



REIMAGINING HENDERSON:

RESTORING FINANCIAL INTEGRITY AND REDEFINING THE FUTURE OF COLLEGE

In 2022, Henderson State University implemented one of the largest cost containments in the shortest timeframe in the history of public higher education. In January 2022, Henderson faced a \$12.5 million projected budget shortfall for the fiscal year ending June 30, 2022, long-term debt of \$78 million that required annual debt service payments of \$6.9 million, and depleted financial reserves, even after receiving a \$6 million dollar advance from the State of Arkansas in July 2019 and \$12 million in Higher Education Emergency Relief Funding.

Henderson needed to restore financial integrity and stabilize its finances for sustainable operations. This included eliminating its annual operating deficits, improving its overall cash position, and aligning its instructional spending with the revenue generated by specific academic programs.



According to the Independent Auditor's Report, "The statement of net position is intended to display the financial position of the university. Its purpose is to present to the reader of the financial statements a benchmark from which to analyze the financial stability of the university. It is a snapshot of the university's assets, liabilities, deferred inflows, deferred outflows, and net position (assets and deferred outflows minus liabilities and deferred inflows) as of June 30, 2022, the last day of the fiscal year."*

BASED ON FY22 AUDITED FINANCIAL STATEMENTS, HENDERSON MADE SIGNIFICANT PROGRESS IN RESTORING FINANCIAL INTEGRITY AND SUSTAINABLE OPERATIONS:

- No audit findings by Arkansas Bureau of Legislative Audit for FY22.
- The combined efforts of Henderson's modified cash budget and financial exigency helped decrease accounts payable from **\$6,926,687** to **\$1,383,746** for an improvement of **\$5,542,941**.
- Personal services expenses decreased from **\$30,768,950** to **\$23,498,322**, for a reduction of **\$7,270,628**, or **23.4 percent**.
- Henderson's overall net position* improved from **\$21,013,662** in **FY21** to **\$31,946,526** in **FY22**.
- Henderson improved from **7 days** of cash on hand in 2019 to **50 days** of cash on hand in 2022.



ARKANSAS STATE UNIVERSITY SYSTEM

On July 29, 2019, Henderson signed an agreement for the Arkansas State University System to provide operational support and assist with restoring the financial integrity of Henderson. After working together through a contractual agreement for four months, the ASU System Board of Trustees approved a merger agreement and transition plan with Henderson on November 21, 2019, for a more formal interim management process. With approval of the Higher Learning Commission and Arkansas General Assembly, Henderson officially joined the Arkansas State University System on February 1, 2021.

The support of the ASU System brought governance, policy, and practice support that was critical to the ongoing sustainability of Henderson. Resources include direct support for financial, legal, institutional research, and governmental relations functions. Additionally, shared services have created savings in health care costs, payroll and benefits, procurement, purchasing, travel, and human resources. These vital functions increased overall performance in an efficient and cost effective new organizational structure for Henderson.

In 2019, Henderson had only 7 days of cash on hand with \$64,037,276 in operating expenses. In 2020, Henderson and ASU System leadership reduced operating expenses to \$61,978,279, resulting in 38 days of cash on hand. Additional cuts in 2021 further reduced expenses to \$56,560,209 with an improvement to 42 days of cash on hand. Expense reductions included non-faculty positions, furloughs, retirement benefits, travel, and supplies.

Between 2019 and 2021, operating expenses were reduced by \$7.4 million and days of cash on hand increased from a low of 7 in 2019 to 42 in 2021. Even with these improvements, the \$6 million advance from the State of Arkansas and \$12 million from the Higher Education Emergency Relief Fund during the pandemic, Henderson's financial condition remained strained and systemic changes were needed to restore the long-term stability of the university.



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MODIFIED CASH BUDGET AND FINANCIAL EXIGENCY

Beginning in January 2022, Henderson implemented a modified cash budget, including expense reductions and position management. Savings included furloughs and administrative salary rollbacks (\$1.2 million), position management (\$335,160), and academic dean salary and stipend rollbacks (\$130,403). While these initiatives created temporary liquidity for the university to make payroll and debt service payments, existing structural deficits meant that significant systemic changes were required to ensure sustainable operations.

The ASU System Board of Trustees voted to certify Henderson's recommendation of financial exigency on March 28, 2022. The financial exigency process pushed Henderson to think holistically about organizational size and shape, to align the academic portfolio to available resources and workforce needs, and to forge community partnerships and instructional capacity with ASU System institutions and others to re-engineer to be a student-ready college.

Financial exigency launched a series of events defined by the Faculty Handbook, including the formation of a Financial Exigency Committee to develop recommendations to reduce or eliminate approximately 40 percent of academic programs or instructional lines. Decisions concerning academic programs were based on four primary metrics: Net cost basis of delivery and overall net revenue production, unit-based cost of instruction defined at the seat level, student success rates with weighted priority

for degree completion, and alignment to community-based needs and 21st century durable skills.

Analyzing net academic costs and revenues allowed Henderson to understand the financial sustainability of academic operations, identify pathways to restore fiscal integrity, and define a new academic success model. In 2020-2021, Henderson's academic portfolio lost \$13.7 million on an operating basis (overall instructional dollars compared to the net tuition and fees generated) with all academic units operating at a loss. This degree of revenue loss was unsustainable and why Henderson has struggled to meet payroll obligations even with state and federal funding.

For context, in 2020-2021, instructional salaries and benefits comprised 70 percent of total academic costs. Tenured and tenure-line faculty represented 75 percent of that amount. At the same time, total credit hours produced across the university had fallen roughly 9 percent every year since 2019. This means Henderson was teaching fewer students with an instructor cost base that was substantially misaligned. Given the size and structural nature of the operating losses, Henderson's only choice was to reduce instructional costs to better reflect actual revenues and reposition the university to offer academic programs that best fit student and community workforce needs. Financial exigency recommendations were approved by the ASU System Board of Trustees on May 5, 2022, and included program and position eliminations.

FINANCIAL HEALTH AND SUSTAINABILITY

OVERALL NET FINANCIAL POSITION

FY21: \$21,013,662

FY22: \$31,946,526

FY22 ACCOUNTS PAYABLE

Decreased from \$6,926,687 to \$1,383,746 for an improvement of \$5,542,941, or 80 percent in operational savings

FY22 AUDITED PERSONNEL SERVICES AND BENEFITS

Decreased from \$30,768,950 to \$23,498,322, for a reduction of \$7,270,628, or 23.4 percent

FINANCIAL EXIGENCY BY THE NUMBERS

ACADEMIC PROGRAMS ELIMINATED

25 (See Continuing and Teach-Out Programs List)

ACADEMIC PROGRAMS REDUCED

1 (Music)

NON-ACADEMIC PROGRAMS OR UNITS ELIMINATED

3 (Field Station, Hot Springs Campus, Small Business Development and Training Center)

CONTINUING DEGREE PROGRAMS

Health, Education, and Social Sustainability
Undergraduate
BS-Psychology
BA-Psychology
BSE-Computer Science and Business Tech Education
BS-Educational Studies Elementary
BS-Educational Studies Middle Level
BSE-Elementary Education
BSE-Middle Level Education
BSE-Health and Physical Education
BS-Health and Human Performance
BSE-Special Education K-12
AS-Health Science
AS-Health Studies
BSN-Nursing
BS-Recreation
BS-Social Work
BA-Sociology
Graduate
MSE-Educational Technology Leadership
MS-Clinical Mental Health Counseling
MSE-School Counseling K-12
EDS-Educational Leadership
MSE-Educational Leadership P-12
MS-Sport Administration
MAT-Education B-K, K-12 SPE, General Education
MS-Developmental Therapy
MSE-Teacher Leadership
MSN-Nursing
MSE-Special Education K-12

Applied Professional Science and Technology
Undergraduate
BS-Aviation
BS-Computer Science
BS-Engineering
BS-Computer Engineering
BS-Physics
BA-Physics

Arts and Humanities
Undergraduate
BA-Innovative Media
BM-Music Education K-12
BA-Music

Business Innovation and Entrepreneurship
Undergraduate
BBA-Management Information Systems
BBA-Accounting
BBA-Business Administration
Graduate
MBA-Business Administration

Pending Approval for Fall 2023
Undergraduate
BS-Natural Sciences

This degree plan would serve students pursuing prerequisites for medical school, dental school, pharmacy school, dental hygiene school, veterinary school, optometry school, and physics therapy school, as well as students who are interested in a broad science education.

TEACH-OUT DEGREE PROGRAMS

Health, Education, and Social Sustainability

Undergraduate

BA-Geography
BA-History
BA-Political Science
BA-Public Administration/Public Management
BSE-Social Science
BA, BS-Criminal Justice
BS-Early Childhood Development
BS-Family and Consumer Sciences
BS-Human Services

Graduate

MLA-Liberal Arts

Non-Academic Programs or Units Eliminated

Biological Field Station*
Hot Springs Campus
Small Business Development and Training Center

*Henderson academic leadership is evaluating options to maximize use of the field station facility.

Arts and Humanities

Undergraduate

BFA-Studio Art
BSE-Art Education K-12
BA-Communication
BA-Mass Media Communication
BA-Theatre Arts
BA-English
BA-Spanish
BM-Music
BIS-Integrated Studies

Applied Professional Science and Technology

Undergraduate

BA, BS-Biology
AS, BS-Radiography
BS-Chemistry
BS-Mathematics
BS-Nuclear Medicine Technology
BS-Medical Lab Scientist

STUDENTS CURRENTLY ENROLLED IN TEACH-OUT PROGRAMS WILL BE SUPPORTED TO COMPLETE DEGREES. ACADEMIC DEGREES WILL CONTINUE TO BE INCORPORATED THROUGH THE GENERAL EDUCATION AND INTERDISCIPLINARY STUDIES CURRICULUM.

COST CONTAINMENT

FURLOUGHS AND ADMINISTRATIVE SALARY ROLLBACKS

\$1.2 million

ACADEMIC ADMINISTRATIVE RESTRUCTURING

Change from **25 Chairs** to **4 Program Directors**
and from **4 Deans** to **1 Dean of the Faculty**
Annualized savings for FY22: **\$130,403**
Annualized savings for FY23: **\$619,684**

TOTAL EMPLOYEE HEADCOUNT

January 2022: **330**
September 2022: **230**

ESTIMATED ANNUALIZED PAYROLL SAVINGS

FY23: **\$6,670,779**
FY24: **\$8,942,918**

ANNUALIZED PAYROLL AND BENEFITS

January 2022: **\$23,270,904**
September 2022: **\$16,600,125**

Additional cost containment from vendor contract negotiations yielded approximately \$1.6 million in savings, or an overall reduction of 9 percent in the supplies and services budget.



NEXT STEPS

Ongoing structural challenges, long-term debt, and a competitive enrollment environment require that Henderson maintain its modified cash budget approach for the duration of FY23 and into FY24. The fiscal and instructional allocation deficits must be continually monitored for optimal financial health and operational integrity. Additionally, Henderson must focus and align resources to address student persistence and completion rates, which have had a direct impact on net tuition revenue, overall student accounts receivable, and available cash.

Henderson set priorities for Academic Performance and Program Viability, including the creation of four academic learning communities—Business Innovation and Entrepreneurship; Applied Professional Science and Technology; Health, Education, and Social Sustainability; and Arts and Humanities.



Engaging K-12 schools, higher education institutions, and employers to provide experiential opportunities as part of the learning community model can lower the cost of college, reduce time to earn degrees, eliminate skills gaps for workforce readiness, and mitigate the use of student loans to pay for college.

Henderson is forging partnerships to provide access and opportunity for students, create the systems and supports that students need to be successful, and graduate more students who can pursue high-demand careers. These partnerships include:



- **NYIT COLLEGE OF OSTEOPATHIC MEDICINE:** Partnership for Henderson and NYIT to offer degrees that improve access to healthcare for the underserved and rural populations in Arkansas.
- **ARKANSAS STATE UNIVERSITY:** Expansion of Henderson programs, such as aviation, to Jonesboro as well as graduate school offerings across both campuses.
- **ARKANSAS STATE UNIVERSITY THREE RIVERS:** Partnership to provide workforce training and associate degrees in Clark County.
- **SALINE COUNTY CAREER AND TECHNICAL CAMPUS:** Partnership to provide concurrent enrollment and expand degree opportunities for high schools in Saline County.
- **PEP INITIATIVE:** Partnership with Complete College America and the Arkansas Department of Higher Education for the Policy, Equity, and Practice Initiative, a grant-funded program that provides technical assistance and coaching to boost student retention and build school to career connections.
- **REUP INITIATIVE:** Partnership with ReUp Education to re-engage with students whose college experience may have been interrupted but who wish to re-enroll. This program helps students remove barriers and get back on track for graduation.



CONCLUSION

Through the management of the modified cash budget and financial exigency, Henderson has shown its ability and willingness to address the fiscal and instructional allocation deficits that threatened the viability of the university. Work to address student persistence and college completion rates is critical for the long-term success of Henderson and its students. With the continued support of the ASU System and State of Arkansas, Henderson is positioned to build seamless pathways from school to work while preparing students with degrees and credentials for high-demand careers. Further development of the learning community model and partnerships that remove barriers to degree completion can improve persistence and completion rates while creating a university that works for all students.