



STATE OF ARKANSAS
**Department of Finance
and Administration**

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May 22, 2020

Senator Cecile Bledsoe, Co-Chair
Representative Jeff Wardlaw, Co-Chair
Arkansas Legislative Council
State Capitol Building
Little Rock, AR 72201

RE: COVID-19 Rainy Day Fund Release Request(s)

Dear Co-Chairs:

I am forwarding for the recommendation of the Arkansas Legislative Council, the attached COVID-19 Rainy Day Fund Release Request(s) that have received my approval as Chief Fiscal Officer of the State.

Sincerely,

A handwritten signature in cursive script that reads 'Larry W. Walther'.

Larry W. Walther
Cabinet Secretary

LWW

Attachment(s)



April 30, 2020

Governor Asa Hutchinson
State Capitol Room 250
500 Woodlane
Little Rock, AR 72201

Re: Henderson State University-Request for assistance in response to COVID-19 losses

Dear Governor Hutchinson,

We are writing to respectfully request assistance for Henderson State University in the amount of \$825,000 in response to the university's financial losses resulting from the COVID-19 outbreak.

As you know well, in the summer of 2019 Henderson State University's former president resigned amid a financial crisis. On July 19, 2019, Dr. Welch and the staff of the Arkansas State University System began providing administrative support and guidance to Henderson and Ms. Kneebone was appointed as Acting President of the university. As we began our work in our respective roles in July 2019, we learned just how dire Henderson's financial situation was. The \$6 million advance of state revenue payments provided to Henderson had already been spent on the millions of dollars of accounts receivables that had been left unpaid at the end of 2018-2019. All of the university's reserves had been depleted. The university's budget for the 2019-2020 fiscal year was completely unrealistic with grossly overestimated revenue and underestimated expenses.

The university has spent the last ten months diligently addressing its financial challenges. We are grateful for your assistance with these efforts. The university has made many hard choices to drastically reduce spending in the middle of a fiscal year. The university's faculty and nonclassified staff have taken a 3% reduction to their salaries. The university has reduced its contribution to employees' retirement accounts by 4%. Henderson's travel, supplies, and services spending was cut to the bare minimum. The university ceased its operations at the Landmark Building in Hot Springs and closed its Multi-Media Center on campus to reduce costs. Looking ahead, the university had begun a zero based budgeting process and a review of academic programs to prepare for 2020-2021 and beyond. Against all odds, the people of Henderson had pulled together to develop and implement a very lean revised budget and financial management plan that was projected to end of

2019-2020 with a small net positive operating margin. It appeared that Henderson was on the road to a financial recovery, then the COVID-19 outbreak occurred.

Faced with the risk to health and safety of our students and our employees from COVID-19, the university moved to remote instruction and closed all university buildings to the public on March 20, 2020. Understanding that many of our students did not have other housing options and/or lacked access to the technology and internet access necessary to participate in remote instruction, Henderson kept our residence halls and our dining hall open albeit with significant modifications to operations to prevent the spread of COVID-19.

While the university believes those difficult decisions were necessary, those actions have unexpectedly decreased the university's revenue from food service and catering commissions and room rental fees while not greatly reducing the university's operating costs. The university has suffered losses in revenue greater than \$1 million.

In addition, Henderson's planned reduction to state revenue for the remainder of 2019-2020 will be \$871,984 as a result of the economic downturn due to COVID-19. Henderson has already implemented the deepest cuts in spending possible without fundamentally disrupting its core operations. The university has no institutional reserves to cover the COVID-19 related losses. Further cuts to personnel costs are the only option to reduce expenses within this fiscal year. As a result, Henderson is facing the implementation of extensive furloughs. Without assistance, Henderson will need to cease operations for approximately 15 working days in May and June in order to absorb the losses of revenue of over \$1 million due to COVID-19.

Furloughs would create an additional hardship for the employees of Henderson, who have been remarkably understanding and resilient in the face of the previous cuts to their compensation. Such a measure would certainly impact the university's ability to retain our excellent faculty and staff. In addition, a furlough would mean that key university functions such as teaching, student admissions, registration, financial aid counseling and processing would abruptly stop and render us unable to effectively serve our students. We fear that a furlough would further damage the reputation of Henderson, negatively impacting the university's ability to recruit students and future employees for many years to come. As you can imagine, the possibility of furloughing our people is heartbreaking for those of us who have worked so hard to rebuild the confidence of our employees, our students, and our community in Henderson State University.

We seek your assistance to avoid imposing furloughs upon the employees of Henderson. Assistance in the amount of \$825,000 would sufficiently offset the university's lost revenue due to the COVID-19 outbreak and avoid the need for furloughs of Henderson employees this fiscal year.

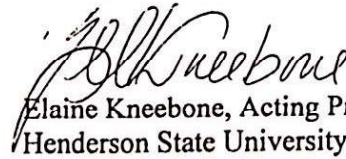
The people of Henderson State University have worked diligently to restore the financial health of our institution. We understand the need for the reduction to state funding for all agencies and institutions, but we cannot emphasize strongly enough that taking the cut would be a devastating blow for Henderson State University. With your continued assistance and support, the people of Henderson State University stand ready to continue this institution's 130 year history of educating the next generation of the state's nurses, educators, pilots, and business leaders, even in the face of these unprecedented times for Arkansas and our nation.

On behalf of Henderson State University, we sincerely express our gratitude for all you, your staff and the staff of the Department of Finance & Administration have done to support the financial recovery of our beloved university. We appreciate your consideration of this request to address Henderson's unique circumstances and challenges that have been caused by the COVID-19 outbreak. Please contact either of us if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'C. Welch', with a stylized flourish at the end.

Charles Welch, President
Arkansas State University System

A handwritten signature in blue ink, appearing to read 'Elaine Kneebone', with a stylized flourish at the end.

Elaine Kneebone, Acting President
Henderson State University