

Finance and Administrative Policy Advisory Council (FAAP AC)

Strategic Review of Public Higher Education Financing: Supplemental Analysis of Policy Options

November 16th, 2022

Institutional support: The proposed institutional support scenarios add ~\$56m-\$165m of funding to the system, depending on the scenario

Summary of estimated costs to MA: Institutional support scenario options

Segment	Current FY23 appropriation	Option A	Option B	Option C	Total	
		50% base; 50% enrollment funding	50% base; 50% enrollment, additive funds for Pell students	50% base; 50% enrollment, additive funds for Pell students and equity gains	Option A	Option B
Community colleges	~\$338m	~\$19m (+6%)	~\$68m (+20%)	In addition to additive funds for Pell students, Option C may also include ~\$145m of incremental performance dollars to reward equity / outcome gains for underrepresented groups	~\$357m	~\$406m
State universities	~\$327m	~\$15m (+5%)	~\$48m (+15%)		~\$342m	~\$375m
UMass	~\$617m	~\$22m (+4%)	~\$49m (+8%)		~\$639m	~\$665m
Total	~\$1,282m	~\$56m (+4%)	~\$165m (+13%)	~\$165m+ <i>(Plus up to \$145m of performance funds)</i>	~\$1,339m	~\$1,447m

Financial aid: The proposed financial aid scenarios add ~\$34m-\$193m of funding to the system, depending on the scenario

Summary of estimated costs to MA: Financial aid scenario options

Segment	State financial aid disbursed in FY21	Option A	Option B2	Option C	Total		
		Add part time students AND cover all direct costs	Cover all direct costs AND \$1k cost of attendance stipend for low-income students	Cover all direct costs AND \$2k stipend for low-income students; \$1k stipend for middle-income	Option A	Option B2	Option C
Community colleges	~\$34m	~\$6m (+20%)	~\$36m (+107%)	~\$75m (+221%)	~\$40m	~\$70m	~\$109m
State universities	~\$45m	~\$13m (+29%)	~\$25m (+56%)	~\$50m (+110%)	~\$58m	~\$70m	~\$95m
UMass	~\$62m ¹	~\$15m (+24%)	~\$32m (+51%)	~\$68m (+110%)	~\$77m	~\$94m	~\$130m
Total	~\$141m	~\$34m (+24%)	~\$93m (+66%)	~\$193m (+137%)	~\$175m	~\$234m	~\$334m

Since **appropriated state financial aid** has increased ~\$56m between FY21 and FY23, the level of **state financial aid disbursed** in FY23 will likely be higher than the figures shown, and as a result, the percentage change of these scenarios may be less dramatic

For simplicity, only the cost of **scenario B2, which covers a greater share of cost of attendance for low-income students**, is summarized here

MA community college leadership has suggested expanding the MASSGrant Plus scenarios by fully covering students' expected family contribution amounts (EFC)

Proposal from Community Colleges shared at the Nov. 3, 2022 FAAP AC Meeting

► Rationale:

- *“We applaud the addition of a cost-of-living stipend for MassGrant Plus. However, because this program still requires lower-income families to contribute their calculated Expected Family Contribution, or EFC, this is far from where we need to be in providing a program that removes fiscal barriers. Even a low EFC can be a burden for a student and their family, especially in the context of alarming inflation rates.”*

► Suggested approach:

- *“As an alternative, the Board might recommend expanding MassGrant Plus by eliminating the EFC as part of the equation, while still maintaining an income limit of \$125,000 and adding a cost-of-attendance subsidy. This would allow colleges and universities to inform current and prospective students that ALL of their costs after other forms of financial aid will be fully covered and prevent them from still having a gap that requires an out-of-pocket expense”*

Currently, resident students (with AGI < \$125k) pay ~\$218m in total family contribution (EFC), distributed across the three segments

Total EFC spent on direct costs, by segment and EFC bracket^{1, 2}, FY21

	Community college	State universities	UMass	Total
Pell-eligible EFC (AGI < \$68k)	~\$8m	~\$11m	~\$14m	~\$34m
Middle income EFC (AGI ~\$68k-125k)	~\$32m	~\$60m	~\$92m	~\$184m
Total EFC (AGI < \$125k)	~\$40m	~\$71m	~\$106m	~\$218m
Upper income EFC (AGI > \$125k)	~\$14m	~\$59m	~\$149m	~\$222m

1. Only includes MA residents who complete the FAFSA

2. Includes estimate for community colleges which have not submitted FY21 financial aid files (Roxbury, Cape Cod)

Source: MA DHE

Next steps: Two additional areas have been suggested for additional exploration / research

Further students and degrees due to financial aid and institutional support expansion:

- ▶ Leveraging prior academic studies, assess potential impact of financial aid and institutional support scenarios on the number of students enrolling, persisting and completing

MassReconnect, Governor-elect Healey's workforce advancement policy initiative, envisioned as a free community college program for MA resident students over the age of 25:

- ▶ Estimate the potential cost and impact of such a program in Massachusetts, leveraging academic studies and the experience of other states with similar programs (e.g., Tennessee Reconnect and Michigan Reconnect)
 - ▶ Both are last-dollar aid programs for students who are 23+ and 25+, respectively
 - ▶ Both require students to fill out a FAFSA in order to be eligible