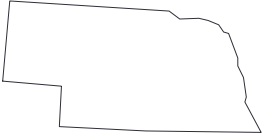
Case for Change: States and institutions have seen positive trends in college enrollment, persistence, transfers, and graduation after implementing major financial aid programs (1 of 2)

Examples of financial aid program outcomes

Program	Description	Impact
<p>Missouri A+ Scholarship</p>  <p>Est. 1993</p>	<ul style="list-style-type: none"> ▶ The A+ Scholarship is a last-dollar program covering tuition and fees at MO community colleges for resident students 	<p>A 2008-13 study found A+ scholarship recipients were....</p> <ul style="list-style-type: none"> ▶ 14 pp more likely to persist ▶ 15 pp more likely to transfer to a 4-year institution ▶ 2x more likely to graduate within 3 years
<p>Oregon Promise</p>  <p>Est. 2015</p>	<ul style="list-style-type: none"> ▶ Oregon Promise is a last-dollar program that covers tuition and fees at OR community colleges for resident students 	<p>Research from 2016-19 found Oregon Promise recipients were....</p> <ul style="list-style-type: none"> ▶ 27 pp more likely to enroll in college 6 months post-high school ▶ 10 pp more likely to persist or have graduated in 3 years ▶ 4 pp increase in overall community college participation
<p>CUNY ASAP</p>  <p>Est. 2007</p>	<ul style="list-style-type: none"> ▶ CUNY ASAP provides tuition and fee waivers, free textbooks, transportation stipends, and advising to full-time NYC community college students 	<p>A study of found CUNY ASAP participants who enrolled in 2010 in were...</p> <ul style="list-style-type: none"> ▶ 18 pp more likely to graduate college ▶ 8 pp more likely to transfer to a 4-year institution ▶ Expected to receive 9 more credits in 3 years

Case for Change: States and institutions have seen positive trends in college enrollment, persistence, transfers, and graduation after implementing major financial aid programs (2 of 2)

Examples of financial aid program outcomes

Program	Description	Impact
<p>Evaluating College Support (Angrist, Autor, and Pallais)</p>  <p>2012-2016</p>	<ul style="list-style-type: none"> ▶ A study by an MIT-based team examined the effects of a significant expansion of the Buffet Scholarship in Nebraska beyond tuition & fees to ~\$8k awards per year for 4-years 	<p>A 2012-16 study found Buffet Scholarship recipients were ...</p> <ul style="list-style-type: none"> ▶ 11 pp more likely to enroll in a post-secondary institution ▶ 8 pp more likely to complete college ▶ 17 pp more likely to graduate college debt-free
<p>Meta-analysis of the effects of Grant Aid on Persistence and Attainment (Nguyen et al.)</p> <p>2019</p>	<ul style="list-style-type: none"> ▶ Nguyen et al. conducted a meta-analysis of 43 studies to determine the incremental effects of \$1k in grant aid on student outcomes ▶ The analysis also cites a 2010 study by Hence, Deming, and Dynarski on the incremental effects of \$1k reduction in college cost 	<p>Research found that for every additional \$1,000 students received there was a...</p> <ul style="list-style-type: none"> ▶ 2-3 pp increase in college persistence ▶ 2-3 pp increase in college completion ▶ 4 pp increase in likelihood of college enrollment

Policy Options / Scenarios: The Commonwealth should codify MASSGrant Plus in law to solidify its Promise commitment and further improve communication of the offering

From MASSGrant Plus to a Commonwealth Promise

- ▶ Over the past 5 years, the Commonwealth has achieved a significant form of Promise Program
 - The Commonwealth has already funded and defined an important first-level of a Promise Program **through MASSGrant Plus, by fulfilling unmet need** for eligible students
 - In FY23, the program is expected to distribute ~\$35m in aid to ~16k students
- ▶ However, the program is **neither codified in state law or prioritized budgetarily**
- ▶ The program **has not been publicized as a commitment** that students and communities can count on
 - Evidence shows that the communication of a simple, clear, reliable Promise Program is as important to its success as its financial structure
 - Too many people believe they cannot afford college now



It is time for the Commonwealth to codify its Promise Program and make MASSGrant Plus a top, ongoing priority

Policy Options / Scenarios: Potential policy options for a Commonwealth Promise seek to fill the gaps left by MASSGrant Plus in its current form

Proposed expansions of MASSGrant Plus

MASSGrant Plus represented a major step forward as it eliminates "unmet need" for all Pell-eligible students in the state across all segments, but it leaves out many students and needs

Enrollment status

- ▶ At state universities and UMass, the program only covers full-time students, but there are **~4k potentially eligible part-time students**
- ▶ At Community colleges, the program covers half-time students (6+ credits), but there are **~2k more part-time students**

Income eligibility

- ▶ The income eligibility threshold for state universities and UMass is **the cutoff for Pell eligibility**, or ~\$68k adjusted gross family income
- ▶ The median family income in MA is ~\$85k and the 75th percentile income level is ~\$125k

Costs covered

- ▶ The cost covered now are **tuition and fees and up to a \$1k stipend** towards other direct costs (e.g., books and supplies)
- ▶ Colleges estimate **more than \$1k in such direct costs** for many students
- ▶ The formula does not factor in the **“cost of attendance,”** such as costs of housing, food, transportation, and other basic needs often categorized as “room and board”
 - There is considerable evidence that many low-income students are housing and even food insecure

Policy Options / Scenarios: The Commonwealth should pursue a range of options as it looks to build upon MASSGrant Plus and its other existing financial aid programs

Current MASSGrant Plus	A Add part-time students	B1 Add middle-income students	B2 Greater share of cost of attendance for low-income students	C Greater share of cost of attendance for all eligible students
CC students enrolled in 6+ credits SU and UMass full-time students (12+ credits)	Include part-time	Include part-time	Include part-time	Include part-time
No income cap for CC students Pell-eligible students at SUs and UMass	Same as current state	Include up to \$125k AGI ¹	Same as current state	Include up to \$125k AGI ¹
Tuition and fees Up to \$1k stipend for books and supplies	Cover all direct costs	Cover all direct costs	Cover all direct costs Provide \$1,000 cost of attendance (CoA) stipend for low-income students	Cover all direct costs Provide \$2,000 CoA stipend for low-income, \$1,000 for others

1. Some states such as NY, CA, & KS have income cutoffs of ~\$125k AGI

Policy Options / Scenarios: Expansions of MASSGrant Plus would provide additional aid to thousands of students and potentially encourage new students to participate in higher ed

Financial aid options: Impacts on students & institutions¹

	A	B1	B2	C
	Add part-time students	Add middle-income students	Greater share of cost of attendance for low-income students	Greater share of cost of attendance for all eligible students
New part-time students eligible ²	~7k	~7k	~7k	~7k
New students eligible with AGI up to \$125k ²	–	~6k	–	~6k
Students receiving additional funds for direct costs	~9k	~9k	~9k	~9k
Students receiving CoA stipend (inclusive of added students above)	–	–	~59k	~86k
Total current students who benefit from expansion³	~16k	~22k	~59k	~86k

The scenario options proposed here are likely to **help more students** and **require more incremental dollars** than current estimates suggest due to anticipated enrollment and graduation rate increases associated with their implementation. Academic studies⁴ point to a **~4 percentage point increase in the likelihood of enrollment** for each \$1,000 in aid a student receives, and a **~2-3 percentage point increase in completion rates**.

Source: MA DHE

1. Figures only include students who file a FAFSA
 2. Expansion of students with unmet direct costs
 3. 'Total students who benefit' is the sum of the 3 levels of programmatic expansion OR the total students receiving the CoA stipend (this would include all students captured by the expansions)
 4. Nguyen et al. (2019); Hence, Deming, and Dynarski (2010)

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Policy Options / Scenarios: These options range from benefiting ~8% to ~43% of all resident students and from ~27% up to 100% of Pell residents, depending on the scenario

Financial aid options: Decomposition of student impact

	A				B1				B2				C			
	Add part-time students				Add middle-income students				Greater share of cost of attendance for low-income students				Greater share of cost of attendance for all eligible students			
	CC	SU	UM	Total	CC	SU	UM	Total	CC	SU	UM	Total	CC	SU	UM	Total
Total students who benefit	~9k	~3k	~4k	~16k	~9k	~5k	~8k	~22k	~30k	~12k	~17k	~59k	~39k	~20k	~27k	~86k
Pell-eligible students who benefit	~9k	~3k	~4k	~16k	~9k	~3k	~4k	~16k	~30k	~12k	~17k	~59k	~30k	~12k	~17k	~59k
Share of resident students who benefit ¹	~9%	~6%	~7%	~8%	~9%	~10%	~14%	~11%	~33%	~23%	~31%	~30%	~42%	~38%	~49%	~43%
Share of FAFSA filers who benefit	~22%	~13%	~11%	~16%	~22%	~20%	~20%	~21%	~73%	~47%	~44%	~58%	~93%	~77%	~71%	~84%
Share of Pell-recipient students who benefit	~29%	~27%	~24%	~27%	~29%	~27%	~24%	~27%	100%	100%	100%	100%	100%	100%	100%	100%

The scenario options shown are also likely to reach more students than current estimates suggest by incentivizing more students to file a FAFSA to qualify for aid. As a result, the eventual share of total resident students who benefit may be closer to the current share of FAFSA filers who benefit², as more potentially eligible students complete a FAFSA

Policy Options / Scenarios: The total cost of the financial aid options vary depending on changes to eligibility and costs covered in MASSGrant Plus

Financial aid options: Costs of options¹

	A Add part-time students	B1 Add middle-income students	B2 Greater share of cost of attendance for low-income students	C Greater share of cost of attendance for all eligible students
Cost of part-time student expansion	~\$16m	~\$16m	~\$16m	~\$16m
Cost of income eligibility expansion	–	~\$15m	–	~\$15m
Cost of expansion to cover all direct costs	~\$18m	~\$18m	~\$18m	~\$18m
Cost of CoA stipend	–	–	~\$59m	~\$144m
Total incremental cost²	~\$34m	~\$49m	~\$93m	~\$193m

1. Figures shown represent incremental costs for students who file a FAFSA

2. Incremental costs is the sum of expanding MASSGrant Plus to include more eligible students and cover more cost types

Policy Options / Scenarios: In addition to the policy options, Massachusetts should also consider several other initiatives as it revamps its approach to financial aid

- ▶ The Commonwealth should simplify the existing, complex system of scholarships and tuition waivers
- ▶ The Commonwealth will need communicate the new Commonwealth Promise for years to come
- ▶ There is an opportunity to further invest in understanding the impact of addressing the cost of attendance (*see Appendix*)

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 - **Bolster institutional funding to support student success**
 - Ensure system-level capacity to foster innovation and collaboration
 - Align incentives between the State and campuses
 - Increase simplicity, transparency, and predictability for all
- ▶ Summary of policy options
- ▶ Appendix

Case for Change: Institutional support makes up 90% of higher education funding, but the allocation approach can be altered to promote transparency and better support student needs

2 Goal: Bolster institution funding to support student success

Case for change

Current institutional allocations are tied to historical assumptions and economic conditions, rather than to logical, demonstrated need

Institutions need consistent, reliable base funding in order to operate

Institutions deserve enrollment-related funding to better reflect each institution's commitment to serve specific student populations

Enrollment funding weighted for students with higher needs can help raise outcomes, meet the Commonwealth's equity goals, and support institutions' need to invest in student supports

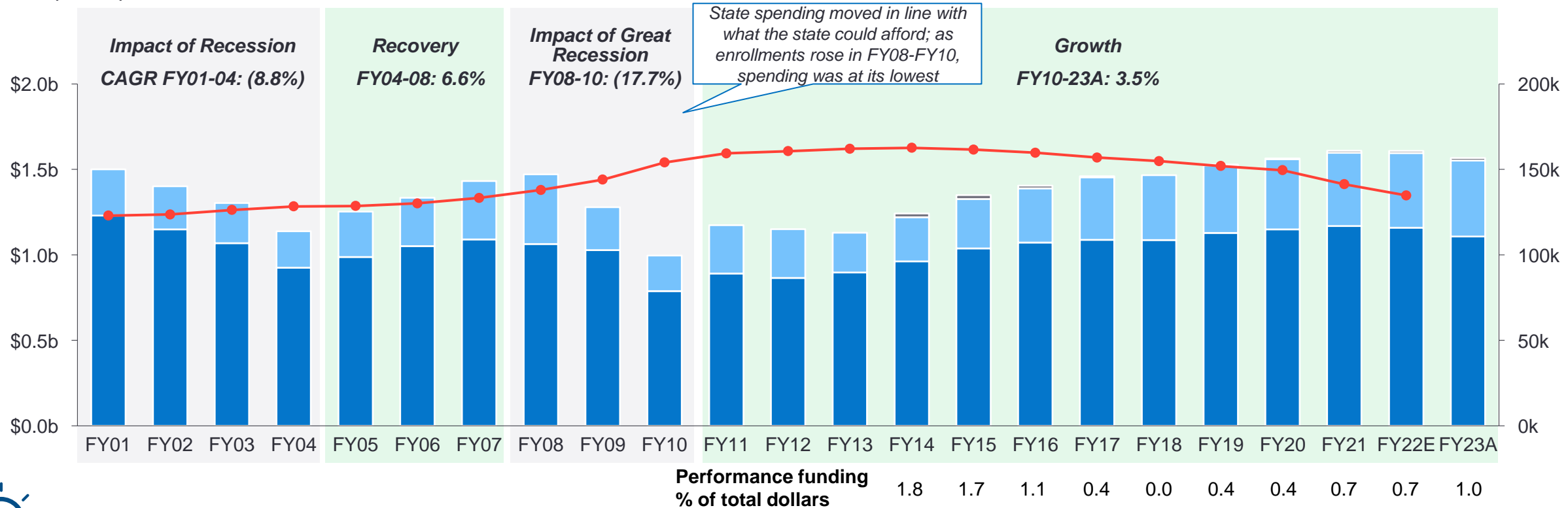
Performance funding for equity / outcome gains can also align student success and campus incentives

Case for Change: Historically, Massachusetts state funding has been shaped primarily by economic patterns, rather than by student enrollment, needs, outcomes, or institutional metrics

State spending (institutional allocations & fringe benefits) on public higher education and fall headcount enrollment attending MA public institutions, 2020 dollars, FY01 – FY23A¹

Compound annual growth rate (CAGR) ('01-'21)

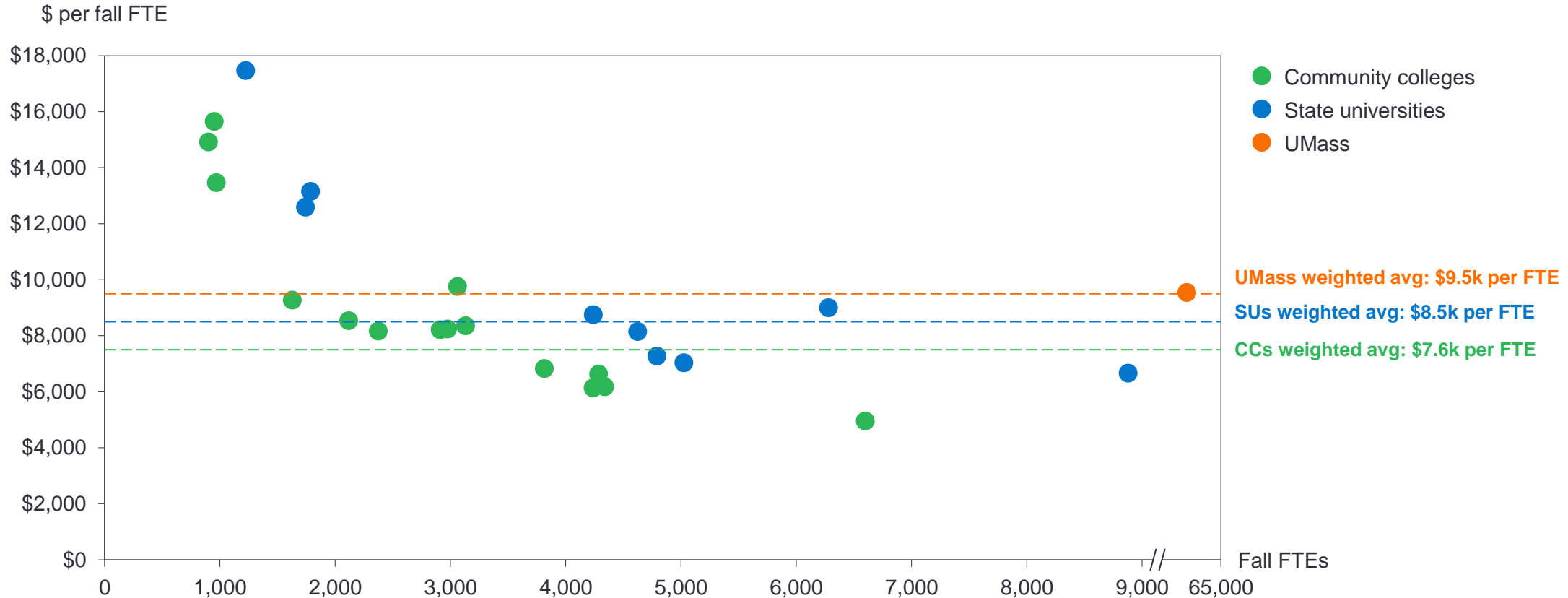
● Fall FTE enrollment (0%) ■ Performance-based funding ■ Fringe benefits (+2%) ■ Line-item institutional allocations (0%)



Over the past 5 years, the prior year's line-item institutional appropriation has accounted on average for ~98% of the following year's final appropriation

Case for Change: Even within an institutional segment, there is substantial variability by institution in state funding per student (FTE)

FY23 institutional allocations per fall FTE enrollment vs. total fall FTE, by institution^{1,2}



1. 3-year average of FY19-21 fall FTE total enrollment, inclusive of undergraduate and graduate students (data collected from campuses by MA DHE)

2. UMass funding excludes allocations to the Medical School based on IPEDS-reported FY20 distribution of state appropriations, applied to FY23 state budget allocation to UMass

Case for Change: Institutional support could be restructured to improve transparency and provide more resources to students who require support

Of all U.S. states...

Base-plus (or minus)

~30%

Fund **2-year institutions** using only a base-plus approach

~40%

Fund **4-year institutions** using only a base-plus approach

Enrollment-based

~52%

Fund **2-year institutions** with an enrollment-based component

~40%

Fund **4-year institutions** with an enrollment-based component

~26%

Include incremental weighting for **priority student group enrollments**



Goals of the Commonwealth's institutional support design

Institutions need base funding

- ▶ Many states provide significant base funding
- ▶ Campuses should be able to count on this funding to grow with underlying drivers in future years (e.g., inflation, CBA agreement increases)

Colleges should receive a significant share of funding tied to enrollment

- ▶ About half of all states include an enrollment-based funding component
- ▶ Provides transparency as to why the state funds campuses at their respective levels above base
- ▶ Rewards campuses for recruiting and sustaining enrollment

Weighting of enrollment should provide more resources for students who need more support

- ▶ ~26% of states include incremental weighting for students with the greatest needs and disadvantages
- ▶ Consistent approach with how MA funds K-12 districts (e.g., as high as 2x for certain student groups) and the State's commitment to the Equity Agenda

Policy Options/Scenarios: The proposed methodology combines base and enrollment funding, with added funds for higher need students and perhaps for equity performance

Proposed allocation methodology

Base

- ▶ Each institution would receive **50% of their FY23 institutional allocation** as a base allocation to support its core operational needs

Unweighted enrollment

- ▶ Each institution **would receive funding tied to enrollment** to reflect commitments they must make
 - This approach aligns institutions, taxpayers, and students within the system of public higher education funding
 - Including an enrollment component **rewards schools that serve the most students and grow their enrollments**
- ▶ Each institution would be **“held harmless” for at least a multi-year transition period** so that it receives at least as much funding as it would have under the current system (e.g., FY23)

Additive weighted enrollment

- ▶ Students with higher needs, such as **Pell-eligible students, would receive additive funding** to allow schools to invest more in their support
 - This approach is consistent with MA’s K-12 funding formula, MA’s SUCCESS Fund (~\$14m fund to provide student support services to community college students, particularly those from underrepresented groups, in order to improve outcomes), and national best practice
 - Additive funds align with the Commonwealth’s equity goals

Additive performance funds

- ▶ MA may consider **performance funding in addition to base and enrollment funding** to reward equity / outcome gains for underrepresented groups

Policy Options/Scenarios: Massachusetts should pursue a variety of design changes to its current institutional allocation methodology at a range of costs to the State

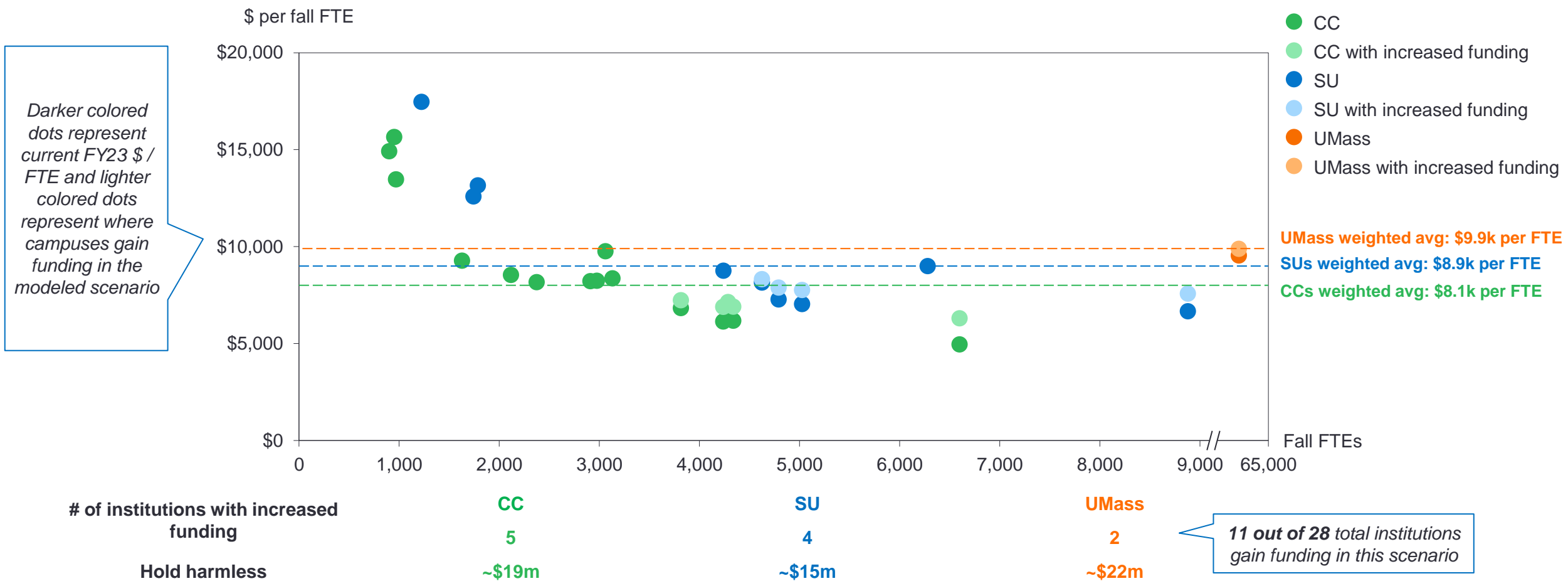
		A	B	C
		Unweighted enrollment	Weighted enrollment	Performance
Scenario description		<ul style="list-style-type: none"> ▶ 50% base; 50% enrollment funding 	<ul style="list-style-type: none"> ▶ 50% base; 50% enrollment ▶ Additive enrollment funds for high need students (i.e., \$2k bonus per Pell FTE) 	<ul style="list-style-type: none"> ▶ 50% base; 50% enrollment ▶ Additive enrollment funds ▶ Additive performance funds for closing equity gaps (~10% of scenario B total funding)
Current state	FY23 total allocated spend¹	~\$1.3b		
Scenario: Existing funds	Base funding	~\$641m (50% of FY23 amount)		
	Unweighted enrollment funding (3-yr avg. FTE)	~\$641m (remaining 50%)		
Scenario: Additive funds	Additive enrollment funding (3-yr avg. FTE)	–	~\$130m	~\$130m
	Performance funds²	–	–	~\$145m

Each of the proposed scenarios consider nominal funding dollars and do not factor in future changes in inflation

1. FY23 allocations are in nominal dollars and exclude allocations to the UMass medical school
 2. PBF fund is equal to 10% of the total \$1.3b in FY32 state allocations plus weighted enrollment funding

Policy Options/Scenarios: 5 community colleges, 4 state universities, and 2 UMass campuses gain funding as a result of Scenario A

Scenario A (unweighted enrollment): FY23 calculated allocations per fall FTE vs. total fall FTE, by institution^{1, 2}



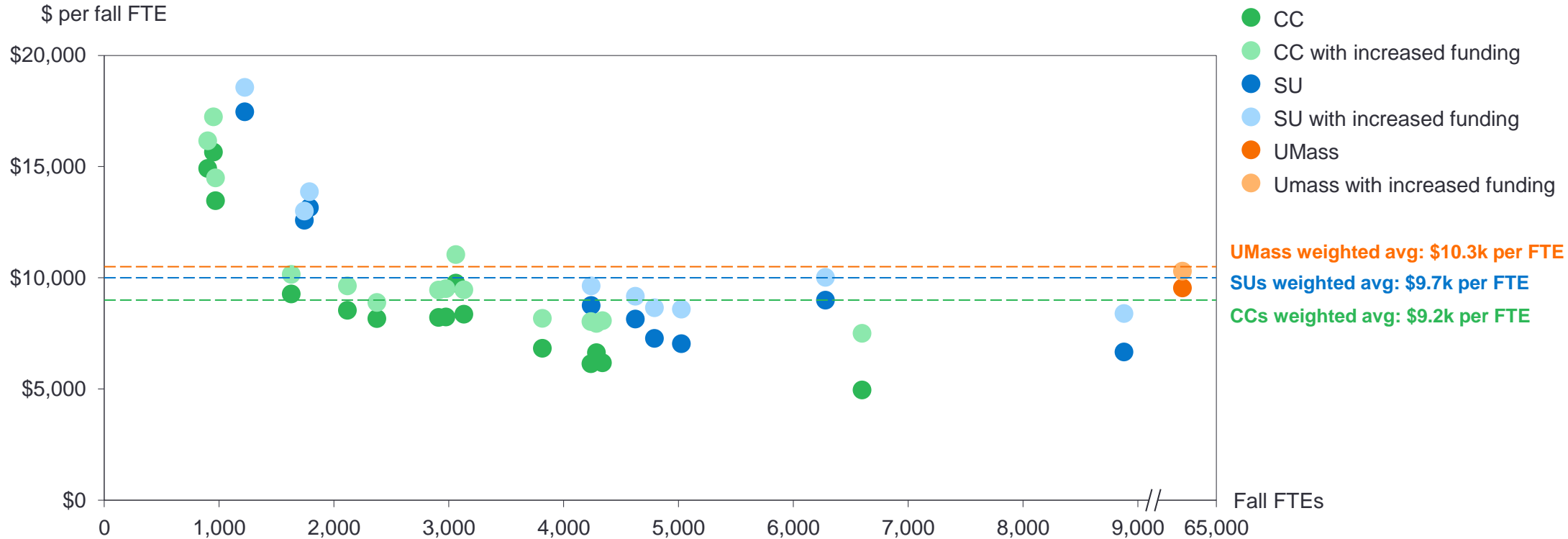
Source: MA DHE; MMARS (CCs and SUs); IPEDS (UMass); Scenario calculation

1. 3-year average of FY19-21 fall FTE total enrollment, inclusive of undergraduate and graduate students (data collected from campuses by MA DHE)
 2. UMass funding excludes allocations to the Medical School based on IPEDS-reported FY20 distribution of state appropriations, applied to FY23 state budget allocation to UMass

Policy Options/Scenarios: All institutions gain funding (partially to support high need students) in Scenario B, which narrows the range of funding-per-FTE amounts

Scenario B (weighted enrollment): FY23 calculated allocations per fall FTE vs. total fall FTE, by institution^{1, 2}

Darker colored dots represent current FY23 \$ / FTE and lighter colored dots represent where campuses gain funding in the modeled scenario



of institutions with increased funding

Hold harmless

Additive enrollment funds

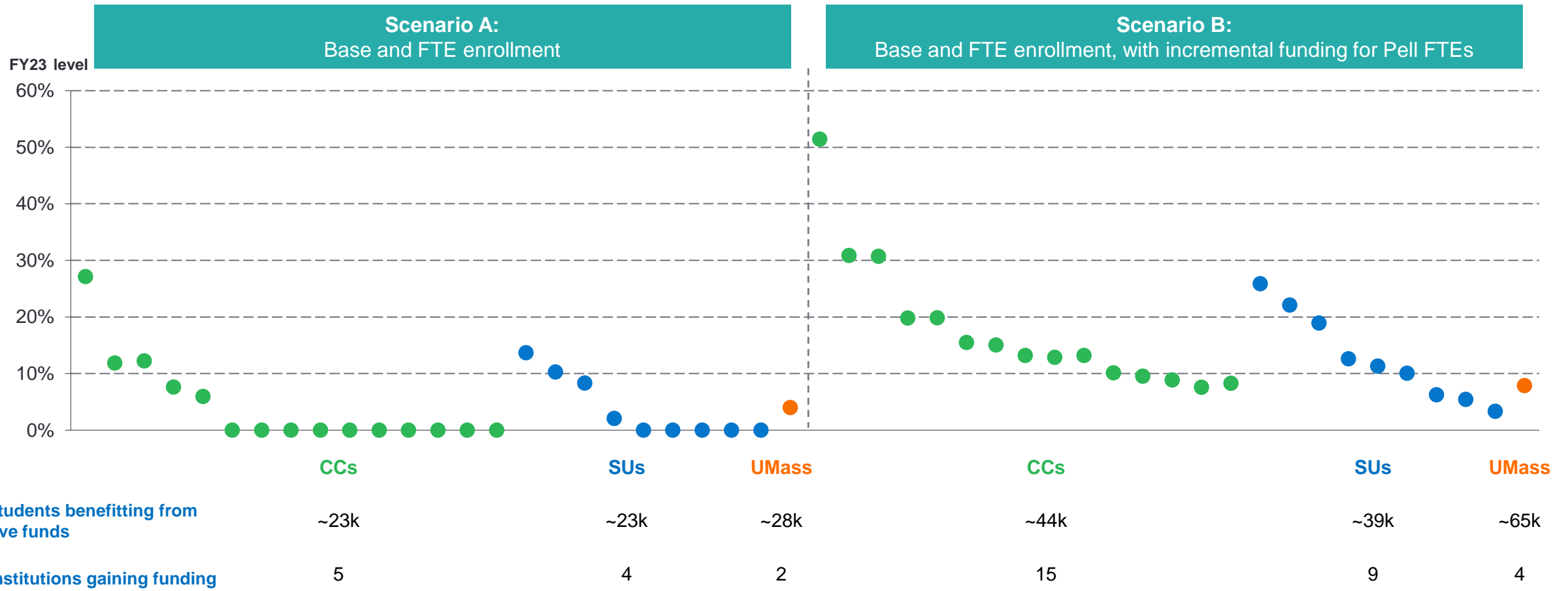
CC	SU	UMass
15	9	4
~\$19m	~\$15m	-
~\$49m	~\$33m	~\$49m

28 out of 28 total institutions gain funding in this scenario

1. 3-year average of FY19-21 fall FTE total enrollment, inclusive of undergraduate and graduate students (data collected from campuses by MA DHE)
 2. UMass funding excludes allocations to the Medical School based on IPEDS-reported FY20 distribution of state appropriations, applied to FY23 state budget allocation to UMass

Policy Options/Scenarios: Each institutional allocation scenario yields a range of impacts on individual institutions

Range of percentage change in funding (comparing modeled allocation to FY23 current allocation), by institution and scenario



In Scenario A, ~75k total students (~30k Pell students) would be associated with higher levels of investment in their institutions

In Scenario B, ~148k total students (~58k Pell students) would be associated with higher levels of investment in their institutions

Policy Options/Scenarios: The total cost of the institutional allocation scenarios vary depending on additive enrollment and performance dollars

Institutional support options: Costs of options

	A	B	C
	Unweighted enrollment	Weighted enrollment	Performance
Additive enrollment dollars	–	~\$130m	~\$130m
Additive performance funding ¹	–	–	~\$145m
Annual hold harmless	~\$56m	~\$34m	~\$34m
Total annual incremental cost ²	~\$56m	~\$164m	~\$309m

1. PBF fund is equal to 10% of the total \$1.3b in FY23 state allocations plus weighted enrollment funding
 2. Total cost is the sum of the hold harmless amount and additive funds

Policy Options/Scenarios: Institutional support scenarios raise additional questions and points to consider

- ▶ For **how many years should institutions benefit from a “hold harmless” policy** in order to ensure a smooth transition?
- ▶ Currently each segment has a **different base funding amount per FTE** based on their current FY23 allocations.
 - How should the initial levels of funding per FTE be set?
 - For the community college segment, methods to address FTE vs. headcount and non-degree vs. degree-seeking student enrollments should be considered
- ▶ Methods for **updating base, FTE, and Pell additive amounts over time** need to be determined
- ▶ How should performance be defined? How should performance-based funds be allocated?
 - Scenario C currently proposes **10% of the sum of FY23 allocations and additive enrollment funding** in order to reach the necessary scale for impact
 - How should performance pool funds be calculated and awarded for specific levels and types of gains?
 - What happens to leftover dollars in the pool? (e.g., roll over funds? reinvest into BHE-approved initiatives to help campuses improve their outcomes?)

Agenda

- ▶ Introduction and background
- ▶ Approach to identifying and assessing policy options
- ▶ **Range of policy options and implications for funding**
 - Make college more accessible and affordable for students
 - Bolster institutional funding to support student success
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- ▶ Appendix

Case for Change: Massachusetts can expand upon the current education innovation fund in order to provide strategic support to institutions

3 Goal: Ensure system-level capacity to foster innovation and collaboration

Case for change

MA's Higher Education Innovation Fund received a \$2.6m allocation in FY23, which is a 60%+ reduction from the fund's initial allocation in FY14

The innovation fund has already yielded important cross-campus initiatives, allowing the BHE / DHE to help accelerate necessary innovation and collaboration:

- Ex: MassTransfer defined a set of courses that satisfy freshman and sophomore BA requirements at all MA public institutions
- Ex: An Open Educational Resources (OER) project facilitated the sharing of resources and professional development opportunities across all MA public institutions

It is essential the BHE help foster change looking ahead to future opportunities (e.g., early college, competency-based learning, online) and challenges (e.g., demographic shifts)

Case for Change: Massachusetts' innovation fund is relatively small and has decreased since FY14; other states are increasingly investing in such vehicles

	MA Higher Education Innovation Fund	LA Investments in Priority Initiatives	VA Fund for Student Success, Affordable Talent Pathways, and Inclusive Excellence	NC Project Kitty Hawk
Amount	<p>~\$2.6m in FY23 <i>(down from \$7.5m in FY14)</i></p>	<p>~\$55m in FY23</p>	<p>~\$85m for FY22-24</p>	<p>~\$97m for FY22-27</p>
Description	<ul style="list-style-type: none"> ▶ MA's fund provides grants to public institutions to advance the BHE's goals ▶ Example project topics include: <ul style="list-style-type: none"> – Supporting low-income and men of color – New approaches to assessing knowledge – Promoting anti-racism and cultural wealth ▶ The program encourages cross-campus initiatives to promote system-wide collaboration 	<ul style="list-style-type: none"> ▶ Louisiana's FY23 budget allocates strategic funds to institutions through a variety of targeted investments ▶ To receive funding, programs must focus on nursing and allied health programs, workforce training, and innovations in pursuit of the state's Master Plan goals 	<ul style="list-style-type: none"> ▶ The Virginia FY22-24 budget establishes this discretionary fund for institutions to meet state-mandated goals ▶ The fund plans to allocate \$35m in its first year, and \$50m in the next ▶ Eligible proposals must focus on student retention and completion, programs in high-demand areas, work-based learning, and bolstering diversity 	<ul style="list-style-type: none"> ▶ The goal of UNC's Project Kitty Hawk is to expand online adult education programs ▶ The funding is available to help campuses design and sustain workforce-aligned programs ▶ The project aims to create 120 new online programs and enroll 24,000 students by FY2027

Policy Options/Scenarios: Massachusetts could further invest in its innovation fund to encourage new initiatives and collaboration in the system

Innovation & collaboration: range of scenario options

	A	B	C
	Level A	Level B	Level C
Description	<ul style="list-style-type: none"> ▶ Some systemic improvement, innovation, and collaboration requires fostering and additional investment from the system/BHE level ▶ Opportunities for innovation (e.g., online education tools, certificate programs, student services/supports, etc.) and collaboration for efficiency (e.g., shared services) are growing and urgent as needs and demographics shift 		
Incremental cost	\$15m	\$25m	\$50m

Policy Options/Scenarios: Further state investment in innovation and collaboration could benefit both students and institutions

Impact on Students

- ▶ Investments in innovation should increase student access and success

Impact on Institutions

- ▶ Investments in collaboration should increase institutions' efficiency and effectiveness, moderate student cost, and drive positive student outcomes
- ▶ Outcomes of initiatives should be regularly evaluated and reported publicly

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Case for change: The relationship between the State and institutional responsibility for employee benefits could be more transparent and even

4 Align incentives between the State and campuses

Case for change

The State and the Institutions are currently intertwined in negotiating labor agreements and paying for staff benefits, but the mechanisms by which these are connected and synched are opaque and not always well aligned

MA has recently committed to explicitly meeting the incremental cost of each new CBA across all three years, not just the first year, but this is not yet codified

MA pays all benefits for “state-funded” employees but that cost, which has grown from \$253m¹ in FY02 to \$410m in FY20, is not reported transparently in the State’s higher ed budget

Institutions pay the benefits for all non-state-funded employees, a cost which has grown from \$47m¹ in FY02 to \$263m in FY20

Policy Options/Scenarios: Massachusetts could codify its commitment to covering each year of CBA increases and review / potentially revise the approach to funding labor costs

Aligning incentives between the State and campuses

Codify existing commitment to covering collective bargaining salary increases

- ▶ Continue the existing administrative decision for the state to fully fund all 3 years of a collective bargaining agreement (CBA) increase

Define, review, and propose alternatives for labor costs of non-state-supported employees

- ▶ Commit to reviewing the current funding of salary and benefits of non-state-supported employees and seek solutions that align incentives and support institutions
 - Plan for the review to be further developed by December 13th
 - These are subjects we believe are important enough to be considered actively by agencies with deeper knowledge of their intricacies

Policy Options/Scenarios: Institutions should benefit from increased predictability and transparency surrounding their cost burden from collective bargaining and fringe benefits

**Potential Impact
on Students**

- ▶ Students should benefit from increased institutional resources available from any fringe benefit cost savings

**Potential Impact
on Institutions**

- ▶ Institutions will be able to better anticipate their share of costs coming out of collective bargaining agreements
- ▶ Revisions to how employment and fringe benefits are managed should raise transparency and predictability and may save institutions costs

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Case for Change: The Commonwealth should standardize the definition and scale of tuition versus fees to increase transparency and predictability

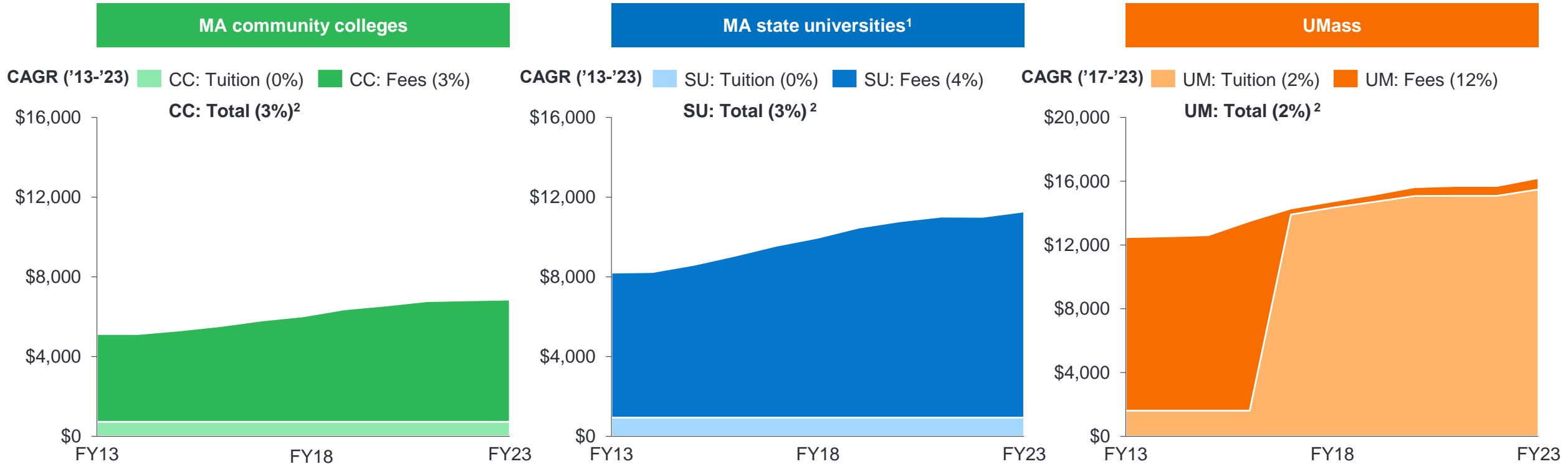
5 Goal: Increase simplicity, transparency, and predictability for all

Case for change

- ▶ Currently, MA community colleges and most state universities **charge low tuitions** (subject to approval by BHE) and **high fees** (subject to approval by campus Boards)
 - Campuses retain all fees, but remit tuition to the State
 - This system is confusing to students and families and splits up accountability for managing growth in pricing across multiple bodies
- ▶ UMass, MassArt, and Mass Maritime **retain all tuition** and follow a more rational approach, **with tuition representing the bulk of total student charges**

Case for Change: Tuition and fee-setting authority is inconsistent across segments; the BHE has authority over CC and SU tuition while segments have authority over fees; UMass has authority over both

Weighted average tuition vs. fees over time, by segment and year, Nominal dollars, FY13-FY23



► **SUs and CCs:** The BHE has authority over tuition levels and institutions have authority to set all other fees. These institutions remit the tuition revenue from “state-supported” credits to the State’s General Fund

- While the **State has frozen tuition**, institutions have continued to **increase “mandatory fees”**

► **UMass:** In FY17, UMass gained full authority over setting **both tuition and fees**. Since the policy change, UMass recalibrated its student changes from primarily fees-based to **primarily tuition-based**

1. Excludes MassArt and Mass Maritime, the state universities that have full authority over both their tuition & fees
Source: MA DHE

2. Figures in parentheses () reflect the CAGR from FY17-23

Potential Policy Approach: If policies were implemented, students and institutions would receive more support, while the BHE's authority to approve tuition levels at SUs and CCs would be meaningful

Changing tuition & fee policies: Vision for shared ownership of cost management

- ▶ Campuses may receive increased investment in the form of institutional support, fringe benefits coverage, direct student aid, and funds for innovation/collaboration
- ▶ In addition, campuses would also **retain all tuition and fees**
- ▶ Tuition at all campuses would be the majority of student charges, with mandatory fees not exceeding **[10%] of total student tuition & fees charges** (by way of comparison, UMass fees are currently ~4% of total student charges)
- ▶ The BHE would continue to possess the authority to review and approve tuition levels, **through its [five-year strategic plan approvals]**

Potential Policy Approach: The potential approach to tuition and fee policies is intended to improve clarity of charges and multi-year pricing predictability

Impact on Students

- ▶ Students and families would have greater clarity on charges – Tuition charges would be more straightforward and aligned with other colleges' use of the term

Impact on Institutions

- ▶ Institutions would retain all tuition and fees
 - ▶ in FY22, community colleges remitted \$3.2m and state universities remitted \$2.4m



The proposed policy changes are also intended to improve multi-year predictability for students, institutions, and the Commonwealth

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Each combination of policy options builds toward the ultimate goal of better serving students and institutions

High level goal	Summary of potential impacts	
	Students	Institutions
Make college more accessible and affordable for students	<ul style="list-style-type: none"> ▶ Expands MG+ eligibility to up to 13k more students; provides greater aid to up to 86k more students ▶ Increased financial aid will increase participation and success rates 	<ul style="list-style-type: none"> ▶ Expands the number of students attending and persisting
Bolster institution funding to support student success	<ul style="list-style-type: none"> ▶ Provides additional funding to invest in high need students 	<ul style="list-style-type: none"> ▶ Provides more transparent institutional funding approach ▶ Funding better reflects actual resource commitments and growth
Ensure system-level capacity to foster innovation and collaboration	<ul style="list-style-type: none"> ▶ Investments should increase student access and success 	<ul style="list-style-type: none"> ▶ Investments should increase institutions' efficiency and help moderate student costs
Align incentives between the State and campuses	<ul style="list-style-type: none"> ▶ Students should benefit from greater investment due to savings for institutions 	<ul style="list-style-type: none"> ▶ Institutions should have better predictability on costs and should enjoy savings
Increase simplicity, transparency, and predictability for all	<ul style="list-style-type: none"> ▶ Students and families will experience greater transparency, predictability and management of student charges 	<ul style="list-style-type: none"> ▶ Institutions retain all tuition and fees

The policy options discussed are intended to yield a higher education financing system that better supports the Commonwealth’s key principles

Scenario elements	Guiding principles				
	1. System advances participation in high quality, affordable education	2. System promotes equity in student outcomes	3. System is transparent and rooted in data	4. System recognizes innovation and collaboration	5. System recognizes institutional context
Financial aid expansion	✓ Increased aid should help more students afford higher education and reduce debt	✓ Students with need should receive more aid, which could improve outcomes	—	—	✓ Institutions with needier students should receive more support
Base institutional support	—	—	✓ Consistent base funding adds predictability	—	✓ Each institution receives a base level of funding, regardless of institution size
Weighted enrollment institutional support	—	✓ Funding for high need students should help raise success outcomes	✓ Enrollment funding tied to logical, demonstrated need	—	✓ Enrollment-based funding fairly supports campuses serving high need students
Innovation & collaboration funding	✓ Greater collaboration should improve efficiency and manage costs	✓ Innovation funding can be used to fund programs focused on equity	—	✓ Additional investment to encourage innovation & collaboration	✓ Institutions can evaluate which innovations / collaborations fit their needs
Incentive alignment around labor costs and tuition & fees	✓ Incentives alignment should help curb growth in student charges	—	✓ More transparent approach to responsibility over labor costs and tuition & fees	—	—

The following topics are additional areas for consideration related to the current set of policy options

Future topics for consideration

Financial aid for direct costs:

- ▶ The exact methodology for covering direct costs will need to be determined, whether it is through an increased stipend, direct reimbursements, or a combination of methods

Financial aid for students at private institutions:

- ▶ Would the Commonwealth Promise include resident students at MA private institutions?
- ▶ Today, some of the state's financial aid programs (e.g., Gilbert grants) provide financial support to MA private institution students which mirrors programs for public institutions. Should this extend to new financial aid initiatives?

Weighting enrollment for specific programs:

- ▶ Certain programs are inherently more expensive to run than others (e.g., nursing, STEM fields)
- ▶ Certain programs are strategically critical to the state and its workforce needs
- ▶ Massachusetts may consider whether it should provide further weights for students in those fields and/or degrees in those fields

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The financial aid scenarios estimate the impact of potential programmatic expansions; currently these scenarios leverage FY21 student-level data

Financial aid scenarios: methodology

Overall approach

- ▶ The financial aid scenarios reflect potential expansions of the existing MASSGrant Plus program
- ▶ The scenarios estimate the dollar value of expanding costs covered (depth of aid) and/or student eligibility (breadth of aid)

Data source year

- ▶ Currently, financial aid estimates use **student-level data from FY21**, the most recent and most complete year of data (2 community colleges outstanding)
 - FY21 data is limited because it does not reflect enrollment declines in FY22 and FY23
 - FY21 data also does not capture expansions in MASSGrant Plus to UMass students
 - Estimates for the missing community colleges are included in the cost of attendance stipend calculation

Eligible students (FAFSA application)

- ▶ Scenarios A-C only include **students who have completed the FAFSA**, which is a requirement to qualify for MASSGrant Plus

Massachusetts could invest in the ongoing randomized control trial to assess the impact of investments aimed at addressing the cost of attendance

Overview of MA Cost-of-living Grant Randomized Control Trial (RCT)

Study design

- ▶ **Participating institutions:** Northern Essex Community College and Bunker Hill Community College
 - Both institutions serve a majority of students of color and students from low-income families
- ▶ **Sample size:** 522 students (all eligible for the full Pell amount), with ~250 randomly assigned to the treatment group
- ▶ **Timing:** Fall 2022-Spring 2024
- ▶ **Treatment:** students will receive \$3.5k per semester for two years, up to \$14k over four semesters, in addition to all other aid sources

Objectives

- ▶ Assess the **impact of additional financial aid** (a decrease in the cost of attending college) on **persistence in college and the likelihood of degree receipt**
- ▶ Assess whether increased financial aid results in a **reduction of earnings or intensity of work**, which may alleviate time constraints and improve academic engagement
- ▶ Assess the impact of additional financial aid on **financial and mental wellbeing**



With additional funding, the Commonwealth could expand the trial to include more students (e.g., partial Pell recipients), more institutions (four-year and two-year), and more levels of grant sizes