

**Massachusetts Board of Higher Education
Fiscal Affairs and Administrative Policy Committee Meeting
December 5, 2017**

The December 5, 2017 meeting of the Fiscal Affairs and Administrative Policy (FAAP) Committee was held in Conference Room 3 on the 21st floor of One Ashburton Place, Boston, Massachusetts.

Committee Members Present: Committee Chair Tom Hopcroft; J.D. La Rock; Paul Mattera; EOE Secretary designee, Tom Moreau; Commissioner Carlos Santiago, non-voting ex-officio member

Committee Members Absent: Board Chair Chris Gabrieli; Paul Toner

Department Staff Present: Deputy Commissioner for Administration and Finance Tom Simard; Jonathan Keller; Patricia Marshall; Michael Murray; Ellen Osborne-Smith; Constantia Papanikolaou; Elena Quiroz-Livanis; Joe Wallerstein; Ashley Wisneski

I. CALL TO ORDER

Chair Hopcroft called the meeting to order at 1:16pm.

II. ACCEPTANCE OF MINUTES

On a motion duly made and seconded, the minutes from the October 24, 2017 meeting of the Fiscal Affairs and Administrative Policy Committee were unanimously approved.

III. REMARKS

No remarks were offered by Committee Chair Hopcroft or Commissioner Santiago.

IV. MOTIONS

List of documents used:
FY19 Budget Recommendation Presentation

A. FAAP 18-09 Approval of the Board of Higher Education Fiscal Year 2019 Budget

Chair Hopcroft turned the discussion over to Deputy Commissioner Simard for a presentation of the FY19 BHE Budget.

Deputy Commissioner Simard began his presentation on the FY19 budget recommendation by noting the major steps of the budget process, which begins with the Board's recommendation in December, continues with the Governor's budget proposal in January, budget proposals from the House and Senate in the spring, the appointment of and review by a legislative conference committee, and concludes with the signing of the final budget by the Governor, typically in late June or early July.

He discussed the Department's request for increased funding in the amount of \$1,200,000 for investments in the Performance Management Incentive Fund (PIF). Specifically, he cited the uses of PIF in FY18 to support the Commonwealth Commitment, competency-based pathways, 100 Males to College, co-requisite remediation at scale, and college affordability, which efforts would be continued in FY19. Committee Member LaRock inquired as to whether the increases in funding would be disbursed on a competitive basis to the campuses in the form of grants, and Deputy Commissioner said that they would.

Deputy Commissioner Simard then discussed the FY19 budget's \$7,200,000 increase in student financial aid, noting that the funding increase would be supported in part by an estimated \$5,600,000 in new revenue from two casinos slated to open in the Commonwealth during FY19 which by law is partially designated for educational purposes. He explained that the \$7,200,000 increase to the state scholarship fund was in recognition of the growing cost of higher education and to provide greater financial assistance to students in the face of increasing tuition and fees. Deputy Commissioner Simard noted that the increases in the Foster Child/Adopted Child Fee Waiver and the Foster Care Grant programs reflect the costs of fully funding these programs, which is required by law.

Deputy Commissioner Simard continued his review of the FY19 budget recommendation with a discussion of the Department's administrative accounts. He noted that the FY18 administrative account line item included funding for the State University Internship Incentive program and the TRAIN program; while the funding for those programs was vetoed by Governor Baker in FY18, the veto was overridden by the House and Senate and the funding was restored. However, all earmarks, including those programs, have been placed on hold by the Executive Office of Administration and Finance, which is the agency authorized to control the allocation of funds, pending greater certainty that FY18 tax revenues will be sufficient to support spending. Deputy Commissioner Simard suggested that there should be a better sense of the fiscal outlook for the remainder of FY18 by early January 2018, and the availability of funding for these and other programs will be clear. He noted that the delay in releasing the funds earmarked for these programs could result in the funding being carried over into FY19 and potentially beyond. Deputy Commissioner Simard pointed out that the FY19 Department administrative account recommendation includes one-year bridge funding for costs associated with administering the State Authorization Reciprocity Agreement (SARA) that the Department is expected to join in the spring, but that subsequently the costs associated with administering SARA are anticipated to be funded through fees assessed on participating institutions. He also noted that the FY19 administrative account recommendation includes an allocation for the Department's continuing campus safety and violence prevention efforts and that there is pending legislation relating to these efforts that would increase the Department's responsibilities.

Deputy Commissioner Simard mentioned that the FY19 budget recommendation includes a request for sufficient funding to meet the Department's mandatory obligations, including the entire employer contribution for dental benefits for campus employees.

Deputy Commissioner Simard discussed the FY19 budget recommendations for workforce development, pointing out that there is no requested funding for the Nursing and Allied Health Incentive program. He explained that, at its best, the program was funded at \$600,000, but that the amount had significantly decreased in recent years, and the cessation of funding in FY19 signals a change in direction for the Department.

Deputy Commissioner Simard briefly discussed the recommendation for two budgetary pass-through commitments for the New England Board of Higher Education (NEBHE) and Tufts

University, noting that there is a hope that revenues that NEBHE will collect from the Commonwealth's membership in SARA could offset its FY19 reduction in funding.

Committee Member Mattera asked whether there appears to be any impact to student scholarships as a result of the federal tax law reform being considered by Congress. Deputy Commissioner Simard replied that one of the provisions in one of the versions of the bill calls for graduate student tuition waivers to be treated as income for federal tax purposes, which could have a significant and damaging impact on students. General Counsel Dena Papanikolaou clarified that for the most part, Massachusetts tuition waivers are for undergraduate students, but that if that provision becomes law, the Department will have to analyze its impact and might consider reclassifying such aid from tuition waivers to scholarships. Committee Member Mattera asked General Counsel Papanikolaou to describe the practical difference between a scholarship and waiver, to which she responded that it is merely a change in the wording and there would be no practical difference, citing the Adams Scholarship, which is a tuition waiver, as an example.

Deputy Commissioner Simard noted that the Department's FY19 budget recommendation would actually require only \$2,000,000 in new appropriations, as the majority of the line item increases would be funded by new revenue from casinos, which is in part designated for education funding under Massachusetts gaming law.

Deputy Commissioner Simard shifted the discussion to collective bargaining agreements at the state universities and community colleges, noting that the FY19 budget recommendation acknowledged that collective bargaining negotiations are still ongoing. He pointed out that the Department's recommendation is for full funding of both the FY18 and FY19 costs, including the third year of the Massachusetts Community College Council (MCCC) contract along with a corrective measure to fund increases associated with collective bargaining units at the Reggie Lewis Track and Athletic Center at Roxbury Community College. Deputy Commissioner Simard asked for additional comments. Upon hearing none, he turned the discussion of the FY19 budget recommendations over to Commissioner Santiago.

Commissioner Santiago stated that recommendations from the pending financial aid study will be available for review mid-month. Meanwhile, he pointed out that Massachusetts has a middling ranking among states for aid to individual students but is towards the bottom for need-based financial aid per student compared to other states. He also highlighted the increase in funding from gaming revenue as a change from the FY18 recommendation and that most of that expected increase would go toward financial aid. Committee Member LaRock asked for Commissioner Santiago to comment on his priority for the FY19 budget. Commissioner Santiago noted that the FY19 budget recommendation reflects strategic support for many initiatives that are already underway at the public institutions, citing the Commonwealth Commitment as an example. Committee Member La Rock asked about the year-to-year change in the state scholarship and aid line items. Deputy Commissioner Simard replied that funding for aid has not changed much over the past decade. Chair Hopcroft asked Commissioner Santiago to provide additional comment on where Massachusetts ranks with regard to financial aid. Commissioner Santiago replied that a number of comparable states spend significantly more on financial aid including, for example, Kentucky which last year spent approximately \$300,000,000 on financial aid-- which is more than three times the amount that Massachusetts allocated for aid for students. He commented further that, while Massachusetts should continue to increase funding for financial aid, it is also important for the Department to be strategic in how financial aid funding is distributed, noting that the current amount awarded to students is insufficient to make a meaningful impact on cost and that that minimal impact further decreases each year as

tuition and fees rise. Commissioner Santiago suggested that the impact of some of these decisions will be better understood when measurable indicators of success, including graduation rates, move in the right direction. Committee Member LaRock asked about the theory of action behind the proposals as well as the outputs. Commissioner Santiago responded that college completion, closing achievement gaps, and graduating more students are the focus for the Department and that the campuses themselves are providing the considerable student supports necessary to achieve positive outcomes. As an agency, the Commissioner continued, we need to examine what is working and what is not, noting that he anticipates bringing something to the board in early 2018 to look at strategic considerations we face around our budget and finance framework. Committee Member LaRock asked whether the proposal to fund collective bargaining includes all funding for community colleges. Deputy Commissioner Simard replied that it includes only the third year costs of the MCCC collective bargaining increase, which Michael Murray, Director of Employee and Labor Relations, confirmed. Committee Member LaRock asked whether the Department has received any feedback from the campuses about the decline in Performance Incentive Fund (PIF) funding and asked about the efficacy of the PIF program. Commissioner Santiago replied that when PIF was funded between \$7,500,000 and \$8,000,000, all the campuses received something, but that the decline in funding has led to increased competition between campuses. He stated that he felt that, as a result, proposals tend to be of a higher quality and more consortial in nature today than before, but that he would prefer a return to a higher level of funding for the program.

On a motion duly made and seconded, the following motion was approved, with one abstention; EOE Designee Moreau abstained, due to the EOE Secretary's role in receiving the budget recommendations of the Board.

FAAP 18-09 APPROVAL OF THE BOARD OF HIGHER EDUCATION FISCAL YEAR 2019 BUDGET

MOVED: The Board of Higher Education hereby adopts the Board of Higher Education operating budget request for Fiscal Year 2019 and further authorizes the Commissioner to submit the Board's budget recommendation to the Secretary of Education.

Authority: Massachusetts General Laws Chapter 15A, Section 6, 9 and 15B
Contact: Thomas J. Simard, Deputy Commissioner for Administration and Finance

V. OTHER BUSINESS

Chair Hopcroft turned the meeting over to Commissioner Santiago for additional business. Commissioner Santiago explained that he anticipated bringing a motion to the full Board at next week's meeting regarding extending of Massachusetts resident tuition rates to students from Puerto Rico and the U.S. Virgin Islands who were displaced by Hurricane Maria-- a proposal that echoes the Board's action after Hurricane Katrina. He noted that the Department expects that campuses will experience an increase in students from these areas, and therefore an increase in need, after the holidays. Committee Member Mattera noted that other states are offering similar programs to students who were impacted by the hurricane.

VI. ADJOURNMENT

Having no further business, Committee Chair Hopcroft called for a motion to adjourn, which was seconded. The meeting adjourned at 1:50 p.m.