

**BOARD OF HIGHER EDUCATION**

**REQUEST FOR BOARD ACTION**

**NO.:** BHE 23-15

**BOARD DATE:** October 18, 2022

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**AFFIRMATION AND AMENDMENT OF THE FY2023 ENDOWMENT INCENTIVE PROGRAM GUIDELINES FOR THE FY23 GAA BUDGET APPROPRIATION**

**MOVED:** The Board of Higher Education hereby affirms the attached Endowment Incentive Program guidelines approved by the BHE in May 2022 (BHE 22-50), provided that the funding allocations and disbursement timelines are hereby amended to include the additional \$20 million in funding appropriated in the FY23 GAA Budget, as set forth in Attachment A (as amended).

**VOTED:** Motion approved and advanced to the full BHE by the Executive Committee on 10/11/2022; and adopted by the BHE on 10/18/2022.

**Authority:** Massachusetts General Laws, Chapter 15A, Section 15E; Chapter 126 of the Acts of 2022 (Line Item 7066-0115); BHE 22-50

**Contact:** Joe Wallerstein, Interim Deputy Commissioner for Administration and Finance

## **FY23 Endowment Incentive Program Guidelines Background Information**

In June 2006, the Massachusetts Legislature amended Chapter 15A, Section 15E entitled the "Public Higher Education Endowment Incentive Program." The program was originally authorized in FY1996 and expired at the end of FY2001. In FY20, Massachusetts Legislature re-established the program, through supplemental budget language in Chapter 142 of the Acts of 2019 to provide state matching support to encourage private fundraising by foundations of the University of Massachusetts, State Universities, and Community Colleges, or by the institutions themselves through June 30, 2021.

In FY22, the "An Act Relative to Immediate COVID-19 Recovery Need" (H.4269) appropriated \$25M in Federal American Rescue Plan Act (ARPA) funds for the Endowment Incentive Program. The effective date of the legislation was December 13, 2021, and the legislation provides that expenditures can be made through June 30, 2027.

At its May 2, 2022 meeting, the BHE adopted guidelines for the Endowment Incentive Program funds appropriated by H.4269, "An Act Relative to Immediate COVID-19 Recovery Need." These guidelines address the match's purpose, the matching schedule, eligibility and matching timeframe. (Attachment A).

The FY23 GAA Budget created a new line item (7066-0115) that allocated an *additional* \$20 million to be made available in FY23 as follows: University of Massachusetts, \$10 million; State Universities, \$5 million; and Community Colleges, \$5 million.

The responsibilities of the Board of Higher Education (BHE) under the line item and statute are to establish the guidelines related to the distribution and use of the funds, which includes defining the matching ratio for funds raised; identifying the allowable purposes for the funds raised; and ensuring that each institution shall have an equal opportunity to secure matching funds. M.G.L. c. 15A, section 15E; (FY23 GAA 7066-0115). The Board is also responsible for disbursing the Commonwealth's appropriation according to the guidelines and reporting to the legislature on the allocations of matching dollars. Under the current implementation procedures, institutions are required to submit to the Department of Higher Education a list of eligible donations, along with the requested match amount, and must attest that the eligible donations meet the guidelines established by the BHE.

Consistent with the legislation, the current guidelines (Attachment A) confirm that the Commonwealth will match private donations based on a ratio of \$1 in state funds for each \$2 raised by an institution or foundation. The current guidelines also provide that funds shall be made available for matches, either pledged or received in accordance with Case Reporting Standards and Management Guidelines for Educational Fundraising through June 30, 2023.

The Commissioner will monitor the progress of the Endowment Incentive Program and periodically will report to the Board on the status of the program and, as may be necessary, suggest any modifications to these guidelines that will ensure the optimal use of the appropriated funds.

Recommendation

The Department recommends using the current program guidelines adopted by the Board (BHE 22-50) to administer of the additional \$20M appropriated in the FY23 budget. The current guidelines would cover eligible matches made during FY23 made between July 1, 2022 and June 30, 2023. The only recommended amendments to the existing guidelines are to amend the funding line to clearly identify the additional \$20 million FY23 appropriation, including the segmental allocations, and to amend the matching schedule line to specify the disbursement timelines for the additional FY23 funding. The proposed amendments are identified in Attachment A.

Attachment A

**Public Higher Education Endowment Incentive Program Guidelines:  
FY2022 and FY2023 (as adopted by BHE 22-50, with proposed amendments  
noted in redline)**

Purpose	Encourage private fundraising and endowment growth by Commonwealth public higher education institutions and foundations.
Funding available (via H. 4269)	\$25 million University of Massachusetts - \$15 million State Universities: \$5 million or \$555,555 per university Community Colleges: \$5 million or \$333,333 per college
Additional funding available (via FY23 GAA, 7066-0115)	\$20 million University of Massachusetts - \$10 million  State Universities; \$5 million or \$555,555 per university  Community Colleges: \$5 million or \$333,333 per college
Matching Schedule	\$1 match for every \$2 pledged from any private endowment donor and accepted in accordance with the Case Reporting Standards and Management Guidelines for Educational Fundraising after on or after January 1, 2022 through June 30, 2023 for funding available via H. 4269, or between July 1, 2022 through June 30, 2023 for funding available via FY23 GAA (7066-0115), subject to the criteria established in the guidelines below for Donations Eligible for Match.

<p>Donations Eligible for Match</p>	<p>Private contributions to the endowment (permanently restricted funds) for the purposes of this program shall be permitted for capital outlay programs for the academic facilities of those institutions; endowed scholarship funds; endowed professorships; endowed STEM programming; endowed research positions; endowed programming in the arts and humanities; endowed funds to increase diversity and inclusion on public higher education campuses; endowed funds that increase persistence and completion rates; endowed early college programs; and endowed funds that encourage innovative financial aid strategies, including income share arrangements, provided that the terms of any said income share agreements shall be pre-approved by the Board of Higher Education.</p> <p>In addition, the Board of Higher Education may, at its discretion, approve such other purposes that may be proposed by a public institution of higher education, provided that the institution can demonstrate that the proposed purpose is: 1) consistent with system-wide goals and campus mission statements; and 2) the campus proposal is supported by measurable goals and metrics.</p>
<p>Process for Campus Participation</p>	<p>Consistent with M.G.L. c. 15A, § 15E, for each institution the program shall be administered by its foundation, as defined in M.G.L. c. 15A, § 37, in accordance with procedures adopted by the institution's board of trustees by June 15, 2020. Such procedures shall include the method for each board of trustees to certify to the house and senate committee on ways and means the actual amount received in private contributions to the endowment in each fiscal year. Such procedures shall also include safeguards for protecting the anonymity of donors who indicate their desire not to be identified.</p>