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THE QUAD

Private-college group: Financial disclosure bill 'needless'

Posted by Roy Greene April 23, 2011 10:00 AM

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By Matt Rocheleau, Town Correspondent

A statewide college association says that Massachusetts legislation that aims to make the financial handlings of private colleges and universities more transparent is “needless” and would harm private education.

The bill is driven by a [report released last spring](#) that examined six area schools, including five in and around Boston.

The report, issued by the Center for Social Philanthropy at Boston-based [Tellus Institute](#) and partially funded by the Service Employees International Union, says some non-profit, tax-exempt higher education institutions were involved in high-finance-style practices that contributed to the global financial crisis.

“They made foolish financial decisions,” said state Senator Patricia D. Jehlen, a Somerville Democrat and the lead sponsor of the bill. “And the question is now, have they changed or are they, like many people on Wall Street, doing the same thing they were before the financial crisis and making other people pay for their mistakes?”

However, Richard Doherty, president of the Association of Independent Colleges and Universities in Massachusetts, said his association opposes the legislation and plans to denounce it when it reaches the public hearing process.

“It’s unclear to us what public policy problem the bill solves,” Doherty said. “We think there are any number of provisions in it that would cause harm,” to private higher education.

The bill, as it is [drafted now](#), would require each private college and university in the state and their related organizations to report federal, state and local taxes they would have paid had they not been exempted as non-profits. Institutions owning more than \$10 million in investments and/or real property would report a list of, and value, for each.

Doherty said the provision for calculating potential for-profit taxes “has a suggestion embedded in that that tax exemption is a loophole” and that “it’s unclear what’s done with

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Columnist [Yvonne Abraham](#) was oozing guilt the other day as she talked to the owner of an Acton bookstore. [Read more](#)



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that information and why it's helpful.”

By disclosing investments, schools would “end up losing their competitive advantage,” he said. “There isn’t any company that I’m aware of that discloses to this detail their financials and their investment strategy.”

But, advocates for the bill say such a measure would create more public accountability over private higher education – a key economic industry with major tax benefits in Massachusetts.

“No one knows what is the cost of tax exemption,” said Joshua Humphreys, a Harvard University history lecturer who authored the Tellus Institute report. “But with that number in the public eye, we could have a much more informed discussion about the cost of tax exemption.”

The legislation would also require schools to report the names and amount of money paid to employees and consultants who collected over \$250,000 and to service providers who collected \$150,000 or more in the prior fiscal year. Additionally, a school would disclose any direct or indirect donation to the school from any service provider paid \$150,000 or more by the school.

Schools would also be required report the names of employees paid \$150,000 or more

CONF. QUARTERFINALS - GAME 5
CANADIENS
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TONIGHT 6p ET
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The image is a vertical promotional poster for an NHL game. At the top, it reads 'CONF. QUARTERFINALS - GAME 5' in white. Below that, 'CANADIENS' and 'AT BRUINS' are written in large, bold, white letters with black outlines. Underneath, 'TONIGHT 6p ET' is in white, and the 'NESN' logo is in a blue and white stylized font. The main part of the poster features a close-up of a Boston Bruins player in a black and orange jersey, wearing a black helmet with 'BAUER' on it, looking intensely forward. The background is a fiery orange and red. In the bottom right corner, the DirectTV logo and 'CHANNEL 628' are displayed.

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from third parties, the third parties' identities, and the amount and a reason for each payment.

"People don't like their salary being published publicly when they're working for a private institution," said Doherty, adding that private higher education employs over 100,000 statewide with salaries and benefits exceeding a combined \$7 billion. "It would have a chilling effect on being able to keep and recruit these people. ... We don't ask that of any other profession in the state."

However, Jehlen said that for nonprofits, "Our tax dollars are supporting them. If they want to continue receiving benefits, they should act like they want to continue receiving them."

In addition, the bill would mandate each member of a school's governing board report and verify under oath potential conflicts of interest, including the details of business transactions between: the school, themselves and their family; entities under their control or under a family member's control; entities where they or a family member is or was employed or had a consulting arrangement with.

"There's a tremendous amount of disclosure these schools participate in already," including detailing potential conflicts of interest, Doherty said.

State Representative Michael J. Moran, a Brighton Democrat and another co-sponsor of the measure, said: "If they don't have these numbers at their fingertips, that's definitely a problem."

And, if they do have the numbers, he asked, "What's there to be afraid of here?"

"What we're asking for I don't think is unreasonable. This isn't a complete audit of their books and hand everything over," Moran said.

According to the [Tellus report](#), the six New England schools examined: partook in a mix of high-risk endowment investment; were led by a proportionally high number of people with close or direct ties to the corporate financial industry; bestowed hefty compensation and severance packages to financial administrators; and did not report some potential conflicts of interest among those administrators and on governing boards.

The six colleges were Boston College, Boston University, Brandeis University, Harvard, Massachusetts Institute of Technology, and Dartmouth College in New Hampshire. Spokespeople from the schools either declined to comment on the legislation or did not immediately return calls seeking comment.

The legislation, filed in late January, has among its supporters student and alumni groups, professors, labor advocates and communities surrounding the institutions. The bill is with the Joint Committee on Revenue and the Joint Committee on the Judiciary. No hearing date has been set for the legislation, but one is expected to be scheduled during June or July.

E-mail Matt Rocheleau at mjrochele@gmail.com.



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