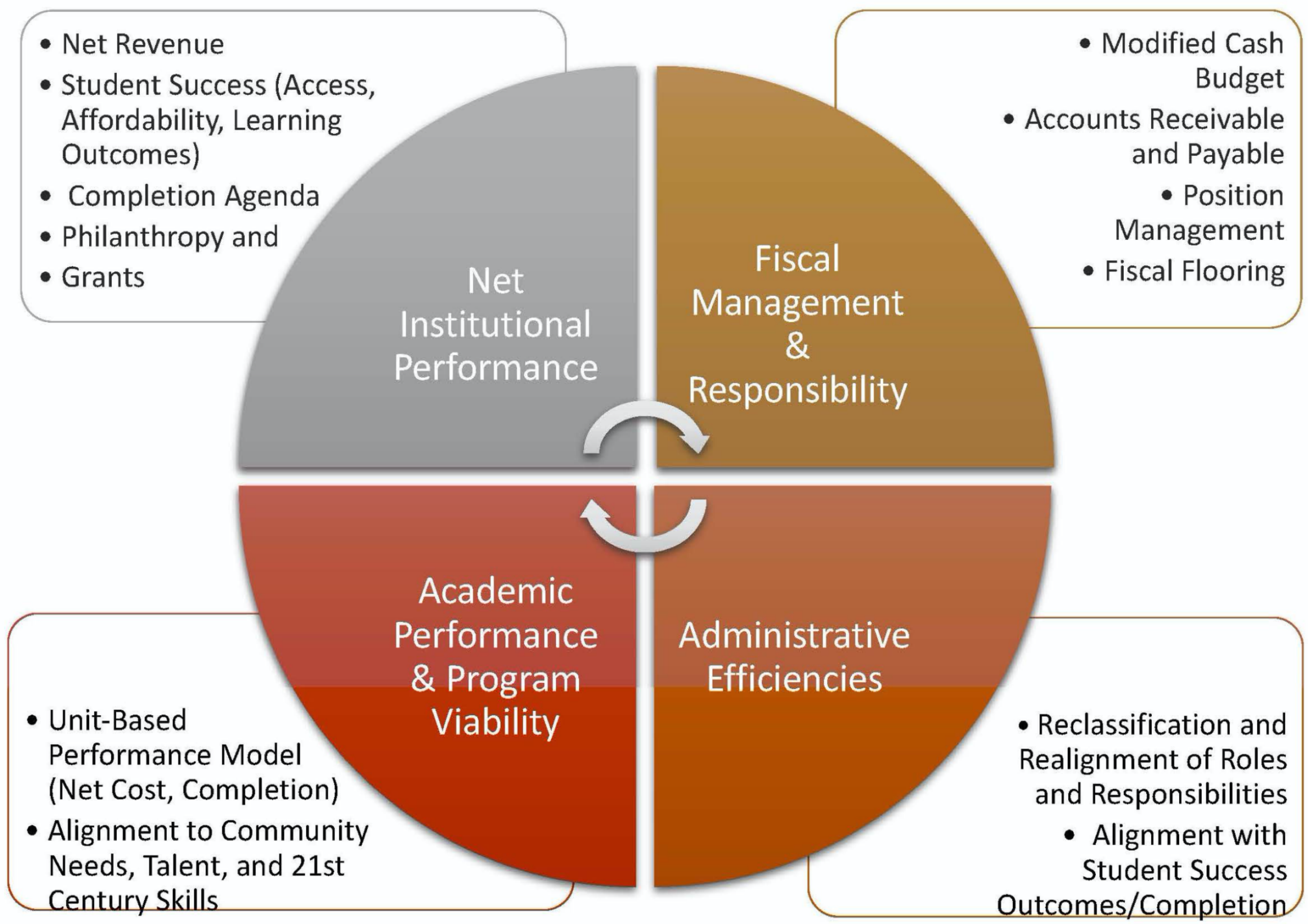
HENDERSON®

1890 STATE UNIVERSITY

Henderson's Strategic Resource Allocation Model



Reimagining Henderson

Henderson must transform the way we serve students. Our student completion rates are among the lowest in Arkansas. We have a moral obligation to the students we recruit and teach to provide the necessary support structure for them to complete degrees.

Henderson's Six-Year Graduation Rates (2014 Cohort)

- 26 percent of Pell recipients
- 45.7 percent of non-Pell students
- 8.9 percent of conditionally-admitted students who receive Pell

More than 50 percent of first-year Henderson students are Pell eligible each year. (Office of Institutional Research, Henderson State University)

Comparatively, the national six-year completion rate for students enrolling in 2015 is 62.2 percent overall with community colleges at 42.2 percent and four-year public universities at 69 percent. (National Clearinghouse Data, 2022)

Reddie for What's Next

Henderson must focus on improving our overall student success and net institutional revenue outcomes. We have been built to serve college-ready students. Our future requires us to re-engineer ourselves to be a student-ready college.

Next Steps

- Simplify tuition and fee structure.
- Utilize housing scholarships to improve occupancy.
- Address impediments in cost structure to improve affordability and retention.
- Realign resources to focus on completion.
- Provide degree pathways for students who left with account balances.

Fiscal Management and Responsibility

As shared at the Campus Conversation on January 13, 2022, Henderson's annualized modified cash revenue of $55.8 million, compared to the FY2022 operating budgeted revenues of $68.3 million, represents a projected shortfall of roughly $12.5 million in cash moving into FY2023.

This projected shortfall accounts for Higher Education Emergency Relief Fund dollars (approximately $6 million annually) that have been awarded for the past two academic years but will not be available in FY2023.

What steps have been taken to address this deficit and improve Henderson's cash position?

- Modified Cash Budget
- Position Management Process
- Spending Controls
- Cost-Savings Survey

What additional steps are required at this time?

- Furloughs
- Position Eliminations and Restructuring
- Retirement Options
- Reissue Campus Debt

Financial Update

- FY2022 HSU Modified Cash Budget
- January Activity 2022
- FY2023 HSU Modified Cash Budget

Furloughs

- Begin February 28 and run through June 30, 2022, at a minimum
- One day (eight hours) per week for faculty, staff, and administration
- Exemptions from furloughs—Positions paid for by grants or private funds, work study students, graduate assistants, and part-time employees
- Supervisors should work with employees to ensure that offices are staffed and remain open during normal business hours.
- Henderson is partnering with the Arkansas Division of Workforce Services to implement a Shared Work Program but cannot guarantee coverage of unemployment benefits. This is especially true for the weeks following the conclusion of the spring semester. Human Resources will communicate registration information and assist faculty and staff with reporting requirements.

Position Eliminations and Restructuring

- The urgency of our financial situation requires difficult but necessary decisions regarding positions.
- Notifications of some staff position eliminations will occur in the coming weeks..
- The process to eliminate faculty positions under financial exigency is detailed beginning on page 35 of the 2016 Faculty Handbook.
- Additional positions, including faculty and staff, may need to be eliminated in FY23.
- Please see the FAQ at hsu.edu/futureofhenderson for additional details.

Retirement Options

- An early retirement option like the one offered in 2020 will not be available.
- Henderson plans to seek approval from the Arkansas State University System Board of Trustees to adopt a revised retirement policy, effective July 1, 2022. The policy revision is still under review, but the current benefit of employer-paid health insurance until age 65 would be eliminated for anyone electing early retirement after July 1, 2022.
- Faculty and staff who are eligible for and interested in receiving retirement benefits detailed on pages 62-63 of the 2016 Faculty Handbook should work with Human Resources to file an intention to retire by March 31, 2022.
- Human Resources is currently working with Arkansas State University to develop an application process which will be available March 1, 2022.
- Although staff are not covered by the Faculty Handbook, the retirement benefit detailed in the 2016 Faculty Handbook is available to staff in the same timeline.

Cost-cutting steps outlined for the remainder of FY22 only address our current cash crisis.

Permanent changes to academic and administrative structures must align to the new Strategic Resource Allocation Model to improve overall net institutional performance.

Following these steps to improve our cash position, the permanent restructuring will require permanent savings, which requires us to immediately begin the process of declaring financial exigency.

Financial Exigency

- Henderson State University will immediately begin the process of declaring financial exigency.

- The 2016 Faculty Handbook provides that “[a] financial exigency will be certified when a unit (college or school) of the University or the University itself is threatened by a financial crisis that cannot be ameliorated by means less drastic than the reduction or elimination of programs which results in the termination of personnel.”

- The financial exigency process can include the elimination or reduction of academic programs and non-instructional programs. It is distinct from and implemented on a much faster timeline than program reduction or elimination undertaken as part of a formal academic planning exercise.

- However, even under the financial exigency process, tenured faculty members whose positions are designated for elimination will be given at least twelve months’ notice prior to the end of their employment.

- Henderson will follow the criteria established by the Arkansas Office of Personnel Management (OPM) through its Statewide Capital Workforce Reduction Policy to determine staff positions identified for elimination; however, not all components of that process are applicable to institutions of higher education in Arkansas by statute. Henderson will report information to the Arkansas Division of Higher Education.

Financial Exigency Timeline

- Chancellor Ambrose will formally propose a situation of financial exigency to the Faculty Senate and Staff Senate on February 3, 2022.
- The Faculty Senate and academic administrative personnel (including all deans, associate deans, and department heads) shall separately evaluate the documentation and within 14 calendar days recommend in writing to the head of the academic unit whether they concur with the determination of financial exigency.
- The academic unit head shall evaluate the recommendations made by the Faculty Senate and the academic administrative personnel and shall forward them, along with his or her written recommendation, to the Chancellor.
- No less than 30 days after receiving these recommendations, the Chancellor will forward the aforesaid recommendations, along with his or her written recommendation, to the Board of Trustees for action.

Source: 2016 Faculty Handbook, pages 35-36

Financial Exigency Timeline (Continued)

- If the Board of Trustees certifies a financial exigency, the Vice-President for Academic Affairs shall initiate actions to ameliorate the financial crisis.
- The final determination may include reduction or elimination of programs, as well as the termination of employment of members of the faculty (tenured and non-tenured), staff, or administration.
- The Vice-President for Academic Affairs, in conjunction with the Faculty Senate, or a Senate-approved Committee consisting of full-time faculty members, shall work with the appropriate administrators (deans and chairs of affected programs) to determine the program(s) and number of personnel to be affected.
- In making this determination, non-academic areas and programs shall be examined for possible elimination or reduction as well as academic programs.

Source: 2016 Faculty Handbook, pages 35-36

Multiple factors have contributed to the need for a declaration of financial exigency.

- As shared at the Campus Conversation on January 13, 2022, annualized modified cash revenue of $55.8 million, compared to the FY22 operating budgeted revenues of $68.3 million, represents a projected shortfall of roughly $12.5 million in cash for this fiscal year.

- The projected FY22 shortfall includes $6 million in Higher Education Emergency Relief Funds that will not be available in FY23, further increasing future deficits.

- Henderson has no financial reserves due to years of deficit spending and has been unable to recover financially despite a $6 million advance from the State of Arkansas in July 2019.

- During the past two decades, long-term debt grew from $14 million to $78 million, which requires debt service payments of approximately $6.9 million annually. This debt includes construction of residential facilities such as Reddie Villas and University Place and the Student Recreation Center.

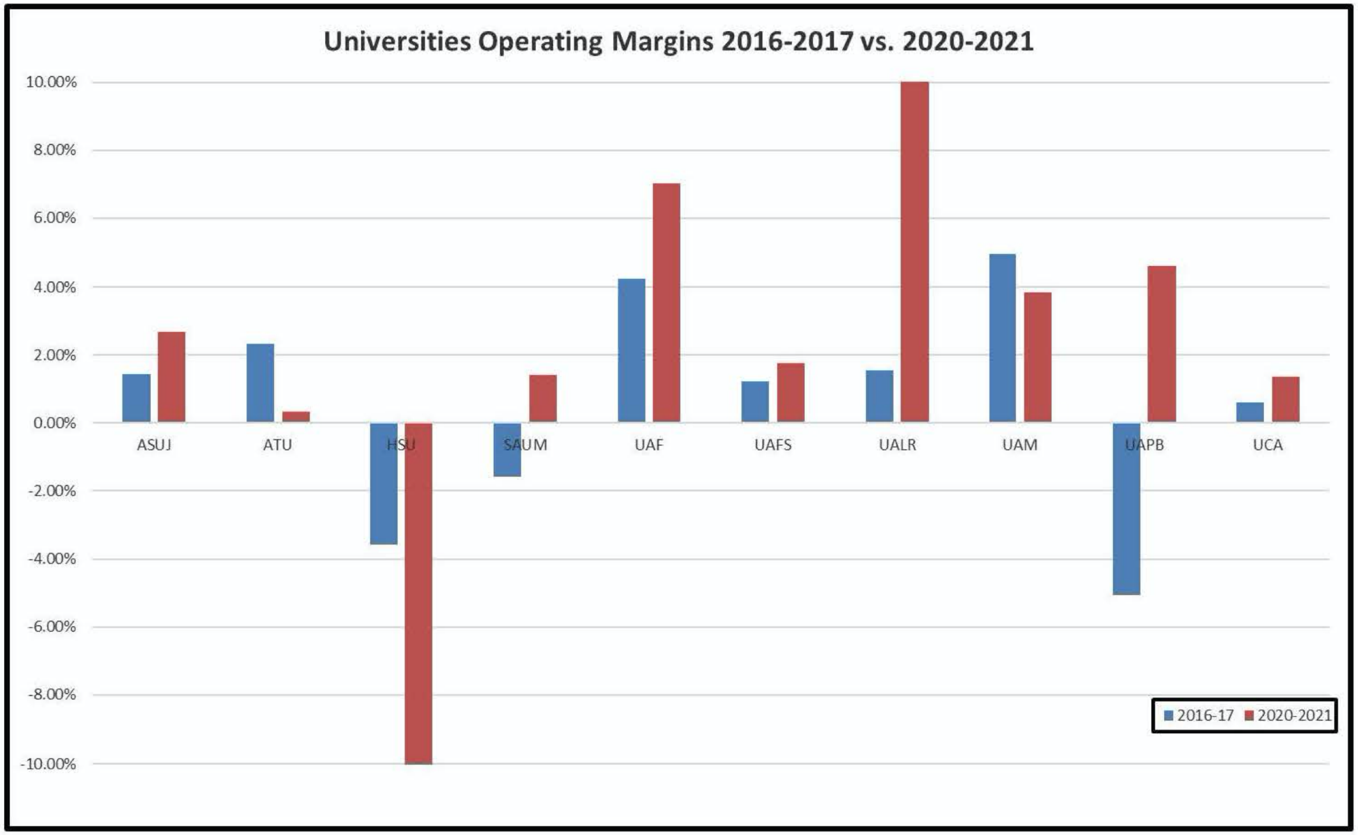
Additionally, according to the Arkansas Higher Education Coordinating Board's January 2022 "Annual Financial Condition Report"

- Henderson is the only public university in Arkansas with negative operating margins in both the 2016-2017 and 2020-2021 evaluation periods.

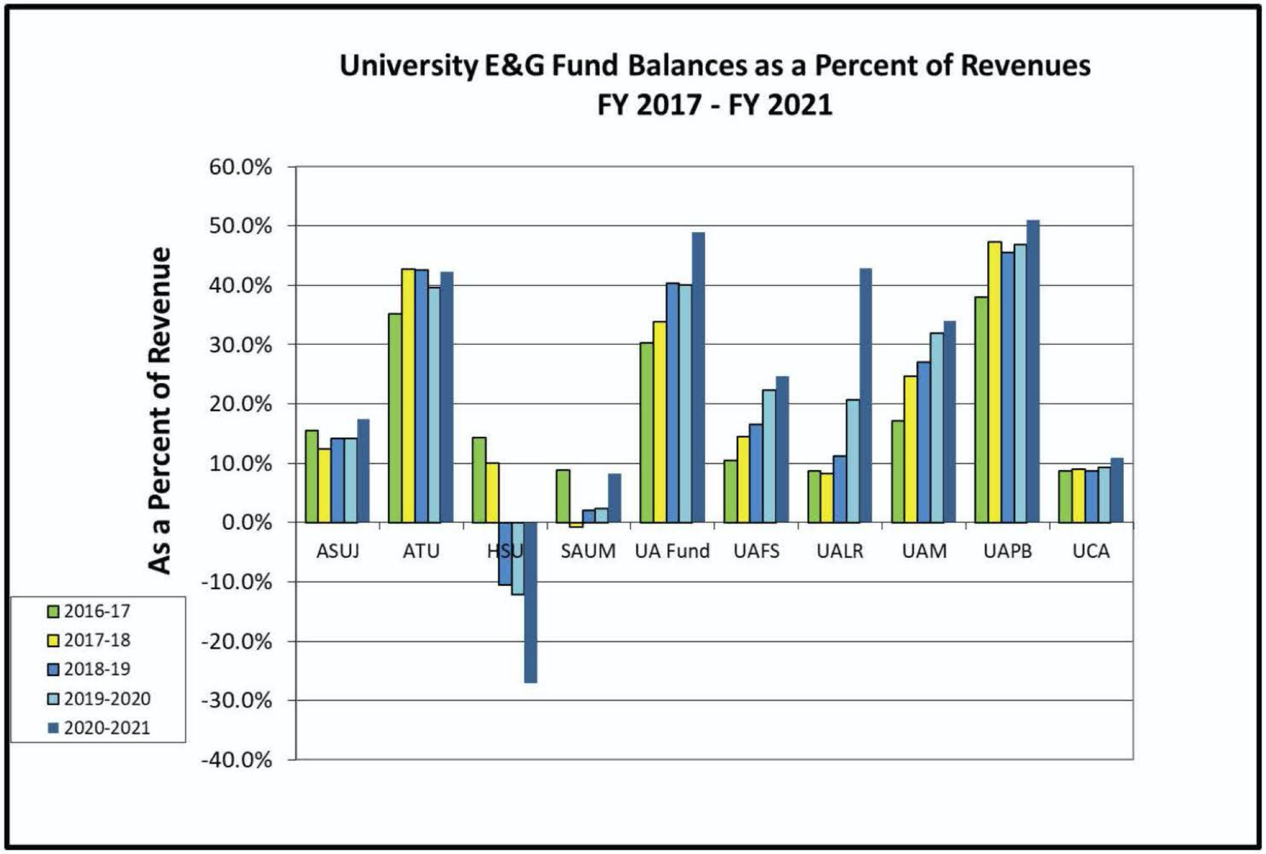
- Henderson has recorded a negative fund balance as a percentage of revenue in the 2018-19, 2019-20, and 2020-21 fiscal years.

- Henderson's expenditures based on full-time enrollment, especially in the area of instruction, continue to outpace levels at other state universities—even those with higher student enrollment.

- Henderson's student accounts receivable continues to negatively impact revenue, retention, and completion of degrees.



Source: Arkansas Division of Higher Education, Annual Financial Condition Report, January 2022



Source: Arkansas Division of Higher Education, Annual Financial Condition Report, January 2022

Table C-1. Expenditures per FTE by Expenditure Function for 2020-2021

College	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarships & Fellowships	Other	Total
ASUJ	$5,594	$156	$155	$1,305	$732	$1,071	$1,426	$2,078	$248	**$12,765**
ATU	$3,690	$500	$40	$1,602	$787	$1,857	$916	$2,405	$2	**$11,799**
HSU	$6,237	$16	$14	$557	$1,061	$2,173	$2,110	$2,927	$0	**$15,093**
SAU	$4,681	$61	$65	$995	$1,050	$1,372	$1,764	$3,627	$0	**$13,615**
UAF	$7,801	$1,110	$246	$1,818	$1,256	$1,415	$1,036	$903	$0	**$15,585**
UAFS	$5,150	$1	$19	$1,059	$1,085	$2,119	$1,203	$1,546	$0	**$12,183**
UALR	$5,525	$659	$583	$1,385	$1,059	$3,123	$1,238	$1,531	$315	**$15,418**
UAM	$4,710	$11	$83	$787	$789	$2,272	$1,607	$1,987	$5	**$12,252**
UAPB	$5,540	$1,137	$840	$1,200	$1,384	$3,652	$2,411	$2,759	$0	**$18,922**
UCA	$6,509	$128	$161	$1,279	$806	$1,512	$1,255	$2,660	-$12	**$14,298**
Average	**$5,544**	**$378**	**$221**	**$1,199**	**$1,001**	**$2,057**	**$1,496**	**$2,242**	**$56**	**$14,193**

Source: Arkansas Division of Higher Education, Annual Financial Condition Report, January 2022

Fiscal Transparency Report
(A.C.A. §6-61-222(b)(1)(L) and (b)(1)(M))

Institution:	Henderson State University	
Fiscal Year:		2021

Accounts Receivable as of June 30, 2021

Total Accounts Receivable	$	4,064,780.00
Total Student Accounts Receivable	$	10,604,821.00
Allowance for Doubtful Accounts	$	7,397,496.00
Net Student Accounts Receivable	$	3,207,325.00
Total Amount Written Off	$	30,241.00
Bad Debt Expense		

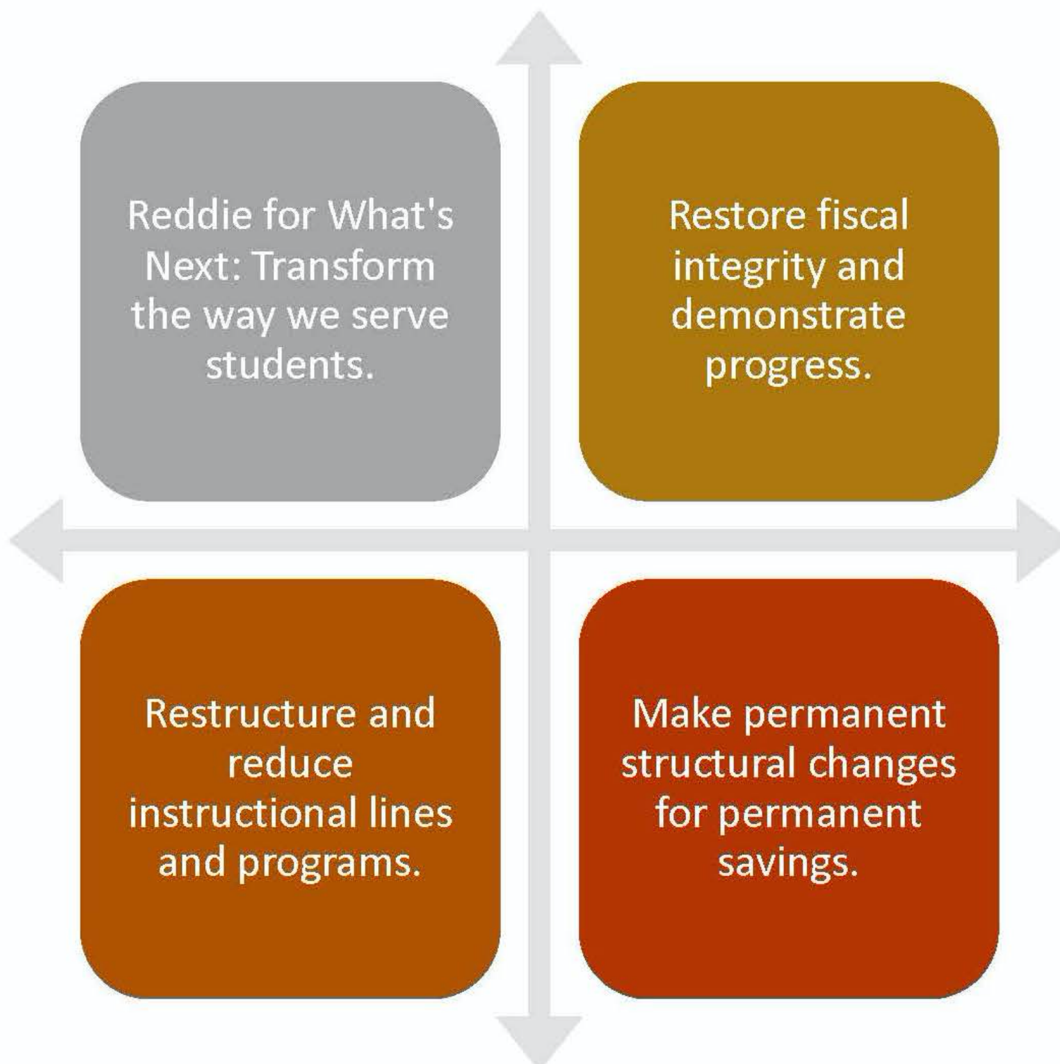
Student Accounts Aging Report as of June 30, 2021

< 1 Year (0-365 Days)	$	480,911.00
1-5 Years (36-1825 Days)	$	1,667,159.00
5+ Years (1826+ Days)	$	1,058,005.00

Number of Days of Cash on Hand as of June 30, 2021	43.00

The Data presented above for the Fiscal Year has been Audited: Yes

Source: Arkansas Division of Higher Education, Annual Financial Condition Report, January 2022


Reddie for What's Next: Transform the way we serve students.
Restore fiscal integrity and demonstrate progress.
Restructure and reduce instructional lines and programs.
Make permanent structural changes for permanent savings.