March 4, 2015

Dr. Jeffrey Kuan
President
Claremont School of Theology
1325 North College Avenue
Claremont, CA 91711-3199

Dear President Kuan:

At its meeting February 18-20, 2015, the WASC Senior College and University Commission (WSCUC) considered the report of the review team that conducted the Accreditation Visit to Claremont School of Theology (CST) September 25-27, 2013, and the report from the Special Visit team that visited CST December 7-9, 2014. An Offsite Review (OSR) took place on April 17, 2013, and an Accreditation Visit (AV) followed on September 25-27, 2013. CST was scheduled to be reviewed at the February 2014 Commission meeting, but at the WSCUC staff's request, the Commission’s Executive Committee delayed a decision on reaffirmation, calling instead for a Special Visit (SV) in fall 2014 focused on a limited number of issues.

The Commission considered both the original AV report from September 2013 and the SV report from December 2014. Commission members reviewed the institutional report prepared prior to the April 2013 OSR, the SV report, any supplemental materials requested by the team following the OSR, and the institution’s January 16, 2015 response to the SV team report. The Commission appreciated the opportunity to discuss the review with you, Sheryl Kujawa-Holbrook, Vice President for Academic Affairs and Dean of Faculty, Ganward Quan, Vice President for Business Affairs/Chief Financial Officer, and Duane Bidwell, Accreditation Liaison Officer. Your comments were helpful in informing the Commission’s deliberations.

For the past six years, CST had been incubating the establishment of Claremont Lincoln University (CLU), an interfaith consortium created to enable CST to more effectively carry out its long established ecumenical mission as questions about continued support of this mission were being raised by CST’s sponsor, the United Methodist Church. CST was to have benefited financially from this partnership through CLU’s use of CST faculty, staff, and physical resources, for which payment was to be made by CLU. At the September 2013 AV, the visiting team discovered that the relationship was not unfolding as planned and that CLU was moving in different directions than originally anticipated by both CST and WSCUC, which had approved an expedited Pathway B process for CLU to seek Initial Accreditation.
Within a few weeks after the AV to CST in September 2013, the two institutions separated from each other. Because the conditions reviewed by the team had completely changed, staff requested and the Commission approved a delay in consideration of the AV team report with a Special Visit scheduled for December 2014.

As part of staff’s request that consideration of the report be delayed, the Commission’s Executive Committee asked the institution to focus on four areas in the fall 2014 Special Visit: 1) the relationship between CLU and CST and its impact on CST; 2) fiscal sustainability and downsizing; 3) planning and governance: processes and output; and 4) enrollment, fundraising, and sustainability. While the Commission acknowledges the thoroughness and thoughtfulness with which CST has addressed each area, it has found the institution to be in non-compliance with Standard 3, Developing and Applying Resources and Organizational Structures to Ensure Sustainability with a specific focus on Criteria for Review (CFR) 3.5 (2008 Standards):

*The institution has a history of financial stability, unqualified independent financial audits and resources sufficient to ensure long-term viability. Resources are aligned with educational purposes and objectives. If an institution has an accumulated deficit, it has realistic plans to eliminate that deficit. Resource planning and development include realistic budgeting, enrollment management, and diversification of revenue sources.*

**Financial Sustainability.** The Commission is deeply concerned about the financial sustainability of CST, which has been a recurring problem through CST’s history. The team found that the dissolution of the CLU-CST relationship “put CST back in the same financial situation it was in before the launching of the Claremont University Project, but aggravated by the added burden of five additional tenured or tenure track faculty members and some staff positions hired to respond to CLU’s expected needs.” Given this situation, the institution will need to develop and implement aggressive plans to restore financial sustainability.

The specific concerns for the Commission which resulted in the finding of non-compliance with CFR3.5 grow out of the following findings in the team reports and associated financial statements:

- Ongoing expenses in excess of revenue which has resulted in serious cash flow issues
- The lack of any cash reserve
- Several years of declining enrollment with some modest one-time increases based on CST agreeing to teach out all of CLU’s doctoral students and preliminary evidence of increases from the new hybrid M.Div program
- High discount rate coupled with limited net tuition revenue
- Uncertainty regarding CST’s ability to maintain donations at prior levels
• An endowment that is underwater created by a pattern of high (though legally permitted) annual endowment spending that is beginning seriously to erode the endowment’s ability to support programs.

The Commission acknowledges the many steps already taken in CST’s plan to restore financial sustainability, including the development of a “Blueprint for a Sustainable Future” accompanied by a “Three-year Pro Forma Budget.” A basic assumption is a new perspective that CST is “a school, not a university” and should begin functioning with this philosophy rather than that associated with the larger structures in place for many decades. The team summarized the plan as being focused on “a combination of increasing revenues through larger enrollments and substantial reductions in costs.”

While acknowledging these positive steps, the Commission is concerned with the team finding that CST does “not expect to operate in the black in this fiscal year or the next.” A further concern is the team’s finding that enrollment projections appear to be more positive than evidence would suggest, although the Commission panel heard from CST a rationale for the projections which merits consideration. CST’s plan also assumes that donations and grants will only maintain stability at a time when major growth will be needed to achieve sustainability.

Planning

One of the highest priorities of CST must be to complete and implement a coordinated planning effort. At the time of the AV and SV, CST was in the process of “planning to plan,” with a target date of May 2015 for completion of the work of the Strategic Plan Task Force, the Campus Master Planning Task Force, and the Academic Review Team. The Commission shares the concern of the AV team that the plans need to show the use of evidence in planning, which was not evident at the time of the visit, and that the preliminary plans appear to be developing in silos when what is needed is a comprehensive and integrated planning process. As the team recommended, “Finances and other capacity issues must be studied in conjunction with each institutional question, aligning financial capacity with each step of each plan. In addition, planning structures in various aspects of the institution must be linked together.” Other key components of the planning processes are the need for a comprehensive marketing/enrollment plan and a fundraising/development plan with realistic but ambitious goals, both of which will be essential elements in achieving financial sustainability. The Commission shared the team’s concern that the timeline for finishing and beginning implementation of these various plans must be accelerated, especially given the sanction that is being given to CST.

At the same time that it expresses the above concerns, the Commission wishes to highlight the following areas for special recognition.

Commitment to Mission. The Commission is most encouraged by the news from the team that “the CST community has banded together in a sense of resiliency and purpose”
even though the community knows many changes will be required to ensure a viable future. CST has reaffirmed its identity as a “Methodist, ecumenical, and interreligious” institution and renewed its relationship to the Methodist Church, which will enable CST to strengthen that relationship going forward.

**Commitment to Students.** Many doctoral students were excited by the new vision of an interfaith university and were either recruited or transferred to CLU to begin or finish their programs. A few months after receiving Candidacy, CLU decided against offering doctoral programs, at which point CST facilitated the transition of the CLU doctoral and other students to CST with minimal difficulty. CST is commended for its willingness to work with these students to ensure their access to the educational programming they wanted. As the team noted, “CST, as a community, was there when students most needed it.”

The Commission endorses the findings, commendations, and recommendations of the AV and SV team reports. Given the complexity of the issues involved, the Commission encourages a careful consideration of the evaluation, concerns, and recommendations provided in both reports, which it endorses. In particular, the Commission fully supports the team’s recommendation that “CST should vigorously implement its plan to achieve fiscal sustainability, including controlling costs and expanding revenues through larger enrollments and other means; it must wean itself from excessive withdrawals from endowment and reduce the draw to a sustainable level.” (CFR 3.4)

While the Commission has the highest hopes for the success of the stated and intended plans to achieve financial sustainability, it must act on the basis of the facts included in the team report and presented in other related materials.

Given the above, the Commission acted to:

1. Receive the two team reports for the Accreditation and the Special Visit and continue accreditation of Claremont School of Theology.

2. Issue a Warning.

3. Schedule a Special Visit to be conducted in spring 2016, addressing the financial and planning concerns identified in this letter as the basis for the Warning action. The institution’s Special Visit report is due eight weeks prior to the visit.

The Commission is required to issue a Warning when it finds that “an institution fails to meet one or more of the Standards of Accreditation. While on warning any new site or degree program initiated by the institution is regarded as a substantive change (see the Substantive Change Manual for details).

The accredited status of the institution continues during the Warning period. The Commission action to issue a Warning is subject to Commission Review as outlined in the 2013 Handbook of Accreditation, pp. 40-42. A request for review of this decision
must be received in the WSCUC office by certified mail, within 28 days of the date of this letter.

The Commission also requires a meeting between WSCUC staff and representatives of CST, including the CEO, representatives of the governing board, and senior faculty leadership within 90 days from the date of the Commission action. The purposes of the meeting are to further clarify the reasons for the Commission’s finding of non-compliance and to discuss the institution’s plans for responding to this action.

The Commission expects CST to take meaningful and effective actions to remedy these matters and to demonstrate that the institution has been able to achieve financial sustainability. By the time of the spring 2016 visit, major progress needs to have been made by the institution in coming into compliance, bearing in mind that only one year will remain in the 2-year maximum allowed for an institution to be on sanction.

Based on requirements of the United States Department of Education, a sanction such as a Warning can only be given for two years by which time the institution must be in compliance with all Standards.

In accordance with Commission policy, a copy of this letter will be sent to the chair of CST’s governing board in one week. The Commission expects that the team report and this action letter will be distributed to the Board of Trustees, all full-time faculty members and any other faculty with significant leadership roles, key staff, and student leadership within 30 days of the institution’s receipt of the letter. The team report and this action letter will also be posted on the WSCUC website. If the institution wishes to respond to the Commission action on its own website, WSCUC will post a link to that response.

Sincerely,

Mary Ellen Petrisko
President

MEP/ro

Ce: William Ladusaw, Commission Chair
    Duane Bidwell, ALO
    Patricia Farris, Board Chair
    Members of the reaffirmation team
    Richard Osborn, WSCUC Vice President, Staff Liaison