

February 3, 2022

Dear Campus Community,

Since I joined the Henderson community in November as Chancellor, we have spent almost every minute working with our finance team and the Arkansas State University System on improving the financial performance of our university. That work has revealed throughout the development of the Modified Cash Budget that we will need to make dramatic changes to how we allocate our resources in order to ensure Henderson is a thriving and sustainable 4-year institution into the future. Unfortunately, these changes will need to be implemented immediately, and they will be painful and impactful changes for our campus and the members within our learning community. For these reasons, pursuant to the Henderson Faculty Handbook, I am proposing a situation of financial exigency, I have attached the relevant budget summaries and projections that I have relied upon in concluding that this proposal is necessary for the ongoing operation of the university.

The reasons for this proposal are many. If we do not immediately change course, we currently project HSU will incur a cash shortfall of \$12.5 million between now and June 30, 2022, which means that we will be unable to service our debts, pay our bills and have sufficient funds for payroll. The current projections beyond June 30, absent significant changes, are even more grim. Our current budget includes \$6 million from the federal Higher Education Emergency Relief Fund, and unfortunately those funds will not be available for the 2022-2023 school year. Our current long-term debt has grown from \$14 million to \$78 million, requiring annual debt service payments of \$6.9 million. We have no funds available in financial reserves, including a \$6 million loan from the State of Arkansas.

Effective on February 28, 2022, each employee on our campus, with the exception of those who are not funded by state funds, will have to take one furlough day per week. We are also implementing immediate salary reductions for certain academic administrators on our campus. As we attempt to redefine the scope and role of HSU as an institution of higher education, we are going to make changes to our management structure to ensure that our resources are allocated appropriately. Sadly, this process will ultimately involve program elimination and a reallocation of resources into the programs that best serve our students and community. The level of permanent reduction in our overall annual expenditures for FY 2023 and beyond will be significant. With today's proposal, that process will begin, and I look forward to working with the Faculty Senate and the campus leadership to expeditiously move this process forward.

There are other steps we are taking as well. The ASU System is currently looking at options to restructure our annual \$6.9 million debt payment, which will hopefully reduce our annual obligation. We are making changes to reduce expensive vendor contracts while also implementing a campus-wide hiring freeze and limiting our expenses on such things as travel and supplies. We will also be proposing changes to our retiree health insurance benefits that will take effect in July of 2022.

While I know this is not news that we all wish to hear or certainly I want to deliver, I know that our campus will utilize this process to become stronger and more focused on the students we serve. Today is the first of many steps in that process.

Joining you in service,



Chuck Ambrose