

Maintaining Institutional Autonomy

Information for Member Institutions That Are Not Separately Incorporated

Introduction

HLC's [Guiding Values](#) include "governance for the well-being of the institution." This means that the governing board of an institution places the institution's well-being above the interests of its own members and the interests of any other entity. Because HLC accredits the educational institution itself and not the state system, religious organization, corporation, medical center or other entity that may own the institution, HLC holds the governing board of an institution accountable for key aspects of the institution's operations.

The governing board's independent authority is necessary for such accountability. It requires the governing board to hold itself independent of undue influence from individuals, be they donors, elected officials, supporters of athletics, shareholders, or others with personal, financial or political interests. The effective governance of an HLC-accredited institution also includes a significant role for faculty, in particular with regard to currency and sufficiency of the curriculum, expectations for student performance, qualifications of the instructional staff, and adequacy of resources for instructional support.

In short, institutional autonomy is necessary because HLC accreditation does not extend to a parent organization.

While some institutions operate under the incorporated status of a parent organization, HLC requires that the institution's governing board be able to demonstrate sufficient autonomy. These guidelines are intended to provide member institutions that are not separately incorporated from a parent organization with a framework for how they can satisfy HLC requirements. This information does not prohibit any member institution from separately incorporating from its parent organization in accordance with HLC's policy on [Change of Control, Structure or Organization \(INST.G.20.010\)](#).

Background

Article II of [HLC's Bylaws](#) states that "member institutions must be (1) incorporated in, or operating under federal authority within, the United States; and (2) have substantial presence, as defined in HLC policy, in the United States." The jurisdictional requirement is further defined in HLC's policy on [Jurisdiction \(INST.B.10.010\)](#), which states: "An institution shall

demonstrate that it is incorporated in, or operating under federal authority in conjunction with an executive branch or independent federal agency or branch of the U.S. military in, the United States. An institution applying for or holding accredited or candidate status with HLC shall demonstrate that its primary purpose is higher education.”

A member institution that is not separately incorporated from a parent organization can demonstrate that it meets all of HLC’s requirements under an alternative framework.

Such a framework could be comprised of multiple factors to be weighed by peer reviewers, including but not limited to the following:

- In determining whether an institution’s governance is sufficiently autonomous:
 - The ability of the institution’s board to exercise significant oversight over the institution’s budget and strategic planning, even if the parent organization makes final decisions with regard to the overall budget for the institution.
 - The ability of the institution’s board to hire, evaluate and, when necessary, dismiss the institution’s Chief Executive Officer; and to provide significant input to the parent organization with regard to any nomination processes associated with the selection of a Chief Executive Officer.
 - While the parent organization may have some degree of nominating authority to the institution’s board, the institution’s board should include a number of public members and members not affiliated with the parent organization.
- In determining whether an institution has sufficient financial resources:
 - Irrespective of any consolidated financial statements of the parent organization, the availability of a separate financial schedule pertaining exclusively to the institution.
 - The availability of clear documentation related to financial support of the institution’s current and future operations.
 - The availability of clear documentation indicating financial commitments on the part of any parent organization with respect to the institution.

HLC staff members consider such additional factors as may be appropriate in training peer reviewers to evaluate institutions that are not separately incorporated and publish such additional factors to such institutions in a timely manner.

As needed, peer reviewers may apply a holistic standard in determining whether, notwithstanding lack of separate incorporation, an HLC member institution or an institution seeking HLC membership (1) successfully demonstrates that its governance is sufficiently autonomous for purposes of Core Component 2.C and (2) whether resources available to it appear to be sufficient for purposes of Core Component 5.B.

Nothing in this framework limits the ability of HLC to decline to evaluate non-member institutions that are not separately incorporated from any parent organization, regardless of whether higher education is their primary purpose.

Relevant Criteria for Accreditation and Assumed Practices

An institution must meet all HLC’s requirements in order to maintain accredited status. The following Criteria for Accreditation Core Components and Assumed Practices are most relevant to institutional autonomy:

Core Component 1.B.

The institution’s mission demonstrates commitment to the public good.

1. The institution’s actions and decisions demonstrate that its educational role is to serve the public, not solely the institution or any superordinate entity.
2. The institution’s educational responsibilities take primacy over other purposes, such as generating financial returns for investors, contributing to a related or parent organization, or supporting external interests.
3. The institution engages with its external constituencies and responds to their needs as its mission and capacity allow.

Core Component 2.C.

The governing board of the institution is autonomous to make decisions in the best interest of the institution in compliance with board policies and to ensure the institution's integrity.

1. The governing board is trained and knowledgeable so that it makes informed decisions with respect to the institution's financial and academic policies and practices; the board meets its legal and fiduciary responsibilities.
2. The governing board's deliberations reflect priorities to preserve and enhance the institution.
3. The governing board reviews the reasonable and relevant interests of the institution's internal and external constituencies during its decision-making deliberations.
4. The governing board preserves its independence from undue influence on the part of donors, elected officials, ownership interests, or other external parties.
5. The governing board delegates day-to-day management of the institution to the institution's administration and expects the institution's faculty to oversee academic matters.

Core Component 5.A.

Through its administrative structures and collaborative processes, the institution's leadership demonstrates that it is effective and enables the institution to fulfill its mission.

1. Shared governance at the institution engages its internal constituencies—including its governing board, administration, faculty, staff and students—through planning, policies and procedures.
2. The institution's administration uses data to reach informed decisions in the best interests of the institution and its constituents.
3. The institution's administration ensures that faculty and, when appropriate, staff and students are involved in setting academic requirements, policy and processes through effective collaborative structures.

Core Component 5.B.

The institution's resource base supports its educational offerings and its plans for maintaining and strengthening their quality in the future.

1. The institution has qualified and trained operational staff and infrastructure sufficient to support its operations wherever and however programs are delivered.
2. The goals incorporated into the mission and any related statements are realistic in light of the institution's organization, resources and opportunities.
3. The institution has a well-developed process in place for budgeting and for monitoring its finances.
4. The institution's fiscal allocations ensure that its educational purposes are achieved.

Core Component 5.C.

The institution engages in systematic and integrated planning and improvement.

1. The institution allocates its resources in alignment with its mission and priorities, including, as applicable, its comprehensive research enterprise, associated institutes and affiliated centers.
2. The institution links its processes for assessment of student learning, evaluation of operations, planning and budgeting.
3. The planning process encompasses the institution as a whole and considers the perspectives of internal and external constituent groups.
4. The institution plans on the basis of a sound understanding of its current capacity, including fluctuations in the institution's sources of revenue and enrollment.
5. Institutional planning anticipates evolving external factors, such as technology advancements, demographic shifts, globalization, the economy and state support.
6. The institution implements its plans to systematically improve its operations and student outcomes.

Assumed Practice A. Integrity: Ethical and Responsible Conduct

1. The institution has a conflict of interest policy that ensures that the governing board and the senior administrative personnel act in the best interest of the institution. ...
8. The governing board and its executive committee, if it has one, include some “public” members. Public members have no significant administrative position or any ownership interest in any of the following: the institution itself; a company that does substantial business with the institution; a company or organization with which the institution has a substantial partnership; a parent, ultimate parent, affiliate, or subsidiary corporation; an investment group or firm substantially involved with one of the above organizations. All publicly-elected members or members appointed by publicly-elected individuals or bodies (governors, elected legislative bodies) are public members.¹
9. The governing board has the authority to approve the annual budget and to engage and dismiss the chief executive officer.¹ ...
11. The institution documents outsourcing of all services in written agreements, including agreements with parent or affiliated organizations.
12. The institution takes responsibility for the ethical and responsible behavior of its contractual partners in relation to actions taken on its behalf.

Assumed Practice D. Resources, Planning, and Institutional Effectiveness

1. The institution is able to meet its current financial obligations.
2. The institution has a prepared budget for the current year and the capacity to compare it with budgets and actual results of previous years.
3. The institution has future financial projections addressing its long-term financial sustainability.

4. The institution maintains effective systems for collecting, analyzing, and using institutional information.
5. The institution undergoes an external audit by a certified public accountant or a public audit agency that reports financial statements on the institution separately from any other related entity or parent corporation. For private institutions the audit is annual; for public institutions it is at least every two years.²
6. The institution's administrative structure includes a chief executive officer, chief financial officer, and chief academic officer (titles may vary) with appropriate credentials and experience and sufficient focus on the institution to ensure appropriate leadership and oversight. (An institution may outsource its financial functions but must have the capacity to assure the effectiveness of that arrangement.)

Framework for Maintaining Institutional Autonomy

This framework has been developed to assist institutions that are not separately incorporated in understanding HLC expectations. HLC does not presume lack of autonomy under such circumstances. Nevertheless, during a review process, institutions should be prepared to provide evidence, as applicable, regarding the following expectations.

Criterion 1. Mission

The institution should be able to demonstrate that its educational role is to serve the public, not solely the institution or any superordinate entity, and that its educational responsibilities take primacy over other purposes, such as generating financial returns for investors, contributing to a related or parent organization, or supporting external interests. (Core Component 1.B)

¹ Institutions operating under federal control and authorized by Congress are exempt from these requirements. These institutions must have a public board that includes representation by individuals who do not have a current or previous employment or other relationship with the federal government or any military entity. This public board has a significant role in setting policy, reviewing the institution's finances, reviewing and approving major institutional priorities, and overseeing the academic programs of the institution.

² Institutions under federal control are exempted provided that they have other reliable information to document the institution's fiscal resources and management.

Criterion 2. Integrity

The institution should be able to demonstrate that its governing board meets the legal and fiduciary responsibilities owed to the institution while adhering to appropriately documented processes and procedures designed to preserve its independence from undue influence and to appropriately manage conflicts of interest. While members of the parent organization may have representation on the institution's board, the institution's board should possess at least one public member. The institution should also be able to demonstrate that its governing board appropriately delegates day-to-day management of the institution to its administration and that faculty are empowered to oversee academic matters (Core Component 2.C and Assumed Practice A.8).

Criterion 5. Institutional Effectiveness, Resources and Planning

The institution should be able to provide documentation related to financial support of the institution's current and future operations and where applicable, indicating financial commitments by any parent organization with respect to the institution. (Core Component 5.B)

The institution should be able to demonstrate that its model of shared governance engages its internal constituencies, including its governing board, administration, faculty, staff, and students through planning, policies and procedures and that faculty are substantially engaged in roles expected of faculty with regard to the academic enterprise. (Core Component 5.A and Assumed Practice B.2.d)

The chief executive officer of the institution should not possess a conflict of interest with the parent organization. For purposes of HLC's expectations, such a conflict could reasonably be construed if the chief executive officer is also employed in another capacity by the parent organization (Core Component 5.A and Assumed Practice A.1)

The institution should be able to demonstrate that it allocates its resources in alignment with its mission and priorities. (Core Component 5.C)

Additional Information Related to Finance

If funds move between the parent organization and the institution, a procedure should be implemented that provides a clear mechanism for the transfer of funds, which should include limitations on the drawing down of institutional revenues in excess of expenses.

If the institution and parent organization utilize a shared service(s) framework, with or without a fee structure, the parties should adopt a shared services arrangement(s) that ensures that the institution remains in compliance with HLC requirements.

If the institution does not possess the authority to create its own financial reserve, the institution should demonstrate that its parent organization maintains a financial reserve explicitly dedicated to the institution. At a minimum, the institution should demonstrate that its parent organization has allocated reserves sufficient to support the institution.

When Autonomy Is Reviewed

Evaluation of institutional autonomy will occur at the time of an institution's comprehensive evaluation and may also be reviewed at other times if the institution's autonomy becomes a matter of concern.

Questions?

Contact the institution's HLC staff liaison.

