

BOARD OF HIGHER EDUCATION
REQUEST FOR BOARD ACTION

NO.: BHE 25-22

BOARD DATE: December 03, 2024

**APPROVAL OF THE BOARD OF HIGHER EDUCATION FISCAL YEAR 2026 BUDGET
RECOMMENDATIONS**

MOVED: The Board of Higher Education hereby approves the attached Board of Higher Education budget priorities and recommendations for Fiscal Year 2026 (Attachment A), and further authorizes the Commissioner to submit the Board's budget priorities and recommendations to the Secretary of Education, in accordance with M.G.L. c. 15A, section 15B.

The Board further authorizes and directs the Commissioner to continue to work with the Secretary, Governor, and Legislature to finalize an FY2026 state budget for the Department and the public higher education system that supports the Board's collective priorities for the upcoming academic year.

VOTED:

Authority: Massachusetts General Laws Chapter 15A, Sections 6, 9 and 15B.

Contact: Matthew Cole, Deputy Commissioner for Administration, Finance and Operations
Michael Dannenberg, Deputy Commissioner for Policy

Background

As a part of the annual state budget cycle, the Board of Higher Education (Board) is required to approve and submit budget recommendations for the upcoming fiscal year to the Secretary of Education. M.G.L. c. 15A, §15B. This request includes funding for the Community Colleges and State Universities, as well as the programs administered by the Department of Higher Education. Attached as "Attachment A" are proposed budget priorities and recommendations submitted for Board approval. The budget priorities and recommendations are based upon the *Strategic Higher Education Financing Policy Framework (BHE 23-23)* approved by the Board during its December 13, 2022 meeting.

Staff recommendation is for the Board to approve the attached budget priorities and recommendations and authorize the Commissioner to forward the same to the Secretary of Education.

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Noe Ortega
Commissioner
Chris Gabrieli
Board Chair

MEMORANDUM

TO: Secretary Patrick Tutwiler
FROM: Board of Higher Education
DATE: November 8, 2024
SUBJECT: **FY 2026 Budget Recommendations**

We write to provide budget recommendations as per our statutory mandate. In producing these recommendations, our goals are for Massachusetts to: (1) become a leading state in the nation where higher education serves as a vehicle for upward socioeconomic mobility, and (2) dramatically close postsecondary education opportunity and attainment gaps between low-income first-generation, and racially minoritized students as compared to their more advantaged peers. We believe that coupling increased resources with proven reforms—a theory of action that has served Bay State elementary and secondary education well in the past—is appropriate in the public higher education space as well. Already, together, we have made marked progress on the resources front.

As you will recall, after 18 months of comprehensive research, including analytic support provided by an external consultant and extensive stakeholder feedback, the Board of Higher Education (Board) adopted a [Framework for Strategic Public Higher Education Financing \(SHEF\)](#) in December, 2022, (BHE 23-23). Our SHEF Framework called for a strengthened and modernized higher education funding structure that works better for both students and institutions. Helping realize that vision, the Healey-Driscoll administration has shepherded into enactment historic increases in public higher education resources more than doubling state financial aid and catapulting the Commonwealth from 26th to 12th in grant aid per student.

Increased, strategically distributed, and expanded resources in key areas, such as: (i) wraparound services in support of heightened student success levels, (ii) financial aid, and (iii) innovation funding have been and continue to be priorities of the Board, and we hope the administration as well. We believe now is the time to complement recent investments with needed student outcomes-focused policies and an attached infusion of resources that best advance student attainment and achievement. To that end, what follows is a series of Fiscal Year 2026 budget recommendations developed in alignment with and in furtherance of the Board's SHEF

Framework. Again, our chief goals are to become a leading state for socioeconomic mobility achieved through education and to close opportunity *and* attainment gaps for low-income, working class, and racially minoritized students. As in K-12 education, Massachusetts should be better than number one for some. We should be number one for all.

Recommendations

As you know, passage of the Fair Share Amendment (“Fair Share”) generated considerable new revenue for public services. Fair Share explicitly identified “public colleges and universities” as one of the three areas to which added revenues would be devoted. Accordingly, and recognizing that what is funded and occurs in other areas of education and public services affects public colleges and universities as well as vice versa, **we urge that between 25% and 33% of Fair Share funds be dedicated to public higher education in Fiscal Year 2026 and every fiscal year thereafter.** Institutions of higher education, and critically, families need to plan multi-year academic programs and be able to rely on a base level of public support in doing so.

In Fiscal Year 2026, we believe public higher education’s share of Fair Share dollars specifically should be dedicated to:

- **First and foremost, support for evidence-based student success wraparound services distributed in a manner aimed at improving postsecondary outcomes of learners from low- and modest income backgrounds, as well as racially minoritized students and others in disadvantaged groups;**
- **Second, sufficient support for students and families to place Massachusetts on a glide path to reducing or even eliminating cost barriers, including those beyond tuition and fees, that prevent so many of our lowest-income, talented students from attending college;**
- **Third, support for capital funding and a long-term, trust fund designed to increase system and institution capacity in support of innovation and systemwide collaboration; and**
- **Finally, support to ensure financial stability and sustainability for the Commonwealth, institutions of higher education, and students and families.**

In addition to these high-level strategic priority areas for Fair Share funds, with regard to the *overall* General Appropriations Act (GAA) funding levels, the Board recommends, at minimum: maintaining level funding for other Department of Higher Education (DHE) general appropriations budgetary line items in the aggregate; maintaining general appropriations funding for our state universities and community colleges; and including a three percent increase to the performance-based funding formula line items to be distributed by the Board

consistent with statewide goals and priorities.

Our read of overall Fair Share funding and view for how it should be allocated in the future, based on the amount of revenue raised in Fiscal Year 2025, appears as follows:

FY24 and FY25 General Appropriation Act - Use Fair Share Funds	FY24 Fair Share	FY25 Fair Share	Year Over Year Change	FY24 % of Fair Share	FY25 % of Fair Share
Department of Transportation	476,500,000	538,500,000	62,000,000	48%	41%
Executive Office of Education	105,000,000	22,500,000	(82,500,000)	11%	2%
Department of Early Education and Care	70,500,000	278,000,000	207,500,000	7%	21%
Department of Elementary and Secondary Education	119,000,000	222,000,000	103,000,000	12%	17%
Department of Higher Education	219,000,000	229,000,000	10,000,000	22%	18%
University of Massachusetts	10,000,000	10,000,000	-	1%	1%
Fair Share Total	1,000,000,000	1,300,000,000	300,000,000	100%	100%

FY26 and FY27 - DHE Requested Fair Share Use of Funds	FY26 Fair Share	FY27 Fair Share	FY26 % of Fair Share	FY27 % of Fair Share
SUCCESS and Wraparound Services	40,500,000	100,000,000	2%	5%
Financial Aid	280,940,000	292,177,600	13%	13%
Infrastructure	125,000,000	125,000,000	6%	6%
Higher Education Innovation	30,000,000	30,000,000	1%	1%
Dual Enrollment and Early College	5,000,000	10,000,000	0%	0%
Department of Higher Education Total	481,440,000	557,177,600	22%	25%
Assumed Fair Share Revenue	2,200,000,000	2,200,000,000		

I. Support for evidence-based student success wraparound services distributed in a manner aimed at improving postsecondary outcomes of learners from low- and modest income backgrounds as well as minoritized students and other members of disadvantaged groups.

The Board recommends the Fiscal Year 2026 budget include sufficient funds to provide evidence-based, “high touch” wraparound services to every low- and moderate- income public college student that independent studies verify nearly *double* degree completion rates among targeted populations. Dollar for dollar, it might be the best investment we can make for public higher education at this time.

As important as financial aid is for college access, affordability, and completion, it is critical to recognize that “high touch” interventions such as individualized college advising, tutoring, emergency grant aid, connections to local social and other services, such as housing assistance, domestic violence assistance, early education and childcare services, student mental health, and disability services all also have a markedly positive effect on student outcomes for a relatively small investment. Models of colleges and programs that have improved postsecondary education completion rates and closed gaps between racial and ethnic minority and non-minority students abound.

For more than a decade, for example, *Georgia State University* has used predictive analytics to develop early warning signs and interventions for students at risk of dropping out. Georgia State uses technology to analyze warning signs in its student-level data (e.g., a sharp drop in attendance

or grades, the presence of “weed out” courses with high failure rates, under enrollment in course intensity, unpaid fees, etc.) and provides automated interventions like text messages to students, face-to-face interventions, course prioritization, faculty reassignment, and small amounts of emergency financial aid to make sure students stay on track. The result has been a 22-percentage point rise in graduation rates over a ten-year period.

More widely studied and replicated is *The City University of New York’s Accelerated Study to Associate Program (ASAP)* that ensures students receive not only sufficient financial aid to attend full-time, but also get individually tailored mentoring and college advising services, emergency aid for unexpected family needs, free transportation, special registration priority, community interaction, and enhanced career support services. An MRDC study finds that ASAP has nearly doubled the three-year graduation rate for associate degree seekers. It is being expanded in New York and seven other states and in Ohio where results have been replicated as shown in another “gold standard” independent evaluation.

Similarly generating positive results at the community college level is Fort Worth, Texas’ *Stay the Course* program. This program assigns each student a trained social worker called a “navigator” that helps develop a comprehensive social services and academic support plan designed to help a student achieve their education goals. Caseloads are kept to less than 35 students per navigator. Individual plans are reviewed and updated every 90 days, building a bond between the social worker and the student. Students are provided with referrals to off-campus social services, such as housing and food assistance, and supplied mentoring, academic coaching, and emergency financial assistance, as needed. Navigators help students access everything from transportation assistance to childcare. A National Bureau of Economic Research (NBER) published study estimates the intervention increases the likelihood of a student receiving an associate degree by a massive 16 percentage points — all at a cost of only \$1,880 per student, per year.

Additional Fair Share funding would have to ramp up a total of approximately \$100 million over the next two years to provide quality, wrap-around services to every Pell Grant-eligible and moderate-income student in the Commonwealth (approximately \$2,000 per targeted student on top of existing SUCCESS funding). That is a two-year figure that matches last fiscal year’s increased investment in financial aid, and again, one we believe the research attests would prove the public higher education budget’s best return on investment bets.

II. Second, sufficient support for students and families to place Massachusetts on a glide path to reducing or even eliminating cost barriers, including those beyond tuition and fees, that prevent so many of our lowest-income, talented student from attending college.

The Board recommends the Commonwealth provide sufficient financial aid so that within the next three years, debt aversion plays zero role in a family’s public postsecondary education decision making. **Every Massachusetts student with the talent, desire, and drive to pursue postsecondary education should be able to attend the two-year public college or four-year**

public university in the Commonwealth that is the best fit for them, as they determine, without inability to pay, holding them back from full-time or part-time enrollment.

Over the past year, the suite of Massachusetts higher education financial aid programs has grown to the level needed to establish: (1) tuition and fee free community college for all students regardless of income, and (2) tuition and fee free state university, including University of Massachusetts, access for low-income Pell Grant students (i.e. typically those with incomes of less than \$72,000 a year). That is a tremendous accomplishment. But it is critical to understand that low- and moderate-income students still confront substantial expenses beyond tuition and fees related to their “total cost of attendance” (e.g., room and board, transportation, childcare (one in five Massachusetts postsecondary students is a parent)) not currently covered by financial aid and available family resources.

Extensive research shows that unmet need for the full cost of attendance above and beyond direct costs (i.e. tuition, fees, books, and supplies) serves as a major barrier for our lowest-income students with regard to access to higher education in general, enrollment in the specific public colleges that are their preferred choice, and critically, a level of academic intensity in course load that is likely to result in degree completion. Accordingly, and consistent with the research and policy options set forth in the Board’s agreed-upon *Framework for Strategic Higher Education Financing*, we request an additional financial aid appropriation sufficient to support the following three-pronged financial aid approach:

1. Immediately providing heightened basic need stipend funds for all low-income students, including low-income student who are also parents, such that they receive help in meeting cost-of-living requirements beyond room and board;
2. Assuring sufficient resources to increase enrollment intensity among low- and moderate-income families; and
3. Expanding the Massachusetts financial aid programs to make all public colleges and universities debt-free or nearly debt-free for almost all without an existing college degree.

Further, financial aid resources should be available to improve the pipeline of diverse educators and other high priority occupations in the Commonwealth. To best implement attendant financial aid allocations across these key areas, the Board, after working with critical stakeholders, should be granted flexible authority to adopt relevant guidelines. **To execute these priorities, the Board of Higher Education requests that aggregate state financial aid funding be placed on a glide path to double over the next four years -- an amount that would make Massachusetts the leading state in the country for college access and affordability.**

III. Capital funding and a long-term trust fund designed to increase institution capacity in support of innovation, infrastructure, and systemwide collaboration.

Deferred Maintenance

Construction in our higher education system peaked in the 1970s, resulting in an inventory of aging academic buildings and infrastructure in urgent need of significant upgrades and deferred maintenance. While each campus is different, the capital challenges across higher education are similar:

1. Older facilities that do not meet the technology and space needs required to provide students with cutting edge educational opportunities; and
2. Ambitious climate and decarbonization goals requiring new energy systems, means of construction, and creative approaches to space usage

Making the investments required to address these issues is extraordinarily challenging within the constraints of the state's traditional capital program. Accordingly, "Outside Section 196" of the FY25 GAA established a working group whose membership includes representatives of the DHE, Community Colleges, State Universities, and the University of Massachusetts segments.

The Section 196 working group is charged with developing a financing structure for using fair share revenues to support the issuance of debt for higher education capital, options for how this capital can be distributed across the higher ed system and outlines for a higher education financing legislative package, including a bond bill.

In support of this working group, the Board recommends the Commonwealth provide \$125 million annually to address the capital needs of the public higher education system which is projected to create up to \$2.5 billion in additional bonding capacity dedicated to higher education over the next 10 years.

Innovation

Since its inception, grants from the Performance Management Set Aside line item, now known as the Higher Education Innovation Fund (HEIF), have been used to seed and support new innovations and evidence-based practices in public higher education. However, the current funding structure relies on annual appropriations that prevent the Department from making multi-year investments and scaling proposals to engage in systemwide collaboration due to the risk that future appropriations may be reduced or not supported. Moreover, the historical annual funding level of approximately \$2.5 million prevents larger, high impact investments from consideration and suffers from reduced purchasing power due to inflation.

The Board instead recommends the creation of a new “Innovation Trust Fund” capable of supporting multi-year projects that finance advancements and collaborations that further greater effectiveness and efficiency in our higher education system. Through a dedicated revenue stream of 1% of Fair Share Amendment revenue, the trust fund is expected to receive approximately \$10-20 million per year; providing DHE with the resources to incentivize and shape the higher education system to meet the Commonwealth’s goals.

Creation of the trust would allow unspent funds to carry forward into the next year, providing the DHE with the ability to fund proposals requiring multi-year commitments. With 1% of revenue dedicated to the fund, resources provided are protected from the impacts of inflation, ensuring that innovation and collaboration remain a priority of the public higher education system.

DHE has demonstrated the ability to foster large-scale change through efforts such as replacing remediation with co-requisite instruction, growing the use of cost-effective open education resources (OER) in place of costly textbooks and, in partnership with DESE and EOE, growing the Early College Initiative across the Commonwealth. We, along with our campus partners, have identified a number of other valuable areas on which to work including fostering collaboration, expanding seamless public and private institution transfer, and expansion of competency-based education and prior learning assessment. All of these promise to better support students and prepare them for the future of work and improve the efficiency and effectiveness of our delivery system of public higher education.

In fact, the Early College Initiative has been so successful as an example of an innovation in higher education, the Board recommends an increase of \$5 million in funding to that initiative, and in accordance, going from \$13.1 million to \$18.1 million in the Commonwealth Dual Enrollment line. As you know, the Early College High School (ECHS) initiative provides comprehensive services and a supportive academic program framework that enables students to better navigate the processes and pathways to and through higher education. It is successfully removing barriers faced by high school students who have been historically and consistently excluded from and/or subject to significant barriers to college participation, matriculation, and graduation. The most recent data shows that ECHS students are more likely to immediately enroll in and graduate from college. To the extent we can speed time-to-degree so that the Commonwealth and families pay less in total over multiple years for a completed degree program, we should.

IV. Support to ensure financial stability and sustainability for the Commonwealth, institutions of higher education, and needy students and families.

The Board’s *Framework Financing* calls for providing institutions with consistent, reliable base funding to effectively operate and position them to better meet the mission of the system of public higher education. Annual campus funding increases are required to maintain equitable access to a high-quality, affordable education at the Commonwealth public colleges and universities. Therefore, and consistent with our *SHEF Framework*, the Board recommends that the

Commonwealth codify the commitment to annually fund the full incremental costs for all years of an agreed upon collective bargaining agreement.

Further, the Board recommends tuition flexibility for all public institutions of higher education in the Commonwealth, similar although not identical to that which the University of Massachusetts has, *in exchange* for a guarantee that their institutions will maintain a free or near debt-free total cost of attendance commitment to higher education pricing for low- and moderate-income students with remaining tuition-generated funds dedicated to faculty support. Such a change will guard the Commonwealth's budget against runaway costs associated with a free or near debt-free college promise, change the incentive structure of institutions in a free or near debt-free guarantee policy environment, and maintain if not improve college quality on the input that matters most -- teaching.

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