

Case for Change in Lutheran Services in America's Board Governance Structure Endorsed by the Lutheran Services in America Board of Directors on October 19, 2016

As Lutherans, we believe that we are saved by God's grace and free to love and care for our neighbor. In response to God's grace, Lutherans have been identifying unmet needs in their communities and working to meet them for generations. Today, Lutheran Services in America, Incorporated (LSA) leads a nationwide network of 300 Lutheran social ministry organizations that serves 1 out of every 50 people in the country. This paper provides a case for change in LSA's board governance structure to ensure a thriving, sustainable network of Lutheran social ministry organizations that are connected to each other and to the church for generations to come.

I. Background

LSA was created in 1997 by the Evangelical Lutheran Church in America (ELCA), The Lutheran Church-Missouri Synod (LCMS), and the social ministry organizations (SMOs) that are affiliated with the ELCA and/or recognized by The LCMS. The two national church bodies and the approximately 300 SMOs are "member-owners" of LSA with governance rights including approval of LSA's budget and changes in LSA's Bylaws. In addition, the two national church bodies approve all members of LSA (note, LSA approves associate members but they do not have any governance rights).

An 18-person Board of Directors was created in 1997 that included 9 member CEOs elected by member CEOs and 9 people appointed by the two national church bodies. This reflected the fact that the majority of the funding (and initial staffing) for LSA came from the ELCA and LCMS. In 2009, two additional board member positions were added that are elected by the Board for a total of 20 Board of Director positions.

LSA strengthens SMOs so they are thriving and resilient and have strong connections with each other and the church. LSA's vision is a network of strong, connected and thriving Lutheran social ministries that transform the lives of people and communities. LSA members have a shared Lutheran heritage and shared values which create a deep trust and openness that allows LSA members to work collectively as a powerful network to improve the lives of people and communities.

II. Evolution of the LSA Network

Over the past 19 years since LSA was created, there have been dramatic changes affecting Lutheran social ministry organizations, for example:

- Increased complexity and regulations which is particularly significant since most of our members receive a substantial amount of their funding from government sources
- Sea change in members' funding and the way that funding is provided (e.g., from fee for service to risk-based pricing)
- Technological advances
- Major changes in service delivery (e.g., from residential to home and community-based services) which is a significant shift for our members given the LSA network's long-standing presence in residential care
- Expanded for-profit competition, for example, our senior services members have to cope with for-profit competitors who have access to significant capital but do not have our commitment to chaplains that provide spiritual care or funding for benevolent care to continue serving seniors in nursing homes who run out of money

As a result, the speed of change and transformation in the SMOs is enormous and members are facing difficult choices. For example, Lutheran Social Services of Illinois had to reduce services and its staff by over 40%. Other members are significantly changing their delivery of services or eliminating units (and services) in their organization. Our members face unprecedented challenges in continuing to serve our neighbor.

In addition to understanding changing member needs, LSA has an urgent need to change its business model to continue to lead a sustainable network of Lutheran social ministry organizations that are connected with each other and the church. There has been a significant decline in national church body funding which had long been the #1 source of LSA funding. While church funding is critically important to LSA's budget, it has declined from almost half of LSA's budget in FY 2010 to 30% in FY 2012 to less than 15% in FY 2017. As a result, LSA has had to seek outside funding much of which is dedicated or restricted funding.

III. Implications for LSA Board of Directors Governance Structure

The dramatic changes affecting LSA and Lutheran social ministry require a Board of Directors with additional skill sets and connections to ensure that LSA—and the network of Lutheran social ministry—are sustainable in the future. The LSA Board of Directors needs to be:

- **Strategic** to navigate the changing landscape of Lutheran social ministry and the health and human services worlds. We need to understand member needs and ways that a national network can fill and fund them.
- **Champions and Connectors** to not only connect LSA to members and the church, but to urgently-needed outside resources and expertise. Given LSA's need to increase funding

beyond what the church can support today, we need Board members who can open doors and help us achieve partnerships and obtain external resources.

- **Skilled in key areas.** Given increased complexity, there is a need for a greater range of skills on the Board to include fundraising, marketing, partnership development, financial fluency, and other critical skills. It is important for Board members to contribute their expertise as needed to support LSA. Given the small staff size and budget, LSA cannot maintain all of the needed skills on staff or through contracts.
- **Right-sized.** LSA currently has a 20-person board for a 14-person staff in a time when the share of unrestricted funding (to support a large board) has declined. Best governance practices for both the non-profit and for-profit sectors are for much smaller size boards.

To be clear, it is critically important for LSA to maintain—and build upon—our strong mission connections with the two national church bodies. Recrafting the LSA Board structure and composition will help ensure that LSA can respond to the rapidly changing needs of Lutheran social ministry, connect to urgently-needed resources and expertise, and accomplish its mission so that the Lutheran social ministry network can continue to provide ministry and works of mercy in the future.

IV. Proposed LSA Board of Directors Structure

The proposed changes maintain a strong mission partnership with the church bodies along with two critical governance functions that the ELCA and The LCMS perform today:

- The ELCA and LCMS (and 300 SMOs) are “member-owners” of LSA which provide certain governance functions such as approval of budgets and Bylaw changes. Note, this is different than LIRS and LWR where the two church bodies are not member-owners and do not have appointed Board seats.
- The ELCA and LCMS continue to determine the members of LSA through their affiliation and recognition process.

One proposed approach is a 10-13 person national Board of Directors that includes:

- Strong Lutheran identity and church participation. This includes:
 - Appointment of the ELCA and LCMS mission leaders (currently, Stephen Bouman and Bart Day). The two people holding these positions or others appointed by the two church bodies would be permanent members of the LSA Board. This is important since we want to ensure a strong mission connection to the ELCA and The LCMS.

- At least 50% of the LSA Board members will be active members of Lutheran congregations.
- Four to six social ministry organization CEOs, elected by the members (same process as today)
- Election by the Board of four to six additional board members that provide critical expertise

This provides for a strategic board with strong Lutheran identity, champions and connectors, a greater range of critically needed skills, and a continued strong mission connection with the ELCA and The LCMS which is critical if Lutheran social ministry is to be sustainable in the future.

As we anticipate the 500th Anniversary of the Reformation and the 20th Anniversary of LSA in 2017, we want to reaffirm our strong partnership with the ELCA and The LCMS and to prepare Lutheran social ministry to thrive so we can continue to answer the call to love and care for our neighbor for the next 20 years and beyond.