

BOARD MEETING
June 15, 2006

The June 15, 2006, meeting of the Board of Higher Education (BHE) was held at the Middlesex Community College in Bedford, Massachusetts. The following members were present:

Stephen P. Tocco, Chair
G. L. (Peter) Alcock
Jeanne-Marie Boylan
John Brockelman

Kathleen Kelley
Ann Reale
Carole Thomson

Absent: David Driscoll, Aaron Spencer, Richard Taylor, and Karl White

CALL TO ORDER

Chair Tocco called the meeting to order at 9:40 a.m.

ACCEPTANCE OF MINUTES

A motion was made to accept the minutes of the April 20, 2006, Board meeting. The motion was seconded, and the minutes were unanimously approved.

WELCOME

Dr. Carole Cowan, President of Middlesex Community College (MCC), welcomed the Board to Middlesex Community College's Bedford campus, which is celebrating its 35th anniversary, while Dr. Cowan is celebrating her 15th anniversary as President.

CHAIR'S COMMENTS

Chair Tocco announced that with Dr. David Driscoll, Commissioner of the Department of Education (DOE), the need for both DOE and BHE to focus on college readiness and preparedness—particularly math and science curriculum—and to convene a meeting of the Joint Committee on Educational Policy this summer, which will be co-chaired by Chair Tocco and Commissioner Driscoll. The Committee will examine admission standards in an attempt to increase the chances of improving student success and graduation. A high priority for both Boards will be the creation of a seamless system of education that guarantees student success. It is hoped that recommendations from the summer's work will be forthcoming in the fall. An announcement of the first meeting will be made within the next few weeks.

Chair Tocco reported that funding of the Economic Stimulus Bill should pass in the Senate today with a focus on workforce development. Chair Tocco expressed confidence that the Legislature has recognized the importance of public higher education, and he hoped that the Senate's budget will prevail in its funding for investment in the public higher education system.

CHANCELLOR'S COMMENTS

Chancellor Judith Gill announced her resignation as Chancellor of the Board of Higher Education, effective September 1, 2006, to become Commonwealth Professor at the University of Massachusetts Boston in June 2007.

Chancellor Gill acknowledged the privilege of working for the Board of Higher Education, first as a staff member and then as Chancellor, as she helped to provide an affordable, quality system of public higher education to the Commonwealth and its residents. She said that she was proud of the many programs initiated and implemented during this time to advance the mission of the state's higher education system.

REPORTS FROM THE PRESIDENTS

Dr. Janelle Ashley, Chair of the Executive Committee of the Council of Presidents, congratulated Dr. Mary Grant, President of Massachusetts College of Liberal Arts, who will become Chair of the Executive Committee, effective July 1, 2006.

Comments on the FY07 budget bill with tuition retention revealed that the state college budgets will increase a net of 8 percent, which would close the gap by 1/7. She predicted that the utilization of tuition retention would only succeed with tuition waivers and financial aid.

Dr. Pura, President of Greenfield Community College and Chair of the Council of Community College Presidents, expressed his gratitude for the opportunity to represent the faculty, staff and leadership of the community colleges as Chair of the Council of Presidents for the past year. Dr. David Hartleb, President of Northern Essex Community College, was welcomed as Chair of the Council of Presidents for the next academic year.

Dr. Pura acknowledged that recent positive evidence from House and Senate leadership has caused community college presidents to feel "cautiously optimistic" of future outcomes.

MOTIONS

Chair Tocco brought forth the following motion, and Roland Gauthier, Chair of Quinsigamond Community College, who explained the search process and thanked Susan LaPrade for her work on the Search Committee. The following motion was seconded and unanimously approved.

BHE 06-16 QUINSIGAMOND COMMUNITY COLLEGE PRESIDENTIAL APPOINTMENT

MOVED: The Board of Higher Education approves the recommendation of the Board of Trustees of Quinsigamond Community College to appoint Dr. Gail E. Carberry as President of Quinsigamond Community College, effective July 30, 2006, and approves and fixes Dr. Carberry's compensation in accordance with the provisions of the attached Employment Agreement, dated June 12, 2006. Such appointment is contingent upon acceptance and approval by the Chancellor of a complete background check conducted by the Massachusetts State Police.

Authority: Massachusetts General Laws Chapter 15A, Sections 9 (q) and 21
Contact: Peter H. Tsaffaras, Director of Employee Relations and Benefit Administration

Chair Tocco introduced the following motion and Mary Beth Heffernan, Chair of Framingham State College, told the Board that Dr. Timothy Flanagan was chosen from a strong pool of candidates and that the Board was looking forward to his appointment.

The following motion was seconded and unanimously approved:

BHE 06-17 FRAMINGHAM STATE COLLEGE PRESIDENTIAL APPOINTMENT

MOVED: The Board of Higher Education approves the recommendation of the Board of Trustees of Framingham State College to appoint Dr. Timothy J. Flanagan as President of Framingham State College, effective July 30, 2006, and approves and fixes Dr. Flanagan's compensation in accordance with the provisions of the attached Employment Agreement, dated June 12, 2006. Such appointment is

contingent upon acceptance and approval by the Chancellor of a complete background check conducted by the Massachusetts State Police.

Authority: Massachusetts General Laws Chapter 15A, Sections 9 (q) and 21
Contact: Peter H. Tsaffaras, Director of Employee Relations and Benefit Administration

John Brockelman, Chair of the Assessment and Accountability Committee, introduced Dr. Linda Slakey, Dean of Commonwealth College, who thanked the Board for its continued support of the Commonwealth Honors Program over the past six years. Currently, 18 of the public college and University campuses have approved Commonwealth Honors Programs, involving more than 5,000 students. Activities include the Undergraduate Research Conference; forums on teaching for honors faculty at Salem State College, Boston Public Library, and the University of Massachusetts Lowell; summer workshops on system-wide courses at the University of Massachusetts Amherst; book courses; invitations to lectures on individual campuses; and film series on international cinema.

Dr. David Langston, Director of the Program, thanked Aaron Spencer for being the driving force behind the origination of the program, which has developed into the only state program of its kind in the country. Twenty-three of the public colleges' 29 campuses participate in the program.

Dean Slakey introduced three Commonwealth Honors Program students, who spoke highly of their academic experiences and expressed gratitude for the quality of the program.

The following motion, introduced by John Brockelman, was seconded and unanimously approved.

AAC 06-10 RENEWAL OF COMMONWEALTH COLLEGE, UNIVERSITY OF MASSACHUSETTS AMHERST

MOVED: The Board of Higher Education accepts the report of the Commonwealth Honors Program Executive Committee and renews Commonwealth College's Membership in the Commonwealth Honors Program for six years, effective June 15, 2006

Authority: Commonwealth Honors Program Approval Process Guidelines as Revised by the Board of Higher Education in June 2004.

Contact: Dr. Lynette Robinson, Chancellor

Mr. Brockelman brought forth the following Consent Agenda for Board consideration. The Consent Agenda motion was seconded and unanimously approved.

AAC 06-11 CONSENT AGENDA

MOVED: The Board of Higher Education approves the following motions on a consent agenda:

AAC 06-12 Quincy College
Certificate in Surgical Technology

- AAC 06-13 Benjamin Franklin Institute of Technology
Associate in Science in Opticianry
- AAC 06-14 Bunker Hill Community College
Associate in Science in Respiratory Therapy
- AAC 06-15 Massachusetts College of Liberal Arts
Bachelor of Arts in Arts Management
- AAC 06-16 Mount Wachusett Community College
Associate in Science in Clinical Laboratory Science
- AAC 06-17 Northern Essex Community College
Associate in Science in Paramedic Technology
- AAC 06-18 University of New Haven
PCIPP Criminal Justice Program

Authority: Article III, Section 6, By-Laws
 Contact: Aundrea Kelley, Associate Vice Chancellor for Academy Policy

AAC 06-12 QUINCY COLLEGE – CERTIFICATE IN SURGICAL TECHNOLOGY

MOVED: The Board of Higher Education hereby approves the **request of Quincy College** to award the **Certificate in Surgical Technology**.

Prior to enrolling students in the program, the College must submit the resumes or CVs of the full-time faculty, including the new program chair, to the Chancellor of the Board of Higher Education for approval.

The institution shall provide in January 2007, and annually for four years thereafter, a status report on its implementation of the program, including information regarding administration, curriculum, enrollment, faculty, student clinical placements, and facility resources.

Authority: Massachusetts General Laws Chapter 69, Section 30 et seq.
 Contact: Aundrea Kelley, Associate Vice Chancellor for Academic Policy

AAC 06-13 BENJAMIN FRANKLIN INSTITUTE OF TECHNOLOGY – ASSOCIATE IN SCIENCE IN OPTICIANRY

MOVED: The Board of Higher Education hereby approves the request of **Benjamin Franklin Institute of Technology** to award the **Associate in Science in Opticianry**.

Authority: Massachusetts General Laws Chapter 69, Section 30 et seq.
 Contact: Aundrea Kelley, Associate Vice Chancellor for Academic Policy

AAC 06-14 BUNKER HILL COMMUNITY COLLEGE – ASSOCIATE IN SCIENCE IN RESPIRATORY THERAPY

MOVED: The Board of Higher Education hereby approves the request of **Bunker Hill**

Community College to award the Associate in Science in Respiratory Therapy.

One year after graduating the program's first class, the College shall submit to the Board a status report addressing its success in reaching program goals as stated in the application and in the areas of enrollment, curriculum, faculty, resources, and program effectiveness.

Authority: Massachusetts General Laws Chapter 15A, Section 9(b)
Contact: Aundrea Kelley, Associate Vice Chancellor for Academic Policy

AAC 06-15 MASSACHUSETTS COLLEGE OF LIBERAL ARTS – BACHELOR OF ARTS IN ARTS MANAGEMENT

MOVED: The Board of Higher Education hereby approves the request of **Massachusetts College of Liberal Arts** to award the **Bachelor of Arts in Arts Management**.

One year after graduating the program's first class, the College shall submit to the Board a status report addressing its success in reaching program goals as stated in the application and in the areas of enrollment, curriculum, faculty, resources, and program effectiveness.

Authority: Massachusetts General Laws Chapter 15A, Section 9(b)
Contact: Aundrea Kelley, Associate Vice Chancellor for Academic Policy

AAC 06-16 MOUNT WACHUSETT COMMUNITY COLLEGE – ASSOCIATE IN SCIENCE IN CLINICAL LABORATORY SCIENCE

MOVED: The Board of Higher Education hereby approves the request of **Mount Wachusett Community College** to award the **Associate in Science in Clinical Laboratory Science**.

One year after graduating the program's first class, the College shall submit to the Board a status report addressing its success in reaching program goals as stated in the application and in the areas of enrollment, curriculum, faculty, resources, and program effectiveness.

Authority: Massachusetts General Laws Chapter 15A, Section 9(b)
Contact: Aundrea Kelley, Associate Vice Chancellor for Academic Policy

AAC 06-17 NORTHERN ESSEX COMMUNITY COLLEGE – ASSOCIATE IN SCIENCE IN PARAMEDIC TECHNOLOGY

MOVED: The Board of Higher Education hereby approves the request of **Northern Essex Community College** to award the **Associate in Science in Paramedic Technology**.

One year after graduating the program's first class, the College shall submit

to the Board a status report addressing its success in reaching program goals as stated in the application and in the areas of enrollment, curriculum, faculty, resources, and program effectiveness.

Authority: Massachusetts General Laws Chapter 15A, Section 9(b)
Contact: Aundrea Kelley, Associate Vice Chancellor for Academic Policy

AAC 06-18 UNIVERSITY OF NEW HAVEN – BACHELOR OF SCIENCE IN CRIMINAL JUSTICE

MOVED: The Board of Higher Education approves the **Bachelor of Science in Criminal Justice at the University of New Haven** under the *Guidelines for Criminal Justice and Law Enforcement Academic Programs*. The programs have been found to meet or exceed all quality standards established by the *Guidelines*.

As stated in the *Guidelines*, the institution shall submit two copies of a report to the Board annually, certifying that each program is being maintained and operated within the provisions and spirit of the criteria and guidelines set forth by the *Guidelines*.

Authority: Chapter 41, Section 108L (as amended)
Contact: Aundrea Kelley, Associate Vice Chancellor for Academic Policy

Ms. Jeanne-Marie Boylan, who brought for the following motion, informed the Board that this motion is in response to the great capital needs of the Commonwealth's public campuses to develop debt policies. Presently, the BHE receives debt funding for capital projects from General Obligation and Health and Educational Facilities Authority bonds or bonds issued by the Massachusetts State College Building Authority. Passage of the following motion will allow the Board to consider other options.

This motion was seconded and unanimously approved.

FAAP 06-25 DEBT POLICY GUIDELINES FOR THE STATE AND COMMUNITY COLLEGES

MOVED: The Board of Higher Education hereby adopts the attached Debt Policy Guidelines for the State and Community Colleges

Authority: Massachusetts General Laws Chapter 15A, Section 9
Contact: Kurt T. Steinberg, Associate Vice Chancellor for Fiscal Policy

Ms. Boylan introduced the following motion, which was seconded and unanimously approved.

FAAP 06-26 APPROVAL TO PROCEED WITH A MASSACHUSETTS MARITIME ACADEMY LIBRARY RENOVATION STUDY

MOVED: The Board of Higher Education hereby gives Massachusetts Maritime Academy approval to proceed with a library renovation study. This approval is given with

the understanding that Massachusetts Maritime Academy is responsible for all costs related to the study and that it will not proceed with design and/or construction until the Board of Higher Education gives its approval to proceed.

Authority: Massachusetts General Laws Chapter 15A, Section 9
Contact: Kurt T. Steinberg, Associate Vice Chancellor for Fiscal Policy

Ms. Boylan introduced the following motion and reported that the language in this motion deals with administrative changes to the Guidelines and that the cost of this program will be in the range of \$20 to \$25 million once it becomes a four-year program. Because of the high cost, Chair Tocco suggested that the Board monitor the program closely.

The motion was seconded and unanimously approved.

FAAP 06-27 ADAMS SCHOLARSHIP GUIDELINES

MOVED: The Board of Higher Education hereby adopts the following amended Guidelines for the John and Abigail Adams Scholarship Program.

Authority: Massachusetts General Laws Chapter 15A, Section 9
Contact: Clantha McCurdy, Associate Vice Chancellor for Student Financial Assistance

When introducing the following motion, Ms. Boylan informed the Board that benefits are subject to a special appropriation. Chair Tocco recommended that a letter be sent to the Legislature for the purpose of recommending that funding be considered as a special line item. David McCauley, Deputy Chancellor, stated that he was hopeful that \$5.6 million would be appropriated in the supplemental budget.

The motion was seconded and unanimously approved.

FAAP 06-28 NATIONAL GUARD TUITION AND FEE WAIVER PROGRAM GUIDELINES, AS REQUIRED BY CHAPTER 130 OF THE ACTS OF 2005—AN ACT PROVIDING BENEFITS TO SERVICE MEMBERS, VETERANS AND THEIR FAMILIES

MOVED: The Board of Higher Education hereby adopts the following Guidelines for the National Guard Tuition and Fee Waiver Program.

Authority: Massachusetts General Laws Chapter 15A, Section 9
Contact: Clantha McCurdy, Associate Vice Chancellor for Student Financial Assistance

Chair Tocco introduced the following motion, with the comment that he and the Chancellor will be in communication throughout the summer and would keep Board members informed of Board business. The motion was seconded and unanimously approved.

BHE 06-18 DELEGATION OF SUMMER AUTHORITY TO CHANCELLOR

MOVED: The Board of Higher Education delegates to the Chancellor, until the next

regularly scheduled meeting of the Board, in consultation with and upon the advice of the Chairman of the Board or Board members, as may be specifically designated by the Chairman, its authority to take such action as is deemed necessary or desirable.

Authority: Massachusetts General Laws, Chapter 15A, Section 6
Contact: Joseph C. Sullivan, General Counsel

FINANCIAL AID TASK FORCE PRELIMINARY REPORT: DATA ANALYSIS AND FINDINGS

As an introduction to the presentation, Chair Tocco stated that it would be important for everyone to understand how future decisions on financial aid will be made. The Financial Aid Task Force will be working through the summer with recommendations made to the Board in the fall.

Dr. Long next gave a detailed PowerPoint presentation by first describing the high-quality database from which analysis was drawn, thus allowing better decisions to be made. She said the goal of the Task Force is to determine whether the Commonwealth's financial aid programs provide access to all students.

Dr. Long reviewed income and family contribution charts and the types of financial aid students are currently receiving. A crucial element of her report was the information provided regarding the unmet need, defined as the amount that students owe after financial aid has been provided. Various charts were presented showing unmet need after various sources of grants and loans have been applied. Significantly, even at the median family income level for Massachusetts, two-thirds of families have a median unmet need of \$4,500, which includes a total of 88,210 students and \$562 million in total unmet need. By segment, before loans, the unmet need of students follows:

- \$7,500 at University of Massachusetts' campuses
- \$3,400-4,000 at state college campuses
- \$11,000-12,000 at private colleges
- \$1,300-3,200 at community colleges

The effects of unmet need can result in rising credit card debt, private debt under unfavorable terms, and detrimental access and persistence.

Dr. Long presented additional charts on affordability trends in New England, which indicated that the percentage of income required to cover total college costs are increasing at a quicker rate in Massachusetts than in any of the other New England states.

The results of the data analysis beg the following questions to be answered:

- What is the state's responsibility, and how should this unmet need be addressed?
- How much student debt is reasonable?
- How should the state address the declining value of federal need-based aid?
- What should be the role of the government and the institutions?

The discussion on student financial aid continued with a presentation by John Schneider, Vice President of MassInc., on The Changing Demographics of Massachusetts, which focused on

- Domestic migration: 200,000 people have left Massachusetts over the past 15 years, with the state losing population in 2004-05 to Georgia, Florida, and Arizona.
- The workforce in Massachusetts is aging; Massachusetts ranks 28th in the number of people over 25 with high school diplomas, and one in three lacks “new economy” basic skills. As a result, key industries may suffer as they struggle to find skilled workers.
- Both education and the ability to speak English proficiently are essential for success in Massachusetts. Immigrants in Massachusetts have allowed the state to maintain its population; however, many do not have high school diplomas and lack skills below the ninth grade level. There is an urgent need for more offerings of English as a Second Language classes.
- Massachusetts has the 12th oldest population in the nation. With the potential of 87,000 baby boomers retiring within five years, the state faces potential labor shortages.
- The state faces a generation of transition, with the baby boomers redefining what it means to be retired; many expect to work past retirement age but want jobs with flexible hours and part-time work.

Mr. Schneider told the Board that the gubernatorial candidates are aware of the demographic challenges facing the state, and it is important to remind them of the priority of these issues.

Dr. Long emphasized that the Board now has strong data to present to the Legislature, and MassInc. can provide analysis on how the data are affecting our region.

Ms. Reale acknowledged that having the data is useful but that it must be comprehensive. She asked Dr. Long options for its use, and Dr. Long offered her assistance in the reading of the data.

The financial aid budget request was for funding at the 2001 level and that the Board is still far behind the receipt of desperately needed funding.

Dr. McCurdy stated that the Financial Aid Policy recommendations will be sent to the Board for review prior to holding public hearings over the summer.

There being no further business, the meeting adjourned at 12:20 p.m.

**Debt Policy Guidelines
For State and Community Colleges**

5/12/06



Massachusetts Board of Higher Education

Stephen P. Tocco, *Chairman*

Judith I. Gill, *Chancellor*

DEFINITION AND PURPOSE

A formal debt policy provides a state or community college with a framework for making capital financing decisions and for self-analysis of its financial condition. The use of debt and the ability to acquire it requires a holistic view of how debt will forward the long-term goals of an institution, the roles different kinds of debt play in an institution's financial portfolio, and how overall financial management of an institution relates to the acquisition and management of debt.

This document provides state and community college presidents and trustees a set of elements that should be included in a debt policy. As each institution is different, so debt policies will differ according to the needs and nature of each institution. These elements, as presented here, are not static concepts. They can and should be tailored to each college's individual situation. Upon completion of a locally-developed debt policy, a copy of such policy shall be filed with the Board of Higher Education.

The guidelines begin with a brief overview of debt funding options available to State and Community Colleges followed by a general discussion of debt policy and some of the elements of an effective debt policy with descriptions.

CURRENT DEBT FUNDING FOR CAPITAL PROJECTS

The state and community colleges under the aegis of the Board of Higher Education (BHE) receive debt funding for capital projects from three sources: Commonwealth General Obligation Bonds, bonds issued by the Massachusetts Health and Educational Facilities Authority (HEFA) and bonds issued by the Massachusetts State College Building Authority (MSCBA).

General Obligation Bonds

General obligation bonds provide the largest source of capital funding and, as their name suggests, provide capital funding for all of state government. Portions of the funds available through this source are assigned to various agencies through debt caps assigned by the Executive Office for Administration and Finance. The cost of this debt and its availability depends on the creditworthiness of the Commonwealth as a whole.

HEFA and MSCBA

HEFA and MSCBA debt is issued by quasi-public authorities for specific types of capital projects and are paid for through dedicated revenue streams. HEFA states its mandate as providing financing or refinancing for any capital project related to the "primary charitable purpose" of an institution. The MSCBA issues debt to finance student activity and residential buildings. An example of this type of debt would be securing the financing of a dormitory by committing rent revenue from students to paying down the debt for a specified period of time. The cost and availability of HEFA and MSCBA debt depends on the creditworthiness of the individual college or community college for which a project is being financed. Community colleges cannot finance projects via the MSCBA, but they may debt-finance facilities through HEFA.

DEBT POLICY

Though state and community colleges cannot, on their own, issue debt, they can use debt financing from one of the sources described above to finance capital projects. In the case of General Obligation Bonds, state and community colleges contribute to the credit of the Commonwealth as part of a greater whole made up of many state entities. It is with HEFA and MSCBA funding that debt policy most directly affects an institution's ability to acquire and manage debt. Because these sources of funding are backed, ultimately, by the institution using the funding, the success of a HEFA or MSCBA bond issue is closely related to an institution's fiscal performance and overall management.

Development of a debt policy also plays a role in providing state and community colleges with possible future sources of financing outside of HEFA and MSCBA. The presence of a debt policy demonstrates a level of readiness and competency regarding the use of debt that makes a case for allowing colleges to take advantage of other future statutory opportunities.

The elements presented below, when combined in a debt policy, provide a strategic way for management to take debt into account in its decision making.

ELEMENTS OF AN EFFECTIVE DEBT POLICY

The following list provides examples of elements for an effective debt policy. There are many different aspects of an institution's performance and the project or projects to be financed that an institution's management, bond-issuing authorities, bond-rating agencies, and the market take into account when making their relevant decisions. Each constituency has its own interests, but it is ultimately the institution that uses debt financing that can do the most to shape the conditions under which that debt is acquired.

Debt Policy's Role

A college's debt policy should state how debt policy fits into the mission and strategic planning of the college. Each college has its mission and a strategic financial plan to carry out that mission. Part of that strategic financial plan is the planning and funding of capital projects. A college's debt policy is an outgrowth of capital planning and, to the extent that resources are fungible, also affects planning for funding other aspects of carrying out the college's mission. This may seem obvious to people charged with financial planning at the colleges, but it is still important to communicate to other college stakeholders and outside parties that those involved in planning have a clear understanding that debt is not an ad hoc tool, but something taken into account as part of the college's overall financial strategy.

Debt Philosophy

A college's debt philosophy is a statement of how debt is regarded and how debt is to be managed by the college. A good example is contained in the University of Vermont's Debt Policy from September, 2004:

"Just as investments represent an integral component of assets, debt is viewed to be a long-term component of liabilities that therefore should be managed on a long-term portfolio-basis consistent with the institution's policy objectives"

Such a statement should bear in mind the system-wide philosophy of financial management which regards debt as one way of financing capital projects and, like those projects, as something to be thought about in the long-term. Additional language excluding the use of debt as a means of accessing working capital would also support this philosophy.

Objectives for Debt Policy

A debt policy should let the reader know what that policy is meant to help the college accomplish. One objective would be to help the college access sources of capital. As said earlier, a debt policy lets everyone know that the college has a framework for thinking about and managing debt and that it is worthy of being considered a candidate for additional sources of debt financing. Another objective is to help the college manage its overall portfolio by providing a way to integrate debt into overall financial management. Other goals are to maintain a favorable credit rating and to limit financial risk.

Qualifying Projects

A debt policy should state what capital projects qualify for debt financing. Debt financing should be used to finance only those projects that have been approved by the Board of Higher Education. The 2003 study by Eva Klein Associates, *Matching Facilities to Missions: Strategic Capital Program*, equipped BHE with objective criteria and an open process for prioritizing capital projects and justifying them to various constituencies. This is vital not only for appealing to the Executive and the General Court for funding and for public accountability, but for justifying the need for debt to bond issuing agencies and the market.

Financial Feasibility

A debt policy should communicate that a college realizes that in order to begin thinking about using debt to finance all or part of a project, the college takes into account how it will make debt service payments. An outline of what factors will be considered and the process used to determine a college's ability to use debt to finance a project makes decision-making more transparent for stakeholders inside and outside of the college. Among the factors to be considered are benchmark financial ratios discussed later in this outline. It is also advisable to state that before debt is acquired, a contingency plan must be developed for servicing debt if the assumptions used in determining feasibility do not prove true.

Proportion of Debt Used to Finance a Project

To keep the use of debt within a manageable level, a college could include as part of its debt policy a requirement that a certain portion of each capital project be paid for with operating funds made available for that purpose. This proportion should be guided by the amount of debt the college is able and/or comfortable with taking on. The policy regarding such a proportion could be expressed as a given level; a level with exceptions and/or a process spelling out who can make changes to it, how such changes are made, and under what circumstances; or as a set of guidelines setting out who determines the proportion of operating funds to be used and how that determination is to be made.

Allowable Debt Repayment Period

The time allowable for repayment of debt associated with a project should bear a relationship to the life of the asset and whatever revenue stream may be associated with it as well as the cost of debt as it varies with time.

Interest Rate Exposure

Interest rate exposure applies to the use of variable debt which, currently, is not an option for BHE institutions. It is defined as the possible increase in capital costs resulting from rising short-term interest rates. A limit for interest rate exposure for an institution can be based on rating-agency guidelines for assessing the debt structure of institutions with comparable credit ratings. The goal is to minimize the cost of capital within a reasonable level of exposure to interest rate volatility. Variable rate debt should not be greater than 30% to 50% of an institution's total outstanding debt.

Refinancing Opportunities

Institutions should consider refinancing of outstanding debt when net savings for that refinancing measured on a net present value basis are positive.

Charging Off the Cost of Debt

The interest and issuance cost of a specific bond issue can be charged off to the project or projects that bond issue is used to finance. Alternatively, a college could pool its debt costs and charge all projects an average rate representative of all bond issues. Whichever option a college chooses, stating the choice up-front in the debt policy provides guidance on determining the cost of a project and on how the college's entire financial portfolio should be managed.

Decision-Making, Monitoring, and Reporting

A college's debt policy should state who is responsible for decision-making regarding debt and the process used for deciding on when debt should be taken on. Likewise, an officer of the college should be charged with the monitoring and reporting requirements associated with debt.

Also a process must be put into place to regularly review bond covenants, reporting, revenue streams pledged to debt service, interest rates, opportunities to refinance at lower costs, and call dates for bonds. Institutions will need to provide updated financial information and operating data and timely notice of specified material events to bond issuing authorities.

Financial Ratios

Actual and pro forma financial ratios can signal whether an institution is operating within appropriate financial bounds. Although other ratios may also be included in a debt policy, the primary financial ratios are:

- **Viability Ratio**
This ratio measures the availability of expendable net assets to pay off long term debt. A ratio of 1.0 or higher indicates an institution has sufficient net assets to satisfy debt requirements.

$$\text{Ratio} = \text{Expendable Net Assets} / \text{Long-Term Debt}$$

- **Debt Burden Ratio**
This ratio expresses annual debt service payments as a percent of total expenses. It measures an institution's ability to repay debt service on all outstanding debt and its impact on the institution's overall budget.

$$\text{Ratio} = \text{Annual Debt Service} / \text{Total Expenses}$$

It is believed that if more than 5% of an institution's budget were devoted to debt service, that institution's flexibility to devote its resources to other needs would be compromised. It is understood that rising expenses could make this ratio seem more attractive, though misleading, and is evaluated in conjunction with an institution's income statement.

- **Primary Reserve**
This ratio provides a snapshot of an institution's financial strength and flexibility. The ratio indicates how long the college could operate using expendable reserves without relying on additional new assets generated by operations. Trend analysis indicates whether an institution has increased its net worth in proportion to its rate of growth. A negative or decreasing trend indicates a weakening financial condition.

$$\text{Ratio} = \text{Unrestricted \& Expendable Net Assets} / \text{Total Operating Expenses}$$

- **Return on Net Assets Ratio**
This ratio reports whether an institution's resources are growing and if it is financially better off than in previous years. It is important to assess this ratio as a linear trend – an increasing trend indicates an increase in net assets and an increased likelihood that the institution is able to set aside financial resources to strengthen future flexibility. Single year events, like a substantial gift or extreme investment performance, can cause significant year-to-year volatility.

$$\text{Ratio} = \text{Increase (Decrease) in Net Assets} / \text{Beginning of Year Net Assets}$$

- **Net Operating Revenues Ratio**
This ratio indicates whether operating activities resulted in a surplus or deficit. It measures financial performance by answering the question "did the college live within its means during a fiscal year?" A positive ratio indicates the college experienced an operating surplus; a continuing decline or pattern of deficits indicates financial problems.

$$\text{Ratio} = \text{Adjusted Net Operating Revenues} / \text{Adjusted Total Income}$$

FILING

State and community colleges must file with the Board of Higher Education, by sending to the Chancellor, a trustee-approved debt policy by February 28, 2007. Any changes, modifications, or amendments to a state or community college's debt policy must be approved by the college's board of trustees and must be filed with the Board of Higher Education, by being sent to the Chancellor, within sixty days of approval by the board of trustees.

CLOSING COMMENTS

As stated, this document is intended to serve as a guide for the development of individual debt policies at BHE institutions. As such, it marks the beginning of a collaborative process between college presidents, trustees, and financial managers. It should serve as a starting point for discussion and a jumping-off point for examining how decisions regarding debt financing are made at individual institutions. Further, these policies will support efforts to obtain alternative capital financing opportunities including legislative authorization of a revolving capital projects loan pool.

SECTION U: JOHN AND ABIGAIL ADAMS SCHOLARSHIP

DEFINITIONS:

ELIGIBLE INSTITUTION:

An institution within the system of public institutions of higher education as identified in Section 5 of Chapter 15A of the Massachusetts General Laws, except those institutions retaining Massachusetts resident tuition payments.

ELIGIBLE PROGRAM:

Any state-supported undergraduate degree program offered by an eligible institution.

ELIGIBLE STUDENT:

An undergraduate student who has been **admitted** to an eligible institution and meets the following requirements:

- a) has graduated from or under the auspices of a Massachusetts public high school, as of June 2005 or thereafter, and by the end of the junior year, was in the highest 25 percent in their district on the 10th grade Massachusetts Comprehensive Assessment System (MCAS) English Language Arts and Mathematics test, and scored in the Advanced Category on one test and Proficient or Advanced on the other test. (note: an earned GED does not fulfill the high school graduation requirement)
- b) is a permanent legal resident of Massachusetts for at least one year prior to the start of the academic year and who is a United States citizen or a non-citizen eligible under Federal Title IV
- c) is enrolled full-time in the first traditional academic semester (fall) following high school graduation in a Massachusetts public college or university
- d) continues to enroll as a full-time student in consecutive traditional academic semesters in an eligible Massachusetts public college or university

- e) maintains a cumulative 3.0 GPA on all academic coursework at the institution awarding the degree; **or if transferring, has maintained a cumulative 3.0 GPA at the transfer institution;**
- f) **the institution is responsible for verifying the cumulative GPA at the end of the spring semester of each academic year;** if the student drops below the required 3.0 GPA, the scholarship is forfeited for the duration of his/her college enrollment
- g) annually files the Free Application for Federal Student Aid (FAFSA)
- h) maintains Satisfactory Academic Progress in accordance with institutional standards
- i) is in compliance with applicable law regarding Selective Service Registration
- j) is not in default with applicable law regarding any Federal or State student education loans for attendance at any institution or owes a refund for any previous financial aid received

The institution may not grant an exception to the above requirements. In rare and extenuating circumstances, the Chancellor may permit an exception to the above criteria and authorize (in writing) the institution to award the Adams Scholarship. In such cases, supporting documentation must be provided by the student and maintained by the institution and the Office of Student Financial Assistance.

AWARD VALUE:

The award under this program shall be equal to:
the value of required tuition (not including fees) for all state-supported undergraduate courses

The scholarship may be awarded to eligible students for a maximum of four years or eight semesters of continuous enrollment (not including summer terms).

The program will be awarded at no cost to the institution.

AWARD PROCEDURE

Beginning with the Class of 2005, the State Department of Education will annually certify the eligibility of student recipients for the John and Abigail Adams Scholarship. Consistent with other programs, the State Department of Education will provide students with a letter of eligibility and provide the Board of Higher

Education, Office of Student Financial Assistance, with a list of eligible students designated as Adams Scholarship recipients.

Each John and Abigail Adams Scholarship recipient shall be responsible for submitting documentation of eligibility to the institution where he/she will enroll. **The Office of Student Financial Assistance shall annually provide institutions with a roster of eligible students that have met the requirements of completing the FAFSA. Institutions may use this roster to verify student eligibility whenever other documentation is not available.**

The institution shall award scholarships equal to the value of required tuition. The Adams Scholarship is a non-need based program. Financial need is not a requirement for eligibility. However, recipients must meet all requirements as defined for eligible students including filing the FASFA.

ANNUAL REVIEW

One year after the date of implementation, the Board of Higher Education shall evaluate the effectiveness of this program to determine adjustments to the selection and eligibility criteria, as necessary and as warranted by state-wide performance of students on the MCAS, and by any changes to the exam contents (e.g., the addition of Science and History to the competency determination). Thereafter, a comprehensive evaluation will be conducted annually to assess the program's effectiveness, the results of which will be reported to the Governor and members of the Massachusetts Legislature.

PARTICIPATION AGREEMENTS

All institutions must file a State Financial Aid Participation Agreement to be maintained on file in the State Office of Student Financial Assistance.

AUDIT REQUIREMENTS

- a) It shall be the responsibility of each college and university to maintain documentation of a recipient student's eligibility for the John and Abigail Adams Scholarship
- b) The Chancellor shall require each campus to furnish annually to the Board of Higher Education a report detailing specific information regarding recipients of the John and Abigail Adams Scholarship Program. The Office of Student Financial Assistance will coordinate specification and procedures for this report
- c) All financial books, records and documents pertaining to this program shall at all times be open to inspection, review and audit

by the Chancellor, the State Auditor or their authorized representatives who shall have access to the premises wherever such books, records and documents are located. The institution shall retain such financial books, records and documents for seven years. An institution may retain such records for a period of five years if approval is received from the Records Conservation Board in accordance with General Laws, Chapter 30, Section 42.

**CHAPTER 130 OF THE ACTS OF 2005
TUITION AND FEE WAIVER PROGRAM
MASSACHUSETTS NATIONAL GUARD MEMBERS**

PURPOSE:

In November 2005, the Massachusetts Legislature enacted and the Governor signed “An Act Providing Benefits to Service Members, Veterans and Their Families” (Chapter 130 of the Acts of 2005). This law, in Section 2A, provides for tuition and fee waivers for members of the Massachusetts National Guard who choose to attend a Massachusetts public institution of higher education and it requires the Board of Higher Education to establish guidelines for these waivers. Section 2A also states “The commonwealth, not the institutions of public higher education, shall bear the cost of such tuition and fee waivers for Massachusetts National Guard members.”

ELIGIBLE INSTITUTION:

An institution within the system of public institutions of higher education as identified in Section 5 of Chapter 15A of the Massachusetts General Laws.

ELIGIBLE PROGRAM:

An undergraduate or graduate degree program offered by an eligible institution.

ELIGIBLE STUDENT:

An active member of the Massachusetts Army or Air National Guard who is in good standing and meets the following criteria:

- a) is accepted for admission to, or is enrolled, full- or part-time in a Massachusetts public institution of higher education, as defined above
- b) is eligible to receive and has been issued a Certificate of Eligibility by the Military Division of the Commonwealth of Massachusetts applicable for any portion of the academic year
- c) has not exceeded the 130 semester credit hours maximum, or the equivalent quarter hours or clock hours, when combined with Certificates of Eligibility issued prior to September 1, 2006
- d) maintains satisfactory academic progress as defined by the institution

MAINTENANCE OF ELIGIBILITY:

It is the responsibility of each National Guard member to maintain his/her eligibility for educational assistance during the life of each Certificate of Eligibility. The member is also responsible for providing the Certificate of Eligibility to the proper official at the institution, as designated, and in a timely manner to facilitate awarding of the waivers.

It is the responsibility of the Commonwealth of Massachusetts Military Division to inform the institution of the status of any member of the National Guard who has failed to maintain good standing or has terminated his/her service. Upon receipt of this information, the institution must determine if the award may be canceled for that academic term or for such future terms to follow.

AWARD VALUE:

Subject to a special appropriation for this program, the value of the award under this program shall be equal to the amount of tuition and mandatory fees, as defined by each institution, charged to the student. The total number of credits for which tuition and fees are waived may not exceed the number of credits for which the student is eligible, as indicated and based on the Certificate of Eligibility.

The institution must maintain and record the number of credits for which tuition and fees have been waived for each student to avoid overpayment.

AWARD PROCEDURE:

Upon presentation of a valid Certificate of Eligibility (certificate must bear a raised seal), the institution will credit the student's account for the value of tuition and fees charged.

The institution shall present to the Board of Higher Education, or its designated agency, an invoice for reimbursement of all tuition and fees waived under this program at the conclusion of each academic semester. The invoice must be accompanied by a roster which provides the relevant information for each recipient to include, name, educational level, number of credits, and amount of tuition and fees waived.

REPORTS:

Each institution shall maintain a record of tuition and fees waived under this program and provide a written report to the Board of Higher Education each semester, upon request. The terms of the report shall be specified by the Board of Higher Education and shall include the name of each participating National Guard member, the number of credits charged and the amount of each award.

The Commonwealth of Massachusetts Military Division shall be responsible for maintaining a log of all eligible National Guard members and providing a written report detailing the number certificates issued bi-annually.

PARTICIPATION AGREEMENTS

All institutions must file a State Financial Aid Participation Agreement to be maintained on file in the State Office of Student Financial Assistance.

AUDIT REQUIREMENTS

- a) It shall be the responsibility of each college and university to maintain documentation of a recipient student's eligibility for the National Guard Tuition and Fee Waiver awarded under the terms of The Welcome Home Bill.
- b) The Chancellor shall require each campus to furnish annually to the Board of Higher Education a report detailing specific information regarding recipients of the National Guard Tuition and Fee Waiver Program. The Office of Student Financial Assistance will coordinate specification and procedures for this report.
- c) All financial books, records and documents pertaining to this program shall at all times be open to inspection, review and audit by the Chancellor, the State Auditor or their authorized representatives who shall have access to the premises wherever such books, records and documents are located. The institution shall retain such financial books, records and documents for seven years. An institution may retain such records for a period of five years if approval is received from the Records Conservation Board in accordance with General Laws, Chapter 30, Section 42.