

Transitions in Higher Education: Safeguarding the Interests of Students (THESIS) Working Group Final Report & Recommendations

January 2019



MASSACHUSETTS
Department of
Higher Education

MEMBERS

BHE Co-Chairs:

Chair Gabrieli and DHE Commissioner Santiago

- **Robert Antonucci** – past MA Commissioner for Education; past President of Fitchburg State; past AG-installed President of troubled IHE that successfully merged
- **Alex Cortez** – Member, BHE; partner, NewProfit;
- **Katherine Craven** – CA&FO, Babson; past head of MA School Building Authority and also of UMass Building Authority
- **Matt Hills** – private equity investor and mgmt. consultant; past President, Newton School Committee
- **Ranch Kimball** – past partner BCG; past Secretary of Econ Development; past Chair of Board of Wheelock College through its merger with BU
- **Paul Mattera** – Member, BHE; Board Chair Salem State;
- **Gabby King Morse** – ED, uAspire Massachusetts (leading nonprofit in college affordability)

PARTNERS

- **EY - Parthenon** – provided pro bono team for summer providing research and analyses on first two questions
- **NEASC/NECHE** – regional accreditor collaborated throughout
- **Attorney General's Office** – in dialogue throughout

PROCESS

- Core working group at DHE led by Gabrieli/Santiago including legal, financial met weekly since May
- Parthenon phase over summer met weekly
- Select Working Group members in ad hoc dialogues
- Full Working Group met four times

Initial Charge: Four Questions

What is the nature and extent of the problem?

Are there current measures and monitoring processes that effectively identify and manage risk?

How can we engage college Boards more in risk awareness and mitigation?

What could DHE do about undermanaged risk?

Summary Conclusions

Risk of further financially driven closures is significant, ongoing and likely growing

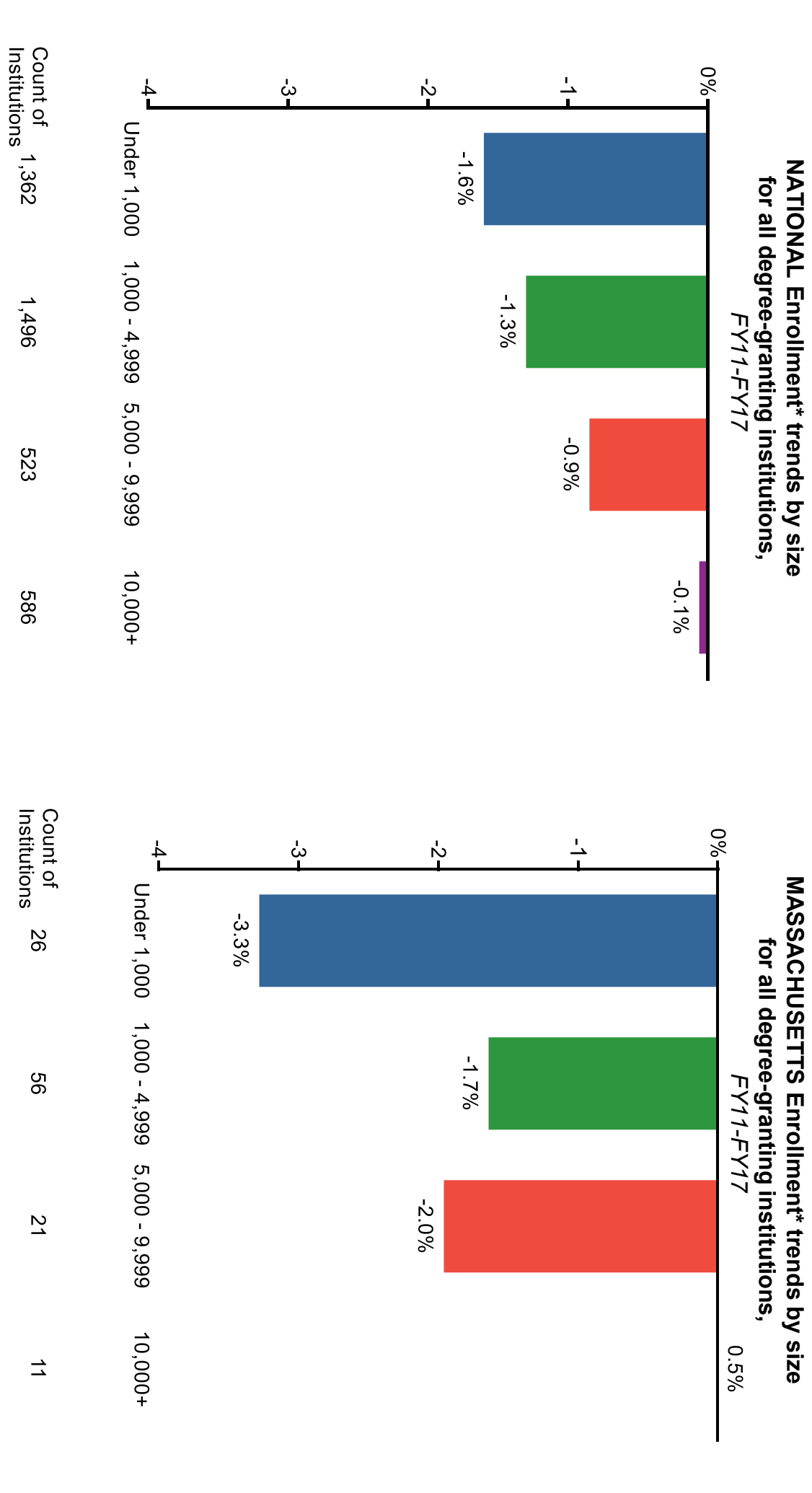
Current measures (e.g. Federal Financial Responsibility Composite Score) and monitors (USED, accreditors, DHE) are insufficient

The DHE should adopt a new process to identify and manage risk including

- effective, confidential screening strategy to focus resources and limit burden
- active, confidential monitoring approach for significantly at-risk colleges
- requirement for contingency planning and student notification no later than December 1st of each year if a school is judged financially uncertain to complete current **and** subsequent school year

1. Pressures on higher education

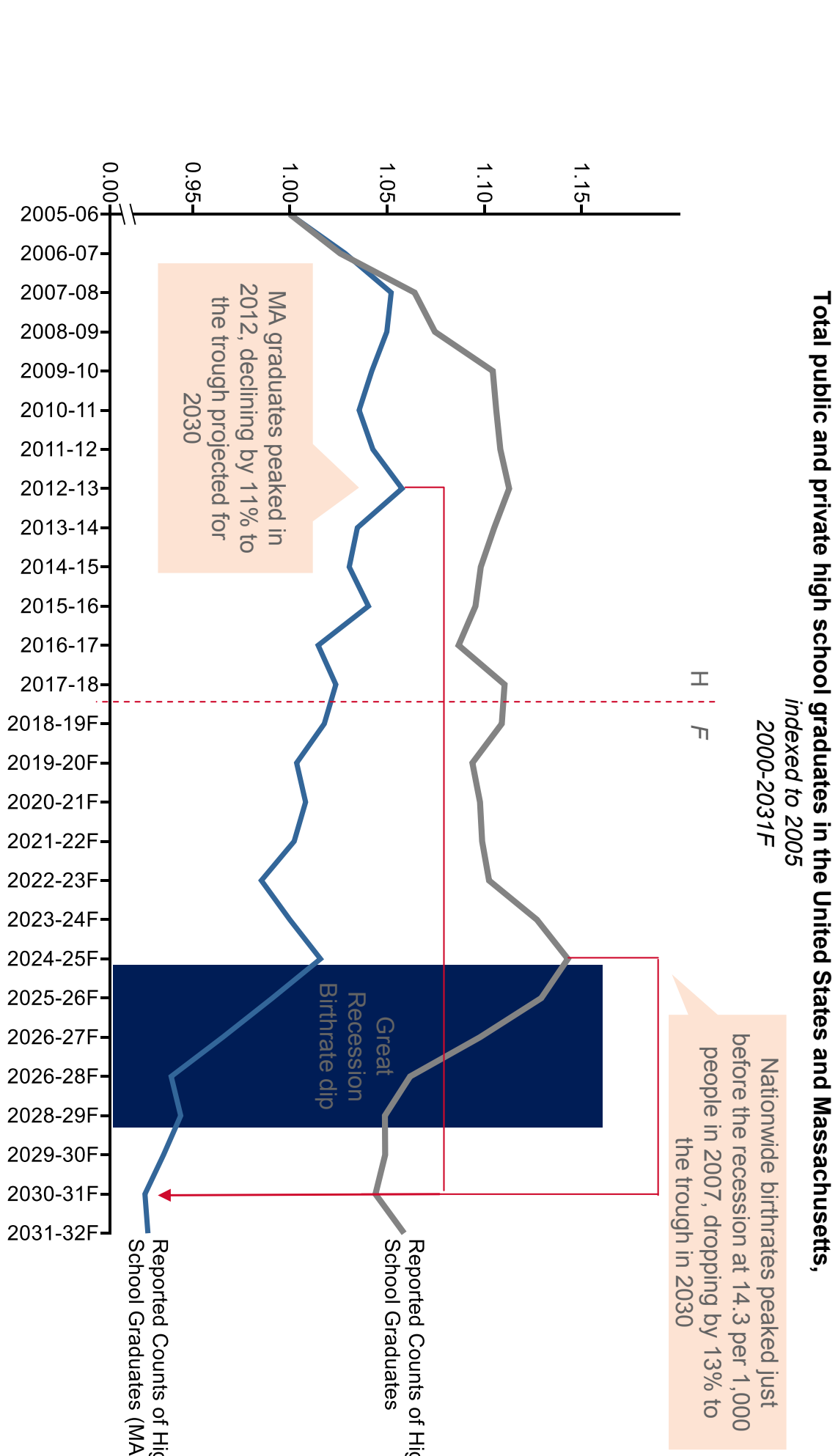
Enrollment declines are likely to continue to disproportionately affect small schools



*Enrollment includes both graduate and undergraduate, public and private
Note: Buckets are based on 2010 enrollment (not fluid buckets); only institutions with non-zero enrollment in both 2010 and 2016 were considered
Source: IPEDS

1. Pressures on higher education

The problem could be exacerbated with the upcoming dip in enrollment likely to result from the falling number of high school graduates



Note: Birth rate is calculated as number of births per 1,000 people
Source: Western Interstate Commission for Higher Education: Knocking at the College Door: Projections of High School Graduates, December 2016; The World Bank

6

1. Pressures on higher education

With 12 closures and mergers in the past 5 years, the Commonwealth is currently seeing the impact of these trends

Massachusetts Context: Observed Closure/Merger Activity in Last 5 Years*

6 completed institutional **closures**

Sanford Brown College; Marian Court College; Le Cordon Bleu; ITT Technical Institutes; New England Institute of Art; Mount Ida College

6 completed closures due to **mergers**

School of the Museum of Fine Arts; New England College of Acupuncture; Boston Conservatory; Episcopal Divinity School; National Graduate School of Quality Management; Wheelock College

2 pending institutional **closures**

University of Phoenix and Atlantic Union College

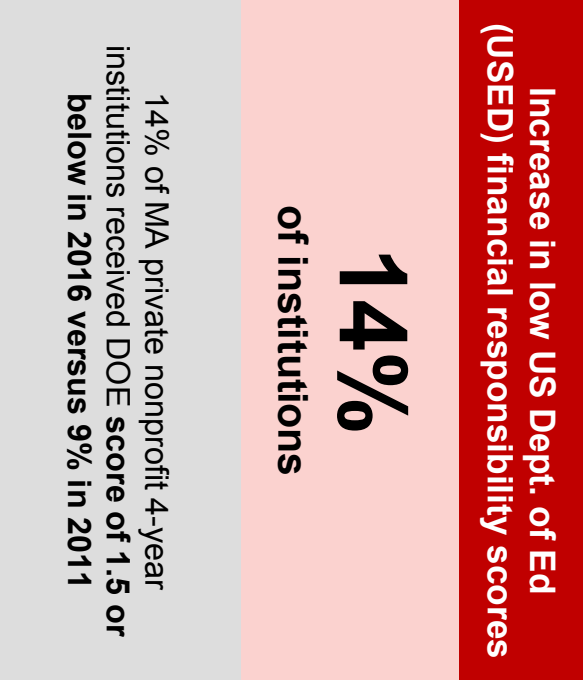
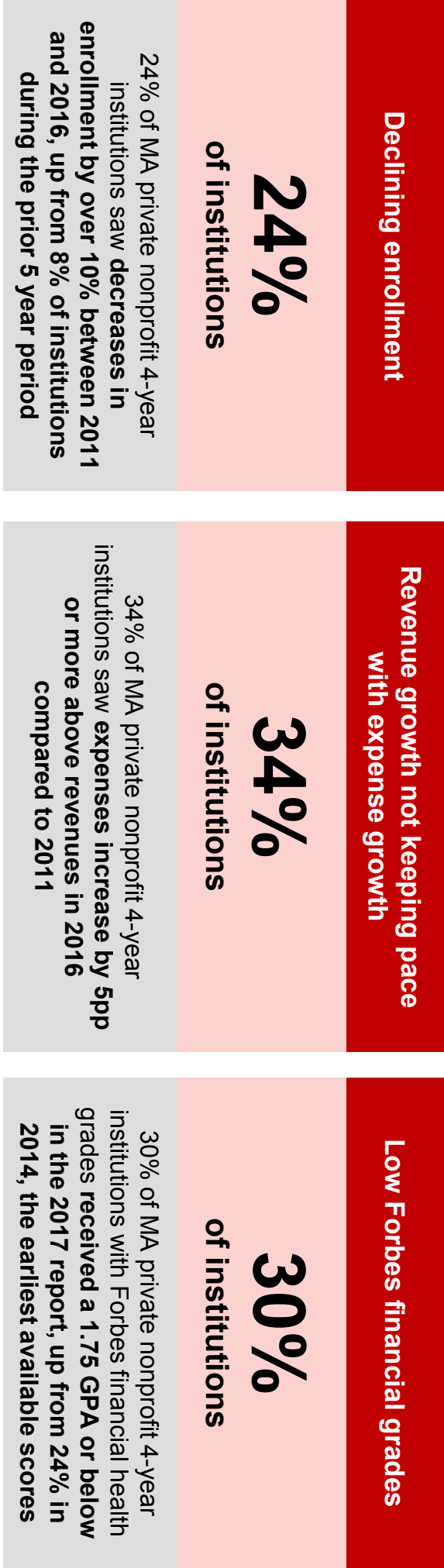
1 pending closure due to **merger**

Andover Newton Theological Seminary

*List may not be fully comprehensive of all activity
Source: MA Department of Higher Education

1. Pressures on higher education

Of the remaining private institutions in MA, a substantial number show problematic financial health across multiple measures, with growing risk



Note: Forbes financial grades are based on endowment assets per FTE, primary reserve ratio, viability ratio, core operating margin, tuition as a percentage of core revenues, return on assets, admission yield, percent freshman getting institutional grants, and instruction expenses per FTE; MA private nonprofit 4-year institutions" include Baccalaureate Colleges, Master's Colleges and Universities, Research Universities, and Specialty Schools from the Carnegie Classification system; "Revenue" includes temporarily restricted assets, graduate revenue, private gifts, and other revenue as defined by IPEDS

Source: Moody's; IPEDS; Forbes; US Department of Education

2. Oversight and metrics

Closures lead to a number of damaging consequences for students. Oversight can play an important role in preventing or managing these

Reactions to Recent College Closures

Students are harmed when institutions close with little notice or without effective planning

Financial Loss

"She was offered several lucrative scholarships, which is why we decided on that school. Other programs are going to cost us up to \$17k more a year"
– Parent of freshman at closing institution, Patch (2016)

Time Wasted

"As freshmen, we thought we'd be done filling out college applications, and now we have to go back and fill out more"
– Freshman at closing NY institution, On Campus Newspaper (2017)

Inconvenient Location

"Students will be automatically accepted for fall enrollment at [other institution]– more than 50 miles away"
– National Newspaper (2018)

Negative Effect on Resume

"I wonder if my degree will still be valid [when the school closes]"
– Senior at closing institution, Newsday (2016)

Loss of Personal Fit

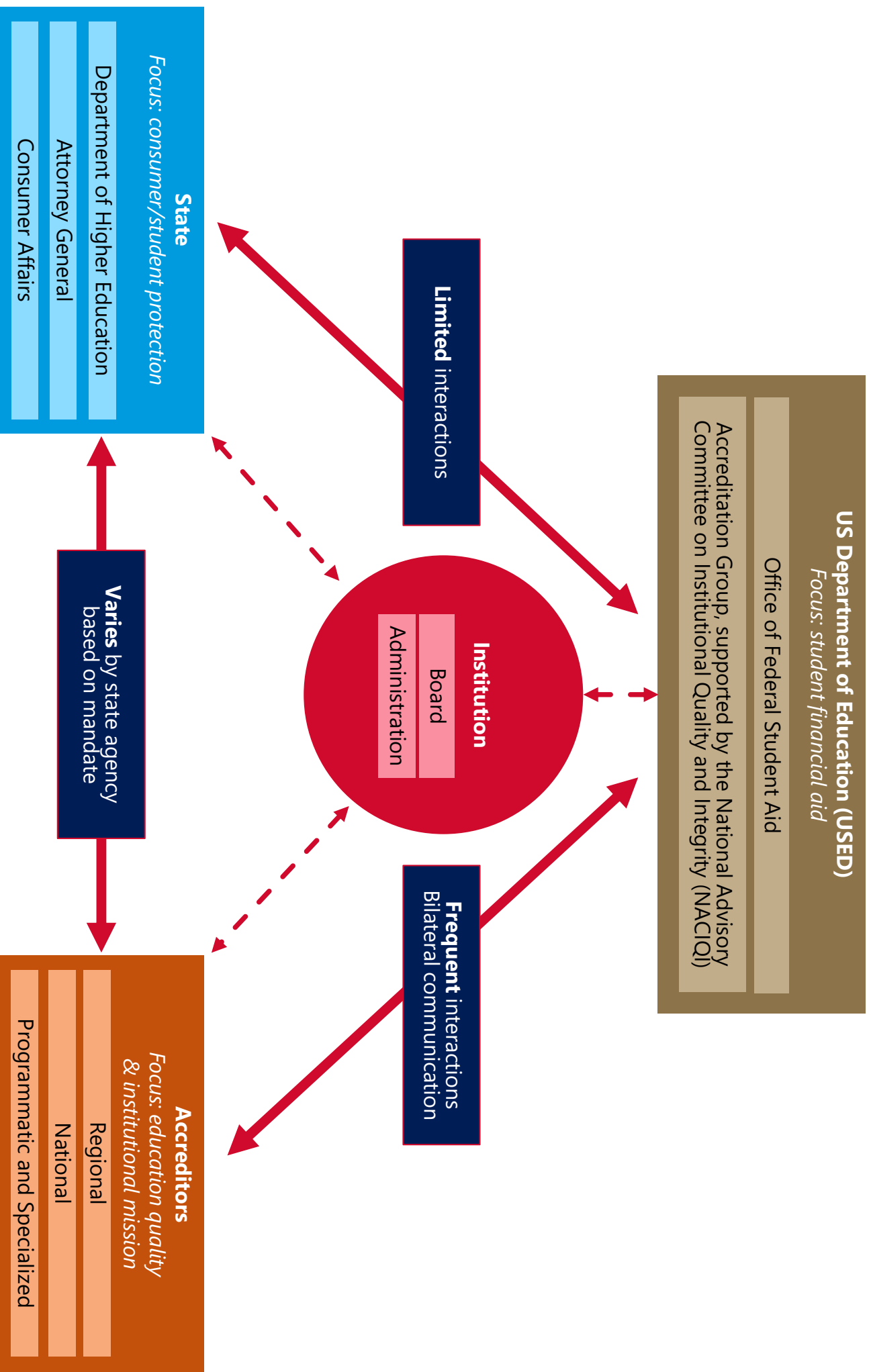
"[Other schools] didn't fit me because I was working. This school was flexible and we had a lot of support here"
– Student at closing institution, Local Newspaper (2016)

Specialized Majors

"I chose [institution] because it was the best school for my major, and now I am left without an institution"
– City Business Journal (2018)

2. Oversight and metrics

When it comes to oversight of institutions of higher education (IHEs), there are three main types of entities involved, with varying levels of interaction



- Note: Federal law requires accreditors to require institutional teach-out plan during closure and withdrawal of status following 2 years of probation
- Source: Source: Interviews with accreditors and state agencies, secondary research

2. Oversight and metrics

Accreditors monitor financial health through a number of data points and a “holistic review”

Regular Review

Monitoring Higher Risk IHEs

Closure & Teach out

Regional, National, and Programmatic Accreditor Role in Financial Health Assessment of Institutions

- **Focus:** Education quality & institutional ability to meet mission
- **Primary Power:** Determines accreditation status and sanctions when not meeting standards
- **Financial Health Metrics Considered:** Varies by accreditor and institution type, typically holistic review of annual report, enrollment, endowment draw changes, etc. and may include CFI or DOE Score

<ul style="list-style-type: none">• Analyze annual IHE data submission, considering relevant financial metrics to meet standards of resource to achieve mission, e.g. DOE score, CFI, enrollment, etc.• “Holistic Review” evaluation based on professional judgement of all available facts and context• Follow-up with institution to gather additional data or site visits as needed	<ul style="list-style-type: none">• Create report on cause for concern, where accreditation is withdrawn by set date if no evidence of improvement• Institution responds with plan to address concerns• Follow-up actions include:<ul style="list-style-type: none">• Guidance or training• Further sanctions or probation• Withdraw accreditation if exceeds maximum probation period	<ul style="list-style-type: none">• Review and approve teach out plans based on established criteria• Continued engagement (i.e., monitoring closing process, intervening if necessary)
---	---	--

2. Oversight and metrics

While accreditors play a significant role in all parts of the process, USED and state agencies also play key roles at specific points






Source: Interviews with accreditors and state agencies, secondary research

2. Oversight and metrics

States have differing levels of oversight by various offices, with Massachusetts having a lower level of oversight of private institutions

These findings are based on a select sample of states with relatively high concentrations of private institutions, with whom EY-Parthenon was able to arrange phone interviews to understand the varying levels of state oversight and enforcement

Statutory Level of Oversight by the State*	Ohio	New York	Virginia	South Carolina	Massachusetts
					
	Nonprofit Private Schools				
	Review annual report	✓		✓	✓
	Authorize institutions and provide licensure	✓	✓	✓	✓
Oversight Practices	Approve programs	✓	✓		✓
	Reauthorize institutions or programs	✓		✓	
	School Eligibility Requirements for Financial Aid	✓			✓

- Note: *Oversight reflects assessment of breadth of private institutions covered by state oversight (e.g., how many are exempt) and level of oversight practices; VA refers to authorization as certification and must be recertified annually; OH reauthorization timed in line with relevant re-accreditation process; SC only authorizes out-of-state entities, and refers to it as licensing
- Source: Interviews with state agencies

2. Oversight and metrics

The state and accreditors utilize the DOE score as one metric, which often fails to give stakeholders adequate notice of financial problems

DOE Scores 1-2 years before closure suggested financial issues in only 50% of cases										
Sample of Previously Closed IHEs								Financially Distressed* and Probationary IHEs		
	Saint Joseph's College, IN	Grace University, NE	Memphis College of Art, TE	Mount Ida College, MA	Marylhurst University*, OR	Coleman University, CA	Dowling College, NY	Saint Augustine's University, NC	College of St. Joseph, VT	Newbury College, MA
Date Closed	February 2017	October 2017	October 2017	April 2018	May 2018	July 2018	June 2016	Still open	Still open	Still open
2016 DOE Score	1.4	0.6	2.1	2.1	2.2	1.2	Already closed	2.1	2.2	1.7
2012 DOE Score	2.2	2.1	2.1	1.5	2.8	3.0	1.3	2.8	2.6	2.6
The DOE score four years before closure rarely suggested issues, which is crucial as this is when students are making their college choice										
DOE Financial Responsibility Composite Score										
-1.0 to 0.9			1.0 to 1.4				1.5 to 3.0			
Not financially responsible			Flagged for monitoring				Financially responsible			

■ Note: Saint Augustine's University was recently put on probation by accreditors
■ Source: IPEDS; Inside Higher Education, "Too Late for a Fix?," August 8, 2018

THESIS Working Group Findings

Questions

Question 1

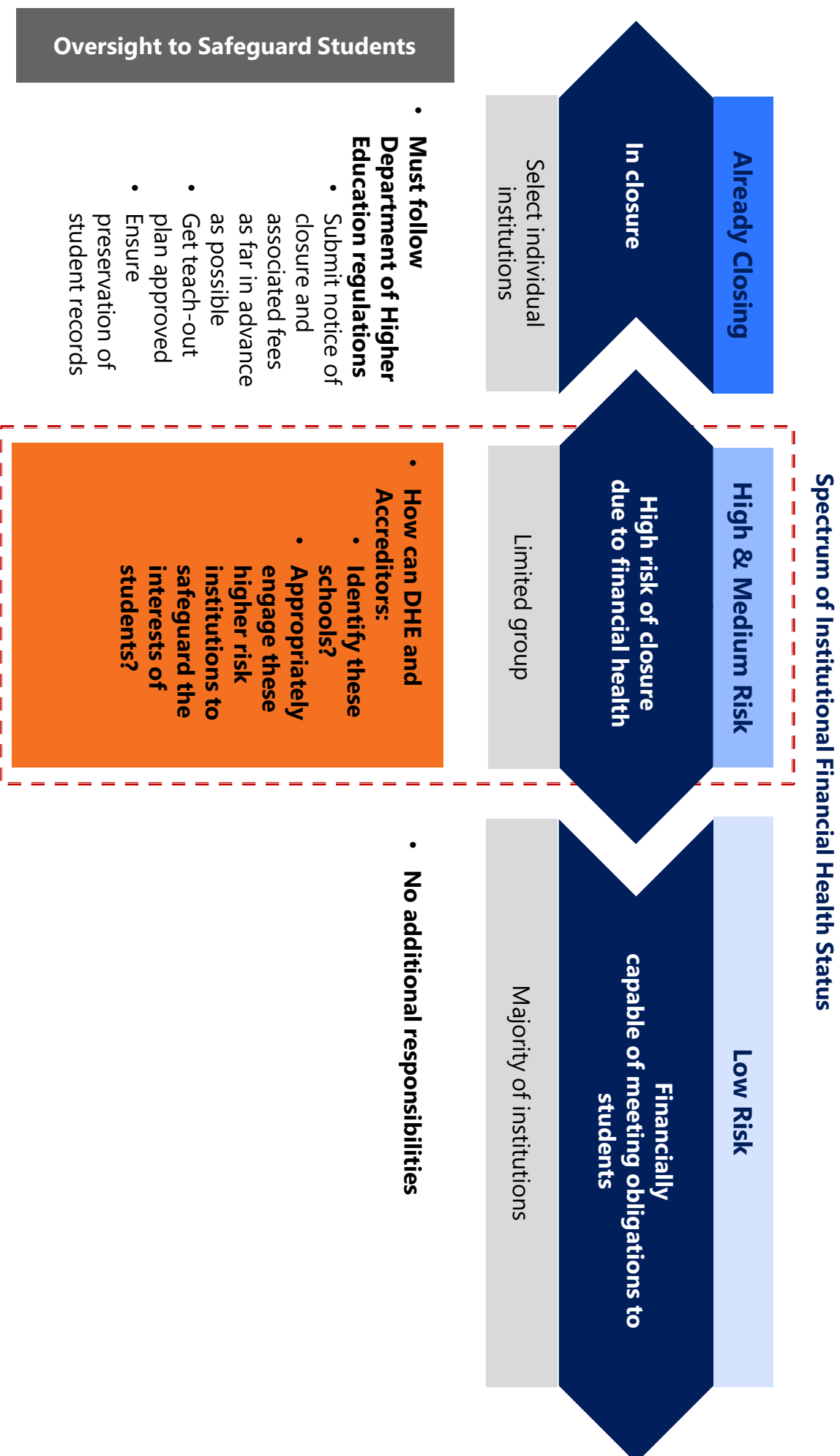
Recommendation ratified by THESIS Working Group that *"The risk of further challenges to viability at non-profit institutions of higher education (NPIHES) leading to potential student disruption is significant, ongoing and likely growing."*

Question 2

Recommendation ratified by THESIS Working Group that *"Current standard financial metrics are insufficient for timely or fully identifying at-risk NPIHES and current processes among the triad of accreditors, USED and state authorities are insufficient to ensure prevention/mitigation of future unacceptable disruption to students and others."*

2. Oversight and metrics

The challenge remains to identify high risk institutions and provide safeguards to students

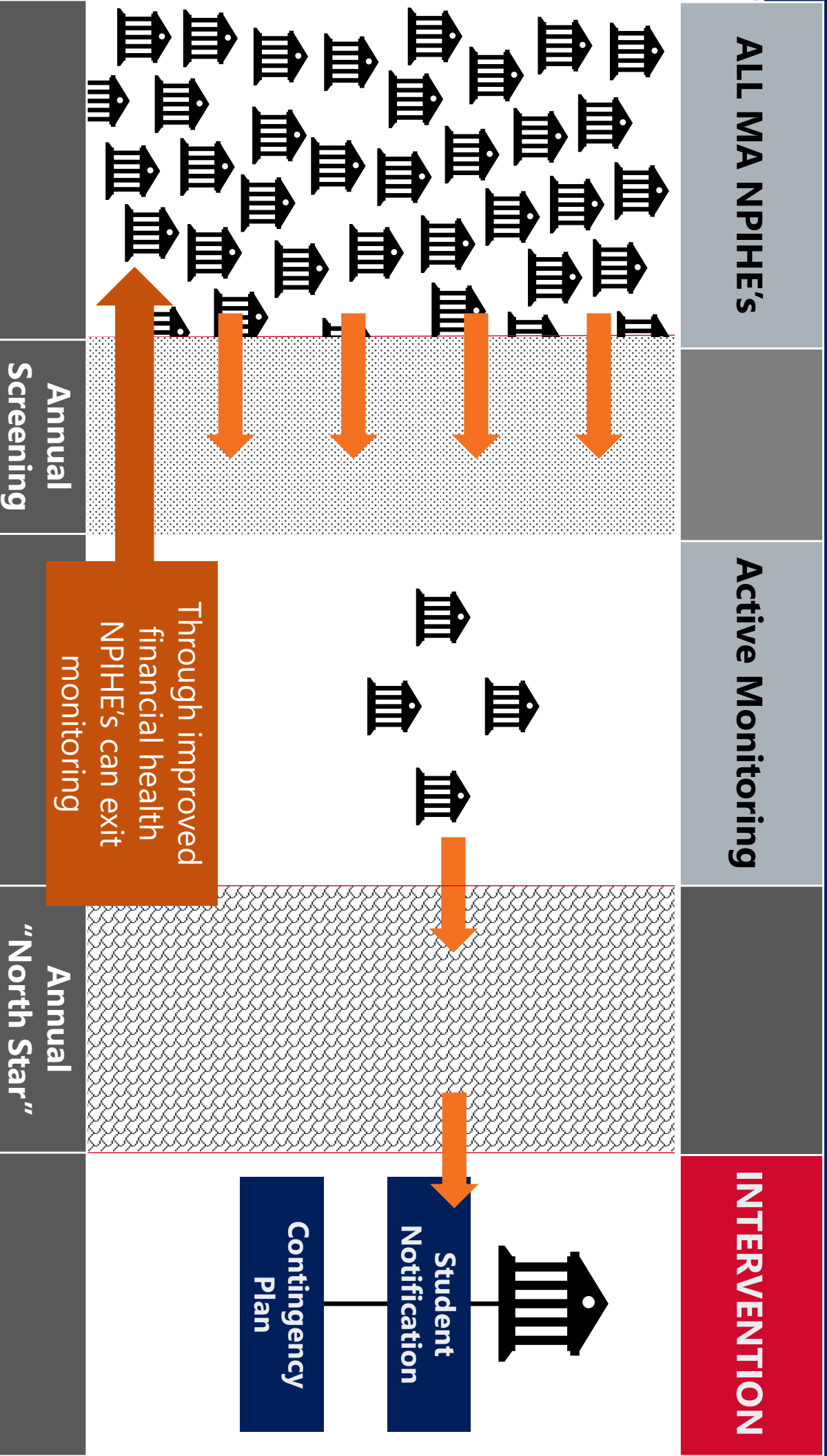


THESIS Working Group

Recommendations

How DHE can better proactively
manage risk of student harm on a
timely basis

Summary of Proposed Process



THESIS Working Group Recommendations

1. BHE Should Act
2. North Star Principle
3. Screening
4. Active Monitoring
5. Intervention
6. Partnering
7. Process

Thesis Working Group Recommendations

Recommendation 1

Act Now

Launch new process for SY19-20

Thesis Working Group Recommendations

Recommendation 2

Adopt a “North Star” Principle

- Protects students
- Clear demarcation

Thesis Working Group Recommendations

Recommendation 3

Screen Smartly

- Focus DHE resources on relevant colleges
- Minimize burden on all colleges

Proposed Screening Approach	
TVM	
+	-
<ul style="list-style-type: none">- Shows promise- Aligns to policy goal- Requires no new data from IHE's	<ul style="list-style-type: none">- Novel- Needs testing and refinement- Concerns raised

Guiding Principle for DHE Proactive Monitoring and Action with At-Risk Non-Profit Institutions of Higher

Education

If by December 1st of any school year, the IHE has significant risk, as reasonably determined by DHE, of not having the financial capability to complete the current school year and the subsequent one, a full contingency transfer/teachout plan must be completed and approved by DHE and students must be notified of the IHE's financial condition and risk

“North Star”

Thesis Working Group Recommendations

Recommendation 4

Actively Monitor Where Risk is Significant

- Custom approach to fit circumstances
- Engage IHE Board of Trustees
- Sustain Confidentiality

Thesis Working Group Recommendations

Recommendation 5

Intervene When North Star Threshold Crossed

- Notification of students and other stakeholders
- No later than December 1st; the earlier the better
- Contingency planning
 - Transfer/teachout
 - Records
- Commissioner decision
 - OSP recommendation
 - Advisory and Review Council input

Thesis Working Group Recommendations

Recommendation 6

Partner Appropriately

- NECHE
 - Aligned obligations
 - Recent significant shift in approach (e.g. Newbury)
 - Able to handle confidentially
 - Has agreed to partner to review TVM
- AGO
 - Critical partner for challenging situation (e.g. Mount Ida)
 - Overlapping responsibilities

Thesis Working Group Recommendations

Recommendation 7

Process

- Regulatory and policy setting
- Financial aid
- Office of Student Protection and Advisory & Review Council (ARC)
- Legislation for confidentiality
- Move forward quickly, openly, humbly and adaptively

Recent Events

Newbury College

- Proactive process
- Ad hoc partnership between NECHE, AGO & DHE
- Timely contingency plan preparation and student notification
- Role model

Hampshire College

- Early action with stated financial resources to support programs for all current students to completion