

REPORT ON THE
STRUCTURAL CHANGE
SITE VISIT

To: Alliant International University

Change of Legal Status and Ownership

May 14, 2014

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The evaluation team in conducting its review was able to evaluate the institution under the Commission Standards in the 2013 Handbook of Accreditation and therefore submits this Report to the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges for action and to the institution for consideration.

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SECTION I – Overview and Context

A. Description of Institution and the Proposed Change

Background Information

Alliant International University (AIU) is located on seven California campuses in San Diego, Fresno, Irvine, Los Angeles, Sacramento, and San Francisco, in addition to a separate San Francisco Law School location. The institution also has three international locations in Mexico City, Tokyo, and Hong Kong. Another campus, Presidio Graduate School, is in the final process of establishing independent WSCUC accreditation. AIU is a private, California not-for-profit corporation offering primarily graduate degrees in areas of professional practice – psychology, education, business and management, law and forensic studies. The campus offers undergraduate degrees at the San Diego and Mexico City campuses. Its stated mission is to “prepare students for professional careers of service and leadership and promote the discovery and application of knowledge to improve the lives of people in diverse cultures and communities around the world.” In Fall 2012, AIU had enrollment of 2775 FTE. AIU has general degree level authority for the bachelor and master degrees and specified degree level authority for Ph.Ds. and professional doctorates.

AIU was founded in 2001 when California School of Professional Psychology (CSPP) merged with United States International University (USIU). The legacy institutions were accredited by WSCUC in 1977 and 1956 respectively. San Francisco Law School (SFLS) became part of AIU in 2010. The American Psychological Association (APA) separately accredits the nine domestic clinical psychology programs, and the Committee on Accreditation for Marital and Family Therapy Education (COAMFTE) accredits the Couple and Family Therapy programs. The credential and certificate programs in Education are approved by the California Commission on Teacher Credentialing (CCTC), and the Law School is accredited by the Committee of Bar Examiners of the California State Bar (CBE).

In recent years, AIU has been experiencing declining revenues and enrollment. 86% of AIU’s operating budget comes from tuition. In the past two years, revenues have declined roughly \$8.5 million. Attempts to reduce expenses totaling \$6 million have been insufficient to cover the losses. Recognizing that the campus requires a new approach, the Board of Trustees investigated alternative approaches to infuse new capital into the institution. The 2011 adoption of a new Benefit Corporation law in the State of California offered an opportunity to maintain a mission committed to public benefit, while raising capital for the institution. In summer 2013, the University Ventures Fund proposed an investment in AIU combined with conversion to a Benefit Corporation, and this proposed change of legal status and change in ownership is the subject of this report.

The proposed investor, University Ventures Fund (UV), is a venture capital fund that has invested in numerous education institutions and partnered with foundations to promote

educational innovations.¹ UVs current investments include: Synergis Education, Ameritas Educational Services, UV Labs, UniversityNow (a network that includes Patten University), New Engineering University (NEU) and St. George's University of London medical school in Cyprus. The fund has established Arist Medical Education Corporation (Arist), which is committed to outcomes-focused student preparation in health and medical sciences education. AIU's graduate professional programs in the mental health professions complement the health and medical sciences entities already being developed within Arist.

University Ventures is a higher education investment firm with managing partners focusing in different higher education market segments for building a portfolio of investments. The newly formed for-profit public benefit corporation purchasing the AIU assets will be in the University Ventures healthcare investment portfolio along with Arist Medical Education Corporation. According to the institution, this change of legal status and ownership will not immediately impact Alliant's mission to train students for professional careers in its existing degree programs (psychology, business, education, forensic studies, law). However, this change will lead to near term opportunities, in existing degree programs, to develop new concentrations or foci related to healthcare, such as in business, with the possibility of an MBA in Allied Health or a Master's of Hospital Management. This change will also lead, in the near term, to the development of new programs in healthcare, as the institution seeks to address its need for increased enrollment. For the long term, it is not known at this point to what extent each of Alliant's existing degree programs will be refocused toward healthcare or otherwise changed.

Relevant Accreditation History

Because of AIU's financial circumstances, the Commission requested special visits, made in October 2003, November 2004, and March 2006. Between 2004 and 2006 AIU received a warning and an order to show cause relating to its financial reporting. In June 2006, the Commission removed the warning and reaffirmed accreditation. The campus has since expanded its degree programs and locations. In June 2011, AIU received reaffirmation of accreditation with a schedule for a comprehensive review in spring 2019, an interim report due in March 2012 addressing the sustainability of the Mexico city campus and the status of Presidio, an interim report due in March 2013 to address other areas in the action letter, and a special visit in the spring of 2013 to the law school. Following the special visit to the law school, the Commission requested a special visit in fall 2015 to focus on demonstrated results in graduation rates and bar pass rates; enhancing a culture of evidence, and academic quality assurance, as well as the strengthening of faculty governance. In July 2013, AIU took over Chancellor University's MBA and BS in Business Administration as well as a BS in Criminal Justice. Chancellor University, a for-profit institution located in Ohio closed suddenly, withdrew from HLC, and had no approved HLC teach out plan. WSCUC staff granted expedited approval for these distance programs, under the condition that only Chancellor students could enroll. The MBA program is scheduled to be formally reviewed by a Substantive Change Committee panel in June 2014 because AIU now wishes to enroll non-Chancellor students. Timelines for full development of the other two programs has not yet been determined.

¹ For example, UniversityNow has participated in the Gates Foundation Next Generation Learning Challenge, California endowment, with approximately \$1M in grants.

Nature of the change and the impact on the institution if approved

AIU is proposing a change of legal status and ownership in association with a sale of assets to an entity owned and funded by University Ventures. AIU will be sold to a newly created for-profit California Benefit Corporation (Alliant BC), with a dual board structure (board of directors and board of trustees), with a legacy non-profit entity with part ownership in the newly formed Alliant BC, controlling the funds from the sale of AIU to UV, and retaining an ongoing role in the oversight of the institution's mission. The newly formed benefit corporation will have to provide evidence annually that it meets national third-party standards of providing public benefit. The legacy non-profit entity, (Alliant Educational Foundation), will provide grants for educational purposes and other forms of development to further support students and faculty.

This report discusses the impact of this proposed change on the institution in detailed sections on finances, faculty, governance and the public benefit corporation, strategic planning and enrollment management. In summary, the change will bring additional capital to the institution, allowing it to recover financially and to better resource its physical and technology infrastructure. The change is likely to result in focused strategic planning, improved enrollment management, as well as some restructuring of programs and personnel. The current financial condition of the institution is not sustainable.

B. Description of the Team Review Process

The Structural Change team reviewed the proposal submission and all relevant reports and documents in preparation for the visit. The team held an additional pre-conference call discussion to review the documents and develop lines of inquiry for the call. At the end of the initial proposal conference call, the team members identified areas for further investigation during the site visit. Working with the ALO, the team's first reader developed an agenda for the one-day visit to cover all those areas to help verify the impact on the change in legal status and ownership on finances, faculty, governance, strategic planning and enrollment management. Immediately prior to the visit, the team shared emails and participated in a conference call to develop the lines of inquiry fully.

During the visit, there were meetings with key UV representatives and AIU administrators, including the President, Provost, Interim Chief Financial Officer, Chief Technology Officer, Associate Provost for Institutional Research, and Associate Provost for Administration. In addition, there were open meetings with staff, faculty, and students. The Faculty Senate Chair and members of a Faculty Strategic Planning Committee also joined the sessions on strategic planning and enrollment management. (See Appendix 2, Schedule of Visit.) The lines of inquiry included questions relating to: 1) fundraising and development efforts undertaken by the institution; 2) faculty governance issues and faculty views of the change; 3) staff views of the change and staff morale in general; 4) UV's commitment to AIU, the relationship of UV to Arist, and the anticipated synergies with UV's portfolio; 5) technology and physical infrastructure status quo and anticipated changes; 6) student perceptions of the change; 7) the financial impact of the change; 8) strategic planning processes and reasons for declining enrollment and revenues.

SECTION II – Evaluation of the Proposed Change

This section describes the key issues the Substantive Change Team identified in its letter and that the team explored during its visit to AIU. The site visit took place at the San Diego campus with many meetings including video connection to branch campuses in Fresno, Irvine, Sacramento, San Francisco, Mexico, and Los Angeles.

A. Financial Impact and Sustainability (CFRs 1.7, 3.4, 3.6, 3.8, 4.6, and 4.7)

In preparation for the site visit, the Structural Change team was provided AIU's last three years of audited financial statements and management letters. This was in addition to the extensive financial data provided in the proposal about the financial challenges of the University and the outline of the purchase agreement between AIU and University Ventures. In addition, the team accessed the public AIU IRS 990 and other public records. No significant financial changes have occurred since the proposal was submitted.

The Structural Change team agreed on the financial issues under consideration by email and organizational team meeting teleconferences before the visit. The Structural Change team was able to meet with all of the key parties involved in the change of legal status from both AIU and UV either face-to-face or via video conference in order to explore the financial issues identified for the visit. The day's activities on Monday, May 5, 2014, included meetings with the President of AIU, Managing Director of UV, Chair of the AIU Board of Trustees, and key financial leadership involved in the proposal's financial due diligence from both AIU and UV.

The Structural Change team explored the following lines of inquiry during the site visit:

- The financial stability of AIU and issues leading up to the change of legal status.
- The non-revolving promissory note with a maturity date of October 31, 2014 and the recent loan modification agreement.
- The steps the University has taken to address the material weaknesses noted in the most recent auditor's management letter.
- The significant decline in 2012 of unrestricted investments and the factors leading up to the decline.
- The strength of the balance sheet assets and liabilities.
- The significant decline in total revenue and the minimal decline in operational expenses over past few years and the steps taken by the University to address the fiscal gap.
- The details of the acquisition and transfer of Alliant by University Ventures and Arist Medical Education Corporation.
- Other financial considerations including details of the acquisition timeline and operational transfer (e.g. employee contracts and benefits).

Comments

Alliant University is declining financially. The leadership has had modest success in cost cutting and has sold property to create a cash reserve, but these stop-gap measures are a temporary solution. Under the current business model, no long term strategies, vision or plans have been identified. Alliant is tuition dependent and enrollment has continued declining, with

only modest growth in some academic programs. Administration, faculty and staff are aware of the fiscal challenges, and while many question the University Ventures proposal, they do know that drastic changes are required if the University is to be sustainable.

The financial challenges facing Alliant leadership are systemic and will require a radical new approach or major restructuring. The financial issues include an inefficient decentralized model of multiple schools with separate identities, shortage of staff in key areas including financial, inadequate technology infrastructure, lack of resources for marketing, significant deferred maintenance, little fundraising and no development office, lack of strong alumni network, no inspiring vision or institutional strategic plan, undercapitalization, and some unsuccessful attempts to offer new programming with only modest enrollment.

Over the past two fiscal years, total revenues declined from \$82.4 million (FY 2010-2011) to \$74.5 million (FY 2012-2013). In the same period, total operating expenses declined slightly from \$79.7 million (FY 2010-11) to \$76.1 million (FY 2012-13). Net assets at the end of FY 2010-2011 were \$45.2 million and at the end of FY 2012-2013 were \$39.9 million. All financial indicators are moving in the wrong direction and indicate that Alliant is not on a sustainable path.

Alliant has tried to close the fiscal gap through the sale of physical assets. In 2009, Alliant exercised an option to purchase property leased in San Francisco and immediately sold the property for a profit with a lease-back arrangement for Alliant's office and classroom space. This created a \$9 million net for the University that currently serves as the cash reserve. In addition, Alliant purchased property (in 2008) adjacent to the San Diego campus that is currently under contract to be sold to a senior adult care facility at the end of the 2014 calendar year. The University holds a \$16 million note payable on this property; with a maturity date of October 2014, which when cleared, it is projected, will leave the University with a net of slightly more than \$2 million from the transaction. In addition, leadership has tried to sell the San Diego main campus without success. Even if the San Diego campus were sold this would only provide temporary relief and the challenges of leasing equivalent campus space in San Diego would be cost prohibitive.

In addition to the challenges of operating at a loss, Alliant does not have an Office of Development or a strong relationship with alumni. Only modest efforts have been used to close the fiscal gap through donor development and acquisition. Currently, institutional fund raising is solely the responsibility of the President who believes the AIU adult graduate alumni population offers little opportunity for ongoing donor development. Faculty mentioned minor fundraising efforts they have led for their individual schools, but these were not significant. The auditors have brought into question some of the pledges carried on the balance sheet as uncollectible. According to the President, pledges are currently under review.

The University Ventures and Arist Medical Education proposal offers to purchase the assets of the AIU at a fair market value. Arist is an initiative within the UV portfolio. The UV Managing Partner who serves as Chairman of Arist will also serve on both boards - the board of directors and board of trustees - of the newly formed for-profit public benefit corporation, Alliant BC. The net proceeds from the sale of AIU will be held in a not-for-profit legacy corporation

501c(3) referred to as the Alliant Educational Foundation. The Foundation will receive the proceeds from the sale minus the retirement of AIU outstanding debt (\$16 million) and the purchase of 19.9% of the shares (\$5.5 million) in the new for-profit public benefit corporation, Alliant BC.

University Ventures has agreed to invest \$30 million in the future growth of Alliant BC including: 1) revitalization of existing programs and development of new programs; 2) technological infrastructure; 3) remediation of deferred maintenance; 4) center to support students in transition to professional careers and networking; 5) internship placement; and 6) a faculty research and professional practice initiative. According to the AIU President, Alliant Educational Foundation will retain title to the San Diego campus property, and if University Ventures decides to purchase the San Diego campus at a future date then the amount invested for capital improvements will be deducted from the San Diego campus property purchase price.

The Structural Change team concluded that the affiliation will enhance the financial stability of Alliant and provide access to improved technology infrastructure, address deferred maintenance, revitalize academic programs, improve student services, and expand operations to include the development of donor funds. The Structural Change team noted that this affiliation was not without risk for Alliant. With Alliant's current financial situation, however, other alternatives would require a significant restructuring and cost cutting.

B. The Impact on Faculty (CFRs 2.1, 2.4, 2.8, 3.1 – 3.3, 4.3 – 4.6)

The Structural Change team was informed about faculty views of the change in the original proposal and in the conference call. In the proposal, the institution acknowledged initial faculty opposition to the change. During the call, the institution stated that recently many faculty were more positive about the proposed change. Prior to the visit, no additional documents were requested regarding faculty. During the visit, two members of the team met with members of the Faculty Senate, and the entire team participated in an open meeting with faculty. In addition, the Faculty Strategic Planning Committee and faculty members of the Board of Trustees participated in the Board of Trustees session and the Strategic Planning session.

In the organizational team meeting teleconferences and emails prior to the visit, the Structural Change team agreed on several lines of inquiry relating to faculty, including these questions:

- Have the faculty perceptions of the change in status changed since the vote against it? How do they currently view the change?
- How will faculty governance be handled after the change? Has this aspect been discussed with faculty?
- Will research opportunities for faculty increase?
- Do faculty see any disadvantages or advantages in the benefit corporation?
- What are current pedagogical practices? Would the proposed change lead to new pedagogies? The dynamic classroom and adaptive technology was mentioned in the proposal - is this familiar to faculty?
- How do faculty participate in the current campus communities?

- What is the faculty's sense of AIU's continuing commitment to the public good of education?
- How are faculty reviews currently conducted?

Comments

The faculty in both faculty meetings noted opposition to a for-profit model, while at the same time acknowledging the dire financial straits facing the institution. Faculty voiced concern about the public perception of the AIU degree, given the change to a for-profit, even if it is a benefit-corporation. (Students in a separate open meeting concurred and also voiced a perception that graduates of for-profits earn less and have more difficulty getting hired.) A faculty senate and a committee structure currently exists, and recent faculty efforts have been made to gather and present alternatives to the change in status and ownership; this, information was not present in the institution's original proposal. The Structural Change team was impressed with the efforts made by a concerned and committed faculty in the apparent absence of strategic planning by the administration.

The Structural Change team observed a lack of good communication about the proposed change, and faculty, staff and students complained about a lack of details. When UV representatives were sent to visit a number of the campuses, the faculty and students were away at spring break, further exacerbating the breakdown in communications. Faculty perceptions of the proposed change often seemed directly counter to the messages delivered to the team by administrators and UV representatives. In part, communications may have lacked details, because the plans have remained vague in a number of areas – for example, specifics about what benefits for faculty and staff will be under the new organization are unknown.

The faculty chronicled the votes of no confidence in the president, who has been in place for the last decade as finances have declined. Faculty expressed concern about lack of accountability for leadership and the bonuses provided top administrators. A number of faculty, as well as students, noted attrition taking place among faculty that they connected directly to the proposed change to a benefit corporation. Potential workload increases and the survival of employee organizations, such as the faculty senate and employee unions, with reference to Article 5 in the proposed Alliant Bylaws, were raised as concerns. After the visit, team members received clarification from the Chair of the Alliant Faculty Senate that faculty had received reassurances that Article 5 in the Bylaws does not apply to the faculty senate, and "the proposed Bylaws include a specific commitment to honor shared governance in line with best practices of American higher education."

Faculty noted that if the structural change takes place, the funds in the foundation will require careful management. Faculty acknowledged that the foundation could be an effective vehicle for grant money to fund faculty research and development. The faculty explained the current structure of faculty governance and review; full-time faculty are generally on 3-year (fixed or rolling) or 5-year (rolling) contracts and participate in peer review, and student evaluations play a role in their review as well. A number of programs already provide online courses, and some faculty appeared familiar with the adaptive technologies mentioned in the substantive change proposal. Some faculty expressed the fear that the new ownership would

involve moving to online instruction overall, with current faculty supervising larger numbers of part-time faculty. However, in a separate meeting, UV representatives indicated a desire to maintain most face-to-face clinical instruction.

If the Commission approves the change in legal status and ownership, steps will need to be taken to better communicate long-term plans and implications to faculty, students, and staff. The faculty is among the assets of the institution, and the new entity will need to take care to bring faculty on board and recognize the value of their participation, as well understand the WSCUC standards regarding faculty participation.

C. Governance and the Benefit Corporation (CFRs 1.3, 1.5, 1.7, 3.4, 3.6, 3.7, 3.9, 4.7 and WSCUC Policy on Independent Governing Boards)

The Structural Change team was provided significant detail in the AIU change of Legal Status and Ownership proposal and teleconference in preparation for the site visit. In addition, Structural Change team members did additional research on the public benefit corporation model and public benefit standards that are currently under development including the Lumina Foundation \$1.8 million grant to the B Lab Company “To encourage creation of certified public benefits corporations to drive private investment that increases capacity to serve students.” (http://www.luminafoundation.org/luminagrants/b_lab_company_grant_8895) No significant governance changes have occurred since the proposal was submitted.

The Structural Change team agreed on the governance and public benefit corporation issues under consideration by email and organizational team meeting teleconferences before the visit. The Structural Change team was able to meet with all of the key parties involved in the change of legal status from both AIU and UV either face-to-face or via video conference in order to explore the governance issues identified for the visit. Activities during the visit included meetings with the President of AIU, Managing Director of UV, and the Chair of the AIU Board of Trustees.

The Structural Change team reviewed the following lines of inquiry during the site visit:

- Describe the composition of the three boards: Alliant Educational Foundation (not-for-profit), Alliant BC Board of Trustees and Alliant BC Board of Directors including the initial selection and governance.
- How will the leadership of the three boards meet the WSCUC Policy on Independent Governing Boards?
- How will they exercise their fiduciary responsibilities when differences of opinion occur?
- In practice, how will the three boards communicate? Will there be joint meetings or will there be overlapping directors and trustees?
- How will the boards make major decisions about capital expenditures, strategic planning, buying and selling of assets, budgetary approval, etc.?

Comments

The change of legal status and ownership will result in three agents: the legacy non-profit

Alliant Educational Foundation (501c (3)), and a for-profit Alliant BC Public Benefit Corporation with a dual board structure: University board of trustees and corporate board of directors. Alliant leadership indicated that the public benefit corporation model has been under consideration for nearly a year. The proposed structural change is innovative and complex and the Structural Change team noted that few individuals within the University appeared to understand the new governance model or the full impact the changes will have on the future of the University. Most of those interviewed during the visit viewed the change of ownership as a way to infuse new capital into the university but indicated they were not certain what this will mean in terms of governance or the operation of the University. Several indicated that the proposal has not been effectively communicated.

The legacy Alliant Educational Foundation will be governed by a board of directors with the responsibility of managing the proceeds from the sale of the current Alliant International University assets and will use these funds to support educational programs including community cooperative clinics and services. The Alliant Educational Foundation will have the right to nominate Board members to the Alliant BC board of trustees and board of directors depending on the percentage of shares owned by the Foundation in the new public benefit corporation. The current Alliant leadership indicated that the Foundation will exercise its right to purchase the maximum 19.9% shares in Alliant BC which will allow them to nominate five members to the Alliant BC University board of trustees and three members to the corporate board of directors. The Alliant Educational Foundation will retain rights to approve changes to the University's mission and structure. It is unclear at this time who will serve on the Foundation Board and whether there will be overlap with the Alliant BC corporate or University boards.

The for-profit public benefit corporation under California law is required to serve a "specific public benefit" and must publish an annual report on how it meets national third-party standards; in this case these will be higher education standards, for defining, reporting, and assessing its public benefit. The public benefit purposes as outlined by University Ventures in cooperation with Alliant are:

- 1) Maintain appropriate student admissions standards and achieve competitive student academic outcomes;
- 2) Achieve competitive post-graduate outcomes;
- 3) Promote diversity and inclusiveness;
- 4) Provide community engagement opportunities and experiences;
- 5) Assure the quality of academic offerings;
- 6) Maintain student, faculty, and staff satisfaction; and
- 7) Ensure the sustainability of operations.

Alliant BC Public Benefit Corporation's Articles of Incorporation and Bylaws will be approved by both Alliant International University and University Ventures Fund. The Alliant BC corporation board of directors is a fiduciary body for corporate governance with reserved powers and responsibilities. The board will consist of up to 11 directors; of which one to three will be nominated by the Alliant Educational Foundation, depending on the ownership share of the Foundation. The Articles of Incorporation will provide for a dual board structure, a corporate Board of Directors and a self-perpetuating board of trustees. While, there are potential board

members for both Alliant BC boards, this is still under consideration and UV has acknowledged that they will stay within WSCUC policies regarding related parties.

The Alliant BC University will be governed by a board of trustees consisting of no more than 17 trustees, of whom five will be nominated by Alliant Educational Foundation, and operating in compliance with the WSCUC Policy on Independent Governing Boards. Three of the five nominated by the Alliant Educational Foundation to the board of trustees will be independent parties as defined by the WSCUC Policy. Alliant Educational Foundation Board will retain some oversight of the University mission and structure. The initial nominations to the board of trustees will be overseen by the Alliant BC board of directors, which will be influenced by the new owner UV. Once established the board of trustees will be a self-perpetuating board.

If the Commission approves a change of legal status and ownership, the nexus of the control of the University will occur through the Alliant BC board of trustees with the oversight and consent of the fiduciary board of directors. The Structural Change team concluded that the change of legal status and ownership provides the best opportunity to secure the future of the University. However, the team was concerned that AIU leadership has not effectively communicated the true nature of the changes and the current understanding by faculty, staff and students may not adequately represent the full nature of the relationship in which decision-making authority will be solely the responsibility of the Alliant Public Benefit Corporation with some oversight by the Alliant Educational Foundation.

D. Strategic Planning and Enrollment Management (CFRs 1.1, 1.7, 3.6, 3.7, 4.6, 4.7)

The proposal made clear that one of the major issues impacting the health of Alliant is the decreasing enrollment. In the course of the phone call, the team learned some of the issues and decisions which resulted in this decrease. In subsequent team phone calls to plan the visit, the Structural Change team decided to investigate this issue further and, since enrollment management is closely tied with planning, to include a session on strategic planning as well. During the visit, the two sessions were combined into one which included the President, Provost, Managing Director of UV, Faculty Senate representatives and members of the Faculty Strategic Planning Committee as well as other administrators.

In the organizational team meeting teleconferences and emails prior to the visit, the Structural Change team agreed on several lines of inquiry relating to strategic planning and enrollment management including:

- What are the reasons for the declining enrollments? In what ways will an infusion of funds reverse current enrollment trends?
- Where does Alliant see enrollment increasing – undergraduate, graduate, which campuses? Is there an alignment planned with other UV campuses?
- What efforts are in place for retention?
- Describe the new program development process and strategic plan.
- Alliant has 15 locations. What is the international strategy? How are sites selected? Are these all sustainable? How does AIU account for ROI at each University?
- Describe AIU's strategic planning process? What is AIU's multi-year strategic plan?
- If the proposal for the For-profit benefit Corporation does not go through then what other options

is AIU considering?

- Are Alliant and UV already working on plans for the various properties and programs? Is anyone looking at various strategies (i.e., selling property, closing campuses, and changing programs)? If not, are there plans to do that type of planning?

Comments

AIU has been without a unified strategic vision to bring direction and coherence to enrollment planning at the institutional level. Instead, individual schools operate independently, resulting in inefficiency, a lack of an institutional brand and identity, and strategic purpose and goals. Marketing directors from each school identified branding, retention, marketing and recruitment all as on-going issues leading to reduced enrollments.

The lack of coherence in the Alliant structure is further complicated by its own history in which it was formed and continued to grow through additions of campuses, each with varying programmatic foci and at numerous locations both in California and abroad. This exacerbates infrastructure issues including coordination of student flow from recruitment through admissions and on to graduation.

The Structural Change team understands that strategic planning has not been actively and consistently pursued by Alliant leadership until very recently and not until the current enrollment and fiscal crisis became urgent. Faculty, staff and students all articulated a concern for a lack of strategic vision. Planning has mostly been on hold as the institution worked with UV to investigate the option of the benefit corporation. The Managing Director of UV made clear during the visit that a unified vision of Alliant with a clear strategic direction is the most important first step of the new benefit corporation.

SECTION III. Findings and Recommendations

A. Findings

The Structural Change team reviewed not only the proposal but a number of additional financial documents in an effort to better understand the nature of the proposed change. A large number of administrators, faculty, staff and students were interviewed during the visit along with representatives from University Ventures. Faculty and staff from other campuses joined via video tele-conference. The substantial amount of participation by all these entities is a clear indication that there is intense interest in finding a path for Alliant which puts it on a more stable footing for the present students as well as the future. The overall recommendation from the Structural Change team therefore is for the WSCUC Commission to approve the proposed change of ownership.

B. Commendations

The Structural Change team commends AIU for the following:

1. The attention and thoughtful preparation for the visiting team's site visit and providing access to all of the individuals requested by the team.
2. The substantial and serious participation on the part of all groups – faculty, staff and students as well as administrators.
3. The very innovative approach of a public benefit corporation and taking on the challenges involved with pioneering this new for-profit model.
4. The allegiance of faculty and staff to the AIU mission and institution

C. Recommendations

The team recommends that the Commission:

- Approve the change of legal status and ownership for AIU. If approved, the change of legal status and ownership will greatly enhance the financial future of the University, improve the technology infrastructure, address the deferred maintenance, and provide operational and administrative capacity and upgrades that are currently not feasible. Future success will require additional sources of revenue and growth in enrollment while maintaining control of operational efficiencies. It is believed that the new leadership structure provided under the public benefit corporation proposal will be able to provide this as a for-profit business model.
- Carefully monitor AIU's financial situation through the institution's annual report submission, at the time of the six-month follow up visit, and as part of AIU's Interim Report, scheduled for November 1, 2015.
- Review the new governance structure's alignment with WSCUC policy on Independent Governing Boards by requesting a progress report on this issue at the time of the six-month follow up visit.
- Since a benefit corporation is a new model for the region, request updates from AIU on key milestones (e.g., establishment of the two boards, identification of third party to verify benefits) at the six-month visit and subsequent Interim Report.

The team recommends that AIU/Alliant BC:

- Consider establishing network of alumni and stakeholders who would financially support the vision of Alliant BC through equity investment and Foundation donations.
- Communicate more clearly and effectively with faculty, staff and students about the effects of the change in ownership and legal status.
- Clarify the status of existing faculty and staff organizations as a result of the change to a benefit corporation. In addition, given faculty responsibility for the assessment of student learning and for the setting of standards, work closely with faculty to prioritize programs.
- Initiate a regular strategic planning process as soon as is feasible incorporating inputs from faculty, administrators, staff and students. The Structural Change team recommends that Alliant BC develop, as part of the strategic planning process, a comprehensive

enrollment management plan which encompasses all campuses.

- Develop an implementation process for the strategic plan that gives regular feedback as to progress and which also ties planning directly to the budgeting process.
- Enhance its brand and marketing strategy to strengthen recruitment.

APPENDIX A: Visit Schedule



WASC Visit – May 5, 2014

Fran Horvath, Chair

Karen Dunn-Haley

Maggie Bailey

Arrive on Campus			
10:00 AM	Steering Committee (University Leadership) – Introduction 10 am – 10:30 am plus additional time for fundraising discussion (M-17; move to M18)		10:00 AM
10:30 AM	Faculty Senate – 10:30 am – 11:05 am (M17 and videoconference rooms)	Fundraising Issues – 10:30 (M-18 by phone line below)	10:30 AM
11:00 AM			11:00 AM
10 minute break			
11:30 AM	Open Meeting – Staff 11:15 am – 11:55 am (M17+video)	University Ventures Representatives 11:15 am – 11:55 am (M18; phone line below)	11:30 AM
12:00 PM	Open Meeting – Faculty 12 noon – 12:45 (M17+video)		12:00 PM
12:30 PM			12:30 PM
1:00 PM	Team Lunch 12:45 pm – 1:30 pm (Team Room)		1:00 PM
1:30 PM	Board of Trustees/Board Issues - 1:30 pm – 2:15 pm (M17; Phone Line below)		1:30 PM
2:00 PM			2:00 PM
2:30 PM	Technology/Assessment (Provost, Associate Provost, IT Representatives) –2:15 pm – 2:45 pm (M17)	Finances (President, Interim CFO, Budget Analyst, University Ventures) 2:15 pm – 3:10 pm (M18; phone line below)	2:30 PM
3:00 PM	Open Meeting – Students 2:45 pm – 3:20 pm (M17+video)		3:00 PM
10 minute break			
3:30 PM	Enrollment Management (Provost, Deans, Marketing Directors, University Ventures) 3:30 pm – 4 pm (M17+video)		3:30 PM
4:00 PM	Strategic Planning (Faculty Strategic Planning Committee, Administrators, University Ventures) -- 4 pm – 4:35 pm (M17+video)		4:00 PM
4:30 PM			4:30 PM
4:45 PM	Remaining Questions for President and Provost - 4:35 pm (M17)		
4:45 PM	Leave for Airport - 4:45 pm (Alliant Van; Jose Garcia)		4:45 PM