

United States Senate

WASHINGTON, DC 20510

January 10, 2023

Dr. Lawrence M. Schall
President
New England Commission on Higher Education
301 Edgewater Place, Suite 210
Wakefield, MA 01880

Dear Dr. Schall,

On January 12, 2023, Bay State College, a private for-profit college located in Massachusetts, is set to appear before your agency, the New England Commission on Higher Education (NECHE or the Commission), in the wake of a series of ongoing reports of fraud and financial mismanagement.¹ In recent years, Bay State College has faced financial and leadership struggles that have affected the quality of the education the college can provide to its students.² This past summer, the Commission threatened to rescind Bay State College's accreditation if its enrollment, staffing, and financial conditions worsen.³ The Commission went so far as to place Bay State College on a four-year probation⁴ amidst an ongoing investigation by the Massachusetts Attorney General's Office.

As gatekeepers to federal funding, accrediting agencies play a crucial role in upholding institutional quality and student achievement at institutions of higher education. Previous investigations into the accreditation process for for-profit colleges revealed that the process largely serves as a "rubber stamp" that allows fraudulent or ineffective colleges to maintain their accreditation, hurting students and often leaving them with thousands of dollars in debt for worthless degrees.⁵ We hope this does not occur during the next round of NECHE's Bay State review. The disturbing reports of fraud and degradation of the learning environment at Bay State College require NECHE to carefully scrutinize Bay State's accreditation and ensure that students and taxpayers are protected from continued harm.

In September 2017, the Commission approved the sale of Bay State College to Ambow Education Group,⁶ "a Chinese holding company based in the Cayman Islands."⁷ Since assuming responsibility over the institution, Ambow BSC Inc. has faced scrutiny by NECHE over its long-

¹ Boston Business Journal, "Bay State College is set to appear before accreditor next month. Here's what to know," Benjamin Kail, December 12, 2022, <https://www.bizjournals.com/boston/news/2022/12/12/bay-state-college-what-to-know.html>.

² Inside Higher Ed, "2 Colleges Flounder Under Chinese Owners," Josh Moody, October 18, 2022, <https://www.insidehighered.com/news/2022/10/18/two-colleges-flounder-under-opaque-profit-owners>.

³ Joint Statement, New England Commission of Higher Education and Bay State College, June 1, 2022, <https://www.neche.org/wp-content/uploads/2022/06/Bay-State-NECHE-Joint-Statement-2022-06.01.pdf>.

⁴ *Id.*

⁵ Office of Senator Elizabeth Warren, "Rubber Stamps: ACICS and the Troubled Oversight of College Accreditors," June 2016, https://www.warren.senate.gov/files/documents/2016-6-10_ACICS_Report.pdf.

⁶ The Commission on Institutions of Higher Education, "Bay State College Special Monitoring Public statement," https://www.neche.org/wp-content/uploads/2018/12/Bay_State_College_Special_Monitoring_PUBLIC_statement.pdf.

term financial viability following several years of sustained financial losses.⁸ Bay State College also allegedly failed to pay rent on its facilities and missed payroll for employees, which former officials noted was common for the institution.⁹ In April 2022, NECHE voted to place Bay State College on probation because it found that the institution “did not demonstrate that its resources are sufficient to sustain the quality of its educational programs and to support institutional improvement now and in the foreseeable future and that it has an effective system of governance and sufficient administrative capacity.”¹⁰ Consequently, Bay State College will appear before NECHE in a special meeting on January 12, 2023 to discuss its accreditation status.¹¹

After being placed on probationary status, Bay State College faced a string of layoffs and resignations of key staffers including the interim dean of academics, chief academic officer, director of student affairs, faculty senate president, and the chief financial officer.¹² The loss of top administrative personnel over the last several months places an even greater strain on Bay State’s administrative capacity and highlights a concern expressed by NECHE in June 2022 that the institution may not have the “ability to meet its enrollment goals and to ensure it has sufficient faculty and staff to support its educational programs.”¹³

Bay State’s enrollment peaked at roughly 1,200 students a little over a decade ago.¹⁴ In its most recent update in September 2022, The College Scorecard reported that Bay State College had an enrollment of 670.¹⁵ However, information provided to my office indicates that only 210 students are enrolled this academic year.¹⁶ This reveals a worrisome trend that represents one of many financial concerns facing the institution.

⁷ GBH News, “Following claims of fraud, Mass. attorney general gathers information about Bay State College,” Kirk Carapezza, October 26, 2022, <https://www.wgbh.org/news/education/2022/10/26/following-claims-of-fraud-mass-attorney-general-gathers-information-about-bay-state-college>.

⁸ Bay State College, “AMBOW BSC INC. AND SUBSIDIARY AUDITED CONSOLIDATED FINANCIAL STATEMENTS,” June 30, 2022, <https://www.baystate.edu/files/resources/ambow-bsc-inc-and-subsiary-financial-statement-r-2.pdf>.

⁹ Inside Higher ED, “2 Colleges Flounder Under Chinese Owners,” Josh Moody, October 18, 2022, <https://www.insidehighered.com/news/2022/10/18/two-colleges-flounder-under-opaque-profit-owners>.

¹⁰ Bay State College, “AMBOW BSC INC. AND SUBSIDIARY AUDITED CONSOLIDATED FINANCIAL STATEMENTS,” June 30, 2022, <https://www.baystate.edu/files/resources/ambow-bsc-inc-and-subsiary-financial-statement-r-2.pdf>.

¹¹ Boston Business Journal, “Bay State College is set to appear before accreditor next month. Here's what to know,” Benjamin Kail, December 12, 2022, <https://www.bizjournals.com/boston/news/2022/12/12/bay-state-college-what-to-know.htm>.

¹² Boston Business Journal, “Bay State College, already on probation over financial and staffing concerns, lays off key positions,” Benjamin Kail, December 6, 2022, <https://www.bizjournals.com/boston/news/2022/12/06/bay-state-college-layoffs.html>.

¹³ Boston Business Journal, “Bay State College parent's CFO resigns amid financial struggles,” Benjamin Kail, September 20, 2022, <https://www.bizjournals.com/boston/news/2022/09/20/bay-state-college-parents-cfo-resigns-amid-financ.html>.

¹⁴ Inside Higher Ed, “2 Colleges Flounder Under Chinese Owners,” Josh Moody, October 18, 2022, <https://www.insidehighered.com/news/2022/10/18/two-colleges-flounder-under-opaque-profit-owners>.

¹⁵ College Scorecard, “Bay State College,” <https://collegescorecard.ed.gov/school/?164641-Bay-State-College>; College Scorecard, “Download the Data,” <https://collegescorecard.ed.gov/data>.

¹⁶ On file with the Office of Senator Elizabeth Warren.

Bay State also has a troubling history of noncompliance with state and federal laws. In 2016 and 2017, the Massachusetts Attorney General’s Office conducted an investigation of the college following allegations that it failed to comply with for-profit school regulations.¹⁷ This investigation found Bay State engaged in illegal telemarketing practices, provided prospective students with inaccurate job placement figures, and failed to give students disclosures as required by state regulations.¹⁸ As a result of the investigation, Bay State College was ordered to provide \$1.1 million in relief to hundreds of students to resolve these allegations.¹⁹

Fresh allegations suggest that Bay State may be continuing to defraud students. According to recent reports, Bay State may have overcharged students thousands of dollars for classes and misled students about the transferability of classes.²⁰ And complaints from students allege that they were misled about academic programs and charged for courses that never even existed or were abruptly canceled due to staffing shortages.²¹

The Massachusetts Attorney General’s Office is investigating these new complaints and is encouraging students of Bay State to share their concerns with their office and the Massachusetts Department of Higher Education.²² The Department of Education (ED or the Department) has also recently acted to protect students and taxpayers from the problems at Bay State College by placing it on Heightened Cash Monitoring (HCM) on December 1, 2022.²³ According to the Department, “[s]chools may be placed on [Heightened Cash Monitoring] as a result of compliance issues including but not limited to accreditation issues, late or missing annual financial statements and/or audits, outstanding liabilities, denial of re-certifications, concern around the school’s administrative capabilities, concern around a school’s financial responsibility, and possibly severe findings uncovered during a program review.”²⁴ Bay State College clearly met these criteria, and we applaud the Department for placing the college on HCM.²⁵

Further, the Department reported that in the 2018-2019 academic year, Bay State College had a financial responsibility composite score of 1.5, with “[a] score greater than or equal to 1.5 indicat[ing] the institution is considered financially responsible.”²⁶ However, an independent auditor report found that Ambow BSC Inc. had a financial responsibility composite score of 0.7 for the year ending on December 31, 2021.²⁷ When a school has a score less than 1.0 it “is considered not financially responsible,” though, if it retains accreditation, it is still eligible to

¹⁷ Office of Attorney General Maura Healey, “Bay State College to Pay \$1.1 Million in Relief for Misleading Hundreds of Former Students,” press release, January 2, 2020, <https://www.mass.gov/news/bay-state-college-to-pay-11-million-in-relief-for-misleading-hundreds-of-former-students>.

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ GBH News, “Following claims of fraud, Mass. attorney general gathers information about Bay State College,” Kirk Carapezza, October 26, 2022, <https://www.wgbh.org/news/education/2022/10/26/following-claims-of-fraud-mass-attorney-general-gathers-information-about-bay-state-college>.

²¹ *Id.*

²² *Id.*

²³ Federal Student Aid, “Heightened Cash Monitoring,” <https://studentaid.gov/data-center/school/hcm>.

²⁴ *Id.*

²⁵ *Id.*

²⁶ Federal Student Aid, “Financial Responsibility Composite Scores,” <https://studentaid.gov/data-center/school/composite-scores>.

receive taxpayer funds through Title IV programs and is typically subject to additional requirements such as cash monitoring and a letter of credit (LOC).²⁸ An LOC serves as a guarantee that the institution has the necessary resources to refund students, provide teach-out facilities, and meet obligations to ED.²⁹

Other for-profit colleges have been found to manipulate their financial responsibility composite score to avoid oversight. In 2017, ED's Office of Inspector General (OIG) released a report that revealed Corinthian Colleges, Inc. (Corinthian) manipulated its financial responsibility composite scores to continue participating in the federal student aid program.³⁰ The report specifically highlighted that "schools with composite scores at or slightly above 1.5 (minimum passing score) may have manipulated their financial responsibility composite scores to avoid increased FSA oversight."³¹ Further, the OIG report identified that ED "enabl[ed] Corinthian to avoid posting an LOC with FSA even though one was warranted."³² Earlier this year, ED announced relief for 560,000 defrauded borrowers that attended Corinthian, but no owners or executives were ever held personally or financially accountable.³³ The report included recommendations to improve oversight of financially risky institutions and prevent the manipulation of financial responsibility composite scores.³⁴ Our office has received alarming reports that Bay State College may have transferred expenses off books to charge its parent company, Ambow Education of the People's Republic of China, to keep its financial composite score up.³⁵

These fresh allegations of fraud combined with the history of abuses committed by Bay State College give merit to the Massachusetts Attorney General's Office's continued investigation of the institution and the Department of Education's recent steps to hold Bay State College financially accountable for its conduct. However, the situation at Bay State College appears to require immediate action by its accreditor, and we therefore request that you carefully scrutinize

²⁷ Bay State College, "AMBOW BSC INC. AND SUBSIDIARY AUDITED CONSOLIDATED FINANCIAL STATEMENTS," June 30, 2022, <https://www.baystate.edu/files/resources/ambow-bsc-inc-and-subsiary-financial-statement-r-2.pdf>.

²⁸ Federal Student Aid, "Financial Responsibility Composite Scores," <https://studentaid.gov/data-center/school/composite-scores>.

²⁹ U.S. Department of Education, "Federal Student Aid's Processes for Identifying At-Risk Title IV Schools and Mitigating Potential Harm to Students and Taxpayers," February 24, 2017, p. 3, <https://www2.ed.gov/about/offices/list/oig/auditreports/fy2017/a09q0001.pdf>.

³⁰ *Id.*, p. 12.

³¹ *Id.*

³² *Id.*, p. 9.

³³ U.S. Department of Education, "Education Department Approves \$5.8 Billion Group Discharge to Cancel all Remaining Loans for 560,000 Borrowers who Attended Corinthian," press release, June 1, 2022, <https://www.ed.gov/news/press-releases/education-department-approves-58-billion-group-discharge-cancel-all-remaining-loans-560000-borrowers-who-attended-corinthian-colleges>; Office of U.S. Senator Dick Durbin, "Durbin, Warren Urge Department Of Education To Hold Predatory For-Profit College Executives Accountable For Scamming Students," press release, October 18, 2022, <https://www.durbin.senate.gov/newsroom/press-releases/durbin-warren-urge-department-of-education-to-hold-predatory-for-profit-college-executives-accountable-for-scamming-students>.

³⁴ U.S. Department of Education, "Federal Student Aid's Processes for Identifying At-Risk Title IV Schools and Mitigating Potential Harm to Students and Taxpayers," February 24, 2017, p. 13, <https://www2.ed.gov/about/offices/list/oig/auditreports/fy2017/a09q0001.pdf>.

³⁵ On file with the Office of Senator Elizabeth Warren.

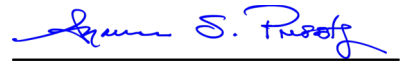
Bay State College, and if necessary, take action to rescind the institution's accreditation to protect the well-being of students and taxpayers. We also request responses to the following questions by no later than January 24, 2023:

1. What factors will the Commission consider when it reviews Bay State College's accreditation? What are the range of outcomes under consideration?
2. Please explain how the Department of Education's recent decision to place Bay State College on Heightened Cash Monitoring factors into the review of the institution's accreditation.
3. Is NECHE coordinating with the Massachusetts Attorney General's Office regarding the current status of Bay State College?
4. Is NECHE coordinating with the Department of Education regarding the current status of Bay State College?
5. As a unique headcount, how many students does NECHE estimate currently are enrolled in total at Bay State College?
6. How many pending borrower defense claims are from students who attended Bay State College?
 - a. What is the total dollar value of borrowers' loans from students who attended Bay State College, including principal, interest, and any fees?
7. Please describe how NECHE plans to support current and former students of Bay State College in the event that its accreditation is rescinded.

Sincerely,



Elizabeth Warren
United States Senator



Ayanna Pressley
Member of Congress

CC:
Office of Massachusetts Acting Attorney General Bessie Dewar