

**Massachusetts Board of Higher Education
Fiscal Affairs and Administrative Policy Committee Meeting
October 24, 2017**

The October 24, 2017 meeting of the Fiscal Affairs and Administrative Policy (FAAP) Committee was held in Conference Room 3 on the 21st floor of One Ashburton Place, Boston, Massachusetts.

Committee Members Present: Committee Chair Tom Hopcroft; Paul Toner; Paul Mattera; EOE Assistant Secretary for Policy and Planning Tom Moreau (for EOE Secretary James Peyser)

Committee Members Absent: Board Chair Chris Gabrieli; J.D. LaRock

Special Guests: Ed Adelman, Executive Director, Massachusetts State College Building Authority (MSCBA); Karol Ostberg, Chief Financial Officer, MSCBA

Department Staff Present: Deputy Commissioner for Administration and Finance Tom Simard; David Cedrone; Jonathan Keller; Patricia Marshall; Michael Murray; Ellen Osborne-Smith; Dena Papanikolaou; Elena Quiroz-Livanis; Joe Wallerstein; Ashley Wisneski

I. CALL TO ORDER

Chair Hopcroft called the meeting to order at 1:58pm.

II. ACCEPTANCE OF MINUTES

On a motion duly made and seconded, the minutes from the June 13, 2017 meeting of the Fiscal Affairs and Administrative Policy Committee were unanimously approved.

III. REMARKS

In the interest of time, no remarks were offered by Committee Chair Hopcroft or Deputy Commissioner Simard.

IV. MOTIONS

List of documents used:
MSCBA PowerPoint Presentation

Committee Chair Hopcroft turned the meeting over to Ed Adelman and Karol Ostberg from the Massachusetts State College Building Authority (MSCBA) for a presentation on requests for approval for seven higher education funding projects. The chair explained that the Committee would be voting on all of the motions presented by Mr. Adelman and Ms. Ostberg at the end of their entire presentation on a consent agenda.

Before highlighting aspects of the individual projects, Mr. Adelman provided an overview of the MSCBA's role and its business before the Board, noting that there are three projects that will be

funded by debt and a combination of cash and debt in January 2018, which will require Board approval.

Committee Member Toner asked about the number of students housed on campus. Mr. Adelman replied that approximately half of students are housed in student housing.

Mr. Adelman then continued on to review the projects to renovate and renew existing facilities.

A. FAAP 18-01 Approval of Massachusetts State College Building Authority Residence Hall Renewal and Adaption at Bridgewater State University

Mr. Adelman provided the Committee with an update on Bridgewater State University's Residence Hall renewal.

**MOVED: MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY
RESIDENCE HALLS RENEWAL AND ADAPTION BRIDGEWATER
STATE UNIVERSITY**

1. The Commissioner of the System of Public Higher Education (the "Commissioner") is authorized and directed in the name and on behalf of the Board of Higher Education (the "Board") to make a written request to the Massachusetts State College Building Authority (the "Authority") that the Authority initiate the projects described in EXHIBIT A attached hereto.

2. Bonds issued by the Authority to finance the projects for which a request is hereby authorized may be issued together with or separately from bonds issued to carry out other projects of the Authority for which the Board authorizes a request.

3. The Commissioner and all other officers of the Board, each acting singly, are authorized to request the Commissioner of Administration to approve in writing the initiation by the Authority of the projects for which a request is hereby authorized, and to do such other things and to take such other action as the officer so acting shall, as conclusively evidenced by the taking of such action, deem necessary or desirable to be done or taken to carry into effect the matters hereby authorized.

4. The Board and the Commonwealth of Massachusetts, acting by and through the Board, declare their official intent under §1.150-2(d)(1) and (e) of the Treasury Regulations as follows:

The Board reasonably expects that there shall be reimbursed from the proceeds of bonds issued by the Authority, expenditures (including expenditures made within the last 60 days) temporarily advanced by the Commonwealth (including within such term the Board and the State Universities) for the projects for which a written request is hereby authorized, the maximum principal amount of such bonds expected to be issued, all or a portion of the proceeds of which are reasonably expected to be used for such reimbursement purposes, being **\$3,370,000**.

Authority: Massachusetts General Laws Chapter 15A, Section 6

Contact: Thomas Simard, Deputy Commissioner for Administration & Finance

B. FAAP 18-02 Approval of Massachusetts State College Building Authority Faculty/Staff Housing at Fitchburg University

With no additional questions or comments, discussion continued to FAAP 18-02.

Mr. Adelman provided the Committee with an update on Fitchburg State University's purchase and renovation of residential property at 162 Highland Avenue to provide housing for faculty and staff.

MOVED: MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY FACULTY/STAFF HOUSING FITCHBURG STATE UNIVERSITY

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Authority: Massachusetts General Laws Chapter 15A, Section 6

Contact: Thomas Simard, Deputy Commissioner for Administration & Finance

C. FAAP 18-03 Approval of Massachusetts State College Building Authority Residence Hall Renewal and Adaption at Fitchburg State University

Mr. Adelman provided the Committee with an update on Fitchburg State University's ongoing improvement and renovation at three of its residence hall buildings: Townhouse Apartments, Mara Village, and Russell Towers.

MOVED: MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY RESIDENCE HALLS RENEWAL AND ADAPTION FITCHBURG STATE UNIVERSITY

1. The Commissioner of the System of Public Higher Education (the "Commissioner") is authorized and directed in the name and on behalf of the Board of Higher Education (the "Board") to make a written request to the Massachusetts State College Building Authority (the "Authority") that the Authority initiate the projects described in EXHIBIT A attached hereto.

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Authority: Massachusetts General Laws Chapter 15A, Section 6

Contact: Thomas Simard, Deputy Commissioner for Administration & Finance

D. FAAP 18-04 Approval of Massachusetts State College Building Authority Acquisition of Maynard Building and Improvements at Framingham State University

Mr. Adelman provided the Committee with an update on Framingham State University's effort to purchase the Jonathan Maynard Building property located at 14 Vernon Street. With no additional questions or comments, discussion continued to the next motion.

**MOVED: MASSACHUSETTS State College BUILDING AUTHORITY
ACQUISITION OF PROPERTY AND IMPROVEMENTS FRAMINGHAM
STATE UNIVERSITY**

1. The Commissioner of the System of Public Higher Education (the "Commissioner") is authorized and directed in the name and on behalf of the Board of Higher Education (the "Board") to make a written request to the Massachusetts State College Building Authority (the "Authority") that the Authority initiate the projects described in EXHIBIT A attached hereto.

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The Board reasonably expects that there shall be reimbursed from the proceeds of bonds issued by the Authority, expenditures (including expenditures made within the last 60 days) temporarily advanced by the Commonwealth (including within such term the Board and the State Universities) for the projects for which a written request is hereby authorized, the maximum principal amount of such bonds expected to be issued, all or a portion of the proceeds of which are reasonably expected to be used for such reimbursement purposes, being **\$2,810,000**.

Authority: Massachusetts General Laws Chapter 15A, Section 6

Contact: Thomas Simard, Deputy Commissioner for Administration & Finance

**E. FAAP 18-05 Approval of Massachusetts State College Building Authority
Framingham State University Dining Services Improvements**

Mr. Adelman provided the Committee with an update on Framingham State University's effort to upgrade and renovate the McCarthy Campus Center's dining center. With no additional questions or comments, discussion continued to the next motion.

MOVED: MASSACHUSETTS State College BUILDING AUTHORITY DINING SERVICES IMPROVEMENTS FRAMINGHAM STATE UNIVERSITY

1. The Commissioner of the System of Public Higher Education (the "Commissioner") is authorized and directed in the name and on behalf of the Board of Higher Education (the "Board") to make a written request to the Massachusetts State College Building Authority (the "Authority") that the Authority initiate the projects described in EXHIBIT A attached hereto.

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Authority: Massachusetts General Laws Chapter 15A, Section 6

Contact: Thomas Simard, Deputy Commissioner for Administration & Finance

F. FAAP 18-06 Approval of Massachusetts State College Building Authority Student Activity Project at Massachusetts College of Art and Design

Mr. Adelman provided the Committee with an update on Massachusetts College of Art's renovations to the Bakalar and Paine Galleries within the South Hall at MassArt. With no additional questions or comments, discussion continued to the next motion.

MOVED: MASSACHUSETTS State College BUILDING AUTHORITY RENOVATION OF BAKALAR AND PAINE GALLERY MASSACHUSETTS COLLEGE OF ART AND DESIGN

1. The Commissioner of the System of Public Higher Education (the "Commissioner") is authorized and directed in the name and on behalf of the Board of Higher Education (the "Board") to make a written request to the Massachusetts State College Building Authority (the "Authority") that the Authority initiate the projects described in EXHIBIT A attached hereto.

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The Board reasonably expects that there shall be reimbursed from the proceeds of bonds issued by the Authority, expenditures (including expenditures made within the last 60 days) temporarily advanced by the Commonwealth (including within such term the Board and the State Universities) for the projects for which a written request is hereby authorized, the maximum principal amount of such bonds expected to be issued, all or a portion of the proceeds of which are reasonably expected to be used for such reimbursement purposes, being **\$8,425,000**

Authority: Massachusetts General Laws Chapter 15A, Section 6

Contact: Thomas Simard, Deputy Commissioner for Administration & Finance

G. FAAP 18-07 Approval of Massachusetts State College Building Authority Student Activity Project at Westfield State University

Mr. Adelman provided the Committee with an update on Westfield State University's artificial turf replacement and track repairs at Alumni Field. With no additional questions or comments, discussion continued to FAAP 18-08, which would place all of the preceding motions on a consent agenda for approval.

MOVED: MASSACHUSETTS State College BUILDING AUTHORITY ATHLETIC FIELD IMPROVEMENTS WESTFIELD STATE UNIVERSITY

1. The Commissioner of the System of Public Higher Education (the "Commissioner") is authorized and directed in the name and on behalf of the Board of Higher Education (the "Board") to make a written request to the Massachusetts State College Building Authority (the "Authority") that the Authority initiate the projects described in EXHIBIT A attached hereto.

2. Bonds issued by the Authority to finance the projects for which a request is hereby authorized may be issued together with or separately from bonds issued to carry out other projects of the Authority for which the Board authorizes a request.

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request is hereby authorized, and to do such other things and to take such other action as the officer so acting shall, as conclusively evidenced by the taking of such action, deem necessary or desirable to be done or taken to carry into effect the matters hereby authorized.

Authority: Massachusetts General Laws Chapter 15A, Section 6

Contact: Thomas Simard, Deputy Commissioner for Administration & Finance

H. FAAP 18-08 Consent Agenda

Following the conclusion of Mr. Adelman's PowerPoint presentation on the seven individual projects (FAAP 18-01 through 18-07), Committee Member Mattera asked for clarification of the \$77,000,000 in total funding listed on slide 11 of the presentation. Mr. Adelman noted that this figure represents refunds of existing debt, not the sum of funding sought. Secretary of Education Designee Moreau asked how common it is for a campus to buy property off-campus for faculty housing. Mr. Adelman listed several campuses with specific provisions for faculty off-campus housing and suggested that off-campus housing was advantageous for faculty members new to an institution as it would allow them to get settled in the area before moving into their own houses. Committee Member Moreau asked about issues with tax-exempt properties. Karen House, Vice President for Finance and Facilities at Salem State University (SSU), noted that SSU is in a bi-lateral agreement with the City of Salem to stabilize the taxes. Committee Member Moreau asked about the cost of living for full-time faculty living in campus housing. Ms. House replied that she did not have specific information to answer that question.

Chair Hopcroft called for a bundled vote on FAAP motions 18-01 through 18-07. The motion to approve FAAP motions 18-01 through 18-07 and place them on a consent agenda (FAAP 18-08) was duly made and seconded, and passed unanimously.

V. DISCUSSION

Following the vote on FAAP 18-08, Chair Hopcroft turned the discussion over to Tom Simard, Deputy Commissioner for Administration and Finance, for an update on the FY18 Budget and the Department's fiscal priorities.

A. FY18 Budget Overview

Deputy Commissioner Simard began by noting that lower than expected tax revenue resulted in approximately \$9,000,000 being removed from the FY18 budget through the conference reconciliation process and the Governor's vetoes. This represented an 8% reduction from Board's recommendation for the FY18 budget. He noted that cuts to the State University Internship Incentive and the Funding Formula line items represented the bulk of the reductions. Deputy Commissioner Simard remarked that the Executive Office of Administration and Finance had approved the Department's FY19 spending plan, and the Department has begun working on its FY19 budget maintenance estimate. With no additional questions or comments, Chair Hopcroft asked Deputy Commissioner Simard to continue with a discussion of the FAAP Committee goals.

B. Fiscal Affairs and Administrative Policy Committee Goals for FY2018

Deputy Commissioner Simard began the discussion of the FAAP Committee goals with the subject of tuition remission and retention, noting that this is an issue being explored by the Baker Administration. He explained that the study of tuition retention and remission is still in its initial stages and that more stakeholder involvement would be necessary from students, families, and the campuses. He observed that the long-term strategic objective was to create a more rational funding methodology which would allow for a more predictable and sustainable funding framework for the system.

Deputy Commissioner Simard continued on to discuss the development of a strategic approach to capital project planning and critical repairs. He noted the collaborative involvement of the Department, the Executive Office of Education, the Division of Capital Asset Management and Maintenance, and the campuses in reviewing major project proposals and aligning proposed investments with the Commonwealth's strategic priorities. Institutions were asked to consider proposals that prioritized deferred maintenance needs; fostered partnerships between campuses and private sector entities, as well as across disciplines; responded to workforce development needs; and fostered new or innovative delivery models. Capital project peer review meetings will be held through early December. With no additional questions or comments, Chair Hopcroft asked Senior Associate Commissioner for Research and Planning, Jonathan Keller, to provide an update on the Performance Measurement Initiative.

C. Performance Measurement Update – Fiscal Affairs Working Group

Senior Associate Commissioner Keller began by stating that the fiscal affairs working group had met three times to work with the National Center for Higher Education Measurement System (NCHEMS). He noted that M.G.L. c. 15A, s. 7A requires the Department to focus on efficient campus management, and as such the Department has engaged Dennis Jones from NCHEMS to provide a review of the types of performance measurement metrics used by other campuses nationwide. The performance measurement group will be looking at certain metrics and will be meeting with the State University and Community College Chief Financial Officers prior to the December 2017 FAAP meeting. He stated that he would report at that time with a scaled-down list of performance metrics.

Committee Member Mattera asked Senior Associate Commissioner Keller to comment on the ability of the performance measurement group to examine the administrative costs at the university level. Senior Associate Commissioner Keller replied that it was possible using IPEDS data which is a common standard across states. He continued on to note that some aggregating of costs can be helpful in making campus-to-campus comparisons.

Committee Member Moreau asked if there are common accounting systems and norms across higher education similar to the Department of Elementary and Secondary Education. Ms. House, from SSU was recognized by the Chair, and noted that each campus has its own system but works with MMARS. She noted that there is a lack of consistency in IPEDS reporting. Senior Associate Commissioner Keller noted that campus financial management systems tend to facilitate integrated data reporting in IPEDS because of a need to have a more uniform comparison, though Ms. House noted that the financial data provided to the Massachusetts Comptroller in MMARS is not related to IPEDS. Senior Associate Commissioner Keller noted that this level of fiscal reporting was not incorporated into the most recent version of the Vision Project, but it is becoming more important. Committee Member Moreau asked which sources campuses used for the financial data they reported. Ms. House replied that there were several sources that would be discussed at the upcoming CFO meeting. Committee Member Toner asked why the Department does not have a more streamlined reporting for financial data and

whether it is working toward a standard set of financial data, noting that during his time as president of Massachusetts Teacher's Association (MTA) he was unable to get data on adjunct faculty. Ms. House noted that there were separations of financial data and added further that the campuses do not have control over their financial data. Committee Member Toner commented that the TA had little control over the data it needed from the DHE. Ms. House suggested looking at UMass systems. Committee Member Toner asked whether among the financial metrics the Department collected from the campuses, the campuses were required to show they are solvent. Senior Associate Commissioner Keller replied that the Department was working towards developing a core set of indicators that can be used to measure financial health across institutions. General Counsel Dena Papanikolaou noted that the Department does not have a 1-5 rating system similar to DESE. She noted that M.G.L. c. 15A, s. 7A is selectively applied and enforced, but that it allows the Board to use it as an accountability measure. She stated that, once institutions agree on and approve the data measurements, the Board will use the metrics to conduct annual reviews. General Counsel Papanikolaou observed that, if an institution fails to meet the measures, there is a process by which a corrective action plan is formulated that could eventually include funding implications. She added that the Department is currently not using this lever, but it is a statutory measure the Department has at its disposal. Committee Member Moreau commented that the Executive Office of Education approves of standardizing performance metrics in higher education and offered some examples from secondary education using fiscal metrics to guide decisions. Chair Hopcroft noted that there is a window of opportunity while establishing requirements during the transition or development of a new system.

VI. OTHER BUSINESS

Chair Hopcroft asked if there was any other business to discuss. Deputy Commissioner Simard stated that he would like to provide the Committee with an update on the pending audit which was initiated by the State Auditor's Office (SAO) in March 2017. The SAO has been reviewing some of the Department's financial aid programs and had recently presented the Department with its preliminary findings, which warranted comment. Deputy Commissioner Simard turned the discussion over to General Counsel Papanikolaou.

General Counsel Papanikolaou noted that the auditor informally shared four preliminary findings with Department staff, and indicated that a final report should be expected by late November, prior to the next committee meeting. She noted that two of the findings related to the Department's need to update its internal control plan and its security policies around the IT system (MASSAid) used to allocate financial aid. She explained that the Department was using this audit finding to look at all of its IT systems, policies, and procedures.

General Counsel Papanikolaou described the remaining two findings by the SAO. First, the audit found that there were inadequate internal controls over the No-Interest Loan Program (7070-7002), the Foster Child Grant (7066-0016), and the Foster Child Tuition Waiver and Fee Assistance Program (7066-0021), and the Department did not reconcile the numbers in MMARS and MASSAid.

Deputy Commissioner Simard noted that the Department had begun the process of engaging an outside consultant to conduct a Business Process Review (BPR) in advance of the final SAO report. The goal of the BPR will be to examine some of the shortcomings addressed by the SAO and will undertake an end-to-end review of the Office of Student Financial Assistance's business processes. This will include examining the current process for issuing payments and

refunds between MMARS and MASSAid systems and developing a solution to automate these processes.

Committee Member Mattera asked if there was any misappropriation of funds. General Counsel Papanikolaou replied that there were subsidiary findings regarding the misclassification of expenses charged to the No-Interest Loan Program account but that the misclassification did not constitute a misappropriation. For example, scholarship and grant charges were made to the No-Interest Loan program; scholarships and grants are authorized expenditures by the Department, but not authorized out of that particular account. Committee Member Mattera asked if there were any taxpayer or other implications. General Counsel Papanikolaou responded that some of the spending noted by the SAO constituted a violation of a statutory restriction. Specifically, the SAO identified an additional issue regarding an excess amount of administrative expenses charged to the No-Interest Loan Program beyond the statutory limit. This administrative charge was caused largely by substantial IT costs which support the administration of all financial aid programs, including the No-Interest Loan program. Deputy Commissioner Simard noted that by end of the calendar year there would be an update to the internal control plan to achieve compliance with the standards of the Massachusetts Comptroller in accordance with Chapter 647 of the Acts of 1989, and the new internal control plan would refer to new control activities and reporting structures between OSFA and the Department's Fiscal Affairs unit.

General Counsel Papanikolaou explained that the final SAO finding related to an assessment the effectiveness of the three programs—what the auditor is calling a “performance” audit. She noted that the Department does not measure the outcomes of these programs or funding streams – e.g., graduation rates, default rates. While the Department does assess the outcomes of our institutions and the system as a whole, we are not statutorily mandated, nor are we administratively equipped to measure the effectiveness of each program that we administer. This seemed to be more of a best practice recommendation rather than a material finding. Committee Member Toner asked if the audit was conducted at the request of the legislature. General Counsel Papanikolaou replied that it was not initiated by a specific legislative inquiry but rather was being conducted at the discretion of the SAO. The focus of the audit was initially to assess performance outcomes, but the main findings are about internal controls. Committee Member Mattera asked if the SAO was looking for a measure of effectiveness. General Counsel Papanikolaou noted that there is no statutory requirement that the Department measure the effectiveness of these programs and that the Department is focused on measuring performance at a system level. Committee Member Toner asked if the SAO can assign itself work. Committee Member Mattera replied that it seemed reasonable for the SAO to ask about the outcome from state spending, but that it needs to be informative. General Counsel Papanikolaou agreed, and added that Assistant General Counsel Ashley Wisneski had reviewed the historical legislative metrics for these accounts and had discovered that, traditionally, the efficacy of the programs was initially intended to be based upon matriculation rates. Other metrics of these funding streams have not been established by the legislature or the BHE.

VII. ADJOURNMENT

Having no further business, Committee Chair Hopcroft called for a motion to adjourn, which was seconded. The meeting adjourned at 3:35 p.m.