



**Review of Steps Taken by Arkansas State
University System to Address High-Risk
Categories at Henderson State University**

**Arkansas General Assembly
Joint Performance Review Committee**

June 5, 2020

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I. Interim Management Plans

- Henderson and the ASU System executed a Memorandum of Understanding on July 29, 2019, for the System to provide support and assistance to Henderson. This MOU continued until a formal merger agreement was signed.—ATTACHMENT 1
- A document entitled “Agreement of Merger and Plan of Transition between The Arkansas State University System and Henderson State University” was executed by both Boards of Trustees on Dec. 6, 2019. The document contains multiple references to interim management plans.
 - “Both parties recognize that formalization of this agreement will not occur until final approval is granted by the Higher Learning Commission (HLC). Because this approval process typically takes multiple months, and because of Henderson’s need for immediate support services from the ASU System, both parties agree that it is necessary to have an interim management agreement...Immediately upon execution of this agreement, the ASU System President shall be responsible for overseeing operations of Henderson in concert with the Henderson CEO. It is recognized that the Henderson Board of Trustees must remain as the official governing body of the university until final approval is received from HLC, but immediately upon execution of this agreement the Henderson CEO will report through the ASU System President to the Henderson Board of Trustees during this interim management process.”
 - “Effective immediately upon execution of this Agreement, the ASU System President shall chair the search committee for any search for the position of President (Chancellor) of Henderson.”
 - ATTACHMENT 2

II. Student Accounts Receivable

- Immediately upon execution of the MOU allowing for the Arkansas State University System to provide services to Henderson, student accounts receivable policies were created, approved by the Henderson State University Board of Trustees, and implemented. One policy was for all new students enrolling at the university, and the second policy was for those students who had been allowed to accrue large balances.
- ATTACHMENT 3

III. Board Financial Reports

- Insufficient financial reporting and budget information provided to the Board of Trustees was immediately identified as a significant weakness at Henderson State. ASU System officials developed multiple reporting templates to provide more timely and substantive financial information.
 - Operating budget parameters and templates—ATTACHMENT 4
 - ASU System provided Henderson administrators and finance staff with FY2021 budget parameters, operating budget exhibits, and templates to establish a framework for a sound financial operating plan.
 - Cash flow pro forma template—ATTACHMENT 5
 - ASU System created a cash flow pro forma to provide a mechanism to track and forecast cash flow. This information is provided to Henderson Trustees during their regular meetings.
 - Quarterly budget report template—ATTACHMENT 6
 - ASU System shared an existing System quarterly budget report template with Henderson administrators to provide more regular financial status reporting.
 - ASU System Financial Reserves policy—ATTACHMENT 7
 - Henderson will be required to adhere to the ASU System Financial Reserves policy upon gaining formal membership.
 - FY2020 Budget Cuts—Henderson and ASU System personnel presented the Henderson Board with approximately \$3.5 million in budget cuts for FY20 to ensure a balanced budget. These cuts were presented in September 2019.—ATTACHMENT 8

IV. Health Insurance

- Henderson implemented a self-insured health insurance plan in January 2018. Not only was the plan experiencing negative performance, but the University had no reserves to absorb the risk associated with a self-insured plan. The performance of the plan was analyzed by ASU System personnel, and it was determined that it was unsustainable for the university to remain self-insured. After soliciting bids for self-insured and fully-insured plans, the fully-insured product evolved as the lower price point and also removed the financial risk and exposure of operating a self-insured plan. Henderson moved to a fully-insured health insurance plan in January 2020.

V. Fraud Hotline

- While Henderson did have a fraud hotline in place, any comments registered on the hotline went directly to university personnel, including the president. This hotline has been discontinued.
- Henderson now participates in the ASU System Internal Audit Hotline program. All comments registered now go directly to the ASU System Internal Audit team and the ASU System Board of Trustees liaison for internal audit.
- *ATTACHMENT 9*

VI. Legal Assistance

- Henderson now submits contracts to the ASU System Legal Department for legal review, which is a service provided for all System campuses.
- Henderson discusses approaches to legal issues on campus with the ASU System Legal Department. These issues range from personnel, federal law changes such as COVID-19, and tax matters.
- ASU System legal staff are working on a contract for the new Henderson President/Chancellor. When this person is hired by Henderson, he or she will sign a contract that is consistent with the contracts that are used for other ASU System campuses and will also include a provision that will require the President/Chancellor to practice and ensure sound fiscal management of the institution. "Termination for Cause" language is also included in all employment contracts.
- Henderson has the benefit of educational legal webinars that are available to all campuses that are conducted by the ASU System Office. Some have occurred already, and others will be conducted throughout the summer.

VII. Internal Audit

- The Internal Audit Department is doing a Fraud Training and Risk Assessment survey with 66 Henderson employees, including administration, deans, chairs, directors, and fiscal support personnel, to educate on fraud schemes and to assess high risk areas for future audits.
- Internal Audit has provided the Henderson Vice President for Finance an e-Guide outlining Internal Audit processes to be distributed to all Henderson administration, staff, and faculty.
- Internal Audit has provided the Henderson Vice President for Finance with the legislative and ASU System required posters to be displayed in various campus departments that outline anonymous hotline reporting mechanisms for the State of Arkansas, as well as the ASU System.
- Internal Audit will supply self-assessment questionnaires to Henderson administration to support efforts in establishing and revising internal control procedures and guidelines to assist in strengthening the control environment in multiple areas.

VIII. Academic Scheduling/Program Review

- The ASU System has developed an “Academic Cost Accounting Model” to better understand instructional expenses within academic units. This model has been applied at Henderson to assist in reducing instructional expenses. ASU System Institutional Research staff have worked with Henderson to (1) identify contracts that can be restructured, (2) restructure summer teaching salaries, and (3) develop and implement an academic review process.
 - *ATTACHMENT 10*
 - Spring 2020—The analysis and review of faculty and course-related data yielded a reduction of \$363,930 (-63%) in adjunct and overload costs compared with the previous spring semester.
 - Summer 2020—The analysis and review of faculty compensation and course-related data yielded a revised compensation model that reduced costs by \$119,792 (-20%) for Summer I 2020.
 - Academic Program Review—As part of the model analysis, the viability and effectiveness of all academic programs is being reviewed. Following faculty collaboration on analysis and strategy of academic programs, decisions can be made regarding future inventory of academic programming.

IX. Henderson State Bylaws

- Henderson State did not have written Board of Trustees Bylaws prior to September 27, 2019. Bylaws were developed that are substantially similar to the ASU System Board of Trustees Bylaws.
- *ATTACHMENT 11*

X. Enterprise Resource Planning Consortium

- ASU System and Arkansas Legislative Audit personnel have recognized significant inadequacies in Henderson’s existing ERP system. The ERP system is the software program that manages all business processes for a college or university, including student records, financial aid, business office functions, etc. Henderson will participate in the ASU System ERP consortium that is streamlining software and processes across the system. Ultimately, Henderson will have a much more sophisticated ERP system, with much greater support, and at a price that is lower than current ERP costs.

XI. Financial Statement Preparation

- The ASU System produces a consolidated financial statement for all member institutions of the system.
- Templates exist for institutional preparation of respective financial statements, and these templates are reviewed at the campus and system level.
- Henderson State's financial statements for FY2020 will utilize these templates, and statements will be reviewed by ASU System financial staff.
- ASU System financial statement templates include over 50 different sections for comprehensive review and accuracy verification.

XII. Landmark, PLC Consulting Report

- The ASU System retained the services of Landmark, PLC to consult on Henderson policies, processes, and protocols. The initial draft report has proposed 46 recommendations for ASU System review and consideration. This effort is ongoing. Two primary areas of focus for the review included:
 - Inquiry and observation with appropriate Henderson personnel about the current design and implementation of financial processes and controls in place and functioning in the Business Office.
 - Testing of the effectiveness of Henderson internal controls in place and functioning, and the accuracy of financial transactions in the Business Office through inspection and re-performance.

XIII. Moody's Investors Service

- Moody's Investors Service released an Issuer Comment on November 8, 2019 regarding Henderson's decision to join the ASU System.
 - "Henderson State University's decision to join the Arkansas State University System is credit positive for HSU."
 - "...stronger fiscal oversight and affiliation with a large university system will be beneficial for HSU..."
 - "ASU's System of oversight, which has led to strong fiscal stewardship at its other campuses, is likely to help restore balanced operations at HSU."
 - ATTACHMENT 12

XIV. Merger Effective Date

- The Higher Learning Commission accreditation agency will conduct a virtual visit to Henderson in June 2020. Final consideration by the accrediting body is expected to occur in November 2020. Legislation will be proposed to the General Assembly in January 2021 to finalize the merger.

ATTACHMENTS:

1. Henderson-ASU System MOU
2. Henderson-ASU System Merger Agreement
3. Student Accounts Receivable Policies
4. Operating budget parameters and templates
5. Cash flow pro forma template
6. Quarterly budget report template
7. ASU System Financial Reserves policy
8. FY2020 Budget Adjustments
9. Hotline documents
10. ASU System Academic Cost Accounting Model Info
11. Henderson State Bylaws
12. Moody's Investors Service Issuer Comment

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MEMORANDUM OF UNDERSTANDING
BETWEEN
ARKANSAS STATE UNIVERSITY SYSTEM
AND
HENDERSON STATE UNIVERSITY

This Memorandum of Understanding is made by and between Henderson State University, an institution of higher education and an agency of the State of Arkansas ("HENDERSON"), and Arkansas State University System, an agency of the State of Arkansas ("ASU").

1. **Scope of Performance.** ASU agrees to provide Financial, Internal Audit, Information Technology, Institutional Research and Legal support services to Henderson for a time period beginning on August 1, 2019 and continuing through December 31, 2019 unless a different time period is mutually agreed to by the parties in writing. The Scope of Services under this MOU are attached as Exhibit A. The services provided by ASU pursuant to this MOU shall in no way inhibit or interfere with the services ASU provides to member campuses.

2. **Compensation.** As compensation for these services, HENDERSON agrees to pay ASU \$52,083.00 on or before December 15, 2019. This amount is based upon the current formula used by ASU for each member campus. Should this MOU terminate before December 31, 2019 this amount shall be reduced on a pro rata basis and paid to ASU within 30 days from the date of termination.

3. **Access to Facilities.** HENDERSON agrees to provide ASU with access to and use of appropriate facilities on HENDERSON's campus during the period of time covered by this MOU.

4. **Access to Records.** HENDERSON agrees to provide ASU with access to any and all relevant records upon request by ASU for the purpose of performing the above referenced services pursuant to this Agreement. The disclosure and use of those records shall be governed by applicable state and federal law.

5. **No Assignment.** Neither party may transfer or assign any rights or obligations under this MOU without the prior written consent of the other party.

6. **Notices.** Any notice required or permitted by this MOU shall be in writing and shall be delivered as follows with notice deemed given as indicated: by personal delivery when delivered personally; by overnight courier upon written verification of receipt; or, by certified or registered mail, return receipt requested, upon verification of receipt. Notices shall be sent to the addresses set forth below.

If to: Arkansas State University System

 Attn: Dr. Charles Welch

 501 Woodlane Drive, Suite 600

 Little Rock, AR 72201

If to: Henderson State University

 Attn: Chairman Johnny Hudson

 1100 Henderson Street

 Arkadelphia, AR 71999

7. **Choice of Law.** This MOU shall be construed and enforced in accordance with the laws of the State of Arkansas. Both parties do hereby irrevocably consent to the jurisdiction of the State of Arkansas, and agree that venue properly lies solely in the State of Arkansas. In the event either party seeks monetary damages against the other, venue properly lies in the Arkansas State Claims Commission.

8. **Severability.** Should any provision of this MOU be held by a court of law of the State of Arkansas to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remaining provisions of this MOU should not be effected or impaired thereby. The parties hereby agree to act in good faith to continue to perform in accordance with this MOU, notwithstanding the illegal, invalid or unenforceable provision.

9. **Waiver.** The waiver by Discloser of a breach of any provision of this MOU by Recipient shall not operate or be construed as an implied waiver of any other or subsequent breach by Recipient.

10. **Independent Contractors.** For the purposes of this MOU the parties are independent contractors. Each party shall bear its own costs and expenses in connection with this MOU. This MOU does not form a teaming agreement, joint venture, partnership or other business relationship with the other party. Neither party is given the authority nor shall it enter into any agreement or conduct itself as an agent of the other party by virtue of this MOU.

11. **Injunctive Relief.** A breach of any of the promises or agreements contained herein may result in the irreparable and continuing damage to the party for which there may be no adequate remedy at law, and the party shall be entitled to seek injunctive relief.

12. **Headings.** The headings contained herein are there for the convenience of the reader and are not intended to be all inclusive nor shall they be considered for any purpose in construing these terms and conditions of this MOU.

13. **Electronic Signature Valid.** The parties agree that any acceptance of this MOU that is transmitted electronically shall not be contested as to the validity of the terms and conditions in this MOU or any acknowledgment or acceptance thereof on the basis that the document contains an electronic signature. For the purposes of this document, an electronic signature is deemed as effective as a handwritten signature.

14. **Entire Agreement.** This MOU constitutes the entire agreement with respect to the Confidential Information disclosed herein and supersedes all prior or contemporaneous oral or written agreements concerning such information. This MOU may only be changed by the mutual written agreement of the parties. By executing this MOU, HENDERSON does not become a member of the ASU System.

IN WITNESS WHEREOF, the parties have executed this MOU as of the date listed below.

Henderson State University

By: Johnny K. Hudson
Johnny Hudson, Board of Trustees Chairman

Date: 7/29/19

Arkansas State University System

By: Dr. Charles Welch
Dr. Charles Welch, President

Date: July 29, 2019

EXHIBIT A

Scope of Services

Finance and Audit

1) Finance

Assist in capital financing opportunities working with underwriters, bond counsel and rating agencies.
Assist in due diligence for potential public-private partnerships.

2) Treasury Services

Assist in cash-flow management and student accounts receivable collection.

3) CFO Search

Assist in the search and recruitment process for the CFO position.

4) Operating Budget Analysis

Analyze operating budget and development of policies to guide budget development.

5) Operating Procedure Evaluation & Audit

Evaluation of key elements of potential loss such as cash handling and travel procedures.

6) Financial Reporting

Refinement and verification of financial reporting, processes and information.

Information Technology

1) Shared Resources and Services

Evaluate opportunities for shared resources and services for cost avoidance and savings potential.

2) ERP Evaluation

Evaluate and assist in development of current ERP system and explore alternatives.

Institutional Research

Evaluate Institutional Research portion of annual disclosure to Moody's. Evaluate key metrics related to the funding formula.

Legal Support

Provide legal support services to HENDERSON upon request made by the HENDERSON General Counsel to the ASU General Counsel and upon mutual agreement between the ASU General Counsel and HENDERSON General Counsel as to the scope of those services.

Executive Support

Upon request of the HENDERSON CEO, provide executive support services from the ASU System President upon request made by the HENDERSON CEO and/or Board of Trustees, and upon mutual agreement between the ASU System President and the HENDERSON CEO and/or Board of Trustees as to the scope of those executive support services.

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AGREEMENT OF MERGER AND PLAN OF TRANSITION
BETWEEN
THE ARKANSAS STATE UNIVERSITY SYSTEM
AND HENDERSON STATE UNIVERSITY

This Agreement of Merger and Plan of Transition (referred to as Agreement and/or Plan) is made and entered into on the date of full execution, indicated by all required signatures herein, between the Board of Trustees of the Arkansas State University System (ASU System), a state higher education system created pursuant to the laws of Arkansas, and the Board of Trustees of Henderson State University (Henderson), a state higher education institution created pursuant to the laws of Arkansas.

WHEREAS, the Board of Trustees of the Arkansas State University System has been vitally concerned with increasing educational opportunities in Arkansas and with providing an appropriate response to the need for expanded higher education opportunities for all citizens of the state; and

WHEREAS, the Board of Trustees of Henderson State University has expressed a similar concern for providing more accessible quality higher education opportunities suitable to the economic and cultural development of its service area; and

WHEREAS, there are cogent reasons for taking measures to increase and improve the efficient delivery of higher education in Arkansas for the benefit of the State of Arkansas, including those increased efforts which will produce the educational, scientific, technical, and cultural contributions required to correspond with the development of the state; and

WHEREAS, this Plan has been agreed upon for the expansion of both entities to more effectively and efficiently serve the increasing needs of the region and of the State of Arkansas as a whole, with additional educational opportunities for citizens, directly benefiting civic, business, and economic development interests of the region; and

WHEREAS, this Plan will enhance educational opportunities for the citizens in the specified region by providing the benefits of the Arkansas State University System while retaining the community commitment of Henderson State University as well as the loyalty, support, and contribution so demonstratively evidenced by alumni and supporters of Henderson State University; and

WHEREAS, this Plan will underscore and enhance the work, contributions, and aspirations of all who, with justified pride, are responsible for the fine institution known as Henderson State University and will achieve economy for the region and for the State of Arkansas as it meets increasing enrollments and educational demands without the initial outlay required to start a new institution by incorporating an established institution into the Arkansas State University System of higher education; and

WHEREAS, it has been determined that it is in the best interests of the parties, of the citizens served by Henderson State University, and of the State of Arkansas that the Board of Trustees of Henderson State University transfer to the Board of Trustees of the Arkansas State University System the assets and liabilities herein described, so that Henderson State University will become part of the Arkansas State University System, to be managed and controlled by the Board of Trustees of the Arkansas State University System for the benefit of citizens of the State of Arkansas; and

WHEREAS, the Arkansas State University System and Henderson State University have been collaborating on certain financial, budgetary and legal matters pursuant to a Memorandum of Understanding ("MOU") executed by both parties on July 29, 2019; and

WHEREAS, since the time of the execution of the MOU both the Arkansas State University System and Henderson State University have realized that membership in the Arkansas State University System would be of significant benefit to Henderson State University; and

WHEREAS, the Board of Trustees of the Arkansas State University System is willing to accept the transfer of said assets, liabilities, and responsibilities, and the Board of Trustees of

Henderson State University is willing to transfer them upon the terms and conditions of this Agreement; and

WHEREAS, A.C.A. §6-60-102 authorizes and encourages the voluntary consolidation and merger of public higher education institutions, including existing systems of public higher education institutions that add four-year institutions to the system;

THEREFORE, the respective Boards of these entities hereby agree as follows:

I. Merger and System Governance

Henderson State University will become a member campus of the Arkansas State University System and, as a member of the System, will not be a branch campus or satellite campus of any institution in the ASU System at any time, unless required by a state or federal law or by an accrediting body. The ASU System agrees to maintain and oversee operations of Henderson State University as an institution of higher learning in the state of Arkansas and in the ASU System. This Agreement is entered into so that both parties can provide for sound growth of and sustain Henderson as a first-class university according to a plan of transition calling for specific action by the ASU System and Henderson. This Agreement is entered into so that Henderson will be fully merged into the Arkansas State University System, which will be the surviving legal institution and which will continue to be governed by the laws of the State of Arkansas with the ASU System receiving and assuming, upon the date of transfer, the assets and liabilities of Henderson to the extent provided herein.

The ASU System recognizes the importance and significance of adding a university such as Henderson to the System. It is also recognized that the ASU System Board of Trustees should be of an appropriate size and composition to ensure suitable representation of the member campuses. Upon Henderson becoming a member of the ASU System, the ASU System Board of Trustees agrees to seek to expand the size of the Board of Trustees from five members to seven members. Recognizing that such a change will require action by the

Arkansas General Assembly, ASU System and Henderson officials agree to work with the General Assembly and the Governor of the state of Arkansas (Governor) to support these necessary changes in as prompt a manner as is possible. The two additional members of the enlarged ASU System Board of Trustees will be appointed by the Governor, and the ASU System President agrees to encourage the Governor to fill these two appointments with individuals who have significant familiarity with the Henderson campus, including those who attended Henderson. ASU System and Henderson officials also agree to work with policymakers to develop long-term criteria for use by the Governor in making all Board of Trustee appointments.

II. Institutional Programming and Traditions

Henderson, as a campus in the Arkansas State University System, utilizing the facilities, faculty, staff, and other Henderson resources, will continue to offer a full array of programming consistent with any other comprehensive public university. These offerings will include, but are not limited to, academic degree programming as designed and directed by the faculty and academic administration, academic research initiatives, public service activities, student activities and services, and intercollegiate athletics.

The ASU System also recognizes that Henderson is the second oldest university in Arkansas under state control. This long history has resulted in multiple important traditions which should be preserved. These traditions include, but are not limited to, the “Reddie” mascot, “The School With A Heart” motto, institutional colors and logos, the institutional alma mater and spirit fight song, and the “Pine Tree Speech.” The ASU System realizes both the importance of the institution’s rich history and the significant interest in allowing the university to establish and continue its own customs and rituals.

III. Institution Name

The Henderson Board of Trustees voted on October 24, 2019, to retain the name of Henderson State University. Where appropriate, the name will be followed by language indicating the University is a member of the ASU System. The ASU System recognizes the

importance to the Henderson State community that the name Henderson State University be retained. The ASU System shall at all times use reasonable efforts to maintain the name Henderson State University. The name Henderson State University shall not be changed by the ASU System unless it is required to be changed by law or unless the Henderson State University Board of Visitors and the ASU System Board of Trustees jointly agree to a change.

IV. Board of Visitors

A Board of Visitors for Henderson will be constituted. It is the expectation of the ASU System and Henderson that the Board of Visitors will be appointed by the Governor pursuant to legislative enactment. Both the ASU System and Henderson anticipate that legislation detailing this process, and establishing this Board of Visitors, will be presented to the General Assembly. Should efforts to establish a gubernatorially-appointed Board of Visitors not be successful, the ASU System and Henderson agree to develop an alternative process for establishing a Board of Visitors. The general purpose of the Board of Visitors will be to perform a liaison and advisory function between Henderson and residents of the state of Arkansas, to aid in securing financial support, to advise upon the educational and service needs of the university, to assist the ASU System as it endeavors to aid in the orderly transition of Henderson as it becomes an ASU System campus, and to furnish counsel and guidance for the resulting institution. The ASU System agrees that the Chairperson of the Henderson Board of Visitors or his/her designee will be invited to attend all meetings of the ASU System Board of Trustees to support effective representation of the interests of Henderson and so that the Henderson Board of Visitors will have an enhanced understanding of the policies, procedures, and operation of the ASU System Board of Trustees. All communication, including advice and recommendations, from the Henderson Board of Visitors will be transmitted through the Chancellor of Henderson to the President of the Arkansas State University System, who may then provide that communication to the Arkansas State University System Board of Trustees. The Chancellor of Henderson will be an executive employee of the Arkansas State University System and will report to the President of the ASU System.

The parties recognize that Henderson cannot be an autonomous institution and yet be a part of the ASU System. The legal relationship and the desirable educational direction required by this Agreement and the integration of the resulting institution into the ASU System are understood to include the governance of Henderson by the ASU System Board of Trustees and the President of the Arkansas State University System.

V. Mission, Executive Role, Accreditation, and Intellectual Property

The ASU System accepts and supports the comprehensive mission and purposes of Henderson State University. The ASU System accepts and supports the current mission, goals, strategic and operational plans, and productivity plan of Henderson State University as well as the state-assigned role and scope of Henderson State University and commits to continuation of the same.

Henderson will be led by a Chancellor who will be the chief executive officer. On the date that Henderson becomes a member of the ASU System, the President (acting, interim or permanent) of Henderson State University will become the Chancellor of Henderson. The Chancellor of Henderson will be responsible to the President of the ASU System and, through the President, to the ASU System Board of Trustees. The Chancellor's powers and responsibilities, prescribed by the ASU System President and the ASU System Board of Trustees, will be those usually associated with the chief executive officer of a four-year university. The Henderson Board of Visitors, the President of the ASU System, and the ASU Board of Trustees will establish the expectation that and assure that, in any future vacancies of the Chancellor position, all finalists for the position understand, appreciate, and commit to support and continue the unique mission and philosophy of Henderson. Effective immediately upon execution of this Agreement, the ASU System President shall chair the search committee for any search for the position of President of Henderson. The ASU System President shall appoint members to the search committee with representation from the ASU System and the Henderson campus consistent with the spirit of shared governance principles. The search committee will interview and recommend candidates to the ASU System President,

who will confer with the Henderson State University Board of Trustees, or Board of Visitors, prior to finalizing the hiring of a new President. This provision shall remain in effect after the date of transfer and shall apply to all vacancies of the Chancellor position.

Henderson will strive to deliver a broad program of undergraduate and graduate educational services. Henderson will sustain and/or achieve any required full accreditation for such programs. The ultimate determination by Henderson of the exact programs to be established or maintained, including curricula, scope of educational services, and community service are matters of informed educational judgment in relation to identified needs of the state. The ASU System will, in good faith and taking into full consideration any recommendation of the Henderson Chancellor and Board of Visitors, exercise judgment with a view toward the best welfare of Henderson regarding the educational offerings.

Henderson will be responsible for sustaining regional accreditation of Henderson by the Higher Learning Commission of the North Central Association and for program specific accreditations as well. Any and all costs associated with securing accreditation approval for this merger shall be borne solely by Henderson.

Income generated from intellectual property created by employees at Henderson, as well as any created by employees of Henderson State University which is carried forward with the merger, will be distributed to the Originator and to Henderson with any/all realized institutional revenues remaining on the Henderson campus.

VI. Policies, Operating Procedures, Internal Governance, Budget, and Personnel

As specified in this Agreement and its attachments, the ASU Board of Trustees will initially accept Henderson's current operating procedures and procedures for internal governance. Established traditions, which may differ from those specified for other ASU System campuses, will also be accepted. Retirement plans/providers for current employees will be continued for existing Henderson employees; however, any employees hired after the official merger date will be enrolled in ASU System retirement plans. Both the ASU System and Henderson will work in good faith to align policies and procedures of Henderson with the

ASU System in a timely manner after completion of the merger.

The Henderson Board of Visitors will have advisory responsibility to the Henderson Chancellor for the college's operating budget, including the establishment of tuition and fees and organizational model changes. The Henderson Chancellor will present recommendations to the ASU System President, who will be responsible for making recommendations to the ASU System Board of Trustees for final consideration and approval. In the same manner as other ASU chancellors, under delegated authority by the ASU System President, the Chancellor of Henderson will retain all rights and responsibilities pertaining to the employment of qualified faculty and staff to operate Henderson and to deliver quality educational programming and workforce training in support of the unique mission, purposes, and goals of the institution. The ASU System recognizes that Henderson will continue in its role and scope as officially designated by the Arkansas Department of Higher Education Coordinating Board. Henderson State University represents and affirms that its current and future faculty will possess the appropriate credentials for that institution.

Both parties recognize that formalization of this agreement will not occur until final approval is granted by the Higher Learning Commission (HLC). Because this approval process typically takes multiple months, and because of Henderson's need for immediate support services from the ASU System, both parties agree that it is necessary to have an interim management arrangement. Henderson will compensate the ASU System for this management agreement under the same financial formula used to determine payment under the MOU signed on July 29, 2019. Immediately upon execution of this agreement, the ASU System President shall be responsible for overseeing operations of Henderson in concert with the Henderson CEO. It is recognized that the Henderson Board of Trustees must remain as the official governing body of the university until final approval is received from HLC, but immediately upon execution of this agreement the Henderson CEO will report through the ASU System President to the Henderson Board of Trustees during this interim management process.

VII. Transferability of Credit within the ASU System

Once Henderson becomes a member of the ASU System, credit will be freely transferrable between Henderson and other ASU System campuses. The specific application of credits to the various degree programs of ASU System campuses will be determined by the respective colleges of the receiving campuses, which will make diligent efforts to assure that Henderson students will be advised of the extent to which credits will apply to various degree programs.

The ASU System will consider Henderson students to be students of the ASU System; and, as such, they will enroll with the same full faith, credit, and opportunity for success that they would have at any other ASU System campus, including access to scholarships, if they meet the academic criteria.

VIII. Equality of Treatment within the ASU System

The ASU System declares its intent that the System policies and procedures applied in operating the Henderson campus will be the same as those applied to other campuses and divisions of the ASU System with the purpose that there will be no unwarranted distinctions which might operate to discriminate against Henderson. This equality of treatment among campuses and divisions of the ASU System will, as a principle, be observed by the ASU System Board of Trustees; and any distinctions in policy and procedure germane to Henderson now or in the future will be made only when there is a considered, rational foundation supporting the difference in classification or related changes in this Agreement.

IX. Transfer of Assets and Liabilities

Henderson will transfer and assign to the ASU System, and the ASU System will accept and assume, all assets and liabilities of Henderson on the date of transfer. Henderson represents and warrants to the ASU System that as of the date of execution of this Agreement, there are no undisclosed liabilities which are material and the existence of which would materially affect the performance of this Agreement by the ASU System and

Henderson. The ASU System assumes liabilities of Henderson on outstanding bonded indebtedness, not as a general obligation of the ASU System, but as solely secured by a pledge of the revenues of Henderson set forth in the respective resolutions, agreements, and other documents and instruments in connection with such bond issues. In the event that Henderson becomes aware of a previously undisclosed liability which is material, or a new liability which is material, Henderson shall promptly notify the President of the ASU System in writing. A new liability, or a previously undisclosed material liability, shall be a sufficient justification for the ASU System not to proceed with this merger.

Henderson accepts that the university will be assessed an annual ASU System membership fee. Henderson will be assessed based on a formula utilized by the ASU System to assess all member campuses. The ASU System agrees that all current and future property and funds conveyed or transferred to it by Henderson under the terms of this Agreement or the proceeds thereof, will be used after the date of transfer by the ASU System only for the programs, purposes, and obligations of Henderson and its current and future students, and not for any other campus of the ASU System or System operations, to assure the continued high quality and excellence of Henderson.

X. Henderson State University Foundation

The ASU System is aware that Henderson currently has a charitable foundation used to support its mission. The ASU System Board of Trustees has recognized the autonomy of separate 501 (c)(3) organizations devoted to specific constituent groups of the ASU System. The ASU System acknowledges the Henderson Foundation, its status as an independent entity, its policies and procedures, and continuation of its right to continue on behalf of its chartered purposes and to manage the assets and expenditures under the direction of the Henderson State University Foundation Board of Directors. The sections of this Agreement that discuss transfer of Henderson State University assets to the ASU System shall have no application to the Henderson State University Foundation.

XI. Service of Process

The ASU System, as the institution of which Henderson will be a constituent institution, agrees that it may be served with process in the State of Arkansas in any proceeding for enforcement of any obligation of Henderson State University assumed pursuant to this Agreement, as well as for enforcement of any obligation arising from this Agreement of Merger and Plan of Transition. The Board of Trustees of the Arkansas State University System appoints the President of the Arkansas State University System as agent to accept service of process at the following address: President, Arkansas State University System, 501 Woodlane, Suite 600, Little Rock, AR 72201. The President of the Arkansas State University System will inform the Chancellor of Henderson of any service of process and the nature of the proceedings. Nothing within this Agreement will be deemed to waive the sovereign immunity of Henderson State University, the Arkansas State University System, or the State of Arkansas.

XII. Transfer of Assets Documents

To facilitate the transfer of assets from Henderson State University to the Arkansas State University System, Henderson will furnish the following:

- A) Acceptable abstracts of title or policies of title insurance to all tracts of real property owned by or under Henderson control, showing marketable title, and the originals or true copies of all instruments under which Henderson holds endowment, trust, pledge, bequest, or gift funds;
- B) Documents showing unpaid accounts to contractors, laborers, and materialmen for which mechanics, laborers, or materialmen liens may be established against Henderson and/or its property and evidence showing bond or other protection thereon;
- C) Minute books of the Board of Trustees of Henderson State University for review and determination that all proceedings have been duly, legally, and properly held or taken;

- D) Documentation of all patents, trademarks, trade names, copyrights, policies of insurance, contracts, and commitments of Henderson State University which have not been completely performed;
- E) A Phase I environmental assessment acceptable to ASU System for all real property to be transferred to ASU System pursuant to this Agreement;
- F) Any other data or information needed by ASU System in order to plan an orderly transition and merger including, but not limited to, financial data, enrollment data, and budgets; and
- G) Copies of all audits for the past three (3) years performed by the State Office of Legislative Audit or by any outside auditor together with balance sheets, income statements, and other financial books and records of Henderson including those showing all securities held by Henderson.

XIII. Certification of Funds and Assets

On the date of transfer, Henderson will certify that all funds and assets shown in the certificate of State Office of Legislative Audit described above are intact and on hand less and except expenditures for normal operations since the date of examination and said expenditures will be accounted for in full to the ASU System.

XIV. Transfer of Title

Henderson will transfer title to all real, personal, tangible, and intangible assets, held in its name, whether of record or not, on the date of transfer to the ASU System, which will receive and use such properties and their proceeds for the sole use and benefit of Henderson, including all books, papers, records, and files under custody or control for the use of Henderson together with all funds, bank accounts, accounts receivable, bequests, trusts, endowments, investments, securities, grants, pledges, contracts, and other entitlements of Henderson. Said transfers are to be executed by appropriate instruments of transfer made by Henderson and accepted by the ASU System, provided that any assets originally received

by bequest, pledge, devise, gift or trust, containing conditions and restrictions, if assignable to Henderson without incurring liability thereby, will, if accepted by the ASU System, be accepted and held upon the same conditions and restrictions as imposed by the donor or donors. Henderson will furnish a complete inventory of all the assets prior to the date of transfer.

XV. Relinquishment of Control, Responsibility, and Supervision

From and after the date of transfer, the Henderson State University Board of Trustees will relinquish all control, responsibility and supervision vested by law, or exercised in fact, over and to the institution and assets now known as Henderson State University which will thereafter be both owned and operated by the ASU System as provided for in this Agreement. ASU System personnel understand that Henderson institutional funds should be invested and deposited locally when local opportunities are reflective of/equivalent to best investment options.

XVI. Conditions

The obligation of the ASU System and Henderson to effect the agreed merger will be subject to the following conditions:

- 1) The representations herein contained will be substantially accurate in all material respects, and each institution will have performed or complied with them prior to the applicable date.
- 2) No material adverse change in financial conditions will have occurred, nor any material loss or damage to property or assets, whether or not covered by insurance, which change, loss or damage would materially affect or impair the ability of the other institution on the date of transfer.
- 3) ASU System maintains the right to retain a third party to review any and all aspects of Henderson's operations and financial standing. The ASU System may terminate this Agreement at any time prior to final approval of the Higher Learning Commission if the

ASU System's or third party's review makes a finding related to Henderson's operations or financial condition that, in the view of the ASU System, represents a significant risk to the ASU System. Termination under this section shall be at the sole discretion of the ASU System.

- 4) The execution of the terms of this Agreement will not conflict with, or result in a breach of, or constitute a default under, any agreement or instrument to which the other institution is a party except to the extent that the same will have been cured by written waiver, written consent of the other institution, or otherwise.

XVII. Amendments

The President of the ASU System and the Chair of the Henderson State University Board of Trustees both understand and agree that further refinement of this Agreement may be desirable as policies and procedures affected by the merger are explored over the next few months. Therefore, both parties pledge themselves to finalize any additional clarifications or modifications, including appropriate Board approvals, prior to the date of transfer. Upon mutual acceptance of any subsequent amendments by the President of the ASU System and the Chair of the Henderson State University Board of Trustees, a revised document shall be executed in writing and signed by both parties, thereto reflecting the final agreement.

Notwithstanding any terms of this Agreement, or subsequent modifications executed over the next few months, the Agreement of Merger and Plan of Transition may be terminated and abandoned by the parties hereto at any time prior to the date of transfer by their mutual consent and thereafter neither party will have any further rights, obligations, or liabilities under this Agreement.

XVIII. Obligation of Execution

Upon mutual agreement, the Chair of the Henderson State University Board of Trustees and the President of the ASU System each obligate themselves, prior to the effective date of the merger, to execute all necessary papers, documents, legal conveyances, and

other instruments required to effectuate the purposes and intents of this Agreement. This merger is contingent upon approval by the Board of Trustees of the Higher Learning Commission, a commission of the North Central Association.

XIX. Disclosure

This Agreement, together with agreed upon modifications, once accepted by both parties, and ratified by both Boards, will embody the entire agreement between the ASU System and Henderson with respect to this merger, and there have been and there are currently no agreements, representations, or warranties relating thereto between the parties other than those set forth herein or herein provided.

XX. Communication

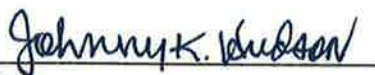
All notices, requests, demands, and other communication regarding this Agreement will be made in writing and will be directed to President, Arkansas State University System, 501 Woodlane, Suite 600, Little Rock, AR 72201 and, if to Henderson, to Board of Trustees Chair, Henderson State University, 1100 Henderson Street, Arkadelphia, AR 71999. With respect to this Agreement, the ASU System and Henderson agree that each member of the ASU Board of Trustees and the Henderson State University Board of Trustees is acting in his or her official and representative capacity and not as an individual.

XXI. Collaborative Effort

The parties are deeply sensitive to the reality that the success of the merger depends upon the good faith and integrity of the respective Boards and their executive officers, and to the end that opportunities for quality higher education in Arkansas be made available to the citizens of the State of Arkansas, the parties hereto will work closely together for the accomplishment of the aims of this Agreement.

IN WITNESS WHEREOF, the parties hereto, pursuant to authority given to their respective Boards, have caused this Agreement of Merger and Plan of Transition to be entered into and signed by their respective officers in their corporate names, and to be attested by the respective Secretaries, all in accordance with their respective resolutions, of which copies are attached, which authorize this action and designate the officers so executing to act in that capacity, all as of the day and date set forth.

HENDERSON STATE UNIVERSITY


Johnny Hudson, Chair
Board of Trustees
Henderson State University

ATTEST:


Eddie Arnold, Secretary
Board of Trustees
Henderson State University

ARKANSAS STATE UNIVERSITY SYSTEM


Niel Crowson, Chair
Board of Trustees
ASU System

ATTEST:


Price Gardner, Secretary
Board of Trustees
ASU System

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HENDERSON STATE UNIVERSITY STUDENT ACCOUNT INFORMATION
For students entering the university Fall 2019 and after

Henderson State University's interim policy for all new students (i.e., first-time freshmen, transfers, readmits and graduate students) entering Fall 2019 or thereafter, the university will not allow a student with a prior-term balance to register for future terms.

Henderson State's installment plan payment schedule for the Fall 2019 is as follows:

- Installment 1 - August 23, 2019
- Installment 2 - September 13, 2019
- Installment 3 - October 4, 2019
- Installment 4 - October 30, 2019

Spring 2020 installment plan payment dates:

- January 10, 2020
- February 7, 2020
- March 6, 2020
- March 27, 2020

We are here to help you. Henderson State University wants to work with you to make sure that you have access to all of the grant, scholarship, loan, waiver, and work-study programs that are available to continue your college education. Please contact us at (870) 230-5000 to schedule an appointment if you have questions about your account. You can also log into your MyHenderson account to view your balance or make a payment. If you need information about additional funding sources, please visit hsu.edu/financialaid for information.

STATEMENT OF RESPONSIBILITY

I understand that I will be registered for the courses herein. I understand that my student account will be charged with all tuition and fee costs associated with these classes, and I also will be charged with the housing and meal plans I have accepted and any additional charges incurred (textbook charges, library fees, traffic fines, etc.). I will be responsible for these charges. If I wish to drop/withdraw from individual courses, it will be my responsibility to do so. If I wish to withdraw from ALL courses it will be my responsibility to do so by contacting the Registrar's Office, Womack Hall, 210.

PAYMENT OPTIONS

All tuition, fees, room and board are due using the installment dates described below. Students can view their account balances and pay their bills in MyHenderson. Students with remaining balances after all aid is applied or students not receiving financial aid must use one of the following payment options:

1. Pay Online through MyHenderson.
2. Pay at the Business Office Cashier's Window, 3rd Floor of Womack Hall.
3. Pay on a university installment payment plan through MyHenderson or Business Office Cashier's Window or sign up for installment payments through Nelnet at www.MyCollegePaymentPlan.com/henderson

Fall 2019 Payment Installment Dates

August 23, 2019

September 13, 2019

October 4, 2019

October 30, 2019

Spring 2020 Preregistration Begins

November 1, 2019

Spring 2020 Payment Installment Dates

January 10, 2020

February 7, 2020

March 6, 2020

March 27, 2020

Summer and Fall 2020 Preregistration Begins

March 30, 2020

Appeal Requests:

Appeal requests must meet specific criteria and should be formally submitted to the Director of Student Accounts at studentaccts@hsu.edu with all required documentation no later than one month before the first day of classes.

- What are the criteria for qualifying for an appeal?
 - a. Student is requesting permission to enroll in future term classes and has an account balance that does not exceed:
 - i. \$2,500 for registration for Mini-January 2020 and/or Spring 2020;
 - ii. \$1,500 for registration for Summer 2020 and/or Fall 2020; and
 - iii. \$1,000 for Mini-January 2021 and/or Spring 2021.
 - b. Student must submit a letter explaining the circumstances that justify an appeal and a feasible plan for paying back the balance owed within one term.
 - c. Student is willing to sign Statement of Financial Responsibility, Promissory Note, and Payment Plan Agreement.
 - d. Student submitting an appeal authorizes release for the following information to be shared with the committee:
 - i. Student has maintained eligibility for federal and state aid.
 - ii. Student has used all available financial aid to pay for tuition, fees, room, and board.
 - iii. Student is in good academic standing and making satisfactory progress toward degree completion/graduation.
 - e. For appeals for the spring 2020 semester and thereafter, students must also have completed a FAFSA and have accepted all available federal and state aid.

In order to be considered for appeal, items a-e above must be met.

- The appeals committee is comprised of the following representatives:
 - Student Accounts Rep
 - Financial Aid Rep
 - Admissions Rep
 - Academic Advising Rep
 - University Advancement Rep

The decision of the appeals committee are final.

**Appeal for Exception to Student Account Balance Policy
For students entering the university Fall 2019 and after**

Student ID Number: _____

Student Name: _____

Contact Information: Phone: _____

Email: _____

Must use official University email

Appeal requests should be formally submitted to the Director of Student Accounts at studentaccts@hsu.edu with all required documentation no later than one month before the first day of classes.

Appeal Criteria:

- ☐ Student is requesting permission to enroll in future term classes and has an account balance that does not exceed:
 - ☐ \$2,500 for registration for Mini-January 2020 and/or Spring 2020;
 - ☐ \$1,500 for registration for Summer 2020 and/or Fall 2020; and
 - ☐ \$1,000 for Mini-January 2021 and/or Spring 2021.
- ☐ Student must submit a letter explaining the circumstances that justify an appeal and a feasible plan for paying back the balance owed within one term.
- ☐ Student is willing to sign Statement of Financial Responsibility, Promissory Note, and Payment Plan Agreement.
- ☐ Student submitting an appeal authorizes release for the following information to be shared with the committee:
 - ☐ Student has maintained eligibility for federal and state aid.
 - ☐ Student has used all available financial aid to pay for tuition, fees, room, and board.
 - ☐ Student is in good academic standing and making satisfactory progress toward degree completion/graduation.
- ☐ For appeals for the spring 2020 semester and thereafter, students must also have completed a FAFSA and have accepted all available federal and state aid.

HENDERSON STATE UNIVERSITY STUDENT ACCOUNT INFORMATION

For returning students

Henderson State University has implemented this interim policy regarding the maximum allowable student account balances. The interim policy provides returning students who were enrolled during Spring/Summer 2019 or a previous term time to pay down balances as the university implements stepped-down maximum student account balance limits over the next two academic years. At the end of this process, the university will not allow students with a prior-term balance to register for the Spring 2021 academic term and future terms.

Students who have been out of continuous enrollment for 365 calendar days must apply for readmission to the university. These students will not be readmitted until their prior account balances are paid in full.

-
- **Fall 2019:** Returning students for Fall 2019 who have past account balances in excess of \$2,500 must bring their account balances to \$2,500 or pay one-third of their balance by August 23, 2019, **and** establish a repayment plan by October 30, 2019. HSU advises these students to contact the university immediately by phone (870-230-5000) to schedule an appointment. In order to establish a repayment plan, students will be required to sign a Statement of Financial Responsibility, Promissory Note, and Payment Plan Agreement as requested by Student Accounts.

- Henderson State's installment plan schedule for the Fall 2019 term has changed to include 4 payments during each semester.

Installment dates for Fall 2019 are as follows:

- Installment 1 - August 23, 2019
 - Installment 2 - September 13, 2019
 - Installment 3 - October 4, 2019
 - Installment 4 - October 30, 2019

-
- **Mini-January & Spring 2020 Pre-Registration:** Pre-Registration will begin in November 2019. Students who have paid total balances to below \$1,500 will be eligible for pre-registration for Mini-January and Spring 2020. Students who have balances of more than \$1,500 must meet with Student Accounts to establish a repayment plan by October 30, 2019. Once the repayment plan is accepted by the university and the student signs a Statement of Financial Responsibility, Promissory Note, and Payment Plan Agreement as requested by Student Accounts, the student will be allowed to pre-register for Mini-January and/or Spring 2020.

- All balances must be paid to below \$1,500 total.
 - Mini-January & Spring 2020 charges and the prior-term balance (up to the \$1,500 maximum) may be paid in 4 payments according to the installment plan schedule for that semester.

Spring 2020 Payment Installment Dates

- January 10, 2020
 - February 7, 2020
 - March 6, 2020
 - March 27, 2020

-
- **Summer/Fall 2020 Pre-Registration:** Pre-Registration will begin in April 2020. Students who have paid prior balances to below \$500 will be eligible for pre-registration for Summer 2020 and Fall 2020. Students who have balances of more than \$500 must meet with Student Accounts to establish a repayment plan by Friday, March 20, 2020. Once the repayment plan is accepted by the university and the student signs a Statement of Financial Responsibility, Promissory Note, and Payment Plan Agreement requested by Student Accounts, the student will be allowed to pre-register for Summer 2020 and/or Fall 2020.
 - **Mini-May 2020:** Students must fulfill the following obligations by the first day of classes (May 11) to be eligible to register for the next semester or term.
 - All balances from prior terms must be paid to below \$500.
 - 100% of tuition, fees, room and board must be paid in full for Mini-May 2020 on the first day of class for Mini-May 2020.
 - **Summer I, 2020:** Students must fulfill the following obligations by the first day of classes (June 1) to be eligible to register for the next semester or term.
 - All balances from prior terms must be paid to below \$500.
 - Mini-May 2020 balances must be paid in full.
 - 100% of tuition, fees, room and board must be paid in full for Summer I, 2020 on the first day of class for Summer I, 2020.
 - **Summer II, 2020:** Students must fulfill the following obligations by the first day of classes (July 6) to be eligible to register for the next semester or term.
 - All balances from prior terms must be paid to below \$500.
 - Mini-May and/or Summer I 2020 balances must be paid in full.
 - 100% of tuition, fees, room and board must be paid in full for Summer II, 2020 on the first day of class for Summer II, 2020.
 - **Fall 2020:** Students must fulfill the following obligations by the first day of classes (date to-be-determined) to be eligible to register for the next semester or term.
 - All balances from prior terms must be paid to below \$500.
 - Mini-May, Summer I and/or Summer II 2020 balances must be paid in full.
 - Fall 2020 charges and the prior-term balance (up to the \$500 maximum) may be paid in 4 payments according to the installment plan schedule for that semester.
-

- **Mini-January & Spring 2021 Pre-Registration:** Pre-Registration will begin in November 2020. Students who have paid prior balances in full will be eligible for pre-registration for Mini-January and/or Spring 2021. Students must fulfill the following obligations:
 - All balances from prior terms must be paid in full.
 - All current charges may be paid in 4 payments according to the installment plan schedule for that semester.

STATEMENT OF RESPONSIBILITY

I understand that I will be registered for the courses herein. I understand that my student account will be charged with all tuition and fee costs associated with these classes, and I also will be charged with the housing and meal plans I have accepted and any additional charges incurred (textbook charges, library fees, traffic fines, etc.). I will be responsible for these charges. If I wish to drop/withdraw from individual courses, it will be my responsibility to do so. If I wish to withdraw from ALL courses it will be my responsibility to do so by contacting the Registrar's Office, Womack Hall, 210.

PAYMENT OPTIONS

All tuition, fees, room and board are due using the installment dates described below. Students can view their account balances and pay their bills in MyHenderson. Students with remaining balances after all aid is applied or students not receiving financial aid must use one of the following payment options:

1. Pay Online through MyHenderson.
2. Pay at the Business Office Cashier's Window, 3rd Floor of Womack Hall.
3. Pay on a university installment payment plan through MyHenderson or Business Office Cashier's Window or sign up for installment payments through Nelnet at www.MyCollegePaymentPlan.com/henderson

Fall 2019 Payment Installment Dates

August 23, 2019

September 13, 2019

October 4, 2019

October 30, 2019

Spring 2020 Preregistration Begins

November 1, 2019

Spring 2020 Payment Installment Dates

January 10, 2020

February 7, 2020

March 6, 2020

March 27, 2020

Summer and Fall 2020 Preregistration Begins

March 30, 2020

-
- **Appeal Requests:** Appeal requests must meet specific criteria and should be formally submitted to the Director of Student Accounts at studentaccts@hsu.edu with all required documentation no later than one month before the first day of classes (Aug. 14, 2019 for Fall 2019 term).
 - What are the criteria for qualifying for an appeal?
 - a. Student is requesting permission to enroll in future term classes and has an account balance that does not exceed:
 - i. \$3,500 for Fall 2019;
 - ii. \$2,500 for registration for Mini-January 2020 and/or Spring 2020;
 - iii. \$1,500 for registration for Summer 2020 and/or Fall 2020; and
 - iv. \$1,000 for Mini-January 2021 and/or Spring 2021.
 - b. Student must submit a letter explaining the circumstances that justify an appeal and a feasible plan for paying back the balance owed within one term.
 - c. Student is willing to sign Statement of Financial Responsibility, Promissory Note, and Payment Plan Agreement.
 - d. Student submitting an appeal authorizes release for the following information to be shared with the committee:
 - i. Student has maintained eligibility for federal and state aid.
 - ii. Student has used all available financial aid to pay for tuition, fees, room, and board.
 - iii. Student is in good academic standing and making satisfactory progress toward degree completion/graduation.
 - e. For appeals for the spring 2020 semester and thereafter, students must also have completed a FAFSA and have accepted all available federal and state aid.

In order to be considered for appeal, items a-e above must be met.

- The appeals committee is comprised of the following representatives:
 - a. Student Accounts Rep
 - b. Financial Aid Rep
 - c. Admissions Rep
 - d. Academic Advising Rep
 - e. University Advancement Rep

The decisions of the appeals committee are final.

We are here to help you. Henderson State University wants to work with you to make sure that you have access to all of the grant, scholarship, loan, waiver, and work-study programs that are available to continue your college education. Please contact us at (870) 230-5000 to schedule an appointment if you have questions about your account. You can also log into your MyHenderson account to view your balance or make a payment. If you need information about additional funding sources, please visit hsu.edu/financialaid for information.

**Appeal for Exception to Student Account Balance Policy
For returning students**

Student ID Number: _____

Student Name: _____

Contact Information: Phone: _____

Email: _____

Must use official University email

Appeal requests should be formally submitted to the Director of Student Accounts at studentaccts@hsu.edu with all required documentation no later than one month before the first day of classes (August 14, 2019, for Fall 2019 term).

Appeal Criteria:

- ☐ Student is requesting permission to enroll in future term classes and has an account balance that does not exceed:
 - ☐ \$3,500 for Fall 2019;
 - ☐ \$2,500 for registration for Mini-January 2020 and/or Spring 2020;
 - ☐ \$1,500 for registration for Summer 2020 and/or Fall 2020; and
 - ☐ \$1,000 for Mini-January 2021 and/or Spring 2021.
- ☐ Student must submit a letter explaining the circumstances that justify an appeal and a feasible plan for paying back the balance owed within one term.
- ☐ Student is willing to sign Statement of Financial Responsibility, Promissory Note, and Payment Plan Agreement.
- ☐ Student submitting an appeal authorizes release for the following information to be shared with the committee:
 - ☐ Student has maintained eligibility for federal and state aid.
 - ☐ Student has used all available financial aid to pay for tuition, fees, room, and board.
 - ☐ Student is in good academic standing and making satisfactory progress toward degree completion/graduation.
- ☐ For appeals for the spring 2020 semester and thereafter, students must also have completed a FAFSA and have accepted all available federal and state aid.

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OFFICE OF THE SYSTEM PRESIDENT
501 Woodlane, Suite 301N, Little Rock, AR 72201 | o: 501-660-1004 | f: 501-660-1010

MEMORANDUM

To: ASU System CFOs
From: Julie Bates, Executive Vice President
Date: April 17, 2020
Re: FY2021 Operating Budget Plans

In order to prepare for FY2021 operating budgets, please find below revenue and expenditure assumptions and key dates.

Revenue Assumptions

For Revenue Stabilization Act (RSA) monies, Category "A" and Category "B" should be budgeted for operating purposes. Category "C" should be placed into contingency and the state forecast will be monitored to determine when Category "C" may be released from contingency. See attached chart for estimated FY2021 state revenues for EETF, WF2000 and RSA. There are no firm numbers available at this time on the impact of the economic downturn on the two sources of EETF and WF2000. For initial planning purposes, campuses should plan on a (10%) cut to EETF and WF2000. For tuition and mandatory fees, campuses are asked not to increase tuition and mandatory fees for fall. However, the economic recovery will be monitored in the fall to determine if additional cuts may occur to state funding or other unforeseen circumstances, and create a need for tuition and fee increases in the spring. Increases to housing and meal plans will be considered particularly with contractual obligation increases for food services in order to ensure viability of auxiliary services.

For enrollment assumptions to project tuition revenues, 95% of the actual SSCH for the most recently available year should be utilized. A campus may choose to budget enrollment more conservatively based upon their local market trends.

Expenditure Assumptions

New positions or non-academic promotion requests will be viewed unfavorably and will need extensive justification. For classified employees, campuses will be required to implement on January 1, 2021 the new minimum wage of \$11.00 per hour. Beyond the minimum wage requirement, campuses are requested to defer salary increases for FY2021. Campuses should develop a concise summary of all planned budget adjustments to meet expected revenue decreases. Our faculty and staff remain a priority and all effort should be made to adjust first other expenditure categories such as non-essential business travel and purchases. Capital projects funded through institutional reserves should be limited to only business essential projects. The annual required budgeted transfer to maintenance reserves is suspended for FY2021.

Key Dates

Please note the following key dates:

May 15 (Friday); Budget, capital, and tuition resolutions & templates due to System

May 22 (Friday); Budget books due to System Office

ARKANSAS STATE UNIVERSITY-JONESBORO

Budgeted Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2021

[illegible][illegible]

ARKANSAS STATE UNIVERSITY-JONESBORO
Budgeted Revenues, Expenses and Changes in Net Position
Auxiliary Unit Details
For the Year Ended June 30, 2021

	Athletics		Housing		Food Service		Bookstore		Other		TOTAL
	Estimated FY2020 Actual	Budgeted FY2021	Estimated FY2020 Actual	Budgeted FY2021	Estimated FY2020 Actual	Budgeted FY2021	Estimated FY2020 Actual	Budgeted FY2021	Estimated FY2020 Actual	Budgeted FY2021	
OPERATING REVENUE											
Auxiliary enterprises:											
Athletics											\$ -
Housing											\$ -
Food Service											\$ -
Bookstore											\$ -
Other auxiliary enterprises											\$ -
TOTAL OPERATING REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES											
Compensation & benefits											\$ -
Supplies & services											\$ -
Scholarships & fellowships											\$ -
Insurance plan											\$ -
Depreciation											\$ -
Contingency											\$ -
TOTAL OPERATING EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING GAIN (LOSS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

OPERATING REVENUE
Auxiliary enterprises:
Athletics
Housing
Food Service
Bookstore
Other auxiliary enterprises
TOTAL OPERATING REVENUES
OPERATING EXPENSES
Compensation & benefits
Supplies & services
Scholarships & fellowships
Insurance plan
Depreciation
Contingency
TOTAL OPERATING EXPENSES
OPERATING GAIN (LOSS)

	Athletics		Housing		Food Service		Bookstore		Other		TOTAL
	Estimated FY2020 Actual	Budgeted FY2021	Estimated FY2020 Actual	Budgeted FY2021	Estimated FY2020 Actual	Budgeted FY2021	Estimated FY2020 Actual	Budgeted FY2021	Estimated FY2020 Actual	Budgeted FY2021	
NON-OPERATING REVENUES (EXPENSES)											
Gifts											\$ -
Investment income											\$ -
Interest on capital asset-related debt											\$ -
Other											\$ -
NET NON-OPERATING REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
INCOME (LOSS) BEFORE OTHER REV/EXP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OTHER CHANGES IN NET ASSETS											
Capital appropriations											\$ -
Capital gifts and grants											\$ -
Other											\$ -
TOTAL OTHER CHANGES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TRANSFERS IN (OUT)											
Debt Service											\$ -
Other											\$ -
TOTAL TRANSFERS IN (OUT)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
INCREASE IN NET POSITION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

NON-OPERATING REVENUES (EXPENSES)
Gifts
Investment income
Interest on capital asset-related debt
Other
NET NON-OPERATING REVENUES
INCOME (LOSS) BEFORE OTHER REV/EXP
OTHER CHANGES IN NET ASSETS
Capital appropriations
Capital gifts and grants
Other
TOTAL OTHER CHANGES
TRANSFERS IN (OUT)
Debt Service
Other
TOTAL TRANSFERS IN (OUT)
INCREASE IN NET POSITION



2020 Deferred Maintenance Budget and Planned Maintenance Projects

Notes: **Projects over \$50,000 are capitalized.** The Facilities Condition Index is the percent of the useful life of campus facilities that has been expended. The higher the percentage would indicate the greater the expended portion of the campus.

ASU-Jonesboro		
2018 Facilities Condition Index:	32%	University Average: 58%
E&G Replacement Value:	\$422,136,158	
Cumulative Deferred Maintenance Budget Set Aside:		
YTD Expenditures	\$ -	
Year-End Projected Expenditures	\$ -	
Projected Variance	\$ -	
FY2020 Deferred Maintenance Budget Set Aside:		
Planned Maintenance Projects		
		\$0
ASU-Beebe		
2018 Facilities Condition Index:	49%	Comm Coll Average: 38%
Cumulative Deferred Maintenance Budget Set Aside:		
YTD Expenditures		
Year-End Projected Expenditures		
Projected Variance	\$ -	
FY2020 Deferred Maintenance Budget Set Aside:		
Planned Maintenance Projects		
Project Total		\$0
ASU-Mountain Home		
2018 Facilities Condition Index:	31%	Comm Coll Average: 38%
Cumulative Deferred Maintenance Budget Set Aside:		
YTD Expenditures		
Year-End Projected Expenditures		
Projected Variance	\$ -	
FY2020 Deferred Maintenance Budget Set Aside:		

Capital Project Plans

		FY2020			FY2021			
Project Name	Project Type	Total Projected Cost	Total Funds Available	Total Projected Expenditures	Total Projected Cost	Total Funds Available	Current Status	Funding Source(s)
Equipment Total		0	0	0	0	0		
Projects Under Review, Not Funded:								
Project Under Review, Not Funded, Total		\$0	\$0	\$0	\$0	\$0		
Total		\$0	\$0	\$0	\$0	\$0		
ASU-Newport								
Project Total		0	0	0	0	0		
Major Equipment and IT-related purchases (over \$500K)								
ERP/Student Information System	Software	25,000	25,000				In Process	University Reserves
Equipment Total		25,000	25,000	0	0	0		
Projects Under Review, Not Funded:								
Project Under Review, Not Funded, Total		\$0	\$0	\$0	\$0	\$0		
Total		25,000	25,000	0	0	0		
ASU Three Rivers								
Project Total		0	0	0	0	0		
Major Equipment and IT-related purchases (over \$500K)								
Equipment Total		0	0	0	0	0		
Projects Under Review, Not Funded:								
Project Under Review, Not Funded, Total		\$0	\$0	\$0	\$0	\$0		
Total		0	0	0	0	0		
Grand Total Excluding Projects Under Review								
Projects		\$ -	\$ -	\$ -	\$ -	\$ -		
Equipment & IT		\$ 25,000	\$ 25,000	\$ -	\$ -	\$ -		
Total		\$ 25,000	\$ 25,000	\$ -	\$ -	\$ -		

5

OPERATING

REVENUES (CASH BASIS)

[illegible]

REVENUES (CASH BASIS)

[illegible]

TOTAL OPERATING REVENUES
EXPENSES/CASH OUTFLOWS

[illegible]**TRANSFERS IN (OUT)**[illegible]

ENDING CASH POSITION

6

ARKANSAS STATE UNIVERSITY-JONESBORO
Actual and Budgeted Revenues, Expenses and Changes in Net Position
For the Quarter Ending March 31, 2020

Educational & General (excluding OPEB, Comp Abs, and Pensions)	Educational & General (OPEB, Comp Abs, and Pensions)		Auxiliary		Plant		Other		Total	
	Annual Budget as of End of Q	Actual Year-to-Date	Annual Budget as of End of Q	Actual Year-to-Date	Annual Budget as of End of Q	Actual Year-to-Date	Annual Budget as of End of Q	Actual Year-to-Date	Annual Budget as of End of Q	Actual Year-to-Date
Operating Revenue										
Student tuition & fees	#DIV/0!	#DIV/0!								\$
Federal and county appropriations	#DIV/0!	#DIV/0!								
Grants and contracts	#DIV/0!	#DIV/0!								
Sales/services of educational departments	#DIV/0!	#DIV/0!								
Insurance plan	#DIV/0!	#DIV/0!								
Auxiliary enterprises	#DIV/0!	#DIV/0!								
Other operating revenues	#DIV/0!	#DIV/0!								
TOTAL OPERATING REVENUES	#DIV/0!	\$								\$
Operating Expenses										
Compensation & benefits	#DIV/0!	#DIV/0!								\$
Supplies & services	#DIV/0!	#DIV/0!								
Scholarships & fellowships	#DIV/0!	#DIV/0!								
Insurance plan	#DIV/0!	#DIV/0!								
Depreciation (Estimate)	#DIV/0!	#DIV/0!								
Other	#DIV/0!	#DIV/0!								
Contingency	#DIV/0!	#DIV/0!								
TOTAL OPERATING EXPENSES	#DIV/0!	\$								\$
OPERATING INCOME (LOSS)	#DIV/0!	\$								\$

OPERATING REVENUE
Student tuition & fees
Federal and county appropriations
Grants and contracts
Sales/services of educational departments
Insurance plan
Auxiliary enterprises
Other operating revenues
TOTAL OPERATING REVENUES
OPERATING EXPENSES
Compensation & benefits
Supplies & services
Scholarships & fellowships
Insurance plan
Depreciation (Estimate)
Other
Contingency
TOTAL OPERATING EXPENSES
OPERATING INCOME (LOSS)

Educational & General (excluding OPEB and Pensions)	Educational & General (OPEB and Pensions)		Auxiliary		Plant		Other		Total	
	Annual Budget as of End of Q	Actual Year-to-Date	Annual Budget as of End of Q	Actual Year-to-Date	Annual Budget as of End of Q	Actual Year-to-Date	Annual Budget as of End of Q	Actual Year-to-Date	Annual Budget as of End of Q	Actual Year-to-Date
Non-Operating Revenues (Expenses)										
State appropriations	#DIV/0!	#DIV/0!								\$
Property & sales tax	#DIV/0!	#DIV/0!								
Grants	#DIV/0!	#DIV/0!								
Gifts	#DIV/0!	#DIV/0!								
Investment income	#DIV/0!	#DIV/0!								
Interest on capital asset-related debt	#DIV/0!	#DIV/0!								
Other	#DIV/0!	#DIV/0!								
NET NON-OPERATING REVENUES	#DIV/0!	\$								\$
Income (Loss) Before Other Rev/Exp	#DIV/0!	\$								\$
Other Changes in Net Assets										
Capital appropriations	#DIV/0!	#DIV/0!								\$
Capital gifts and grants	#DIV/0!	#DIV/0!								\$
Interagency Transfers	#DIV/0!	#DIV/0!								\$
Other	#DIV/0!	#DIV/0!								\$
TOTAL OTHER CHANGES	#DIV/0!	\$								\$
Transfers in (Out)										
Debt Service	#DIV/0!	#DIV/0!								\$
Other	#DIV/0!	#DIV/0!								\$
TOTAL TRANSFERS IN (OUT)	#DIV/0!	\$								\$
Increase in Net Position	#DIV/0!	\$								\$
Beginning Net Position										\$
Ending Net Position										\$

NON-OPERATING REVENUES (EXPENSES)
State appropriations
Property & sales tax
Grants
Gifts
Investment income
Interest on capital asset-related debt
Other
NET NON-OPERATING REVENUES
INCOME (LOSS) BEFORE OTHER REV/EXP
OTHER CHANGES IN NET ASSETS
Capital appropriations
Capital gifts and grants
Interagency Transfers
Other
TOTAL OTHER CHANGES
TRANSFERS IN (OUT)
Debt Service
Other
TOTAL TRANSFERS IN (OUT)
INCREASE IN NET POSITION
BEGINNING NET POSITION
ENDING NET POSITION

ARKANSAS STATE UNIVERSITY-JONESBORO
Actual and Budgeted Revenues, Expenses and Changes in Net Position
Auxiliary Unit Details
For the Quarter Ending March 31, 2020

	Athletics		Housing		Food Service		Bookstore		Other		TOTAL
	Annual Budget as of End of Q	% of Budget Actual Year-to-Date Realized	Annual Budget as of End of Q	% of Budget Actual Year-to-Date Realized	Annual Budget as of End of Q	% of Budget Actual Year-to-Date Realized	Annual Budget as of End of Q	% of Budget Actual Year-to-Date Realized	Annual Budget as of End of Q	% of Budget Actual Year-to-Date Realized	
OPERATING REVENUE											
Auxiliary enterprises:											
Athletics											
Housing											
Food Service											
Bookstore											
Other auxiliary enterprises											
TOTAL OPERATING REVENUES	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -
OPERATING EXPENSES											
Compensation & benefits											
Supplies & services											
Scholarships & fellowships											
Insurance plan											
Depreciation											
Contingency											
TOTAL OPERATING EXPENSES	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -
OPERATING INCOME (LOSS)	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -

	Athletics		Housing		Food Service		Bookstore		Other		TOTAL
	Annual Budget as of End of Q	% of Budget Actual Year-to-Date Realized	Annual Budget as of End of Q	% of Budget Actual Year-to-Date Realized	Annual Budget as of End of Q	% of Budget Actual Year-to-Date Realized	Annual Budget as of End of Q	% of Budget Actual Year-to-Date Realized	Annual Budget as of End of Q	% of Budget Actual Year-to-Date Realized	
NON-OPERATING REVENUES (EXPENSES)											
Gifts											
Investment income											
Interest on capital asset-related debt											
Other											
NET NON-OPERATING REVENUES	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -
INCOME (LOSS) BEFORE OTHER REV/EXP	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -
OTHER CHANGES IN NET ASSETS											
Capital appropriations											
Capital gifts and grants											
Other											
TOTAL OTHER CHANGES	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -
TRANSFERS IN (OUT)											
Debt Service											
Other											
TOTAL TRANSFERS IN (OUT)	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -
INCREASE IN NET POSITION	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -	#DIV/0!	\$ -

OPERATING REVENUE

Auxiliary enterprises:

 Athletics

 Housing

 Food Service

 Bookstore

Other auxiliary enterprises

TOTAL OPERATING REVENUES

OPERATING EXPENSES

 Compensation & benefits

 Supplies & services

 Scholarships & fellowships

 Insurance plan

 Depreciation

 Contingency

TOTAL OPERATING EXPENSES

OPERATING INCOME (LOSS)

NON-OPERATING REVENUES (EXPENSES)

 Gifts

 Investment income

 Interest on capital asset-related debt

 Other

NET NON-OPERATING REVENUES

INCOME (LOSS) BEFORE OTHER REV/EXP

OTHER CHANGES IN NET ASSETS

 Capital appropriations

 Capital gifts and grants

 Other

TOTAL OTHER CHANGES

TRANSFERS IN (OUT)

 Debt Service

 Other

TOTAL TRANSFERS IN (OUT)

INCREASE IN NET POSITION

7

ASU System Policy

Effective Date: 3/6/2020

Subject: Financial Reserves Policy

Purpose

The Financial Reserves Policy is designed to protect the long-term financial health of campuses of the System and to meet the following objectives:

- Maintain adequate liquidity needs for daily operations at levels sufficient for accreditation and rating agencies
- Prepare for infrastructure investments in capital projects and planned maintenance projects
- Create capacity for planned strategic investments

Definition of Reserve Funds

Unrestricted Operating Reserves: Each campus shall build and maintain an adequate level of cash and unrestricted net assets to support daily operations in the event of unanticipated shortfalls. During annual budget planning, the Unrestricted Operating Reserves Fund shall not be utilized for ongoing budgetary commitments or to cover a permanent loss of restricted funds without recommendation from the President of the ASU System. Annually, the basis for determining an adequate reserve level will be the Primary Reserve Ratio (PRR), which is the level of expendable net assets divided by total expenses, using audited financial statement information. Campuses should work to establish and maintain unrestricted operating reserves (cash available within the operating funds) from .25 to .50 PRR.

Below is the calculation for the PRR:

Primary Reserve Ratio Calculation:	
Institution unrestricted net assets	+
Institution expendable restricted net assets	+
C.U. ¹ unrestricted net assets	+
C.U. temporary restricted net assets	+
Numerator Total	
Institution operating expenses	+
Institution non-operating expenses	+
Elimination of inter-entity amounts	+
C.U. total expenses	+
Denominator Total	
Primary Reserve Ratio =	

Facilities Maintenance, Renovation, and Construction Reserves: Each campus will be required annually to budget and transfer an amount approved by the Board of Trustees for the purpose of facilities maintenance needs. Beyond set-aside for repairs and maintenance, campuses are encouraged to develop reserves for renovation, improvement, and construction of facilities to lessen the need to issue long-term debt.

Strategic Investment Reserves: Campuses are encouraged to create and maintain strategic investment reserves. These reserves may be established to fund initiatives that support the campus initiatives and priorities, including seed monies for new academic program development or existing program enhancement, research and equipment investments, campus programs, construction, and other expenditures that support planned goals.

Maintaining Adequate Reserves and Liquidity

Because it is essential for the financial health of both the System and its campuses to maintain adequate reserves and liquidity, any campus that ends the prior fiscal year with Unrestricted Operating Reserves less than a .25 PRR shall make that fund the highest priority for replenishment. Additionally, each campus shall maintain liquidity to adequately cover its cash operating expenses for a minimum of 60 days.

Below is the calculation for Days of Cash on Hand:

Days of Cash on Hand Calculation:	
Current cash and cash equivalents (SNP) ²	+
Short-term investments (SNP)	+
Noncurrent cash and cash equivalents - unrestricted (SNP)	+
Available Cash Total	
Operating expenses (SRECNP) ³	+
Depreciation (SRECNP)	-
Net Operating Expenses	
Net operating expenses/365	
Daily Operating Expenses	
Available cash total/daily operating expenses	
Days of Cash on Hand =	÷

Any campus at less than .10 PRR, or with less than 60 days cash on hand, will be considered in financial distress and will be subject to additional monitoring by the System Administration until the campus achieves the target level in accordance with this policy.

¹ C.U. is Component Unit, such as a related foundation excluding athletic-related or alumni foundations.

² SNP is Statement of Net Position from the audited financial statements.

³ SRECNP is Statement of Revenues, Expenses, and Changes of Net Position from the audited financial statements.

(Adopted by the Arkansas State University Board of Trustees on March 6, 2020, Resolution 20-XX.)

8

**HENDERSON STATE UNIVERSITY
FY2020 BUDGET ADJUSTMENT PROPOSAL**

I.	Supplies & Services/Travel Reductions	\$900,000
II.	Streamlined Course Offerings/Compensation	\$250,000-\$500,000
III.	Salary Savings	\$650,000
	<ul style="list-style-type: none">• Extra Help Budgets• Unfilled Positions• Hiring Freeze• Personnel Reorganizations/Adjustments• Budgeted Salary Reserve Funds	
IV.	President's Office	\$112,000
	<ul style="list-style-type: none">• Elimination of Unfilled Position• Salary Savings• Extra Help	
V.	Operational Efficiencies	\$275,000
VI.	Compensation Adjustments	\$1,236,810
	<ul style="list-style-type: none">• 3% Salary Adjustments (excl. Classified Staff)• Retirement Match Adjustments	
<hr/> Total		\$3,423,810--\$3,673,810

*Amounts are estimates and reflect reductions from the original FY2020 budget

9



Arkansas State University Employees' Fraud, Waste and Abuse Report Center

PREVENT

Illegal use and mismanagement of
Arkansas State University Resources

REPORT

Information concerning fraud,
waste and abuse



Report Center

(855) 382-7963 Toll-free, 24-hours-a-day,
or online at www.asusystem.edu/fraud

**Arkansas State University System
Internal Audit Department**

(501) 660-1030
Monday-Friday, 8 a.m. - 5 p.m.



EMPLOYEE RIGHTS

★★★★★★★★★★★★★★★★★★★★★★★★★★★★★★★★★★★★★★★★

Under the Arkansas Whistle-Blower Act

The Arkansas Whistle-Blower Act prohibits a public employer from taking adverse action against a public employee who communicates in good faith to an appropriate authority the existence of waste of public funds, property, or manpower or a violation of law; participates, or gives information, in an investigation, hearing, court proceeding, legislative inquiry, or administrative review; or objects to carrying out a directive the public employee reasonably believes violates the law.

A whistle-blower is a person who witnesses or has evidence of waste or a violation of law while employed by a public employer and who communicates in good faith about the waste or violation to a supervisor, an agent of the public employer, or an appropriate authority (e.g., Office of Attorney General, Office of Auditor of State, Arkansas Ethics Commission, Legislative Joint Auditing Committee, Arkansas Legislative Audit, Prosecuting Attorney, etc.).

If a public employer takes adverse action against a public employee, that employee may bring civil suit against the public employer to recover actual damages and injunctive relief. There are time limitations and other requirements applicable to this right of action. A public employee reporting waste or violations may be eligible for a financial reward.



**To anonymously report suspicions of illegal activity
by government officials, call the FBI hotline at
501.221.9100 (Press Option 8) OR 501.221.8200, or
call the Arkansas State Police at 800.553.3820.**



This notice summarizes certain portions of the Arkansas Whistle-Blower Act. For more information, consult Act 1523 of 1999, as amended, and Ark. Code Ann. §§ 21-1-601 to -610.

10

PROGRAM COSTING MODEL METHODOLOGY

To better understand instructional expenses within academic units, Huron identified programmatic costs for 83 unique programs across 3 divisions at an Arkansas State University campus.

Each program was reviewed within the course catalog to identify courses students are required to complete in order to graduate with a degree.

- **Major Hours** – Credit hours within designated programs of study, depending on the major and are inclusive of required courses and electives tied to the specific major
- **General Education Hours** – Credit hours within the campus general education program covering the required courses for all students
- **Elective Hours** – Credit hours within the university that do not directly fulfill the requirements of the major and/or general education but are taken by the student to complete the minimum hours required for graduation

Each course identified was then broken into component costs split across three (3) cost areas and then aggregated to create a total cost per student credit hour in each course for each program.

- **Instructor Compensation** – The portion of the instructor's salary directly tied to a given section the instructor was assigned to within the ERP
- **Division Overhead** – A proportional allocation covering division expenses for the course not associated with instructor compensation
- **Financial Aid** – A proportional allocation of institutionally controlled financial aid attributed to the course

ACADEMIC COST DRIVERS

Huron identified expenses across three (3) cost components and allocated institutional expenses to quantify and identify resource dependent programs.

Cost Components	Variability in Allocation	Allocation Methods	Model Inclusion
Instructional Costs	High	Section Assignment	Yes
Overhead	Moderate	College and Credit Hour	Yes
Financial Aid	Low	Credit Hours (UG) and Direct to Unit (Graduate)	Yes

This component represents an area of significant division control and the primary variability in credit hour expense

These components account for significant institutional expense but do not vary significantly with course and/or level

The cost components included in the model were provided by several Campus offices to include the Registrar, Finance, and Human Resources with all data points used in the analysis from academic year 2017.

COST COMPONENT OVERVIEW

Each course was assigned costs from each of the aforementioned components, enabling identification of drivers for both high and/or low cost per credit hour calculations¹.

$$\text{Cost Component} = 1 + 2 + 3 = \text{Total Course Cost}$$

Course	Instruction	Overhead	Financial Aid	Total	Credit Hours	Cost per CH
CIS 1203	\$22,186	\$6,227	\$3,731	\$32,144	465	\$69
ENG 1013	\$70,956	\$16,566	\$8,883	\$96,405	1,107	\$87
FUS 1022	\$6,711	\$1,884	\$642	\$9,236	80	\$115
MATH 3	\$29,311	\$6,592	\$5,200	\$41,123	648	\$63
PAR 2003	\$4,078	\$1,118	\$120	\$5,316	15	\$272
LPN 2714	\$5,143	\$1,410	\$417	\$6,970	52	\$134

The following slides provide illustrative examples of how each cost component was calculated to arrive at student cost per credit hour enrolled, thus enabling Academic Deans to make informed course level decisions.

SAMPLE PROGRAM OUTPUT

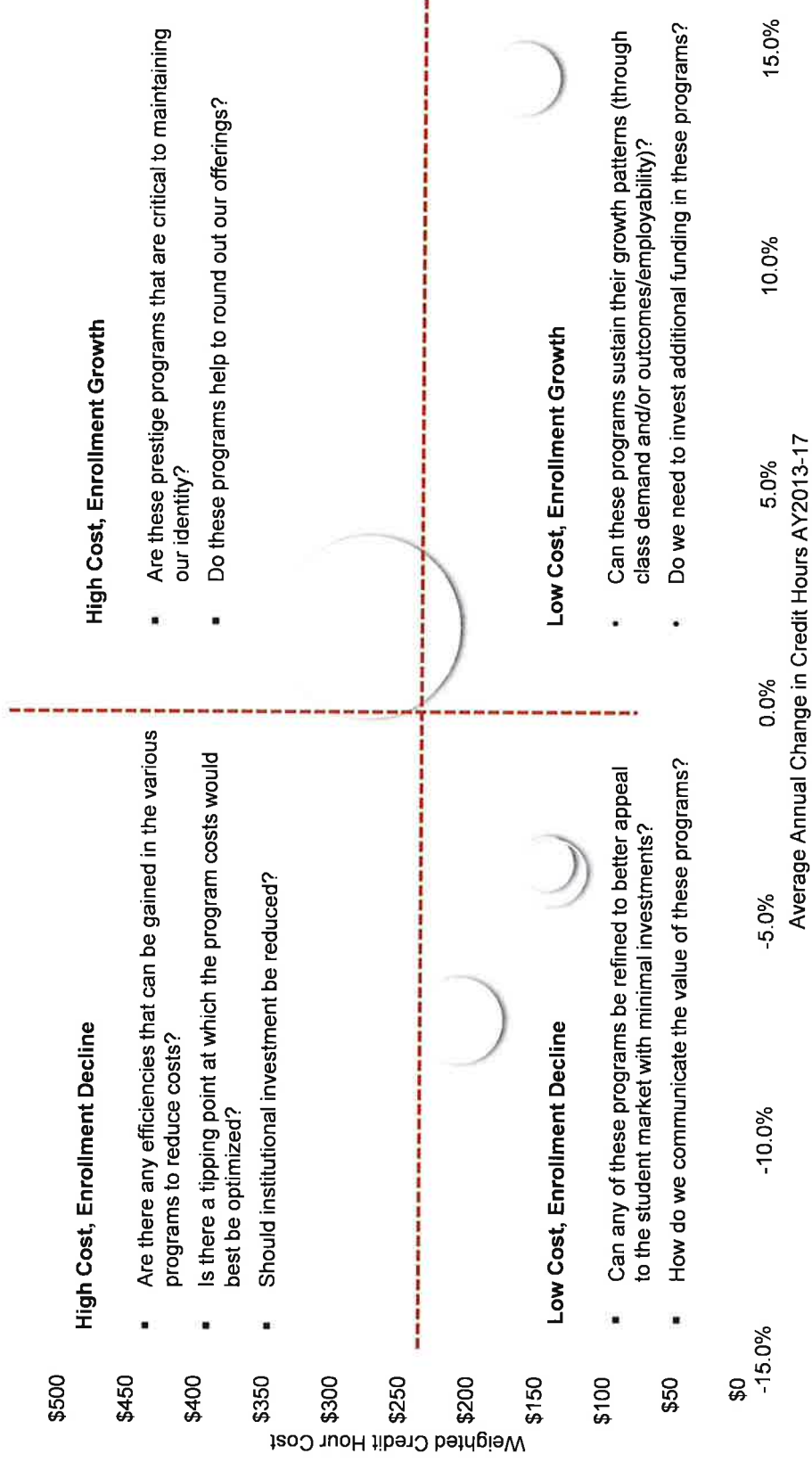
To account for the programmatic variety within each major, each program was constructed in order of major requirements, general education (GE) requirements, and if applicable, any elective remaining requirements.

Business—Major Requirements					Business—Cost Components		
Major Name	Requirement	Total Hours	Total Cost	Cost/Hour	Major	Hours	24
General Business	Core 1	21	\$6,047	\$288		Cost	\$7,362
General Business	Core 2	3	\$1,315	\$438		Avg Hour	\$307
Totals		24 Hours	\$7,362	\$307	General Education (GE)		
					Hours	38	
					Cost	\$3,021	
					Avg Hour	\$77	
					Required	62	
					GE + Major	62	
					Elective	0	
					Major (1)	\$7,362	
					GE (2)	\$3,021	
					Elective (3)	\$0	
					Total	\$10,383	

Based on the model and current assumptions, an Associate of Science in Business would cost \$10,383 inclusive of all component costs to include instructional, overhead, and financial aid.

COST-TO-EDUCATE MATRIX

During conversations with academic leadership, critical questions were posed based on the location of programs within each of the four quadrants



11

BYLAWS
OF THE BOARD OF TRUSTEES
OF HENDERSON STATE UNIVERSITY

ARTICLE I

Statement of Purpose

The Board of Trustees of Henderson State University was established by Arkansas law. The Board governs the Henderson State University.

The Board of Trustees is charged with the management and control of Henderson State University. The Board shall exercise the power, authority, and duties conferred on the Board by law.

In order to effectively manage and control the University; in order to provide for a definitive, orderly form of governance; and in order to secure and continue a superior institution of higher education, the Board of Trustees hereby promulgates and adopts the following Bylaws.

ARTICLE II

The Board of Trustees

The entire management and control of the activities, affairs, operations, business, and property of the Henderson State University (hereinafter referred to as the "University") shall be completely and absolutely vested in the Board of Trustees of Henderson State University (hereinafter referred to as the "Board"); however, upon general or specific authorization or delegation made or provided for in these Bylaws, the Board may exercise its management and control by and through such officers, officials, committees, and agents as may seem fit and proper.

II.1. Composition and Appointment of the Board

The Board shall consist of seven (7) members appointed from the state at large. The Governor, by and with the advice and consent of the Senate, shall appoint the members of the Board.

II.2. Term of Office

The term of office for each member shall commence on January 15 and shall end on January 14 of the seventh year following the year in which the regular term commenced, or

until such time as a replacement is named. The terms of the members of the Board are arranged so that one term expires every year. Members may be reappointed by the Governor.

Any vacancies arising in the membership of the Board for any reason, other than the expiration of the regular terms for which the members were appointed, shall be filled by appointment by the Governor, subject to the approval by a majority of the remaining members of the Board and shall be thereafter effective until the expiration of the regular terms.

The Governor shall have the power to remove any member of the Board before the expiration of his or her term and for cause only, after notice and hearing. The removal shall become effective only when approved in writing by a majority of the total number of the Board, but the member removed or his or her successor shall have no right to vote on the question of removal.

II.3. Compensation of Trustees

No trustee shall receive pay or emolument other than his or her actual expenses incurred in the discharge of his or her duties; such expenses shall be paid or reimbursed from University funds upon the authorization of the President. Such authorization shall be subject to review and certification annually by the Chair of the Board.

II.4. Primary Functions of the Board

In the exercise of its management and control of the University, the Board recognizes that it must determine major policy; review existing policy; define the missions, role, and scope of the University and each of its major divisions or component institutions (hereinafter referred to as "Campus"); and provide ultimate accountability to the public and the political bodies of Henderson. Any authority delegated by the Board shall be subject to the ultimate authority of the Board.

Within these fundamental responsibilities, the Board will perform, where appropriate, many essential functions vested in the Board by Amendment 33, including, but not limited to, the following:

- a. Establish substantive institutional policy for the operation of the University.
- b. Determine and periodically review the University's mission and purposes, consistent with state constitutional and/or statutory provisions.
- c. Appoint the President, who shall be the University's chief executive officer, and set appropriate terms of employment, including compensation.
- d. Support the President and annually assess his or her performance based on mutually agreed-upon goals and other criteria.

- e. Approve the appointment of all faculty members and employees, on the recommendation of the President and consistent with other policies and regulations adopted by the Board.
- f. Grant tenure on the recommendation of the President and consistent with other policies and regulations adopted by the Board.
- g. Review and approve the University's academic programs, curriculum, course credits, admission standards, and other educational practices consistent with the University's mission, plans, and financial resources.
- h. Acquire, manage, transfer, and sell all real property of the University.
- i. Approve the annual budget and tuition and fees, regularly monitor the University's financial condition, and establish policy guidelines affecting all institutional assets, including investments and the physical plant.
- j. Approve the salaries of all employees.
- k. Evaluate and select employee benefits and determine which employees are eligible to receive those benefits.
- l. Contribute to the University's fund-raising goals, participate actively in strategies to secure sources of support, authorize University officers to accept gifts or bequests subject to policy guidelines, and invest and dispense non-public funds.
- m. Adopt Bylaws, rules, and regulations for the governance of its members, officers, agents, and employees and require adherence to such rules, including, but not limited to, those pertaining to governance, ethics, and conflict of interest.
- n. Determine the University's structure and major academic programs and services needed for the successful conduct of its mission and purposes.
- o. Grant diplomas and certificates and confer degrees based upon the recommendations of the Campus Chancellor and faculty.
- p. Serve actively as advocates for the University in appropriate matters of public policy, in consultation with the President and other responsible parties, as the Board shall determine.
- q. Periodically assess its own performance in order to set an example for the University community and to seek ways to strengthen its effectiveness as a corporate body.

- r. Exercise such other authority as it deems appropriate to carry out the educational functions of the University within the applicable laws and regulations of the United States of America and applicable laws and regulations of the state of Arkansas.

From time to time, the University may receive and voluntarily agree to comply with requests from outside entities. These cooperative actions in no way constitute a waiver of the vested rights of the Board.

ARTICLE III

Meetings of the Board of Trustees

III.1. Regular Meetings

The Board shall schedule annually, in advance, regular meetings of the Board to be held during the ensuing year. A scheduled meeting may be cancelled, or the date, place, and time of holding the same may be altered by majority vote of the Board. The Board shall meet at least once in each year.

III.2. Special Meetings

The Board Chair may call special meetings upon written notice as necessary to address issues or needs of the University. The Board Chair shall call a special meeting when requested in writing by at least three members of the Board.

III.3. Attendance

Members of the Board must be physically present at any Board meeting in order to be considered present and attending or to vote at that meeting, provided that the Board may have a meeting by telephone, video conference, or similar means, and any member may join a meeting by such means, to the extent permitted by law.

III.4. Quorum

Four members of the Board of Trustees shall constitute a quorum, and a majority of those present shall govern. Every member present shall be required to vote, except that no Trustee shall be required to vote if there exists a possible conflict of interest.

III.5. Place of Meetings

Regular meetings of the Board will be held at the main campus unless approved otherwise by a majority vote of the Board.

III.6. Minutes

Minutes of all meetings of the Board shall be promptly prepared and distributed to all members of the Board by the Executive Secretary to the Board, and upon approval by the

Board, such minutes shall be posted electronically and retained by the Executive Secretary to the Board.

III.7. Executive Session

All meetings of the Board of Trustees shall be open to the public, except that the Board may go into executive session when necessary and when authorized by law.

III.8. Agenda

The Board shall provide for the preparation and advance distribution to Board members of the agenda for all meetings. After the commencement of a Board meeting, agenda items may only be added by a majority vote of the Board.

III.9. Rules of Order

Rules of order shall be the most recently published *Robert's Rules of Order*, and unless overruled by a majority of Trustees attending, the Chair of the meeting will determine all questions concerning such rules.

ARTICLE IV

Officers

IV.1. Election of Officers

Officers of the Board shall be Chair, Vice Chair, and Secretary.

At the last regular meeting of the calendar year, there shall be an election of a Chair, Vice Chair, and Secretary. Each of these officers shall hold office until a successor is duly elected. Vacancies may be filled by the Board at any regular or special meeting, and the person or persons elected shall serve for the remaining portion of the unexpired term.

IV.2. Chair of the Board

The Chair of the Board shall preside at all meetings of the Board, and in the Chair's absence the Vice Chair shall preside. In the absence of the Vice Chair, the Chair may appoint or designate a member of the Board to preside. The Chair, or the presiding member in the absence of the Chair, shall conduct all business according to parliamentary rules. The Chair shall have the right to vote upon all questions, motions, or recommendations submitted to the Board.

The Chair shall sign all contracts and other instruments requiring execution on behalf of the Board and shall discharge any other duties usually required of a presiding officer, unless it is otherwise ordered.

The Chair shall sign all resolutions duly adopted by the Board.

The Chair shall appoint one member of the Board to serve as liaison to the Henderson State University Foundation, Inc. as an ex-officio non-voting member of the Board of Directors.

The Chair shall appoint one member of the Board to serve as liaison to the Henderson State University Alumni Association, Inc. as an ex-officio non-voting member of the Board of Directors.

The Chair, in consultation with the President, shall determine annually an interim succession plan in the event that the President or any Chancellor is unable to perform his or her duties.

IV.3. Vice Chair of the Board

The Vice Chair shall perform all duties and have all the prerogatives set forth for the Chair in the Chair's absence, incapacity, or retirement from the Board until the Chair resumes office or a successor has been duly elected as provided in IV.1. above.

IV.4. Secretary of the Board

The Secretary of the Board shall sign minutes of the meetings of the Board, resolutions of the Board, proclamations of the Board, and Board-approved legal and financial documents, which require the signature of the Secretary of the Board of Trustees.

ARTICLE V

Personnel

The President of the University and the Executive Secretary to the Board shall report directly to the Board.

V.1. President of the University

The President of the Henderson State University shall be the Chief Executive Officer of the University. The President of the University shall be appointed by the Board of Trustees.

V.2. The Executive Secretary to the Board

The Executive Secretary to the Board shall be appointed by the President with the concurrence of the Board. The Executive Secretary to the Board shall do the following:

- a. Regularly publish all policies adopted by the Board and maintain an updated copy of the Policies of the Henderson State University.

- b. Attend and keep accurate records of all meetings of the Board.
- c. Be custodian of all records of the Board and all documentary files thereof and of all bonds made to the Board.
- d. Arrange for the schedule of annual meetings of the Board in consultation with the Chair of the Board and arrange for special meetings of the Board as defined in III.2.
- e. Issue notices and calls of all meetings of the Board when authorized by the Chair of the Board.
- f. Prepare a meeting agenda and schedule at the direction of the Chair of the Board.
- g. Handle Board liaison, Board communications, Board arrangements for travel and site visitations, and initiate reimbursement procedures for expenses incurred by each trustee on official business.

ARTICLE VI

The Henderson State University

VI.1. Organization

The University shall be charged with the responsibility of providing to the state of Henderson comprehensive certificates, associate degrees, baccalaureate degrees, master's degrees, doctoral degrees, and professional programs and other instructional, research, and service programs of the highest quality

The Henderson State University, with approval and oversight of the Board, may organize, maintain, and operate campuses, programs, offices, and activities at locations other than the principal Campuses, to be directed by an individual person identified by and responsible to a Chancellor.

VI.2. Authority and Duties of the President

The President shall be the chief executive officer of the University and shall exercise such executive powers as are necessary for its appropriate governance. In the exercise of such powers, the President is delegated full authority to formulate and issue directives not inconsistent with Board policy. The President shall report the current affairs of all components of the University directly to the Board, and shall discuss with the Board the basic issues, new or alternative directions, and recommendations on new policies. The President shall direct, coordinate, and implement the planning, development, and appraisal of all activities of the University.

Within the general authority granted by the Board, the President shall perform duties and responsibilities including but not limited to, the following:

- a. Implement Board policies, continuously review the administration and the effect of these policies, and recommend modifications of policies and new policies to the Board for consideration.
- b. Assume primary responsibility for external relationships with the Governor's office, the Legislature, the Henderson Department of Higher Education, Congress, federal and state agencies, and other institutions.
- c. Recommend to the Board the mission, role, and scope of the University.
- d. Establish the guidelines and formats, coordinate the development and review, and submit to the Board recommended master plans, facilities development programs, capital development programs, and strategic plans.
- e. Participate in the implementation of capital projects requiring Board approval.
- f. Direct and approve the preparation of coordinated legislative requests for both operating and capital appropriations, and direct the presentation of and justification for the request.
- g. Review and recommend to the Board the budget of the University.
- h. Establish financial, budgetary, audit, and business procedures for the efficient and effective management of the University.
- i. Review and recommend action on all legal commitments and all other matters within the province of the Board, including contractual arrangements.
- j. Coordinate the development and recommend for adoption by the Board the objectives, policies, and practices that will provide for effective and prudent management, control, and preservation of the physical and investment assets of the University.
- k. Provide staff assistance for ensuring the proper control and safekeeping of the physical and investment assets of the University.
- l. Recruit, appoint, and review employees who report directly to the President and who are necessary for fulfilling the duties and responsibilities of the office of the President.
- m. Establish and maintain effective and timely means of communication with other University constituencies, and Board members.

ARTICLE VII

Indemnification

The University shall provide its current and former trustees, officers, and employees with legal defense in connection with any threatened or pending lawsuit or claim based on actions alleged to have been taken within the course and scope of employment or official capacity. University legal counsel shall defend all such proceedings, unless and until it is determined that the trustee, officer, or employee acted outside the course and scope of employment or official capacity.

The University shall pay all judgments, damages, settlements, and costs reasonably incurred in such proceedings. Trustees, officers, and employees may hire personal counsel at their own expense.

ARTICLE VIII

Policies of the Board of Trustees

The Board will adopt policies to state official positions of the University, to establish substantive educational functions of the University, to guide operations of the University, or to define practices to be followed by the University. Policies shall be approved, modified, or withdrawn by majority vote of the Board.

Approved policies will be compiled and displayed electronically and kept in archival form by the Executive Secretary to the Board who will make a record of the dates of approval and subsequent modification of each policy.

ARTICLE IX

Amendment or Repeal of Bylaws

New Bylaws may be adopted and existing Bylaws may be amended or repealed at any meeting of the Board, but no such action shall be taken unless notice of the substance of such proposed adoption, amendment, or repeal shall have been given to each member of the Board at least thirty (30) days in advance of the vote upon such change, provided, however, that by unanimous consent of the entire membership of the Board, the requirements for such notice may be waived.


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ISSUER COMMENT

8 November 2019

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RATINGS

Henderson State University

Baa2

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Arkansas State University

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Henderson State University, AR, and Arkansas State University, AR

Henderson State University's decision to join the Arkansas State University system is credit positive for HSU

On October 24, the Board of Trustees at [Henderson State University](#) (HSU, Baa2 negative) voted unanimously to join the [Arkansas State University](#) (ASU, A1 stable) system. If Henderson is successful in joining the system, stronger fiscal oversight and affiliation with a large university system will be beneficial for HSU, which has suffered recently from poor financial management and unstable leadership. Henderson's moderate size and manageable leverage, shown in Exhibit 1, mean there will be limited immediate credit impact for ASU from the merger.

Exhibit 1

Henderson's moderate scope and manageable leverage will have limited credit impact on Arkansas State University

	Henderson State University	Arkansas State University
FTE enrollment	3,410	15,133
Total debt (\$ thousands)	65,995	236,641
Total cash & investments (\$ thousands)	21,956	229,207
Operating revenue (\$ thousands)	56,151	291,286

FTE enrollment is self-reported by the universities as of fall 2019; financial data is as of fiscal 2018.
Source: Moody's Investors Service

ASU's system of oversight, which has led to strong fiscal stewardship at its other campuses, is likely to help restore balanced operations at HSU. Under ASU oversight, many decisions are made at the campus level, so HSU's future credit quality will depend in part on HSU management's ability to stabilize operations. Following a search for a chief financial officer led by both HSU and ASU, a new CFO will begin in early December 2019. Henderson's willingness to cooperate with ASU over the past six months shows a commitment to correcting its imbalanced operations. In fiscal 2018, HSU reported \$2.4 million in monthly liquidity which translates to just 15 days cash on hand and is materially below the Baa median of 122 days. Management estimated that the university had under \$2 million available for monthly liquidity as of June 2019.

Governance and oversight by the [State of Arkansas](#) (Aa1 stable) will continue to be credit positive for HSU and enhance its strategic position. The state demonstrated solid oversight both through supplying short-term cash flow relief for HSU and encouraging it to join the ASU system.

Henderson's decision to join the ASU system comes on the heels of unstable leadership and poor financial management. In July 2019, Henderson received \$6 million from the state for short-term cash flow relief, needed due to unexpected deferred maintenance and a significant rise in student accounts receivable. Shortly after, Henderson's president resigned following a vote of no confidence and the university signed a Memorandum of Understanding with ASU. In the memorandum, which allowed Henderson time to consider affiliating with the system permanently, ASU agreed to provide operational and administrative support, including financial, internal audit, and recruiting functions from August 1, 2019 through the end of the year. The merger agreement is likely to be signed by Henderson and ASU in December.

For ASU, willingness to assist a struggling university will strengthen its broader state political support, balancing the challenges of continuing to facilitate a turnaround of HSU. Henderson would be the second four-year university to be part of the ASU system, in addition to ASU's main campus in Jonesboro. Henderson's location 200 miles from Jonesboro in the southwest part of the state will broaden the ASU system's reach for students seeking bachelor degrees.

While absorbing smaller institutions has had little credit impact on the ASU system, additional mergers with weaker enrollment and revenue prospects would cause more significant credit challenges. Presently, the ASU system is composed of the flagship four-year campus in Jonesboro and four two-year campuses in Beebe, Mountain Home, Newport, and West Memphis. And it has been expanding further: in early 2019, the Board of Trustees of the College of the Ouachitas, located in Malvern, voted to become part of the ASU. Pending approval from the Arkansas Department of Higher Education, it will become Arkansas State University-Three Rivers in January 2020.

HSU's decision is pending approval from the ASU Board of Trustees, the Higher Learning Commission, and the Arkansas General Assembly. If all three approve Henderson's decision to join the ASU system, the likely merger date is January 2021.

Moody's related publications

[Henderson State University, AR: Update following confirmation of Baa2; outlook negative](#), July 2019

[Arkansas State University, AR: Update to credit analysis](#), October 2019

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.