Finance and Administrative Policy Advisory Council (FAAP AC)

Strategic Review of Public Higher Education Financing: First Discussion of Policy Options

November 3rd, 2022
Agenda

- Introduction and background
- Approach to identifying and assessing policy options
- Range of policy options and implications for funding
- Summary of policy options
- Appendix
What does the strategic review aim to accomplish?

### Key Objectives for the Commonwealth’s Strategic Review

- Promote better understanding of the current state of higher education financing and higher education outcomes in MA
- Learn from the experience of other states to identify range of potential policy choices for consideration in MA context
- Solicit input and enable discussion across the stakeholder ecosystem in MA about potential impacts of policy choices
- Recommend range of options for the financing system design, along with the potential impact of these options, to the Board of Higher Education

### Prioritized Areas of Focus for the Commonwealth’s Strategic Review

- Resident undergraduate students in public higher ed institutions (community colleges, state universities, UMass)
- State funding (considered in the context of total revenue and student-driven revenue)

*The Board of Higher Education is conducting this strategic review under the assumed context of the willingness of the Commonwealth to invest more in public higher education*
What are the phases of the strategic review project?

A. Current state assessment
- How public higher education in MA is financed (policies, funding over time, enrollment over time)

B. Comparative analysis
- How MA compares to other US states (institutional allocations and financial aid)

C. Student outcomes analysis
- How MA performs on student-level outcomes and affordability measures, in aggregate and by subgroup

2. Stakeholder engagement
- Meetings with a wide range of stakeholders to discuss Phase 1 findings
- Stakeholder feedback will inform scenario analyses of potential policy changes

3. Scenario analyses of policy changes
- Scenario analyses across a range of possible policy choices
- Assessment of scenario analyses on:
  - Students
  - Institutions

4. Synthesis and recommendations
- Synthesis of key analyses and findings from all phases of work
- Recommended range of options and potential impacts of options, to be presented to the BHE in the Fall

1. Foundational fact-finding
- November 2021 – June 2022

2. Stakeholder engagement
- August 2022 – October 2022

3. Scenario analyses of policy changes
- October 2022 – December 2022
What are the BHE’s next steps in the synthesis and recommendations phase?

**Synthesis and recommendations**

<table>
<thead>
<tr>
<th>November 3</th>
<th>November 3 – December 13</th>
<th>December 13</th>
<th>December 13, 2022 – 2023 and beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Launch public discussion about policy options</td>
<td>Solicit input from stakeholders and refine policy options and recommendations</td>
<td>Bring recommendations to the BHE for consideration and vote</td>
<td>Continue to refine recommendations</td>
</tr>
<tr>
<td><strong>Current discussion</strong></td>
<td></td>
<td></td>
<td>Advance elements that can be implemented by direct BHE action or through executive action &amp; budget</td>
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<td></td>
<td></td>
<td></td>
<td>Work to build consensus across internal and external stakeholders</td>
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<td></td>
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<td></td>
<td>Work with Governor and Legislature to advance broad solution</td>
</tr>
</tbody>
</table>
The approach to state funding of public higher education in MA has not kept pace with the tremendous changes experienced by both institutions and students across the MA higher education landscape.

Higher education funding policy choices are in the national spotlight; MA has an opportunity to consider funding policy choices that meet the moment and the challenges and goals for students and institutions.
Why is the Board of Higher Education leading the strategic review?

<table>
<thead>
<tr>
<th>Role of the Board of Higher Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>M.G.L. Chapter 15, Section 1:</td>
</tr>
<tr>
<td>“The board of higher education, in this chapter called the board or the council, shall be responsible for defining the mission of and coordinating the state’s system of higher education”</td>
</tr>
<tr>
<td>“The board shall work in conjunction with boards of trustees to hold the system accountable for achieving its goals and establishing a comprehensive system to measure quality by defining educational achievement and success with the use of standards and measurements.”</td>
</tr>
<tr>
<td>“The board shall, work to coordinate its activities within a framework of an integrated public education system extending from early childhood programs through the university level, to promote coordination and greater benefits to students.”</td>
</tr>
<tr>
<td>Under M.G.L., certain key authorities over UMass campuses reside solely with the UMass Board of Trustees (Chapter 75, Section 1):</td>
</tr>
<tr>
<td>“There shall be a University of Massachusetts…which shall continue as a public institution of higher learning within the system of public higher education and shall be governed by the board of trustees established herein. In addition to the authority, responsibility, powers and duties specifically conferred by this chapter, the board of trustees shall have all authority, responsibility, rights, privileges, powers and duties customarily and traditionally exercised by governing boards of institutions of higher learning.”</td>
</tr>
<tr>
<td>While the Commonwealth has a decentralized higher education system, the funding strategy is inherently a systemic property, and the BHE is best positioned to bring forth recommendations for the good of the whole</td>
</tr>
</tbody>
</table>
Introduction and background

What principles have guided the analysis and discussion to date?

1. System advances student participation in high quality, affordable education
   The system supports students from all backgrounds in participating in and affording high quality higher education

2. System promotes equity in student outcomes
   The system supports bridging gaps in retention, graduation, and post-grad outcomes (e.g., student success and employment) by student subgroup

3. System is transparent and rooted in data, providing stakeholders with sufficient ability to plan
   The drivers of state funding are clear and well understood by institutions, students, parents, and policymakers, allowing them to plan based on known parameters

4. System recognizes institutional context
   The system takes into account institutional missions, contexts, and regional geography, including diversity of student populations and distinct needs

5. System recognizes innovation and collaboration
   The system fosters innovation and collaboration to meet student success goals, including collaboration within segments, regions, and with outside stakeholders such as K-12 and industry
Case for Change: The current system for financing public higher education in the Commonwealth does not fully support these key principles

1. System advances participation in high quality, affordable education
   Participation rates have been declining prior to COVID-19 and have accelerated since. Affordability is a barrier for many students, with a large share of students taking on debt
   
   “I support expanding financial aid. More aid money could attract more students and raise enrollments”

2. System promotes equity in student outcomes
   Gaps in outcomes persist between groups, yet a very small amount of funding to institutions is tied to closing equity gaps
   
   “What resources does it take to support students from different groups, such as Pell-eligible or URM students? The idea of considering what it takes to provide students with the resources they need is logical”

3. System is transparent and rooted in data
   The current system is not driven by a clear, well-understood strategy. Instead, it is mostly dependent on economic conditions
   
   “These historical dollars only show what the state could afford…the reason this was happening is because there was no apparent strategy to financing”

4. System recognizes institutional context
   The system could tie a greater share of funding to each institution’s student composition and outcomes
   
   “Each institution’s performance outcomes should be a part of the formula. Institutions should also be rewarded for their ability to attract people to their school”

5. System recognizes innovation and collaboration
   The current system provides limited support for innovation, with funding falling from ~$7.5m in FY14 to ~$2.5m today
   
   “These are extremely important funds to programs such as competency-based education and Mass Transfer. I have seen the ways they move us forward”

Source: Analysis based on MMARS, MA DHE, and MA DESE data; Commentary from stakeholder sessions held August-October 2022
Introduction and background

Case for Change: The current system should be significantly strengthened to better serve students and institutions and align with our systemic values

The current system for financing public higher education in the Commonwealth does not meet the key principles and should be significantly changed, modernized, and strengthened.

While reasonable people can disagree on the specifics of what should come next, we should not be satisfied with the financing system we have:

- Not for its benefits on students
- Not for its impact on institutions
- Not for its alignment with our systemic goals and values
- Not for its value to taxpayers
- Not at a time of accelerating challenge and opportunity
Agenda

- Introduction and background
- **Approach to identifying and assessing policy options**
- Range of policy options and implications for funding
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What are the design principles that informed what policy options the Commonwealth could consider moving forward?

In developing the framework of policy options, we adopted the following design principles:

- Take a holistic approach recognizing many interdependencies
- Seek transparency and simplicity wherever possible
- Provide specificity but also offer choices within a rational and transparent framework

Our initial policy options will:

- Specify high-level goals and parameters
- Offer multiple options (scenarios), with analyses of impacts and costs of alternatives
- Support students across the spectrum
  - At both 2- and 4-year institutions
  - Full-time and part-time
  - First time and returning
- Address transition issues
- Set the stage for further refinement ahead
  - Provide a structure allowing a healthy public dialogue among stakeholders both before and after a BHE vote on December 13
  - Set up the BHE and DHE to be a constructive catalyst and partner for change
Design principles

The policy options under consideration address five high level goals

1. Make college more accessible and affordable for students
   1) Address barriers to participation for low-income and part-time students
   2) Address burdensome debt levels for low- and middle-income students and families

2. Bolster institution funding to support student success

3. Ensure system-level capacity to foster innovation and collaboration

4. Align incentives between the State and campuses

5. Increase simplicity, transparency, and predictability for all
What is the approach to laying out the policy options?

▲ For each of the five high level goals, we have offered three options:
  - Option A codifies the set of policies and, in some cases, adds key elements and has modest investment beyond today’s levels
  - Option B adds new key elements and invests significantly in higher education
  - Option C builds on Option B with further elements and investment

▲ For each set of options, we also specify the following:
  - Policy codifications and choices
  - Impacts on students and/or institutions
  - Costs to the Commonwealth

▲ We provide areas for further exploration where needed
Agenda

- Introduction and background
- Approach to identifying and assessing policy options
- **Range of policy options and implications for funding**
  - Make college more accessible and affordable for students
  - Bolster institutional funding to support student success
  - Ensure system-level capacity to foster innovation and collaboration
  - Align incentives between the State and campuses
  - Increase simplicity, transparency, and predictability for all
- Summary of policy options
- Appendix
Case for Change: As challenges with affordability increasingly affect student outcomes and debt uptake, MA could use financial aid to improve accessibility and affordability.

**Goal:** Make college more accessible and affordable for students

1) Address barriers to participation for low-income and part-time students
2) Address burdensome debt levels for low- and middle-income students and families

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**Case for change**

- Participation rates in public higher education have been sinking
- Equity gaps in completion remain large
- Debt levels have grown in size and frequency
- Many other states have implemented promise programs for financial aid
Case for Change: Even prior to COVID-19, participation rates were declining; the rising cost of attendance has likely been a barrier to access, especially for low-income students.

Post-secondary participation rate (enrolling within 16 months of graduation) for graduating MA high-school students, FY10 – FY21.

<table>
<thead>
<tr>
<th>Year</th>
<th>Attending any post-secondary (all)</th>
<th>Attending any post-secondary (low-income)</th>
<th>MA community colleges</th>
<th>MA state universities</th>
<th>UMass</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY10</td>
<td>100%</td>
<td>98%</td>
<td>92%</td>
<td>91%</td>
<td>96%</td>
</tr>
<tr>
<td>FY15</td>
<td>82%</td>
<td>78%</td>
<td>75%</td>
<td>74%</td>
<td>78%</td>
</tr>
<tr>
<td>FY21</td>
<td>53%</td>
<td>50%</td>
<td>45%</td>
<td>44%</td>
<td>51%</td>
</tr>
</tbody>
</table>

% change (FY10-FY19)  % change (FY19-FY21)

-3pp  -7pp

Overall decline begins in FY18

COVID-19

Decline begins in FY14 for CC’s

Substantial decline for low-income students

53%  53%  45%

28%  26%  19%

11%  12%  10%

14%  15%  16%

MA community colleges  MA state universities  UMass

Source: MA DESE; National Student Clearinghouse
Make college more accessible and affordable for students

Case for Change: Large equity gaps between student groups persist across segments; increased financial aid could help reduce these outcome gaps

**Graduation rates for first-time, full-time undergraduate students attending MA public institutions, by URM status, FY11 – FY20**

- **Non-URM graduation rate**
  - FY11: 39%
  - FY15: 47%
  - FY20: 57%
  - MA equity gap %: 19%
  - CC equity gap %: 8%
  - SU equity gap %: 12%
  - UMass equity gap %: 17%
  - UR graduation rate: 19%
  - Pell graduation rate: 38%

**Graduation rates for first-time, full-time undergraduate students attending MA public institutions, by Pell status, FY16 – FY20**

- **Non-Pell graduation rate**
  - FY16: 17%
  - FY18: 18%
  - FY20: 17%
  - MA equity gap %: 17%
  - CC equity gap %: 8%
  - SU equity gap %: 3%
  - UMass equity gap %: 12%
  - Pell graduation rate: 35%
  - Pell graduation rate: 38%
  - Pell graduation rate: 42%

**Notes:**
- Segment averages are calculated using weighted averages by total enrollment.
- Race and ethnicity classifications were adjusted between FY10 and FY11. For consistency, only years with the new classifications are shown here.
- Source: IPEDS

1. Race and ethnicity classifications were adjusted between FY10 and FY11. For consistency, only years with the new classifications are shown here.
Case for Change: Despite a falling share of debt uptake at two segments since FY15, the average debt burden per student (for those with loans) has risen over FY10-20.

Percent of graduating students with student loan debt, by year and sector, FY10 – FY20

- MA community colleges
- MA state universities
- UMass
- All MA public

Average amount of student loan debt for graduating students carrying loans, by year and sector, 2020 dollars, FY10 – FY20

- CAGR ('10-'20)
  - MA community colleges: 3%
  - MA state universities: 2%
  - UMass: 1%
  - All MA public: 2%

Growth in average loan debt has slowed in the past 5 years for state universities, and declined slightly for UMass.

In FY04, MA was ranked the 46th state in average debt per 4-year public university student. By FY19, MA had risen to the 14th highest state (from $13k to $31k per student).

Source: MA DHE; College Insight
Case for Change: There are many examples nationally of state financial aid programs (such as Promise Programs) when considering available policy choices

States with a statewide Promise Program, 2021

- Statewide promise program recognized by all notable sources
- Statewide promise program recognized by 1-3 notable sources
- No statewide promise program (18 states)

Promise Program characteristics, 2021

- 2-year only: T&F + other costs of attendance
- 4-year only: Maximum T&F
- Both: Cap at tuition (fees not included)

- No cap
- $20k
- $10k
- $5k
- $3k
- ~$12k
- ~$68k - $150k
- ~$20k
- ~$12k
- ~$10k
- ~$5k
- ~$3k
- ~$12k
- ~$68k - $150k
- No cap
- No requirement
- No requirement

- Eligible institutions
- Grant coverage
- Award cap
- Maximum income bracket eligible
- GPA requirement

- States like Washington and most recently New Mexico have enacted ambitious first-dollar programs that allow students to dedicate other aid, including Pell Grants, towards costs such as books, housing, meal plans and transportation

- Promise programs have been gaining traction, with 9 out of 32 programs established in the past 5 years

- 6 out of 32 programs have income eligibility cutoffs above the Pell-cutoff (e.g., 100k in Indiana, 150k in New York)

1. The notable sources which track Promise Programs are College Promise, Education Trust, Free College Now, and Penn Ahead
2. MASSGrant Plus is recognized as a Promise Program by Free College Now, but not by the Education Trust, College Promise, or Penn Ahead
3. States with first-dollar promise programs which fully meet tuition & fees are considered to be covering costs beyond tuition & fees, since eligible students would receive federal dollars in addition to the state tuition & fee grant

Source: Tennessee Comptroller of the Treasury; State Board of Higher Ed websites; Statesman Journal; College Promise; Education Trust: A Promise Worth Keeping; Free College Now; Penn Ahead
Case for Change: States and institutions have seen positive trends in college enrollment, persistence, transfers, and graduation after implementing major financial aid programs (1 of 2)

Examples of financial aid program outcomes

<table>
<thead>
<tr>
<th>Program</th>
<th>Description</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missouri A+ Scholarship</td>
<td>The A+ Scholarship is a last-dollar program covering tuition and fees at MO community colleges for resident students</td>
<td>A 2008-13 study found A+ scholarship recipients were….&lt;br&gt;14 pp more likely to persist&lt;br&gt;15 pp more likely to transfer to a 4-year institution&lt;br&gt;2x more likely to graduate within 3 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Research from 2016-19 found Oregon Promise recipients were….&lt;br&gt;27 pp more likely to enroll in college 6 months post-high school&lt;br&gt;10 pp more likely to persist or have graduated in 3 years&lt;br&gt;4 pp increase in overall community college participation</td>
</tr>
<tr>
<td>Oregon Promise</td>
<td>Oregon Promise is a last-dollar program that covers tuition and fees at OR community colleges for resident students</td>
<td>A study of found CUNY ASAP participants who enrolled in 2010 in were….&lt;br&gt;18 pp more likely to graduate college&lt;br&gt;8 pp more likely to transfer to a 4-year institution&lt;br&gt;Expected to receive 9 more credits in 3 years</td>
</tr>
<tr>
<td>CUNY ASAP</td>
<td>CUNY ASAP provides tuition and fee waivers, free textbooks, transportation stipends, and advising to full-time NYC community college students</td>
<td></td>
</tr>
</tbody>
</table>

Source: Missouri Department of Higher Education and Workforce Development, Most Policy Institute; Research for Action; Institute of Education Sciences; Midwestern Higher Education Compact; MDRC; Gurantz 2019
Case for Change: States and institutions have seen positive trends in college enrollment, persistence, transfers, and graduation after implementing major financial aid programs (2 of 2)

Examples of financial aid program outcomes

<table>
<thead>
<tr>
<th>Program</th>
<th>Description</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluating College Support (Angrist, Autor, and Pallais) (2012-2016)</td>
<td>A study by an MIT-based team examined the effects of a significant expansion of the Buffet Scholarship in Nebraska beyond tuition &amp; fees to ~$8k awards per year for 4-years</td>
<td></td>
</tr>
<tr>
<td></td>
<td>11 pp more likely to enroll in a post-secondary institution</td>
<td></td>
</tr>
<tr>
<td></td>
<td>8 pp more likely to complete college</td>
<td></td>
</tr>
<tr>
<td></td>
<td>17 pp more likely to graduate college debt-free</td>
<td></td>
</tr>
<tr>
<td>Meta-analysis of the effects of Grant Aid on Persistence and Attainment (Nguyen et al.) (2019)</td>
<td>Nguyen et al. conducted a meta-analysis of 43 studies to determine the incremental effects of $1k in grant aid on student outcomes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The analysis also cites a 2010 study by Hence, Deming, and Dynarski on the incremental effects of $1k reduction in college cost</td>
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<tr>
<td></td>
<td>2-3 pp increase in college persistence</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2-3 pp increase in college completion</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4 pp increase in likelihood of college enrollment</td>
<td></td>
</tr>
</tbody>
</table>

Source: Evaluating College Support; Nguyen et al. 2019; Hence et al. 2010
Policy Options / Scenarios: The Commonwealth should codify MASSGrant Plus in law to solidify its Promise commitment and further improve communication of the offering

From MASSGrant Plus to a Commonwealth Promise

- Over the past 5 years, the Commonwealth has achieved a significant form of Promise Program
  - The Commonwealth has already funded and defined an important first-level of a Promise Program through MASSGrant Plus, by fulfilling unmet need for eligible students
  - In FY23, the program is expected to distribute ~$35m in aid to ~16k students
- However, the program is neither codified in state law or prioritized budgetarily
- The program has not been publicized as a commitment that students and communities can count on
  - Evidence shows that the communication of a simple, clear, reliable Promise Program is as important to its success as its financial structure
  - Too many people believe they cannot afford college now

It is time for the Commonwealth to codify its Promise Program and make MASSGrant Plus a top, ongoing priority

Source: MA DHE
Policy Options / Scenarios: Potential policy options for a Commonwealth Promise seek to fill the gaps left by MASSGrant Plus in its current form

MASSGrant Plus represented a major step forward as it eliminates "unmet need" for all Pell-eligible students in the state across all segments, but it leaves out many students and needs.

**Proposed expansions of MASSGrant Plus**

**Enrollment status**
- At state universities and UMass, the program only covers full-time students, but there are ~4k potentially eligible part-time students.
- At Community colleges, the program covers half-time students (6+ credits), but there are ~2k more part-time students.

**Income eligibility**
- The income eligibility threshold for state universities and UMass is the cutoff for Pell eligibility, or ~$68k adjusted gross family income.
- The median family income in MA is ~$85k and the 75th percentile income level is ~$125k.

**Costs covered**
- The cost covered now are tuition and fees and up to a $1k stipend towards other direct costs (e.g., books and supplies).
- Colleges estimate more than $1k in such direct costs for many students.
- The formula does not factor in the "cost of attendance," such as costs of housing, food, transportation, and other basic needs often categorized as "room and board."
  - There is considerable evidence that many low-income students are housing and even food insecure.

Source: MA DHE
Policy Options / Scenarios: The Commonwealth should pursue a range of options as it looks to build upon MASSGrant Plus and its other existing financial aid programs

<table>
<thead>
<tr>
<th>Current MASSGrant Plus</th>
<th>A</th>
<th>B1</th>
<th>B2</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>CC students enrolled in 6+ credits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SU and UMass full-time students (12+ credits)</td>
<td>Include part-time</td>
<td>Include part-time</td>
<td>Include part-time</td>
<td>Include part-time</td>
</tr>
<tr>
<td>No income cap for CC students</td>
<td>Same as current state</td>
<td>Include up to $125k AGI(^1)</td>
<td>Same as current state</td>
<td>Include up to $125k AGI(^1)</td>
</tr>
<tr>
<td>Pell-eligible students at SUs and UMass</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>Cover all direct costs</td>
<td>Cover all direct costs</td>
<td>Cover all direct costs</td>
<td>Cover all direct costs</td>
</tr>
<tr>
<td>Up to $1k stipend for books and supplies</td>
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</tbody>
</table>

1. Some states such as NY, CA, & KS have income cutoffs of ~$125k AGI

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1. Some states such as NY, CA, & KS have income cutoffs of ~$125k AGI
### Policy Options / Scenarios: Expansions of MASSGrant Plus would provide additional aid to thousands of students and potentially encourage new students to participate in higher ed

**Make college more accessible and affordable for students**

Academic studies point to a \(~4\) percentage point increase in the likelihood of enrollment for each \$1,000 in aid a student receives, and a \(~2-3\) percentage point increase in completion rates.

The scenario options proposed here are likely to help more students and require more incremental dollars than current estimates suggest due to anticipated enrollment and graduation rate increases associated with their implementation.

<table>
<thead>
<tr>
<th>A</th>
<th>Add part-time students</th>
<th>B1</th>
<th>Add middle-income students</th>
<th>B2</th>
<th>Greater share of cost of attendance for low-income students</th>
<th>C</th>
<th>Greater share of cost of attendance for all eligible students</th>
</tr>
</thead>
<tbody>
<tr>
<td>New part-time students eligible²</td>
<td>~7k</td>
<td>~7k</td>
<td>~7k</td>
<td>~7k</td>
<td>~7k</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New students eligible with AGI up to $125k²</td>
<td>–</td>
<td>~6k</td>
<td>–</td>
<td>~6k</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students receiving additional funds for direct costs</td>
<td>~9k</td>
<td>~9k</td>
<td>~9k</td>
<td>~9k</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students receiving CoA stipend (inclusive of added students above)</td>
<td>–</td>
<td>–</td>
<td>~59k</td>
<td>~86k</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current students who benefit from expansion³</td>
<td>~16k</td>
<td>~22k</td>
<td>~59k</td>
<td>~86k</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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1. Figures only include students who file a FAFSA
2. Expansion of students with unmet direct costs
3. ‘Total students who benefit’ is the sum of the 3 levels of programmatic expansion OR the total students receiving the CoA stipend (this would include all students captured by the expansions)
4. Nguyen et al. (2019); Hence, Deming, and Dynarski (2010)
Policy Options / Scenarios: These options range from benefiting ~8% to ~43% of all resident students and from ~27% up to 100% of Pell residents, depending on the scenario.

Financial aid options: Decomposition of student impact

<table>
<thead>
<tr>
<th>Add part-time students</th>
<th>Add middle-income students</th>
<th>Greater share of cost of attendance for low-income students</th>
<th>Greater share of cost of attendance for all eligible students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total students who benefit</td>
<td>Total</td>
<td>CC</td>
<td>SU</td>
</tr>
<tr>
<td>~9k</td>
<td>~3k</td>
<td>~4k</td>
<td>~16k</td>
</tr>
<tr>
<td>Pell-eligible students who benefit</td>
<td></td>
<td>~9k</td>
<td>~3k</td>
</tr>
<tr>
<td>Share of resident students who benefit</td>
<td>~9%</td>
<td>~7%</td>
<td>~8%</td>
</tr>
<tr>
<td>Share of FAFSA filers who benefit</td>
<td>~22%</td>
<td>~11%</td>
<td>~16%</td>
</tr>
<tr>
<td>Share of Pell-recipient students who benefit</td>
<td>~29%</td>
<td>~24%</td>
<td>~27%</td>
</tr>
</tbody>
</table>

The scenario options shown are also likely to reach more students than current estimates suggest by incentivizing more students to file a FAFSA to qualify for aid. As a result, the eventual share of total resident students who benefit may be closer to the current share of FAFSA filers who benefit, as more potentially eligible students complete a FAFSA.

Source: MA DHE  
1. Annual resident headcount by Pell-status derived from student-level and fall headcount data  
2. Assumes the income distribution of non-FAFSA filers is roughly similar to that of the filers
Policy Options / Scenarios: The total cost of the financial aid options vary depending on changes to eligibility and costs covered in MASSGrant Plus

<table>
<thead>
<tr>
<th></th>
<th>Add part-time students</th>
<th>Add middle-income students</th>
<th>Greater share of cost of attendance for low-income students</th>
<th>Greater share of cost of attendance for all eligible students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of part-time student expansion</td>
<td>~$16m</td>
<td>~$16m</td>
<td>~$16m</td>
<td>~$16m</td>
</tr>
<tr>
<td>Cost of income eligibility expansion</td>
<td>–</td>
<td>~$15m</td>
<td>–</td>
<td>~$15m</td>
</tr>
<tr>
<td>Cost of expansion to cover all direct costs</td>
<td>~$18m</td>
<td>~$18m</td>
<td>~$18m</td>
<td>~$18m</td>
</tr>
<tr>
<td>Cost of CoA stipend</td>
<td>–</td>
<td>–</td>
<td>~$59m</td>
<td>~$144m</td>
</tr>
<tr>
<td>Total incremental cost$^2$</td>
<td>~$34m</td>
<td>~$49m</td>
<td>~$93m</td>
<td>~$193m</td>
</tr>
</tbody>
</table>

Source: MA DHE

1. Figures shown represent incremental costs for students who file a FAFSA
2. Incremental costs is the sum of expanding MASSGrant Plus to include more eligible students and cover more cost types
Policy Options / Scenarios: In addition to the policy options, Massachusetts should also consider several other initiatives as it revamps its approach to financial aid.

- The Commonwealth should simplify the existing, complex system of scholarships and tuition waivers.

- The Commonwealth will need communicate the new Commonwealth Promise for years to come.

- There is an opportunity to further invest in understanding the impact of addressing the cost of attendance (see Appendix).
Introduction and background

Approach to identifying and assessing policy options

**Range of policy options and implications for funding**
- Make college more accessible and affordable for students
- ***Bolster institutional funding to support student success***
  - Ensure system-level capacity to foster innovation and collaboration
  - Align incentives between the State and campuses
  - Increase simplicity, transparency, and predictability for all

Summary of policy options

Appendix
Bolstering institutional funding to support student success

Case for Change: Institutional support makes up 90% of higher education funding, but the allocation approach can be altered to promote transparency and better support student needs.

**Goal:** Bolster institution funding to support student success

**Case for change**

- Current institutional allocations are tied to historical assumptions and economic conditions, rather than to logical, demonstrated need.
- Institutions need consistent, reliable base funding in order to operate.
- Institutions deserve enrollment-related funding to better reflect each institution’s commitment to serve specific student populations.
- Enrollment funding weighted for students with higher needs can help raise outcomes, meet the Commonwealth’s equity goals, and support institutions’ need to invest in student supports.
- Performance funding for equity / outcome gains can also align student success and campus incentives.
**Case for Change:** Historically, Massachusetts state funding has been shaped primarily by economic patterns, rather than by student enrollment, needs, outcomes, or institutional metrics.

State spending (institutional allocations & fringe benefits) on public higher education and fall headcount enrollment attending MA public institutions, 2020 dollars, FY01 – FY23A.

<table>
<thead>
<tr>
<th>Compound annual growth rate (CAGR) (‘01-21)</th>
<th>Fall FTE enrollment (0%)</th>
<th>Performance-based funding</th>
<th>Fringe benefits (+2%)</th>
<th>Line-item institutional allocations (0%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAGR FY01-04: (8.8%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY04-08: 6.6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY08-10: (17.7%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY10-23A: 3.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Impact of Recession**
- CAGR FY01-04: (8.8%)
- FY04-08: 6.6%
- FY08-10: (17.7%)

**Recovery**
- Impact of Great Recession

**Growth**
- FY10-23A: 3.5%

Over the past 5 years, the prior year’s line-item institutional appropriation has accounted on average for ~98% of the following year’s final appropriation.

Source: MMARS; MA DHE; UMass Internal Data

1. FY23A based on FY23 final budget allocation
Case for Change: Even within an institutional segment, there is substantial variability by institution in state funding per student (FTE)

FY23 institutional allocations per fall FTE enrollment vs. total fall FTE, by institution\(^1,2\)

1. 3-year average of FY19-21 fall FTE total enrollment, inclusive of undergraduate and graduate students (data collected from campuses by MA DHE)
2. UMass funding excludes allocations to the Medical School based on IPEDS-reported FY20 distribution of state appropriations, applied to FY23 state budget allocation to UMass

Source: MA DHE; MMARS (CCs and SUs); IPEDS (UMass)
Case for Change: Institutional support could be restructured to improve transparency and provide more resources to students who require support

### Of all U.S. states...

<table>
<thead>
<tr>
<th>Base-plus (or minus)</th>
<th>Enrollment-based</th>
</tr>
</thead>
<tbody>
<tr>
<td>~30%</td>
<td>~40%</td>
</tr>
<tr>
<td>Fund 2-year institutions using only a base-plus approach</td>
<td>Fund 2-year institutions using only a base-plus approach</td>
</tr>
<tr>
<td>~40%</td>
<td>~52%</td>
</tr>
<tr>
<td>Fund 4-year institutions using only a base-plus approach</td>
<td>Fund 4-year institutions with an enrollment-based component</td>
</tr>
<tr>
<td>~52%</td>
<td>~40%</td>
</tr>
<tr>
<td>Fund 2-year institutions with an enrollment-based component</td>
<td>Fund 4-year institutions with an enrollment-based component</td>
</tr>
<tr>
<td>~26%</td>
<td></td>
</tr>
<tr>
<td>Include incremental weighting for priority student group enrollments</td>
<td></td>
</tr>
</tbody>
</table>

### Goals of the Commonwealth’s institutional support design

<table>
<thead>
<tr>
<th>Institutions need base funding</th>
<th>Colleges should receive a significant share of funding tied to enrollment</th>
<th>Weighting of enrollment should provide more resources for students who need more support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Many states provide significant base funding</td>
<td>About half of all states include an enrollment-based funding component</td>
<td>~26% of states include incremental weighting for students with the greatest needs and disadvantages</td>
</tr>
<tr>
<td>Campuses should be able to count on this funding to grow with underlying drivers in future years (e.g., inflation, CBA agreement increases)</td>
<td>Provides transparency as to why the state funds campuses at their respective levels above base</td>
<td>Consistent approach with how MA funds K-12 districts (e.g., as high as 2x for certain student groups) and the State’s commitment to the Equity Agenda</td>
</tr>
<tr>
<td></td>
<td>Rewards campuses for recruiting and sustaining enrollment</td>
<td></td>
</tr>
</tbody>
</table>
Policy Options/Scenarios: The proposed methodology combines base and enrollment funding, with added funds for higher need students and perhaps for equity performance.

### Proposed allocation methodology

<table>
<thead>
<tr>
<th>Base</th>
<th>Each institution would receive <strong>50% of their FY23 institutional allocation</strong> as a base allocation to support its core operational needs</th>
</tr>
</thead>
</table>
| Unweighted enrollment | Each institution **would receive funding tied to enrollment** to reflect commitments they must make  
- This approach aligns institutions, taxpayers, and students within the system of public higher education funding  
- Including an enrollment component **rewards schools that serve the most students and grow their enrollments**  
Each institution would be **“held harmless” for at least a multi-year transition period** so that it receives at least as much funding as it would have under the current system (e.g., FY23) |
| Additive weighted enrollment | Students with higher needs, such as **Pell-eligible students, would receive additive funding** to allow schools to invest more in their support  
- This approach is consistent with MA's K-12 funding formula, MA's SUCCESS Fund (~$14m fund to provide student support services to community college students, particularly those from underrepresented groups, in order to improve outcomes), and national best practice  
- Additive funds align with the Commonwealth's equity goals |
| Additive performance funds | MA may consider **performance funding in addition to base and enrollment funding** to reward equity / outcome gains for underrepresented groups |
Policy Options/Scenarios: Massachusetts should pursue a variety of design changes to its current institutional allocation methodology at a range of costs to the State

<table>
<thead>
<tr>
<th>Scenario description</th>
<th>Unweighted enrollment</th>
<th>Weighted enrollment</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% base; 50% enrollment funding</td>
<td>▶ 50% base; 50% enrollment funding</td>
<td>▶ 50% base; 50% enrollment funding</td>
<td>▶ 50% base; 50% enrollment funding</td>
</tr>
<tr>
<td>50% base; 50% enrollment funding for high need students (i.e., $2k bonus per Pell FTE)</td>
<td>▶ Additive enrollment funds for high need students (i.e., $2k bonus per Pell FTE)</td>
<td>▶ Additive enrollment funds</td>
<td>▶ Additive enrollment funds for closing equity gaps (~10% of scenario B total funding)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current state</th>
<th>FY23 total allocated spend¹</th>
<th>Scenario: Existing funds</th>
<th>Scenario: Additive funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY23 total allocated spend¹</td>
<td>~$1.3b</td>
<td>Base funding</td>
<td>~$641m (50% of FY23 amount)</td>
</tr>
<tr>
<td>Unweighted enrollment funding (3-yr avg. FTE)</td>
<td>~$641m (remaining 50%)</td>
<td>Additive enrollment funding (3-yr avg. FTE)</td>
<td>~$130m</td>
</tr>
<tr>
<td>Additive performance funds²</td>
<td>~$145m</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. FY23 allocations are in nominal dollars and exclude allocations to the UMass medical school
2. PBF fund is equal to 10% of the total $1.3b in FY32 state allocations plus weighted enrollment funding

Each of the proposed scenarios consider nominal funding dollars and do not factor in future changes in inflation
Bolstering institutional funding to support student success

**Policy Options/Scenarios:** 5 community colleges, 4 state universities, and 2 UMass campuses gain funding as a result of Scenario A

### Scenario A (unweighted enrollment): FY23 calculated allocations per fall FTE vs. total fall FTE, by institution\(^1,2\)

<table>
<thead>
<tr>
<th>Institution</th>
<th>CC</th>
<th>SU</th>
<th>UMass</th>
</tr>
</thead>
<tbody>
<tr>
<td># of institutions with increased funding</td>
<td>5</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Hold harmless</td>
<td>~$19m</td>
<td>~$15m</td>
<td>~$22m</td>
</tr>
</tbody>
</table>

11 out of 28 total institutions gain funding in this scenario

Source: MA DHE; MMARS (CCs and SUs); IPEDS (UMass); Scenario calculation

---

1. 3-year average of FY19-21 fall FTE total enrollment, inclusive of undergraduate and graduate students (data collected from campuses by MA DHE)
2. UMass funding excludes allocations to the Medical School based on IPEDS-reported FY20 distribution of state appropriations, applied to FY23 state budget allocation to UMass
Bolstering institutional funding to support student success

Policy Options/Scenarios: All institutions gain funding (partially to support high need students) in Scenario B, which narrows the range of funding-per-FTE amounts.

Scenario B (weighted enrollment): FY23 calculated allocations per fall FTE vs. total fall FTE, by institution

<table>
<thead>
<tr>
<th>Institution</th>
<th>CCs weighted avg: $9.2k per FTE</th>
<th>SUs weighted avg: $9.7k per FTE</th>
<th>UMbs weighted avg: $10.3k per FTE</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th># of institutions with increased funding</th>
<th>CC</th>
<th>SU</th>
<th>UMass</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hold harmless</td>
<td>15</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>Additive enrollment funds</td>
<td>~$19m</td>
<td>~$15m</td>
<td>~$49m</td>
</tr>
</tbody>
</table>

28 out of 28 total institutions gain funding in this scenario

Source: MA DHE; MMARS (CCs and SUs); IPEDS (UMass); Scenario calculation

1. 3-year average of FY19-21 fall FTE total enrollment, inclusive of undergraduate and graduate students (data collected from campuses by MA DHE)
2. UMass funding excludes allocations to the Medical School based on IPEDS-reported FY20 distribution of state appropriations, applied to FY23 state budget allocation to UMass
Policy Options/Scenarios: Each institutional allocation scenario yields a range of impacts on individual institutions

Range of percentage change in funding (comparing modeled allocation to FY23 current allocation), by institution and scenario

Scenario A: Base and FTE enrollment

- In Scenario A, ~75k total students (~30k Pell students) would be associated with higher levels of investment in their institutions.

Scenario B: Base and FTE enrollment, with incremental funding for Pell FTEs

- In Scenario B, ~148k total students (~58k Pell students) would be associated with higher levels of investment in their institutions.

Source: MA DHE; MMARS; IPEDS; Scenario calculation
Policy Options/Scenarios: The total cost of the institutional allocation scenarios vary depending on additive enrollment and performance dollars

### Institutional support options: Costs of options

<table>
<thead>
<tr>
<th></th>
<th>Unweighted enrollment</th>
<th>Weighted enrollment</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additive enrollment dollars</td>
<td>–</td>
<td>~$130m</td>
<td>~$130m</td>
</tr>
<tr>
<td>Additive performance funding¹</td>
<td>–</td>
<td>–</td>
<td>~$145m</td>
</tr>
<tr>
<td>Annual hold harmless</td>
<td>~$56m</td>
<td>~$34m</td>
<td>~$34m</td>
</tr>
<tr>
<td>Total annual incremental cost²</td>
<td>~$56m</td>
<td>~$164m</td>
<td>~$309m</td>
</tr>
</tbody>
</table>

Source: MA state funding formulas

1. PBF fund is equal to 10% of the total $1.3b in FY23 state allocations plus weighted enrollment funding
2. Total cost is the sum of the hold harmless amount and additive funds
Bolstering institutional funding to support student success

Policy Options/Scenarios: Institutional support scenarios raise additional questions and points to consider

- For how many years should institutions benefit from a “hold harmless” policy in order to ensure a smooth transition?

- Currently each segment has a different base funding amount per FTE based on their current FY23 allocations.
  - How should the initial levels of funding per FTE be set?
  - For the community college segment, methods to address FTE vs. headcount and non-degree vs. degree-seeking student enrollments should be considered

- Methods for updating base, FTE, and Pell additive amounts over time need to be determined

- How should performance be defined? How should performance-based funds be allocated?
  - Scenario C currently proposes 10% of the sum of FY23 allocations and additive enrollment funding in order to reach the necessary scale for impact
  - How should performance pool funds be calculated and awarded for specific levels and types of gains?
  - What happens to leftover dollars in the pool? (e.g., roll over funds? reinvest into BHE-approved initiatives to help campuses improve their outcomes?)
Agenda

- Introduction and background
- Approach to identifying and assessing policy options
- **Range of policy options and implications for funding**
  - Make college more accessible and affordable for students
  - Bolster institutional funding to support student success
  - **Ensure system-level capacity to foster innovation and collaboration**
  - Align incentives between the State and campuses
  - Increase simplicity, transparency, and predictability for all
- Summary of policy options
- Appendix
Case for Change: Massachusetts can expand upon the current education innovation fund in order to provide strategic support to institutions.

3 Goal: Ensure system-level capacity to foster innovation and collaboration

Case for change

MA’s Higher Education Innovation Fund received a $2.6m allocation in FY23, which is a 60%+ reduction from the fund’s initial allocation in FY14.

The innovation fund has already yielded important cross-campus initiatives, allowing the BHE/DHE to help accelerate necessary innovation and collaboration:
- Ex: MassTransfer defined a set of courses that satisfy freshman and sophomore BA requirements at all MA public institutions
- Ex: An Open Educational Resources (OER) project facilitated the sharing of resources and professional development opportunities across all MA public institutions

It is essential the BHE help foster change looking ahead to future opportunities (e.g., early college, competency-based learning, online) and challenges (e.g., demographic shifts)
Ensure system-level capacity to foster innovation and collaboration

Case for Change: Massachusetts’ innovation fund is relatively small and has decreased since FY14; other states are increasingly investing in such vehicles

<table>
<thead>
<tr>
<th>MA Higher Education Innovation Fund</th>
<th>LA Investments in Priority Initiatives</th>
<th>VA Fund for Student Success, Affordable Talent Pathways, and Inclusive Excellence</th>
<th>NC Project Kitty Hawk</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amount</strong></td>
<td><strong>~$55m in FY23</strong></td>
<td><strong>~$85m for FY22-24</strong></td>
<td><strong>~$97m for FY22-27</strong></td>
</tr>
<tr>
<td><strong>Description</strong></td>
<td><strong>~$2.6m in FY23</strong> (down from $7.5m in FY14)**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▶ MA’s fund provides grants to public institutions to advance the BHE’s goals</td>
<td>▶ Louisiana’s FY23 budget allocates strategic funds to institutions through a variety of targeted investments</td>
<td>▶ The Virginia FY22-24 budget establishes this discretionary fund for institutions to meet state-mandated goals</td>
<td>▶ The goal of UNC’s Project Kitty Hawk is to expand online adult education programs</td>
</tr>
<tr>
<td>▶ Example project topics include:</td>
<td>▶ To receive funding, programs must focus on nursing and allied health programs, workforce training, and innovations in pursuit of the state’s Master Plan goals</td>
<td>▶ The fund plans to allocate $35m in its first year, and $50m in the next</td>
<td>▶ The funding is available to help campuses design and sustain workforce-aligned programs</td>
</tr>
<tr>
<td>– Supporting low-income and men of color</td>
<td>▶ Eligible proposals must focus on student retention and completion, programs in high-demand areas, work-based learning, and bolstering diversity</td>
<td>▶ The project aims to create 120 new online programs and enroll 24,000 students by FY2027</td>
<td></td>
</tr>
<tr>
<td>– New approaches to assessing knowledge</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Promoting anti-racism and cultural wealth</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▶ The program encourages cross-campus initiatives to promote system-wide collaboration</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: MA DHE; Inside Higher Ed; Colorado.gov; MDRC.org; State Council of Higher Education for Virginia; LA Board of Regents
**Policy Options/Scenarios:** Massachusetts could further invest in its innovation fund to encourage new initiatives and collaboration in the system

**Innovation & collaboration: range of scenario options**

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
<th>Incremental cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Some systemic improvement, innovation, and collaboration requires fostering and additional investment from the system/BHE level</td>
<td>$15m</td>
</tr>
<tr>
<td></td>
<td>Opportunities for innovation (e.g., online education tools, certificate programs, student services/supports, etc.) and collaboration for efficiency (e.g., shared services) are growing and urgent as needs and demographics shift</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td></td>
<td>$25m</td>
</tr>
<tr>
<td>C</td>
<td></td>
<td>$50m</td>
</tr>
</tbody>
</table>

Ensure system-level capacity to foster innovation and collaboration
Policy Options/Scenarios: Further state investment in innovation and collaboration could benefit both students and institutions

Ensure system-level capacity to foster innovation and collaboration

Impact on Students

- Investments in innovation should increase student access and success

Impact on Institutions

- Investments in collaboration should increase institutions’ efficiency and effectiveness, moderate student cost, and drive positive student outcomes
- Outcomes of initiatives should be regularly evaluated and reported publicly
Introduction and background

Approach to identifying and assessing policy options

**Range of policy options and implications for funding**
- Make college more accessible and affordable for students
- Bolster institutional funding to support student success
- Ensure system-level capacity to foster innovation and collaboration
- **Align incentives between the State and campuses**
- Increase simplicity, transparency, and predictability for all

Summary of policy options

Appendix
Align incentives between the State and campuses

Case for change: The relationship between the State and institutional responsibility for employee benefits could be more transparent and even

The State and the Institutions are currently intertwined in negotiating labor agreements and paying for staff benefits, but the mechanisms by which these are connected and synched are opaque and not always well aligned.

MA has recently committed to explicitly meeting the incremental cost of each new CBA across all three years, not just the first year, but this is not yet codified.

MA pays all benefits for “state-funded” employees but that cost, which has grown from $253m\(^1\) in FY02 to $410m in FY20, is not reported transparently in the State’s higher ed budget.

Institutions pay the benefits for all non-state-funded employees, a cost which has grown from $47m\(^1\) in FY02 to $263m in FY20.

Source: MMARS; MA Comptroller’s Office; IPEDS

1. All cited figures are in FY20 dollars
Policy Options/Scenarios: Massachusetts could codify its commitment to covering each year of CBA increases and review / potentially revise the approach to funding labor costs.

Align incentives between the State and campuses

- Codify existing commitment to covering collective bargaining salary increases
  - Continue the existing administrative decision for the state to fully fund all 3 years of a collective bargaining agreement (CBA) increase

- Define, review, and propose alternatives for labor costs of non-state-supported employees
  - Commit to reviewing the current funding of salary and benefits of non-state-supported employees and seek solutions that align incentives and support institutions
  - Plan for the review to be further developed by December 13th
  - These are subjects we believe are important enough to be considered actively by agencies with deeper knowledge of their intricacies

Source: MA DHE
Policy Options/Scenarios: Institutions should benefit from increased predictability and transparency surrounding their cost burden from collective bargaining and fringe benefits

Align incentives between the State and campuses

Potential Impact on Students

- Students should benefit from increased institutional resources available from any fringe benefit cost savings

Potential Impact on Institutions

- Institutions will be able to better anticipate their share of costs coming out of collective bargaining agreements
- Revisions to how employment and fringe benefits are managed should raise transparency and predictability and may save institutions costs
Agenda

- Introduction and background
- Approach to identifying and assessing policy options
- **Range of policy options and implications for funding**
  - Make college more accessible and affordable for students
  - Bolster institutional funding to support student success
  - Ensure system-level capacity to foster innovation and collaboration
  - Align incentives between the State and campuses
  - **Increase simplicity, transparency, and predictability for all**
- Summary of policy options
- Appendix
Case for Change: The Commonwealth should standardize the definition and scale of tuition versus fees to increase transparency and predictability

Goal: Increase simplicity, transparency, and predictability for all

Case for change

- Currently, MA community colleges and most state universities **charge low tuitions** (subject to approval by BHE) and **high fees** (subject to approval by campus Boards)
  - Campuses retain all fees, but remit tuition to the State
  - This system is confusing to students and families and splits up accountability for managing growth in pricing across multiple bodies

- UMass, MassArt, and Mass Maritime **retain all tuition** and follow a more rational approach, **with tuition representing the bulk of total student charges**
Case for Change: Tuition and fee-setting authority is inconsistent across segments; the BHE has authority over CC and SU tuition while segments have authority over fees; UMass has authority over both.

Weighted average tuition vs. fees over time, by segment and year, Nominal dollars, FY13-FY23

▶ SUs and CCs: The BHE has authority over tuition levels and institutions have authority to set all other fees. These institutions remit the tuition revenue from "state-supported" credits to the State’s General Fund
  – While the State has frozen tuition, institutions have continued to increase “mandatory fees”
▶ UMass: In FY17, UMass gained full authority over setting both tuition and fees. Since the policy change, UMass recalibrated its student changes from primarily fees-based to primarily tuition-based

Source: MA DHE

1. Excludes MassArt and Mass Maritime, the state universities that have full authority over both their tuition & fees
2. Figures in parentheses ( ) reflect the CAGR from FY17-23
Potential Policy Approach: If policies were implemented, students and institutions would receive more support, while the BHE’s authority to approve tuition levels at SUs and CCs would be meaningful.

Increase simplicity, transparency, and predictability for all

Changing tuition & fee policies: Vision for shared ownership of cost management

- Campuses may receive increased investment in the form of institutional support, fringe benefits coverage, direct student aid, and funds for innovation/collaboration
- In addition, campuses would also retain all tuition and fees
- Tuition at all campuses would be the majority of student charges, with mandatory fees not exceeding [10%] of total student tuition & fees charges (by way of comparison, UMass fees are currently ~4% of total student charges)
- The BHE would continue to possess the authority to review and approve tuition levels, through its [five-year strategic plan approvals]
Potential Policy Approach: The potential approach to tuition and fee policies is intended to improve clarity of charges and multi-year pricing predictability.

- **Impact on Students**
  - Students and families would have greater clarity on charges – Tuition charges would be more straightforward and aligned with other colleges’ use of the term.

- **Impact on Institutions**
  - Institutions would retain all tuition and fees:
    - In FY22, community colleges remitted $3.2m and state universities remitted $2.4m.

The proposed policy changes are also intended to improve multi-year predictability for students, institutions, and the Commonwealth.
Agenda

- Introduction and background
- Approach to identifying and assessing policy options
- Range of policy options and implications for funding
- **Summary of policy options**
- Appendix
Each combination of policy options builds toward the ultimate goal of better serving students and institutions

<table>
<thead>
<tr>
<th>High level goal</th>
<th>Summary of potential impacts</th>
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</thead>
<tbody>
<tr>
<td><strong>Make college more accessible and affordable for students</strong></td>
<td>▶ Expands MG+ eligibility to up to 13k more students; provides greater aid to up to 86k more students</td>
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<tr>
<td></td>
<td>▶ Increased financial aid will increase participation and success rates</td>
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<td></td>
<td>▶ Expands the number of students attending and persisting</td>
</tr>
<tr>
<td><strong>Bolster institution funding to support student success</strong></td>
<td>▶ Provides additional funding to invest in high need students</td>
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<tr>
<td></td>
<td>▶ Provides more transparent institutional funding approach</td>
</tr>
<tr>
<td></td>
<td>▶ Funding better reflects actual resource commitments and growth</td>
</tr>
<tr>
<td><strong>Ensure system-level capacity to foster innovation and collaboration</strong></td>
<td>▶ Investments should increase student access and success</td>
</tr>
<tr>
<td></td>
<td>▶ Investments should increase institutions’ efficiency and help moderate student costs</td>
</tr>
<tr>
<td><strong>Align incentives between the State and campuses</strong></td>
<td>▶ Students should benefit from greater investment due to savings for institutions</td>
</tr>
<tr>
<td></td>
<td>▶ Institutions should have better predictability on costs and should enjoy savings</td>
</tr>
<tr>
<td><strong>Increase simplicity, transparency, and predictability for all</strong></td>
<td>▶ Students and families will experience greater transparency, predictability and management of student charges</td>
</tr>
<tr>
<td></td>
<td>▶ Institutions retain all tuition and fees</td>
</tr>
</tbody>
</table>
The policy options discussed are intended to yield a higher education financing system that better supports the Commonwealth’s key principles.

<table>
<thead>
<tr>
<th>Scenario elements</th>
<th>Guiding principles</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. System advances participation in high quality, affordable education</strong></td>
<td></td>
</tr>
<tr>
<td>Financial aid expansion</td>
<td>Increased aid should help more students afford higher education and reduce debt</td>
</tr>
<tr>
<td>Base institutional support</td>
<td></td>
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<tr>
<td>Weighted enrollment institutional support</td>
<td></td>
</tr>
<tr>
<td>Innovation &amp; collaboration funding</td>
<td>Greater collaboration should improve efficiency and manage costs</td>
</tr>
<tr>
<td>Incentive alignment around labor costs and tuition &amp; fees</td>
<td>Incentives alignment should help curb growth in student charges</td>
</tr>
</tbody>
</table>
The following topics are additional areas for consideration related to the current set of policy options

**Future topics for consideration**

**Financial aid for direct costs:**
- The exact methodology for covering direct costs will need to be determined, whether it is through an increased stipend, direct reimbursements, or a combination of methods

**Financial aid for students at private institutions:**
- Would the Commonwealth Promise include resident students at MA private institutions?
- Today, some of the state’s financial aid programs (e.g., Gilbert grants) provide financial support to MA private institution students which mirrors programs for public institutions. Should this extend to new financial aid initiatives?

**Weighting enrollment for specific programs:**
- Certain programs are inherently more expensive to run than others (e.g., nursing, STEM fields)
- Certain programs are strategically critical to the state and its workforce needs
- Massachusetts may consider whether it should provide further weights for students in those fields and/or degrees in those fields
Agenda

- Introduction and background
- Approach to identifying and assessing policy options
- Range of policy options and implications for funding
- Summary of policy options
- Appendix
The financial aid scenarios estimate the impact of potential programmatic expansions; currently these scenarios leverage FY21 student-level data

### Financial aid scenarios: methodology

<table>
<thead>
<tr>
<th>Overall approach</th>
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<tbody>
<tr>
<td>- The financial aid scenarios reflect potential expansions of the existing MASSGrant Plus program</td>
</tr>
<tr>
<td>- The scenarios estimate the dollar value of expanding costs covered (depth of aid) and/or student eligibility (breadth of aid)</td>
</tr>
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<table>
<thead>
<tr>
<th>Data source year</th>
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<tr>
<td>- Currently, financial aid estimates use <strong>student-level data from FY21</strong>, the most recent and most complete year of data (2 community colleges outstanding)</td>
</tr>
<tr>
<td>- FY21 data is limited because it does not reflect enrollment declines in FY22 and FY23</td>
</tr>
<tr>
<td>- FY21 data also does not capture expansions in MASSGrant Plus to UMass students</td>
</tr>
<tr>
<td>- Estimates for the missing community colleges are included in the cost of attendance stipend calculation</td>
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<thead>
<tr>
<th>Eligible students (FAFSA application)</th>
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<tbody>
<tr>
<td>- Scenarios A-C only include <strong>students who have completed the FAFSA</strong>, which is a requirement to qualify for MASSGrant Plus</td>
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</tbody>
</table>
Massachusetts could invest in the ongoing randomized control trial to assess the impact of investments aimed at addressing the cost of attendance.

Overview of MA Cost-of-living Grant Randomized Control Trial (RCT)

**Study design**

- **Participating institutions**: Northern Essex Community College and Bunker Hill Community College
  - Both institutions serve a majority of students of color and students from low-income families
- **Sample size**: 522 students (all eligible for the full Pell amount), with ~250 randomly assigned to the treatment group
- **Timing**: Fall 2022-Spring 2024
- **Treatment**: students will receive $3.5k per semester for two years, up to $14k over four semesters, in addition to all other aid sources

**Objectives**

- Assess the impact of additional financial aid (a decrease in the cost of attending college) on persistence in college and the likelihood of degree receipt
- Assess whether increased financial aid results in a reduction of earnings or intensity of work, which may alleviate time constraints and improve academic engagement
- Assess the impact of additional financial aid on financial and mental wellbeing

With additional funding, the Commonwealth could expand the trial to include more students (e.g., partial Pell recipients), more institutions (four-year and two-year), and more levels of grant sizes.