

HIGHER EDUCATION FINANCE COMMISSION

REPORT TO THE GENERAL COURT OF MASSACHUSETTS



OCTOBER 2014

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INTRODUCTION

Massachusetts is at a crossroads. The intellectual, economic, social, and civic prosperity of our state is highly dependent upon the existence and expansion of a highly educated citizenry and an excellent system of higher education that will provide our citizens with transformative educational opportunities and also serve as the anchor of a robust workforce development system. But we do not yet have the system that we need to accomplish these goals. Our colleges and universities have many strengths and much good work is currently underway. We need to continue to build on these strengths and create a higher education system that will meet the challenges, opportunities, and evolving demands of the 21st century.

We are truly unique in terms of the diversity of both public and private institutions that operate in our state. Massachusetts is home to some of the finest private institutions of higher education in the world, and these institutions continue to make significant contributions to the state with regard to educational excellence, innovative research, and economic development.

Our 29 public colleges and universities – 15 community colleges, 9 state universities, and 5 University of Massachusetts (UMass) campuses – have also gained prominence within the higher education landscape, some nationally, resulting in increased demand on the part of students and families. Our public campuses are serving 67% of Massachusetts high school graduates who attend college in the state, a dramatic increase in the state’s reliance on its public campuses to educate its future citizenry and workforce. Given this reality, excellence for our public higher education system has become an imperative for the well-being of the Commonwealth in a way that was not true 20 or 25 years ago.

But based on our current rates of enrollment, retention, and graduation plus the existence of persistent achievement and attainment gaps among different groups of students, the overall performance of our public campuses is no better than average relative to other states despite the excellence of individual campuses and programs. In the aggregate, our campuses are not yet meeting many workforce needs, especially in high-growth and high-demand fields such as health care, information technology, advanced manufacturing, and also science, technology, engineering, and mathematics (STEM). In addition, historically the Commonwealth’s investments in public higher education have not kept pace with the rapidly evolving responsibilities of our community colleges, state universities, and UMass campuses: in FY 13, our state was ranked 26th in the nation as measured by state support per student.¹ Lastly, in 2012 our state was ranked 28th in the nation with regard to the percentage of the higher education budget allocated to financial aid grant funding (less than 9%),² and we ranked 46th in terms of the average need-based grant award to students.³

Our system of public higher education includes examples of excellent programs despite the modest level of support that these campuses receive in comparison with peer institutions in other

¹ State Higher Education Executive Officers (SHEEO), *State Higher Education Finance FY 2013*. 2014, http://www.sheeo.org/sites/default/files/publications/SHEF_FY13_04292014.pdf.

² The College Board, *Trends in Student Aid 2013*. 2013, <http://trends.collegeboard.org/sites/default/files/student-aid-2013-full-report.pdf>.

³ Postsecondary Education Opportunity, *State Need-Based Grant Aid: 1979 to 2012*. August 2013.

states, and despite the fact that state support for public higher education, with the exception of increases in FY 14 and 15, has been in decline since 2000 despite the increasing urgency and need for excellence.⁴ The FY 14 and 15 increases, approximately \$100 million in FY 14 and \$75 million in FY 15, were the direct result of the leadership of Governor Deval Patrick and the state Legislature and also their commitment to enhancing the quality and affordability of our public higher education system. These increases represent an important step forward for the Commonwealth, but they cannot completely erase the impact of years and years of insufficient funding.

Being average with regard to overall system performance and below average in terms of state support per student and state investment in financial aid is unacceptable in the Commonwealth where the brainpower of our citizens is our primary economic resource. Massachusetts must set and achieve aspirational goals and continually enhance the quality and affordability of our public institutions of higher education.

Simply put, Massachusetts must build one of the top 10 public higher education systems in the nation with regard to both overall performance and state investments in order to provide an affordable as well as high-quality education for all students. In addition, we must leverage the capacity of our unique constellation of private colleges and universities to help meet our higher education goals and objectives.

But achieving national leadership will require more than additional investments. Our public campuses must implement bold and aggressive strategies that will significantly change the ways in which our campuses operate and also the system by which state funding is allocated. The public higher education system must continue its efforts to increase operational efficiency, achieve cost savings, and maximize existing resources. This system must also increase collaboration with key stakeholders to achieve ambitious but necessary goals.

The Higher Education Finance Commission, initially proposed by Governor Patrick in his FY 13 budget proposal and established by the state Legislature in FY 14, has identified several key issues that the Commonwealth must resolve in order to ensure excellence, access, and affordability for every citizen in our state:

- Uneven and below average state funding;
- Rising student charges and additional burdens on students and families;
- Outdated system for allocating state funding to campuses;
- Lack of transparency regarding total student charges;
- Need for enhanced partnerships between public and private institutions of higher education;
- Insufficient state funding for capital projects and ongoing maintenance; and
- Need to strengthen partnerships between higher education and business/industry entities.

Our recommendations, which were unanimously endorsed at our final meeting in June 2014, are presented on pages 19 - 23 and are organized into the following categories: Excellence, Access,

⁴ Massachusetts Department of Higher Education (DHE), 2014.

and Affordability; Academic Performance; Operational and Administrative Efficiencies; Cross-Sector Collaboration; and Capital Funding and Deferred Maintenance. They address all of these key issues, and establish the foundation for the next chapter of higher education reform in the Commonwealth.

If these recommendations are fully implemented, we believe that the Commonwealth will be able to significantly enhance the quality and capacity of our higher education system; increase access and affordability for students across the state; maximize human, fiscal, and other resources and increase operational efficiency; and increase essential collaboration across the segments of public higher education, between public and independent institutions, and among higher education, businesses, and workforce development entities – all essential elements of the higher education system that we need to secure the future of the Commonwealth in the 21st century. In short, we will be able to achieve the national leadership in public higher education that is essential for the future well-being of Massachusetts.

Additional issues related to the higher education financing structure in the Commonwealth may emerge as the recommendations cited in this report are implemented. The Commissioner of Higher Education, the President of UMass, and the Secretary of Education will continue to work in partnership with legislative leaders, representatives from both public and private institutions of higher education, representatives from the business community, and other key stakeholders to not only address these issues but continually strive to build a 21st century higher education system in Massachusetts.

This report is organized as follows: first, it presents background information about the Higher Education Finance Commission, ongoing initiatives to enhance quality and efficiency of our campuses, and the current funding system in Massachusetts; second, it presents primary issues requiring action; third, it presents the recommendations of the Commission; and fourth, it presents concluding statements. Lastly, the document presents additional information in the Appendix.

SECTION I – BACKGROUND INFORMATION

Higher Education Finance Commission

Governor Patrick initially proposed the establishment of a higher education finance commission in his FY 13 state budget proposal, and the state Legislature established a special commission on higher education quality, efficiencies, and finance in FY 14 (please refer to Appendix A, pages 26 - 27 for the full text of Outside Section 165 of the FY 14 General Appropriations Act). The Secretary of Education was charged with serving as the chair of this Commission, and required members included the following individuals (or designees): the Commissioner of Higher Education, the President of UMass, the House and Senate Chairs of the Joint Committee on Higher Education, and a student currently enrolled at a public institution of higher education in Massachusetts. The Commission includes these individuals, and also includes representatives from public and independent institutions of higher education and the business community (please refer to page i for the list of members).

This Commission was charged with two primary responsibilities: first, defining the requirements of a high-quality system of public higher education that meets the needs of students and the Commonwealth and proposing a sustainable model for financing this system; and second, presenting recommendations related to the quality and financing of public higher education, including the allocation of state funding to campuses, rationalizing tuition and fees, increasing access and affordability for students, maximizing current resources and reform efforts, and increasing effectiveness and efficiency. This Commission was created at an opportune time in the Commonwealth's history: first, Governor Patrick and state Legislature had increased the level of state investment in public higher education, which establishes the foundation for continued increases in the future; and second, the state had not comprehensively addressed higher education finance issues for decades, and it was time to critically examine important issues and propose strategies for the future.

In January 2014, the Secretary of Education convened the first meeting of the Higher Education Finance Commission, and the group met monthly through June 2014. The recommendations presented in this report respond to the primary responsibilities of this Commission, and are fully endorsed by its members.

Higher Education in the Commonwealth

Over 100 public and private institutions of higher education operate in Massachusetts, and during the 2012 - 2013 academic year they served 628,215 students (as measured by headcount in credit-bearing courses). Our public institutions served 296,724 students during the 2012 - 2013 academic year: 139,483 were served at our community colleges; 72,556 were served at our state universities; and 84,685 were served at the UMass campuses. As presented in the first annual Vision Project report, *Time to Lead: The Need for Excellence in Public Higher Education*, issued by the Massachusetts Department of Higher Education (DHE) in September 2012, the number of students in Massachusetts attending public colleges and universities increased from 30% of all

undergraduates in the state in 1967 to 52% in 2012, and 9 out of 10 public higher education graduates remain in Massachusetts and pursue further education or employment.⁵

During the 2012 - 2013 academic year, our 88 private institutions served 331,491 students. These institutions awarded 67% of bachelor's degrees and approximately 85% of graduate degrees in Massachusetts, many in the STEM and other high-demand fields.⁶

Given this diversity of public and private institutions of higher education, our higher education system has the potential to meet the increasing demands of the 21st century.

As a result of rapid educational, technological, and economic changes, definitions of college and career readiness as well as indicators of postsecondary success have shifted dramatically in recent years. Our citizens must have access to postsecondary educational and career opportunities that build knowledge and competence in specific fields; promote the development of critical skills, including the ability to think creatively and innovatively; enhance civic learning and participation; and have real and lasting value.

In 2010, the Board of Higher Education and DHE launched the Vision Project, a groundbreaking statewide initiative to collect data across the community colleges, state universities, and UMass campuses and increase accountability and transparency to the citizens of Massachusetts; inform the development and implementation of new and innovative strategies at both the campus- and system-levels; and highlight the important contributions of our public campuses to the prosperity of the Commonwealth. The Vision Project assesses progress of the segments of public higher education relative to other states (where accurate and comprehensive data are available) in accordance with seven outcomes: College Participation; College Completion; Student Learning; Workforce Alignment; Preparing Citizens; Closing Achievement Gaps; and Research. Based on the data presented in the 2012 and 2013 Vision Project reports, we are making some progress on selected outcomes – but we must do more as a system to achieve our goals. For detailed information about the Vision Project, please refer to Appendix B, page 28.

UMass has developed an additional annual performance measurement report that uses a rating system to assess the University's progress in achieving 21 goals across six priority areas: Student Experience & Success; Educated Workforce & Engaged Citizenry; World-Class Research & Development Enterprise; Enhanced Social Well-Being; Good Stewards of Resources; and Telling & Selling the UMass Story. Each goal is rated on the basis of whether the University has made Excellent, Good, Some, or Limited Progress based on comparing current performance to three-year trends (the ratings reflect the current state of the five-campus UMass system as a whole, rather than the performance of individual campuses). The first annual report, which was released in February 2014, presented data indicating that the University's progress was Excellent for three goals, Good for 14 goals, and Some Progress for the other 4 goals, and there were no goals for which the University was rated as having made Limited Progress. For detailed information about this reporting system, please refer to Appendix B, page 28.

⁵ DHE, *Time to Lead: The Need for Excellence in Public Higher Education*. September 2012, <http://www.mass.edu/visionproject/TimeToLead.pdf>.

⁶ Association of Independent Colleges and Universities in Massachusetts (AICUM), 2014.

DHE and UMass will continue to collect comprehensive data to assess the progress of our public campuses and also increase accountability and transparency to students, parents and family members, and the Commonwealth as a whole.

Higher Education and the Economy

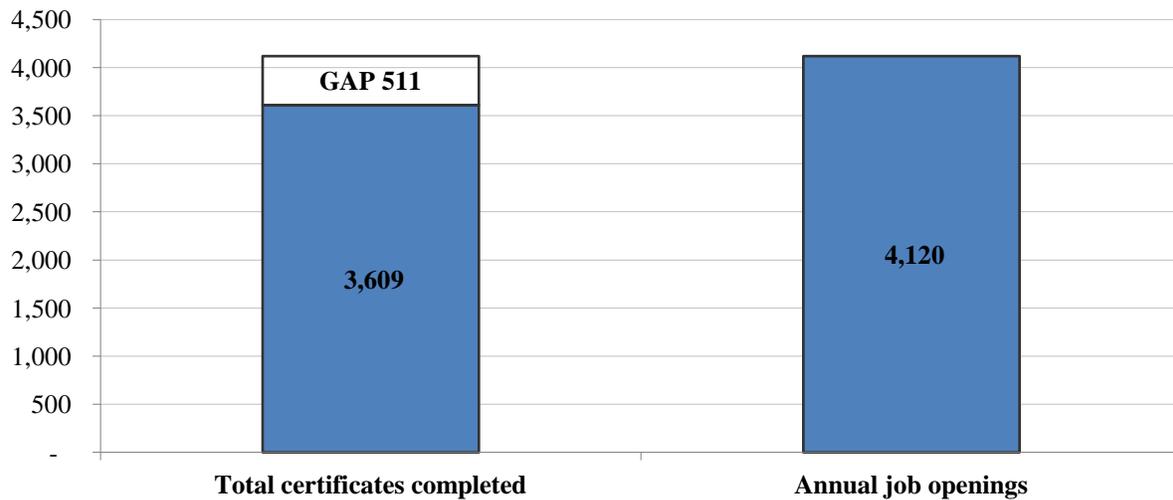
Massachusetts is implementing multiple initiatives to increase the college and career readiness of students across the state.

In 2013, after extensive discussions among K-12 educators and higher education faculty, administrators, and staff members as well as business and community representatives, the Board of Elementary and Secondary Education and the Board of Higher Education adopted the [Massachusetts Definition of College and Career Readiness](#), which, for the first time in the Commonwealth's history, identified the academic knowledge, workplace readiness skills, and essential qualities that students must demonstrate in order to be truly prepared for college and career success.

Our high schools, including vocational and technical schools, are working with our community colleges and both public and private four-year institutions to create clearly defined pathways to postsecondary educational and career opportunities. DHE and our institutions of higher education are working with business and industry partners to better address workforce needs, especially in STEM fields through Governor Patrick's STEM Council, and also in health care through strategic plans for nursing and allied health. In addition, UMass is a member of the STEM Council and is collaborating with community colleges in the ABLE4STEM program (which is focused on doubling the number of Massachusetts students who earn associate's and bachelor's degrees in STEM fields). The University also collaborates with the Massachusetts Business Roundtable and supports campus-level STEM initiatives.

Graph 1 on the following page illustrates the urgency of enhanced attention to workforce development by documenting the gap between employer need and currently projected degree production of direct care workers. Comparable gaps exist in other key areas of health care and STEM.

Graph 1: Gap Between Certificates Completed and Annual Job Openings for Direct Care Health Workers⁷



Based on current as well as projected data about workforce demands in high-need industries, it is clear that we must do more to truly provide all of our students with affordable access to excellent institutions of higher education. We must also produce graduates who are well prepared to enter the workforce and serve as active and valuable contributors to their families, their communities, and the Commonwealth as a whole.

Current Funding Structure in Massachusetts

The 29 community colleges, state universities, and UMass campuses rely almost exclusively on state appropriations and revenue generated by student fees to support core educational operating costs. The percentage of operational costs supported by the state appropriation varies by segment, by institution, and from year-to-year, but on average supports less than 50% of the total operational costs.

Annually, the Governor and the state legislature appropriate state funds to support public higher education. Based on the total funding level in FY 13 (approximately \$1.2 billion), which is the most recent year for which comparative data are available, Massachusetts ranked 26th in the nation as measured by state support per student. The top 10 public higher education systems by state appropriation are presented in Table 1 on the following page.

⁷ DHE, *Allied Health-Direct Care Workforce Plan*. June 2014, <http://www.mass.edu/library/documents/2014-06-17DHEAlliedHealthWorkforcePlan.pdf>.

Table 1: Top 10 Public Higher Education Systems by State Appropriation⁸

State	Full-time Equivalent Students (FTEs)	State Support Per FTE
1. Wyoming	25,669	\$16,474
2. Alaska	21,131	\$12,932
3. Illinois	375,190	\$9,439
4. North Carolina	410,622	\$8,687
5. New Mexico	101,239	\$8,580
6. New York	578,144	\$7,843
7. Nebraska	81,175	\$7,357
8. Texas	987,506	\$7,259
9. Hawaii	41,088	\$7,173
10. California	1,478,928	\$7,096
26. Massachusetts	171,974	\$5,672

As a result of the leadership of Governor Patrick and the state Legislature, the FY 14 state budget included significant and much appreciated increases in funding for our public institutions of higher education, including embracing the UMass 50:50 plan (an equal partnership between the Commonwealth and students/families whereby the Commonwealth will allocate funding to cover 50% of UMass’ educational costs and students/families will pay for the remaining 50%) and recognizing the growing needs of our community colleges and state universities.

The community colleges received an additional \$20 million, the state universities received an additional \$15 million, and UMass received an additional \$50 million; the campuses also received funding to cover costs related to collective bargaining agreements. The budget also included a moderate increase in funding for the MASSGrant scholarship program, approximately \$3 million. The FY 15 budget includes approximately \$50 million for UMass, \$8 million for the state universities, \$13 million for the community colleges, and \$3 million for the MASSGrant program. However, as noted in the Introduction, these increases cannot fully resolve all of the issues that have been created as a result of years and years of insufficient funding. Governor Patrick and the Legislature have increased state support for public higher education despite changing economic circumstances and difficult budget decisions – but the Commonwealth must continue to be proactive about investing in our institutions of higher education and our students in order to secure the future prosperity of our state.

Historic Underinvestment in Higher Education

All three segments of public higher education have experienced significant enrollment growth and we have also seen a massive cost shift in how higher education is funded in the Commonwealth, where student charges have increased and state support per student has declined over multiple years.

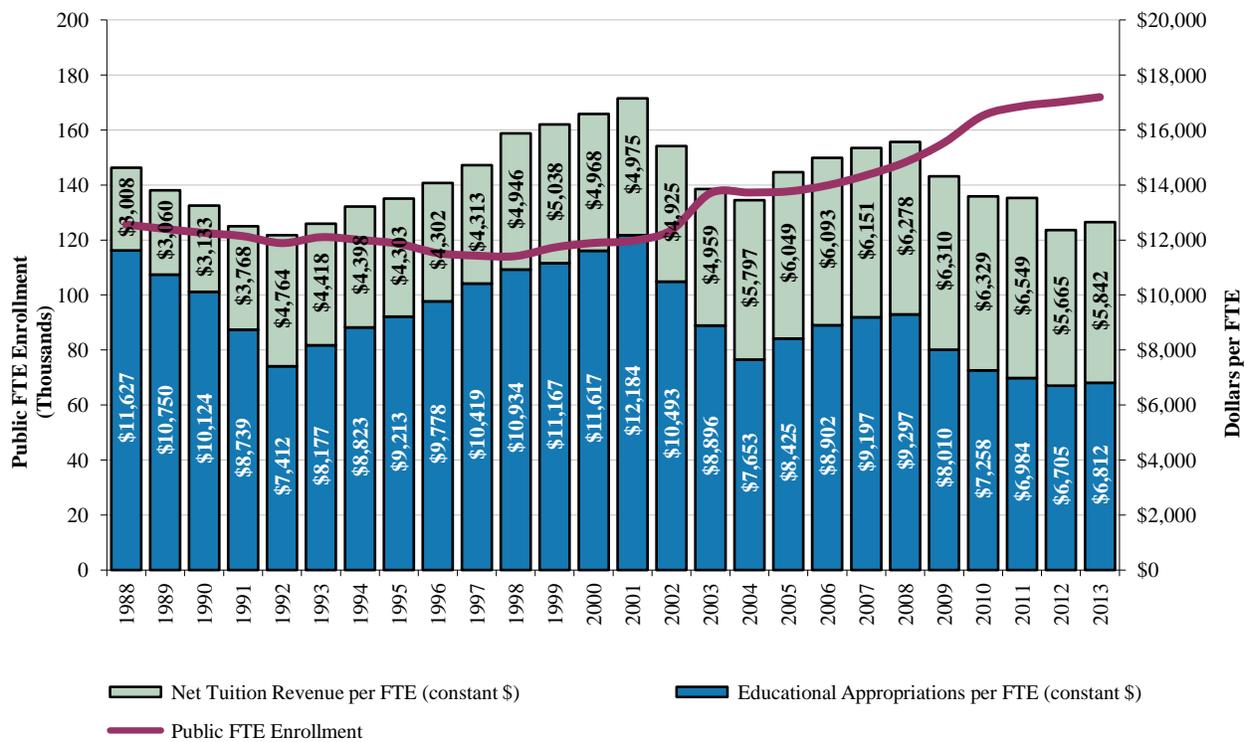
There is an inverse relationship between the level of state appropriation and fee-setting by the campuses. As state support per student has waned, campuses have replaced that revenue by

⁸ SHEEO, *State Higher Education Finance FY 2013*. Data about FY 14 rankings will be published in the spring of 2015.

increasing mandatory fees. Over the period from FY 05 through FY 14, campuses raised these fees, on average for the community colleges, state universities, and UMass, by approximately 53% (community colleges, 50%; state universities, 63%; and UMass, 49%).⁹

Graph 2 on this page and Graphs 3 and 4 on the following page document the failure of state support to keep up with enrollment growth, the rising costs of attending one of our public campuses, and the weak performance of Massachusetts compared with other states in supporting public higher education.

Graph 2: Massachusetts State Appropriations and Total Revenue Per FTE, FY 98 to FY 13¹⁰

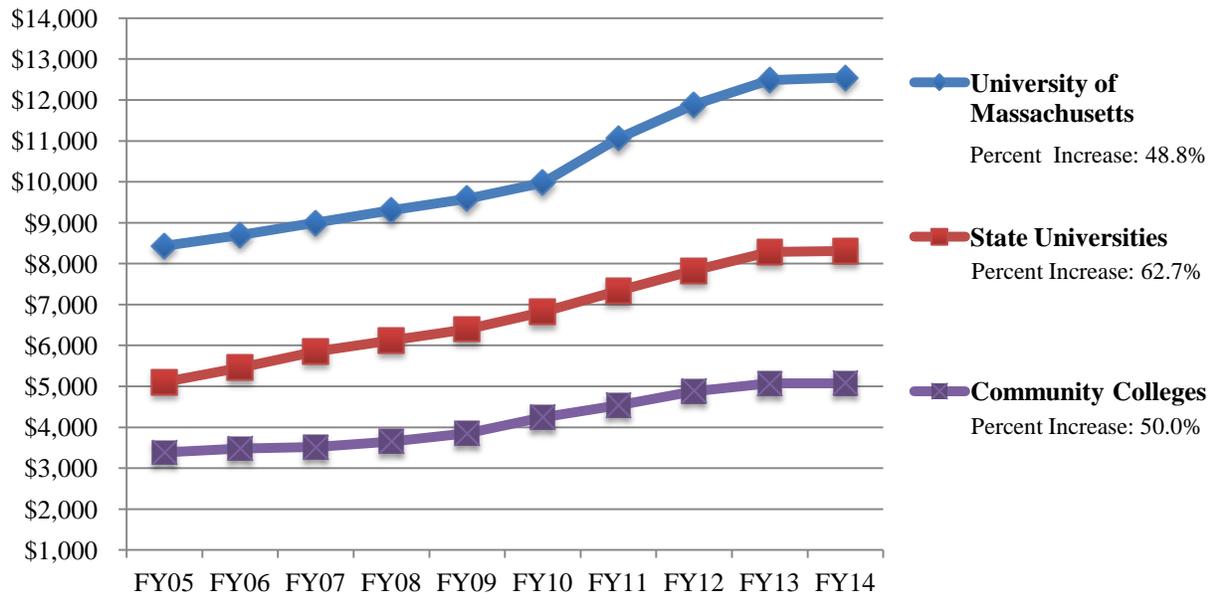


From FY 05 to FY 13, state appropriations remained essentially flat at less than 1% growth, despite the dramatic increase in student enrollment, which resulted in the necessary mandatory fee increases at the community colleges, state universities, and UMass campuses.

⁹ Revenue generated from room and board is not factored into the educational and general costs of operating an institution of higher education, and is not included in the analysis of increased mandatory fees.

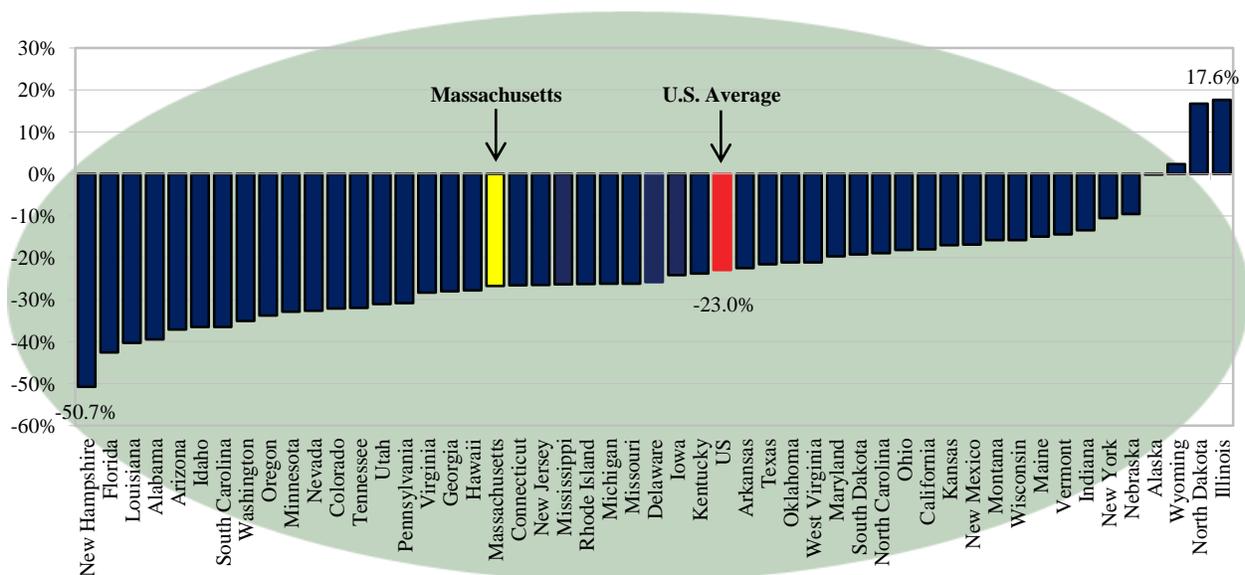
¹⁰ SHEEO, *State Higher Education Finance FY 2013*. Note: educational appropriations include American Recovery and Reinvestment Act funds.

Graph 3: Increases in Tuition and Fees, FY 05 to FY 14¹¹



Massachusetts was also below the U.S. average with regard to the change in the level of state investment.

Graph 4: Educational Appropriations per FTE Percent Change by State, FY 08 to FY 13¹²



¹¹ DHE, 2014.

¹² SHEEO, *State Higher Education Finance FY 2013*.

Enrollment is only one factor that should influence discussions about sufficient state support for our institutions of higher education. Performance should also matter. Our campuses must increase retention and completion rates, close persistent attainment and achievement gaps among different groups of students, produce more degree and certificate recipients in order to meet workforce demands, and continue to enhance both organizational and fiscal capacity. But performance is dependent on state support. The FY 14 and 15 increases are certainly a step in the right direction – but given historic patterns of underfunding, the Commonwealth should redouble its efforts to provide the state funding necessary to build one of the top public higher education systems in the nation.

Tuition

Tuition rates for all three segments are set by the Board of Higher Education as authorized in Massachusetts General Law. With the exception of two “special mission” schools (the Massachusetts College of Art and Design and the Massachusetts Maritime Academy), all in-state tuition collected by the campuses is remitted back to the Commonwealth. The tuition rates for all three segments have remained largely unchanged for over a decade ranging from \$720 to \$1,700 per academic year for resident undergraduates depending on the institution. The total amount of in-state tuition remitted back to the Commonwealth in FY 14 was \$46.8 million, of which \$35.1 million is attributed to the UMass system.¹³ All out-of-state tuition is retained by the campuses.

Financial Aid

The DHE administers state-appropriated financial aid for all three segments of public higher education, including the need-based MASSGrant program. In FY 14, approximately \$94 million was appropriated by the Commonwealth for financial aid for students attending both public and private institutions. As presented in Graph 5 on the following page, the percentage of tuition and fees at a public higher education institution supported by MASSGrant funding declined from a high of 80% in 1988 down to just 9% in 2013. Based on the level of the state appropriation for financial aid (as measured as a percentage of the public higher education budget), Massachusetts was ranked 28th in the nation in providing aid to students. In 2012, the state was woefully behind the national average with regard to the average amount of a need-based grant; Massachusetts’ average grant award was \$657, and the national average was \$2405.¹⁴

The low level of state financial aid has led to an increase in student dependence on institutional aid (financial support provided directly to the student by the campuses from their operating budgets). In fact, as presented in Graph 6 on the following page, from FY 09 to FY 13, institutional aid at our public institutions of higher education increased by 50% to \$165 million, of which \$128 million is attributable to UMass.¹⁵ UMass has historically assigned 20% of all new fee increases to be allocated for institutional aid, and this trend has put tremendous pressure on campus operating budgets across all segments and has contributed to the need to increase fees. A renewed commitment on the part of the Commonwealth to support state financial aid

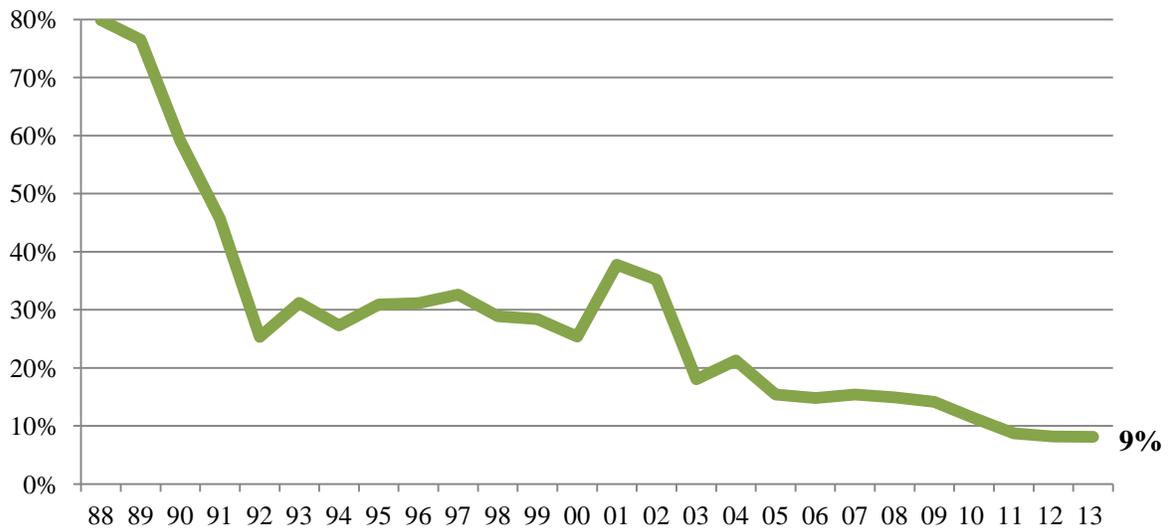
¹³ DHE and UMass, 2014.

¹⁴ Postsecondary Education Opportunity, *State Need-Based Grant Aid: 1979 to 2012*. August 2013.

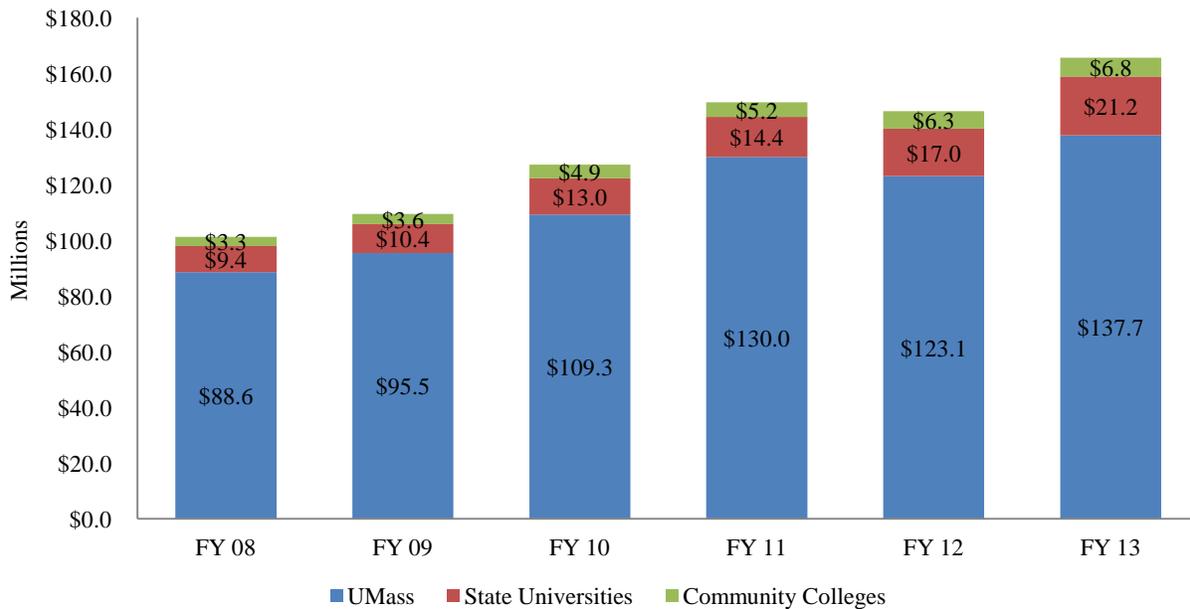
¹⁵ DHE and UMass, 2014.

programs will reduce the necessity of our public campuses to offer increasing amounts of institutional aid; the increased flexibility to rebalance budgets will allow the campuses to reallocate resources towards providing other educational support to students as well as address other priorities.

Graph 5: Average MASSGrant Award as a Percent Share of Average Tuition and Mandatory Fees for Public Institutions of Higher Education¹⁶



Graph 6: Increase in Institutional Financial Aid for Public Campuses, FY 08 to FY 13¹⁷



¹⁶ DHE, 2014.

¹⁷ DHE, 2014.

Capital Projects and Deferred Maintenance

The campuses rely heavily on the Commonwealth to provide bond funds for capital construction and deferred maintenance. In 2008, Governor Patrick filed the historic \$2.2 billion, 10-year Higher Education Bond Bill to dramatically increase spending for capital projects at our community colleges, state universities, and UMass campuses.

This capital investment came on the heels of decades of poor funding for maintenance and no new construction for public higher education. As of FY 14, every campus in all three segments received at least one major new capital project funded by the bond bill, with a particular focus on constructing new science and allied health facilities. For many campuses, this was the first new construction project since the 1970s. However, despite this recent investment in new construction, there remains an overwhelming need to address deferred maintenance at all of Massachusetts' institutions of higher education. A recent study by an independent facilities audit firm of all of the Commonwealth's 29 campuses reported that the 10-year deferred maintenance need was approximately \$4.2 billion.¹⁸ The need to maintain our facilities and reduce the deferred maintenance backlog has put pressure on campus operating budgets and has added to the need to increase fees over the years.

Additionally, the campuses have assumed debt to augment the 2008 bond bill projects and finance new projects not supported by the bond bill. The community colleges and state universities may borrow to both leverage state funds and to finance new projects with debt issued by the Massachusetts State College Building Authority (MSCBA). In the aggregate, the MSCBA paid \$78 million in FY 14 debt service from campus operating budgets on \$1.2 billion in outstanding debt issued in support of campus projects. This amount includes debt issued to support the construction of new housing. Similarly, UMass has financed new projects through the UMass Building Authority in support of its five-year capital plan.

Even with the significant contribution the state has made to UMass through the Life Sciences and Higher Education bond bills, the lion's share of funding for the University's current capital program has come from the University itself, with UMass funding about 54% of this activity and the Commonwealth funding the remaining 17%. As a result, nearly 30% or \$1.6 billion of the University's 5-year plan is unfunded, which will require either additional state funds or campus borrowing to be able to continue to make important campus investments. In fact, 75% of the University's \$2.7 billion in debt is related to non-auxiliary type facilities which would normally be financed by the Commonwealth. In the aggregate, the UMass Building Authority paid \$177.6 million in FY 14 debt service from campus operating budgets on \$2.7 billion in outstanding debt issued in support of campus projects. Some campuses are reaching their 8% debt to operating expense ratios, limiting the amount of borrowing they can do to support their facilities and reduce their deferred maintenance backlog. In addition, depreciation and interest expenses have continued to increase, putting pressure on campus operating budgets and forcing campus leaders to choose between crucial capital investments and academic and student support programs.¹⁹

¹⁸ PowerPoint presentation to the Higher Education Finance Commission on April 14, 2014 by Jim Kadamus, Vice President and Brendon Martin, Regional Account Manager at Sightlines.

¹⁹ UMass, 2014.

Increasing Efficiency

Our community colleges, state universities, and UMass campuses are aggressively developing and implementing strategies to increase efficiency at both the campus- and system-levels.

Partnership to Advance Collaboration and Efficiencies (PACE)

In 2011, the Massachusetts Community Colleges Executive Office (MCCEO) and the State Universities Council of Presidents jointly established the PACE to address initial recommendations that were presented by the DHE Task Force on Collaboration and Efficiency (this Task Force included campus presidents, local members of boards of trustees, and financial officers from the campuses).

The mission of PACE is to develop and implement systemic efforts to increase collaboration, efficiency, productivity, and the delivery of services across all 15 community colleges and 9 state universities. PACE is managed by a Steering Committee that includes three community college presidents, three state university presidents, the Executive Officers of MCCEO and the State University Council of Presidents, and DHE and PACE staff members. The collective belief of the Steering Committee members is that systemic cooperation results in significant benefits for students, institutions, and the public at large; in particular, the savings generated by increasing efficiency can be redirected to students, thereby increasing both access and affordability.

Current PACE initiatives are focused on joint purchasing initiatives, the organization of information technology services, information and data security issues, energy efficiency, and professional development and training opportunities. These initiatives have resulted in millions of dollars of savings, with additional savings projected in the coming years. For detailed information about PACE initiatives, please refer to Appendix B, page 28.

UMass Task Force on Efficiency and Effectiveness

In 2010, the UMass Board of Trustees created a Task Force on Efficiency and Effectiveness focused on achieving operational efficiencies, making the issue a top priority for University management. Since that time, this Task Force has met regularly to review the progress of several committees that have been established to achieve efficiencies and improve the effectiveness of operations in several strategic areas. The Task Force, the President's Office, and the campuses work collaboratively to promote a more standardized approach for cross-campus coordination and oversight of the entire effort, to track and report progress, and quantify the benefits to the University and its campuses.

Subcommittees focused on information technology, energy procurements, sustainability, and purchasing were formed to partner with campuses to explore, expedite, and implement ideas that drive efficiencies and improve operations. In addition, the UMass Building Authority has been aggressively working to implement new borrowing strategies, leverage better pricing, and bring certain planning and legal activities in-house. Lastly, a separate committee focused on increasing academic efficiency is evaluating campus practices around degree requirements,

timely degree completion, curricular redesign and other options available to students to reduce both time to degree as well as expenses.

The work of each of these groups to identify and implement efficiency and effectiveness initiatives both at the UMass campus- and system-levels are having a positive impact. The University has been able to achieve millions in savings and avoided costs, and has been able to redirect those dollars to other core educational priorities and to absorb other cost increases that were not supported by other sources. For detailed information about UMass efficiency and effectiveness initiatives, please refer to Appendix B, page 28.

SECTION II – PRIMARY ISSUES REQUIRING ACTION

In order to fully execute the responsibilities of the Higher Education Finance Commission, the members identified the following fiscal and other issues that must be addressed in order to build a 21st century higher education system in the Commonwealth.

- **Uneven and Below Average State Funding for Public Higher Education**

As noted in this report, as a result of the leadership of Governor Patrick and the Legislature, the FY 14 and FY 15 budgets include increased funding for the public campuses and the MASSGrant program. However, historically the Commonwealth has not maintained a high level of investment in higher education. This level of state investment has not kept pace with the rapidly evolving responsibilities of our community colleges, state universities, and UMass, especially as they are serving an increasingly diverse population of students with regard to academic, career, and other needs. One direct and problematic consequence of this funding pattern has been the overreliance on adjunct or part-time faculty members, which significantly affects the capacity of our campuses to provide a wide array of academic programs and support to students.

- **Rising Student Charges and Additional Burdens on Students and Families**

Rising student charges coupled with uneven and below average state investments in higher education have resulted in unavoidable increases in mandatory fees at our community colleges, state universities, and UMass (with the exception of FY 14, during which the all of the campuses were able to freeze fees in response to the increased level of state funding). Over the past 10 years, students and families across Massachusetts have become responsible for a greater share of college costs; in addition, students' debt and tax burdens are rising, and student loan default rates continue to increase. This reality is having severe impact on students' ability to stay enrolled in college and successfully complete degree and certificate programs. The FY 14 and FY 15 state budgets increased funding for state scholarship programs – but based on our level of state support for financial aid, as noted in this report our state ranked 28th in the nation. If a high-quality higher education system is the foundation of a prosperous Commonwealth, the state must do all that it can to ensure that students have access to both excellent and affordable postsecondary educational opportunities.

- **Outdated System for Allocating State Funding to Campuses**

The overall system for allocating state funding to campuses is outdated at best, as it is still based in large part on incremental increases in funding as opposed to specific indicators and measures of growth, performance, and operational needs. The pattern of incremental funding in Massachusetts has produced significant disparities and inequities at UMass, the state universities, and the community colleges with regard to student support. The implementation of the performance-based funding system for our community colleges is one example of how funding could be allocated, and there is currently a discussion about the possibility of developing an analogous formula for the

state universities. UMass has also implemented funding models that incorporate various performance outcomes such as those being measured through the UMass performance initiative. The adoption of such funding models is a significant and important evolution for the Commonwealth.

Another outdated aspect of our current funding system is the remission of tuition to the state by our public campuses (with the exception of two campuses as noted on page 11). Massachusetts is one of the only states in the nation that operates in this manner.

- **Lack of Transparency Regarding Total Student Charges**

In contrast to many public education systems across the nation, in Massachusetts mandatory fees – not tuition – comprise the majority of college costs. During the 2012 - 2013 academic year, average tuition and fees are our community colleges, state universities, and the UMass campuses (not including UMass Worcester) were as follows.

Table 2: Average Tuition and Mandatory Fees on Public Campuses During the 2012 - 2013 Academic Year²⁰

Segment	Average Tuition	Average Fees	Total Cost
Community Colleges	\$733	\$4,338	\$5,071
State Universities	\$970	\$7,313	\$8,283
UMass	\$1619	\$10,867	\$12,486

This imbalance between tuition and mandatory fees creates unnecessary confusion on the part of students and parents/family members with regard to the true costs of attending college in Massachusetts, especially in terms of receiving both need- and merit-based financial aid. For example, the John and Abigail Adams Scholarship Program awards merit-based aid to high school students who enroll at one of our public institutions. Students receive an undergraduate tuition waiver, and many students and parents/family members mistakenly but understandably assume that this scholarship program will cover a majority of the cost of attending college. Given the imbalance between tuition and mandatory fees, however, this program covers a relatively small proportion of the actual cost.

- **Need for Enhanced Partnerships Between Public and Private Institutions of Higher Education**

Across the Commonwealth, there are multiple examples of strong partnerships between public and private institutions of higher education. These institutions are working together to increase students’ access to higher education, provide joint academic and other programs, and maximize existing resources. However, the Commonwealth should create a statewide system for promoting and sustaining robust partnerships between public and private institutions, one that would enable campus administrators, faculty members, and others to explore new opportunities for joint initiatives.

²⁰ DHE, *Resident Tuition and Mandatory Fee Rates (TOTALLED)*, http://www.mass.edu/campuses/res_total.asp.

- **Insufficient State Funding for Capital Projects and Ongoing Maintenance**

The 2008 Higher Education Bond bill provided approximately \$2.2 billion to our public campuses for capital projects, and the funding has resulted in the development and construction of new facilities across the state. However, there are a multitude of unmet maintenance needs that must be addressed in order to secure the physical structure and safety of our campuses, provide additional opportunities for the strategic expansion of facilities, and ensure that operational funding is spent wisely and efficiently.

- **Need to Strengthen Partnerships Between Higher Education and Business/Industry Entities**

While there are examples of strong partnerships between institutions of higher education and business/industry/workforce development entities at the programmatic level, and the Patrick Administration is implementing several statewide initiatives to strengthen our workforce development system, we do not yet have a statewide system of consistent collaboration among public and independent institutions of higher education, workforce development entities, and employers. In order to increase effectiveness, efficiency, and ensure a strong return on the state's investments in our higher education system, the Commonwealth must increase alignment between higher education degree production and workforce development trajectories (especially given rapid economic, technological, and other changes). In addition, employers need to enter into a true partnership with the higher education system to increase internship and cooperative learning opportunities, create clearly defined pathways to employment, and be an integral component of the educational and employment pipeline in Massachusetts. Employers should be active contributors to the workforce development system, not only the recipients of its products.

SECTION III – RECOMMENDATIONS

In order to ensure that the Commonwealth has a high-quality and robust higher education system that will meet the intellectual, economic, and civic needs of our state; respond effectively and efficiently to changing societal and economic conditions; attract, retain, and graduate well-educated students who will contribute to the intellectual, social, and economic prosperity of the state; ensure quality and affordability; ensure that our higher education system has the necessary human, fiscal, and capital resources necessary to provide transformative and comprehensive academic, career, and other services to students; and notwithstanding the independent Boards and their authority to govern and help define the different mission and goals of each institution, we recognize the benefits that can be achieved by the different segments of higher education working together on these recommendations with the goal of strengthening the Commonwealth's system of higher education and better serving our students and their families, and present the following recommendations in service of achieving these goals.

EXCELLENCE, ACCESS, AND AFFORDABILITY

Over the next five years, the Commonwealth should allocate additional funding to our community colleges, state universities, and UMass, and should also increase funding for state financial aid to students while maintaining the premise that aid programs will support students at both public and independent institutions of higher education.

If recommendation #1, to provide adequate levels of state fiscal support, is implemented, the public higher education system will significantly limit increases for tuition rates and mandatory fees across all of the campuses, and will commit to freezing tuition rates and mandatory fees whenever possible. In addition, Massachusetts will rank among the top ten states in the nation (as well as states with comparable educational, economic, and other factors) with regard to state financial support for our public higher education system and also the proportion of college costs that are covered by state financial aid.

Lastly, the increased investment in state financial aid will dramatically enhance students' access to higher education at a time when the completion of college degrees, certificates, and other credentials is essential to lifelong success, and when the maintenance of a highly educated workforce is essential to the state's economic prosperity.

▪ **Recommendation #1**

In FY 2016 through FY 2020, the Commonwealth should allocate \$95 million in additional funding for each fiscal year – a total of \$475 million over five years – to the community colleges, state universities, and UMass. These dollars should be allocated in addition to the cost of collective bargaining agreements to be funded in accordance with MGL Chapter 150E.

▪ **Recommendation #2**

By FY 2020, the Commonwealth should also allocate \$210 million in additional funding to the MASSGrant financial assistance program. This amount includes funding for students attending both public and independent institutions of higher education, reflects the amount of funding required to increase the percentage of current college costs covered by MASSGrant from 8% to 50% at our public institutions, and also reflects the current ratio of MASSGrant funding for public versus independent institutions. This goal will be achieved by steadily increasing state support for this need-based scholarship program starting in FY 2016.²¹

Table 3: Recommended Increases in State Funding to Public Institutions of Higher Education and the MASSGrant Program

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Funding for public institutions of higher education	\$95 million				
MASSGrant funding for students enrolling at public institutions of higher education	\$28 million	\$56 million	\$84 million	\$112 million	\$140 million
MASSGrant funding for students enrolling at independent institutions of higher education	\$14 million	\$28 million	\$42 million	\$56 million	\$70 million
TOTAL	\$137 million	\$179 million	\$221 million	\$263 million	\$305 million

▪ **Recommendation #3**

The Commissioner of Higher Education, in consultation with the Chair of the Board of Higher Education and the Secretary of Education, should continue working with representatives from the community colleges to refine the performance-based funding formula, and should also work with the state universities to develop an analogous formula appropriate to their mission.

In addition, the President of UMass, in consultation with the Chair of the UMass Board of Trustees and the Secretary of Education, should continue to develop targeted funding models, such as funding for UMass performance, that provide enhanced funding for targeted areas of importance and need.

²¹ If recommendations #1 and #4 are implemented, the Commissioner of Higher Education and the President of UMass, in consultation with the Chairs of the Board of Higher Education and the UMass Board of Trustees and the Secretary of Education, will assess the impact of the new higher education finance system on the overall cost of tuition and mandatory fees, institutional contributions to financial aid, and costs to students and families, and state support for financial aid as a percentage of the overall higher education budget in order to continually increase both access and affordability for students. This assessment may affect the projected MASSGrant funding increases presented in the Table 3.

▪ **Recommendation #3 (continued)**

These targeted funding models developed by the Commissioner of Higher Education and the President of UMass should include a review of per pupil funding for each institution, by segment, relative to other institutions in the segment, and compared to national peers. On the basis of this analysis, the Secretary of Education, Commissioner of Higher Education, and President of UMass should together review current patterns of allocating appropriations for public higher education among the three segments.

▪ **Recommendation #4**

In order to rationalize tuition and fees as well as increase accountability and transparency with regard to higher education costs, all community colleges, state universities, and undergraduate UMass campuses should retain tuition for all in-state students. The Commission supports UMass' full implementation of this model by FY 2017 or sooner, and strongly endorses the timely implementation of the tuition retention model at the community colleges and state universities.

- Tuition should comprise the majority of the total student charges, and will be benchmarked against similar peer institutions of higher education.
- Tuition waivers or credits should be cost neutral to the campuses, and all campuses should provide detailed information about the actual value of these waivers or credits to students and family members to increase transparency with regard to college costs.

ACADEMIC PERFORMANCE

▪ **Recommendation #5**

Based on the following common metrics in the Vision Project and the UMass Performance Initiative, the Commissioner of Higher Education and the President of UMass, in consultation with the Chair of the Board of Higher Education, the Chair of the UMass Board of Trustees, and the Secretary of Education, should establish specific five-year performance benchmarks in order to achieve the goal of being among the best performing public higher education systems in the nation.

- Undergraduate and Graduate Student Success (college participation, college completion in a timely manner, student learning, and closing achievement gaps)
- Workforce Alignment and Development
- Civic Learning and Engagement
- World-Class Research and Development at UMass

OPERATIONAL AND ADMINISTRATIVE EFFICIENCIES

▪ **Recommendation #6**

The Board of Higher Education and the UMass Board of Trustees should give top priority to the effort to achieve operational and administrative efficiencies for all campuses. In furtherance of this goal, the Commissioner of Higher Education and the President of UMass should provide annual reports to the Board of Higher Education, the UMass Board of Trustees, the Secretary of Education, the Joint Committee on Higher Education, and the Joint Committee on Ways and Means regarding continued efforts to achieve cost savings, efficiencies, and dollars reallocated.

These reports should include detailed information about ongoing and successful efforts that are being implemented by the Partnership for Collaboration & Efficiencies, a collaboration between the Massachusetts Community Colleges Executive Office and the State Universities Council of Presidents, and also by the UMass Efficiency and Effectiveness Initiative.

CROSS-SECTOR COLLABORATION

▪ **Recommendation #7**

The Commissioner of Higher Education, the President of UMass, the President of the Association of Independent Colleges and Universities of Massachusetts (AICUM), and the Secretary of Education should establish a task force by January 1, 2015 to develop strategies to foster increased collaboration between public and independent institutions of higher education, and also between institutions of higher education and business, industry, and workforce development partners.

This task force should present recommendations related to, among other topics, maximizing academic, capital, fiscal, and other resources; creating or enhancing collaboration to increase operational effectiveness and efficiency; and building academic and workforce partnerships to better promote workforce development, including an expansion of internships and cooperative learning opportunities. The task force should present recommendations to the Commissioner of Higher Education, the President of UMass, the President of AICUM, and the Secretary of Education by November 15, 2015.

CAPITAL FUNDING AND DEFERRED MAINTENANCE

▪ **Recommendation #8**

Building off of the \$2.2 billion historic higher education bond bill of 2008, during the next legislative session, the Commonwealth should pass a second higher education bond bill that, over the course of ten years, would meet the deferred maintenance needs of the three segments of public higher education, which is currently estimated at \$4.2 billion.²²

²² An increase of \$200 million to this bill is pending before the Governor and the Legislature.

- **Recommendation #8 (continued)**

This new bond bill should also include additional funding to complement current efforts to develop and successfully complete capital projects at our community colleges, state universities, and UMass campuses.

SECTION IV – CONCLUSION

Given the significant issues with regard to the current higher education funding structure in the Commonwealth and the overall performance of our higher education system, the future of our state is at risk.

We must address these issues and improve the quality of our system, and we must build a sense of urgency across the state regarding the importance of achieving these goals. The Commonwealth must make continuous and sufficient investments in our public campuses and state financial aid programs to ensure that our campuses have the necessary human, fiscal, and other resources to provide transformational educational and career opportunities to an increasingly diverse population of students. The Commonwealth must increase access and affordability by increasing its investment in state financial aid programs, and ensuring that concerns about cost and debt will not serve as insurmountable barriers to attending college. And the Commonwealth must reform antiquated financing systems that promote inequity and inefficiency as opposed to equity and efficiency.

If the Commonwealth provides additional resources, our public campuses must commit to significantly enhancing the quality, capacity, and overall performance of our higher education system. Specifically, public higher education must increase access and affordability for students across the state; achieve national leadership on completion rates, student learning, closing achievement gaps, and meeting workforce needs; maximize human, fiscal, and other resources and increase operational efficiency; and increase essential collaboration across the segments of public higher education, between public and private institutions, and among higher education, businesses, and workforce development entities.

Massachusetts is at a crossroads – but if state and local leaders, campus representatives, our business/industry partners, students and their families, and citizens across the state can work together and leverage our collective expertise and commitment to building an excellent higher education system, we will be able to meet the demands of the 21st century and secure the prosperity of the Commonwealth.

APPENDIX

APPENDIX A

FY 14 General Appropriations Act, Outside Section 165

SECTION 165. (a) There shall be a special commission on higher education quality, efficiencies and finance to consist of: the secretary of education, or a designee, who shall serve as chair; the commissioner of higher education or a designee; the president of the University of Massachusetts system or a designee; the house and senate chairs of the joint committee on higher education or their designees; and 6 persons to be appointed by the secretary of education, 1 of whom shall be selected from a list of 3 nominees submitted by the Massachusetts Teachers Association, 1 of whom shall be selected from a list of 3 nominees submitted by the council of presidents of the state university system, 1 of whom shall be selected from a list of 3 nominees submitted by the Massachusetts Community Colleges executive office, 1 of whom shall be selected from a list of 3 nominees submitted by the Association of Independent Colleges and Universities in Massachusetts, 1 of whom shall be selected from a list of 3 nominees submitted by the Massachusetts Competitive Partnership and a student representative currently enrolled in a public higher education institution in the commonwealth.

(b) The commission shall seek to define the requirements of a high quality system of public higher education that meets the needs of students and the commonwealth and to define a sustainable model of financing such a system and the appropriate relative contributions of students and families, the commonwealth, and all other sources, including federal grants.

(c) The commission shall examine, report on and make recommendations on the full range of issues affecting public higher education quality and financing including, but not limited to: (i) leveraging current efficiencies and reforms, including performance incentive grants and the partnership for collaboration and efficiencies initiative; (ii) working to better understand and allocate all available resources to the campuses, including understanding current revenue structures; (iii) enhancing operational efficiencies in the areas of human resources, purchasing and information technology and eliminating redundancies; (iv) rationalizing the definition of tuition and fees in a manner that is transparent and consumer friendly; (v) re-evaluating the historical financing mechanisms that now restrict coherent fiscal planning, including, but not limited to, tuition retention and the fiscal structure of continuing education classes; (vi) reviewing currently offered tuition and fee waivers, including: (1) which waivers are still of policy value; (2) which should be the fiscal responsibility of campuses and which should be the fiscal responsibility of the commonwealth; and (3) addressing the loss of revenue to campuses from the implementation of tuition retention and a redefinition of tuition and fees; (vii) integrating campus capital planning with operating expenditures, including an itemized review of expenditures of \$50,000 or greater; (viii) evaluating the appropriate adjunct faculty to full-time faculty ratio, with a review of the use of adjunct or part-time faculty, adjunct faculty under the current system, the number and use of full-time and tenure-track faculty across the system and the ability of the current system to attract and retain highly qualified faculty and staff; (ix) assessing the number of developmental students being served under the current system and at which institutions, and the adequacy of academic and related support systems in place for both the number and types of students served; and (x) maximizing student investment while attending an institution for public higher education. In particular, the commission shall recommend

improved efficiencies of operation in public higher education that could lead to cost savings and improvements to fiscal controls, planning and cost allocation. Subject to appropriation, the commission may hire temporary staff or consultants to assist with the research and development of any policy recommendations of the commission. The first meeting of the commission shall take place within 45 days after the effective date of this section. The commission shall file a report detailing its recommendations, including legislation necessary to carry out its recommendations, with the clerks of the senate and house of representatives on or before June 30, 2014.

APPENDIX B

Higher Education Resources

- DHE – www.mass.edu
- DHE Vision Project – <http://www.mass.edu/visionproject/>
 - Year 1 Report – *Time to Lead: The Need for Excellence in Public Higher Education*
<http://www.mass.edu/visionproject/timetolead.asp>
 - Year 2 Report – *Within Our Sights: Inside Campus Work to Achieve National Leadership in Public Higher Education*
<http://www.mass.edu/visionproject/withinoursights.asp>
- UMass – <http://www.massachusetts.edu/index.html>
- UMass Performance: Accountable and On the Move – <http://www.massachusetts.edu/umassperformance/>
- PACE – <http://www.masscc.org/pace>
- AICUM – <http://aicum.org/>