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April 18, 2019

Mr. Kenneth Rosenthal
Interim President
Hampshire College
893 West Street
Cole Science Center, Box PR
Amherst, MA 01002-3359

Dear President Rosenthal:

I write to inform you that at its meeting on April 12, 2019, the New England Commission of Higher Education considered the report submitted by Hampshire College and took the following action:

that the report submitted by Hampshire College be accepted;

that, because the Commission has reason to believe that Hampshire College may no longer meet the standards on *Organization and Governance* and *Institutional Resources*, the College be given an opportunity to show cause at the Commission's May 2019 retreat meeting why the institution should not be placed on probation or why its accreditation should not be withdrawn;

that the College submit a show-cause report by May 21, 2019 that demonstrates how it meets the standards on *Organization and Governance* and *Institutional Resources* and includes the following:

1. an update on the search for a permanent president;
2. minutes of the meetings of the Board of Trustees and committees of the Board of Trustees since April 1, 2019;
3. a statement from the Board of Trustees about its plans for the future of the College;
4. a chart indicating the number of employees by category including faculty, admissions, fund-raising, student services, and other categories, employed by Hampshire College in FY2019 and expected to be employed in FY2020;
5. a budget-to-actual comparison and projection for FY2019;

6. the FY2020 budget, including assumptions;
7. projected total enrollment for Fall 2020, including assumptions;
8. a fundraising plan (2-3 pp.) for FY2020, including goals, strategies, and projected staffing to support the plan's objectives;
9. a teach-out plan to indicate how the institution would ensure an orderly teach out of students who may be unable to complete their education at Hampshire College;
10. any additional information that helps establish the institution is compliant with the standards on *Organization and Governance* and *Institutional Resources*, including that the College is financially stable and has realistic goals and plans to maintain its financial stability;

that the interim president and chief financial officer of the institution, as well as representatives of the leadership of the Board of Trustees, be requested to attend the show-cause hearing on Thursday, May 30, 2019.

The Commission gives the following reasons for its action.

The report submitted by Hampshire College was accepted because it was generally responsive to the Commission's request of May 4, 2018. The Commission is gratified to learn of the progress the institution has made in implementing initiatives to assess and improve its Division II and Division III experiences.

However, the Commission has grave concerns about the governance and financial stability of Hampshire College. At the time the Commission reviewed the institution's report, the president of the College and several members of the Board of Trustees, including the chair of the Board, had resigned. These resignations followed a period of considerable upheaval on campus prompted by the announcement that the College would "be seeking a long-term partnership in pursuit of a sustainable future," and the subsequent announcement that the institution would, in Fall 2019, enroll only those applicants who had been accepted through early decision and those who had been accepted for Fall 2018 and deferred their enrollment. As noted in the College's report, these decisions were made in response to a four-year pattern of "declining enrollment, suppressed revenue, and low retention" and the inability of the College to achieve the goals of the Financial Sustainability Plan adopted by the College in 2017. Specifically, from FY2016 to FY2019, enrollment declined from 1,333 to 1,120; annual operating revenue decreased from \$57 million to \$48 million; and retention rates dropped slightly from 82% to 79%. Hampshire has also experienced increases in its first-year and overall discount rates, from 49% to 60% and from 43% to 55% respectively, from 2014 to 2018. While the College expects to offset a \$5.4 million deficit in FY2019 through a combination of expense reductions and a "one-time dividend" from its endowment, multi-year budget projections indicate the deficit will reach \$9 million by FY2022. The report acknowledges the challenges Hampshire faces in attempting to increase revenue through fundraising, "given the need for an infusion of approximately \$30 million in operating support and the reality that unrestricted giving is in the range of \$2 million per year." As candidly noted in the College's report, the campus climate has "deteriorated significantly" in light of the decision not to admit an entering class in Fall 2019 as well as the "impending layoffs" that the institution has deemed will be necessary. The Commission is concerned that these layoffs will further imperil the College's ability to offer high-quality academic programs and to maintain the services and the "wealth of activities focused on building community, resilience, and support" it provides for its students.

Given the information presented in the College's report, we find that conditions exist at Hampshire College that give the Commission reason to believe that the institution may no longer meet its standards on *Organization and Governance* and *Institutional Resources*. We ask that the College show cause why the institution should not be placed on probation or have its accreditation withdrawn for failure to meet these standards:

The institution has a system of governance that facilitates the accomplishment of its mission and purposes and supports institutional effectiveness and integrity. Through its organizational design and governance structure, the institution creates and sustains an environment that encourages teaching, learning, service, scholarship, and where appropriate, research and creative activity. It demonstrates administrative capacity by assuring provision of support adequate for the appropriate functioning of each organizational component. The institution has sufficient independence from any other entity to be held accountable for meeting the Commission's *Standards for Accreditation* (*Organization and Governance*, Statement of the Standard).

The institution has sufficient human, financial, information, physical, and technological resources and capacity to support its mission. Through periodic evaluation, the institution demonstrates that its resources are sufficient to sustain the quality of its educational program and to support institutional improvement now and in the foreseeable future. The institution demonstrates, through verifiable internal and external evidence, its financial capacity to graduate its entering class. The institution administers its resources in an ethical manner and assures effective systems of enterprise risk management, regulatory compliance, internal controls, and contingency management (*Institutional Resources*, Statement of the Standard).

Prior to placing Hampshire College on probation or withdrawing the College's accreditation, the Commission will provide an opportunity for the institution to show cause why the action should not be taken. As noted in the policy referenced below, this opportunity "will be scheduled for the next Commission meeting but in no case longer than two Commission meetings. The burden of proof shall rest with the institution."

Consistent with our policy on Range and Meaning of Commission Actions Affecting Institutional Status (enclosed), the Commission will place the College on probation if "it determines that the failure to meet one or more Standards represents a condition that can be remedied by the institution within the time period allowed," which, in the case of Hampshire College, is two years. The Commission will withdraw the accreditation of the College if it "finds that the institution is not meeting one or more *Standards for Accreditation* and that this non-compliance is fundamental to the institution's integrity or its ability to come into compliance within the two-year period." If the Commission finds that the institution does meet the standards on *Organization and Governance* and *Institutional Resources*, it will continue Hampshire College in accreditation and determine further monitoring.

Hampshire College may appeal the Commission's decision to place the institution on probation or withdraw accreditation. Until the appeals process is completed, the institution's status is unaffected.

The show-cause report will afford the College an opportunity to provide evidence that it is in compliance with the standards on *Organization and Governance* and *Institutional Resources*. The Commission asks for the information requested above so that it may determine whether Hampshire College meets the standards cited above and as explicated through the numbered paragraphs referenced below:

The [governing] board ... reflects the areas of competence needed to fulfill its responsibilities (3.4).

The board systematically develops, ensures, and enhances its own effectiveness through orientation, professional development, and periodic evaluation. Its role and functions are effectively carried out through appropriate committees and meetings (3.8).

The board appoints and periodically reviews the performance of the chief executive officer whose full-time or major responsibility is to the institution (3.10).

The chief executive officer, through an appropriate administrative structure, effectively manages the institution so as to fulfill its purposes and objectives and establishes the means to assess the effectiveness of the institution. The chief executive officer manages and allocates resources in keeping with institutional purposes and objectives and assesses the effectiveness of the institution. The chief executive officer assures that the institution employs faculty and staff sufficient in role, number, and qualifications appropriate to the institution's mission, size, and scope (3.12).

The institution employs sufficient and qualified personnel to fulfill its mission (7.1).

The institution preserves and enhances available financial resources sufficient to support its mission. It manages its financial resources and allocates them in a way that reflects its mission and purposes. It demonstrates the ability to respond to financial emergencies and unforeseen circumstances (7.4).

The institution is financially stable. Ostensible financial stability is not achieved at the expense of educational quality. Its stability and viability are not unduly dependent upon vulnerable financial resources or an historically narrow base of support (7.5).

The institution's multi-year financial planning is realistic and reflects the capacity of the institution to depend on identified sources of revenue and ensure the advancement of educational quality and services for students (7.6).

The institution and its governing board regularly and systematically review the effectiveness of the institution's financial aid policy and practices in advancing the institution's mission and helping to ensure that the institution enrolls and supports the student body it seeks to serve (7.10).

The institution establishes and implements its budget after appropriate consultation with relevant constituencies in accord with realistic overall planning that provides for the appropriate integration of academic, student service, fiscal, development, information, technology, and physical resource priorities to advance its educational objectives (7.13).

The institution's financial planning, including contingency planning, is integrated with overall planning and evaluation processes. The institution demonstrates its ability to analyze its financial condition and understand the opportunities and constraints that will influence its financial condition and acts accordingly. It reallocates resources as necessary to achieve its purposes and objectives. The institution implements a realistic plan for addressing issues raised by the existence of any operating deficit (7.14).

The request that Hampshire College include as part of its show-cause response a teach-out plan to indicate how the institution would ensure an orderly teach out of students who may not be able to

complete their education at Hampshire College is consistent with our standard on *The Academic Program*:

When programs are eliminated or program requirements are changed, the institution makes appropriate arrangements for enrolled students so that they may complete their education with a minimum of disruption (4.9).

The Commission would like to receive the College's show-cause response by May 21, 2019. We ask that you send four (4) paper copies as well as an electronic copy (single, searchable pdf file).

The College's show-cause hearing will be held on Thursday, May 30, 2019. Separately we will inform you of the time and location of the session.

In keeping with the Commission's Policy on Public Disclosure of Information about Affiliated Institutions (enclosed), the decision to ask Hampshire College to show cause why it should not be placed on probation or have its accreditation withdrawn will be made public through a notice on the Commission's website and a press release. In addition, you are expected to share this letter with all of the institution's constituencies, and you are free to release information about the Commission's action to others. It is Commission policy to inform the chairperson of the institution's governing board of action on its accreditation status. In a few days we will send a copy of this letter to Mr. Luis Hernandez.

As noted above, because probation and the withdrawal of accreditation are adverse actions, Hampshire College may appeal the decision if made by the Commission. I am enclosing a copy of the policy and procedure for appeals. Also enclosed is a copy of the Commission's procedure for show-cause deliberations. Finally, you will also find a copy of the Commission's policy on Notification of Actions Affecting the Accreditation Status of Affiliated Institutions and Providing Other Information. Should the Commission decide to place Hampshire College on probation or withdraw its accreditation, the institution will be required to disclose this status, as specified in the Commission's policy.

The Commission expressed appreciation for the report prepared by Hampshire College and hopes that its preparation has contributed to institutional improvement. It appreciates your cooperation with the effort to provide public assurance of the quality of higher education in New England.

If you have any questions about the Commission's action, please contact Barbara Brittingham, President of the Commission.

Sincerely,



David Quigley

DQ/sjp

Enclosures

cc: Mr. Luis Hernandez