

BOARD OF HIGHER EDUCATION
REQUEST FOR COMMITTEE AND BOARD ACTION

COMMITTEE: Fiscal Affairs and Administrative Policy **NO.:** FAAP 15-33

COMMITTEE DATE: June 9th, 2015

BOARD DATE: June 16th, 2015

APPROVAL OF CRITERIA AND PROCESS FOR EVALUATING SALEM STATE UNIVERSITY'S PROPOSED ACQUISITION OF THE FACILITIES AND RESOURCES OF MONTSERRAT COLLEGE OF ART AND OFFERING OF ASSOCIATED NEW ACADEMIC PROGRAMS

MOVED: The Board of Higher Education hereby approves the criteria and process for evaluating Salem State University's proposed acquisition of the facilities and resources of Montserrat College of Art, and offering of associated new academic programs. The BHE asks the Commissioner to establish a Review Team consistent with the attached process, and report back to the BHE in the Fall of 2015.

Authority: M.G.L. c. 15A, § 6 and 9

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BACKGROUND

The Board of Higher Education (BHE) has broad responsibilities for assuring the academic integrity of colleges and universities, protecting the rights of consumers, maintaining access to a range of programs, promoting efficient use of higher education resources, and generally sustaining the strength of higher education in the Commonwealth. M.G.L. c.15A, § 9.

Salem State University (SSU) proposes to acquire the facilities and resources of Montserrat College of Art (MCA), combine them with the University's arts program and create the a combined arts program that will bear the name of Montserrat in some capacity. Under the potential transaction MCA would become part of SSU and SSU would receive as a gift the programs of MCA; the SSU Assistance Corporation would receive as a gift the facilities; and the Salem State University Foundation would receive as a gift the endowment of MCA. Some existing faculty at MCA would be invited to join SSU, and students enrolled in MCA will be counseled on "teach out" options, which would include assisting enrolled upper level students in completing their existing programs and in receiving degrees from Montserrat or, should they prefer, a Salem State University degree.

The BHE has developed the following process for reviewing SSU's proposed acquisition. The process is intended to provide an effective balance of structure and flexibility in evaluating the proposal. The proposed process is intended to allow the BHE to give thorough consideration of the proposal, minimize uncertainty and delay, facilitate constructive working relationships both with the institutions involved, as well as external stakeholders such as other Massachusetts public higher education institutions, private institutions, the legislature and the Executive Office of Education, and to help ensure that the BHE fulfills its responsibilities to students, institutions and the public.

I. Procedure

1. The Commissioner is notified of the public institution's intent to acquire the facilities and resources of another institution. This will typically occur through a formal notification or request from the institutions involved. Commissioner makes the appropriate notifications, subject to parties' non-disclosure agreements, and assembles internal team for preliminary review.
2. The Commissioner discusses with the BHE the process and criteria to be followed in evaluating the proposal.
3. The Commissioner shall appoint members of an internal Review Team, who shall represent relevant substantive areas impacted by the proposal (i.e., academic affairs, strategic planning, legal, fiscal, etc.), and a chair of the group.
 - a. The Review Team, with the assistance of outside consultants, external evaluators, relevant state oversight agencies and advisory groups, as necessary, will evaluate the proposal consistent with the criteria in Section II, below.
 - b. The Review Team will, as necessary, communicate with interested parties, so as to promote clear communications and the effectiveness and credibility of the process.
 - c. The Review Team will review the proposed new academic programs consistent with the BHE's standard process, which includes an external review. See BHE

Expedited Procedure for New Program Consideration in the Public Sector.¹ In parallel with the academic program review process, the Review Team will seek and review relevant information pertinent to the acquisition of facilities and resources consistent with the criteria in Section II.

- d. The Review Team will weigh the costs, benefits and risks of the proposal and submit a report with recommendations to the Commissioner. The Review Team's report will, at a minimum, address the four broad policy categories identified in Section II.B, below.
4. The Commissioner will review the findings and recommendations of the Review Team and consult with relevant parties before making recommendations to the BHE.
5. The Commissioner shall make recommendations to the BHE in the Fall of 2015 on whether to approve, disapprove or defer action on SSU's proposed acquisition, in whole or in part.

II. Review criteria

A. SSU's Submission, and the Review Team's Evaluation Criteria

The BHE expects the Review Team to work with Salem State University over the next several months to evaluate the proposed acquisition and to make recommendations on whether the BHE should approve, disapprove or defer action on the proposed acquisition, in whole or in part.

The proposed acquisition will be evaluated by the Review Team on the basis of several criteria, including:

- The intended purpose and goals of the proposal.
- Evidence of need and demand.
- Academic considerations, including those related to:
 - academics (e.g., curriculum/ program effectiveness);
 - students (e.g., student affairs/ admissions/ student outcomes); and
 - faculty and staff.
- The organizational structure for administration and operation.
- A resource analysis, including facilities and finances.
- Other considerations, including accreditation implications and naming and designation rights.
- An external review.

A more detailed outline of the review criteria, which may also serve as a template for the institution's application is attached. See Attachment A. The criteria in Attachment A parallel the criteria currently used by the BHE in reviewing new programs proposed by public institutions, but are enhanced to address issues unique to proposed mergers and acquisitions. See BHE's Expedited Procedure for New Program Consideration in the Public Sector.

¹ The BHE's Expedited Procedure for New Program Consideration in the Public Sector, and the standard application may be accessed through the following link:

<http://www.mass.edu/foradmin/academic/publicnewdegrees.asp>

B. The Review Team's Report to the BHE

The Review Team will weigh the costs, benefits and risks of the proposal and submit a report with recommendations to the Commissioner. The Commissioner's recommendations, along with the proposal and the Review Team's recommendations, will be evaluated by the BHE.

The Review Team's report will, at a minimum, address the following four broad policy categories:

1. Purpose, Need and Demand.

- Is there a demonstrated statewide or regional need and demand for the proposal?
- Is the proposal consistent with the institution's mission and strategic plan and does it further its purpose?
- Does the proposal clearly identify goals, measurable objective and strategies for achievement and timetable?
- Is the proposal in the interest of the relevant communities including:
 - host and adjacent neighborhoods, cities and towns; and
 - other "communities" such as the arts/ design field, employers, local high schools and vocational schools?

2. Academic Considerations

- Will the public institution's acquisition result in a stronger public institution educationally?
 - Will it enhance or strengthen the institution's current academic offerings? If so, how?
 - Will it add a new program consistent with the BHE's quality standards? See BHE's Expedited Procedure for New Program Consideration in the Public Sector.

3. Fiscal Considerations, Including Facilities and Finances

- Is the merger fiscally responsible and sufficiently low-risk?
- A review of the fiscal considerations, including facilities and finances, will include the following:
 - (a) *Fiscal assumptions and risks* of the proposal, which shall include a review of:
 - a. Pro forma of revenue and expenditures, including proposed fee structure, of the acquired entity.
 - b. Total operating budget impact to SSU, including debt service and/or anticipated financial obligations to Salem State University Assistance Corporation, the SSU foundation, municipality, etc.
 - c. FY2015 fiscal review of MCA including variance report from board-approved budget and planned FY16 budget.

- d. Disposition of endowment, equipment, intellectual property, and other MCA non-building assets.
- e. Review of most recent audited financial statements for both institutions.
- f. Compliance with USDOE Federal financial aid requirements and policies.

(b) *Property acquisition and facilities considerations* of the proposal, including, but not limited to:

- a. An independent assessment of current facility condition, including 15-year cost projection of deferred maintenance.
- b. An appraisal of real property, current lease obligations, and total outstanding debt including current loan-to-value ratio.
- c. Documentation of understanding from the Executive Office of Administration and Finance and the Division of Capital Asset Management & Maintenance (DCAMM) on ownership and perpetual stewardship of assumed facilities.

(c) *Collective bargaining implications* of the proposal, including, but not limited to:

- a. MCA faculty accretion to Massachusetts State College Association;
- b. Assumption of health benefit (GIC) and post-employment obligations by the Commonwealth of MCA staff.
- c. Plan for administrative and facility staff.

4. Student Needs and Rights

- Does the proposal address the needs and rights of students already attending either SSU or MCA?
- How will the “teach out” of existing student body at MCA be handled?

Consistent with the procedure and timetable set forth in Section I, above, the BHE expects to receive the Commissioner’s recommendations and Review Team’s report this Fall.