



# INSTITUTIONAL DESIGNATIONS

## Policy Change Approved on First Reading

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The Higher Learning Commission's (HLC's) Board of Trustees approved this policy on first reading at its meeting on June 30–July 1, 2016.

### Background

The current state of dynamic change in higher education, coupled with the external pressures for accreditors to provide better mechanisms related to consumer protection, led to a proposed policy change that would allow HLC to respond more quickly to developing situations at member institutions.

HLC proposes adopting (1) new protocols for the Special Monitoring policy when HLC learns of serious issues so that there is a clear and consistent approach to investigating these situations and (2) new public designations that could be imposed quickly by HLC's President. The proposed designations would be used to indicate when an institution is in financial distress or under governmental investigation. Although HLC has sanctions and monitoring procedures in place to address these types of issues, a financial crisis or negative finding from an investigation can often develop suddenly and have major consequences for institutions and their students. The designations would allow HLC to communicate to students and the public in a timely manner about situations that may affect an institution's operations.

### Comments Invited

HLC invites comments on this change before the Board takes final action at its meeting in late summer 2016. Comments can be sent to [policycomments@hlcommission.org](mailto:policycomments@hlcommission.org). Comments are due by August 1, 2016.

## Proposed Change

Wording that was deleted or revised is shown as strikethrough (~~old wording~~); new language, whether through addition or revision, is shown in bold (**new wording**).

Policy Title: **Special Monitoring**  
Number: INST.F.20.010

The Commission reserves the right to call for special monitoring when the integrity of the institution and its educational programs might be in jeopardy. The President may conduct such monitoring by calling for a special report or an advisory team visit. The President of the Commission shall determine whether the institutional liaison or other Commission staff member will accompany the Advisory Team Visit.

A special report or advisory team report, including any specified deficiencies identified by the team at the institution, will not be reviewed through the Commission's regular review processes; it may be used by the President to provide information, to support a recommendation by the President to the Commission's decision-making processes for a possible sanction or monitoring, or for any other purpose supported by the policies and practices of the Commission. The President may seek external assistance from peer reviewers or individuals with appropriate expertise who do not participate as peer reviewers in the evaluation process but provide particularized advice and assistance where appropriate to Commission staff or evaluation team members.

Any action proposed by the President will be shared with the institution for response at least two weeks prior to the intended date of deliberation and decision. Among the situations that might result in such monitoring are:

1. institutional declaration of bankruptcy, financial exigency, or intent to close;
2. highly publicized and divisive controversies among the governing board, the administration, and/or the faculty or the student body;
3. significant unanticipated reduction in program offering, faculty, and/or enrollment;
4. public sanctions applied by governmental agencies or by other accrediting or licensing bodies;
5. serious legal, financial, or ethical investigations, including those involving adjudication in courts;
6. financial audit reports that raise serious concerns about financial viability or financial management practices;

7. serious misrepresentation to students and the public.

### **Presidential Recommendation**

The Commission's President shall have the authority to take a recommendation to the appropriate Commission decision-making body to require regular monitoring, a sanction, or withdrawal of accreditation for an institution, subject to Commission policy and procedures related to those actions.

### **Institutional Designations**

**Financial Distress.** The Commission's President shall have the authority to determine that an institution undergoing a significant challenge to its fiscal capacity should receive this designation. Conditions that may contribute to a designation of *in financial distress* include, but are not limited to: diminished financial contribution from a state; escalation in institutional indebtedness; placement by the U.S. Department of Education on Heightened Cash Monitoring; formal declaration by the institution of financial exigency or emergency; or other similar financial situation. Typically this designation will be accompanied by a finding by the Commission President that Core Component 5.A or 2.A is met with concerns.

**Governmental Investigation.** The Commission's President shall have the authority to determine that an institution undergoing investigations by one or more governmental agency, law enforcement body, or court should receive this designation. Conditions that may contribute to a designation of *under governmental investigation* include, but are not limited to: investigation by one or more state attorneys general, the Federal Trade Commission, the U.S. Department of Justice or other federal agency; a notice of intended limitation, suspension or termination action by the U.S. Department of Education; or other significant investigations, litigation or enforcement action related to its institutional or academic operations or activities. Typically, this designation will be accompanied by a finding that Core Component 2.A is met with concerns.

**Purpose and Other Details Related to Institutional Designations.** The purpose of these designations shall be to inform the public that the institution is dealing with a significant financial condition(s) or being investigated by a governmental agency. Such situations have the potential to affect the institution's operations, and the public should be aware of this information in making a decision to attend or continue to attend the institution under the designation. Any designation issued by the Commission President shall be public.

Typically, the designation will not extend more than two years. During this period the institution shall submit quarterly reports about its financial or legal situation and may undergo other special monitoring, including Advisory Visits, as determined by the Commission President. An institution in financial distress or under governmental investigation shall not be considered for a substantive change unless it can demonstrate that the change is necessary to remedy its issues and that it has sufficient resources to support the change. An institution that has one of the above designations is not precluded from also being placed by the Commission on a sanction if appropriate.

### **Process for Imposing or Removing a Designation**

The Commission's President will issue the designation after a special monitoring process or after an evaluation team visit conducted through the Commission's other evaluation processes. The Commission's President will notify the institution of the intent to designate the institution in one of the above categories and will allow the institution at least two weeks to respond before making the designation public. The President will also determine when to remove a designation from an institution. The President will re-evaluate the designation at the end of the two-year timeframe, and during the two-year timeframe as new information becomes available to the Commission, to determine whether the designation shall be removed.

### **Policy Number Key**

*Section INST: Institutional Policies*

*Chapter F: Maintenance and Monitoring*

*Part 20: Intermittent Monitoring*

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*Last Revised: November 2012*

*First Adopted: November 1999*

*Revision History: February 2001, February 2007, June 2012, November 2012*

*Notes: Former policy number 3.6(b), 3.6(c)*

*Related Policies: COMM.B.10.010 Staff Role and Responsibility*