

Outline of Talking Points
Chancellor Recommendations to the ASU System Board of Trustees

May 5, 2022

- Thank you for your ongoing support of Henderson State University and your willingness to work with us throughout the financial exigency process
- It is important to state clearly that no campus leader wants to utilize the financial exigency process. As the American Association of University Professors states, financial exigency is usually deployed too late or not used at all, which puts the survival of the institution at risk. That was certainly true when a situation of financial exigency was recommended on February 3—and affirmed by our campus leadership—and when you as a Board approved a situation of financial exigency on March 28.
- Financial exigency is a painful process but necessary for the long-term viability of our institution and the students we serve. There is **no way to minimize the human impact** of the exigency process and the significant disruption that eliminating academic positions has on our faculty, their families and our community.
- The **timing of this financial exigency process is especially challenging due to the urgent need to improve our financial position by the end of this semester**. I am deeply sorry for the challenges that the university has faced this semester and for the longer term challenges the campus has endured over the last several years, as President Welch outlined in his remarks.
- On December 9 we notified the campus community that a **MODIFIED CASH BUDGET** was required to restore the financial integrity of the University. Without significant reductions in spending, we could not pay our debt service or our vendors and have enough cash remaining to cover our payroll in June.
- We have taken difficult actions during the spring semester. Unfortunately, furloughing staff one day a week, rolling-back administrative salaries and

stipends, position management, and other spending controls **ONLY ADDRESS THE NEED TO IMPROVE OUR CASH POSITION—BUT DO NOT ADDRESS THE STRUCTURAL DEFICITS THAT HAVE ACCUMULATED OVER THE LAST DECADE AND RESULTED IN OUR REQUEST TO DECLARE FINANCIAL EXIGENCY ON FEBRUARY 3.**

The temporary reductions to achieve savings are simply not sustainable.

- You (as the Arkansas State University System Board) approved the Declaration of Financial Exigency on March 28. An Academic Performance and Program Viability Tool was then developed to support a 30-day process for the Faculty Senate-appointed Financial Exigency Committee to meet three primary objectives:

(1) Restructure the academic program in alignment with the \$5 million dollar reduction in instructional costs [not including benefits]

(2) Determine the number of programs for elimination or reduction

(3) Determine the number of instructional lines for elimination or reduction

- We are incredibly grateful for the leadership of **Dr. Catherine Leach** and the members of the Financial Exigency Committee for their diligent work and recommendations that were provided to you as a part of this presentation.
- The Academic Portfolio and Program Viability Tools allowed us to consider our current academic program on the basis of: (1) Net costs of delivery; (2) Student success outcomes in terms of enrollment, persistence and degree completion; and (3) High demand workforce needs/career readiness of students.
- A summary of the data within this tool was made available to the campus community on April 20. The data tells the story of two structural deficits that have accumulated at Henderson over the years, **resulting in the deficit spending that has defined our negative financial position and led to this financial exigency process.**

- These two deficits include (1) exceptionally low levels of student persistence and completion and (2) instructional spending that exceeds enrollment/credit hour production.
- Arkansas Department of Higher Education reports indicate that Henderson has the lowest retention rate (Fall 21 to Fall 22) of any of the public four year institutions in the state—with the majority of community colleges persisting students at a higher rate than us.
- This results in a graduation rate that is less than half the average of national averages for four-year institutions and even lower for our students who are Pell Eligible.
- **Since 2017, 10,809 students have enrolled at Henderson. 47 percent of those students left the university without a degree. 70 percent of those students are represented in our student accounts receivables and cannot pay their bills. That represents over 60 percent of our total accounts receivables and over \$6 million in cash.**
- When you combine our losses in enrollment and low persistence rates with our instructional capacity, you find that our average annual credit hour production for all of our instructional lines is 298 hours. For a teaching institution like ours, we should be producing 600 credit hours per instructional line. **TOTAL CREDIT HOURS PRODUCED ACROSS THE UNIVERSITY HAVE FALLEN ROUGHLY NINE PERCENT A YEAR SINCE 2019.** This drives our overall instructional costs higher to the third highest in the state behind UA and UCA while producing the lowest net tuition (\$1000 less per student than the closest four-year institution to us at HSU), according to ADHE data.
- As we spend more for instruction while at the same time collecting less net tuition, the overall effect is an academic program portfolio that has been deficit spending over time.

In 2020-2021 - our combined academic portfolio lost \$13.7 million on an operating basis (overall instructional dollars compared to the net tuition generated).

In the same year, instructional salaries and benefits comprised 70 percent of the total academic costs. Tenured and tenure-track faculty represent 79 percent of that amount.

- All of the data contained within the financial exigency dashboards represents cash—what we actually paid for instruction and what we have actually collected from students.
- The Communications and Theater Arts department had a fall 2021 enrollment of 73 students across its three degree programs that are slated for teach-out. The total cost per credit hour for the entire department (inclusive of all programs) was \$307. In the academic year 2021 those programs graduated a total of 13 students and the department operated at a net operating loss of \$1,111,361." Now some of those students who may have said they were majoring in Communications and Theater graduate with another major - but the broader takeaway is that all of our academic departments operated with a deficit that totaled over \$12 million of losses last year.
- These deficits require a significant level of restructuring, which is represented in the financial exigency recommendations. People have asked for an alternative to this plan and I understand their request—but without reversing the multi-year trends in enrollment, persistence, completion, financial stewardship, and instructional cost management through a significant reimagining of academic delivery—the solvency of Henderson is at high risk. **Put simply, surgical and incremental changes are not sufficient to keep HSU financially viable and effectively serve our students.**
- **After serving as Chancellor or President for over two decades - I would not recommend changes that affect this many individuals without the firm belief that this is our path forward to creating a Reimagined Henderson that can work for students in South Central Arkansas.**
- The recommendations within this proposal are designed to give us the flexibility to redefine our academic portfolio in ways that **develop career**

pathways for students aligned with high demand fields that provide a higher degree of career readiness with a Henderson degree.

- This restructuring significantly reduces our overall costs of credit hours to align with our resources. Ultimately, these savings can be shared with our students to lower their cost for college.
- We will provide instruction across all the disciplines that we currently offer to support students' general education, interdisciplinary competencies, requisites for degree outcomes and electives meaning that we will **STILL TEACH math, chemistry, biology, English and art**—producing the durable skills that we aspire for a college degree to represent for all of our students.
- We are not abandoning our liberal arts core. We are reimagining the core curriculum in a way that best serves these students and creates flexibility, and this will include maintaining a liberal arts focus. This is why we have committed to maintaining offerings in disciplines like music and sociology. We also are not abandoning academic rigor and quality. Rather we are striving to help students succeed at HSU by meeting them where they are (BECOMING A STUDENT READY COLLEGE FROM A COLLEGE THAT REQUIRES COLLEGE READY STUDENTS IN MEASURES DEFINED DECADES AGO) and better supporting them along their academic journey.
- We will work in partnership with our Arkansas State University System sister institutions along with our good neighbor at Ouachita Baptist University to broaden our definition of who our students are, provide a platform for enrollment growth, lower our overall costs of instruction, and produce outcomes that are flexible and current to the needs of our students and the communities we serve.
- What does this mean for our current students? We are not closing or turning into a trade school. Our first and highest priority— today and into the future—is to meet your needs. We will work with our existing programs and faculty to finish the degrees you came to Henderson to pursue. You

also will be part of a restructured Henderson that will reallocate support to make certain you can complete your degree.

- We are also—with a high degree of priority—reaching out to the **6,200 students** who have left without their degrees, have access to their transcripts or have been put into collections to re-enroll or re-up to help meet their degree or career objectives. As many of our faculty have already begun to do, we will work in collaboration with our students and partner institutions to meet the highest objective—for each of you to complete your degree.

Conclusion:

- **There is no way that we can provide a sustainable model for the future of Henderson without the vital support you have provided as the Arkansas State University System. There has been daily support in so many ways—institutional research, legal, finance, advocacy, shared service with Jonesboro and, most importantly, alignment of programs and pathways with our sister institutions across the system.**
- Thank you for your thoughtful consideration and encouragement as a Board in the process thus far. We look forward to the future of the University within a system committed to each student's success.