

**Massachusetts Board of Higher Education  
Fiscal Affairs and Administrative Policy Committee Meeting  
November 29, 2016**

The November 29, 2016 meeting of the Fiscal Affairs and Administrative Policy (FAAP) Committee on the 21st floor, Conference Room 3, One Ashburton Place, Boston, Massachusetts.

**Committee Members Present:** Committee Chair Tom Hopcroft; Board Chair Chris Gabrieli; Dani Monroe; Paul Toner; Paul Materra; Student Board Member Jasson Alvarado Gomez

**Committee Members Absent:** Don Irving, J.D. LaRock, EOE Secretary Jim Peyser

**Department Staff Present:** Commissioner Carlos Santiago; Deputy Commissioner for Administration and Finance Sean Nelson; Patricia Marshall; Nate Mackinnon; Dena Papanikolaou; Elena Quiroz-Livanis; Richard Nunes; Clantha McCurdy; Joe Wallerstein

**I. CALL TO ORDER**

Committee Chair Hopcroft called the meeting to order at 1:09 p.m.

**II. ACCEPTANCE OF MINUTES**

On a motion duly made and seconded, the minutes of the October 4, 2016 meeting of the Fiscal Affairs and Administrative Policy Committee were unanimously approved.

**III. COMMITTEE CHAIR'S REMARKS**

No remarks were offered by Committee Chair Hopcroft. Chair Hopcroft asked Board Chair Gabrieli if he wished to offer any introductory remarks. Chair Gabrieli declined.

**IV. COMMISSIONER'S REMARKS**

Commissioner Santiago offered no opening remarks.

**V. MOTIONS**

**A. FAAP 17-10 Amendments to 403(b) Elective Deferral Savings Plan**

Committee Chair Hopcroft turned the meeting over to Deputy Commissioner Sean Nelson, who introduced Public Higher Education Employee Retirement Director Richard Nunes. Mr. Nunes presented FAAP 17-10, which proposed an amendment to the 403(b) Elective Deferral Savings Plan that would give plan providers the ability to allow participants to make hardship withdrawals under certain circumstances. Mr. Nunes explained that this is not allowed as the plan is currently written and that hardship withdrawals come with withdrawal fees. Committee Chair Hopcroft asked why the policy was currently written this way. Mr. Nunes answered that previously there were more providers in the plan which required more management by the Commonwealth, but as the number of providers had been reduced, there was less administrative burden on the state. Committee Member Materra asked for clarification of the

term “providers,” and Mr. Nunes responded that the providers were the financial companies that offered investment funds for plan participants. Mr. Nunes went further to explain that the Optional Retirement Plan currently offers investment options with three financial companies: Fidelity Investments; TIAA-CREF; and VALIC. Committee Member Toner asked if the proposed changes in regulations would be an issue for members contributing to two plans. Mr. Nunes responded that any changes could impact a participant’s contribution to two plans, but that it was the individual’s responsibility to be aware of the impacts of contributions or withdrawals. Committee Member Materra asked if this only covered higher education and whether there was any fiscal impact stemming from the proposed change. Mr. Nunes responded that it did only cover higher education and that he anticipated no fiscal impact.

On a motion duly made and seconded, the following motion was approved unanimously by all board members present:

**FAAP 17-10                    CONFIRMATION OF THE MASSACHUSETTS 403(B) ELECTIVE DEFERRAL SAVINGS PLAN NAMED FIDUCIARIES AND AUTHORIZED SIGNATORIES**

**MOVED:**                    The Board of Higher Education hereby amends the Massachusetts 403(b) Elective Deferral Savings Plan, effective immediately, by:

1. Section 1 Definitions of Terms Used; Subsection 1.23(B) Former Provider

Deleting the fifth paragraph and replacing it with the following:

Former Providers may not issue loans as described in Section 4.

2. Section 5 Benefit Distributions; Subsection 5.4(a) Hardship Withdrawals

Deleting the word “Contract” from the first sentence

3. Section 5 Benefit Distributions, Subsection 5.4(b) Hardship Withdrawals

Deleting the word “Contract” from the first sentence

Authority:    Massachusetts General Laws Chapter 15A, §18A.

Contact:     Sean P. Nelson, Deputy Commissioner for Administration and Finance

**B. FAAP 17-11 FY2018 Budget Recommendation**

Deputy Commissioner Nelson presented the FY2018 budget recommendation. Mr. Nelson highlighted the funding requests that are in alignment with the BHE’s focus on the “Big Three” goals: 1) boosting college completion rates; 2) closing achievement gaps; and 3) attracting and graduating more students from underserved populations. Those line-item increases included a \$1.5M increase to the Performance Incentive Fund, a \$450K increase for the

Commonwealth Dual Enrollment Program, and a \$1.1M increase for the General Scholarship account.

Mr. Nelson continued to a discussion of the allocations from the General Scholarship (financial aid) account. Board Chair Gabrieli asked how decisions were made regarding the allocation of scholarships, specifically asking about the proposed allocation for the Gilbert Grant which allows for scholarships to be granted exclusively to private institutions. Senior Deputy Commissioner McCurdy replied that the current scholarship allocation was not based on specific legislative earmarks, but rather on historical funding levels and allocations. She added that budgetary language authorized these allocations. Mr. Nelson noted that it has been nine years since there was language in the budget earmarking scholarship money. Committee Member Materra asked why the DHE provides non-need-based scholarships. Dr. McCurdy replied that certain scholarships, specifically the Early Childhood Educators Scholarship and the Paraprofessional Teacher Preparation Grant, allow the DHE to target students working to complete degrees in fields where there is currently an unmet need in the Commonwealth. Committee Member Materra followed up by noting that the Commonwealth's goals may change and that further discussion is warranted on how funds are targeted. Chair Gabrieli asked when the Board reviews the scholarship allocation policy and sets its priorities. Commissioner Santiago that Dr. McCurdy has undertaken a study to review the allocation of scholarship monies.

Mr. Nelson presented the proposal for a \$259K increase to the DHE Administration account to fund, among other things, increases to the DHE Campus Safety and Violence Prevention Initiative as well as an increase to support current DHE payroll obligations for existing staff. Committee Member Monroe asked how the funding would be used for the DHE Campus Violence Initiative. General Counsel Papanikolaou responded that the DHE could use the proposed FY18 funding to cover the cost of offering free trainings, planning a follow-up to this year's successful conference on campus safety and violence prevention, and hiring a part-time staff member to help implement the recommendations in the Task Force report. Mr. Nelson noted that the FY18 budget recommendation provided level funding to the Nursing and Allied Health, STEM Pipeline, STEM Starter Academy, and Community College Work Force Grants. He discussed the category of "Commonwealth Commitments," or financial obligations and pass-throughs that are legislatively mandated, and noted proposed level funding for the New England Board of Higher Education, a decrease in funding for Tufts Veterinary School, and level funding for Worcester Polytechnic Institute.

Mr. Nelson continued on to a discussion of the FY18 budget recommendations for the Community Colleges and State Universities. Following the presentation of recommendations, Committee Member Materra asked why the FY18 collective bargaining increases were listed as unknown, and who was negotiating these. Mr. Nelson replied that the collective bargaining increases were not in the budget because negotiations had not yet started for certain bargaining units, but that the DHE's Director of Employee and Labor Relations, Michael Murray, was negotiating the successor contracts. Committee Member Materra said he thought that year-to-year raises presented on the FY18 Budget Recommendation slide were substantial. Committee Member Toner noted that the FY17 collective bargaining contracts were unfunded.

Mr. Nelson proceeded to a discussion of the campuses' fringe cost expenditures. Chair Gabrieli asked for further clarification regarding what was driving the increases in campus fringe expenditures. Committee Member Monroe asked for a more detailed breakdown of fringe costs. Mr. Nelson noted that it would be possible to break down the fringe costs, but

that such a breakdown would be provisional because the FY18 collective bargaining increases were not yet established. Committee Member Materra, referencing the previous discussion of collective bargaining increases, asked why the Board would want to signal a potential increase of 3.5%. Mr. Nelson responded that the Massachusetts Community College Council contract for FY18 had already sent a signal with a 2.5% increase and that a range of 1% to 3.5% is noted as a means to highlight the potential campus financial exposure. Chair Gabrieli said that the Board could make a qualitative commitment to hold campuses harmless without recommending a specific rate.

On a motion duly made and seconded, the following motion, subject to an amendment to include the word "operating," was approved unanimously by all board members present:

**FAAP 17-11                      APPROVAL OF THE BOARD OF HIGHER EDUCATION FISCAL YEAR  
2018 BUDGET**

**MOVED:**                      The Board of Higher Education hereby adopts the attached Board of Higher Education operating budget request for Fiscal Year 2018 and further authorizes the Commissioner to submit the Board's budget recommendation to the Secretary of Education.

Authority:     Massachusetts General Laws Chapter 15A, §§6, 9, & 15B.

Contact:       Sean P. Nelson, Deputy Commissioner for Administration and Finance

**V. OTHER BUSINESS**

Following the conclusion of the discussion, Committee Chair Hopcroft asked if there was any additional business for the Committee to consider. Board Chair Gabrieli requested that the Committee consider budgeting from a qualitative as opposed to a quantitative approach and to have ongoing discussions throughout the course of the year.

**VI. ADJOURNMENT**

Having no further business, Committee Chair Hopcroft called for a motion to adjourn, which was seconded. The meeting adjourned at 2:10 p.m.