



November 19, 2019

VIA ELECTRONIC MAIL

Dr. James Nieman, President
Lutheran School of Theology at Chicago
1100 E. 55th St.
Chicago, IL 60615

Dear President Nieman:

This letter is formal notification of action taken by the Higher Learning Commission (HLC) Board of Trustees (“the Board”) concerning Lutheran School of Theology at Chicago (“the Institution”). This action is effective as of the date the Board acted, November 7, 2019. In taking this action, the Board considered materials from the most recent comprehensive evaluation, including, but not limited to: the Assurance Filing the institution submitted, the report from the comprehensive evaluation team, the report of the Institutional Actions Council (IAC) Hearing Committee, and the institutional responses to these reports.

Summary of the Action: The Board determined that the Institution is no longer out of compliance with the Criteria for Accreditation and removed the Institution from Probation and assigned interim monitoring. The Institution meets Core Components 4.A, 5.A, and 5.C with concerns. The Institution is required to submit interim reports, as outlined below.

Board Rationale

The Board based its action on the following findings made with regard to the Institution:

The Institution meets, but with concerns, Criterion Four, Core Component 4.A, “the institution demonstrates responsibility for the quality of its educational programs,” for the following reasons:

- The Institution has completed one program review and has set a schedule for other academic programs (2019-2022), but continued progress on academic program reviews is needed. The Institution presented a plan and administrative structure for program review, including faculty oversight.
- A full-time Director of Contextual Education was hired a month prior to the Institutional Actions Council (IAC) Hearing to coordinate and deepen the Institution’s commitment to program assessment and co-curricular learning. A complete plan of action has not yet been created.
- Co-curricular program reviews have not been well-developed and implemented. The Institution does not have a process for systematic review of student support or co-curricular programs.

- Decisions have yet to be made regarding the use of available assessment tools to evaluate co-curricular programs for continuous improvement.

The Institution now meets, but with concerns, Criterion Five, Core Component 5.A, “the institution’s resource base supports its current educational programs and its plans for maintaining and strengthening their quality in the future,” for the following reasons:

- The Institution's outside financial services firm was replaced with an in-house team, including a recently hired Vice President for Finance, resulting in improved communication between the finance and development teams.
- Regular, ongoing meetings with budget managers has been implemented and evidence of improved expense management is evident.
- The budget creation process is not complete and the Institution must analyze the budget process in order to better understand the difference between GAAP budget projections and realized actual results. Significant variances between budgeted and actual expenses exist in the FY2017 and FY2018 budgets.
- The Institution continues to operate at a deficit annually.
- There has been a growth in both endowment and total net assets from 2009-2018. The Institution’s financial position remains strong.
- The value of the Institution's real estate (approximately \$37.9 million for the market value of the properties in the area) is a positive factor, with a trend toward increasing values.
- Amounts for the annual fund have increased and a reorganization of the types of gifts has occurred so more resources are deployed for the annual fund.
- The Institution's human resources are sufficient for its current needs, yet transitions have occurred due to reorganization of the finance and advancement teams, as well as departures due to retirement and death.
- The Institution's physical campus can meet the program demands and is well-maintained.
- The Institution's commitment to a software conversion has yielded greater tracking and reporting of financial data and gifts.

The Institution meets, but with concerns, Criterion Five, Core Component 5.C, “the institution engages in systematic and integrated planning,” for the following reasons:

- While the Institution has hired a consultant to assist with the development of enrollment strategies, dialogue with a cross-representation of faculty, staff and administration is just beginning.
- The Institution's enrollment planning is not yet sufficiently connected with financial planning or linked to the strategic plan.
- The strategic plan sets institutional priorities aligned with strategic initiatives.
- The Institution needs to demonstrate how enrollments meet projections.
- Development of a stronger enrollment funnel is needed in order to show progress towards stated enrollment goals.

The Institution has demonstrated that it is otherwise in compliance with the Criteria for Accreditation, Assumed Practices and Federal Compliance requirements and can therefore be removed from Probation.

Next Steps in the HLC Review Process

Interim Reports: The Board required that the Institution submit an Interim Report no later than July 1, 2020, regarding Core Component 5.A as outlined in its August 2019 Institutional Actions Council Hearing report. The Board also required that the Institution submit two separate Interim Reports no later than July 1, 2021, regarding Core Components 4.A and 5.C as outlined in its August 2019 Institutional Actions Council Hearing report.

Comprehensive Evaluation: The Institution has been placed on the Standard Pathway with its next comprehensive evaluation for reaffirmation of accreditation in 2023-24.

HLC Disclosure Obligations

The Board action resulted in changes that will be reflected in the Institution's Statement of Accreditation Status as well as the Institutional Status and Requirements Report. The Statement of Accreditation Status, including the dates of the last and next comprehensive evaluation visits, will be posted to the HLC website.

In accordance with HLC policy,¹ information about this action is provided to members of the public and to other constituents in several ways. This Action Letter and the enclosed Public Disclosure Notice will be posted to HLC's website not more than 24 hours after this letter is sent to the Institution. Additionally, a summary of Board actions will be sent to appropriate state and federal agencies and accrediting associations. This summary also will be published on HLC's website. The summary will include this HLC action regarding the Institution.

On behalf of the Board of Trustees, thank you in advance for your cooperation. If you have questions about any of the information in this letter, please contact your HLC Staff Liaison, Dr. Karen Solomon.

Sincerely,



Barbara Gellman-Danley
President

Enc: Public Disclosure Notice

Cc: Chair of the Board of Trustees, Lutheran School of Theology at Chicago
Patti DeBias, Assistant to the President, Lutheran School of Theology at Chicago

¹ INST.G.10.010, Management of Commission Information; COMM.A.10.010, Commission Public Notices and Statements

Evaluation Team Chair

IAC Hearing Committee Chair

Stephanie Bernoteit, Deputy Director for Academic Affairs, Illinois Board of Higher Education

Karen Solomon, Vice President for Accreditation Relations and Director of the Standard

Pathway, Higher Learning Commission

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