

**Massachusetts Board of Higher Education
Fiscal Affairs and Administrative Policy Committee Meeting
December 4, 2018**

The December 4, 2018 meeting of the Fiscal Affairs and Administrative Policy (FAAP) Committee was held in Large Conference Room on the 14th floor of One Ashburton Place, Boston, Massachusetts.

Committee Members Present: Committee Chair Tom Hopcroft; Paul Toner; Paul Mattera; Secretary of Education James Peyser; Commissioner Carlos Santiago, non-voting ex-officio member

Committee Members Absent: Board Chair Chris Gabrieli; J.D. La Rock

Department Staff Present: Deputy Commissioner for Administration and Finance Thomas Simard, Patricia Marshall; Clantha McCurdy; Ellen Osborne-Smith; Dena Papanikolaou; Elena Quiroz-Livanis; Joe Wallerstein

I. CALL TO ORDER

Committee Chair Hopcroft called the meeting to order at 1:27 p.m.

II. ACCEPTANCE OF MINUTES

On a motion duly made and seconded, the minutes from the October 16, 2018 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

A. FAAP 19-09 APPROVAL OF THE BOARD OF HIGHER EDUCATION FISCAL YEAR 2020 BUDGET

List of documents used:

FY20 Budget Recommendation

Funding Matrix FY20

FY20 Budget Development Community College and State Universities

Chair Hopcroft turned the meeting over Deputy Commissioner Thomas J. Simard for a presentation on the proposed FY20 Board of Higher Education (BHE) budget recommendation.

Deputy Commissioner Simard indicated he would focus the discussion on four areas and directed attention to the Funding Matrix FY20 document. Deputy Commissioner Simard began by discussing the DHE's main administration account which funds the Department's administrative costs as well as several earmarks for the State University Internship Incentive Program and the DHE's Training Resources and Internship Network (TRAIN) grants, noting that the variances in between the FY20 recommendation and the FY19 budget reflect variances related to salary annualization and cost of living increases, as well as a decrease related to a one-time FY19 earmark.

Deputy Commissioner Simard continued to discuss the State Authorization Reciprocity Agreement (SARA). He explained the FY20 BHE budget did not include a funding request for this program, as it is expected to become self-sustaining and funded through fees. Committee Member Mattera asked how SARA fees were set. Deputy Commissioner Simard answered that the SARA regulations provide for the Board to set fees on a periodic basis, taking into consideration factors such as an institution's size as well as the academic segment being offered. Committee Member Mattera asked if the rates were set at a level that would adequately cover the costs to administer the program. Deputy Commissioner Simard confirmed that the rates would cover the costs of the administering the program. Secretary Peyser asked how the Department collected and accounted for the fees. Deputy Commissioner Simard confirmed with Budget Director Ellen Osborne-Smith that SARA funds were deposited into a trust account that was monitored by the DHE's Administration and Finance unit.

Deputy Commissioner Simard continued to discuss the DHE's FY20 Performance Incentive Fund (PIF) noting that Deputy Commissioner for Academic Affairs and Student Success Patricia Marshall would be presenting greater detail on PIF-funded initiatives at the December 11, 2018 Board meeting. Deputy Commissioner Simard noted that PIF funding continues to support system-wide initiatives and competitive grants to campuses and collaboratives to make progress on the goals articulated by the BHE, and that competitive grants reward innovative thinking and evidence-based practices at the campus level, and foster collaboration across the public higher education system.

Deputy Commissioner Simard briefly noted Health and Welfare payments as reflecting the dental insurance contribution the DHE makes on behalf of employees at the State Universities and Community Colleges as the official employer of record.

Deputy Commissioner Simard moved on to discuss the financial aid line items. He began by noting that the FY20 increase to the MA Scholarship line item represented a decision to extend the FY19 increase of the MASSGrant Plus last-dollar scholarship program for Community College students to State University students in FY20. He added that extending it to State University students would cost more, in part because of higher tuition and fees at the State Universities. He also noted that there were additional funds set aside to fund early college activities related to incremental instructional costs at the post-secondary level as well.

Deputy Commissioner Simard commented that funding for the other financial aid line items – Foster and Adopted Fee Waiver, Foster Care Financial Aid, and the High Demand Scholarship – was either requested at a maintenance level or level-funded for FY20. He also noted that DHE programs under the Pathways to College and Employment were recommended at level funding with the removal of certain earmarks in the DHE’s Bridges to College line item.

Responding to Committee Member Mattera’s request for an explanation of the Tufts Veterinary School line item, Deputy Commissioner Simard stated that original intent of the funding was to support a graduate-level veterinary program in Massachusetts in the absence of a program administered by a public institution of higher education. DHE General Counsel Dena Papanikolaou added that historically this appropriation had included some consideration regarding the work the institution has done to care for State Police horses and other police animals, as well as some public service research contributions. Committee Member Mattera asked if the Board had any discretion over the line item. Secretary Peyser replied that the Board reviewed it as part of its annual recommendation, but that it was supported by the legislature. Commissioner Santiago asked if the Board had supported the item in the past, and Deputy Commissioner Simard replied that it had, but the Board had adjusted the amounts of its recommendations periodically.

Deputy Commissioner Simard continued by discussing the Community College and State University FY20 budget recommendations. He explained that the increased FY20 request for the Community Colleges line item include the value of unfunded salary, tax, and fringe costs associated with the AFSCME collective bargaining agreement (CBA). Deputy Commissioner Simard further explained that the increased FY20 budget request for the State Universities included increased salary, tax and fringe costs of the APA, MSCA, and AFSCME CBAs. Chair Hopcroft asked why the estimate for the MCCC was not included in the estimate. Deputy Commissioner Simard responded that the DHE chose to provide an estimate only for CBAs that had been approved or are reasonably expected to be approved and funded during FY19, and that an estimate for the MCCC contract might appear presumptuous about the outcome of ongoing negotiations with the union. Deputy Commissioner Simard offered to provide the board with an estimate at the December 11, 2018 Board meeting if requested.

Deputy Commissioner Simard moved on to discuss the FY20 BHE recommendation for formula funding, noting that the DHE would be recommending that the accounts be increased by approximately \$11M over the FY19 amount, or 2% of the campuses’ base appropriations. The DHE would recommend allocating 1% proportionally to each campus based on their line item appropriation from the prior year, with the additional 1% based upon the DHE’s ongoing work around incentivizing collaborative efforts and outcomes-based assessment of campus activities in key areas. Secretary Peyser noted that a report from the Massachusetts Taxpayer Foundation had mentioned that formula funding money was unallocated and asked Commissioner Santiago to comment. Commissioner Santiago responded that in FY17 the formula funding amount was small enough that DHE had distributed the funding to campuses uniformly. Deputy Commissioner Simard added that at the time the campuses had agreed that it was not worth developing a more complex process for awarding what was a relatively small

amount of money. Secretary Peyser asked if the Board was being asked to vote on the funding formula allocation. General Counsel Papanikolaou referred the secretary to the budget narrative and confirmed that the scope of the Board's vote would be consistent with the contents of the cover motion and the supporting narrative. Commissioner Santiago added that DHE needs to consider the consequences of using a funding formula in the current era of declining enrollment, but said he felt that the DHE was improving its analytic capability to support decisions to allocate funding in ways that support system goals. Secretary Peyser asked if the FY19 allocation was based on current campus enrollment. Deputy Commissioner Simard replied that had not been. Committee Member Toner asked if there were specific goals for the campuses behind the funding formula. Commissioner Santiago replied that broadly the formula tried to hit three targets: base level funding, stop-loss, and incentives. He added that the Board is moving towards a data-based, system-wide approach to incentivizing goals in Massachusetts higher education.

Following the conclusion of discussion Chair Hopcroft called for a vote on FAAP 19-09. On a motion duly made and seconded, the following motion was approved, with one abstention; Secretary Peyser abstained due to his role in receiving the budget recommendations of the Board.

FAAP 19-09 APPROVAL OF THE BOARD OF HIGHER EDUCATION FISCAL YEAR 2020 BUDGET

VOTED: The Board of Higher Education hereby adopts the attached Board of Higher Education operating budget request for Fiscal Year 2020 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

There was no other business before the committee.

VI. ADJOURNMENT

Having no further business, Committee Member Toner called for a motion to adjourn, which was seconded. The meeting adjourned at 1:55 p.m.