Massachusetts Board Of Higher Education Considers Identifying Failing Colleges

January 22, 2019 Fred Thys

A building at Newbury College in Brookline. (Courtesy Newbury College via Facebook)

The Massachusetts Board of Higher Education is considering a proposal that would allow the Department of Higher Education to intervene when private, nonprofit colleges are in danger of failing.

The proposal is to be presented at a board meeting Tuesday.

It seeks to address problems caused in some of the 17 closures or mergers of Massachusetts colleges in the past five years.

"It's the beginning of a blood bath," said consultant Michael Horn, who writes about the business model of higher education. "Good for the Department of Higher Education for admitting that this is real."

"The perception was students don't matter in these closures, said state Higher Education Commissioner Carlos Santiago in a telephone interview Monday. "The objective is not to stop closures. The objective is to serve students well."

Santiago pointed to Newbury College and Hampshire College as recent examples to follow. Newbury announced last fall that it would be closing at the end of the spring semester. Hampshire College announced this month that it may not accept a class of students next fall, and that it is seeking a strategic partner to ensure its survival.

"They've really done it right," Santiago said of the two colleges.

In particular, the board is seeking to prevent a recurrence of the problems caused by last year's closure of Mount Ida College, in Newton. In that closure, Mount Ida announced in April that it would close the next month, leaving enrolled and admitted students scrambling to find another college that would take them in the fall.

The board's goal, Santiago said, is to "make sure it doesn't happen again."

Santiago served on a working group presenting its final report to the board.

The report urges that the Department of Higher Education screen all private Massachusetts colleges every year using a metric that estimates whether a college will be able to teach all its students to the completion of the current and next academic year.

The metric was developed pro-bono by consultants EY-Parthenon. The metric would be applied to existing publicly available data.

Santiago said the board is waiting for EY-Parthenon to provide details of the metric it has created.

"We need the under-the-hood review of the metric," he said.

The Department of Higher Education would then confirm with a college that it is indeed at risk, then monitor the college's financial situation. If it determines that a college cannot complete its current and next academic year, the college would be required to come up with a contingency plan to transfer its students and make sure they can complete their education.

It would also be required to notify current and accepted students, as well as applicants, that it does not not have sufficient resources to ensure they can complete their education there.

If a college fails to comply, it would lose all state financial aid and could lose its accreditation.

The proposal raises a conundrum for colleges at risk, said Horn. "When do they want to inform the public?" he asked, pointing out that once potential students know a college is in danger, that could accelerate a college's demise.

"I would imagine they would try to push back on this," Horn said of private colleges.

The report notes that the colleges at highest risk are the smallest and least selective, those that have seen a decline in enrollment, have the lowest endowment per student, the worst ratio of liabilities-to-assets, and are the most dependent on tuition and fees.

They are also the most likely to serve low-income students.

"It's not clear that they are serving them well," said Horn. He foresees a potential role for the University of Massachusetts to take over the role of serving low income students now educated by at-risk small colleges.

"The essence of the problem is the pernicious effect on college finance of student loans," said Bob Hildreth, founder of the Hildreth Institute, which advocates for student debt reform and tuition relief, and whose members read the report.

"It is one of the curious things in higher education that the federal government still provides loans to these institutions," said Nick Ducoff, co-founder of Edmit, a Boston startup that advises applicants how to negotiate more financial aid from colleges.

"It sounds reasonable," Ducoff said of the report's recommendations.

"It's timely," Hildreth said of the report. "It's necessary. It shows compassion toward students."

Hildreth is financing a lawsuit by former students of Mount Ida College against their alma mater. He is also the principal funder of WBUR's Edify.

Hildreth noted that the report does not address how taxpayers, who have funded college loans, or staff and faculty, would be protected.

"Colleges who are careening toward bankruptcy have very different constituencies from the Department of Higher Education," Hildreth said. He proposed that the commissioner retain a high-level expert in finance.

Hildreth proposed the extension of emergency lines of credit to colleges in trouble, so that they could have time to find suitable partners for mergers.

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