

# Massachusetts Department of Higher Education

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## SURETY AMOUNT CALCULATION WORKSHEET

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State law requires that an institution of higher education that may be at risk of imminent closure, as determined by the Massachusetts Board of Higher Education (Board) pursuant to [M.G.L. c. 69, § 31B](#) and [610 CMR 13.00](#), must prepare a contingency plan for closure that assures the refund of deposits made by students in anticipation of enrolling or continuing their enrollment at the institution and for the cost of protecting and maintaining student records. M.G.L. c. 69 § 31B(b)(3)(v). The Board may require that the institution, as part of a contingency closure plan, furnish a bond with surety or a letter of credit sufficient to meet the costs of so refunding or maintaining. Id.

This worksheet shall be used by an institution to determine the amount of surety an institution is required to obtain and furnish as part of its contingency plan for closure, when required to do so by the Board.<sup>1</sup>

The surety amount is based on the following:

- The institution's average enrollment over the prior 3 years
- The institution's average net student tuition and fee revenue over the prior 3 years, for one semester
- The institution's average net revenue from room and board charged to students over the prior 3 years, for one semester
- The average number of new students over the prior 3 years
- The required admissions deposit for a new student
- The number of transcripts held by the institution from the past 60 years
- The number of institutions for which the institution holds student records

The institution's calculation is subject to review by the Department of Higher Education (Department) and must be approved prior to the institution obtaining the surety. The Department may request, and the institution must provide, documentation to support its calculation.

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<sup>1</sup> This worksheet was received and endorsed by the Board on October 18, 2022. See [BHE 23-12](#).

**Please use the following worksheet to calculate the surety for**

1. The average net revenue from tuition and fees charged to students over the prior three years, <b>plus</b> the average net revenue from room and board charged to students over the prior three years, <b>divided</b> by 2.	
2. The average number of new students over the prior 3 years multiplied by the required deposit for a new student	
3. The number of transcripts from the past 60 years multiplied by \$0.60	
4. \$3000 multiplied by the number of institutions for which the institution holds student records	
<b>Required Surety Amount (1 + 2 + 3 + 4)</b>	

**EXPLANATIONS**

**Line 1:** [M.G.L. c. 69, s. 31B\(b\)\(3\)](#) requires that an institution identified as at risk of imminent closure must establish a plan that assures the refund of deposits made by students in anticipation of enrolling or continuing their enrollment at the institution and that the institution furnish a bond with surety or a letter of credit sufficient to meet the costs of so refunding.

The Department has interpreted the statutory requirement of refunding deposits made by students in anticipation of continuing their enrollment as requiring the refund of any moneys paid out of pocket by or on the behalf of enrolled students for which the value in exchange has not been received. For example, where an institution closes midway through a semester, such that enrolled students are not able to complete their coursework and obtain final, potentially transferable credits, any amounts that students paid for that semester's education should be refunded because the students did not receive what they had paid for (i.e., the credits toward credential or degree). This calculation will ensure that all currently enrolled students will be able to receive a refund should they pay in advance for credits that they do not ultimately receive.

The Department has removed grants or scholarship funds from this calculation because those amounts are not paid out of pocket by the students or on their behalf.

Using data captured on the institution's audited financial statements, this calculation takes the average net student tuition and fee revenue for the prior 3 years, plus the average net revenue the institution receives from student room and board charges for the prior 3 years, and divides this total by 2 to arrive at a

“per semester” average net revenue figure. This calculation assumes the institution’s primary enrollment and education activities occur during a fall and spring semester. This calculation represents the expected amount which may need to be refunded to students in the event of institutional closure during the upcoming semester.

With regard to room and board, the Department has included the full amount of room and board (based on a 3-year average and enrollment) in the surety calculation. However, the Department recognizes that if room and board refunds become necessary, then refunds can be prorated, because, unlike with tuition, students do receive something in exchange for the majority of their room and board in real time. For example, if a student pays in advance for room and board, and the institution closes midway through a semester, the student has still received partial value for their room and board deposit (i.e., they have been able to live in institution-provided housing and access institution-provided meals for the time that the institution was open). The overinclusive surety calculation, however, will ensure that all currently enrolled students will be able to receive a prorated refund for room and board that they have paid in advance but for which they did not receive value in return, irrespective of the date the institution closes.

- Line 2:** This calculation is to cover the refund of admissions deposits for new student enrollment as required by the statute. The Department is using a 3-year window to create an average of new students on which this amount will be based, in an effort to take into account and capture enrollment trends. The intended purpose is for the obtained surety to cover the refunds of new student enrollment deposits if the institution closes.
- Line 3:** [M.G.L. c. 69, s. 31B\(b\)\(3\)](#) requires that the institution’s plan to protect and maintain student records be supported by a bond with surety or a letter of credit sufficient to meet the costs of maintaining those records.

This calculation is based off of the cost quoted by a credentialing provider—e.g., Parchment, LLC (as of March 2022)—for its scan and index process for student transcripts. While not every institution would need to utilize a service such as Parchment’s for its transcripts if it should close, the \$.60 per transcript fee provides a baseline of the approximate cost for digitizing and indexing the transcripts with a credentialing service.

Please note that, in generating this calculation, you should include *all* transcripts that your institution holds, including transcripts that are not from your institution but for which your institution has become the custodian.

**Line 4:** This calculation is also to cover a cost typically charged by credentialing providers for opening a "storefront" for transcript requests. By way of example, as of March 2022 Parchment LLC charges \$2500.00 for a storefront set up and configuration for each institution and \$500.00 per storefront/institution to load the transcript records into their Credential Library for processing. Again, while every institution might not need to use the services of a credentialing provider such as Parchment's, this amount is a baseline representation, and including this calculation ensures that, should one do so, the full cost would be accounted for in the amount of the surety.