



February 22, 2022

VIA ELECTRONIC MAIL

Dr. Charles Ambrose, Chancellor
Henderson State University
1100 Henderson Street
Arkadelphia, AR 71999-0001

Dear Chancellor Ambrose:

The Higher Learning Commission (HLC or “the Commission”) was recently made aware that on February 3, 2022, the Chancellor of Henderson State University (“the University” or “the institution”) announced several cost-saving measures designed to avert a cash shortfall of \$12.5 million in the current fiscal year ending June 30, 2022 that would render the institution unable to service its debts, pay its bills or to have sufficient funds for payroll. As a result, the Chancellor proposed a declaration of financial exigency, concluding it is necessary for the ongoing operation of the university. According to information available to HLC, the University will pursue established processes articulated in the institution's 2016 Faculty Handbook with respect to its faculty, but has already initiated several cost-saving measures to date. The University hosted a comprehensive evaluation on November 1, 2021 that remains pending for HLC action as of today's date.

Under Commission INST.F.20.010, *Special Monitoring*, the HLC President, in consultation with the HLC Board of Trustees, has the authority to determine that an institution is undergoing a significant challenge to its fiscal capacity and should thus be assigned the Financial Distress designation. Among the conditions that may constitute a significant financial challenge, a declaration of financial exigency by the institution is dispositive.

Based exclusively on Chancellor's letter to the Campus Community dated February 3, 2022, HLC will seek to assign the Financial Distress designation in this case. The purpose of the designation is to inform the public that the institution is in financial distress and that HLC is concerned about the situation. If assigned, HLC's website entry for the University will indicate that it is currently under financial distress without further details.

Because these developments occurred subsequent to the University's recent comprehensive evaluation during which a team of peer reviewers found Core Component 5.B (resources) Met with Concerns, HLC is concerned that there appears to have been a deterioration in the institution's financial condition such that the decisionmaking process related to the institution's compliance with the Criteria for Accreditation should include an Institutional Actions Council Hearing Committee to review the team's findings, the institution's response to the team report and additional information HLC will require as further outlined in this letter. The Commission intends for the designation to remain in place until final action is taken by the HLC Board of Trustees concerning the institution's compliance with the Criteria for Accreditation.

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Under the aforementioned *Special Monitoring* policy, HLC expects that the University will submit a response related to this letter of intent to assign the designation. The University must submit its response by **March 8, 2022**. HLC will review the University's response before determining whether to assign the designation and you will be notified following review of the response. A copy of the Institutional Designations procedure has been enclosed for your reference.

Under HLC policy, HLC reserves the authority to determine, following review of the University's response to this letter and continued review of available information, whether other action should be taken. For example, HLC may determine that it is appropriate to schedule an Advisory Visit or other type of evaluation including, for example a financial panel review to confirm whether the institution is at risk of an abrupt institutional closure. The HLC President also reserves the authority to bring a recommendation for action directly to the HLC Board of Trustees, which could include a recommendation to place the institution on a sanction or to initiate the process of withdrawal of accreditation. HLC will continue to monitor this situation to determine whether other action may be warranted. The University would be notified prior to any such action.

Because the institution's November comprehensive evaluation is pending before the Institutional Actions Council, HLC is requiring the institution to supplement its institutional response to the team report with financial information and narrative context that accounts for the proposed declaration of financial exigency and demonstrates projections that its cost-saving measures will sustain the institution. Such information must be sufficiently detailed to enable an IAC Hearing Committee and ultimately the Board of Trustees to evaluate the institution's ongoing compliance with Core Component 5.B in particular. Please supply this supplemental information no later than **March 22, 2022**.

Thank you for your cooperation. If you have questions, please contact your HLC Staff Liaison, Dr. Jeffrey Rosen.

Sincerely,



Barbara Gellman-Danley
President

Enc: Institutional Designations Procedure

Cc: Wrenette Tedder, Director of Assessment, Henderson State University
Jeffrey Rosen, Vice President for Accreditation Relations and Director of the Open Pathway,
Higher Learning Commission
Anthea Sweeney, Vice President of Legal and Regulatory Affairs, Higher Learning
Commission



INSTITUTIONAL DESIGNATIONS

Institutional designations allow HLC to respond quickly to developing situations at member institutions and are used to indicate when an institution is in financial distress or under governmental investigation. In addition to HLC's sanctions and monitoring procedures, institutional designations allow HLC to communicate to students and the public in a timely manner about situations that may affect an institution's operations.

PROCESS AND TIMELINE

HLC's President, after consultation with the Board of Trustees, may determine the need for an institutional designation for developing situations at member institutions (see HLC's policy on [Special Monitoring, INST.F.20.010](#)). The situations that may lead to an institutional designation indicate that the institution's ability to operate may be compromised and may include the following sources:

FOR FINANCIAL DISTRESS

1. HLC staff or peer review concerns from evaluation of information obtained as part of the accreditation processes
2. News media reports confirmed by HLC
3. Other accreditors notification of actions related to finances
4. Financial auditor reports of going concern
5. Institution declaration of financial exigency or other financial emergency
6. State audit entity reports of several financial issues

A designation of financial distress due to Items 4–6 will be followed by an Advisory Visit.

FOR GOVERNMENTAL INVESTIGATIONS

1. HLC staff or peer review concerns from evaluation of information obtained as part of the accreditation processes
2. News media reports confirmed by HLC
3. Notification from other accreditors of actions related to investigations
4. Federal Trade Commission or Consumer Financial Protection Bureau reports of an inquiry (Civil Investigative Demand) or filing suit or consent/decree settlement
5. U.S. Department of Education report of Limitation, Suspension or Termination action or filing suit or high level enforcement action—may include Title IX or civil rights investigations at a high level
6. U.S. Department of Justice notification of joining the plaintiff in an already established whistleblower lawsuit
7. State Attorney General report of investigations or published findings or consent decrees

A designation of governmental investigation due to Items 4–6 will be followed by an Advisory Visit.

¹ **Note:** HLC's policy on institutional designations allows the flexibility for HLC's President to assign a designation based on changing conditions at the institution. This list is not comprehensive and will be updated as HLC identifies new conditions recognized by HLC, other accreditors and governmental agencies.

When HLC's President, after consultation with the Board of Trustees, has determined the need for an institutional designation, the Chief Executive Officer and Accreditation Liaison Officer will receive a letter from HLC's President identifying the reason for the designation and requesting an institutional response.

INSTITUTIONAL RESPONSE

HLC expects a written response from the President or Chancellor of an institution (or chief executive by a different title) within two weeks of receipt of the designation letter. The written response should not be longer than five pages and must be submitted at hlcommission.org/upload. Select "Requests From HLC" from the list of submission options to ensure the response is sent to the correct staff member.

After the Institutional Response period, HLC's President will review the institution's response. (No response from the institution indicates that the institution understands the designation and chooses not to submit a response.)

If HLC's President, after consultation with the Board of Trustees, decides to assign the designation, HLC will send a letter to the institution notifying them of the designation assignment and that the designation will be public the next day. The President's action to assign a designation may not be appealed.

STATEMENT OF ACCREDITATION STATUS AND PUBLIC DISCLOSURE NOTICE

Institutional Designations appear on the Statement of Accreditation Status on HLC's website. Designations will appear as follows:

(Institution Name) Designation: In Financial Distress
(Institution Name) Designation: Under Governmental Investigation

In addition, the Statement of Accreditation Status will include a Public Disclosure Notice with information about why the designation was assigned, what follow-up monitoring is required of the institution and the next steps in the process. HLC will send a copy of the Public Disclosure Notice to the institution with the notification of the designation assignment.

MONITORING SCHEDULE

HLC requires that an institution with a designation submits regular reports or undergoes other HLC

monitoring. A monitoring schedule for the two-year designation timeline will be established when the designation is imposed. The monitoring schedule may include an Advisory Visit, referral to the next comprehensive evaluation or interim reports.

An institution with a designation shall not be considered for a substantive change unless it can demonstrate that there is a compelling reason for the change and that the institution has sufficient resources to support the change. Any substantive change application from an institution with a designation will be subject to strict scrutiny and may be deferred until the removal of the designation, or the application may be denied.

Teach-Out Plans

If HLC determines that an institution is at risk for a sudden closure or suspension of its operations because it is facing significant challenges, an institution will be required to submit a Teach-Out Plan. Review the [Teach-Out Plan Procedure](#) for more information.

REMOVAL OF A DESIGNATION

The designation will be removed when HLC's President determines that it is no longer required because the institution has resolved the issues that led to the designation. HLC's President will re-evaluate the designation as new or additional information of significance becomes available to HLC and at the end of the two-year timeframe to determine whether the designation shall be removed.

At the end of the two-year timeframe, if HLC's President determines that the designation is still appropriate, the two-year timeframe will start again with an escalation in monitoring and the potential for an Advisory Visit.

Institutions with a designation that have new or additional information of significance should submit the new information with the next monitoring report and notify their HLC staff liaison regarding the new information.



QUESTIONS?

Contact the institution's HLC staff liaison or email legalaffairs@hlcommission.org.