

**CLOSURE AND VOLUNTARY RELINQUISHMENT OF
OPERATING AND DEGREE GRANTING AUTHORITY
OF AN INDEPENDENT INSTITUTION**

Submitted for: Information.

Summary: This item provides information on the closure of Morthland College and voluntary relinquishment of operating and degree granting authority subsequent to a September 2017 IBHE investigation and February 2018 board decision regarding the appointment of a hearing officer to conduct a hearing regarding the possible revocation of operating authority for Morthland College pursuant to Sections 1030.70 and 1030.80 of the Illinois Board of Higher Education Administrative Rules.

Action Requested: None.

STATE OF ILLINOIS
BOARD OF HIGHER EDUCATION

**CLOSURE AND VOLUNTARY RELINQUISHMENT OF
OPERATING AND DEGREE GRANTING AUTHORITY
OF AN INDEPENDENT INSTITUTION**

The Illinois Board of Higher Education (IBHE) has responsibility to administer “The Private College Act” (100 ILCS 1005/1 et. seq.) and “The Academic Degree Act” (110 ILCS 1010/1 et. seq.), two regulatory statutes governing the operation and degree-granting activity of private colleges and universities in the state of Illinois. Under these statutes and the rules to implement these statutes, postsecondary degree-granting institutions that were established after July 17, 1945, require a certificate of approval from the IBHE to operate, and institutions established after 1961 require authorization to operate and grant degrees.

In authorizing institutions to operate and grant degrees, the Board stipulates that authorization is subject to maintenance of the conditions that were presented by the institution in its application and formed the basis upon which the specific authorizations were granted. The failure of an institution to maintain conditions of approval or conditions substantially equivalent to the conditions of approval constitutes grounds for revocation of authorizations as defined in Section 1030.70 and 1030.80 of the rules to administer the statutes. Procedures for revocation as outlined in Section 1030.70 and 1030.80 include the designation of a Hearing Officer who will schedule and conduct a hearing.

Institutions may voluntarily relinquish their Certificate of Approval, Authorization to Operate, or Authorization to Grant Degrees. Section 1030.70(b)(5)(C)(i) stipulates that such voluntary relinquishment does not require a hearing or any other Board action to be effective. Institutions that close voluntarily must comply with the procedures for closure and teach out as outlined in Section 1030.80(b)(6).

Morthland College
202 East Oak Street
P.O. Box 525
West Frankfort, IL 62896
President: Dr. Timothy Morthland

Institutional Background and History

Morthland College (the “College” or “Institution”) is a private, not-for-profit institution founded in West Frankfort, Illinois, in 2009 by a group of community members who believed their region would benefit from a college with a Christian foundation. The College was named after its founder and President, Dr. Timothy Morthland. Morthland College was granted operating authority by IBHE in October 2010 with subsequent authority to grant specific degree programs in June 2011, October 2011, December 2013, and December 2016. At its April 9, 2013 meeting, the Transnational Association of Christian Colleges and Schools (TRACS) voted to grant Morthland College Candidate Status with institutional accreditation conferred April 2014. In August 2013,

the College received approval to disburse Federal Student Aid funds under Title IV of the Higher Education Act, as amended. In April 2017, IBHE received notice from the Department of Education (ED) that the institution had been placed on Heightened Cash Monitoring 2 (HCM2) status. This HCM2 status was imposed in January 2017 after a program review site visit conducted by ED on January 9-15, 2017 that uncovered serious issues with the administration of Title IV program funds by Morthland College. On August 22, 2017, IBHE received notification from ED that the Department had imposed an emergency action against Morthland College which terminated the eligibility of the institution to disburse Federal Student Aid funds; the letter also indicated that ED intended to fine the College. This action, along with reports of substantial financial obligations to the Internal Revenue Service and the Illinois Department of Revenue, resulting in liens on College property, prompted IBHE analyst review of the institutional situation. On September 11, 2017, IBHE sent a letter to Morthland College informing the president of the initiation of an official investigation into the Institution. The findings from this IBHE investigation and a site visit conducted September 25 and 26, 2017, are described in the February 6, 2018, IBHE agenda item requesting the appointment of a hearing officer to begin revocation proceedings for Morthland College.

Concomitant with these developments, Morthland College was sanctioned by its institutional accreditor, the Transnational Association of Christian Colleges and Schools after TRACS staff conducted an Institutional Staff Review for non-compliance. On September 20, 2017, TRACS placed Morthland College on Show Cause for lack of compliance with 15 accreditation standards. On October 24, 2017, TRACS placed Morthland College on Probation with one year to come into compliance with the identified TRACS Accreditation Standards. This sanction came with requirements for the institution to provide periodic progress reports in February 2018 and August 2018 on its efforts to correct the deficiencies and come into compliance with accreditation standards. The College was also required to submit a teach-out plan to TRACS by February 15, 2018. Morthland College failed to provide the requisite reports and documentation to TRACS and was again placed on Show Cause on April 24, 2018.

IBHE staff continued to monitor developments as part of its investigation of Morthland College throughout the spring of 2018. News reports during this time period detailed multiple instances of liens against the College, unpaid county taxes, cases related to allegations of unpaid bills, and questions about the status of the TIF Agreement between Morthland College and the city of West Frankfort, Illinois. During this period, the U.S. Department of Education engaged in settlement negotiations with the College regarding its August 22, 2017, Emergency Action, Termination Action, and Fine Action. Additionally, Morthland College did not submit its annual renewal to participate as a provider of online education under the requirements of the IBHE and the State Authorization Reciprocity Agreement (SARA) by the deadline of May 18, 2018. Morthland College's SARA authorization was terminated on May 31, 2018.

Morthland College notified the IBHE on May 25, 2018, of plans to close by July 31, 2018. Morthland College also notified the IBHE that it would voluntarily relinquish accreditation through TRACS and operating and degree granting authority through the IBHE on July 31, 2018. Based on notification from the College of its planned closure on July 31, 2018, and intentions to file bankruptcy, ED moved to dismiss the fine action, one of several pending actions related to the College. The dismissal of fine action was effective June 4, 2018.

Subsequent to written notice from Morthland College of its plans to close, IBHE staff provided the College with instructions for teach out on June 5, 2018 and June 8, 2018. These instructions detailed requirements to provide the IBHE lists of current and former students; evidence of communications with students, alumni, faculty, and staff regarding the planned closure;

procedures for providing student transcripts to the IBHE for permanent retention; a formal teach out plan; arrangements to release any financial holds on student accounts prior to institutional closure; and resolution of student complaints. Morthland College informed the Illinois Department of Veterans Affairs on June 21, 2018, of its planned closure. On July 11, 2018, the College sent student transcripts to the IBHE, and on July 12, 2018, provided a copy of a teach out agreement with Central Christian College in McPherson, Kansas. On July 13, 2018, TRACS accepted voluntary relinquishment of the College's accreditation on July 31, 2018. On July 24, 2018, all financial holds on student accounts were released by the College. On July 31, 2018, the College graduated two students and provided their final transcripts to the IBHE on August 1, 2018. The IBHE acknowledged the College's relinquishment of operating and degree granting authorities on August 1, 2018.

Given the closure of Morthland College and its voluntary relinquishment of operating and degree-granting authorities, an administrative hearing to pursue the revocation of such authorities is no longer necessary. While the IBHE investigation launched September 11, 2017, concluded with the closure of the College, the IBHE reserves the right to re-initiate an investigation at any time should circumstances change. IBHE staff will continue to monitor matters pertaining to the College and the U.S. Department of Education's Final Program Review Determination, including several unresolved student complaints related to the College and federal student financial aid.

