

BOARD OF HIGHER EDUCATION
REQUEST FOR COMMITTEE AND BOARD ACTION

COMMITTEE: Fiscal Affairs and Administrative Policy **NO.:** FAAP 20-11
COMMITTEE DATE: January 28, 2020
BOARD DATE: February 4, 2020

APPROVAL OF THE FY2020-FY2021 ENDOWMENT INCENTIVE PROGRAM GUIDELINES

MOVED: The Board of Higher Education hereby adopts the attached Endowment Incentive Program guidelines for Fiscal Year 2020 and 2021.

VOTED: Motion adopted by FAAP, subject to the following amendment: insert "in accordance with the Case Management and Reporting Standards and Management Guidelines for Educational Fundraising" after the clause "\$1 match for every \$2 generated from new endowment pledges made and accepted..." in the Matching Schedule section of the Guidelines (FAAP, 01/28/2020); adopted by BHE 2/4/2020.

Authority: Massachusetts General Laws, Chapter 15A, Section 15E; Chapter 142 of the Acts of 2029 (7066-0115).
Contact: Thomas Simard, Deputy Commissioner for Administration and Finance

FY2020 and FY2021 Endowment Incentive Program Guidelines Background Information

In June 2006, the Massachusetts Legislature amended Chapter 15A, Section 15(E) entitled the "Public Higher Education Endowment Incentive Program." The program was originally authorized in FY1996 and expired at the end of FY2001. The revised legislation re-established a program, subject to appropriation, to provide state matching support to encourage private fundraising by foundations of the University of Massachusetts, State Universities, and Community Colleges, or by the institutions themselves.

The responsibilities of the Board of Higher Education under the statute are to establish the guidelines defining the matching ratio for funds raised and to disburse the Commonwealth's appropriation according to the guidelines.

Under the legislation, the Commonwealth will match private donations based on a ratio set by the Board of Higher Education up to a set of caps established by the law and subject to an annual appropriation. The statute suggests a ratio of \$1 in state funds for each \$2 raised by an institution or foundation or "\$1 for such greater number of dollars as may be established by the Board of Higher Education." The DHE staff recommends continuing with the ratio of \$1 to each \$2 raised, as suggested in the statute and consistent with previously approved guidelines. The legislation also provides that the base amounts against which these ratios are applied are the "private contributions in the current fiscal year". In accordance with this provision, any contributions to the endowment from new private donors, and donations from prior donors to the endowment above such donors' average annual pledge over the prior three fiscal years that meet the requirements set forth in these guidelines that are pledged and received after July 1, 2019 and before June 30, 2021 shall be eligible for the purposes of this program.

The total matching funds available are subject to appropriation. The Massachusetts Legislature has appropriated \$10 million for the program through supplemental budget language in Chapter 142 of the Acts of 2019 (7066-0115). Under the supplemental budget language, the \$10 million shall be made available through June 30, 2021 and is to be allocated as follows: University of Massachusetts, \$5 million; State Universities, \$2.5 million; and Community Colleges, \$2.5 million.

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

**Public Higher Education Endowment Incentive Program Guidelines:
FY2020 and FY2021**

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| Purpose | Encourage private fundraising and endowment growth by Commonwealth public higher education institutions and foundations. |
| Funding available | <p>\$10 million</p> <p>University of Massachusetts - \$5 million</p> <p>State Universities: \$2.5 million or \$277,778 per college</p> <p>Community Colleges: \$2.5 million or \$166,667 per college</p> |
| Matching Schedule | <p>\$1 match for every \$2 generated from new endowment pledges made and accepted in accordance with the <i>Case Management and Reporting Standards and Management Guidelines for Educational Fundraising</i> after July 1, 2019 and before June 30, 2021, subject to the following requirements:</p> <p>1) for a new endowment donor (defined as a donor who has not previously pledged endowment funds during the past three fiscal years) the full amount of said donor's pledges made and accepted during the relevant time period is eligible for the match;</p> <p>2) for a prior endowment donor (defined as a donor who has previously pledged endowment funds during the past three fiscal years), the amount of eligible matching funds shall be limited to the amount of said donor's pledges made and accepted during the relevant time period that exceeds the average donation amounts from said donor during the past three fiscal years.</p> |
| Donations Eligible for Match | <p>Private contributions to the endowment (permanently restricted funds) for the purposes of this program shall be permitted for capital outlay programs for the academic facilities of those institutions; endowed scholarship funds; endowed professorships; endowed STEM programming; endowed research positions; endowed programming in the arts and humanities; endowed funds to increase diversity and inclusion on public higher education campuses; endowed funds that increase persistence and completion rates; endowed early college programs; and endowed funds that encourage innovative financial aid strategies; including income share arrangements, provided that the terms of any said income share agreements shall be pre-approved by the Board of Higher Education.</p> <p>In addition, the Board of Higher Education may, at its discretion, approve such other purposes that may be proposed by a public institution of higher education, provided that the institution can demonstrate that the proposed purpose is: 1) consistent with system-wide goals and campus mission statements; and 2) the</p> |

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| | campus proposal is supported by measurable goals and metrics. |
| Process for Campus Participation | For each institution the program shall be administered by its foundation, as defined in M.G.L. c. 15A, § 37, in accordance with procedures adopted by the board of trustees by June 15, 2020. Such procedures shall include the method for each board of trustees to certify to the house and senate committee on ways and means the actual amount received in private contributions to the endowment in each fiscal year. Such procedures shall also include safeguards for protecting the anonymity of donors who indicate their desire not to be identified. |