Planning for a possible decision to close an educational institution requires thoughtful consideration and careful consultation with all affected constituencies. Every effort should be devoted to informing each constituency, as fully as possible, about the conditions requiring consideration of a decision of such importance, and all available information should be shared. Before closing, such alternatives as merging with another institution, forming a consortium, or participating in extensive interinstitutional sharing and cooperation should be carefully considered. As much as possible, the determination to close an institution should involve a consultative process, but responsibility for the final decision to close rests with the governing board.

Tradition and sentiment are important considerations, but neither should determine decision outcomes. A decision to close should never be made or reversed simply on the basis of fears, hopes, or aspirations that have little relation to reality. Closing an institution should not be delayed to the point where the institution has lost its viability and its educational program no longer retains quality and integrity. Since the immediate interests of current students and faculty are most directly affected, their present and future prospects require especially sensitive attention and involvement.

For purposes of this Policy, it is assumed that closing an institution means discontinuing its educational activities permanently, not merely suspending them for an indefinite period in the hope that circumstances may someday permit their resumption. But it should be noted that most institutions of higher education are corporations established under the provisions of state law, and, as such, they may have legal responsibilities (holding title to real property, for example) that may necessitate the continued existence of the corporation after the educational activities of the institution have been terminated.

Indeed, it is probable that such continued corporate existence, at least for a time, will prove to be the usual situation. In most cases, it is unlikely that corporate existence and educational activities can be terminated simultaneously.

Closing an Institution. A decision to close requires specific plans for providing in appropriate ways for the students, the faculty, the administrative and support staff, and for the disposition of the institution’s assets. Many considerations bear upon closing an educational institution, and each situation will be unique. The nature and sponsorship of public institutions, seminars, and church related colleges require different emphases and pose particular conditions to be met in reaching and carrying out the ultimate decision. Nevertheless, general guidelines may be helpful to each institution considering closing.

This Policy makes only incidental reference to such corporate responsibilities and always in the educational context. It is imperative, therefore, that a board of trustees considering closing an institution under its authority should be guided not only by the contents of this Policy, the law and the regulations of state educational authorities, but also by advice of legal counsel. Special counsel to advise, with respect to problems of closing, may be desirable for the institution. NWCCU should also be consulted and be kept fully apprised of developments.

The Students. Students who have not completed their degrees should be provided for according to their academic needs. Arrangements for transfer to other institutions will require complete academic records
and all other related information gathered in dossiers which can be transmitted promptly to receiving institutions. Agreements made with other institutions to receive transferring students and to accept their records should be in writing. Where financial aid is concerned, particularly federal or state grants, arrangements should be made with the appropriate agencies to transfer the grants to the receiving institutions. Where such arrangements cannot be completed, students should be fully informed. In cases where students have held institutional scholarships or grants and there are available funds which can legally be used to support students while completing degrees at other institutions, appropriate agreements should be negotiated.

**Academic Records and Financial Aid Transcripts.** All academic, financial aid information and other records should be prepared for permanent filing, including microfilming. Arrangements for filing students’ records should be made with the state department of higher education or other appropriate agency. If there is no state educational agent which can receive records, arrangements should be made with another college or university or with the state archives to preserve the records. Notification should be sent to every current and past student indicating where the records are being stored and what the access to those records will be. Where possible, a copy of a student’s record should be forwarded to the individual student.

**Completion of Institutional Obligations.** When a student chooses to continue at another institution but is within a year or 18 months of completing an academic degree in the closing institution, arrangements may be made to permit that student to complete the requirements for a degree elsewhere, but to receive it from the closed institution. This may require special action by the appropriate state agency. Such arrangements should also include provision for continuation of the institution’s accreditation—for this purpose only by the accrediting agency involved. These steps normally require the institution to continue as a legal entity for 12 to 18 months beyond the closing date, but any such arrangement must be established in careful consultation with the appropriate authorities and with their written consent. If an institution enters into a teach-out agreement with another institution, it must submit the agreement to the Northwest Commission on Colleges and Universities for approval. (See Teach-Out Plans and Teach-Out Agreements Policy)

**Provisions for Faculty and Staff.** Wherever possible, faculty and staff who are needed to effectively complete the work of the institution should be retained to ensure the completion of the institution’s work up to the closing date. The institution should make every effort to assist them in finding alternative employment. It should be understood that the institution can make no guarantees, but genuine good-faith efforts to assist in relocation and reassignment are essential. In the event that faculty or staff members find new positions, early resignations should be accepted.

**The Final Determination.** Determinations must be made to allocate whatever financial resources and assets remain after providing for the basic needs of current students, faculty, and staff. When the financial resources of the institution are inadequate to honor commitments, the Board should investigate what alternatives and protection are available under applicable bankruptcy laws before deciding to close. If funds are insufficient to maintain normal operations through the end of the closing process, the institution should not overlook the possibility of soliciting one-time gifts and donations to assist in fulfilling its final obligations.

Every effort should be made to develop publicly defensible policies for dividing the resources equitably among those with claims against the institution. One of the best ways of achieving this goal is to involve potential claimants in the process of developing the policies. Time and effort devoted to carrying the
process to a judicious conclusion may considerably reduce the likelihood of lawsuits or other forms of confrontation.

It is impossible to anticipate in advance the many claims that might be made against remaining resources of an institution, but the following three principles may help to sort out possible claims and to set priorities:

1. Students have the right to expect basic minimal services during the final term, not only in the academic division but also in the business office, financial aid office, registrar’s office, counseling, and other essential support services. Staff should be retained long enough to provide these services. It may be appropriate to offer special incentives to keep key personnel present.

2. Reasonable notice is given to all employees, explaining the possibility of early termination of contracts and that the reasons for retaining some personnel longer than others are based on satisfying the minimal needs of students and the legal requirements for closing.

3. Every effort should be made to honor long-term financial obligations (e.g., loans, debenture), even though the parties holding such claims may choose not to press them.

**The Closing Date.** The board of trustees should take a formal vote to terminate the institution on a specified date. That date will depend on a number of factors, including the decision to file or not to file for bankruptcy. Another key factor is whether or not all obligations to students will have been satisfactorily discharged. This is particularly important if the decision is made to allow seniors in their final year to graduate from the institution by completing their degree requirements elsewhere. If such arrangements are made, the board must be sure to take the legal action necessary to permit awarding degrees after the institution otherwise ceases to function. Normally, formal vote to award a degree is made after all requirements have been met, but it is legally possible to make arrangements for a student to complete the requirements for a degree at another institution and to receive the degree from the closed institution. These requirements must be clearly specified along with a deadline for completion. Also, the board must identify the person or persons authorized to determine whether or not these requirements have, in fact, been satisfied. Arrangements must be completed with the appropriate state and accrediting agencies in advance in order to ensure that the degree is awarded by a legally authorized and accredited institution.

**Disposition of Assets.** In the case of a not-for-profit institution, the legal requirements of the state and federal government must be carefully examined with respect to the disposition of institutional assets. Arrangements for the sale of the physical plant, equipment, the library, special collections, art, or other essential holdings, and for the disposition of any endowments or special funds, must be explored with legal counsel. In the case of wills, endowments, or special grants, the institution should discuss with the donors, grantors, executors of estates, and other providers of special funds, arrangements to accommodate their wishes. State laws regarding the disposition of funds from a not-for-profit institution must be meticulously followed.

All concerned federal and state agencies need to be apprised of the institution’s situation, and any obligations relating to state or federal funds need to be cleared with the proper agencies.

**Other Considerations.** The institution should establish a clear understanding with its creditors and all other agencies involved with its activities to ensure that their claims and interests will be properly processed.
Insofar as possible, the institution should ensure that its final arrangements will not be subject to later legal proceedings which might jeopardize the records or status of its students or faculty.

**Conclusion.** The closing of an educational institution is difficult and challenging. Nevertheless, such action can be rendered less traumatic through careful attention to the details of the legal and ethical obligations of the institution. Well-planned and conscientious efforts to ensure that the institution’s students, faculty, and staff will be optimally provided for, and that its assets will be used in ways that will honor the intentions of the original donors, should help in avoiding bitterness and rancor. A final report on the closing should be submitted to NWCCU and appropriate state and federal agencies for their records.