ANTIOCH UNIVERSITY BOARD OF TRUSTEES
Declaration of Financial Exigency
Warranting a Necessary and Justifiable Budget Curtailment
at Antioch College

Over the last several decades, Antioch College has experienced a continuing decline in student enrollment and concomitant revenues which have repeatedly and increasingly threatened its survival. The efforts to balance the budget over the years through faculty and staff reductions, programmatic changes and deferred maintenance of the physical plant have inevitably eroded the confidence students and parents have in the academic program resulting in a spiral of attrition. It is now clear that the College's resources are not sufficient to sustain itself and its options to reverse this trend have been exhausted. Regrettably, the Board of Trustees has determined that, in the exercise of sound business judgment, it is prudent to suspend operations at the College. Therefore, the Board of Trustees is hereby declaring a state of financial exigency and has further directed that the President of the College, in consultation with the Chancellor of the University, the Dean of Faculty and ADCIL, develop, in writing, a plan and timetable to implement the necessary and justifiable budget curtailment pursuant to Section IV, B 59.1 of the Faculty Personnel Policies. The rationale and information upon which this declaration is based is set forth below.

Historical Perspective:

For most of its history, Antioch College has had low enrollment and a small endowment. Consequently, it has experienced repeated episodes of financial instability. Having once suspended operations for lack of funds in 1881-82, the college was about to close its doors and liquidate its assets in 1919 when a new trustee, an engineer named Arthur Morgan, proposed a radical redesign of the College curriculum that he felt could save it. His "co-operative education" program, blending ten-week periods of work and study, succeeded in achieving a measure of financial stability for the College for many years.

The success of Antioch's unique combination of rigorous liberal arts education with work experience enabled the College to attract outstanding faculty and students particularly during the long period of growth from the end of the World War II through the early 1970's. As Antioch College's reputation and leadership in co-operative education, community governance and academic study abroad grew, so did its enrollment. In the late 1960's as the "baby boom" generation began to reach college age, and the Vietnam conflict continued to escalate, the demand for higher education reached an all-time high. At its zenith in 1972-73, the College boasted an enrollment of 2470 students. As the result of a devastating student and employee strike in 1973 and the end of the Vietnam conflict, student enrollment plummeted by 8% in one year. The College declared a state of financial exigency that year which resulted in the reduction of approximately 25% of the faculty as well as similar reductions in administrative and staff positions. The extent of the cuts in faculty, while necessary and appropriate, may have caused faculty and students to doubt the educational quality of the College and the spiral of attrition continued unabated for the next decade. Within 5 years enrollment sank to 1100 students. By 1985 the enrollment had dropped by 80% of its 1973 levels to approximately 500 students where it essentially remained until recently. [1] The number of full-time faculty over the same period had been reduced from over 150 to about 40 during FY 2006-07. The College's student-to-faculty ratio of 7 to 1 during the past year is far less than the national average for similar colleges. Yet, it is difficult to provide an appropriately broad liberal arts curriculum with fewer faculty members regardless of the number of students.

As a result, Antioch College has survived in recent years through reliance on financial subsidies from the five non-residential campuses of Antioch University, which are the successful survivors of the expansion initiative of the late 1960's. But these subsidies now exceed levels that are sustainable over the long term, because they deprive the non-residential campuses of funds they need to remain competitive in their local markets. Moreover, inexorable increases in the costs of providing a residential liberal arts education at all colleges, driven by the inability of traditional forms of instruction to realize productivity gains from new technology, suggest that Antioch College's financial problems will get worse over time without a large influx of students and tuition income.

The Renewal Commission Plan:

Therefore, in 2003, in yet another effort to save the college, the Board of Trustees established the Sesquicentennial Commission for the Renewal of Antioch College (the "Renewal Commission"), which was charged with the responsibility of developing a plan, strategy and timetable for the renewal of Antioch College. Specifically, the Renewal Commission was directed by the Board to recommend "the educational vision which would enable the College to flourish" and to propose a structure for the academic program which would best "insure its long-term financial viability". [2]

At the same time, the Board adopted a resolution (10.25.03.8) at is October 2003 board meeting in which it recognized that "persistent financial dis-equalibrium existing at the College has been previously identified and addressed by the Board in June 2001 with its approval of an Ad Hoc Committee Report, and in October 2001 with its adoption of a Financial Stabilization Plan." The Board directed in that resolution that the Chancellor, in consultation with the ULC and the Renewal Commission, "present to the Board at its June 2004 meeting, a plan with appropriate recommendations for the elimination of the College's operating deficits on or before the close of the fiscal year ending June 2006." The plan was to include a specific recommendation as to whether the board should declare the need for fundamental changes in the College program and/or a necessary and justifiable budget curtailment.

[1] See Chart of Antioch College Enrollment (FTE's)1970 to 1996, Appendix A.
[2] Resolution of the Antioch University Board of Trustees passed on June 7, 2003.

In its final report to the Antioch University Board of Trustees dated June 4, 2004, the Renewal Commission concluded that Antioch College was in serious peril and imminent threats to its survival could not be ameliorated with mere incremental changes. Rather, a quantum change in the manor in which the educational program was delivered would be required to provide necessary efficiencies. Specifically, the Renewal Commission found that:

> …[T]he current curricular structure of the College is financially and academically unsustainable at its current size. Without transformative change, Antioch College is unlikely to survive. In 1997, Antioch set an enrollment goal of 800 students by the year 2000, but the number of degree students has remained under 600 through 2004. For seven of the past ten years, the College has incurred unbudgeted operating deficits of $500,000 to over $1 million. Investments in admissions marketing, retention initiatives and financial aid have failed to generate significant gains in enrollment. A recent consolidation of administrative and financial functions at Yellow Springs failed to prevent another substantial unbudgeted deficit. First-year retention has declined from 85% in 1985 to 65% in 2002, while the four-year graduation rate has declined from 48% in 1985 to less than 25% at present, although declines in the six-year graduation rate are more modest.
>
> The underlying problem is that the school's small size and endowment cannot provide the financial resources required to support a traditional liberal arts education, even with the advantages provided by the co-op program. As a result, the curriculum is sparse, faculty are underpaid and vulnerable to demoralization, buildings are poorly maintained, tuition discounting is excessive, admissions selectivity is lower than the College's aspirations, and students are dissatisfied. These problems have contributed to the deterioration of campus climate, volatile relationships within the College community, allegations of racism, dysfunctional governance and disempowered leadership.[3]

The lack of capital improvements and deferred maintenance of the physical facilities of the campus was of particular concern to the Renewal Commission because of its negative impact on recruiting new students. The Commission noted that, because of its long history of financial difficulties, the College was unable to undertake significant new construction for many years and most buildings were in poor condition. The Commission concluded that the renewal plan would depend heavily on significant investments in the physical facilities. "Substandard facilities make it difficult to recruit new students, particularly because many of Antioch's competitors undertook significant building programs during the capital markets boom of the 1990's. In addition, students and their parents take quality of facilities as a proxy for the educational quality and financial health of the institution…" [4] Likewise, substandard facilities have been one of

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[3] Final Report of the Renewal Commission to the Board of Trustees, June 4, 2004, Part I, p. 7.
[4] Final Report of the Renewal Commission to the Board of Trustees, June 4, 2004, Part I, p. 34.

the primary deleterious factors in the College's declining retention rates. Surveys and interviews of departing students have consistently cited poorly maintained buildings as a primary factor in the student's decision to drop out.

Yet, the infusion of capital necessary to substantially improve buildings and undertake new construction is lacking. The Renewal Commission noted that while Antioch has embarked on a capital campaign with a goal of raising $65 million, only about $30 million had been committed. In light of the College's history of financial instability, "some prospective donors are reluctant to provide full support without a comprehensive plan to address the College's basic problems and grasp the great opportunities that lie before the College community."[5]

In an effort to address these compelling programmatic inefficiencies and capital deficiencies, the Renewal Commission recommended a comprehensive plan to overhaul the delivery of the academic program, and a plan to engage in a comprehensive capital campaign. The existing capital campaign goals were amended and the timelines were extended to seek additional gifts to fund, among other things, the renovation and construction of facilities, the acquisition of technology infrastructures and the expansion of endowment for scholarships. The academic program was restructured to create Experiential Learning Communities ("ELC's") which were designed to "integrate students' on-campus academic study in a learning community with experiential learning through such forms as field studies, community work, internships, and through linkages with co-op work, service learning, or other off-campus experiences." [6] All new students began to enroll in the ELC's in the current academic term of 2006-07. Once fully implemented, the new ELC's would each have 30 to 45 students, two to three full-time faculty members from different academic disciplines and a student-faculty ratio of 15 to 1, thus delivering the liberal arts education in a more efficient manor.

With the fundamental changes in the delivery of the academic program and the emphasis on a successful capital campaign to fund campus improvements, it was the hope of the Renewal Commission and the Board that the College could be turned around and enrollments would gradually increase. Unfortunately, this has not been the case. While the Renewal Commission's plan may have been successful in the long run in attracting and retaining students, it has not been successful in the short term. The transition from the College's traditional academic program to the ELC concept has been difficult to market and may have contributed to an acceleration of student attrition. Likewise, neither the annual development campaign nor the capital campaign have been as successful as hoped and, as discussed more fully below, substantial portions of the unrestricted gifts raised in the early part of the Capital Campaign have been used to cover operating shortfalls.

Current Situation:

[5] Final Report of the Renewal Commission to the Board of Trustees, June 4, 2004, Part I, p. 7.
[6] Final Report of the Renewal Commission to the Board of Trustees, June 4, 2004, Part I, pp. 34 and 35.

The financial projections of the renewal commission were based upon anticipated enrollment of 170 new first-year and 46 transfer students in 2005-06 and another 170 new first-year and 46 transfer students in 2006-07.[7] As indicated in the chart below, the actual enrollment of new students for both years was devastatingly low, particularly in 2005-06 in which there were only 60 new first-year students and no transfer students. Since the retention rate of transfer students is usually higher than the retention rate of incoming first-year students, this complete default in garnering new transfer students was especially injurious. The results for 2006-07, while better, were still far off the mark with only 118 new first-year students and 7 transfer students.

For the 2007-08 academic term, the Renewal Commission projected first-year enrollment at 190 students and 51 transfer students. The current projections of the incoming class are similarly disappointing.[8]

	New First-year *Actual vs projected*	Transfer Students *Actual vs projected*	Total *Actual vs projected*
2005-06	60/170	0/46	60/216
2006-07	118/170	7/46	125/216
2007-08	120/190	15/51	125/241

Of course, the small size of the first-year class exacerbates overall enrollment deficiencies for a four year period until the class graduates. It is not surprising therefore that the overall enrollment of the College has continued to decline over the past several years from 461 students in 2005-06 to a projection of only 389 students in 2007-08 including 82 students who are enrolled in the Antioch Education Abroad (AEA) program or non-degree programs. The number of students on the College campus next year will likely only be 307. [9]

In addition, the retention rates among students has continued to decline. The retention rates for students who started at Antioch as freshmen dropped from 66_% to 62.3%. The retention rates for transfer students dropped from 75.8% to 62.5%.[10] Indeed, almost every category within the admissions matrix declined drastically over the last several years. The number of inquires from prospective students, for example, dropped from 11,497 in FY 2003-04 to only 3,497 in FY 2005-06. The number of applications dropped from approximately 600 to approximately 400 in the same period of time.

[7] Final Report of the Renewal Commission to the Board of Trustees, June 4, 2004, Part I, p. 44.
[8] Enrollment Analysis for Antioch College—Sustainability Study, annexed hereto as Appendix B. A more current projection places first year enrollment for 2007-08 at 110 students rather than 120.
[9] Enrollment Projection for Antioch College, 2005/06 to 2013/14, annexed hereto as Appendix C.
[10] Antioch University Annual Institutional Research Report to the Board of Trustees, October, 2006, Appendix 1.1.

As the College's enrollment declined, so also did its tuition revenue despite significant increases in tuition rates and fees. Between FY 2002-03 and FY 2006-07 tuition revenue as a percent of the total revenue of the College has dropped from 50% to approximately 30%. In contrast, tuition revenue represents 80% to 100% of the revenues at each of the other campuses of the University. As a result, the College experienced a $1.4 million operating deficit in FY 2005-2006 and a $5.395 million operating deficit in FY 2006-07.

In yet another effort to bring the College budget into alignment, the College announced another round of layoffs in March of this year eliminating 20 administrative and staff positions generating a cost savings of approximately $1.3 million per year. No faculty positions were affected by those reductions. However, in light of the most recent admissions numbers for FY 2007-08, these cuts are far from sufficient to eliminate the budget deficits. Reductions of an additional 13.5 administrative and staff positions were later identified that will result in $593,000 of annual cost savings. Despite these significant reductions in non-faculty positions, the operating deficit is expected to be another $5 million For FY 2007-2008.

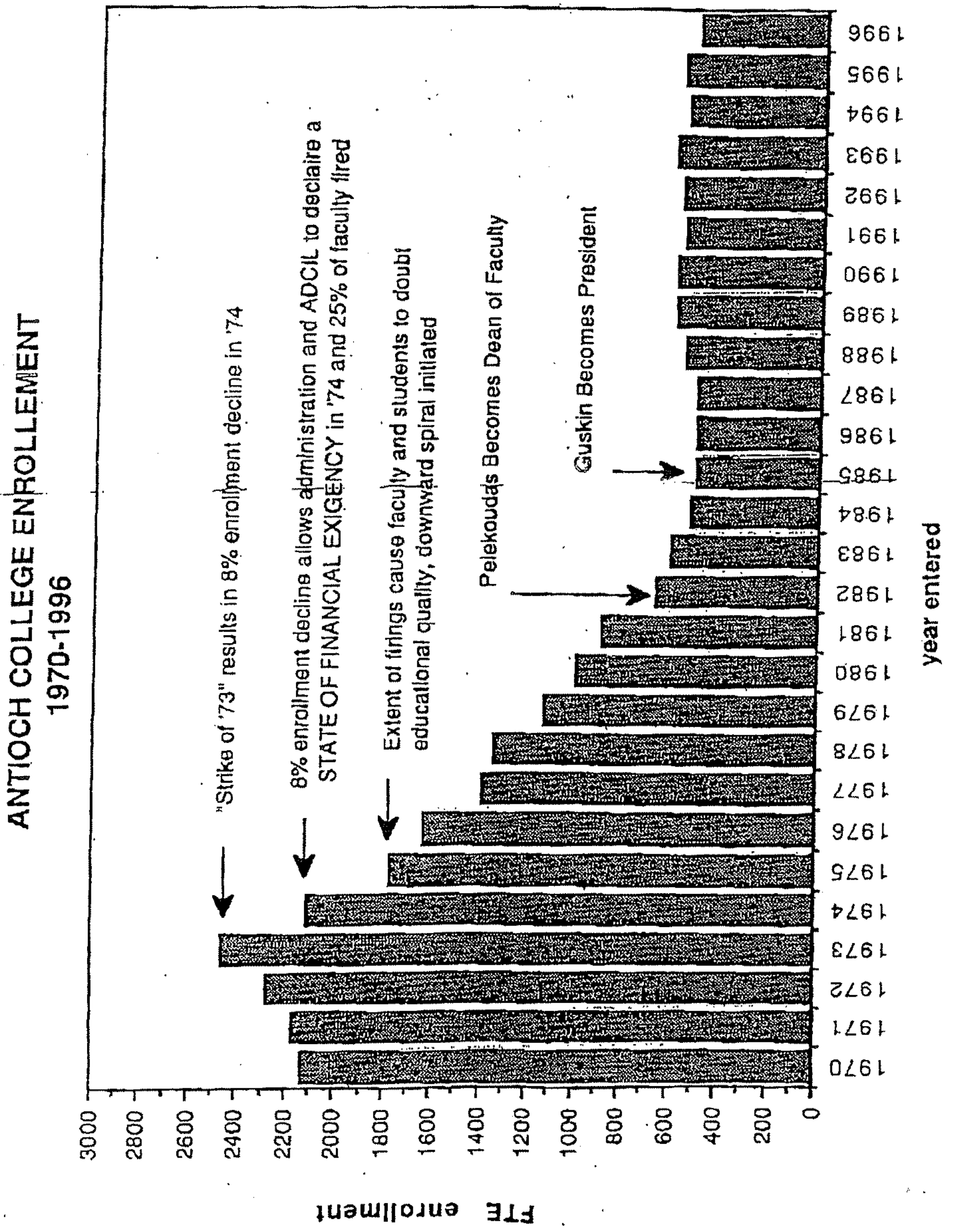
In order to cover the operating deficits this year, the College has consumed $5 million of a $10 million gift made to the capital campaign which was originally intended by the donor to be used for scholarships. The College obtained the donors' approval to use the funds for implementation of the Renewal Commission's plan which essentially allowed the College to apply the funds to operating deficits. However, after 2007-08, the $10 million gift will be exhausted and there is no known alternative funding source to cover the operating deficits. Therefore, additional substantial cuts among staff and faculty will be required to eliminate the projected $5 million annual deficit. Those cuts would be so deep as to substantially impair the College's ability to provide a quality liberal arts education.

As indicated above, one of the cornerstones of the Renewal Plan was an expanded capital campaign to fund the renovation and construction of campus buildings and facilities. Among the capital improvements viewed as most critical to recruiting and retaining students under the Renewal Plan were the construction of a new student union and new apartment-style residence halls and the renovation of the library, North Hall and Curl Gymnasium.[11] Construction and renovation for such facilities were to begin with groundbreaking for the new Antioch Union and ELC facilities in September, 2005. New dorm construction, and library and gymnasium renovations were to begin in January 2006.[12] These benchmarks have not been met. As a result, the board has not been able to embark on the plans to revitalize and reconstruct the college campus.

The board is therefore faced with the Hobson's choice of delivering an inferior educational product or suspending operations until an appropriate plan for reorganization is developed with sufficient resources for implementation. Clearly, the Board has no

[11] Final Report of the Renewal Commission to the Board of Trustees, June 4, 2004, Part I, p. 35.
[12] Final Report of the Renewal Commission to the Board of Trustees, June 4, 2004, Part I, pp. 38 and 39.

reasonable alternative at this time but to declare a state of financial exigency and suspend operations of the College. The President of the College, has been directed to develop within 30 days a written plan and timetable to implement the necessary and justifiable budget curtailment in manner consistent with the directives of the Board of Trustees and the Chancellor. In terms of faculty reductions, such plan shall further be developed in consultation with the Dean of Faculty and ADCIL pursuant to Section IV, B, paragraph 59 of the Faculty Personnel Policies.


ANTIOCH COLLEGE ENROLLEMENT
1970-1996
"Strike of '73" results in 8% enrollment decline in '74
8% enrollment decline allows administration and ADCIL to declaire a STATE OF FINANCIAL EXIGENCY in '74 and 25% of faculty fired
Extent of firings cause faculty and students to doubt educational quality, downward spiral initiated
Pelekoudas Becomes Dean of Faculty
Guskin Becomes President
FTE enrollment
0
200
400
600
800
1000
1200
1400
1600
1800
2000
2200
2400
2600
2800
3000
1970
1971
1972
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APPENDIX B

Antioch College
Enrollment Analysis – Sustainability Study

26-Apr-07

	Year-Year Retention	Fall	Fall Trans.	Fall Total	Spring	Summer	Total			Sem-Sem. Retention
2005-2006										
First Year		60		60	54	2	116			
Second Year		110		110	82	80	272			
Third Year		109		109	90	88	287			
Fourth Year		93		93	117	52	262	10,855,418	Gross Tuition	
AEA & non degree		89		89	21	2	112	-4,268,041	Less: Discount	
2005-2006 Total		461		461	364	224	1049	6,587,377	Net Tuition	
2006-2007										
First Year		118		118	88	0	206	Tuition & Fees	$27,202	
Second Year		30	7	37	45	32	114			
Third Year		87		87	76	72	235			
Fourth Year		70		70	60	0	130	10,302,931	Gross Tuition	
AEA & non degree		82		82	4		86	-4,258,625	Less: Discount	
2006-2007 Total		387	7	394	273	104	771	6,044,306	Net Tuition	
2007-2008										
First Year		120		120	101		221	Tuition & Fees	$28,562	84.00%
Second Year	70.90%	80	7	87	74		161			85.00%
Third Year	80.00%	40	8	48	44		92			92.00%
Fourth Year	90.00%	72		72	66	25	163	10,520,857	Gross Tuition	92.00%
AEA & non degree		82		82	4		86	-4,313,551	Less: Discount	
2007-2008 Total		394	15	409	289	25	723	6,207,306	Net Tuition	
2008-2009										
First Year		132		132	111		243	Tuition & Fees	$29,990	84.00%
Second Year	70.90%	85	8	93	79		172			85.00%
Third Year	80.00%	70	9	79	72		151			92.00%
Fourth Year	90.00%	43		43	40		83	11,020,411	Gross Tuition	92.00%
AEA & non degree		82		82	4		86	-4,518,368	Less: Discount	
2008-2009 Total		412	17	429	306	0	735	6,502,042	Net Tuition	
2009-2010										
First Year		145		145	122		267	Tuition & Fees	$31,490	84.00%
Second Year	70.90%	94	10	104	88		192			85.00%
Third Year	80.00%	74	10	84	78		162			92.00%
Fourth Year	90.00%	71		71	65		136	13,263,932	Gross Tuition	92.00%
AEA & non degree		82		82	4		86	-5,438,212	Less: Discount	
2009-2010 Total		466	20	486	367	0	842	7,825,720	Net Tuition	
2010-2011										
First Year		160		160	134		294	Tuition & Fees	$33,064	84.00%
Second Year	70.90%	103	11	114	97		211			85.00%
Third Year	80.00%	83	11	94	86		180	15,161,990	Gross Tuition	92.00%
Fourth Year	90.00%	76		76	70		146	-6,216,416	Less: Discount	92.00%
AEA & non degree		82		82	4		86	8,945,574	Net Tuition	
2010 -2011 Total		504	22	626	391	0	917			
2011-2012										
First Year		176		176	148		324	Tuition & Fees	$34,717	84.00%
Second Year	70.90%	113	12	126	107		232			85.00%
Third Year	80.00%	91	12	103	95		198	17,399,213	Gross Tuition	92.00%
Fourth Year	90.00%	84		84	78		162	-7,133,677	Less: Discount	92.00%
AEA & non degree		82		82	4		86	10,265,536	Net Tuition	
2011 -2012 Total		547	24	671	431	0	1,002			
2012-2013								Tuition & Fees	$36,453	
First Year (10% increase)		194		194	163		357			84.00%
Second Year	70.90%	125	13	138	131		269			95.00%
Third Year	80.00%	100	13	114	105		218	20,210,807	Gross Tuition	92.00%
Fourth Year	90.00%	93		93	85		178	-8,286,431	Less: Discount	92.00%
AEA & non degree		82		82	4		86	11,924,376		
2012-2013 Total		694	27	821	488	0	1,109			
2013-2014										
First Year (10% increase)		213		213	179		392	Tuition & Fees	$38,276	84.00%
Second Year	70.90%	137	15	152	144		296			95.00%
Third Year	80.00%	91	15	106	97		203	22,458,339	Gross Tuition	92.00%
Fourth Year	90.00%	102		102	94		197	-9,207,919	Less: Discount	92.00%
AEA & non degree		82		82	4		86	13,250,420		
2013-2014		626	29	655	519	0	1,173			

II. Antioch College Enrollment Projection For the Fall Term 2005/06 – 2013/14

	2005-2006 Academic Yr.	2006-2007 Academic Yr.	2007-2008 Academic Yr.	2008-2009 Academic Yr.	2009-2010 Academic Yr.	2010-2011 Academic Yr.	2011-2012 Academic Yr.	2012-2013 Academic Yr.	2013-2014 Academic Yr.
First Year	60	116	110	135	150	160	176	194	213
Second Year	110	30	70	66	88	98	113	125	137
Third Year	109	87	40	61	58	82	87	100	91
Fourth Year	93	70	72	43	62	66	84	89	102
Transfers	0	17	15	15	30	22	24	26	30
Total:	**372**	**320**	**307**	**320**	**388**	**428**	**484**	**534**	**573**

NOTE:

1. Enrollments in this report exclude Antioch Education Abroad (AEA) students.
2. Approximately 25% of the students in this report are off-campus on Co-Op on any given semester.

APPENDIX C