



January 25, 2018

VIA CERTIFIED MAIL

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

Dear Dr. Nieman:

This letter is formal notification of action taken by the Higher Learning Commission (“HLC” or “the Commission”) Board of Trustees (“the Board”) concerning Lutheran School of Theology at Chicago (“the School” or “the institution”). During its teleconference on January 17, 2018, the Board placed Lutheran School of Theology at Chicago on Probation because the School is out of compliance with the Criteria for Accreditation and the Core Components identified in the Board’s findings as outlined below. This action is effective as of the date the action was taken. In taking this action, the Board considered materials from the most recent comprehensive evaluation, including but not limited to: the Assurance Filing the School submitted, the report from the comprehensive evaluation team, the report of the Institutional Actions Council (“IAC”) Hearing Committee, the institutional responses to these reports, and the institution’s response to the Board’s November 2017 Action Letter.

The School is required to submit an Assurance Filing no later than March 1, 2019, or at least eight weeks prior to the comprehensive evaluation, providing evidence that the institution has ameliorated the findings of non-compliance identified in this action that resulted in the imposition of Probation and the finding of Met with Concerns and providing evidence that the School meets the Criteria for Accreditation, the Core Components, Federal Compliance Requirements, and the Assumed Practices. Included in this report should be evidence of the following:

- A reduction in annual operating deficits from the known FY2016 level of \$1.4 million;
- Documentation that the School has met its goal of raising \$42 million by November 2018, as indicated in the Comprehensive Campaign;
- Updated Comprehensive Campaign figures demonstrating that the School is on track to meet its target by 2020;
- A contingency plan for institutional finances in the event the Comprehensive Campaign does not meet its fundraising goals;
- The final budget to actual results for FY2017 and FY2018, as well as pro forma results for FY2019, which should indicate little to no reliance on the Line of Credit to balance the budget;

- The implementation of a comprehensive and integrated planning process;
- The development of a comprehensive enrollment plan that is appropriate to the School's mission;
- A systematic approach to program review; and
- The alignment of learning outcomes with the School's mission.

The School will host a comprehensive evaluation no later than May 2019 to determine whether the institution has ameliorated the findings of non-compliance that led to the imposition of Probation and the finding of Met with Concerns, and whether the School meets the Criteria for Accreditation, and to make a recommendation about whether to remove Probation or take other action.

The Board will review the documents associated with the evaluation at its November 2019 meeting to determine whether the School has ameliorated the findings of non-compliance and has demonstrated that it is now in compliance with all Criteria for Accreditation and thus whether Probation shall be removed, or if the School has not ameliorated the findings of non-compliance and demonstrated compliance with the Criteria for Accreditation, whether accreditation should be withdrawn.

The Board based its action to impose Probation upon the following findings made with regard to the School:

The School is out of compliance with 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 School has had significant financial challenges over the last decade, and while some progress has been made toward financial stability, operational expenses continue to exceed revenues, and the School has increasingly depended on its line of credit to fund operations;
- The School anticipates borrowing an additional \$1.6-\$1.7 million for 2018 and is exploring adding an additional \$6 million to its existing line of credit; and
- The School's strategy for its \$100 million comprehensive campaign, which includes retiring its debt, meeting its operational needs without going into deficit, avoiding future use of its line of credit, and funding both endowed faculty positions (to reduce pressure regarding salaries) and scholarships (to reduce the need to increase tuition), is not persuasive without comprehensive planning to assure the viability of the School and its programs for the future, as a means on a long-term basis of bringing its operations into balance and of assuring that the School has adequate resources now and in the future to sustain and improve its quality.

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

- While the School has made progress in integrated planning, the planning components do not by themselves constitute a comprehensive and integrated process;
- The School shows no evidence of a comprehensive plan for enrollment (e.g. net price strategy, appropriate recruitment and retention strategies for theological education) or program review (program vitality, financial viability, and learning outcomes aligned with mission and linked to planning decisions); and
- The School has had on-going issues with operational deficits (inadequate revenues and/or unrestrained expenses) and has made insufficient progress in balancing operations because the core planning elements needed to do so are not in place.

The School submitted a response on December 11, 2017, in which it did not provide sufficient evidence to demonstrate compliance with Core Component 5.A and that Core Component 5.C was not Met with Concerns; and therefore, the School is out of compliance with the Criteria for Accreditation.

The Board action resulted in changes to the affiliation of the School. These changes are reflected on the Institutional Status and Requirements Report. Some of the information on that document, such as the dates of the last and next comprehensive evaluation visits, will be posted to the HLC website.

Information about the sanction is provided to members of the public and to other constituents in several ways. Commission Policy INST.G.10.010, Management of Commission Information, anticipates that the Commission will release action letters related to the imposition of a sanction to members of the public. The Commission will do so by posting this action letter on the Commission website along with the Statement of Affiliation Status and Organizational Profile. Also, the enclosed Public Disclosure Notice will be posted to the Commission’s website not more than 24 hours after you receive this letter.

Commission policy INST.E.10.020, Probation, subsection Disclosure of Probation Actions, requires that an institution inform its constituencies, including Board members, administrators, faculty, staff, students, prospective students, and any other constituencies about the sanction and how to contact the Commission for further information. The policy also requires that an institution on Probation disclose this status whenever it refers to its Commission accreditation. The Commission will monitor these disclosures to ensure they are accurate and in keeping with Commission policy. I ask that you copy your HLC Staff Liaison, Dr. Linnea Stenson, on emails or other communications with campus constituents regarding the sanction as required and provide Dr. Stenson with a link to information on your website and samples of related disclosures.

In addition, Commission policy COMM.A.10.010, Commission Public Notices and Statements, requires that the Commission prepare a summary of actions to be sent to appropriate state and federal agencies and accrediting associations, and published on its website. The summary will include the Commission Board action regarding the School. The Commission will also simultaneously inform the U.S. Department of Education of the sanction by copy of this letter.

On behalf of the Board of Trustees, I thank you and your associates for your cooperation. If you have questions about any of the information in this letter, please contact Dr. Stenson.

Sincerely,



Barbara Gellman-Danley  
President

Enclosure: Public Disclosure Notice

cc: Chair of the Board of Trustees, Lutheran School of Theology at Chicago  
Laura Wilhelm, Executive for Administration, Assessment, and Planning, Lutheran School of Theology at Chicago  
Evaluation team chair  
Institutional Actions Council Hearing Committee chair  
Stephanie Bernoteit, Interim Deputy Director for Academic Affairs, Illinois Board of Higher Education  
Linnea A. Stenson, Vice President for Accreditation Relations and Director of the AQIP Pathway, Higher Learning Commission  
Karen L. Peterson, Executive Vice President for Legal and Governmental Affairs, Higher Learning Commission  
Herman Bounds, Accreditation and State Liaison, Office of Postsecondary Education, U.S. Department of Education