Massachusetts Department of Higher Education Guidance on Financial Resource Sufficiency for New Institutions Seeking Degree-Granting Authority in Massachusetts

The Board of Higher Education (the "Board"), through its degree-granting authority regulations (610 CMR 2.00), requires that each proposed new institution of higher education seeking to grant degrees in the Commonwealth provide information regarding the institution's "assets and existing financial support already in hand and pledged, and support for the development, growth, and maintenance of the institution." 610 CMR 2.07(1)(a)(7). A proposed new institution is also required to "present evidence of past, present, and future financial stability, with resources adequate for effective accomplishment of its announced purposes." 610 CMR 2.07(3)(f). For purposes of 610 CMR 2.07, a "new" institution is one that is new to Massachusetts, whether it has been recently created or it is organized and operating in another state or country but wishes to establish a new physical location in Massachusetts.

These guidelines are intended to provide new institutions with information about how it can show sufficient future financial stability to meet the regulatory requirement.

To ensure that a new institution has adequate resources to support its programs in its first years, in reviewing an application for degree-granting authority, the Department of Higher Education (the "Department") may, in its sole discretion, ask an institution to demonstrate that it has sufficient assets and financial support to ensure that the institution will be able to continue to operate for a period of time not less than the projected time to degree of the first entering class of students, plus one calendar year. For example, an institution which proposes to grant bachelor's degrees would need to demonstrate sufficient financial support such that it would be able to continue operations for a five-year period after it first enrolls students. An institution which proposes to grant associate's degrees only would need to demonstrate sufficient financial support to ensure that it will be able to continue operations for a three-year period after it first enrolls students.

The Department will assess the sufficiency of the applicant institution's financial assets and resources by using the institution's own "proposed operating budget for the period from initiation of the program(s) until the first degrees are awarded." 610 CMR 2.07(1)(a)(13). The operating budget should be based in a realistic assessment of "the anticipated student demand for the program and possible competition from other institutions that could affect the program's or the institution's stability." 610 CMR 2.07(3)(f). The Department will provide a template for a proposed new institution's operating budget.

A proposed new institution can point to any combination of sources that show sufficient financial resources to sustain its operations, including, but not limited to:

1) Expected revenue from tuition, fees, auxiliary enterprises, and other revenue-generating activities.

2) Pledges of monetary contributions towards projected operating expenses.
3) Open line(s) of credit from a bank or banks, or from other secured sources such as a foundation, that can be used during the period for which sufficiency of financial resources must be shown.
4) Substantial cash, cash-equivalent, and expendable net assets.

In presenting the support available, an applicant institution should provide evidence of each source upon which it is relying to show the adequacy of its financial resources. The total sources of income/liquid assets should meet or exceed the total amount of projected expenses as reflected in the proposed multi-year operating budget, plus an additional calendar year.

While illiquid assets and donated services will not factor into the Department's assessment of the sufficiency of an institution's financial resources to support its operations, they can be reflected on the institution's proposed initial operating budget to indicate a reduction in the institution's operating expenses and a resulting increase in its available liquid resources.