

Office of the President

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January 30, 2019

BRIEFING FOR CONSIDERATION OF FALL 2019 CLASS

Prepared by the Office of the President
for the Hampshire College Board of Trustees

The accompanying materials are provided to inform you in decision-making as you consider the status of Hampshire's Fall 2019 class. The College's leadership recognizes the seriousness of this vote and the multiple factors to consider and weigh. Given emergent patterns in regulatory interest and oversight and evolving patterns of accrediting agencies, there is no clear and definitive outcome that can be foreseen as either net-positive or net-negative. We recognize that you have a limited time to read and consider these materials. In addition to providing documents – some of which you have seen – we have also created outlines and notes. All of these materials – listed below - are tied to three overarching themes:

Accreditation Environment

- Accreditation Process Overview (document #1)
- February 2018, Hampshire response to review team report (document #2)
- May 2018 Letter of reaccreditation (document #3)
- October 2018 request for first-year report (document #4)
- Timeline of recent NECHE accreditation actions (document #5)

Regulatory Climate

- December 2018 and January 2019 conversations with Higher Education consultants and legal counsel (document #6)
- Snapshot of regulatory climate in Commonwealth of Massachusetts (document #7)
- Board of Higher Ed (BHE) January 22, 2019 Report: Transitions in Higher Ed: Safeguarding the Interests of Students (document #8)

Financial Snapshot

Outline of 2014-2019 financial drivers: enrollment goals and outcomes (document #9)

There are several times scheduled during the Board meeting where we will provide further briefings as we move through discussions in preparation for a decision. During these discussions, we will be weighing the consequences of any of the proposed outcomes.

HAMPSHIRE COLLEGE 2018 ACCREDITATION PROCESS OVERVIEW

New England Commission of Higher Education

NECHE is a non-profit, non-governmental membership organization whose goal is to promote institutional improvement and public assurance of quality. It relies on members' self-regulation, voluntary compliance with clearly-stated *Standards for Accreditation* (appended), and a system of ongoing evaluation by peers. Prospective students, their families, and members of the general public need information to make good decisions; accreditation provides assurance that an institution meets the explicated standards and that there are reasonable grounds to believe the institution will continue to meet those standards in the future.

Reaccreditation Process

- Self-study: The self-study includes a narrative that explores all aspects of the institution's operations and extensive data and other documentation to substantiate and bolster the narrative. Preparing the self-study typically takes 12-18 months and is intended to engage the entire community in a process of structured analysis, self-reflection, and planning in response to the stipulated standards.
- Peer review: A team of colleagues from other accredited colleges visit the campus to conduct a comprehensive peer review. The site visit enables professionals in each of the areas covered by the accreditation standards to provide an outside perspective on and evaluation of institutional effectiveness.
- Presentation to the Commission: The chair of the visiting team, the president, and other officials attend a meeting of the Commission, after which the Commission makes a determination about reaccreditation.
- Accreditation: The letter awarding reaccreditation typically includes recommendations for follow-up on those items identified as needing further attention. Fulfillment of those recommendations is monitored by means of regular narrative reports from the institution as requested by the Commission.

2017 Evaluation Team Summary

Hampshire College is a unique institution that serves a vital purpose in advancing new pedagogy and is a touchstone for student-centered learning and narrative evaluation. Despite limited resources, the College has made remarkable achievements. This has been enabled by a passionate community of teachers, learners and those who support those processes directly and indirectly. They have invested in improving across various areas identified in previous reviews, including assessment, strategic planning, creating a faculty review system, and diversifying the College's revenue sources. While progress has been made, the College will need to continue institutionalizing those efforts in the coming years. Support for Hampshire's mission and achievements appears widespread among all constituencies, despite the setbacks the community experienced in 2016. The team offers the following summary of the most important strengths and concerns.

Strengths

- *Hampshire’s faculty, staff, students and Trustees show deep passion for the College and work collectively to achieve its mission and have shown that they can “do more with less.”*
- *Hampshire’s commitment to student-centered learning, individualized programs of study, and narrative evaluations in lieu of grades create an environment in which students can thrive intellectually.*
- *Hampshire graduates demonstrate exceptionally strong outcomes in terms of graduate school attendance, Fulbright awards and good employment rates.*
- *The strategic planning process Hampshire engaged in has shown success and demonstrated progress has been made on many of the items in the plan.*
- *Participation in the Five Colleges consortium provides significant benefits across the entire College, from cross-registration for students, several shared academic programs, and creating communities of practice for staff.*

Concerns

- *Hampshire has experienced ongoing challenges with their finances, which has manifested in low salaries for faculty and staff, increasingly thin levels of staffing, increasing scarcity of resources, and critically low levels of faculty and staff morale, all of which is compounded by the lack of consistent multi-year financial planning and modeling.*
- *Enrollment and retention challenges in recent years have exacerbated the College’s financial situation and it is unclear whether the College will be able to deploy targeted resources to the areas that are most vital to resolving them and restoring Hampshire’s financial stability.*
- *Along with the financial and enrollment challenges, Hampshire’s community continues to be affected by the cultural challenges that emerged in 2016 and other ongoing ones, such as students’ reported feelings of isolation.*
- *While Hampshire does have a strategic plan, it does not currently provide a clear roadmap to navigate the three issues above or achievable milestones related to those issues, which would provide opportunities for hope and celebration to the community.*
- *Despite impressive advances in assessment, Hampshire has more work to do as it implements a new Division I curriculum and continues to improve the Division II and III experiences through data-informed approaches. Consistent, ongoing support for initiatives of the Dean of Curriculum and Assessment, including the Center for Teaching and Learning, will be key to future success.*

Next Steps

By April 3, 2019, Hampshire is to submit a report that gives emphasis to our success in:

1. hiring a new president;
2. improving the College's financial position and engaging in multi-year financial planning;
3. meeting its goals for enrollment, retention, and discount rate;
4. achieving its goals with respect to faculty and staff compensation;
5. implementing its plans to address issues related to campus climate and morale;
6. continuing to implement data-informed outcomes assessment across the curriculum, with particular emphasis on Division II and Division III.

NEW ENGLAND COMMISSION OF HIGHER EDUCATION
STANDARDS FOR ACCREDITATION
Effective July 1, 2016

STANDARD ONE: MISSION AND PURPOSES

The institution's mission and purposes are appropriate to higher education, consistent with its charter or other operating authority, and implemented in a manner that complies with the Standards of the Commission on Institutions of Higher Education. The institution's mission gives direction to its activities and provides a basis for the assessment and enhancement of the institution's effectiveness.

STANDARD TWO: PLANNING AND EVALUATION

The institution undertakes planning and evaluation to accomplish and improve the achievement of its mission and purposes. It identifies its planning and evaluation priorities and pursues them effectively. The institution demonstrates its success in strategic, academic, financial, and other resource planning and the evaluation of its educational effectiveness.

STANDARD THREE: ORGANIZATION AND GOVERNANCE

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.

STANDARD FOUR: THE ACADEMIC PROGRAM

The institution's academic programs are consistent with and serve to fulfill its mission and purposes. The institution works systematically and effectively to plan, provide, oversee, evaluate, improve, and assure the academic quality and integrity of its academic programs and the credits and degrees awarded. The institution sets a standard of student achievement appropriate to the degree or certificate awarded and develops the systematic means to understand how and what students are learning and to use the evidence obtained to improve the academic program.

STANDARD FIVE: STUDENTS

Consistent with its mission, the institution sets and achieves realistic goals to enroll students who are broadly representative of the population the institution wishes to serve. The institution addresses its own goals for the achievement of diversity among its students and provides a safe environment that fosters the intellectual and personal development of its students. It endeavors

to ensure the success of its students, offering the resources and services that provide them the opportunity to achieve the goals of their educational program as specified in institutional publications. The institution's interactions with students and prospective students are characterized by integrity.

STANDARD SIX: TEACHING, LEARNING, and SCHOLARSHIP

The institution supports teaching and learning through a well-qualified faculty and academic staff, who, in structures and processes appropriate to the institution, collectively ensure the quality of instruction and support for student learning. Scholarship, research, and creative activities receive support appropriate to the institution's mission. The institution's faculty has primary responsibility for advancing the institution's academic purposes through teaching, learning, and scholarship.

STANDARD SEVEN: INSTITUTIONAL RESOURCES

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.

STANDARD EIGHT: EDUCATIONAL EFFECTIVENESS

The institution demonstrates its effectiveness by ensuring satisfactory levels of student achievement on mission-appropriate student outcomes. Based on verifiable information, the institution understands what its students have gained as a result of their education and has useful evidence about the success of its recent graduates. This information is used for planning and improvement, resource allocation, and to inform the public about the institution. Student achievement is at a level appropriate for the degree awarded.

STANDARD NINE: INTEGRITY, TRANSPARENCY, and PUBLIC DISCLOSURE

The institution subscribes to and advocates high ethical standards in the management of its affairs and in its dealings with students, prospective students, faculty, staff, its governing board, external agencies and organizations, and the general public. Through its policies and practices, the institution endeavors to exemplify the values it articulates in its mission and related statements. In presenting the institution to students, prospective students, and other members of the public, the institutional website provides information that is complete, accurate, timely, readily accessible, clear, and sufficient for intended audiences to make informed decisions about the institution.

Office of the President

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February 19, 2018

Barbara E. Brittingham, President
Commission on Institutions of Higher Education
New England Association of Schools and Colleges, Inc.
3 Burlington Woods Drive, Suite 100
Burlington, MA 01803

Dear Dr. Brittingham:

It is my pleasure to submit Hampshire College's institutional response to the evaluation report prepared by Dr. Richard Miller and the accreditation review team following their visit to campus in October 2017. It was wonderful to experience both their palpable appreciation for the strength of Hampshire's mission and educational program and their incisive questions and observations. I especially thank Dr. Miller for so generously sharing his experience, time, wisdom, and insights with us.

The evaluation report addresses Hampshire's alignment with the Commission's accreditation standards in thoughtful detail, and we agree with the analysis of both strengths and concerns. There is much of substance that we will continue to reflect on and incorporate. In this response, however, I will focus primarily on fiscal considerations as the overarching framework. As highlighted in our self-study and site visit, enrollment, retention, and campus climate are interconnected challenges, and achieving financial sustainability is the linchpin to their success.

Hampshire's financial struggles are not new. The College was undercapitalized from the beginning and the structural deficits have steadily grown, to the extent that they now represent an existential threat to our economic survival. But as we delve into this challenge, I am both deeply optimistic and profoundly grateful. The campus community is collaboratively and constructively engaged and our trustees are second to none in their passion, commitment, and support.

Hampshire's pedagogy and vision occupy a distinctive and essential place in American higher education, as articulated in our founding document, *The Making of a College*.¹ As we near the fiftieth anniversary of opening our doors, this is an opportunity for a "re-making of the College" so that Hampshire's economic position will be as strong as its educational structure. I will add that our community has always been committed to supporting the student experience and improving campus climate as intrinsically important values for the Hampshire experience. However, the social disruption that the campus experienced in 2016 also forcefully brought home just how vulnerable the College budget is to vacillations in enrollment. It is now broadly understood and accepted that we must change the financial operating model in order for Hampshire to survive and thrive into the future. This awareness, in and of itself, is a paradigm shift that I hope represents to the Commission our seriousness of purpose.

In our reaccreditation appraisal of Hampshire's financial resources we wrote: "The Board is convening an *ad hoc* committee of trustees to take stock of the College's fiscal status and prospects and to consider options to ensure Hampshire's long-term financial health and sustainability in alignment with the institutional mission."² Much has been accomplished in just a few short months. The *ad hoc* Financial Sustainability Committee (FSC) began meeting in October under the leadership of Trustee David Matheson³ and has conducted extensive research and modeling for the purpose of identifying the strategies most likely to have a transformational impact on Hampshire's finances. Members of the FSC include my senior administrative team, the Chair of the Board, and Chairs of the Academic Affairs, Audit, Enrollment, Finance, and Student Life Committees; additionally, we received invaluable *pro bono* support from two prominent consulting firms, The Boston Consulting Group and Recon Strategy.

In the following paragraphs I will outline the FSC's analyses and recommendations, which are grounded in the conviction that the fundamentals of the College's mission and strategic plan are sound and are broadly supported, i.e., recruiting students and faculty who can thrive within Hampshire's unique pedagogy; pressing the competitive advantage inherent in our model of educating creative and courageous problem-solvers; and building long-term financial strength through growth in the endowment.

¹ Patterson, Franklin & Charles R. Longworth, *The Making of a College: A New Departure in Higher Education*. Cambridge, MA: The MIT Press, 1966 (1975 edition).

² Hampshire College Self-Study, p. 77, submitted to the Commission on Institutions of Higher Education on August 30, 2017.

³ David Matheson is chair of the Board's Finance Committee and serves on the Executive Committee. He has worked for 30 years with The Boston Consulting Group, most recently as senior partner and now as a senior advisor, and brings extraordinary expertise in organizational management to Hampshire's Board. He is the parent of two Hampshire alums.

Initially, there were two separate efforts devoted to financial sustainability: the FSC's efforts at the Board level and a separate working group of administrators and faculty members. Each committee solicited ideas about ways to effect savings and generate revenues, together receiving almost 130 suggestions from across the Hampshire community. A third *ad hoc* committee also formed to study the implications of a potential restructuring of Hampshire's tuition model. There was great synchronicity across these groups, and their efforts merged into a unified planning effort under the auspices of the FSC.

Notably but not surprisingly, the many proposals fell into four broad categories closely aligned with Hampshire's identified priorities and the reaccreditation review team's areas of concern: student recruitment, student retention, cost reductions, and new programs. All of the initiatives had merit, but the FSC filtered them according to which would have the greatest and most immediate financial impact, based on a comprehensive and sophisticated analysis of costs and return on investment. For example, we have four years of student satisfaction survey data about why students decide to attend Hampshire and why some decide to leave. We have also been piloting a digital marketing strategy targeted to high school students we believe would thrive at Hampshire, and are already seeing an increase in the number of strong applicants; moreover, because our payments are "cost per click," we can precisely track numbers of responses and expenditures.

Based on these data points, the FSC identified specific initiatives to move forward; verified that there was consensus about the underlying assumptions; evaluated the feasibility of implementation; forecast the fiscal ramifications of each; and set out high-level work plans. The suite of proposed initiatives is as follows:

- *Recruitment:* Expanding Hampshire's reach to potential applicants who are likely to thrive at Hampshire by means of focused digital and programmatic marketing; reframing historic but pervasive misperceptions of Hampshire through aggressive branding to highlight student creativity and academic outcomes; better managing the mix of students who are admitted; studying the potential impact of re-setting the tuition and price discounting models; and making it easier for transfer students to enroll.
- *Retention:* Fostering a positive campus climate through intergroup dialogue programming, professional development, and resilience-focused initiatives; creating a comprehensive first-year experience to help students build community, combat isolation, and successfully navigate Hampshire's individually driven pedagogy; and expanding the availability and scope of mental health support services.

- *Cost reductions:* Offering a voluntary separation agreement to staff and faculty in order to humanely shrink the size of the workforce; reducing the academic affairs budget by suspending searches for faculty positions; restructuring departments and contracts to consolidate costs; and eliminating expenditures not related to the mission of the College.
- *New programs:* Considering expansions to the academic program to broaden Hampshire's appeal, including offering a bachelor of science degree, introducing a limited master's degree program, and supporting non-traditional student populations.

This shift in financial strategy will address deficiencies in the campus experience for students; support admissions, financial aid, and marketing and communications so they can position Hampshire to compete effectively; focus the College's competitive strengths in specific academic areas to attract applicants; adopt an aggressive digital media campaign to identify new thrivers whom traditionally we fail to reach; make educational financing and financial aid more understandable and attractive; and cut costs in the College that are no longer required for fulfilment of the mission.

While these initiatives will ultimately generate revenue, they require an initial infusion of approximately \$10 million over the next three to five years. Hampshire's Board of Trustees met this past weekend (February 15-17), and our time was devoted almost entirely to a detailed analysis of the College's financial drivers and constraints. The FSC presented the trajectory should there be no changes in our budget, as well as the impact of targeted investments over the next five years.

After much considered debate, the Board ultimately voted to authorize a special draw of \$3 million from the Hampshire College endowment for investment in the proposed financial sustainability initiatives. We expect that the remaining \$7 million will be derived from targeted fundraising; in fact, an anonymous donor has already pledged \$1 million expressly for this purpose. We expect to achieve the following outcomes from the Board's investment:

- Increase first-year retention by eight points, and second- and third-year retention by three points.
- Increase the size of the entering class to approximately 400 first-year students and approximately 65 transfer students.
- Immediately bring the discount rate to 55% and, as applications grow, to further drive the rate to below 50%.

- By means of these shifts in the financial paradigm, generate momentum to ameliorate the hidden deficit and make necessary long-term investments.
- Build the endowment, which we believe will thrive with these successes.

These interventions and goals are ambitious but essential to Hampshire's well-being, and they dovetail with the Commission's priorities. I look forward to speaking about them with you when we meet on March 2. In the meantime, please let me know if I can answer any questions or if there are background materials you would like me to provide.

Sincerely,

Jonathan Lash
President

cc: Dr. Richard Miller and review team members
Gaye Hill, Chair of the Hampshire College Board of Trustees



Founded in 1885

NEW ENGLAND ASSOCIATION OF SCHOOLS & COLLEGES, INC.
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May 4, 2018

Mr. Jonathan Lash
President
Hampshire College
893 West Street
The Charles W. Cole Science Center, Room 110
Amherst, MA 01002-3359

Dear President Lash:

I am pleased to inform you that at its meeting on March 2, 2018, the Commission on Institutions of Higher Education took the following action with respect to Hampshire College:

that Hampshire College be continued in accreditation;

that the College submit a report for consideration in Spring 2019 that gives emphasis to the institution's success in:

1. hiring a new president;
2. improving the College's financial position and engaging in multi-year financial planning;
3. meeting its goals for enrollment, retention, and discount rate;
4. achieving its goals with respect to faculty and staff compensation;
5. implementing its plans to address issues related to campus climate and morale;
6. continuing to implement data-informed outcomes assessment across the curriculum, with particular emphasis on Division II and Division III;

that the College submit an interim (fifth-year) report for consideration in Fall 2022;

that the next comprehensive evaluation be scheduled for Fall 2027.

The Commission gives the following reasons for its action.

Hampshire College is continued in accreditation because the Commission finds the institution to be substantially in compliance with the *Standards for Accreditation*.

The Commission commends Hampshire College for its preparation of a thoughtful, candid self-study, and we join the visiting team in acknowledging the institution's many strengths, including the College's mission which serves as a "powerful, unifying imperative," a Board of Trustees characterized by an "uncommon degree of commitment," a focus on student-centered learning, and its successful, participatory planning processes. The opening of the Kern Building, a multi-purpose building designed with substantial involvement of students under the Living Building Challenge, is particularly noteworthy. We are gratified to learn of the success of Hampshire graduates with respect to earning advanced degrees – two-thirds of alumni/ae report earning an advanced degree within ten years – and congratulate the institution on its recognition as a "top Fulbright producer." We share the confidence of the visiting team in the ability of the "passionate community of teachers and learners" at Hampshire College to continue the institution's tradition of "educating for change and changing education."

The items the institution is asked to report on in Spring 2019 are related to our standards on *Organization and Governance; Institutional Resources; Students; Teaching, Learning, and Scholarship; Integrity, Transparency, and Public Disclosure; and Educational Effectiveness*.

The Commission understands that, following a "largely stable and successful" seven-year tenure, President Jonathan Lash will retire from Hampshire College on July 1, 2018, and the institution is currently searching for his successor. We look forward to learning, through the Spring 2019 report, of the College's success in appointing a "chief executive officer whose full-time or major responsibility is to the institution" (3.10).

As acknowledged in both the self-study and the report of the visiting team, Hampshire College is experiencing some "financial stresses" resulting in large measure from its dependence on tuition as a source of revenue; we note that 87% of the institution's revenue comes from tuition and student fees. The Commission is gratified to learn that the College appointed an ad-hoc Financial Sustainability Committee (FSC) that, with the support of external consultants and the widespread involvement of the campus community, has developed a long-term financial plan that includes goals, benchmarks, and strategies designed to strengthen the institution's fiscal health. We understand that implementation of the plan is expected to cost \$10 million and that the Board has approved a special \$3 million draw from the endowment to provide initial funding. We anticipate being apprised, in Spring 2019, of Hampshire College's success in implementing its financial plan, consistent with our standard on *Institutional Resources*:

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).

Given the College's dependence on student-generated revenue, recent declines in enrollment and retention have exacerbated the institution's financial challenges. We note that enrollment has

decreased by 10% during the last two years and first-year retention declined from 82% for the 2014 cohort to 78% for the 2016 cohort. The financial plan developed by the FSC includes several initiatives related to recruitment and retention of students, including “focused digital and programmatic marketing,” development of a “comprehensive” first-year experience, and exploration of new academic programs. We understand Hampshire has set goals to increase first-year retention by eight points and second- and third-year retention by three points; to increase the entering class to 400 first-time students and 65 transfer students; and to reduce the discount rate immediately to 55% and subsequently to 50%. The Spring 2019 report will afford the College an opportunity to update the Commission on its progress toward achieving these goals. Relevant here are our standards on *Students* and *Institutional Resources* (cited above and below):

Consistent with its mission, the institution sets and achieves realistic goals to enroll students who are broadly representative of the population the institution wishes to serve (*Students*, Statement of the Standard).

The institution demonstrates its ability to admit students who can be successful in the institution’s academic program, including specifically recruited populations. The institution’s goals for retention and graduation reflect institutional purposes, and the results are used to inform recruitment and the review of programs and services (5.6).

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 Commission concurs with the visiting team that low levels of compensation are “a pervasive and serious concern among faculty and staff at Hampshire,” and we share the concern that low compensation may have a negative impact on Hampshire College’s ability to attract and retain employees. We are therefore heartened to learn that, despite the College’s financial challenges, compensation improvement “is a strategic and fundraising priority.” We look forward to learning, in Spring 2019, of the College’s progress toward bringing salaries and benefits to “levels that ensure the institution’s continued ability to attract and retain appropriately qualified faculty and academic staff whose profiles are consistent with the institution’s mission and purposes” (6.6).

The Commission appreciates Hampshire College’s candid acknowledgment of the negative effect the “social disruption” the campus experienced in 2016 had on campus morale and campus climate as well as on the enrollment and retention of students. We commend the College for its forthright approach to addressing these issues, and we understand that three Advisory Councils appointed by the President are providing leadership for a campus-wide response that is reflective of Hampshire’s “renewed commitment to [its] shared enterprise, together fostering a climate of integrity, compassion, and honesty.” Through the Spring 2019 report, the Commission welcomes further information about the College’s continued progress in fostering “an inclusive atmosphere within the institutional community that respects and supports people of diverse characteristics and backgrounds” (9.5).

Finally, the Commission shares the judgment of the visiting team that Hampshire College has made “significant progress in establishing a process for supporting reflective assessment on the student experience,” and we are gratified to learn of the College’s commitment of resources to appoint a Dean of Curriculum and Assessment, establish and maintain a Center for Teaching and Learning, and support the involvement of faculty in the College’s assessment efforts. We note with favor the use of assessment results, including those from the Thrivers study, the Hampshire Learning (now Research) Project, and the Hampshire Impact Study, to inform admissions

strategies and improve the student experience “across the academic, co-curricular, and student life realms.” The Spring 2019 report will provide the College an opportunity to apprise the Commission of the institution’s continued success in implementing its plans for the assessment of student learning, with particular attention to outcomes in Division II and Division III. We remind you of our standard on *Educational Effectiveness*:

Assessment of learning is based on verifiable statements of what students are expected to gain, achieve, demonstrate, or know by the time they complete their academic program. The process of understanding what and how students are learning focuses on the course, competency, program, and institutional level. Assessment has the support of the institution’s academic and institutional leadership and the systematic involvement of faculty and appropriate staff (8.3).

The institution uses a variety of quantitative and qualitative methods and direct and indirect measures to understand the experiences and learning outcomes of its students, employing external perspectives including, as appropriate, benchmarks and peer comparisons (8.5).

The results of assessment and quantitative measures of student success are a demonstrable factor in the institution’s efforts to improve the learning opportunities and results for students (8.8).

Commission policy requires an interim (fifth-year) report of all institutions on a decennial evaluation cycle. The purpose of the report scheduled for consideration in Fall 2022 is to provide the Commission an opportunity to appraise the institution’s current status in keeping with the Policy on Periodic Review.

The scheduling of a comprehensive evaluation in Fall 2027 is consistent with Commission policy requiring each accredited institution to undergo a comprehensive evaluation at least once every ten years.

You will note that the Commission has specified no length or term of accreditation. Accreditation is a continuing relationship that is reconsidered when necessary. Thus, while the Commission has indicated the timing of the next comprehensive evaluation, the schedule should not be unduly emphasized because it is subject to change.

The Commission expressed appreciation for the self-study prepared by Hampshire College and for the report submitted by the visiting team. The Commission also welcomed the opportunity to meet with you, Gaye Hill, Chair of the Board of Trustees, Eva Rueschmann, Vice President for Academic Affairs and Dean of the Faculty, and Beth Ward, Secretary of the College, as well as Richard Miller, team chair, during its deliberations.

You are encouraged to share this letter with all of the institution’s constituencies. 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 be sending a copy of this letter to Ms. Gaye Hill. The institution is free to release information about the evaluation and the Commission’s action to others, in accordance with the enclosed policy on Public Disclosure of Information about Affiliated Institutions.

The Commission hopes that the evaluation process 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.

Mr. Jonathan Lash
May 4, 2018
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If you have any questions about the Commission's action, please contact Barbara Brittingham,
President of the Commission.

Sincerely,

A handwritten signature in cursive script that reads "David P. Angel".

David P. Angel

DPA/jm

Enclosure

cc: Ms. Gaye Hill
Visiting Team

October 5, 2018

Dr. Miriam E. Nelson
President
Hampshire College
893 West Street
Cole Science Center, Box PR
Amherst, MA 01002-3359

Dear President Nelson:

I write to remind you of the Commission's letter of May 4, 2018 requesting that Hampshire College submit a report for consideration in Spring 2019 that gives emphasis to the institution's success in:

1. hiring a new president;
2. improving the College's financial position and engaging in multi-year financial planning;
3. meeting its goals for enrollment, retention, and discount rate;
4. achieving its goals with respect to faculty and staff compensation;
5. implementing its plans to address issues related to campus climate and morale;
6. continuing to implement data-informed outcomes assessment across the curriculum, with particular emphasis on Division II and Division III.

The Finance and Enrollment (F&E) data forms should be included as an appendix to your report. These forms are available on the Commission's website (<https://cihe.neasc.org/>)

The "Guidelines for Preparing Progress Reports" are also available on the Commission's website. The Commission's letter provides further detail about the matters to be addressed in your report, and we encourage you to consult the letter as you prepare your report. Should you need an additional copy of the letter, please let me know.

The Commission would like to receive your report no later than **January 19, 2019**. As noted in the Guidelines, four paper copies of your report should be submitted, as well as an electronic copy (single searchable pdf file). The report will be reviewed during one of the Commission's Spring 2019 meetings.

You are encouraged to send a rough draft of your report for staff review and feedback. Please contact me or Barbara Brittingham, President of the Commission, to arrange for a review of your report or if you have any questions.

Sincerely,


Patricia O'Brien, SND

POB/bec

cc: Ms. Beth Ione Ward

DAVID QUIGLEY, Chair (2021)
Boston College

GEORGE W. TETLER, Vice Chair (2019)
Worcester, MA

HARRY E. DUMAY (2019)
College of Our Lady of the Elms

JEFFREY R. GODLEY (2019)
Groton, CT

COLEEN C. PANTALONE (2019)
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MARIKO SILVER (2019)
Bennington College

KASSANDRA S. ARDINGER (2020)
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RUSSELL CAREY (2020)
Brown University

FRANCESCO C. CESAREO (2020)
Assumption College

F. JAVIER CEVALLOS (2020)
Framingham State University

RICK DANIELS (2020)
Cohasset, MA

DONALD D. DEHAYES (2020)
University of Rhode Island

PAMY. EDDINGER (2020)
Bunker Hill Community College

THOMAS S. EDWARDS (2020)
Thomas College

KIMBERLY M. GOFF-CREWS (2020)
Yale University

MARTIN J. HOWARD (2020)
Boston University

SUSAN D. HUARD (2020)
Manchester Community College (NH)

JEFFREY S. SOLOMON (2020)
Worcester Polytechnic Institute

ELEANOR BAKER (2021)
Falmouth, ME

KATHERINE BERGERON (2021)
Connecticut College

PETER L. EBB (2021)
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Southern New Hampshire University

DENNIS M. HANNO (2021)
Wheaton College

LILY S. HSU (2021)
Johnson & Wales University

ELLEN L. KENNEDY (2021)
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TIMELINE OF RECENT ACCREDITATION ACTIONS
NEW ENGLAND COMMISSION OF HIGHER EDUCATION (NECHE)
 ~ Color-coded by College ~

2016

- March: Newbury College (Brookline, MA) continued in accreditation after comprehensive evaluation.
- College of St. Joseph (Rutland, VT) continued in accreditation after comprehensive evaluation.
- April: Green Mountain College (Poultney, VT) continued in accreditation after comprehensive evaluation.

2018

- March 2: Hampshire College continued in accreditation after comprehensive evaluation.
- April 6: Mt. Ida College (Newton, MA) announces its intention to close – having already accepted students. Governor Charlie Baker sharply criticizes Mt. Ida for their abrupt decision to close the school.
- May 24: Prompted by pending Mt. Ida closure, Attorney General Maura Healey urges state officials to create a new office within the state Department of Higher Education that would oversee financially struggling schools.
- May 31: Mt. Ida College ceases all operations. Per NECHE, “The College will maintain its accreditation through January 31, 2019 for the sole purpose of awarding degrees to students who complete their programs by that time. Mount Ida will relinquish its accreditation on January 31, 2019.”
- June 26: State Senate Committee on Post Audit and Oversight reports on hearings held to investigate the Mt. Ida closure.
- June 28: Newbury College placed on probation for a period not to exceed two years for failure to meet the Commission’s Standard on *Institutional Resources*.
- College of St. Joseph placed on probation for a period not to exceed two years for failure to meet the Commission’s Standard on *Institutional Resources*.
- July 17: Governor Charlie Baker, in wake of Mt. Ida closure, calls for legislation that would require struggling colleges to develop a contingency plan and notify applicants.

- September 21: Goddard College (Plainfield, VT) placed on probation for a period not to exceed two years for failure to meet the Commission's standards on *Institutional Resources* and *Organization and Governance*.
- October 5: NECHE requests report from Hampshire for progress updates, including emphasizing our success in improving our financial position, meeting goals for enrollment and retention, and achieving goals with respect to faculty and staff compensation. Due date is 1/19/2019; we receive extension until 4/3/2019.
- December 7: College of St. Joseph given until April 1st to produce "material and substantial new evidence" relating to its ability to achieve compliance with the Commission's standard on *Institutional Resources*. Per President Jennifer Scott, "Obviously this gives us a much shorter time frame than the two years we originally thought we had."
- December 13: Boston Globe reports that College of St. Joseph is on the brink of closure. NECHE withdraws accreditation effective 8/31/2019.
- December 14: Newbury College announces intention to close at the end of the spring semester, having previously accepted some Mt. Ida students with reassurances of financial stability.
- Late December: Hampshire College briefs NECHE, as well as Department of Higher Education, Office of the Attorney General, Association of Independent Colleges and Universities in Massachusetts (AICUM), and local legislators about options and possible new directions given enrollment outcomes.

2019

- Early January: Hampshire continues regular briefings with NECHE, Department of Higher Education, Office of the Attorney General, and local legislators.
- January 15: Hampshire announces decision to seek partnership and consider possibility of not accepting 2019 class.
- January 18: Hampshire consults with NECHE and Department of Higher Education about admitting a class vis-à-vis potential impact on accreditation status.
- January 23: Green Mountain College announces it will close at the end of the spring semester, after failing to attract sufficient numbers of students.
- February 1: Hampshire Board of Trustees will vote on questions about admitting 2019 class.

January 30, 2019

(document #6)

**December 2018 and January 2019 conversations with
Higher Education representatives and legal counsel**

Multiple conversations with:

NECHE

Dr. Barbara E. Brittingham, President of the Commission

Attorney General

Since December, 2018, there have been four conversations with representatives from the Attorney General's Office including Chief of Staff and Chief of Non-Profit Organizations/Public Charities Division

Department of Education:

Patricia Marshall, Ph.D., Deputy Commissioner for Academic Affairs & Student Success
Unit: Academic Affairs and Student Success

AICUM

Association of Independent Colleges and Universities in Massachusetts
Richard Doherty, President

Hampshire's Legal Counsel

SNAPSHOT OF THE REGULATORY CLIMATE IN THE COMMONWEALTH OF MASSACHUSETTS

Multiple efforts are underway to develop policies, regulations, and guidelines that require colleges and universities to be public about financial constraints that may affect their ability to graduate an entering class. With the exception of accreditation standards, which went into effect July 1, 2016, the below have not been enacted.

NEW ENGLAND COMMISSION OF HIGHER EDUCATION (July 1, 2016)

- The Standards for Accreditation (Standard Seven: Institutional Resources) include: “The institution demonstrates, through verifiable internal and external evidence, its financial capacity to graduate its entering class.”

MASSACHUSETTS DEPARTMENT OF HIGHER EDUCATION (April 28, 2018)

- Working to strengthen current legislation whereby, if an institution knows that it may close or if it is planning to merge with another institution, it shall notify the Board and follow appropriate procedures as far as possible in advance of the closure or merger.

OFFICE OF THE MASSACHUSETTS ATTORNEY GENERAL (May 24, 2018)

- Attorney General Maura Healey is urging state officials to create a new office within the state Department of Higher Education that would oversee financially struggling schools.

ASSOCIATION OF INDEPENDENT COLLEGES & UNIVERSITIES IN MASSACHUSETTS (May 28, 2018)

- President Richard Doherty states: “We should encourage thoughtful mergers and well-planned acquisitions, such as the ones we recently witnessed with Boston University and Wheelock College or Berklee College of Music and the Boston Conservatory.”

MASSACHUSETTS SENATE (June 26, 2018)

- The Senate’s Committee on Post Audit and Oversight states in response to the Mt. Ida situation that “Notification to the Department of Higher Education is critical when public and private educational institutions know they are in financial peril.”
- Legislation is being introduced stipulating that, if an institution learns it may not have the financial resources to graduate its entering class, it must notify the Board of Higher Education within 14 days.

MASSACHUSETTS GOVERNOR CHARLIE BAKER (July 17, 2018)

- Governor Baker is calling for legislation that would require struggling colleges to develop a contingency plan and notify applicants.

MASSACHUSETTS BOARD OF HIGHER EDUCATION (January 22, 2019)

- Final report and recommendations of the “Transitions in Higher Education: Safeguarding the Interests of Students” Working Group: “The proposed plan centers on a clear goal - to ensure that any college that reaches a defined threshold where its financial condition puts current and recently admitted students at meaningful risk of interruption in their educations must prepare necessary contingency plans and must inform the students and other stakeholders when that risk becomes sufficiently imminent.”

Final Report & Recommendations
Transitions in Higher Education: Safeguarding the Interests of Students
(THESIS)

Working Group of the Massachusetts Board of Higher Education

January 22, 2019

Executive Summary

Shifting fundamentals including on demographics, competition and costs have created significant financial viability risk for some private, non-profit colleges across the country and in Massachusetts and have led to closures so abrupt as to injure students and families and undermine the credibility of higher education. The Massachusetts Board of Higher Education (BHE), consistent with its role as the state regulator of higher education in the Commonwealth, created a Working Group led by the BHE Chair and the state's Commissioner of Higher Education and including other Board members, experts in higher education and civic leaders. The Working Group was charged with assessing the scope and nature of the problem and making recommendation on actions that the BHE should take to aim to prevent future such problems.

This is the final report of that Working Group to the Massachusetts Board of Higher Education.

We found that there is a significant, ongoing and likely growing threat that more Massachusetts non-profit colleges will be forced by their financial conditions to merge or close. We also found that existing regulators (federal, state and accreditors) and existing metrics are insufficient to provide early enough warning or action. Therefore, it is important that the Massachusetts BHE take new and enhanced measures.

We developed a proposed plan for the BHE by which the Massachusetts Department of Higher Education could, we believe, appropriately, proactively and better act to protect the interests of students and other stakeholders and to buttress the integrity and credibility of higher education in our state. ***The proposed plan centers on a clear goal – to ensure that any college that reaches a defined threshold where its financial condition puts current and recently admitted students at meaningful risk of interruption in their educations must prepare necessary contingency plans and must inform the students and other stakeholders when that risk becomes sufficiently imminent.***

To early identify at-risk colleges and begin active, confidential monitoring of their risk of hitting the defined threshold, we propose that DHE annually screen all Massachusetts private colleges using a novel metric developed by EY-Parthenon on a pro bono basis which looks ahead

and estimates whether and to what extent the college likely has the resources to meet the commitment to fully teach out its current students. The new metric is applied to existing, publicly reported data and requires no further information from colleges. The proposed use of the TVM is exclusively for screening purposes; all assessment thereafter will involve multiple considerations customized to the specific IHE's situation. The Working Group has reviewed and endorses the potential use of the TVM but also notes it needs further analysis and potential refinement by DHE and in dialogue with the field before it comes online for use.

We then lay out a proposed program by which DHE could act in sequence. First, DHE would work with the college to confirm whether the screening process has reasonably identified them as at risk. For those where that is the case, we lay out a plan by which DHE would work with them to actively monitor the condition and key parameters and plans of the college.

Under our plan, colleges could remain in active monitoring for any length of time and could exit if their financial condition improves sufficiently. But they would also be assessed each year against a well-defined "18-month threshold" and if the DHE reasonably concludes that there is meaningful risk that the college cannot complete both their current school year and the next one, then DHE would require the college to complete a thorough contingency plan for transfer and teach out as well as notify the students and other stakeholders.

This threshold, and the potential resulting intervention for any IHE that crosses it, is at the heart of our proposal. We aim to help DHE ensure that when risk to students exceeds a reasonable level, DHE has the timely knowledge and regulatory power to act to protect students through ensuring they are informed by the IHE.

Our proposed plan also addresses necessary conditions such as confidentiality during the screening and active monitoring phases as well as desired and needed partners including the regional accreditor, the New England Commission on Higher Education (NECHE), and the Massachusetts Attorney General's Office (AGO). Our proposal requires the creation of an effective new Office of Student Protection at DHE and the appointment of an Advisory & Review Council of trustworthy civic voices to provide support to the Office and ultimately to the Commissioner.

We respectfully submit this analysis and proposal to the Massachusetts BHE and encourage them to act promptly on this important need. We hope they and other stakeholders find the depth of analysis, the breadth of voices on the Working Group and the work done to coordinate with other key players such as NECHE helpful to expedite action.

Background

In May, 2018, the Massachusetts Board of Higher Education (BHE) established a Working Group to expeditiously but thoroughly investigate a topic of considerable contemporary

concern to the BHE: the risk of harm to students and other stakeholders from precipitous closures of private, non-profit institutions of higher education in Massachusetts¹. With a fresh and disturbing case (Mount Ida College) catalyzing a sense of urgency and import, the Chairman of the BHE, Chris Gabrieli, and the Massachusetts Commissioner of Higher Education, Carlos Santiago, created and led a Working Group that would bring back findings and recommendations to the BHE by the beginning of 2019.

The charge to the Working Group was to focus on four specific objectives:

- (1) Defining the landscape of the trends and circumstances that create this unprecedented era of change and risk for private institutions of higher education (IHEs);
- (2) Reviewing current and potential methods to assess and monitor IHE fiscal health, including current financial reporting and transparency requirements used by federal, state and accrediting organizations;
- (3) Reviewing current and potential means to ensure IHE boards of trustees meet their fundamental oversight and fiduciary responsibility; and
- (4) Reviewing current and potential approaches to proactively mitigate risk in impending circumstances of closure or interruption of services that will maximally support student degree/program completion and the public interest.

The Working Group was quickly assembled and included two members of the BHE, Alex Cortez and Paul Mattera, as well as five civic leaders with considerable relevant experience and perspective. The Working Group civic leader members included:

- Robert Antonucci (past MA Commissioner of Education; past President, Fitchburg State; past interim President of the National Graduate School of Quality Management);
- Katherine Craven (Chief Administrative Officer, Babson College; member MA Board of Elementary & Secondary Education; past Executive Director, MA School Building Authority and UMass Building Authority);
- Matt Hills (private equity investor and management consultant; past Chair, Newton School Committee);
- Ranch Kimball (past partner, BCG; past MA Secretary of Economic Development; past Board Chair, Wheelock College)

¹ It is important to note that the Working Group recognizes there may be financial risks to institutions beyond the private, non-profit undergraduate colleges we focused upon because they possess common characteristics and pose a significant and relatively new challenge. This would include public higher ed, for-profits and certain specialized schools (e.g. graduate school only). The need to address those risks is addressed in the closing section of this report.

- Gaby King Morse (Executive Director, uAspire Massachusetts).

The Working Group was dubbed the THESIS Working Group with THESIS serving as an acronym for *Transitions in Higher Education: Safeguarding the Interests of Students*. The Working Group was led by Chair Gabrieli and Commissioner Santiago and was primarily staffed by DHE Deputy Commissioner for Administration and Finance Tom Simard with support from DHE Senior Budget Analyst Joe Wallerstein, DHE Deputy General Counsel Ashley Wisneski and DHE Chief Legal Counsel Dena Papanikolaou.

The Working Group actively collaborated with the MA Attorney General's Office (AGO) and the regional accreditor, the New England Commission of Higher Education (NECHE). The Working Group also benefited greatly from a pro bono consulting team provided by EY-Parthenon that provided research and analysis to inform the Working Group on our first two objectives.

The Working Group met formally on four occasions – in June, October, and December, 2018 and January, 2019. At these public meetings conducted under Open Meeting Law conditions, members heard from experts and stakeholders and engaged in extensive, constructive dialogue about potential findings and recommendations. Meetings lasted several hours and included substantive discussions around the analyses provided by EY-Parthenon and the work brought forward by Working Group leadership and the DHE. Representatives of key stakeholders including NECHE, the AGO and AICUM attended some or all meetings and were encouraged to share their thoughts as relevant. Working Group leadership and DHE staff met weekly throughout and several Working Group members provided helpful advice and feedback on an ad hoc basis. At the final meeting of the THESIS Working Group, the Working Group members reviewed and unanimously approved the findings and recommendations of this document as our Final Report and Recommendations to be transmitted to the BHE for consideration and potential action at the BHE's regularly scheduled January 22, 2019 meeting.

Findings

The THESIS Working Group initially focused on the first two elements of our charge. We felt it was important to determine whether there are truly fundamental forces driving an era of significant risk for further closures of non-profit institutions of higher education in Massachusetts. Second, we wanted to review the relevant work of the three elements of what has traditionally been called the "regulatory triad" for higher education – the federal government, the accreditors and the state agency.

Our deliberations were greatly informed by the work of EY-Parthenon summarized in their report to us, delivered for the October 1st Working Group meeting and attached to this

report in the Appendix, as well as available online at <http://www.mass.edu/strategic/documents/EY-Parthenon%20Transitions%20in%20Higher%20Ed.pdf>.

After review of the EY-Parthenon report and careful deliberation amongst the members of the THESIS Working Group, we unanimously came to these two findings with regard to the first two elements of our charge:

- (1) *The risk of further challenges to viability at non-profit institutions of higher education (NPIHEs) leading to potential student disruption is significant, ongoing and likely growing; and*

- (2) *Current standard financial metrics are insufficient for timely or fully identifying at-risk NPIHEs and current processes among the triad of accreditors, USED and state authorities are insufficient to ensure prevention/mitigation of future unacceptable disruption to students and others.*

It is important to note the consequentiality of these two findings. We believe that the risk of more NPIHEs needing to merge or close due to lack of financial viability is significant and continuing. Underlying demographic trends and cost inflation pressures accelerate the problem. And we do not believe that current metrics, such as the US Department of Education's Financial Responsibility Composite Score, are sufficiently predictive of NPIHEs at imminent risk. Past examples of precipitous and disruptive school closures show that often none of the metrics have signaled sufficient alarm or warranted any of the three members of the triad (accreditors, and federal and state regulators) to have sufficiently acted in advance to avert harm to students, staff and other stakeholders.

Taken together, these two findings necessitate action.

To that end, the Working Group devoted the second phase of our work to formulating a set of recommendations to the MA Board of Higher Education that would, in our view, allow the BHE to considerably reduce the risk that any future financial instability at a Massachusetts NPIHE would lead to unavoidable, unacceptable disruption to its students. It is important to note that these recommendations are aimed at minimizing student harm; NPIHE financial viability and strategic choices are presumed to continue to be the province of the NPIHE's Board of Trustees subject to the oversight of the AGO on any plans that involve sales of the assets, changes in control or the like.

Recommendations

The THESIS Working Group recommends that the Massachusetts Board of Higher Education adopt a plan whereby the DHE could: (i) proactively identify NPIHEs at heightened risk of financial non-viability that could affect students; (ii) actively monitor those NPIHEs that appear to be at the highest and most imminent risk; and, (iii) if/when a defined threshold of risk is exceeded, intervene to ensure those NPIHEs complete thorough contingency plans for teach out and transfer and inform students and other stakeholders on a timely basis.

Before delving into the specifics of the proposed plan, we would identify the following as some of the key design parameters that informed our thinking and approach.

A North Star of student protection – the 18-month threshold: The motivation for pursuing this work is the threat of damaging interruptions to students' courses of study due to inadequate notice and inadequate transition planning if an NPIHE waits too long to act. We chose for our North Star two facets of a threshold beyond which DHE should ensure action to mitigate risk to students. First, we chose to focus on the ability of NPIHE's to financially sustain their operations for the balance of the current school year and the entire subsequent one. In our view, inability to do that defines excess risk to students. Second, we selected as a threshold measurement date December 1st, which is the date by which students and other stakeholders need to be notified if the NPIHE which they attend (or to which they have been admitted) is at significant risk of not being able to meet its obligations in the current and following school year. Notice by December 1st helps ensure that nearly all current students and recently admitted ones have reasonable time to pursue transfers or apply for admittance to other colleges. December 1st is the latest day that the DHE would require such notification, and earlier notification should be required when the DHE determines that the goal of a two-year teach out is at sufficient risk. We also recommend DHE require completion of thorough contingency plans covering transfer and teach out options for students in advance of their notification.

Respecting NPIHE Autonomy & Confidentiality: Short of violating the North Star principle of an 18-month sustainability threshold, the existing governance autonomy of NPIHEs should be respected. Under the recommendations below, NPIHEs would retain the right to pursue any strategies and tactics they see fit (of course, within the current standard requirements of oversight by USED, accreditors, the DHE and the AG) until and unless they cross the 18-month threshold on or before any December 1st. The active monitoring proposed in our recommendations would apply only to schools approaching the 18-month threshold and would remain confidential until/unless the 18-month threshold is crossed. Further, the screening tool proposed to be used would rely exclusively on data already submitted publicly to the USED annually, requiring no added data burden and no confidential data from any NPIHE that is not being actively monitored.

Timely Approach: The recommendations are intended to significantly improve on the timeliness of awareness of growing risk at specific NPIHEs. By conducting an annual screen of all NPIHEs with a tool that is prospective in approach, by actively monitoring those at risk of crossing the 18-month threshold in the near future and by triggering mandatory contingency planning and student notification when the 18-month threshold is crossed, these recommendations all aim to ensure timely awareness and action.

DHE Role: The recommendations aim to provide others with the opportunity to take appropriate action before any intervention by the DHE would be required. Firstly, by providing a thoughtful, prospective, transparent screening tool, we aim to support NPIHE management and Boards of Trustees with the opportunity to consider the risk profile of their school. We would encourage NPIHE Boards of Trustees, in particular, to proactively avail themselves of the information in the screening tool as part of their obligation to properly exercise their fiduciary duties to fulfill the educational mission of their institutions. Further, we recommend that the DHE continue to work closely with the self-policing accreditation entity of Massachusetts NPIHEs, the New England Commission of Higher Education (NECHE), to ensure as much alignment with their efforts as possible and appropriate.

Proposed Monitoring and Intervention Plan

The plan proposed by the THESIS Working Group to the Massachusetts Board of Higher Education includes four main components: (1) Screening; (2) Active Monitoring; (3) Contingency Planning and Student Notification; and (4) Sanctioning and Revocation.

The proposed plan would require at least three enabling steps: (1) adoption as regulation/policy by the BHE/DHE; (2) creation and resourcing of a new Office of Student Protection at DHE and selection of an external Advisory & Review Council; and (3) passage of legislation to, at minimum, provide the proposed level of assured confidentiality.

(1) Screening

The first step in the proposed plan is the annual screening of all relevant NPIHEs via a newly developed metric described below. The goal of the screening process is to identify the small number of NPIHEs where risk of student disruption due to financial challenges appears to be unacceptably high and imminent. The screening process would rely entirely on already public data mandatorily submitted by the NPIHEs to the US Department of Education.

The Teachout Viability Metric (TVM)

As part of their work informing the THESIS Working Group, EY-Parthenon explored ideas for a metric that could be used to better and sooner prospectively identify NPIHEs at

heightened risk of a damaging, financial inability to honor their commitments to students. The resulting Teachout Viability Metric (TVM), developed by EY-Parthenon (using methodology, parameters and assumptions reviewed with the Working Group), focuses on an NPIHE's ability to meet its teaching obligations to currently enrolled undergraduate students through to their expected graduation dates. The TVM aligns with the policy imperative of the THESIS Working Group by focusing on the institution's current and anticipated financial resources compared to the costs of education for their current students at that institution. The TVM is calculated based on numbers required to be submitted annually by all NPIHEs (that receive federal funds) to the US Department of Education's Integrated Postsecondary Education Data System (IPEDS). This use of publicly available, widely used data means that adopting the TVM does not require any further data provision by institutions.

The TVM applies a set of rational and transparent assumptions to the IPEDS data for each institution to assess that institution's "teach out viability" which is to say the institution's ability to teach out the current students through to graduation were the institution to need or elect to wind down. The TVM does not predict whether they will or should wind down but simply assesses whether or not the institution could have the resources to meet its obligations. The TVM assumptions include reasonable estimates about the rate with which an NPIHE could reduce its costs were it winding down as well as the level of tuition it would earn from remaining students and existing balance sheet assets it could employ.

The TVM produces a score for each NPIHE that is expressed in percentage terms where 100% means that the NPIHE could hypothetically wind down and meet its obligations to all current undergraduate students. Most NPIHEs score well above 100% indicating that they have ample resources to meet all current obligations. A score less than 100% suggests that an institution likely cannot meet its commitments to all of its current students with a TVM score of 75% indicating approximately three years of "teach out" covered, 50% two years and so on. EY-Parthenon provided an analysis (Figure 9, page 16) of the characteristics of NPIHEs at various levels of risk as calculated by an early version of the TVM.

It is notable that the NPIHEs at highest risk are also the smallest, the least selective, have experienced reductions in enrollment in recent years, have the lowest endowment per student, have the worst ratio of liabilities to assets and are the most dependent on tuition and fees. It is also notable that they are the most likely to serve low-income (Pell-eligible) students, our most vulnerable population.

The TVM is intended as a screening tool, not a predictor nor a sole source for a definitive diagnosis. By definition, a good screening tool allows the identification of nearly all at-risk members of a population (i.e. low false-negative rate) while not identifying too many members that are not actually at risk (i.e. low false-positive rate). Also, to be a good screening tool, the TVM would need to identify at-risk NPIHEs early enough to allow constructive engagement, monitoring and/or intervention before the risk to students grows too large and close in time (i.e.

before our North Star principle is violated). We were especially impressed by a simulation (figure 10, page 17) that showed that the TVM would have flashed a usefully early warning on six recent national NPIHEs that went on to close and three more that have recently been identified as at risk by accreditors (including one in Massachusetts that subsequently has announced its need to close by the end of this school year).

The TVM has been vetted with a number of financial officers from various size NPIHEs as well as with people with financial expertise on higher education. The encouraging feedback has been that the approach has policy merit due to its simplicity, clarity and alignment with the chief policy goal. EY-Parthenon continues to support exploration of the specific assumptions by responsible representatives of the higher education community and the THESIS Working Group and DHE have endeavored to solicit input from various members of the field including through collaboration with the New England Commission of Higher Education (NECHE).

Based on the critical need for a useful and timely screening tool and the merit and promise of the TVM, we recommend:

The MA DHE should adopt the Teachout Viability Metric (TVM) as a screening tool to identify NPIHEs in need of further scrutiny and potential monitoring and intervention to avert unacceptable disruption to students due to institutional financial challenge.

The TVM will need to be subject to continuing public comment and to ongoing refinement but we believe that the deployment of an appropriate screening tool is vital to the DHE to efficiently meet its obligation to help identify NPIHEs at heightened financial risk.

We also believe that others, including NPIHE Boards of Trustees, should find the TVM to be a helpful tool to track institutional strength. The greater the convergence among stakeholders on a common metric, the more likely the system is to behave in a healthy and aligned fashion with management and governance of the NPIHEs having initial and primary fiduciary responsibility for their institutions.

Given our role as a Working Group making recommendations to the BHE and for subsequent DHE implementation, we assume that critical specifics that fit within our recommendations will be filled in by the BHE and DHE should they choose to accept these recommendations. For example, we do not have a recommendation on how to best conduct the annual screening (e.g. inhouse or through a specialized consultant), how to complete the appropriate vetting of the TVM nor what “cut score” to adopt for the screening except to suggest that the BHE and DHE should select a cut score that includes schools with any material risk of violating the North Star principle within the next 12 months. The use of the TVM for screening is not meant in any way preclude or limit consideration of other financial indicators during monitoring or in determining whether an IHE requires intervention as described below.

(2) Active Monitoring

Once a set of schools are identified via the screening process, we recommend that the DHE Office of Student Protection (OSP) confidentially contact the President and Chief Financial Officer of all NPIHEs that fall below the pre-selected cut score. The goal in such contact would be to initiate a confidential dialogue with the NPIHE to determine whether the NPIHE does in fact require monitoring.

The initial dialogue may reveal that the NPIHE is not in fact at such current risk. Publicly available IPEDS data have a significant time lag and the institution's current data may reveal a more positive situation when run through the TVM. Or there may be other circumstances that, in the best judgment of the DHE OSP, suggest that active monitoring is not necessary. The initial dialogue should allow for sufficient discussion that the NPIHE can respond to the TVM analysis and provide any context or mitigation they feel should be considered. The DHE OSP may choose to seek the opinion of the Advisory & Review Council in such circumstances.

For all NPIHEs that are not excluded by the initial dialogue, the DHE OSP should develop and implement an active monitoring protocol. That protocol should fit the specific circumstances of the NPIHE and the estimated timeline to the 18-month threshold. For example, some NPIHEs may have in place a strategic response plan approved by their Board of Trustees. That plan may involve changes to the operating model and parameters of the institution or transactions such as land sales and/or mergers. The monitoring protocol should assure that the DHE OSP can accurately and timely assess the changing condition of the NPIHE, particularly with regard to the 18-month threshold.

The protocol should be shared in draft form with the NPIHE for any feedback or suggested amendments to be considered before issuing the final monitoring protocol. The decision to implement the active monitoring and the final protocol should be shared with both the NPIHE President and CFO and the NPIHE Chair of the Board and Chair(s) of the relevant Board Committee(s) such as Audit, Finance and/or Strategic Planning.

Active monitoring should continue until either the NPIHE is no longer at risk of violating the North Star principle or will violate it imminently. All information about the existence of the monitoring and the contents of communication and data shared by the NPIHE in accord with the protocol should be held to strict confidentiality guidelines.

(3) Contingency Planning and Student Notification

The THESIS Working Group recommends that the active monitoring process focus centrally on assessing the NPIHE's financial condition in the context of the 18-month threshold.

That is to say that the trigger for moving beyond active monitoring to action is the determination by no later (but possibly quite a bit earlier) than each December 1st whether an NPIHE, in the reasonable judgment of the DHE, has the financial resources to complete the current and subsequent school years. If they do have such confidence, the NPIHE should remain in active monitoring; but if they do not, December 1st should be the latest date (earlier would be better) by which the DHE OSP should ensure the NPIHE takes two critical actions: contingency planning and student notification.

Given the importance and impact of this decision, we recommend that the DHE OSP secure the affirming recommendation of the Commissioner when the OSP determines an NPIHE to have crossed the 18-month threshold test. Further, we recommend that the Commissioner and OSP review all such decisions with the external Advisory & Review Council to secure their independent confirmation of the decision. The Commissioner will convene the Advisory & Review Council as necessary. The final determination should be made by the Commissioner. Clearly, this process will require sufficient time before December 1st to allow maturation and action by this critical date.

Subsequent to determination by the Commissioner, with the review and advice of the external Advisory Council, that an NPIHE will imminently cross the 18-month threshold, the DHE must inform the NPIHE and require two actions.

First, the NPIHE should promptly prepare and submit a thorough transfer and teach out contingency plan pursuant to existing DHE regulations and policies about such plans. These plans are intended to identify for each area of study and type of student at least two alternative programs at geographically accessible alternative colleges that would accept the NPIHEs students as transfers including providing full transfer credit for their progress to date. The contingency plan should address other key issues as well such as how and where historical student records will be maintained. The DHE will provide prompt feedback on each draft until an acceptable plan is fully developed and available if needed. Given the time needed to prepare and refine such a plan, this will need to be initiated before the final step of student notification is invoked in order to ensure the plan is available to those students once they are informed.

Second, the NPIHE must inform all of its students and any admitted but not yet matriculated students as well as any pending applicants that there is meaningful risk of financial distress sufficient to prevent the NPIHE from being able to complete the degree teach out for those students. The language of such notification may be drafted by the NPIHE but must be approved by the DHE OSP. The goal of the notification is also to ensure that other stakeholders such as the faculty and staff and the host community are apprised.

By notifying students on a sufficiently timely basis – with enough lead time to consider and act on alternatives before annual deadlines at alternative institutions – and by developing a thorough contingency plan, these actions should prove sufficient to greatly reduce the risk of

harm to students. Any need for an NPIHE to wind down in part or in whole before all current and admitted students complete their degree programs will entail some difficulties for students and, in some cases, even significant hardship. The goal of the overall proposed plan here is to balance between an NPIHE's opportunity to pursue its plans as an independent, non-profit entity and the DHE's obligations to protect students and the integrity of the Massachusetts higher education system.

The specifics of the processes around this crucial step in the proposed plan will need to be developed by the DHE and its new OSP as well as refined through experience. We also believe that the external Advisory & Review Council should provide a valuable sounding board and independent voice on key aspects.

(4) Sanctioning and Revocation

The intent of the proposed plan is to empower the DHE, through the OSP, with the support of the external Council, to enter into a constructive dialogue and process with relevant NPIHEs. We hope and assume that all NPIHEs will engage constructively with the proposed process throughout. Recent experience with one NPIHE that has announced its decision to close at the end of this school year provided a useful and encouraging case study.

Nonetheless, there is risk that some NPIHEs will resist the proposed process including refusing to share needed information for monitoring or to abide by decisions such as arise from crossing the 18-month threshold.

We have identified at least two sanctions and one enforcement agency available to the DHE to address problems of non-compliance. One also represents an important opportunity to fairly and appropriately bind NPIHEs to the proposed process contractually.

NPIHE Participation in State Financial Aid for Students

Massachusetts financial aid, funded by annual appropriations of the Massachusetts legislature, supports students in both public colleges and universities and in NPIHEs. The DHE currently enters into “participation agreements” with NPIHEs setting out the terms under which each NPIHE’s students are eligible to receive such aid. The DHE financial aid and legal staff have reviewed the documents and believe they have the authority to modify the agreements on a going forward basis to incorporate the new policies and plan proposed herein.

Therefore, we recommend that the DHE modify its participation agreement with NPIHEs in the future to reflect two key additions. First, we recommend that the new participation agreement include reference to the “active monitoring” element of this plan and require NPIHEs to agree to provide all necessary information on a timely, confidential basis consistent with the active monitoring protocol should they be deemed subject to that element of this plan. Second, we recommend that the new participation agreement make clear that by agreeing to accept state financial aid for students enrolled in their schools, they are also agreeing to comply with all aspects of this plan, including both sharing information as required for monitoring and providing timely student notification and a thorough contingency plan, if required by DHE. Failure to comply with those commitments should be clearly grounds for immediate termination of any further eligibility for state financial aid to the institution.

It is fair and appropriate for Massachusetts to place such strings upon publicly financed aid provided to schools. It will provide an immediate contractual relationship between the NPIHE and DHE with regard to the new plan which will both ensure mutual understanding of the plan as well as lend meaningful enforceability of the provisions.

We advise the BHE and DHE to move expeditiously to implement this recommendation.

Revocation of Degree Granting Authority

Massachusetts law empowers the BHE through its staff at the DHE to authorize independent higher education institutions to operate in the Commonwealth and confer degrees. The BHE also has the authority to suspend or revoke such degree granting authority. This is obviously a draconian action requiring a careful and defined process that would have immediate impact on the very students we aim to protect even as it also targets the institution losing that authority. We do not recommend that this sanction be exercised in any but the most extreme cases, but we do think it is important for the BHE and DHE to make clear their right and willingness to take this action if warranted by circumstances of intolerable behavior by an NPIHE.

Referral to the Attorney General's Office

While the BHE and DHE have clear statutory authority over NPIHEs and a clear responsibility to protect students and the integrity of higher education in our state, the Attorney General (AGO) also has some relevant authorities. In particular, the AGO's role in enforcing consumer protection laws and in the oversight of charitable institutions both relate to NPIHEs. In fact, in recent cases involving several NPIHE, the AGO has been an active and valued partner to BHE/DHE and to the common goal of protecting students and institutional integrity.

Through the course of the THESIS Working Group's efforts, we held a handful of informal discussions with representatives of the AGO both to keep them apprised and seek their input on proper circumstances under which the BHE/DHE should, under the proposed new plan, forward an NPIHE's case to the AGO for their review and potential action.

The THESIS Working Group believes that the AGO will be a vital partner for the work proposed here, particularly in the most challenging circumstances, as they have been in the past. Their involvement with monitoring and intervention under the plan will depend on the particular circumstances. Additionally, with respect to the fiduciary duties of the Boards of Trustees of NPIHEs, particularly for those in potential or actual financial distress, the DHE and AGO should collaborate to more fully educate, inform and support NPIHE Board of Trustees.

We recommend that the new DHE OSPO continue to work informally with the AGO as appropriate and also seek to develop a more formal protocol for information sharing and referral to the AGO to address the most concerning cases.

Moving Forward with These Recommendations

We intend to transmit this written report to the Massachusetts Board of Higher Education in sufficient time for the staff and Commissioner of DHE to prepare analyses and recommendations for review and action by the Board at their regularly scheduled meeting on January 22, 2019.

We respectfully suggest that the following three steps are necessary to carry forward our recommendations: (1) that the BHE and DHE take the necessary regulatory and policy setting steps to implement our recommendations (as amended and refined by their decision making); (2) that the DHE form and appropriately resource a new Office of Student Protection and that the Commissioner and Executive Committee of the BHE select membership and a Chair for the external Advisory & Review Council; and (3) that the DHE work with the Administration and Legislature to propose and pass any necessary enabling legislation and appropriation.

Regulatory & Policy Setting

We understand and believe that many of the elements of this proposed plan could be adopted and implemented by policy setting authority already available to the BHE and DHE. We do assume that some elements may require more formal regulation proposal and adoption processes. We encourage the DHE legal staff to clarify those considerations for the BHE by the time of the January 22, 2019 BHE meeting in order to allow expeditious action on the proposed plan.

We also recommend that the DHE continue to work as collaboratively as possible with the New England Commission for Higher Education (NECHE), the relevant accreditor. NECHE has clear overlapping responsibility for self-policing the field and has demonstrated a willingness and openness to new ways of addressing this growing challenge. While the duties of the BHE and DHE are somewhat different than those of NECHE, the goals should often be well aligned and where possible, concordance and alignment will serve everyone well.

We also recommend that the DHE consider how to best make the plan and its reasons and process for development and adoption as widely known as possible both to stakeholders and the general public. We believe that responsible stakeholders, including NPIHEs themselves, embrace the need for reliability on commitments made to students, their families, their staffs and their communities. We also believe that their input should always be heard and where possible honored and integrated.

We also call on the Boards of Trustees and management of all Massachusetts NPIHEs to review the financial strength and sustainability of their institutions and their current strategic plans. We want the NPIHEs and especially their Boards of Trustees to see this plan as appropriate and favorable for responsible leaders.

We all see that the recent closures of institutions have captured considerable interest and concern from the public at a time when postsecondary education has never been more important for life and career success and yet also at a time when public confidence in higher education is waning. We hope clarifying the situation and the plan will help alleviate those concerns.

Institutions Beyond the Scope of the Working Group Report and Plan

We chose to focus on a group of NPIHEs with common characteristics that posed the central risk we were asked to address. These are private, non-profit universities granting four-year undergraduate degrees. Some of the schools in that pool also have considerable graduate and professional programs though those generally appear to be at lesser risk than small, primarily or exclusively undergraduate degree granting colleges.

Nonetheless, we wish to flag the need for the proposed OSP, the DHE, the Advisory & Review Council and the BHE to work together to ensure that risks beyond the core focus of our plan are at least assessed and considered. Specifically, the largest group of remaining schools are

public higher education institutions. They too face challenges, especially tied to changing Massachusetts demographics over the next twenty years which they DHE has been highlighting to them. But they are already subject to much more regulatory oversight as well as having the fundamental backing and oversight of the Commonwealth. Nonetheless, they too will need to adapt to future trends and needs and avoid any disruption to students.

Private for-profits have been the focus of greater scrutiny in recent years by the U.S. Department of Education (USED), the Attorney General and the DHE. They are under pressure and have fiduciary duties that often extend beyond Massachusetts and include shareholders and creditors. They also sometimes have balance sheet resources and other campuses on which they can partially rely beyond their Massachusetts campus(es). Nonetheless, given their potential risk, the OSP and DHE should evaluate and if necessary, develop an approach to ensure vigilance to protect their Massachusetts students.

Finally, there are a small number of private, non-profit schools that fall outside of the scope of this plan and the current TVM screening tool. This includes two-year colleges and graduate-only universities. We recommend that the OSP and DHE assess how to best address risk in this small cohort.

Office of Student Protection & External Advisory and Review Council

We recommend that the Commissioner move promptly to form a new Office of Student Protection (OSP) within the DHE. This OSP would have primary responsibility for carrying out all elements of this plan. We believe the OSP must have strong employees with at least representation and expertise on each of the financial, legal and academic aspects of NPIHEs and this work. The work of the OSP is likely to be seasonal and cyclical with peaks and troughs therefore it may be the case that OSP employees may be able to assist in other areas of work of the DHE. But their top priority must be the OSP and its work, especially during the initiation of this plan and whenever one or more institutions are at significant risk.

The THESIS Working Group was charged with focusing on how to mitigate risk of future abrupt closure and we have focused here on the work of a new OSP to identify, monitor and intervene where necessary. But when schools close, even with timely notice and strong contingency plans, there is much work to be done to ensure students and other stakeholders are supported throughout the process and have a place to ask questions and raise concerns. DHE has done this on an ad hoc basis in cases such as Mount Ida College. We propose that the newly formed OSP also prepare plans and ensure resources to help students and collaborating IHEs manage any necessary transitions in the future. Student protection involves far more than just prompt notification and sufficient planning.

We recommend that the Commissioner report regularly on the OSP's progress and work to the Executive Committee of the BHE, given both the sensitivity and importance of this work as well as its cross-cutting nature.

We have recommended that as part of this plan, the BHE/DHE recruit and support a small (perhaps three to five member) external Advisory & Review Council (ARC). We believe the members of the ARC should be respected civic leaders with considerable expertise on the complex financial, legal, and regulatory matters that will be dealt with by the OSP. We see the ARC's duties as including the periodic review and evaluation of the policies and processes pursued to implement this plan and the making of recommendations to the OSP, the Commissioner, and, where appropriate, the Executive Committee of the BHE on refinements necessary to the plan. We also see the ARC's duties as the advisory review of critical decisions on NPIHEs by the OSP, especially the decision to identify an NPIHE as having crossed the 18-month threshold and therefore to be required to disclose its financial challenges to its students and prepare its transfer and teach out contingency plan. Because such a decision will always involve some judgment as to whether the institution has risk of not being able to complete the current and subsequent years and because the action taken involves public disclosure of the situation, we believe that the DHE and the NPIHEs should welcome an independent advisory validation of that decision.

**BRIEF OUTLINE OF 2014-2019 DRIVERS:
ENROLLMENT GOALS AND OUTCOMES**

Hampshire was underfunded from the outset with a financial plan that was unrealistic and unsustainable. This is a compounding problem exacerbated by inability to meet aspirational admissions goals (in a tuition-driven budget environment), increasing deferred maintenance, increased demand for financial aid, increased competition, and adverse demographic trends.

- 2014 Student population = 1390. Mission-driven enrollment strategy implemented, leading to intentional decrease in size of student body.
- 2015 Period of planned short-term (2-3 years) austerity in pursuit of longer-term payoff in student quality and financial benefit; early indicators very positive.
- 2016 Campus unrest leads to high student attrition (documented correlation): 10/1 census is 67 fewer students than projected. Result is a \$2.6 million deficit. Trustees personally contribute \$1.6 million to help offset shortfall and prevent layoffs.
- 2017 Financial sustainability plan (i.e., VSIP and other budget reductions, aggressive marketing, emphasis on retention, faculty innovations) is designed and implemented; Board authorizes endowment draw to support VSIP and marketing.
- 2018 First-year enrollment significantly lower than expected: projected deposits from 397 students but actual was 320; projected census of 345 but actual was 286. Results in \$3.5 million deficit. Unexpected investment dividend helps make up the difference.
- 2019 Student population = 1120.