HURON

ACCELERATE ASU
STEERING COMMITTEE MEETING UPDATE

Accelerate ASU™
ARKANSAS STATE UNIVERSITY SYSTEM

January 31, 2018

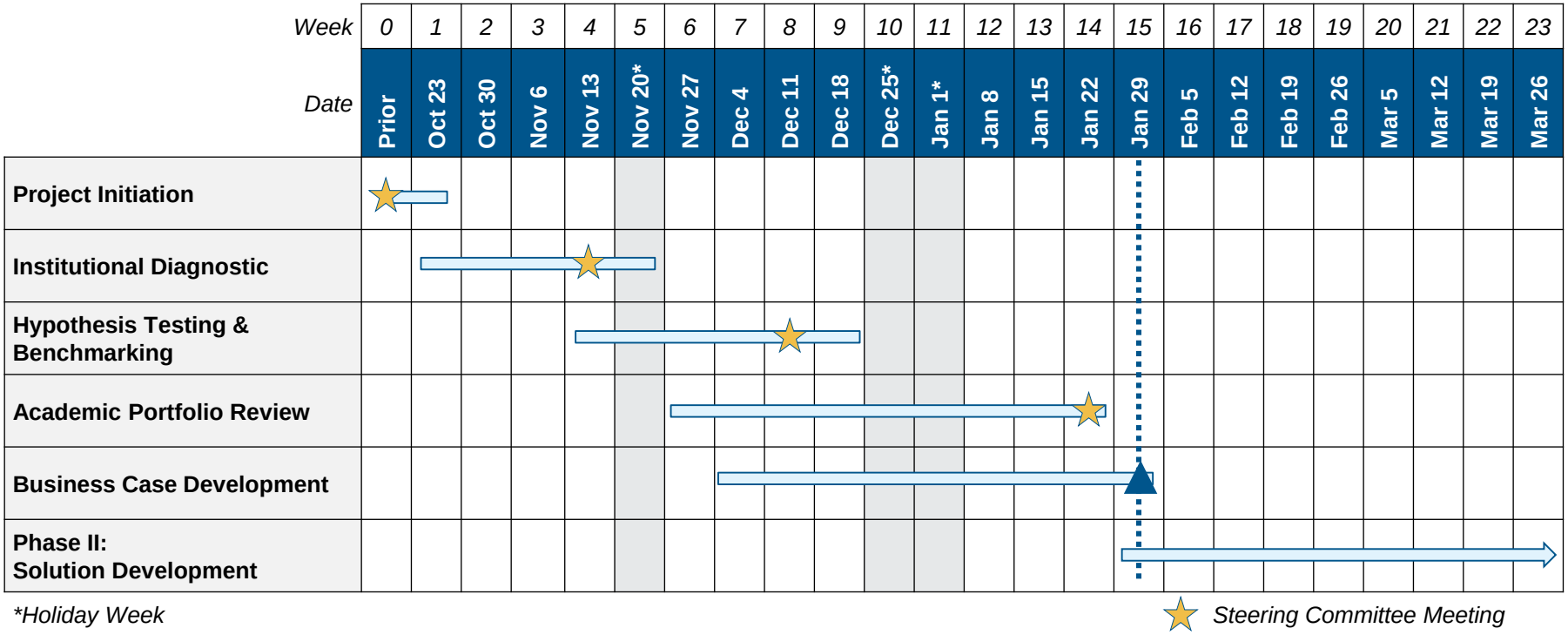
PROJECT OVERVIEW

The Arkansas State University System engaged Huron to assist in the identification, prioritization, and development of business cases for opportunities to grow revenue and reduce costs.

- Over the past 14 weeks, Huron has interviewed over 100 members of the ASU community to understand the current operating environment, identify opportunities for cost savings and revenue enhancement, and collect and synthesize data to inform our analyses.
- Huron received and summarized over 900 responses from the Opportunity Identification Survey.
- Huron identified over 40 opportunities during the initial phase of the engagement that were condensed to a discrete menu of opportunities that were presented to the Steering Committee to receive feedback and identify opportunities for further analysis.
- With the Steering Committee's feedback, there are 10 business cases presented in this document that outline cost savings and revenue enhancement opportunities that have a steady state financial impact of approximately $10.6 million to $20.1 million per year.
- Desired outcomes include reviewing the following supporting analysis for the high priority functional areas outline in this document, and discussing preliminary next steps for the selected areas.

PROJECT TIMELINE

Today's meeting will conclude the 14 week 'Opportunity Identification' phase. The analysis shared today was compiled to support the opportunities outlined by this Steering Committee as "highest priority" at the December 11th meeting.



Over the following weeks Huron with work with ASU leadership to determine the appropriate next steps to begin the 'Solution Development' phase.

SUMMARY OF OPPORTUNITIES

		Est. Financial Opportunity		Weighting					
		Low ($K)	High ($K)	40%	20%	15%	15%	10%	
Category	**Opportunity Description**	**$10,586**	**$20,995**	**Financial Impact**	**Service**	**Implementation**	**Risk**	**Realization**	**Score**
Enrollment Management	Increase FTFT enrollment to previous levels	$936	$1,266	8	10	10	8	5	8.4
Enrollment Management	Develop discounting strategy to award aid more effectively	$1,027	$3,448	10	9	5	2	5	7.4
Enrollment Management	Increase first year retention by 2-5% points	$756	$1,960	6	10	6	10	5	7.3
Procurement	Initiate strategic sourcing efforts for mid-to-long term cost savings	$957	$1,810	8	5	4	3	5	5.8
Development	Improve alumni engagement efforts relative to peers	$81	$270	2	10	6	8	5	5.4
Organizational Redesign	Organizational redesign	$2,730	$4,640	8	5	3	2	3	5.3
Human Resources	Update benefits policies	$3,100	$4,500	7	5	3	1	8	5.2
Information Technology	Evaluate the service delivery model for IT across the system	TBD	TBD	N/A	9	4	4	4	5.1
Outsourcing Strategy	Perform comprehensive evaluation of current outsourced operations	$385	$701	4	6	5	2	5	4.4
Facilities Operations	Right size facilities operations	$614	$2,400	5	3	2	3	3	3.7

SUMMARY OF OPPORTUNITIES

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	Category	Opportunity Description	Low ($K)	High ($K)
Revenue Generation	Enrollment Management	Increase FTFT enrollment to previous levels	$936	$1,266
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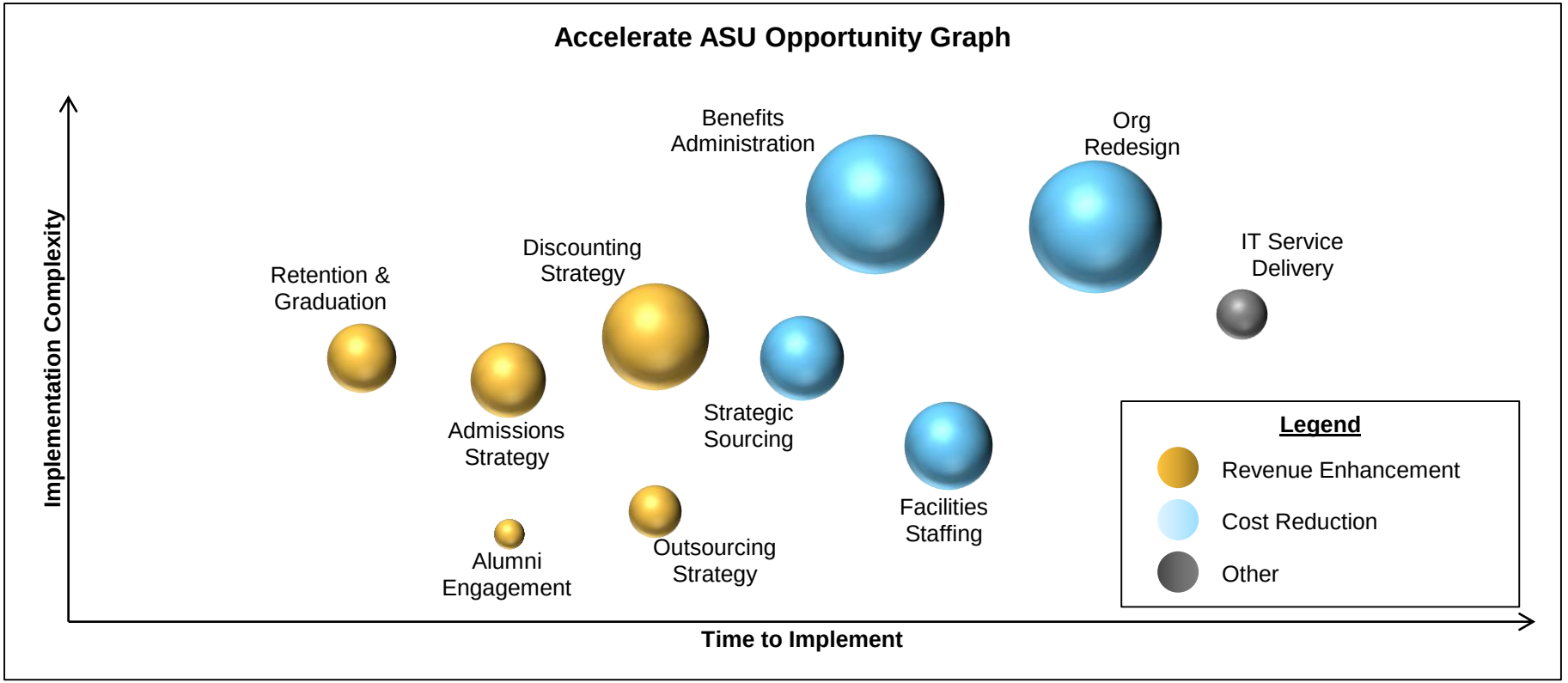
		Total	**$3,185**	**$7,645**
Cost Reduction	Procurement	Initiate strategic sourcing efforts for mid-to-long term cost savings	$957	$1,810
	Organizational Redesign	Organizational redesign	$2,730	$4,640
	Human Resources	Update benefits policies	$3,100	$4,500
	Information Technology	Evaluate the service delivery model for IT across the system	TBD	TBD
	Facilities Operations	Right size facilities operations	$614	$2,400
		Total	**$7,401**	**$13,350**

SUMMARY OF OPPORTUNITIES

The bubble graph below plots out the presented opportunities by 'Time to Implement' and 'Implementation Complexity' on the x and y-axes respectively, with the size of the bubble reflecting the financial opportunity.



The nearer term opportunities for the ASU System tend to be revenue generating, where as the more complex and timely opportunities are cost reduction.

ENROLLMENT MANAGEMENT

HURON

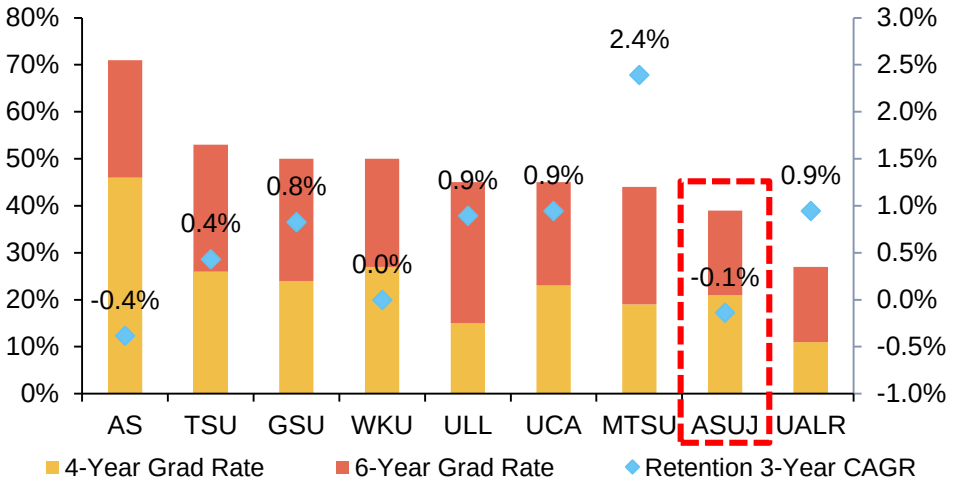
ENROLLMENT: RETENTION & GRADUATION

Improvement in retention and graduation represents significant revenue generation opportunities through growing net tuition revenue, as well as incentives from the state funding model.

Case for Change

- In 2017, ASU-Jonesboro's first year retention rate declined from 74.9% to 72.8%.
- Relative to peers, six-year graduation rates fall 7 percentage points below the peer average of 47%[2]
- With recent state initiatives such as "Close the Gap 2020" and the productivity funding model, there is increased importance on retaining and graduating students at higher levels than before
- The 1-year impact of each 1% movement (e.g., 75% to 76%) is ~ $73K, which represents $210K lost revenue for the cohort over the next three years[1]
- Investing in strategies focused on removing barriers to progression and setting up students for success post-graduation can only positively impact retention & graduation rates

First Year Retention Rates



Opportunity	Financial	Service	Implementation	Risk	Realization	Score
Increase first-year retention by 2-5% points	$500K - $1MM	10	6	10	5	7.3
Optimize state funding model by retaining students	$250K-$500K	10	10	10	5	8.3

Source: IPEDS, Institutional Fact book 2016-17

1. Students that do not retain from Year 1 to Year 2 represent a minimum 3-year loss of NTR. This estimate assumes that students who retain after one year will graduate
2. Graduation Rates –Bachelor's Degree within 4 years and 6 years (2015)

THE CHANCELLOR'S COMMISSION ON COMPLETION

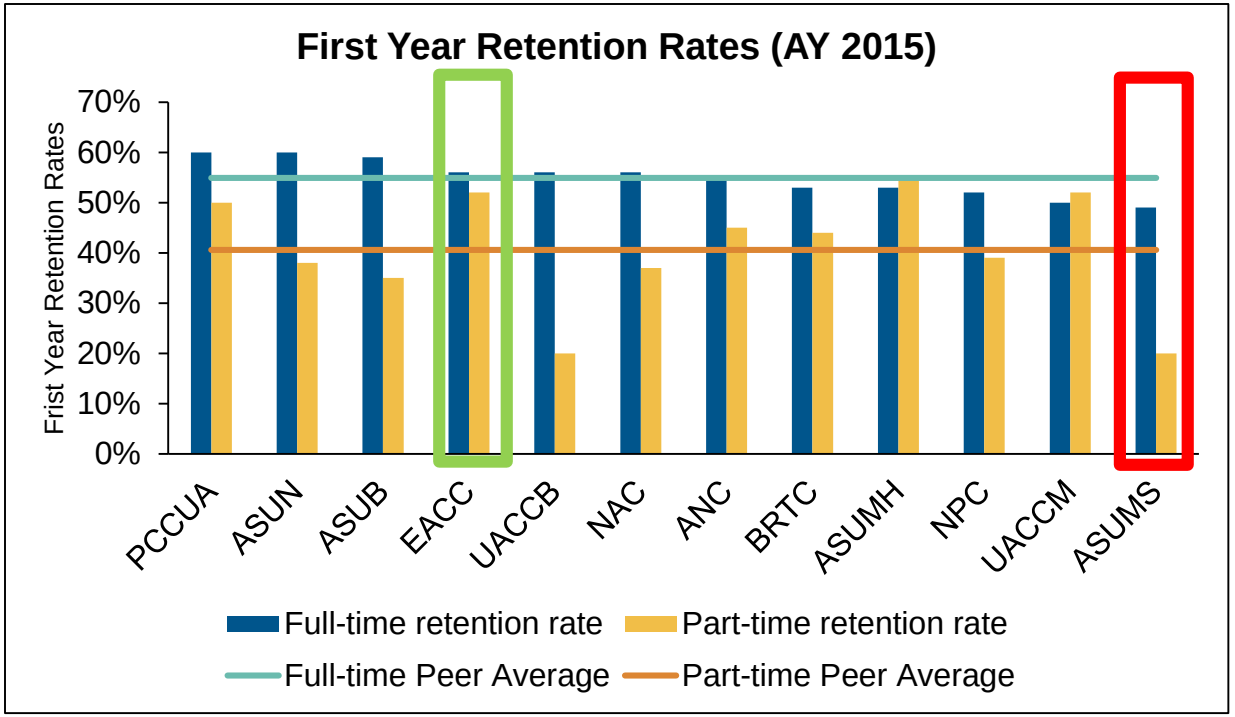
ASUJ has directed increased attention to retention and graduation initiatives, demonstrated by the development of the following Commission spearheaded by Chancellor Damphousse and Dr. Jill Simons.

Snapshot of ASUJs Student Retention Program Plans

Initiatives	Current and Planned Activities
Manage and Monitor Enrollment	▪ Adopt Civitas Learning Data Analytics to understand and respond to student persistence patterns ▪ Identify student populations for which additional services are warranted
Enhance Academic Pathways for Timely Completion	▪ Identify and develop plan for gatekeeper courses ▪ Develop support for best practices in teaching of lower-level courses.
Ensure Institutional Enrollment Processes Have Intended Purpose and are Effective	▪ Review procedures from time of application to first enrollment period ▪ Review campus communications related to processes and procedures
Develop Culture of Inclusivity and Involvement	▪ Implement OOHLALAL mobile app to management student engagement
Develop Timely and Efficient Response to Student Concerns	▪ Review A-State advising system and make recommendations for a more (1) centralized, (2) professional-based and (3) coaching-oriented advising model
Solicit Feedback and Provide Regular Communication from Campus Community	▪ Keep updated website and correspondence about work of commission ▪ Host listening sessions and conduct surveys each Fall and Spring Term

ENROLLMENT: RETENTION & GRADUATION

Among the 2 year campuses in the system, full-time retention rates are relatively stable while part-time retention rates and graduation rates are much more variable.



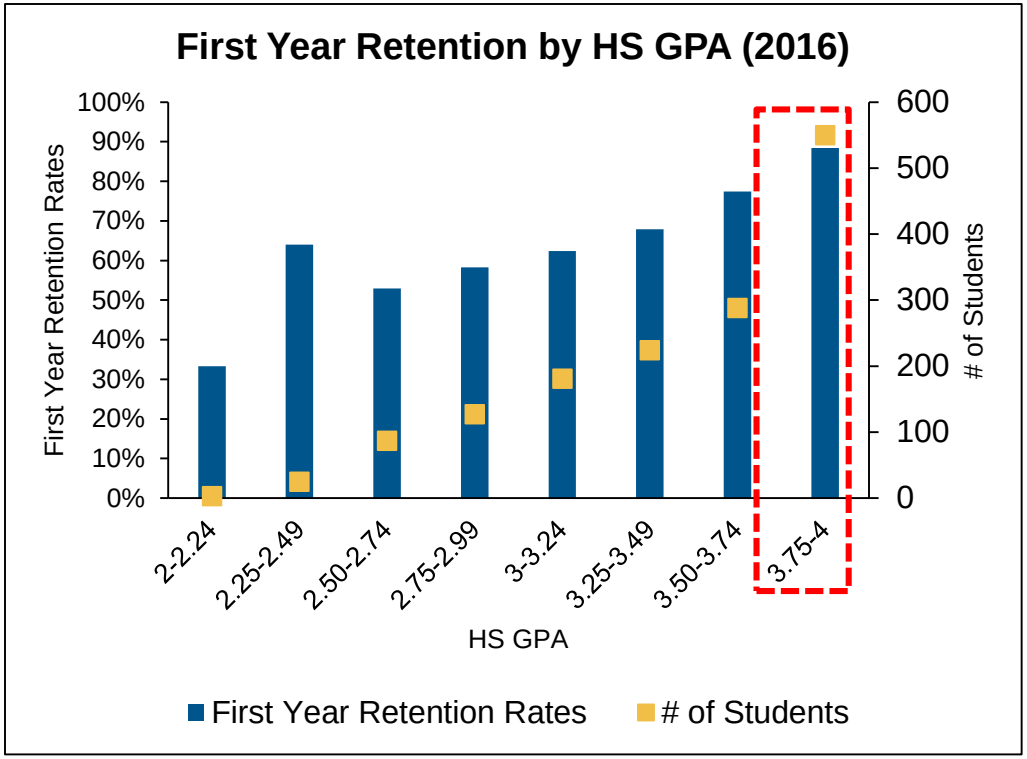
- EACC produced the highest first year retention rates across their entire student population with 56% FT and 52% PT rates
- Further investigation is warranted to understand what methods have been successful at EACC and can be leveraged by ASU institutions
- ASU-Mid South had the lowest retention rates of the peer group and the system for full and part time students

It's crucial for campuses to share best practices across the system to enhance overall student success.

Source: IPEDS, Arkansas Department of Higher Education

IMPACT OF HS GPA ON FIRST YEAR RETENTION

Arkansas State has seen a 3+% decrease in first year retention rates over the past three academic years, illustrating the need for further examination and understanding of the factors impacting student progression.



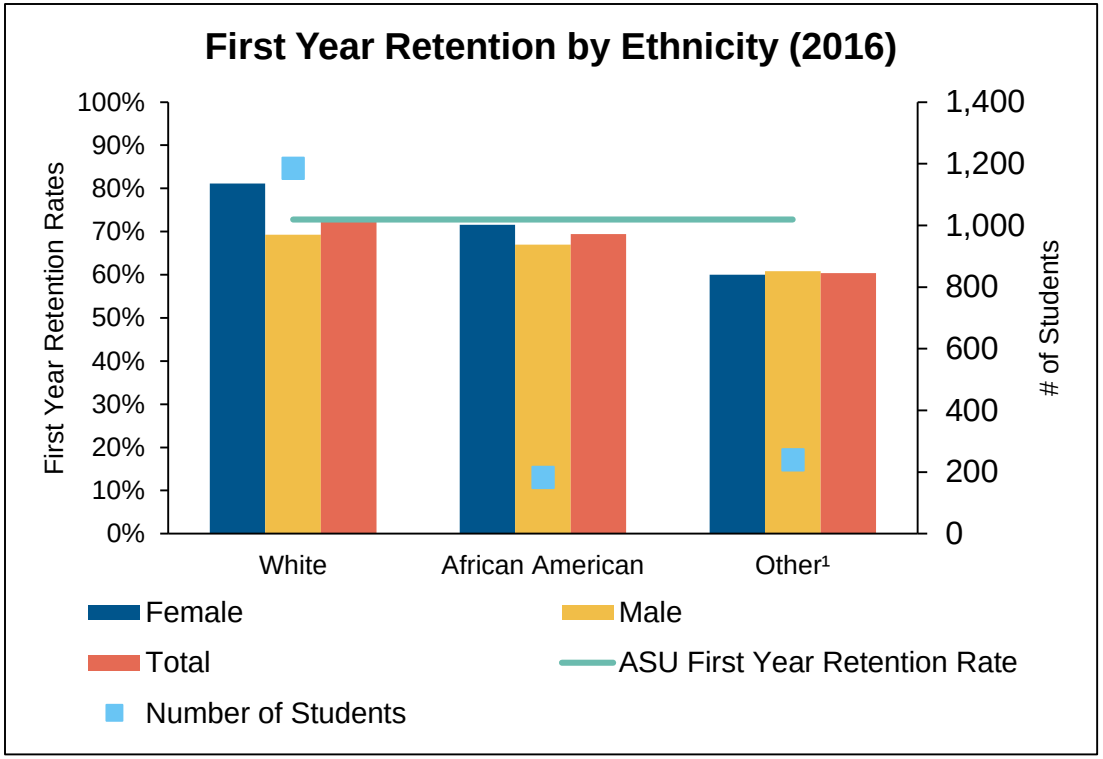
- The first year retention rate in 2017 was 72.8%, down 3% points from 2015 when first year retention was 76%
- The largest declines over this time were seen among males (-4.9%) and international (-29.6%) student populations
- 43% of FTFT students with available HS GPAs retained from first year to second year at a rate of less 70%
- Only the cohort of students with above a 3.75 HS GPA (37% of students with a reported HS GPA) retained at a level above 80%
- Gaining a deeper understanding of at-risk student populations will allow ASUJ to develop and implement a more targeted approach to intervention

Given the positive correlation between High School GPA and First-Year retention, ASUJ may benefit from implementing enhanced programming and support modules for students entering with GPA's below 3.5.

Source: A-State Institutional Research & Planning Fall to Fall Assessment/Grad Rates

FIRST YEAR RETENTION BY ETHNICITY

Demographic data along with academic indicators can be used to create predictive models to help identify at-risk student populations.



- White females, which represent 41% of this cohort, were the only demographic subset at ASU in the 2016 cohort to retain at above 80%
- Males across all ethnicities did not retain at a rate above 70%
- Ethnic minorities excluding African Americans, retained at the lowest rate of the cohort with roughly 40% of this demographic group not returning after year one
- By layering multiple variables into retention analyses, universities can study which combinations of factors are most likely to contribute to attrition

Capturing numerous data points on students can give way to powerful analytic insights which allow universities to target select populations and provide extra services to retain these students.

Source: A-State Institutional Research & Planning Fall to Fall Assessment/Grad Rates
[1] Other includes American Indian, Asian American, Hispanic American, Ethnicity Unknown, & International Students

CIVITAS LEARNING: DATA ANALYTICS

Arkansas State is adopting Civitas Learning Data Analytics to help better understand and respond to student retention trends.

Civitas Learning Data Analytics

- Civitas Learning will provide ASUJ with predictive models based on available data, allowing the institution to pinpoint at-risk student populations
- The tool allows the institution to take a much more targeted approach to enhancing retention, and ultimately identifying those most at-risk

Considerations

- While Civitas does have the ability to surface powerful insights, it is important to understand that the platform is only as strong as the institutional data that is provided
- Civitas is a wonderful tool for identifying which students are at-risk, but it will be up to the administration to develop policies, procedures, and programs to address and ultimately retain students through graduation

CIVITAS LEARNING

The insights gained through Civitas will help to bolster retention efforts at ASUJ, providing an important data lens to on-going and future retention initiatives.

OPPORTUNITY CALCULATION

Investment in new technologies and policy revision related to retention have the ability to produce positive net tuition revenue returns over several consecutive years as the cohort progresses.

Row		2016 Fall	2% Increment	5% Increment
1	**Year 1 Students**	**1,609**	**1,609**	**1609**
2	Retention %	72.8%	75%	78%
3	Year 2 Students	1,171	1,207	1,255
4	Net New HC	-	36	84
5	NTR per HC	$4,589	$4,589	$4,589
6	**Year 2 NTR Impact**		**$165,204**	**$385,476**
7			**2% Increment**	**5% Increment**
8	**Year 2 Students**	1,171	1,207	1,255
9	Retention %	63%	65%	68%
19	Year 3 Students	738	785	853
11	Net New HC	-	47	115
12	**Year 3 NTR Impact**		**$215,683**	**$527,735**
13			**2% Increment**	**5% Increment**
14	**Year 3 Students**	**738**	**785**	**853**
15	Retention %[1]	47%	48%	50%
16	Year 4 Students	347	377	444
17	Net New HC	-	30	97
18	**Year 4 NTR Impact**		**$137,670**	**$445,133**
19	**TOTAL NTR IMPACT**		**$518K**	**$1.36M**
20	**Productivity Funding**		**$238K**	**$595K**

- *With every 1% improvement in retention, ASUJ can expect incremental growth of ~$73K in net tuition within a cohort*
- *Improvements to Year 1 to Year 2 retention ranges from $165K to $385K*
- *In total, the financial impact of improved retention ranges from $756K to $1.96M*
- *Stated goals for the Chancellor's Commission on Completion, include raising first year retention to 85% for the 2019 cohort*
- *The table shows incremental progress that can be made in the years prior to 2020 when the goal will be measured*

FTFT 2016 Cohort was utilized as the starting headcount for the sake of the analysis. Most recent retention rates were utilized as the baseline for each year shown.

RECOMMENDATIONS

As the system looks to bolster enrollment, a continued commitment and focus towards retention and graduation will provide financial and social benefits as more students are retained and go on to graduate.

	Pillar of Student Success	Recommendations
1	Academic Capability	Utilize new data tools to identify at-risk student populations to inform specific intervention techniques and programs
2		On-going data governance is necessary to ensure the most accurate data is available for relevant analyses
3		Analyze D/F/W rates in gateway courses layered into student data to understand key barriers to progression
4	Financial Ability	Work with Financial Aid office to lower amounts of unmet need per student
5		Explore possibilities for students regaining lost scholarships after freshman year
6	Sense of Belonging	Engage campus partners from Student Affairs to understand opportunities to enhance the student experience
7		Conduct focus groups with a diverse, representative sample of current students to gather perspectives and insight
8	Wellness	Utilize Starfish in a more consistent manner so student-staff interactions, concerns, etc. are logged and appropriately followed-up
9		Hire additional case managers to assist in reaching out to at-risk students

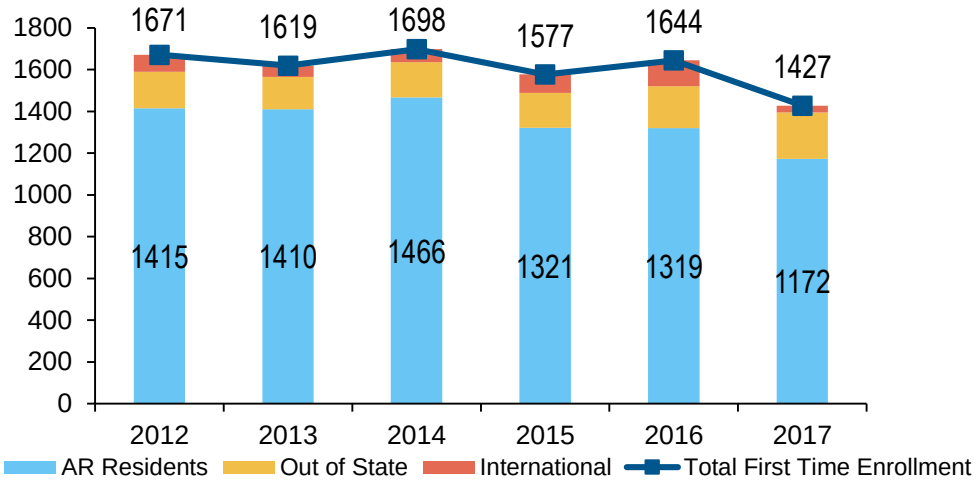
ENROLLMENT: ADMISSIONS STRATEGY

First-time enrollment has fluctuated the past few years at ASU-Jonesboro with the largest dip in 2017. As ASU looks to increase enrollment, reexamining its admissions processes and strategy will be essential.

Case for Change

- The decline in first time enrollment is largely due to a 17% point decline in Arkansas resident enrollment
- From 2014-2016, ASUJ lost roughly 1% of total in-state, first time undergraduate enrollment amongst all four year, public Arkansas universities
    - During this same period, enrollment peers University of Arkansas and UALR gained 1.4% and 1% of the in-state market share respectively
- In addition to in-state declines, international FTFT enrollment fell by nearly 75 percentage points from the previous year

First Time Freshman Enrollment



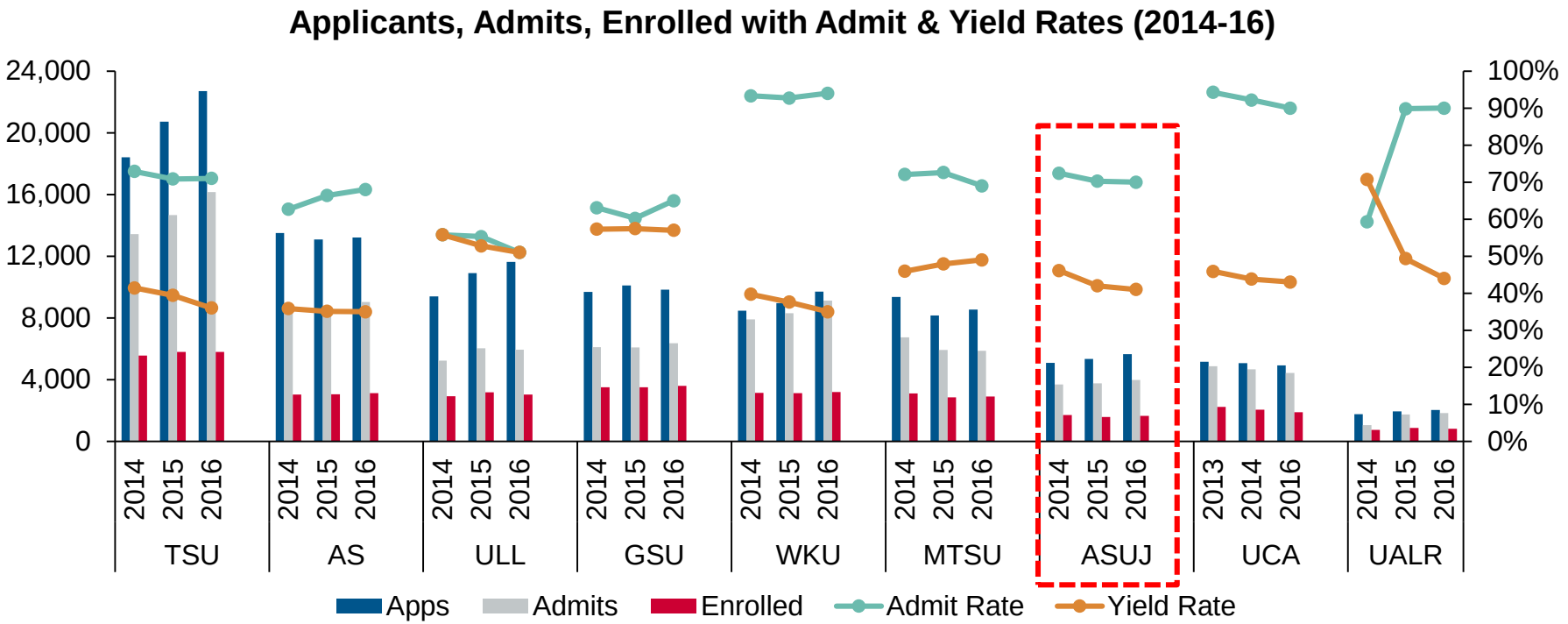
Opportunity	Financial	Service	Implementation	Risk	Realization	Score
Increase FTFT enrollment to previous levels	$500K - $1MM	10	10	8	5	8.4

In order to strategically grow enrollment, ASUJ should explore all of the factors at play—locally, regionally, domestically, and internationally; including student perceptions, market trends, and labor market demands.

Source: IPEDS, Institutional Websites
[1]2017-18 Tuition and Fees Shown, NTR is calculated utilizing 2015 figures from IPEDS

CURRENT STATE ADMISSIONS METRICS

Over the trend period, Arkansas State recorded declining yield rates which particularly impacted the Arkansas market, driving declines in overall undergraduate first-time enrollment.



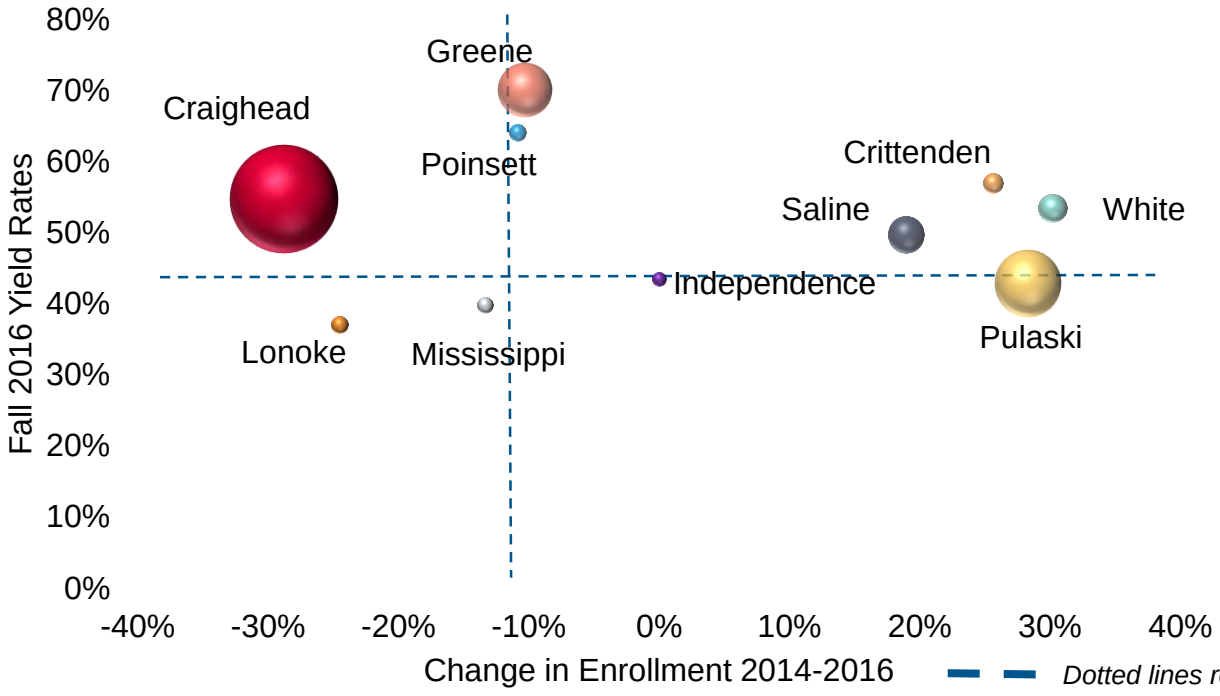
ASUJ saw an increase in applications, indicating an increase in interest within a competitive/saturated enrollment market, while the admit rate decreased, demonstrating a more selective admissions process

Source: IPEDS

IN-STATE ENROLLMENT TRENDS

Over the past 3 years, incremental increases in out-state, undergraduate student recruitment have been negated by significant declines to in-state, undergraduate enrollment.

Top Arkansas Counties by Full-Time Enrollment 2014-16



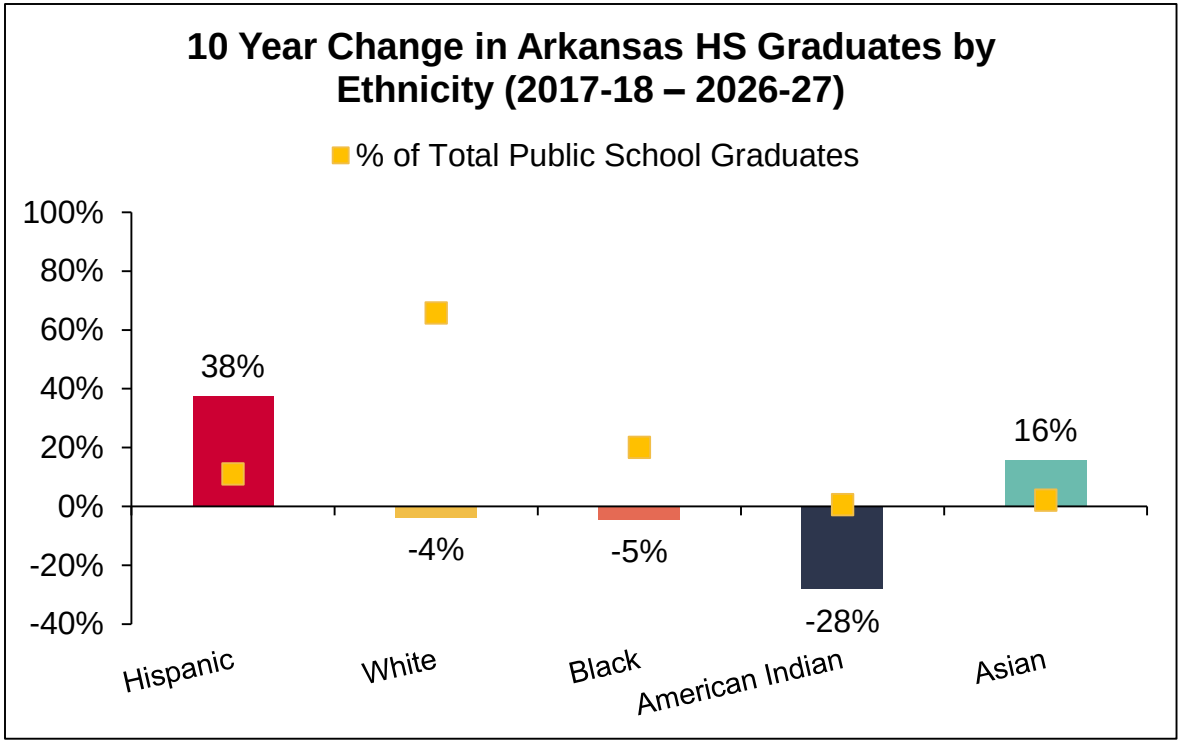
Bubble size represents FTFT enrollment in 2016 Fall

- Craighead county, where ASUJ is located and where the largest proportion of current students are from, yielded **over a 100 less students** from the fall of 2014 to the fall of 2016
- Pulaski county which encompasses Little Rock, has shown impressive enrollment increases(28%) given the competition from UALR and UCA

Source: Enrollment Funnel Data 2015 & 2017 provided by Astate Institutional Research and Planning

HIGH SCHOOL STUDENT GRADUATION TRENDS

Like much of the region, state high school graduation projections suggest White and African-American students will decrease, with significant growth in Hispanic students over the next ten years.



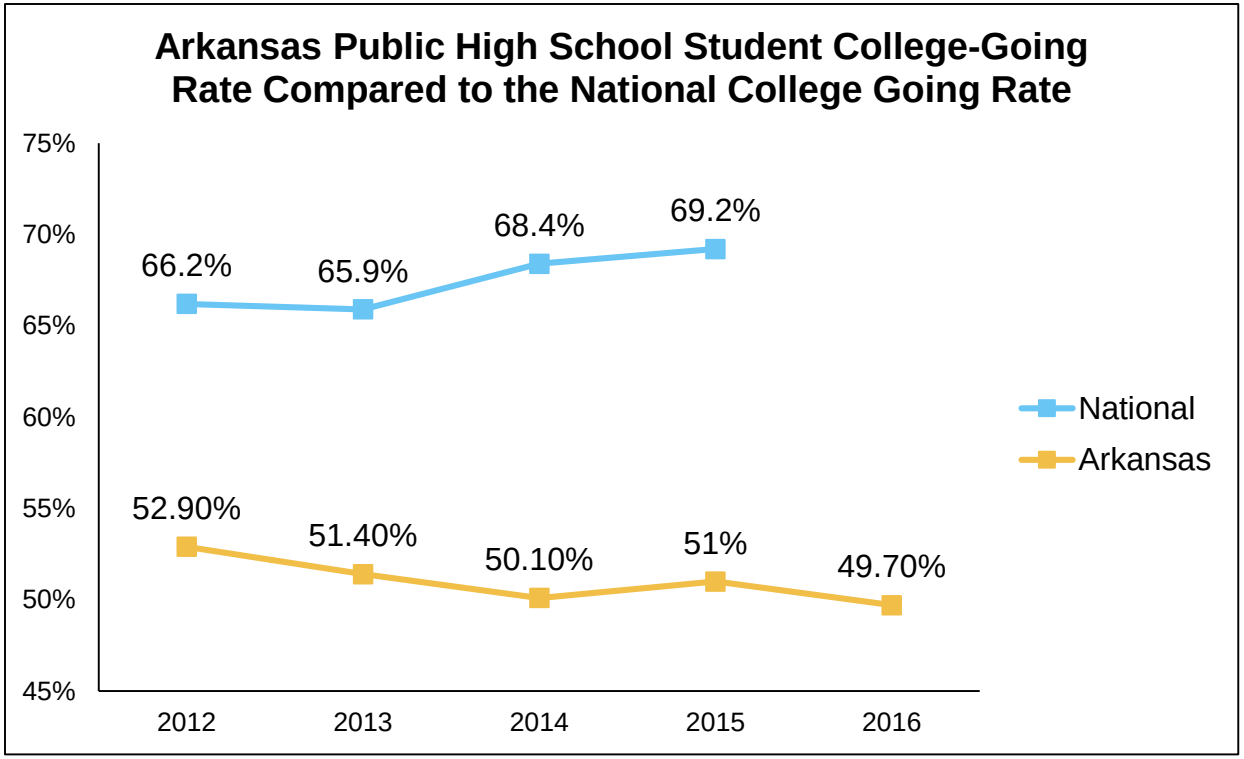
- The increase of high school graduates beginning in 2024 will be short lived with a projected decrease occurring between 2026 and 2031
- Overall, Arkansas is expected to grow its number of HS graduates by 4.8% from now until the peak in 2025
- Opportunity exists to capitalize on the projected growth within Arkansas through 2025, which will produce 1,500 more HS graduates than the present

Arkansas State must adapt their approach to outreach and engagement to changes in consumer behavior and the demographic landscape over time.

Source: Western Interstate Higher Education (WICHE) report (Knocking at the College Door), December 2016

ARKANSAS HIGHER EDUCATION OUTLOOK

In the “Close the Gap 2020” report, ADHE states a long term goal of increasing post-secondary attainment to 60% by 2025 up from current estimates of 43%.



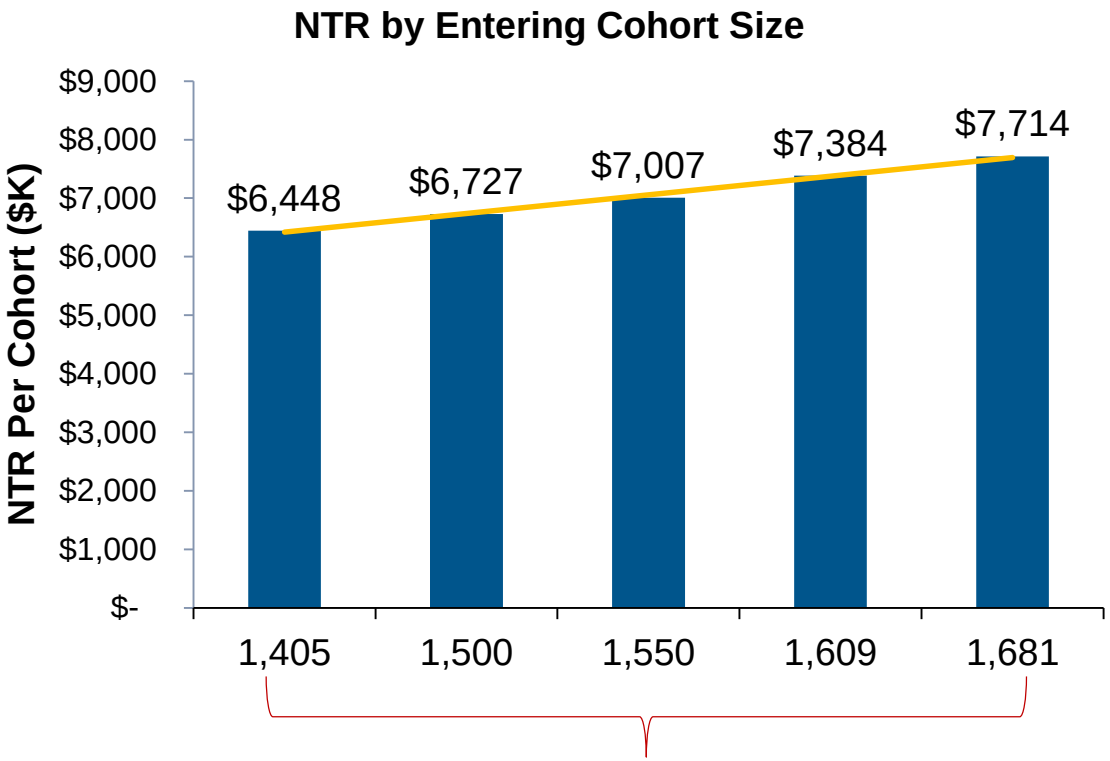
- The college going rate within the state of Arkansas has declined from Fall 2012 to Fall 2016 by 3.2% points
- This decline represents further separation away from the up trending national average of 69.2% in 2015, 18% points above the state of Arkansas
- The share of HS graduates attending four-year universities and two year colleges declined by 2.8 and 2.5 percentage points respectively since 2012

With historically low unemployment taking place across the state of Arkansas, all campuses across the ASU System must clearly articulate the value proposition of their respective institutions in today’s landscape

Source: Arkansas Department of Higher Education: Annual Report on College Going Rate of Public School Gradates

OPPORTUNITY CALCULATION

Returning first time, in-state enrollment to previous levels in combination with continued success in out-of-state markets will make a significant financial impact for the institution.



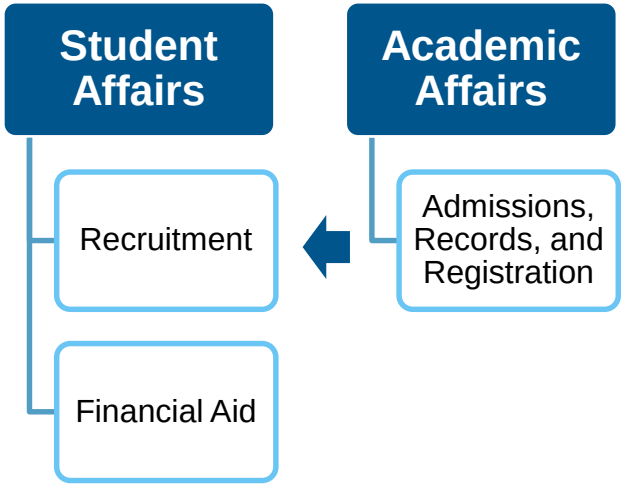
Return to peak FTFT enrollment = $1,266,564

- Returning headcount back to 2016 figures results in additional net tuition revenue of roughly $936,156
- Increasing headcount to peak historical first-time, full-time enrollment represents additional net tuition revenue of $1.27M
- Opportunities exist to further examine financial aid and tuition pricing strategies

Source: Institutional Factbook

ENROLLMENT MANAGEMENT REORGANIZATION

The current organizational structure makes collaboration between operational areas more difficult and reduces the overall effectiveness of ASU's enrollment services.



Organizational alignment and/or physical co-location enhances communication, transparency, data sharing, etc.

Institution	Admissions	Recruitment	Financial Aid
Arkansas State University	X	✓	✓
UALR	✓	✓	✓
UCA	✓	✓	✓
Appalachian State	✓	✓	✓
Western Kentucky	✓	✓	✓
Texas State	✓	✓	✓
Georgia Southern	✓	✓	✓
U of L-Lafayette	✓	✓	✓
Middle Tennessee	✓	✓	✓

Effective collaboration in these areas represents a key enabler in the overall admissions strategy. The offices must be aligned to ensure that applicants experience a cohesive process as they flow through the EM funnel.

Source: Institutional Websites

RECOMMENDATIONS

Recent declines in enrollment have increased the need to reevaluate current recruitment strategies and understand the cost/benefit of existing and newer ventures.

	Function	Recommendations
1	Enrollment Data	Monitor the ROI of moving a counselor to the STL area and assess yield rates from out-of-state target counties
2		Monitor the yield rates on student data purchased from NRCCUA
3		Collect, aggregate, and use data in predictive modeling for more accurate recruitment forecasting
6	Structure & Programming	Enhance value proposition of the campuses within the system and incorporate into marketing materials
7		Consolidate admissions processing functions back into the enrollment services functional area.
8		Identify gaps in the admissions process relative to top peers
10	Key Stakeholders	Poll local HS counselors to further understand the declines within the Craighead and Greene counties
11		Reevaluate alumni engagement within the admissions process

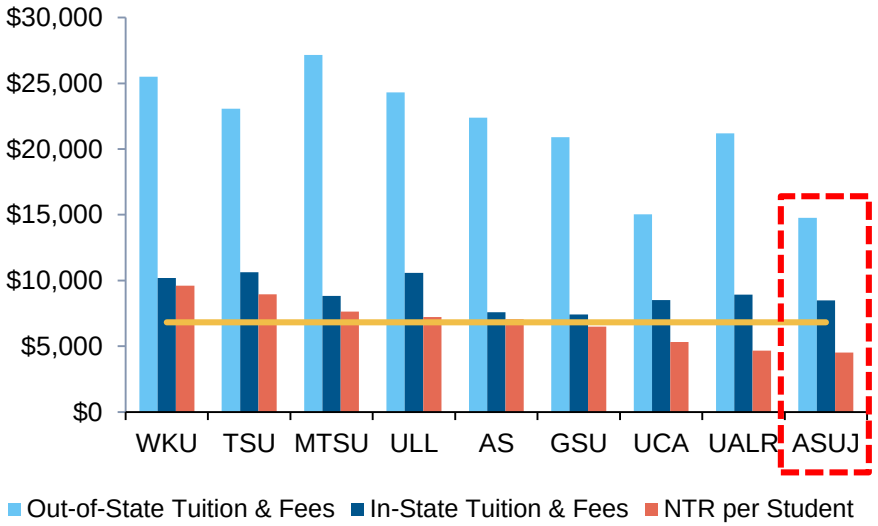
ENROLLMENT: DISCOUNTING STRATEGY

Tuition discounting plays a vital role in both the overall recruitment strategy of the institution, as well as directly impacting the magnitude of net tuition revenue for the institution.

Case for Change

- ASU currently offers the "most affordable" out-of-state tuition in the peer group at almost $7K below the peer average
- In addition to having a low out-of-state sticker price, out-of-state students are often awarded tuition waivers which reduce tuition to in-state rates ($8,478), with additive scholarships applied in certain cases
    - Heavy discounting reduces the effect of increased revenue that out-of-state enrollments typically bring in
- Low tuition prices, coupled with high discount rates are reflected in ASUJ's average NTR, which is the lowest of the peer group ($4,514 per student)

NTR and Tuition & Fee Pricing[1]

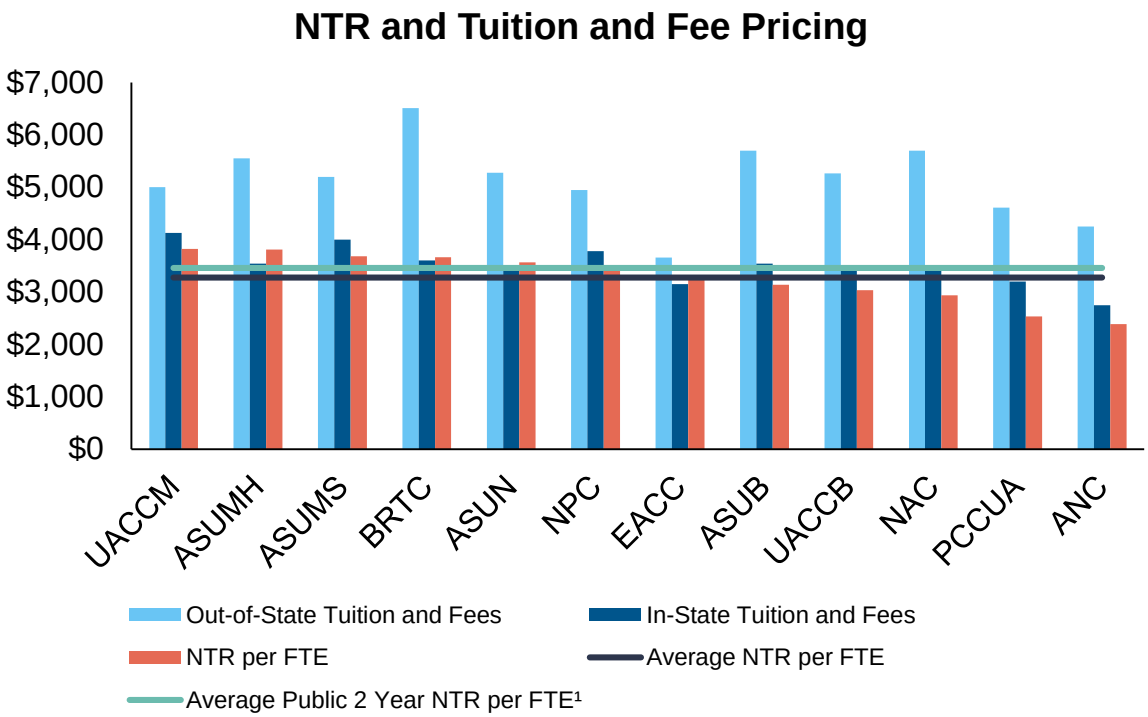


Opportunity	Financial	Service	Implementation	Risk	Realization	Score
Develop discounting strategy to award aid more effectively	$2MM+	9	5	2	5	7.4

Source: IPEDS, Institutional Websites
[1]2017-18 Tuition and Fees Shown, NTR is calculated utilizing 2015 figures from IPEDS

TUITION AND FEES BENCHMARKING

Tuition pricing on the two year campuses remains competitive relative to peers, with every campus except Newport charging above average in-state tuition.



- ASU-Mountain Home and Mid-South have the highest NTR per FTE of the two-year campuses in the system with $3,809 and $3,683
- Of the two year campuses in the system, only Beebe fell below both the peer group and national average in NTR per FTE at $3,139

Overall, the two year campuses showed strong Net Tuition Revenue amounts per FTE, with the average of the four campuses exceeding the national average by 2.5%.

Source: IPEDS, Arkansas Department of Higher Education
¹College Board Institutional Revenues per Full-Time Equivalent (FTE) Student in 2014 Dollars at Public Institutions, 2004-05, 2009-10, and 2014-15

OUT OF STATE SCHOLARSHIP POLICIES

With the exception of ULL and UALR, Arkansas State has some of the most lenient criteria to automatically qualify for an out-state tuition waiver.

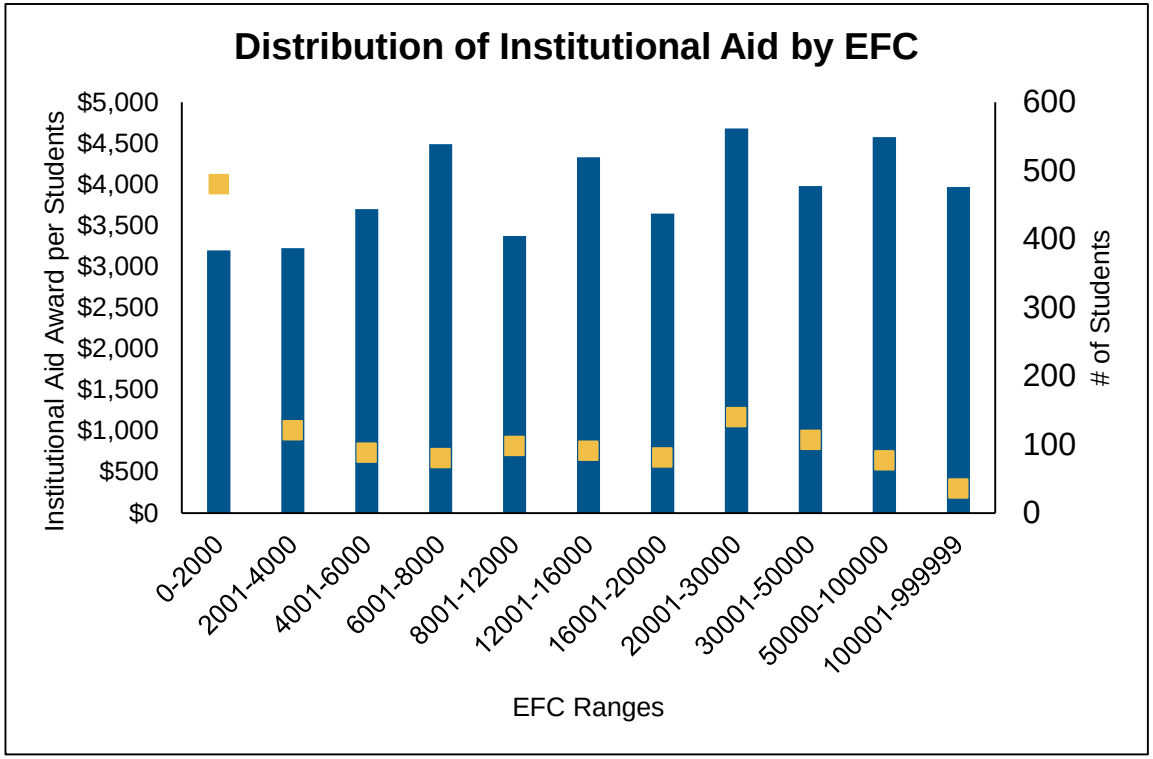
Institutions	Amount[1]	Out-of-State Scholarship Policy
ASUJ	**OOS Waiver**	**Must have a minimum ACT score of 24 and a 3.0 HS GPA to qualify**
UALR	Up `to 90% of the difference	Must have a minimum ACT score of 24 and a 3.0 HS GPA to qualify
UCA	OOS Waiver	Must have a minimum ACT score of 30 and a 3.5 HS GPA to qualify
ASU	n/a	No scholarships specifically targeting out-of-state students administered through the office of financial aid.
WKU	$10,000	Must have a minimum ACT score 25 and a 3.0 HS GPA to qualify
TSU	OOS Waiver	Must have a minimum ACT score of 27 and be in the top 25% of your HS class
GSU	OOS Waiver	Must have a minimum ACT score of 27 and a 3.5 HS GPA to be considered.
ULL	OOS Waiver	Must have a minimum ACT score of 23 and 2.5 HS GPA to be considered.
MTSU	OOS Waiver	Must have a minimum ACT score of 29 and 3.5 HS GPA to be considered

In addition to the out-of-state mileage waiver*, the relatively lenient out-of-state scholarship criteria lessens the net tuition revenue that is realized by recruiting out-of-state students.

Source: Institutional Websites
* Mileage Waiver refers to the policy that waives the out-of-state tuition difference to students within select counties of neighboring states

INSTITUTIONAL AID DISTRIBUTION BY EFC

Arkansas State distributes merit-based institutional aid utilizing a criteria matrix. This scholarship policy results in the neediest students on campus receiving the lowest amounts of aid on average.



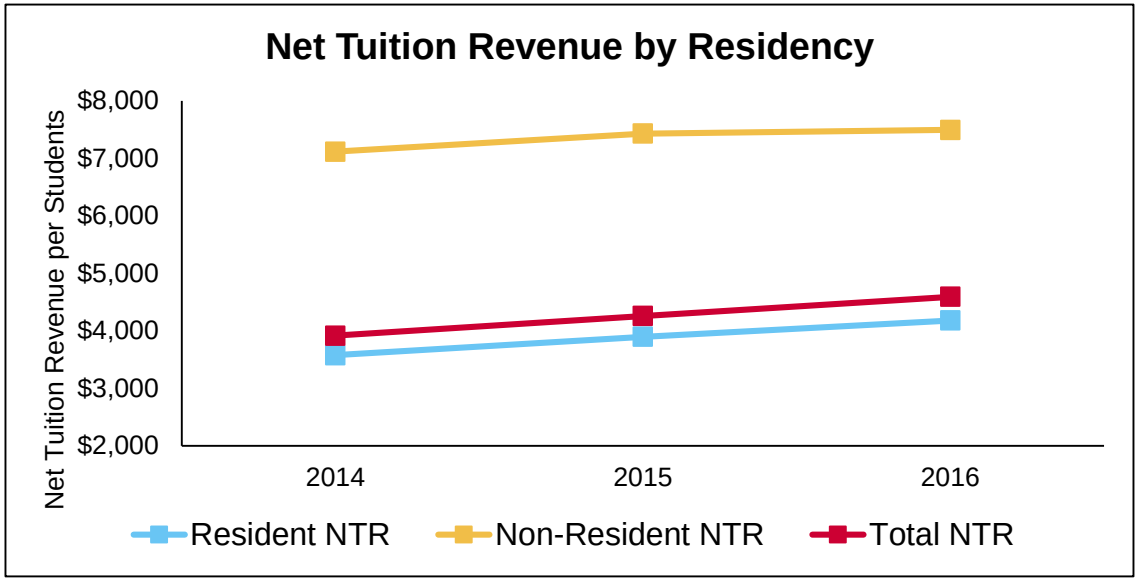
- Of FTFT students with available Estimated Family Contribution data, the cohort with the lowest ability to pay received the lowest amount of institutional aid on average at $3,196
- The two cohorts with the lowest ability to pay comprise over 40% of FTFT students, while receiving the lowest amounts of institutional aid
- By awarding aid solely off merit, there runs a risk that even with federal grants, the neediest students on campus will not be able to afford the cost of attendance

ASU should consider reevaluating scholarship award policies to adopt a more holistic and data driven approach to the award process.

Source: Enrollment Funnel Data provided by Astate Institutional Research and Planning

NET TUITION REVENUE BY RESIDENCY

In an increasingly competitive enrollment market, institutions must analyze and revise policies to maximize the amount of revenue realized per enrollment.



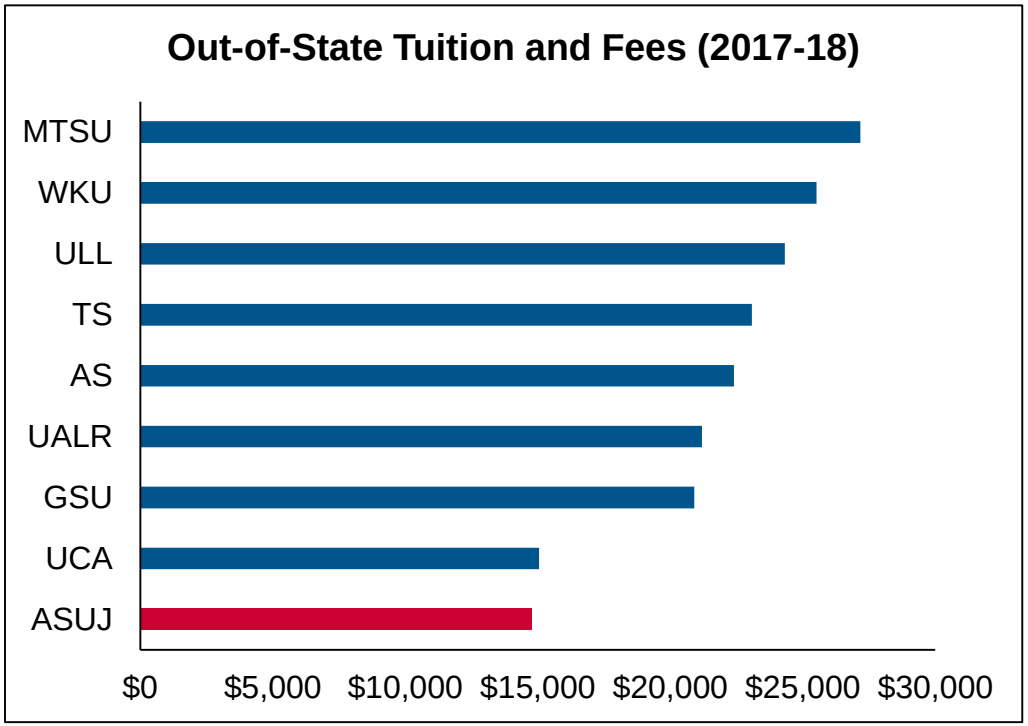
- Arkansas State has seen 16.9% growth Resident and 5.3% growth Non-Resident NTR over the past 3 years
- Average tuition and fee discounts for residents and non-residents were 44% and 41% respectively
- These rates were 14 and 4 percentage points above other public institutions published in a recent 2017 discounting survey[1]

	Average Discount Rate for FTFT	Average Institutional Aid Amount per Student
Peer Average (2015)	24%	$2,230
A-State Resident	**44%**	**$3,296**
A-State Non-Resident	**41%**	**$5,279**

Source: Enrollment Funnel Data 2015 & 2017 provided by Astate Institutional Research and Planning
Ruffalo Noel Levitz: 2017 Discounting Report Benchmarks for First-Year and Transfer Students

OUT-OF-STATE TUITION & FEES BENCHMARKING

While in-state tuition and fees hover very close to the peer average, out-of-state tuition and fees are the lowest in the peer set and over $6k lower than the peer average.



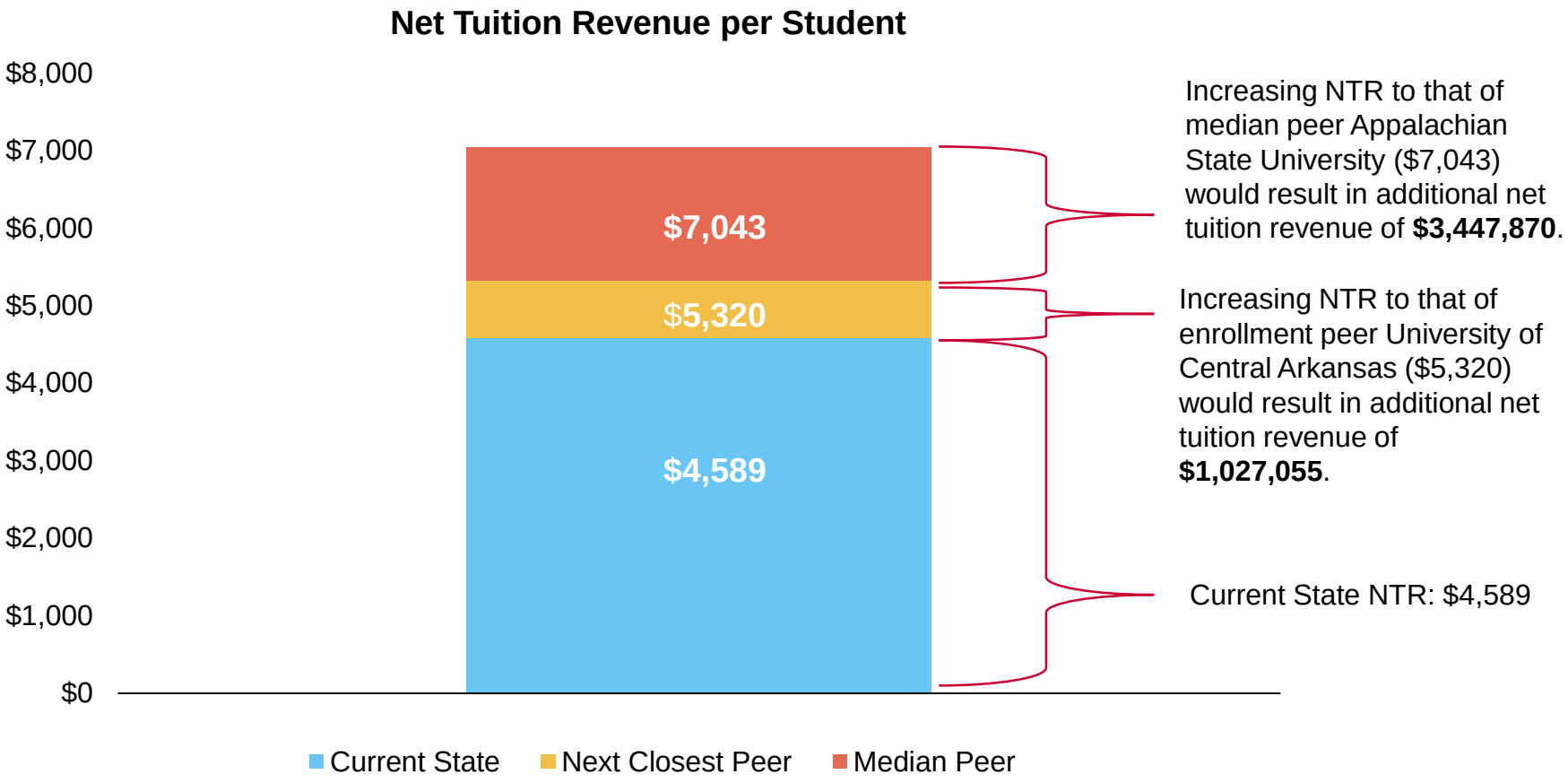
- In comparison to peers, Arkansas State has the lowest out-state-tuition and fees sticker price, well below the average of roughly $21,600
- In 2011-2012, ASUJ lowered out-of-state tuition by 18%
- Due to the tuition reset, since the 2008-09 academic year, out-of-state tuition and fees have risen 0.3% on an annualized basis. **During this same time period, in-state peers UCA and UALR raised out-of-state tuition rates by 2.4% and 4.0% respectively (annualized)**
- In-state tuition and fees over the same time period rose by 2.9% on an annualized basis
- Affordable out-of-state tuition and fee pricing can serve as a recruiting tool for out-of-state students, as seen by the increase in out of state enrollment

Arkansas State utilizes low out-of-state tuition as a selling point, although due to the prevalence of out-of-state tuition waivers, the increased OOS enrollments have a lessened impact on NTR.

Source: Arkansas Department of Higher Education

OPPORTUNITY CALCULATION

Through either increases to out-of-state tuition or the revision of existing scholarship policies, net tuition revenue per student can be increased to reach close enrollment peer, UCA.



NTR calculations multiply the current state NTR of $4,589 by the current 2017 cohort of first time, full-time freshman 1405

RECOMMENDATIONS

In light of public pressure to keep in-state tuition prices steady, Arkansas must reexamine scholarship policies as well as its out-of-state tuition and pricing strategy to maximize net tuition revenue.

	Function	Recommendations
1	Data	Track net tuition revenue for First Time, Full Time Students to rationalize financial aid amounts
2		Simulation analysis and stress testing to assess the impact of sticker tuition, net cost, and any aid scenarios
3		Conduct price elasticity study and survey of prospective students around pricing perceptions and value
4	Process	Incorporate sophisticated, data-driven analysis into the institutional aid award process to capture higher amounts of NTR per student
5		Model out-of-state tuition and fees scenarios which align with enrollment peers

ADDITIONAL QUESTIONS AND NEXT STEPS

Following are some outstanding questions following our review of enrollment management strategies across the ASU System.

1. Has Arkansas State evaluated the effectiveness of current retention programming on at-risk student populations?
2. What plans are in place to ensure adequate engagement of faculty members in retention programming?
3. What additional summer programming can Arkansas State institute to increase the rate at which admitted students enroll on campus?
4. Has ASUJ considered a lost-admit survey to understand behaviors of students that decide not to enroll on campus?
5. How does ASUJ examine its current allocation of resources and investments in people, programming, and technology with regards to admissions and retention?

Our examination of the enrollment management functions at Arkansas State has underscored the importance of data to effectively manage operations.

DEVELOPMENT – ALUMNI ENGAGEMENT

HURON

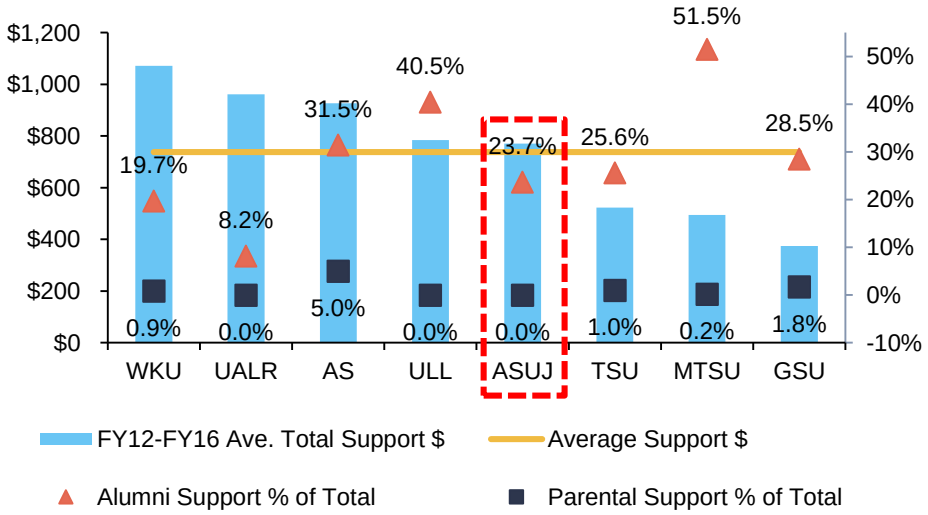
DEVELOPMENT

ASUJ receives strong corporate donor support but lags behind peers in alumni outreach, parental outreach, alumni fundraising dollars, and parental fundraising dollars.

Development Benchmarking

- ASUJ has raised an average[1] of $183 per FTE from alumni over the past five years compared to an average of $199 among the peer set
- ASUJ has solicited on average 95.8% of recorded alumni over the past five years and has seen alumni participation of 6.5%, which falls in the middle of the peer set
- ASUJ has not fundraised from parents over the past five years compared to an average of $10 per FTE among the peer set
- ASUJ receives an average of $247 per FTE from corporations compared to an average of $189 among the peer set

Average Total Support [2, 3] per FTE FY12-FY16



Opportunity	Financial	Service	Implementation	Risk	Realization	Score
Enhance alumni fundraising	$250K - $500K	5	6	8	5	4.4
Enhance parental fundraising	$0 - $250K	5	6	8	5	4.4
Improve prospect gathering	$0 - $250K	10	6	8	5	5.4

[1] All averages are from FY12-FY16
[2] FTE data was sourced from IPEDS FY12-FY16
[3] Support data was sourced from VSE survey data FY12-FY16

CURRENT STATE ALUMNI ENGAGEMENT

Though some of the two year schools within the ASU System participate in alumni engagement activities, ASU Jonesboro operates the most robust office.

ASU Key Stakeholder Insights[1]

ASU Jonesboro	*"I contribute regularly (sometimes small... sometimes larger contributions) and I don't know that I've ever received a "thank you" or anything outlining how my contributions have supported the college"*
ASU	*"Our office has a good working relationship with the Foundation and our new leadership has helped establish that"*
ASU Mountain Home	*"We believe that building an alumni program is a growth area for us…We need to do a better job of building our alumni pool and increasing our donor base"*
ASU Mid-South	*"Transfer students often don't associate with the two-year school, but rather the four-year"*
ASU Mid-South	*"I believe our Development Office takes the contributions from employees and other donors for granted"*
ASU Beebe	*"From an outreach standpoint, a lot of people just haven't been reached out to, so they have no reason to donate"*

Current Alumni Engagement Highlights

ASU Jonesboro	*Alumni Association, Giving Societies, Planned Giving, Torchbearers, Student Philanthropy*
ASU Beebe	*Alumni Website, Newsletter*
ASU Mountain Home	*Charity Golf Classic, Giving Societies, Alumni Facebook Page*
ASU Newport	*Link to Donate*
ASU Mid-South	*Wild Game Dinner, Giving Societies*

[1]Key Stakeholder Interviews and open ended survey responses

TECHNOLOGY LANDSCAPE

While ASUJ uses Banner for its Advancement needs, the two-year institutions within the ASU System have limited to non-existent Advancement data tracking technologies.

ASU Key Stakeholder Insights[1]

ARKANSAS STATE UNIVERSITY	*"The Banner software is not user friendly"*
ARKANSAS STATE UNIVERSITY	*"I often hear complaints from the other Development Officers regarding Banner"*
ARKANSAS STATE UNIVERSITY	*"We track pledges and invoices manually in excel"*
ARKANSAS STATE UNIVERSITY MID-SOUTH	*"As a two-year institution, it is difficult for us to capture meaningful alumni data"*

ASU System Current Advancement Technology

ASU Jonesboro	*Banner Advancement*
ASU Beebe	*Talisma (to be implemented)*
ASUMS, ASUMH, and ASUN	*Manual / Excel*

Other Advancement Technology & Higher Education Users

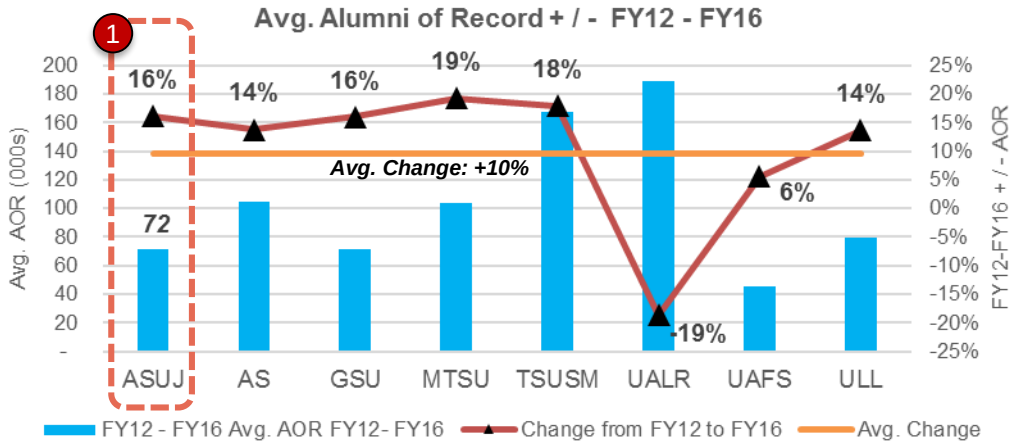
Category	HE User	Technology
Donor Management	Yale, University of Michigan, University of Puget Sound	PeopleGrove, Raiser's Edge NXT, abila, imodules
Advancement Analytics	Williams, UAB, Boston University	evertrue, ellucian.

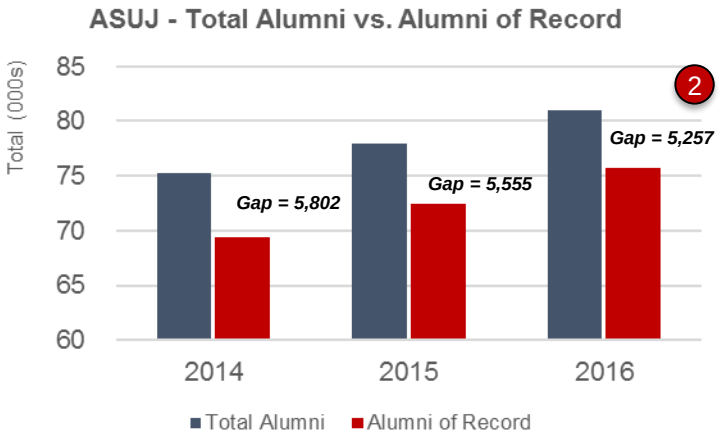
- ASUJ employs Banner Advancement in order to track all giving from donors. However, according to interviews with key stakeholders, working with the technology has been difficult. Other Advancement data is recorded manually using shadow systems
- ASU System could better utilize Advancement technology in a number of ways, such as Alumni of Record maintenance, prospect evaluation, and major donor tracking
- Though the two-year institutions are able to track general populations of living alumni, they were not able to provide historical alumni gift data at this time (ASUB is currently working to implement Talisma Fundraising to track this data)

[1]Key Stakeholder Interviews and open ended survey responses

ALUMNI OF RECORD

Similar to its peers, ASUJ has increased its Alumni of Record (AOR) since FY12, but there is room to close the gap between the number of total alumni and alumni of record.





1. According to VSE data, ASUJ increased its Alumni of Record (AOR) by an average of 16% between FY12 and FY16. This is slightly above its peer set, which saw an average increase of roughly 10% between the same time period[1]

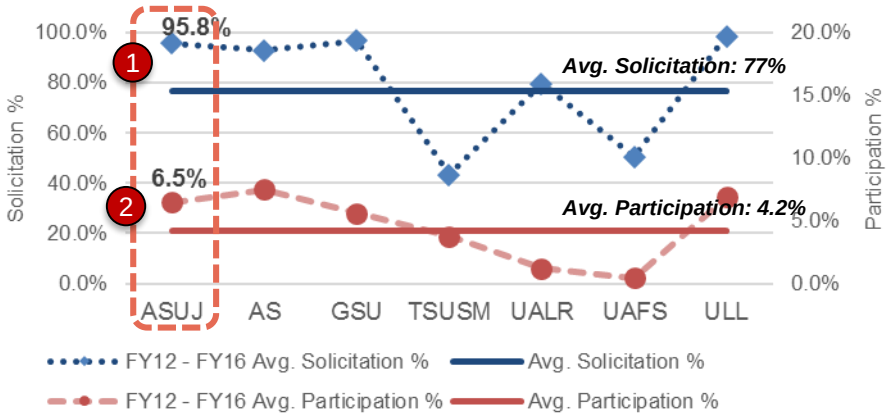
2. Based on data received from the Office of Advancement at ASUJ, there is a gap of about 5,200 alumni between the reported Total Alumni and AOR figures for 2016[2]

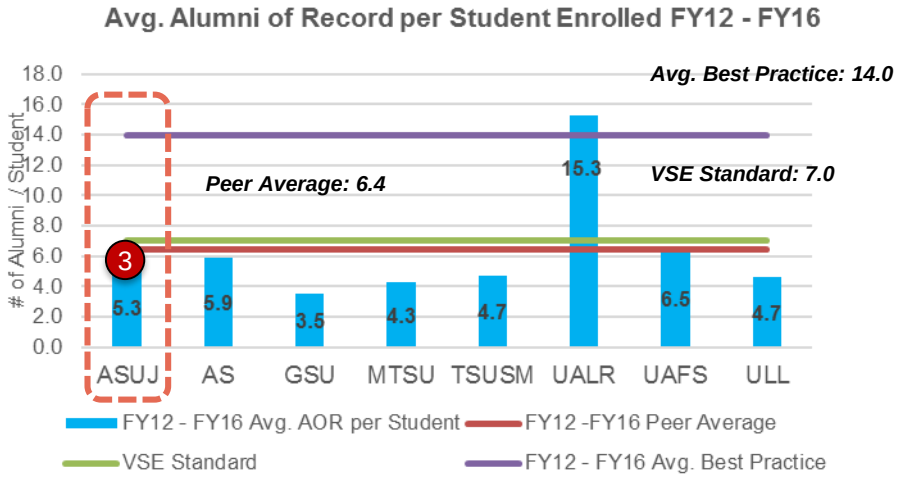
The gap between AOR and Total Alumni represents an opportunity to find & engage lost alumni.

[1] Support data was sourced from VSE survey data FY12-FY16
[2]ASUJ 2014, 2015, 2016 Alumni Gift Data
Some ASUJ alumni population demographic information was sourced from its website

ALUMNI COVERAGE

Compared to benchmarks, ASUJ falls slightly above average for alumni solicitation and participation.





1. ASUJ solicited on average 95.8% of recorded alumni from FY12 to FY16, which is above the average of its peers (77%)[1]

2. ASUJ has seen an average alumni donor participation of 6.5%, which falls closer to the middle of the peer set, who saw an average participation of 4.2% over the same time period [1]

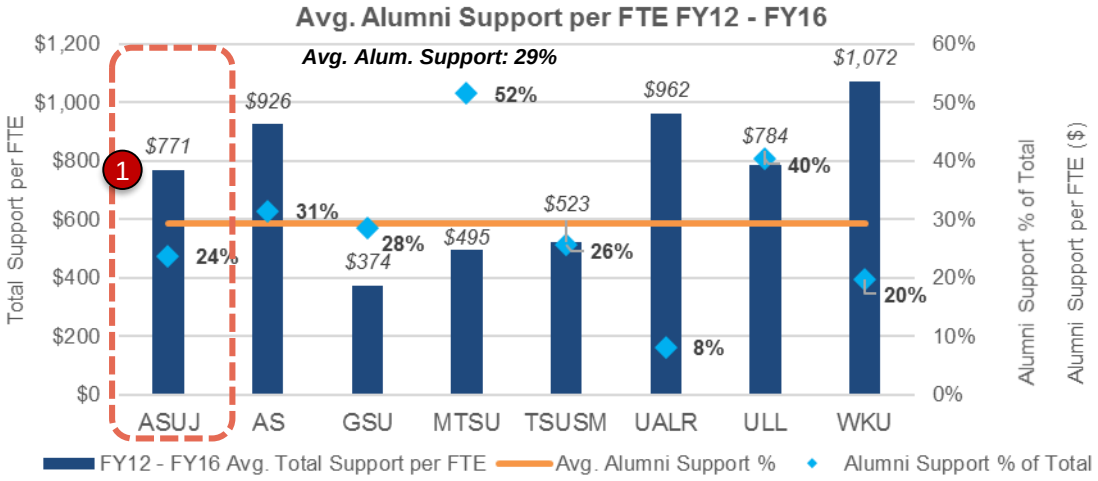
3. Alumni per student enrolled offers a glimpse into the strength of the alumni record that a University keeps. ASUJ recorded 5.3 alumni per student enrolled on average between FY12 and FY16, which is below the average of its peer set and best practices[1&2]

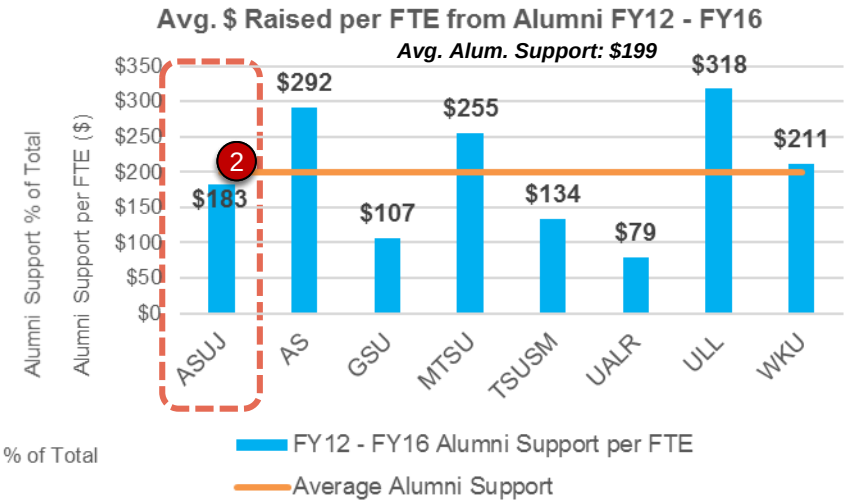
Improved prospect research and revitalized alumni engagement efforts can help bring ASUJ's alumni support per FTE closer to peer levels.

[1] Support data was sourced from VSE survey data FY12-FY16
[2] Best Practice number sourced from VSE Survey data of Amherst College, Williams College, Smith College, and Wellesley College

ALUMNI SUPPORT

Alumni support per FTE at ASUJ is low relative to peers.





1. From FY12 to FY16, alumni represented an average of 24% of total support per FTE, which is lower than the 29% average its peers realized[1]

2. ASUJ has raised an average of $183 per FTE from alumni over the past five years compared to an average of $199 among the peer set[1]

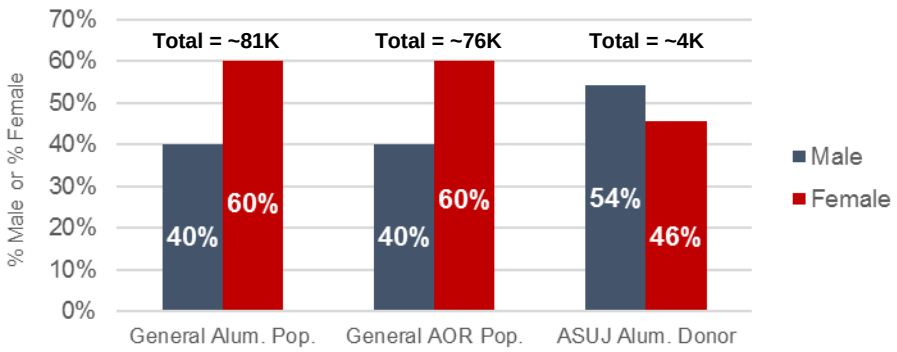
Better utilization of Advancement technology and maintenance of records can help increase alumni of record and potential support from donors.

[1] Support data was sourced from VSE survey data FY12-FY16

ALUMNI GIFTS

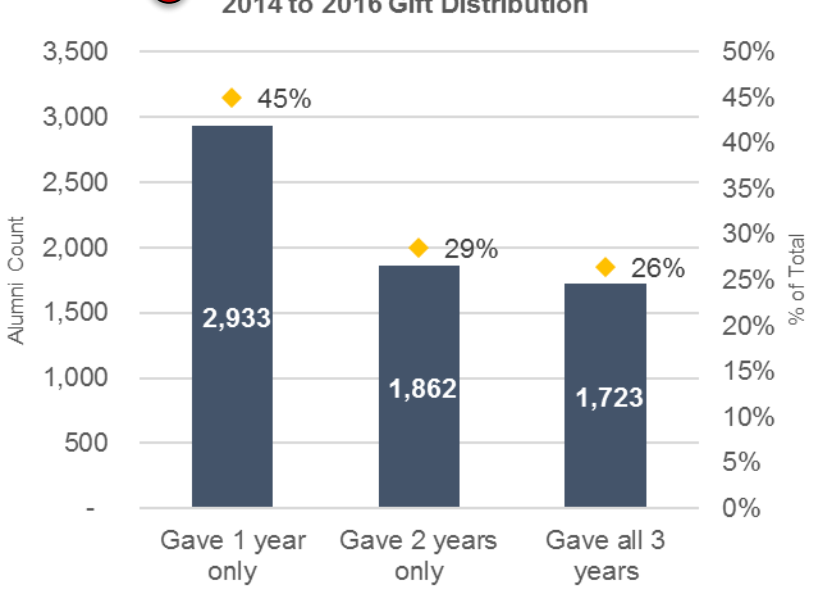
Huron analyzed ASUJ alumni gift data from 2014 to 2016 to further investigate the distribution of alumni gifts and the alumni donor demographic profile from recent years.

1



Location			
No. Living in AR	50,147	48,911	3,094
No. Living in Jonesboro	13,151	10,799	1,251
No. Living in Little Rock	4,126	2,810	184

2



1 As of 2016, ASUJ's AOR has a similar M/F skew compared to the general alumni population. However, the ASUJ Alumni who donated in 2016 were heavier male-skewing vs. the general alumni population[1]

2 45% of all unique alumni donors between 2014 and 2016 only gave in one year, while ~26% gave at least once each year[1]

ASUJ Alumni are not giving consistently YOY, suggesting that there is opportunity to increase alumni donor retention.

[1]Source: ASUJ 2014, 2015, 2016 Alumni Gift Data
Some ASUJ alumni population demographic information was sourced from its website

ALUMNI DONORS

Huron cross-referenced alumni gift data with general AOR data in order to examine the profile of those alumni who are not giving.

2016 Alumni Donors vs. AOR Who Did Not Donate

	Current Donors Sum (000s)	Count	% $s	% Count	*Missing Donors* % of AOR Missing
65+	$1,001	2,330	47%	20%	13%
56 to 64	$539	2,902	26%	25%	13%
46 to 55	$281	2,589	13%	22%	20%
36 to 45	$222	2,286	11%	20%	26%
20 to 35	$67	1,472	3%	13%	28%
Total	**$2,110**	**11,579**	**100%**	**100%**	**100%**

**8,802 did not report age*

2016 Alumni Donor Most Common First Reported Major

- *Business Admin. – 6%*
- *Accounting – 6%*
- *Physical Education – 5%*
- *Elementary Education – 4%*
- *Nursing – 4%*

Male / Female Split	**54 / 46**	**40 / 60**
Living in AR	**80%**	**79%**
Living in Jonesboro	**32%**	**16%**
Living in Little Rock	**5%**	**5%**

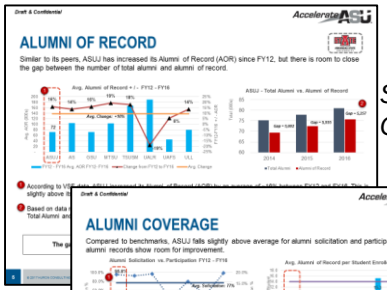
1. Since 2014, ASUJ has received donations more consistently from a older-skewing demographic. ~73% of the total alumni donations came from alumni ages 56+ [1]
2. Just over half (~54%) of the AOR who did not donate in 2016 were between the ages of 20 - 45 [1]
3. 60% of those AOR who did not donate in 2016 were female and 79% of them live in AR

ASUJ has an opportunity to further engage with a younger alumni demographic in order to establish a pipeline for future alumni donations.

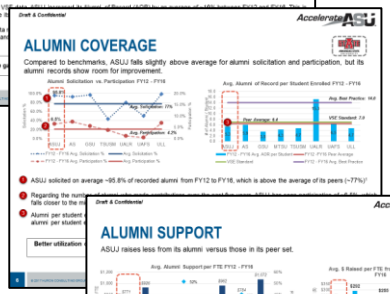
[1]Source: ASUJ 2014, 2015, 2016 Alumni Gift Data
Some ASUJ alumni population demographic information was sourced from its website

OPPORTUNITY CALCULATION

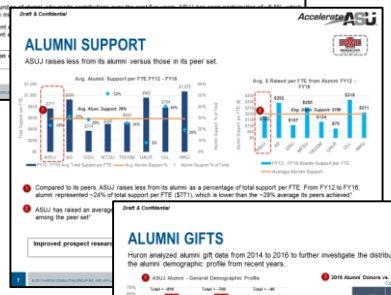
By bringing alumni support per FTE closer to peer average and closing the gap between AOR and total alumni, ASUJ has the potential to increase revenue as a result of alumni engagement.



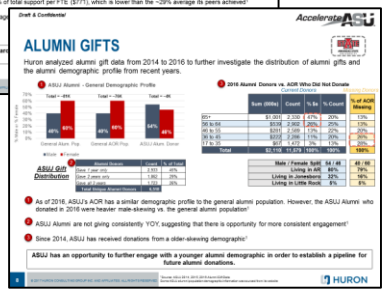
Stewardship & Cultivation



Increase Support per FTE



Effective Use of Advancement Tech.



Donor Segmentation

2016 ASUJ Total Alumni	81,003
ASUJ Avg. FTE 2012-2016	12,347
Avg. ASUJ Support per FTE	$183
Avg. Peer Support per FTE	$199
Total Alumni	81,003
AOR	75,746
Gap	5,257

Estimated Revenue Enhancement

			Giving Range - Opportunity to Increase AOR (000s)		
Implied Increase	Addt'l Donors	$ Per Donor	*Low (25%)*	*Medium (40%)*	*High (50%)*
10%	526	$183	$24.1	$38.5	$48.1
15%	**789**	**$183**	**$36.1**	**$57.7**	**$72.2**
25%	1,314	$183	$60.1	$96.2	$120.3

Gift contribution is discounted to capture new alumni that have different levels of giving

	Potential Opportunity - Earn Support Closer to Peer Avg. (000s)			
	Current	*+2%*	*+5%*	*Peer*
Support per FTE	$183	$187	$192	$199
Total Support (000s)	$2,260	$2,305	$2,372	$2,457
Opportunity (000s)	**-**	**$45**	**$113**	**$198**

	Low	Medium	High
Estimated Total	**$81**	**$171**	**$270**

[1]Source: ASUJ 2014, 2015, 2016 Alumni Gift Data
Some ASUJ alumni population demographic information was sourced from its website

RECOMMENDATIONS

Based on initial analysis, key stakeholder insights, Huron suggests the following recommendations related to Alumni Engagement.

	Function	Recommendations
1	Process	Focus on closing the gap between AOR and Total Alumni by developing strategies for stewardship & cultivation of alumni donors
2		increase utilization of Advancement technology in order to bring alumni support per FTE closer to peer levels
3		Focus on engagement with younger alumni in order to develop long term relationship for future giving
4		Establish alumni engagement programs on two-year campuses
5	Technology	Evaluate current use of Banner Advancement on ASUJ campus and identify utilization gaps
6		Consider and assess additional advancement technology add-ons from third-party vendors (e.g., donor management and advancement analytics)
7		Consider using ASUB as test case for Talisma implementation

Other Considerations:

- Parental fundraising
- Prospect gathering
- Corporate alumni support
- Major Giving

ADDITIONAL QUESTIONS AND NEXT STEPS

Following are some outstanding questions following our review of alumni engagement efforts across the ASU System.

1. How does ASUJ target the younger alumni demographic most effectively in order to establish a pipeline for future giving?
2. How can all ASU System institutions better segment alumni messaging? (i.e. social media campaigns for younger donors, legacy/planned giving campaigns for older donors)
3. How successful is Talisma in bringing in alumni gifts at the ASUB campus?
4. What additional forms of alumni engagement do ASUJ's peers utilize in and what are the success metrics?
5. How does hard vs. soft giving factor into to overall donations and alumni engagement efforts?
6. What does the ASU System Office role look like in regards to Alumni Engagement?

While ASUJ should begin developing strategies for cultivation and stewardship of younger alumni, the two-year campuses should begin to have conversations about alumni engagement programs and alumni data management.

OUTSOURCING STRATEGY

OUTSOURCING STRATEGY

The ASU System currently outsources several functions on campus; however, there are opportunities to streamline these partnerships across the system and to further outsource to realize cost savings.

Case for Change

- In the current state, Dining, Bookstore, Janitorial/Custodial, and Printing Services are handled differently on each campus. Some outsource and others operate these functions in house
  - Dining: Sodexo & Great Western Dining
  - Bookstore: Follett & BBA Solutions
- Printing Services on ASU-Jonesboro's campus represents a hybrid solution. In addition to an on-campus print shop that brings in revenue from external clients, ASUJ entered into an agreement with Xerox in 2016 for a managed print solution
- Based on current analyses, Printing Services is showing a profit
- Outsourcing strategies involve several considerations:

  ✚ Shift risk & cost burdens to 3rd party

  ▬ Politics; Profitability depends on contract details

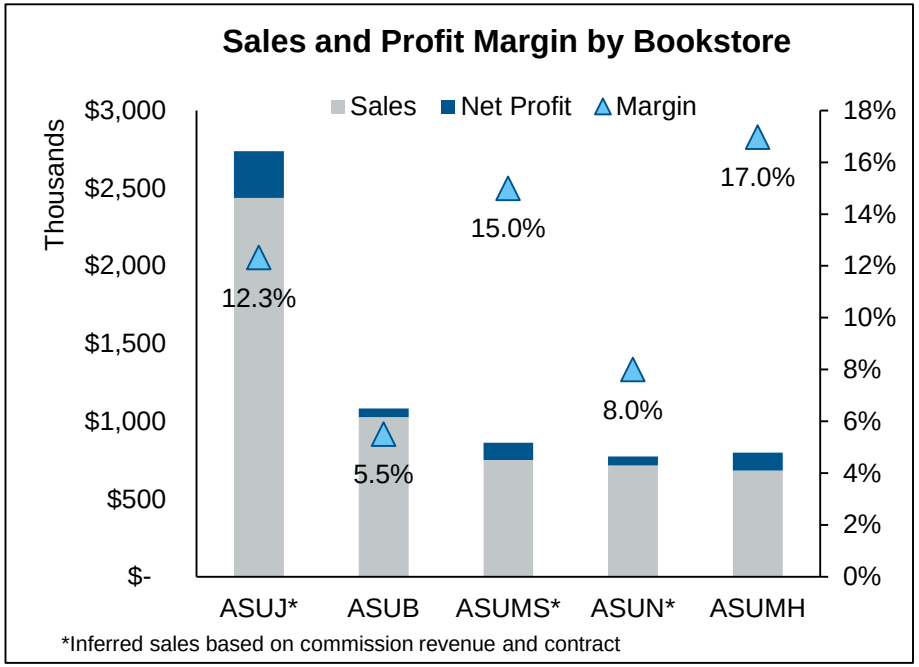
ASU System – Known Vendor Provided Services

Functional Area	ASU	ASU Beebe	Arkansas State University Mountain Home	ASUN	ASU Mid-South
DINING	**Sodexo**	**GWD**	**Subway**	In House	In house
BOOKSTORE	**Follett**	In house	**Follett**	**BBA**	**Follett**
PARKING	In house	In house	In house	In house	In house
PRINTING	**Hybrid**	In house	In house	In house	In house
JANITORIAL	In house	**Marcis**	In house	In house	**Marcis**
CASH DISBRS.	In house	In house	In house	In house	In house
EMP. VERIF.	In house	In house	In house	In house	In house
FLEET MAINT.	In house	In house	In house	In house	In house
PAYROLL	In house	In house	In house	In house	In house

Opportunity	Financial	Service	Implementation	Risk	Realization	Score
Perform comprehensive evaluation of current and potential outsourced operations	$500K - $1MM	6	5	2	5	4.4

BOOKSTORE: OVERVIEW OF CAMPUSES

Across the ASU System four campuses outsource their bookstores, using four different contracts with 3 vendors resulting in a range of profit margins.



	ASUJ	ASUB	ASUMS	ASUN	ASUMH
Sales per Student FTE	$241.21	$383.76	$755.29	$456.30	$717.00

Observations

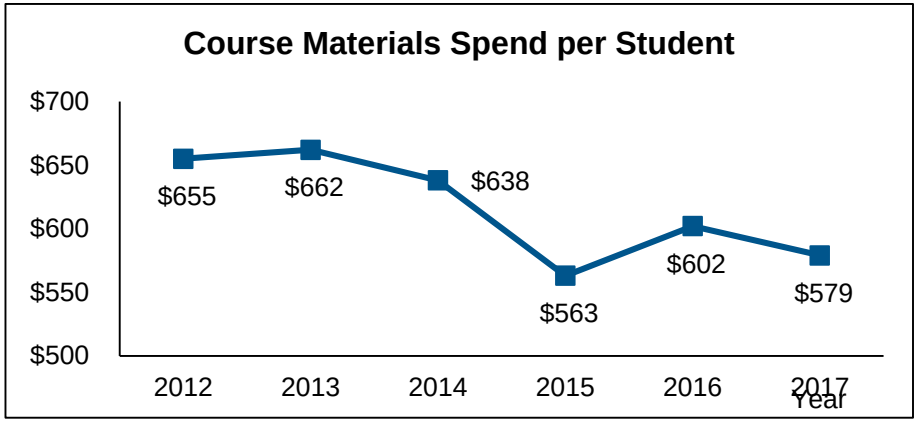
- The commissions provided from third-party vendors range from 8% to 15% on net revenues, which subtracts returns, refunds, and technology products among other items
- ASUMH saw the highest profit margin in FY17 as a result of renegotiating its contract and receiving deferred revenues, but expects to see 15% moving forward
- ASU-Beebe, which manages its bookstore in-house, receives the second most in terms of gross sales, but sees the lowest profit margin of any of the campuses
- Sales per student FTE vary widely across the campuses, from a high of $755.29 / student at ASUMS to $241.21 / student at ASUJ
- ASUJ is contracted to receive 15% commissions on net revenues but saw just over $60k in building maintenance expenses

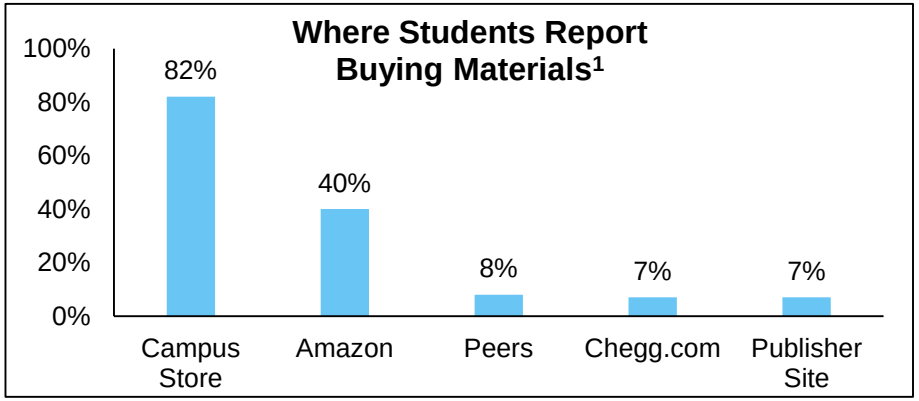
A System-wide approach to bookstores, given that three campuses currently use the same vendor under separate contracts, could provide immediate revenue enhancement opportunities to the university.

Campus revenue and expense data FY17
Campus bookstore contracts

BOOKSTORE: MARKET TRENDS

The campus bookstore industry is evolving rapidly as students become more price sensitive and substitutes for traditional course materials enter the market.





Market Trends

- The national average is $579 / student on materials and $506 on technology and school supplies[1], down 12% over the past five years
- Students are purchasing the same number of units (avg. of 10 per student), but have more avenues to purchase from
- Fall 2016 saw increases in students using free materials (31%), digital materials (8%), and rented materials (8%) for their courses
- A majority of students report buying one or more materials new (74%) and one or materials used (70%), and nearly one quarter bought one or more digitally (23%)
- The campus store continues to be the most common avenue for purchasing materials, with 82% of students reporting buying a unit there

Bookstores with scale and access to capital are better equipped to pivot in a rapidly changing industry.

Student Watch Attitudes & Behavior toward Course Materials 2016-17 Report: http://www.nacs.org/research/studentwatchfindings.aspx

BOOKSTORE: ASU-BEEBE BOOKSTORE

ASU-Beebe is the only campus that currently manages its bookstore in-house, and has seen decreasing profits of the last three years due to market forces and declining enrollments.

Beebe Store P&L				
Revenues	**FY2015**	**FY2016**	**FY2017**	**CAGR**
Book Sales	$ 957,964	$ 835,653	$ 774,977	-10%
Book Rentals	57,260	17,152	19,469	-42%
Supplies	95,815	77,015	65,489	-17%
Apparel	76,451	61,071	64,132	-8%
Other	121,825	109,318	102,816	-8%
Total	$ 1,309,315	$ 1,100,207	$ 1,026,883	-11%
Expenses				
Labor	176,748	162,923	153,642	-7%
COGS	850,512	727,845	732,707	-7%
Other	101,650	88,034	84,870	-9%
Total	$ 1,128,910	$ 978,802	$ 971,219	-7%
Profit (Loss)	**$ 180,405**	**$ 121,404**	**$ 55,664**	**-44%**

Observations

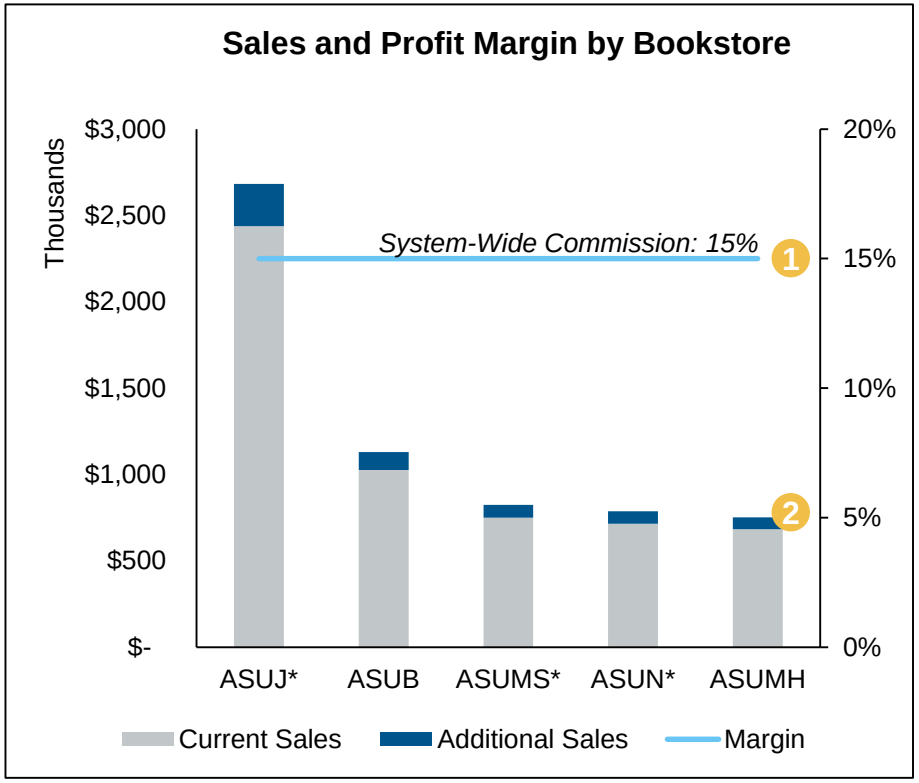
- The ASU-Beebe Stores have seen profits decline significantly over the past three years, from a high of $180K to under $60K
- The Stores have done an admirable job of reducing expenses by 7% annually, including to labor, to remain profitable
- Cost of goods sold (COGS) is the largest proportion of expenses, representing ~75% of expenses each year
- The decline in profitability is compounded by the enrollment declines on campus of 2% CAGR

While managing a bookstore can be more profitable in cases where there are strong sales, outsourcing operations helps level natural swings and guarantee some level of income.

ASUB Rev/Exp data FY15-17

BOOKSTORE: OPPORTUNITY CALCULATION

The range in commissions awarded through contract, and the margin generated through in-house operations indicates an opportunity to negotiate a system-level deal that will be more profitable.



1. Moving all campuses to a 15% commission under FY17 sales ($5.6MM cumulatively) would result in **increased profits of just over $200k** – with Beebe and Newport capturing the majority.

2. Increasing sales at each campus by 10%, through enrollment increases, renovated stores, and innovating offerings would **generate an additional $84k**.

Combined with the additional revenues of $284K, moving to a System-level contract may provide other benefits like store renovations, increased product offerings, student discounts, or even a higher commission rate.

Campus revenue and expense data FY17
Campus bookstore contracts

DINING: CAMPUS OPERATIONS

Across the system two campuses leverage third-parties for dining, two manage operations in-house, and one offers space on campus to a subway franchise without sharing revenues or costs.

	ASUMS	ASUJ	ASUB	ASUMH	ASUN
Operating Model	*In House*	*Outsourced*	*Outsourced*	*Outsourced*	*In House*
Revenues	**$ 85,323**	**$ 1,752,490**	**$ 435,782**	**-**	**$ 237,796**
Sales	80,965	-	436,782	-	237,796
Commission	-	1,752,490	4,135	-	-
Other	4,357	-	-	-	-
Expenses	**$ 126,919**	**$ 482,000**	**$ 520,537**	**-**	**$ 296,896**
Labor	67,530	-	-	-	101,195
Supplies	38,356	317,774	520,537	-	187,967
Overhead	21,033	164,226	-	-	7,734
Profit (Loss)	**($ 41,596)**	**$ 1,270,490**	**($ 84,754)**	**-**	**($ 59,100)**

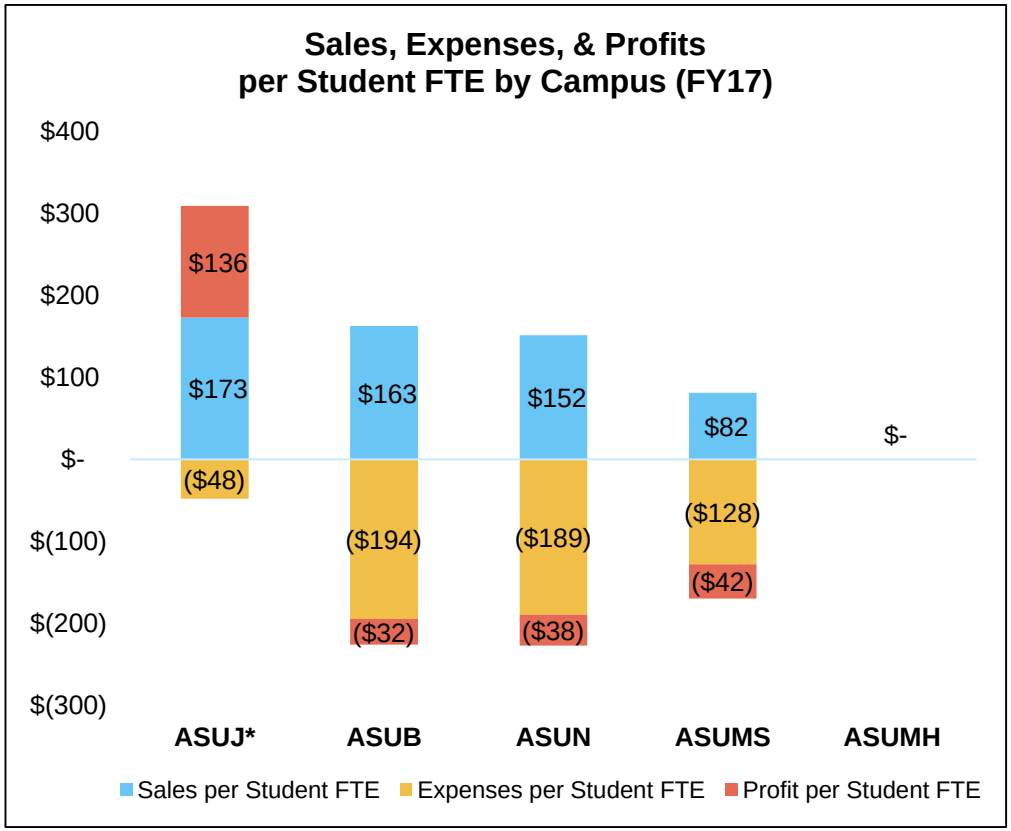
This includes $451K of billing from Great Western Dining Services

A consistent approach to Dining service delivery would provide efficiencies in supplies expense management and ultimately provide more resources for the System and its campuses.

Campus revenue/expense files FY17
Campus Dining Contracts

DINING: OPPORTUNITY CALCULATION

Only ASUJ generates a profit from its Dining Services operation, while three of the four two-year campuses provide subsidized meals for students.



Generally speaking, the larger vendors (Sodexo, Aramark, etc.) generate their profits through limiting expenses due to their scale:

- **Low Opportunity:** Reducing the dining expenses per FTE to equal costs through either a third-party vendor or a model like ASUMH would result in **savings of just over $185K**
- **High Opportunity:** Securing a contract for the system that reduces the expense per student to $100, while keeping sales steady, would result in **cost savings and revenue generation of $417K** for the two-year campuses

Ultimately the profitability of an outsourced model is contingent on negotiating and attractive arrangement, however there is undoubtedly opportunity to reduce expenses for the two-year campuses through a number of models.

Campus revenue/expense files FY17
Campus Dining Contracts

PRINTING SERVICES OVERVIEW

ASUJ currently manages a comprehensive printing services shop for its campus constituents as well as other public entities in the area.

	FY2015	FY2016	FY2017	CAGR
Revenue	919,505	942,120	1,033,440	6%
Sales & Services	442,961	539,181	630,208	19%
Internal Recoveries	476,544	402,938	401,554	-8%
Other Income	-	-	1,678	-
Expenses	910,271	967,626	976,221	4%
Labor	492,272	499,094	512,476	2%
COGS	267,448	255,217	281,356	3%
Overhead	78,880	123,668	101,198	13%
Internal Transfers	78,664	90,218	81,191	2%
Net Profit (Loss)	**9,234**	**(25,506)**	**57,220**	**-**

Sales & Service revenue to customers outside of ASUJ has grown at 19% CAGR, accounting for over 60% of income, while Internal Recoveries have decreased at 8% CAGR.

Overall expenses have grown at 4%, primarily due to increasing overhead costs, which have grown at a rate of 10% CAGR, relative to labor costs and cost of goods sold growth of 2% and 3% respectively.

Net profit from operations has been highly variable, ranging from over a $25k deficit in FY2016 to a $57k profit in FY2017. Overhead costs such as postage and office equipment rentals factor heavily.

A closer examination of the operation's revenues and expenses is necessary to determine the viability of managing these services in house moving forward.

PRINTING SERVICES REVENUE ANALYSIS

The growth in external Sales & Services revenue is primarily due to other colleges and universities in the surrounding areas utilizing ASU's services, given closures to other in-house shops and competitive rates.

	FY2015	FY2016	FY2017
Revenue	$ 919,505	$ 942,120	$ 1,033,440
Sales & Services	***442,961***	***539,181***	***630,208***
Internal Recoveries	476,544	402,938	401,554
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Net Profit (Loss)	**$ 9,234**	**($ 25,506)**	**$ 57,220**

Sample Rates	**ASUJ**	**FedEx**
Business Cards (250 - 1,000)	$62 - $80	$15 - $50
Letterhead (500)	$99	$145
Departmental Envelopes (500)	$106 - $580	$130
Posters	$6 / sq. ft.	$7.25 / sq. ft.

Other Colleges & Universities	**$ 384,058**
University of Arkansas System	180,964
University of Central Arkansas	47,054
Arkansas Tech	40,360
East Arkansas CC	18,543
North Arkansas College	15,589
Arkansas Northeastern	15,083
All Other (10)	66,467
State Agencies	**$ 169,473**
State Auditor	93,174
Health Department	25,165
Central Admin	7,771
All Other	43,363
ASU System	**$ 67,774**
ASU-Beebe	36,119
Alumni/Foundation	23,276
ASU-Mountain Home	4,178
ASU-Mid South	2,573
ASU-Newport	1,629
Corporate, Unknown, Other	**$ 8,901**

The Printing Services lead should monitor closely the decline in internal recovery revenue, as well as the sustainability of existing sales to external customers.

ASUJ revenue/expense files FY15-FY17

PRINTING SERVICES EXPENSE ANALYSIS

Printing Services has managed to keep its labor and supplies costs stable as it increases revenues from sales, but has seen large increases in overhead costs.

	FY2015	FY2016	FY2017	CAGR
Revenue	919,505	942,120	1,033,440	6%
Sales & Services	442,961	539,181	630,208	19%
Internal Recoveries	476,544	402,938	401,554	-8%
Other Income	-	-	1,678	-
Expenses	910,271	967,626	976,221	4%
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Internal Transfers	78,664	90,218	81,191	2%
Net Profit (Loss)	**9,234**	**(25,506)**	**57,220**	**-**

Labor costs, which account for over 50% of printing services costs, have grown minimally at 2% CAGR

Using Supplies & Materials ($193K) and P-Card Purchases ($88K) as a proxy for cost of goods sold (COGS), have increased at 3% CAGR

- Of the $281K in COGS, $155K is spent with Athens Paper Co., $51K is spent with Heidelberg USA, and $49k is spent with Mac Papers

Rent of Office equipment is the largest expense in overhead, representing $86K in FY17 – which was paid to Xerox – and up 41% since FY15

Printing Services operates in a unique environment, showing strong trends and a healthy margin, but revenue and expenses should be monitored closely moving forward.

RECOMMENDATIONS

Across the System, Huron recommends investigating the following recommendations with regards to auxiliary and outsourced operations.

	Function	Recommendations
1	People	Identify owners of each vendor managed service for each campus
2		Identify position that can own inventory of outsourced service contracts and vendor relationships for system moving forward
3		Identify Printing Services resources on campuses outside of Jonesboro and discuss capacity needs / availability
4	Process	Consider issuing System-wide RFP for Bookstore Operations
5		Consider issuing System-wide RFP for Dining Services
6		Monitor revenues from internal and external customers in FY2018
7	Technology	Identify contract repository solution for system contracts for vendor provided services

ADDITIONAL QUESTIONS AND NEXT STEPS

Following are some outstanding questions following our review of auxiliary and outsourcing operations across the ASU System.

Bookstore

1. What additional benefits would vendors offer for moving all the System's sales onto one contract?
2. Will the recent enrollment declines – and subsequent sales declines – hurt the commission rates offered by vendors?
3. With each contract on a different schedule, what is the optimal time for issuing a System-wide RFP?

Dining

1. What is the current satisfaction from campus customers of the existing dining offerings?
2. How will the profit sharing models vary on campuses where meal plans are not and are not offered?
3. With two different contracts, what is the optimal time for issuing a System-wide RFP?

Printing Services

1. Is the current growth in external revenues sustainable or will it level off or decline?
2. Is there unused printing service equipment on the other campuses that can be leveraged by ASUJ?
3. Why are internal recoveries declining so quickly, and will they continue on this trend?

As existing contracts for provided services end, ASU campuses should begin to have conversations about collaborative RFPs before acting independently.

PROCUREMENT – STRATEGIC SOURCING

HURON

Accelerate ASU

PROCUREMENT

ASU-Jonesboro has a significant opportunity to transform procurement and travel management in order to realize cost savings and operational efficiencies.

Case for Change

- The current technology landscape within Purchasing & Payment Services at ASUJ requires manual processes, including several that are paper-based, leaving room for operational efficiencies
- Opportunities to support strategic sourcing, spend analytics, and category management exist to further realize cost savings at ASUJ
- ASUJ is moving in the right direction by implementing the current Concur Expense module. However, opportunities exist to evaluate the entire Travel Management program including the implementation of the Concur Travel module to drive additional cost savings and efficiencies

Examples of Potential Strategic Sourcing Activities

FY 17 Level 2 Categorization Summary
Sample Strategic Sourcing Focus Areas[1]

Level 2 Category	FY17 Spend ($K)	% of Spend	*Est. Avg. Savings Range* Low - High
MAINTENANCE AND REPAIR SERVICES[2]	$7,901	31%	3% - 6%
TRAVEL	$5,103	20%	2% - 3%
COMPUTER HARDWARE	$4,950	19%	7% - 12%
OFFICE SUPPLIES	$2,040	8%	11% - 15%
MAINTENANCE AND REPAIR PRODUCTS	$1,687	7%	5% - 9%
SCIENTIFIC SUPPLIES	$1,580	6%	1% - 4%
STAFFING	$840	3%	4% - 7%
DOCUMENT SERVICES	$769	3%	7% - 10%
FURNITURE	$561	2%	4% - 7%
Focus Area SubTotal	**$25,430**	**100%**	

Opportunity	Financial	Service	Implementation	Risk	Realization	Score
Implement technologies to automate processes	$500K - $1MM	9	3	3	6	X
Initiate strategic sourcing efforts	$1MM - $2MM	5	4	3	5	X
Assess travel program	$0 - $250K	8	3	3	7	X

Source: ASUJ Transaction level AP, PCARD, & Travel Data
[1] Further analysis on specific vendor transactional sub-category data may impact savings estimates
[2] The above TRAVEL spend includes AP, Pcard, Dept. card, and Tcard spend

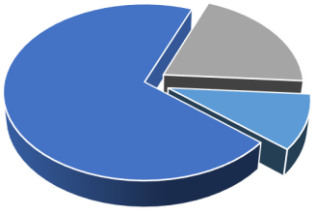
HURON

STRATEGIC SOURCING TACTICS

Understanding the spend profile is the first step to maximizing achievable cost savings and operational efficiencies.

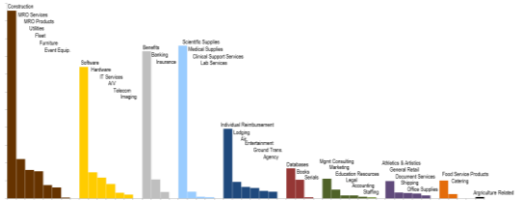
Data-Driven Strategic Sourcing Tactics and Competitive Contracts

Understanding Spend Breakdown



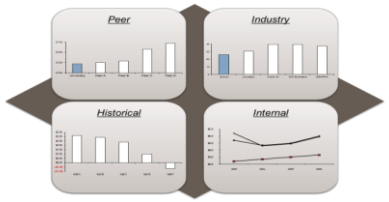
Categorizing procurement data into addressable spend influenced by strategic sourcing activities

Spend & Vendor Stratification



Analysis of addressable Level I and Level II sub-categorization and vendor stratification

Opportunities Benchmarking



Examine spend on and off contract

Maximizing achievable savings at the system-level will depend on a willingness to leverage total spend on university-and system-wide contracts through strategic sourcing initiatives and demand management practices.

SPEND CATEGORIZATION OVERVIEW & APPROACH

In order to more thoroughly understand the ASU System's spend profile and to gain visibility to the System's expenses, Huron cleansed and categorized AP, PCARD, and Travel data at the vendor level.

ASU System Spend & Transaction Summary[1]

	ASUJ		ASUB		ASUN		ASUMS		ASUMH		ASU System	
	(1) $$$	000s	$$$	000s	$$$	000s	$$$	000s	$$$	000s	$$$	000s
AP	$72,468	178.4	$34,765	17.6	$35,131	10.0	$7,214	8.2	$4,442	6.2	$154,020	220.5
PCARD	$3,112	22.5	$729	3.6	$151	1.8	$292	1.0	$118	0.6	$4,401	29.4
TRAVEL	$6,981	26.7	$376	3.3	$200	1.1	$300	0.9	$50	0.4	$7,907	32.4
Total	**$82,560**	**227.6**	**$35,870**	**24.5**	**$35,482**	**12.9**	**$7,806**	**10.1**	**$4,610**	**7.2**	**$166,328**	**282.4**
% of Total	*50%*	*81%*	*22%*	*9%*	*21%*	*5%*	*5%*	*4%*	*3%*	*3%*	*100%*	*100%*
AP	88%	78%	97%	72%	99%	78%	92%	81%	96%	86%	93%	78%
PCARD	4%	10%	2%	15%	0.4%	14%	4%	10%	3%	9%	3%	10%
TRAVEL	8%	12%	1%	13%	1%	9%	4%	9%	1%	5%	5%	11%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

- Vendor-level procurement data was received by all five institutions within the ASU System, including AP, PCARD, and Travel spend and volume data from the last three fiscal years

(1) AP data received by ASUJ, ASUB, and ASUN included payroll, depreciation, reimburseables, and other individual transfers that was categorized as Non-Addressable spend

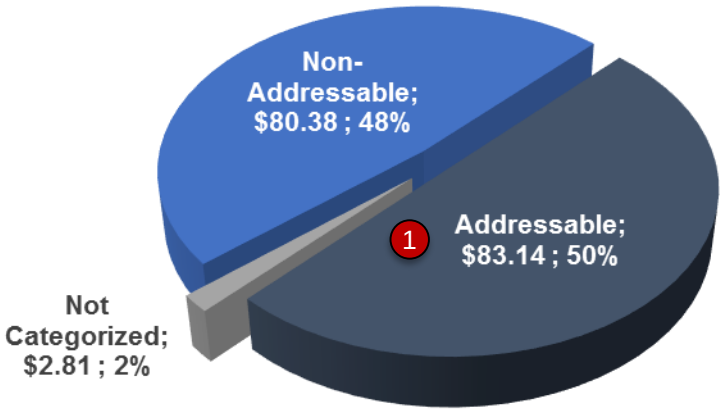
Following data cleansing, AP, PCARD, and Travel data was categorized into addressable vs. non-addressable spend.

[1]Source: ASU System Transaction level AP, PCARD, & Travel Data / All Spend & Transaction data is FY1617, except for ASUMH which is FY1516

SPEND CATEGORIZATION OVERVIEW & APPROACH

The data was further cleansed and categorized to identify categories of spend influenced by strategic sourcing efforts.

ASU System Spend Categorization Summary[1]



Type	Description
Addressable	Spend influenced by strategic sourcing efforts, i.e. competitive pricing, financial incentives, improved supplier relationships, process efficiencies, etc.
Non-Addressable	Spend not influenced by strategic sourcing efforts, i.e. internal transfers, not-for-profit institutions, government payments, dues and memberships, payroll, etc.
Not Categorized	Vendors with nominal spend, unidentifiable names

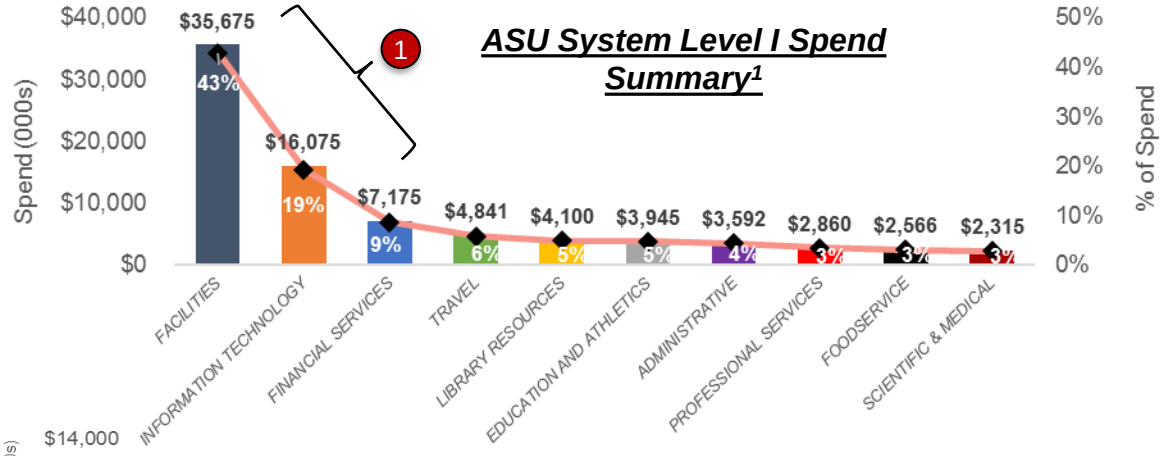
1 Huron found that of all the Procurement data received by the ASU System, roughly ~50% of it is addressable spend

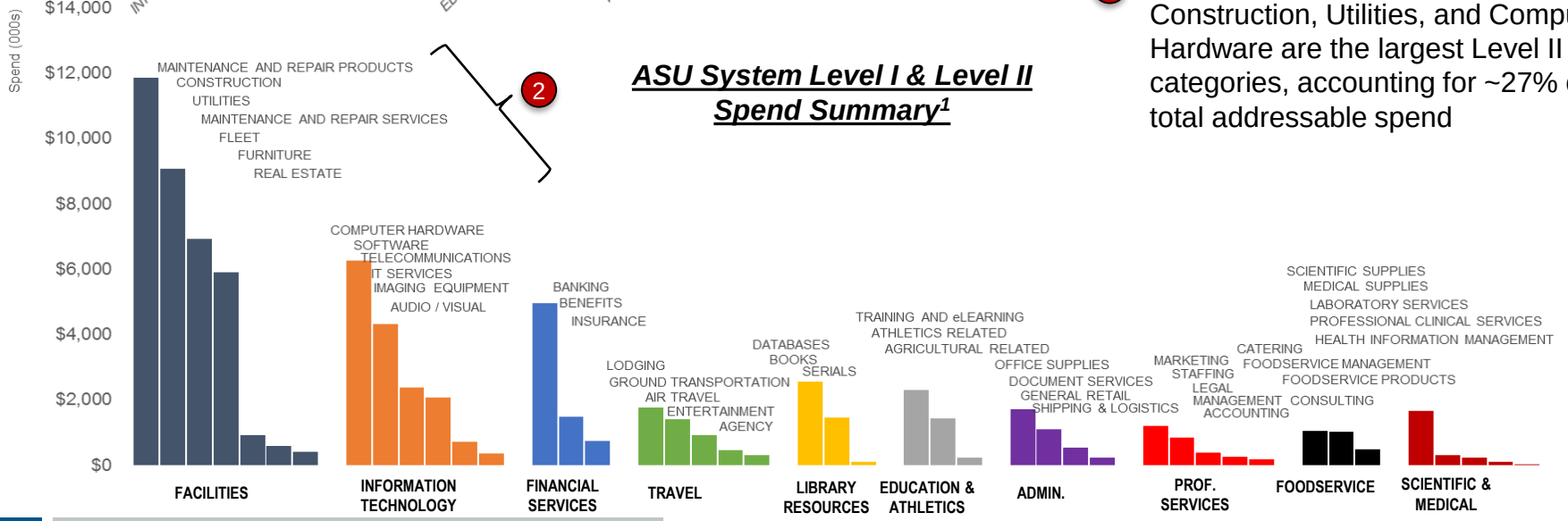
Huron further examined the ASU System's addressable spend in order to better understand opportunities for cost savings achieved through strategic sourcing efforts.

[1]Source: ASU System Transaction level AP, PCARD, & Travel Data / All Spend & Transaction data is FY1617, except for ASUMH which is FY1516

LEVEL I & LEVEL II BREAKDOWN

ASU System addressable spend was further categorized in Huron Level I and Level II sub-categories.





1. Facilities was the highest Level I spend category, with ~43% of the total addressable spend (~$36M), with Information Technology (~19% ; ~$16M) and Financial Services (~9% ; ~$7M) following behind

2. After Maintenance and Repair Products[2], Construction, Utilities, and Computer Hardware are the largest Level II spend categories, accounting for ~27% of the total addressable spend

[1]Source: ASU System Transaction level AP, PCARD, & Travel Data / All Spend & Transaction data is FY1617, except for ASUMH which is FY1516

[2]MRO Products includes spend on Johnson Controls upgrade project (~$9.5M)

TOP VENDOR SPEND BREAKDOWN

Further review of ASU System's addressable Level II spend reveals that more than half of the top spending vendors fall into the MRO or Construction categories.

ASU System Top 10 Vendor Spend[1]

No.	Top 10 Vendors	LEVEL II	Spend (000s)	% of Total Addressable
1	JOHNSON CONTROLS, INC.	MAINTENANCE AND REPAIR PRODUCTS	$9,488	11%
2	CITY WATER AND LIGHT	UTILITIES	$4,261	5%
3	BANK OF NEW YORK MELLON TRUST	BANKING	$3,327	4%
4	DELL	COMPUTER HARDWARE	$2,408	3%
5	BALDWIN AND SHELL CONSTRUCTION CO INC	CONSTRUCTION	$1,722	2%
6	BAILEY CONTRACTORS, INC.	MAINTENANCE AND REPAIR SERVICES	$1,667	2%
7	US BANK	BANKING	$1,520	2%
8	CDW INC.	COMPUTER HARDWARE	$1,491	2%
9	MARCIS ASSOCIATES, INC.	MAINTENANCE AND REPAIR SERVICES	$1,390	2%
10	RGB MECHANICAL CONTRACTORS INC	CONSTRUCTION	$1,376	2%
		Top 10 SubTotal	***$28,651***	***34%***
		Total Addressable Spend	**$83,144**	

1. Through conversations with key stakeholders, Huron learned that the ASU System was working with Johnson Controls on a system-wide upgrade project. This spend was removed for savings estimations
2. Construction, MRO Services, and MRO Products vendors make up ~54% of the Top 10 Vendor SubTotal spend (~$15.6M)
3. The Top 10 Vendors make up about a third (~34%) of the total addressable spend (~$28.7M)

To better understand the overall vendor stratification within the ASU System, Huron looked outside the Top 10 overall spending vendors.

[1]Source: ASU System Transaction level AP, PCARD, & Travel Data / All Spend & Transaction data is FY1617, except for ASUMH which is FY1516

TOP VENDOR SPEND BREAKDOWN

Huron evaluated the ASU System's Construction vendors against non-Construction / MRO vendors.

ASU System Top 10 Construction Vendor Spend[1]

No.	Top 10 Construction Vendors	Spend (000s)	% of Construction Total
1	BALDWIN AND SHELL CONSTRUCTION CO INC	$1,722	19%
2	RGB MECHANICAL CONTRACTORS INC	$1,376	15%
3	ASPHALT PRODUCERS LLC	$1,293	14%
4	GEO SURFACES	$585	6%
5	LAKESIDE CONTRACTORS	$513	6%
6	CLARK CONTRACTORS LLC	$416	5%
7	TATE COMPANY, INC.	$279	3%
8	JONESBORO ROOFING CO INC	$231	3%
9	RAMSONS INC	$222	2%
10	OLYMPUS CONSTRUCTION INC	$158	2%
	Top 10 SubTotal	***$6,795***	***75%***
	Total Construction Spend	**$9,056**	

ASU System Top 10 Non-Construction / MRO Vendor Spend[1]

No.	Top 15 Other Vendor Spend	Spend (000s)	% of Total Addressable
1	CITY WATER AND LIGHT	$4,261	5%
2	BANK OF NEW YORK MELLON TRUST	$3,327	4%
3	DELL	$2,408	3%
4	US BANK	$1,520	2%
5	CDW INC.	$1,491	2%
6	CENTERPOINT ENERGY	$1,157	1%
7	ENTERGY	$1,070	1%
8	SODEXO	$1,019	1%
9	INSTRUCTIONAL CONNECTIONS LLC INC	$969	1%
10	AT&T	$958	1%
11	PRESIDIO NETWORKED SOLUTIONS	$919	1%
12	FOLLETT	$899	1%
13	EBSCO INFORMATION SERVICES	$877	1%
14	HOWARD TECHNOLOGY SOLUTIONS	$864	1%
15	ELLUCIAN COMPANY LP	$838	1%
	Top 10 SubTotal	***$22,578***	***27%***
	Total Addressable Spend	**$83,144**	

1. Baldwin and Shell Construction, RGB Mechanical Contractors, and Asphalt Producers LLC make up nearly half (~48% ; ~$4.4M) of the ASU System's Construction spend

2. Observing spend outside of Construction-and MRO-related vendors reveals top spending suppliers within Utilities, Banking, and Computer Hardware (~20% of total addressable spend)

With a top-level understanding of total vendor spend, Huron analyzed the total counts of vendors within each Level II category.

[1]Source: ASU System Transaction level AP, PCARD, & Travel Data / All Spend & Transaction data is FY1617, except for ASUMH which is FY1516

VENDOR STRATIFICATION

The ASU System has categorized addressable spend with ~1,550 vendors, demonstrating a level of decentralization and lack of standardization within Procurement-related spend.

ASU System Level II Vendor Stratification[1]

No.	LEVEL II	LEVEL I	# of Vendors	Addressable Spend (000s)
1	SCIENTIFIC SUPPLIES	SCIENTIFIC & MEDICAL	134	$1,661
2	CATERING	FOODSERVICE	117	$1,049
3	SOFTWARE	INFORMATION TECHNOLOGY	100	$4,309
4	MAINTENANCE AND REPAIR PRODUCTS	FACILITIES	99	$11,852
5	LODGING	TRAVEL	99	$1,755
6	MARKETING	PROFESSIONAL SERVICES	78	$1,207
7	CONSTRUCTION	FACILITIES	76	$9,056
8	MAINTENANCE AND REPAIR SERVICES	FACILITIES	68	$5,907
9	FLEET	FACILITIES	61	$923
10	DATABASES	LIBRARY RESOURCES	53	$2,548
11	ENTERTAINMENT	TRAVEL	51	$460
12	PROFESSIONAL CLINICAL SERVICES	SCIENTIFIC & MEDICAL	40	$91
13	OFFICE SUPPLIES	ADMINISTRATIVE	38	$1,717
14	IT SERVICES	INFORMATION TECHNOLOGY	37	$2,059
15	COMPUTER HARDWARE	INFORMATION TECHNOLOGY	29	$6,252
		Level II Top 15 Highest Vendor Base	**1080**	**$50,846**

1. Although Scientific Supplies accounts for ~12% of the vendor base addressable suppliers, it only accounts for ~3% of the base's spend
2. Based on initial analysis, there seems to be an excess number of vendors within Marketing spend (e.g., promotional, branding, and direct advertising). With only ~2% of the vendor base spend, Marketing accounts for nearly ~7% of the base's addressable suppliers
3. Together, Computer Hardware and Office Supplies make-up nearly ~6% of the base's addressable suppliers and ~16% of the addressable spend

A high level of decentralization and low level of standardization exists across the ASU System and there is room for additional system-level coordination with regards to strategic sourcing

[1]Source: ASU System Transaction level AP, PCARD, & Travel Data / All Spend & Transaction data is FY1617, except for ASUMH which is FY1516

STATE CONTRACTS

In order to gain visibility to the contracts that the ASU System is utilizing, Huron further examined three Level II categories that represent shorter-term opportunities.

Maintenance and Repair Products

No.	Vendor	Spend (000s)
1	JOHNSON CONTROLS, INC.*	$9,488
2	GRAINGER	$232
3	SHERWIN WILLIAMS	$128
4	HUGG AND HALL EQUIPMENT CO	$126
5	GIBSON'S SIGN MART INC	$118
6	MID SOUTH PLUMBING AND ELECTRIC	$102
7	FILTRATION CONCEPTS	$91
8	GAZAWAY ACE HARDWARE	$90
9	MARTIN INDUSTRIAL SUPPLIES	$87
10	INTERFACE AMERICAS INC	$84
	Top 10 Sub-Total	$10,547
	MRO Products Total	***$11,852***
	Top-10 % of MRO Products Total	89%

**Johnson Control Facilities Upgrade Project*

State Contract

Office Supplies

No.	Vendor	Spend (000s)
1	STAPLES	$609
2	AMERICAN PAPER & TWINE	$243
3	GODDESS PRODUCTS INC.	$222
4	ATHENS PAPER CO	$148
5	PRINTING PAPERS, INC.	$116
6	GOVERNMENT SUPPLY SERVICE	$84
7	OFFICE DEPOT	$62
8	MAC PAPERS	$49
9	PIP CHED ROC INC	$28
10	MONO MACHINES LLC	$22
	Top 10 Sub-Total	$1,582
	Office Supplies Total	***$1,717***
	Top 10 % of Office Supplies Total	92%

Computer Hardware

No.	Vendor	Spend (000s)
1	DELL	$2,408
2	CDW INC.*	$1,491
3	HOWARD TECHNOLOGY SOLUTIONS*	$889
4	APPLE	$746
5	SOFTWARE HOUSE INTERNATIONAL*	$251
6	GOVCONNECTION, INC.	$172
7	SIVAD, INC.	$125
8	SOUND CONCEPTS INC	$27
9	EQUIPMENT ZONE INC	$25
10	INTERNATIONAL COMPUTER SYSTEMS INC	$21
	Top 10 Sub-Total	$6,155
	Computer Hardware Total	***$6,252***
	Top 10 % of Computer Hardware Total	98%

**State EMC Contract Partner*

- A closer look at the ASU System spend within the Maintenance and Repair Products, Office Supplies, and Computer Hardware Level II categories reveals a combination of spend on-and off-state sourced contracts

Filtering spend through eProcurement technology on a common agreement at the system-level can create opportunities for improved pricing, discounting, and rebates to generate savings and operational efficiencies

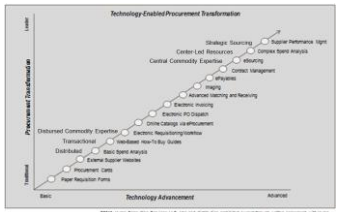
Source: ASU System Transaction level AP, PCARD, & Travel Data / All Spend & Transaction data is FY1617, except for ASUMH which is FY1516

STRATEGIC SOURCING LEVERS

Strategic sourcing levers help yield soft dollar savings related to additional efficiencies.

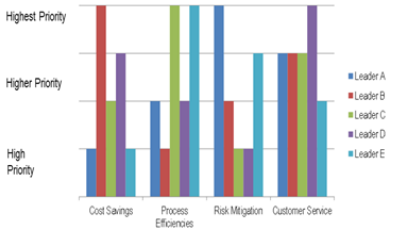
Technology + Processes + Cultures and Philosophies + Policies and Procedures

eProcurement



Travel Management

Business Driver Priorities



Continuous Improvement

eProcurement allows for better management of spend, process improvement, and contract compliance

Automating travel management adds efficiency, reduces/controls cost, and ensures traveler safety

Strategy should address and prioritize key business drivers

Guiding principles are fundamental to the Procurement Office's continuous improvement efforts

Supporting policies and efficient procurement technologies are the levers needed to achieve strategic sourcing savings.

PROCUREMENT TECHNOLOGY

eProcurement and End-to-End Travel & Expense technologies are the enablers of strategic sourcing activities.

eProcurement

Procurement technology, including but not limited to eProcurement, contract management, and an automated banking solution, is an enabler of strategic sourcing activities and would allow the ASU System to increase contract utilization, realize cost savings, reduce financial risk through contract compliance, and yield soft dollar cost savings related to process efficiencies.

eProcurement Approaches

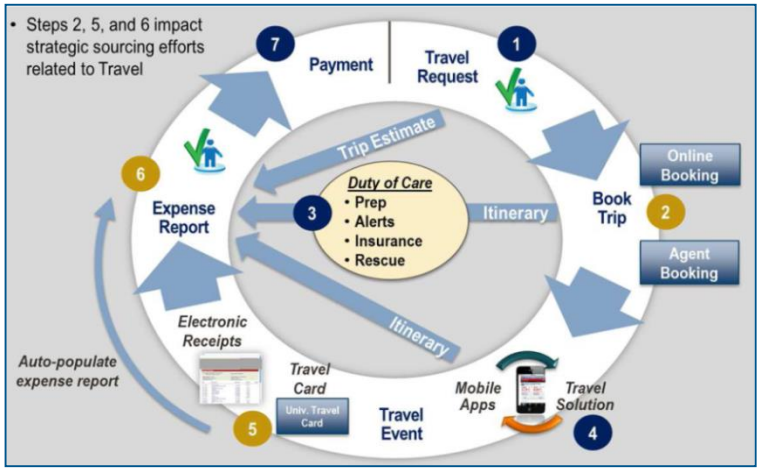
- Channel users to preferred supplier agreements
- Provide marketplace visibility for preferred suppliers
- Create operating efficiencies for suppliers
- Ability to pay vendors more rapidly

ABERDEEN RESEARCH

- According to July 2015 Aberdeen Group Reports, **Best-in-Class** firms[1]:
  - 51% more likely to have eProcurement in place vs. industry average
  - 12.8% annual yearly savings, +7.2% above all other firms surveyed
  - ~3x more likely to have transactions compliant against contracts

End-to-End T&E Technology

Leading universities have begun to adopt an "end-to-end" travel management technology where all process components from travel request to reimbursement payments are joined together in one system or tightly integrated systems.



Identifying a Travel Management Company will provide an opportunity to improve pricing. Adding Concur Travel Booking will allow the ASU System to manage request, booking, intelligence, and risk messaging capabilities for faculty, staff, and students.

[1] The Best-in-Class Lead the Way on Esourcing & Best-in-Class Performance in Contract Management July 2015 Reports

Accelerate ASU

OPPORTUNITY CALCULATION

Based on the initial spend categorization and vendor analysis, Huron suggests that the ASU System consider the following strategic sourcing roadmap.

			Estimated Opportunities (000s)				
Waves	**Level II Category**	**Spend (000s)**	**Low %**	**High %**	**Low $**	**High $**	**Sourcing Complexity**
0 - 6 months	COMPUTER HARDWARE & PERIPHERALS	$6,252	3%	7%	$188	$438	●
	OFFICE SUPPLIES	$1,717	11%	15%	$189	$258	●
	IMAGING EQUIPMENT	$717	4%	8%	$29	$57	●
7 - 12 months	MAINTENANCE AND REPAIR PRODUCTS*	$2,364	5%	9%	$118	$213	●
	MAINTENANCE AND REPAIR SERVICES	$5,907	3%	5%	$177	$295	●
	TRAVEL AGENCY**	$300	*Reduced Fees*				● / ●
	SCIENTIFIC SUPPLIES	$1,661	1%	4%	$17	$66	● / ●
13 - 18 months	DOCUMENT SERVICES	$1,098	3%	7%	$33	$77	● / ●
	FURNITURE	$596	4%	7%	$24	$42	● / ●
	CATERING	$1,049	2%	3%	$21	$31	● / ●
	FOODSERVICE PRODUCTS	$498	1%	2%	$5	$10	● / ●
19 - 24 months	STAFFING	$845	3%	6%	$25	$51	● / ●
	BANKING	$4,953	*Increased Rebates*				● / ●
	SOFTWARE	$4,309	1%	2%	$43	$86	●
	TELECOMMUNICATIONS	$2,383	2%	4%	$48	$95	●
25 - 30 months	LODGING	$1,755	1%	2%	$18	$35	● / ●
	GROUND TRANSPORTATION	$1,399	1%	3%	$14	$42	● / ●
	AIR TRAVEL	$926	1%	2%	$9	$14	●
	Strategic Sourcing Roadmap SubTotal	**$38,730**	**2.5%**	**4.7%**	**$957**	**$1,810**	

**Johnson Controls was removed from MRO Products for estimated savings calculations*

***Includes individual travel booking*

Source: ASU System Transaction level AP, PCARD, & Travel Data / All Spend & Transaction data is FY1617, except for ASUMH which is FY1516

All savings numbers are preliminary and pending transactional analysis and benchmarking

HURON

RECOMMENDATIONS

Based on the spend analysis, high level contract benchmarking, and key stakeholder interviews, Huron suggests the following procurement related recommendations, in addition to the strategic sourcing roadmap.

	Function	Recommendations
1	Process	Conduct data-driven strategic sourcing in key categories and develop internal demand management capacities, including policies/processes, user communications, and monitoring/enforcement capabilities in tandem with eProcurement
2		Develop a travel management program to proactively support traveler safety, travel spend, and program strategy
3	Technology	Implement eProcurement solution(s) to more efficiently manage demand and extract more favorable contract terms
4		As part of travel management program, ASU should identify a Travel Management Company (TMC) and leverage Concur Travel for online booking

Other Considerations:

- Involve the entire ASU System throughout strategic sourcing roadmap and above recommendations to gain support and buy-in early in the process to optimize results

ADDITIONAL QUESTIONS AND NEXT STEPS

Following are some outstanding questions following our review of Procurement across the ASU System.

1. What does a transactional-level categorization look like for the ASU System?
2. How does current pricing benchmark against ASU peers / Huron experience?
3. Are strategic sourcing personnel needed in the ASU System Office to ensure success of a system-wide strategic sourcing strategy?
4. What does a system-wide eProcurement solution look like?
5. Who will be managing the system-wide eProcurement & Travel Management technology solutions?

ASU campuses should begin conversations around system-level strategic sourcing collaboration.

SPANS

HURON

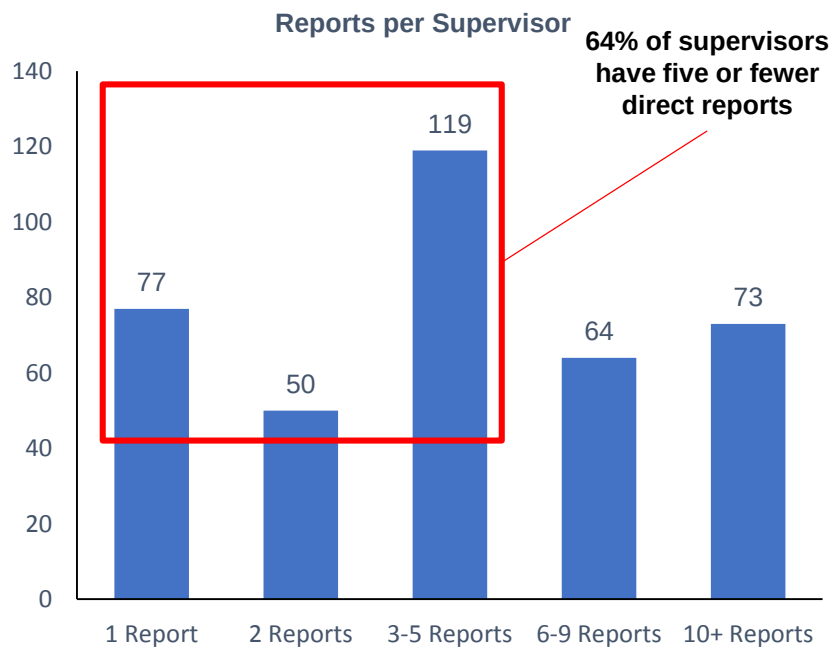
ORGANIZATIONAL DESIGN: SPANS AND LAYERS

Our analysis of organizational structure examined ASU at the system level, campus level, site level, and unit or department level.

Case for Change

- Our analysis indicates that more than one third of supervisors system-wide have only one or two direct reports.
  - An additional 30% of supervisors have five or fewer direct reports
- Low span of control represents a significant organizational cost both in terms of organizational efficiency and in terms of supervisory overhead cost.
- Expanding the number of direct reports that supervisors are responsible for is important for the following reasons:
  - Managing more direct reports expands a supervisor's management experience and capability
  - Titles associated with supervisory responsibility, regardless of number of direct reports, typically carry a salary premium

Direct Reports per Supervisor[1,2]

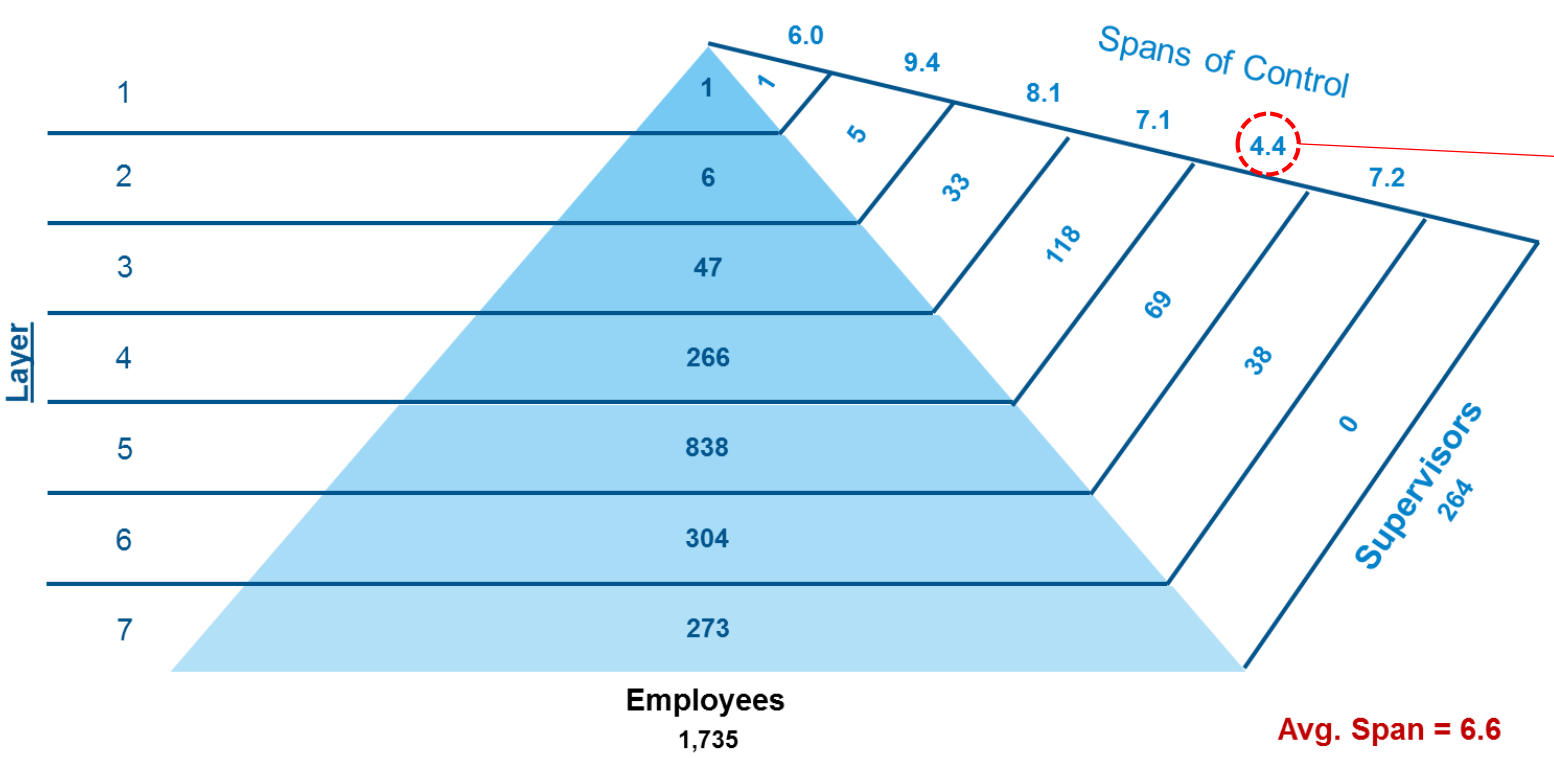


Opportunity	Financial	Service	Implementation	Risk	Realization	Score
Redesign Organizational Structure	$1MM - $2MM	5	3	2	3	5.3

1. Reports per Supervisor excludes ASU-Mountain Home as data sufficient for analysis was unavailable
2. Reports per Supervisor excludes ASU-Newport

SPANS AND LAYERS: ASU JONESBORO

Analysis of current-state organizational structure at ASU Jonesboro revealed a total number of layers that falls within our expectations and an average span of control that is slightly lower than best practice.



Interpreting the Pyramid:
304 employees at Layer 6 are supervised by 69 supervisors at Layer 5, with an average span of 4.4 (304/ 69= 4.4)

More than one third of all supervisors at ASU-Jonesboro have two or fewer direct reports.

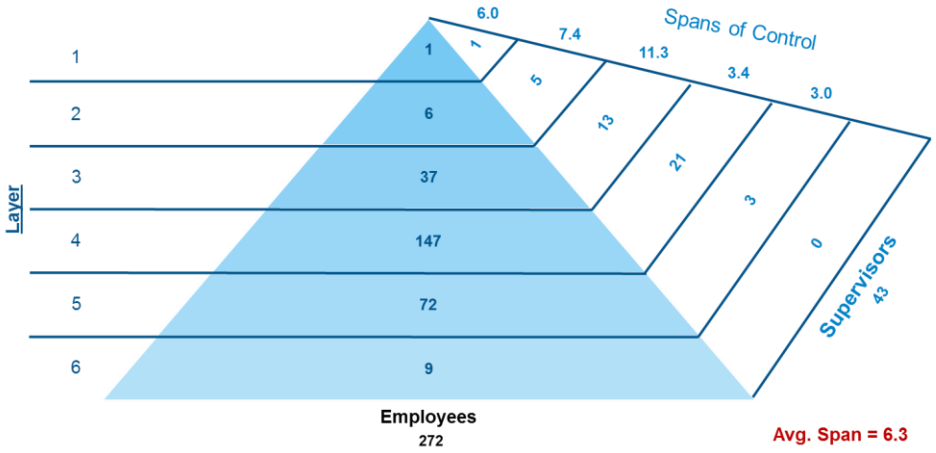
A general rubric in evaluating organizational structure is that the span of control should be at least as large as the number of levels.

1. Excludes part-time employees, students, adjunct faculty, work study, and graduate assistants
2. Includes faculty and staff
3. Layer 1 is Chancellor at each campus
4. The numbers in this graphic represent headcount, not FTE

SPANS AND LAYERS: ASUB AND ASUMS

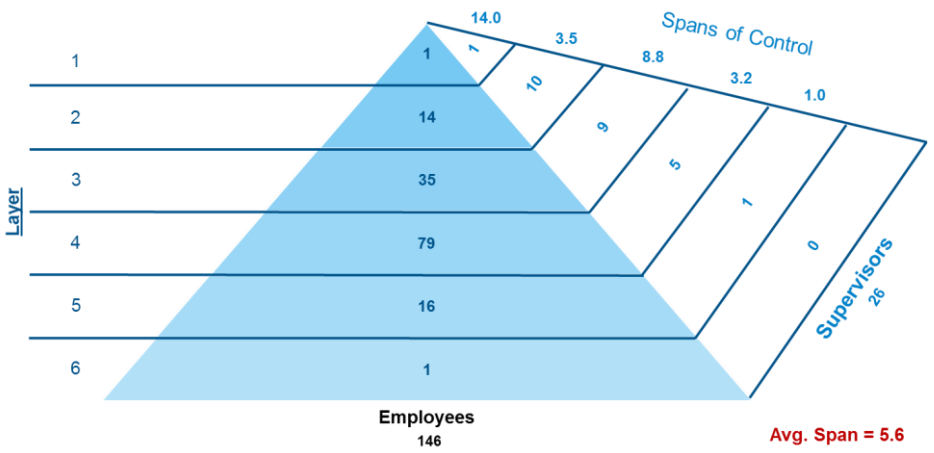
Smaller campuses, such as ASU Beebe and ASU Mid-South, are relatively lean and flat but still present structural opportunities.

ASU Beebe



	1 Report	2 Reports	3-5 Reports	6-9 Reports	10+ Reports
Total	5	8	15	9	6
Percentage	12%	19%	35%	21%	14%

ASU Mid-South



	1 Report	2 Reports	3-5 Reports	6-9 Reports	10+ Reports
Total	8	0	10	5	3
Percentage	31%	0%	38%	19%	12%

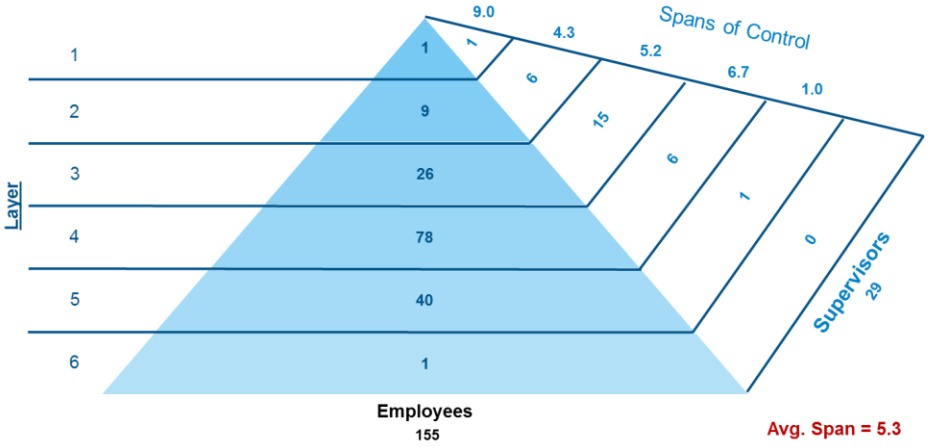
Opportunities at smaller campuses are more substantial at the campus level rather than the site or unit level where employee populations are low.

1. Excludes part-time employees, students, adjunct faculty, work study, and graduate assistants
2. Includes faculty and staff

SPANS AND LAYERS: ASUN AND ASUMH

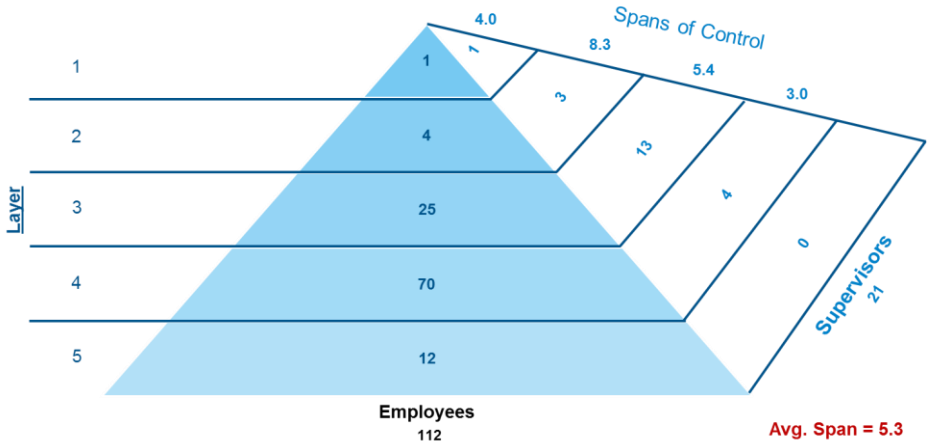
Smaller campuses, such as ASU Newport and ASU Mountain Home, are relatively lean and flat but still present structural opportunities.

ASU Newport



	1 Report	2 Reports	3-5 Reports	6-9 Reports	10+ Reports
Total	5	3	9	9	3
Percentage	17%	10%	31%	31%	10%

ASU Mountain Home



	1 Report	2 Reports	3-5 Reports	6-9 Reports	10+ Reports
Total	5	2	9	1	4
Percentage	24%	10%	43%	5%	19%

Opportunities at smaller campuses are more substantial at the campus level rather than the site or unit level where employee populations are low.

1. Excludes part-time employees, students, adjunct faculty, work study, and graduate assistants
2. Includes faculty and staff

ASU SYSTEM ORGANIZATIONAL REVIEW

Analysis of organizational structures throughout the ASU System indicate inefficient practices and opportunities for cost savings through realignment.

		Direct Reports					
Unit	**Supervisors**	**1 Report**	**2 Reports**	**3-5 Reports**	**6-9 Reports**	**10+ Reports**	**Headcount**
ASU Jonesboro	264	54	37	76	40	57	1,735
ASU Beebe	43	5	8	15	9	6	272
ASU Newport	29	5	3	9	9	3	155
ASU Mid-South	26	8	0	10	5	3	146
ASU Mountain Home	21	5	2	9	1	4	112

Across all ASU System campuses, 127 supervisors (33%) have either one or two direct reports

ASU System – Average Span of Control

Average spans are very low systemwide at layers that traditionally have large populations

A large number of supervisors with few direct reports suggests an opportunity to increase spans of control and possibly reduce layers through by reducing supervisory overhead.

1. Excludes part-time employees, students, adjunct faculty, work study, and graduate assistants
2. Includes faculty and staff
3. Layer 1 is Chancellor at each campus

ASU SYSTEM ORGANIZATION REVIEW BY LAYER

Of supervisors with 1-2 direct reports, 85% are found in layers 3-5.

ASUJ

		Direct Reports					
Layer	Sup.	1 Report	2 Reports	3-5 Reports	6-9 Reports	10+ Reports	Headcount
1	1				1		1
2	5				4	1	6
3	33	2	1	11	10	9	47
4	118	25	14	35	14	30	266
5	69	19	16	19	7	8	838
6	38	8	6	11	4	9	304
7	0						273

ASUB

		Direct Reports					
Layer	Sup.	1 Report	2 Reports	3-5 Reports	6-9 Reports	10+ Reports	Headcount
1	1				1		1
2	5			2	2	1	6
3	13		1	6	2	4	37
4	21	4	7	5	4	1	147
5	3	1		2			72
6	0						9

Of systemwide total headcount, 74% of employees are found in layers 3-5, suggesting a potential opportunity for wider spans.

ASUN

		Direct Reports					
Layer	Sup.	1 Report	2 Reports	3-5 Reports	6-9 Reports	10+ Reports	Headcount
1	1				1		1
2	6	2		1	3		9
3	15	2		7	5	1	26
4	6		3	1		2	78
5	1	1					40
6	0						1

ASUMS

		Direct Reports					
Layer	Sup.	1 Report	2 Reports	3-5 Reports	6-9 Reports	10+ Reports	Headcount
1	1					1	1
2	10	3		5	2		14
3	9	2		3	2	2	35
4	5	2		2	1		79
5	1	1					16
6	0						1

ASUMH

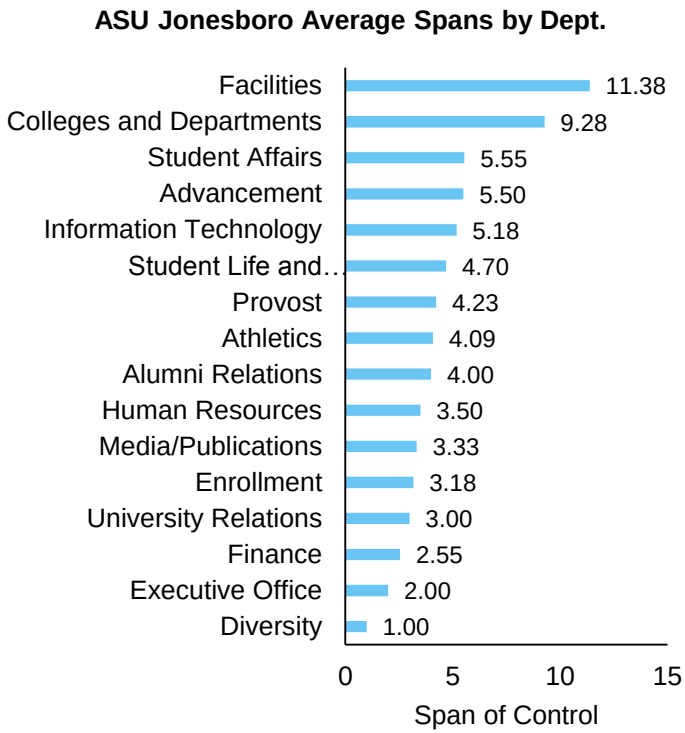
		Direct Reports					
Layer	Sup.	1 Report	2 Reports	3-5 Reports	6-9 Reports	10+ Reports	Headcount
1	1			1			1
2	3			1	1	1	4
3	13	5	1	4		3	25
4	4		1	3			70
5	0						12

1. Excludes part-time employees, students, adjunct faculty, work study, and graduate assistants
2. Includes faculty and staff
3. Layer 1 is Chancellor at each campus

DEPARTMENT REVIEW: ASU JONESBORO

Examination of the ASU Jonesboro campus at the department level reveals similar inefficiency to that seen throughout the system.

		Direct Reports					
Unit	Supervisors	1 Report	2 Reports	3-5 Reports	6-9 Reports	10+ Reports	Headcount
Advancement	2			1	1		12
Alumni Relations	1			1			5
Athletics	23	5	2	11	3	2	95
Colleges and Depts	101	20	12	17	14	38	938
Diversity	1	1					2
Enrollment	11	2	5	2	2		36
Executive Office	3		2		1		7
Facilities	16	1	2	5	1	7	183
Finance	22	6	4	10	2		57
Human Resources	6	2	1	2	1		22
Information Tech.	11	1	1	5	3	1	58
Media/Publications	3	1		2			11
Provost	31	12	3	8	4	4	132
Student Affairs	22	3	2	7	6	4	123
Stdt. Life and Ast.	10		3	5	1	1	48
University Relations	1				1		4



ASU Jonesboro spends $0.53 on overhead for every $1.00 of instruction – narrow spans among supervisors may be driving this cost

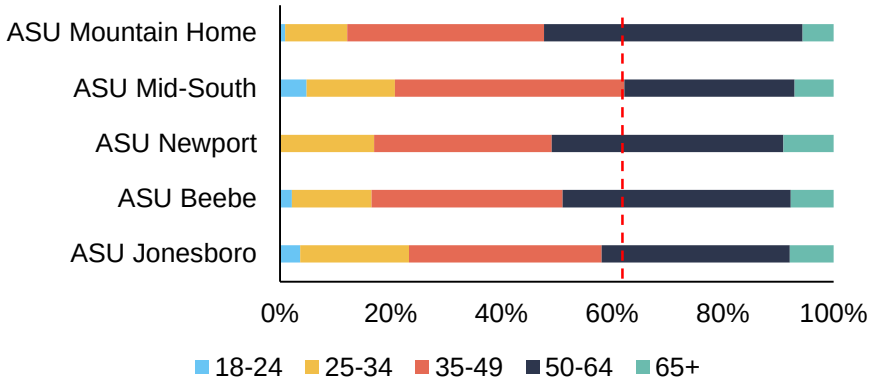
Narrow spans of control are common in some smaller departments but may indicate inefficient management structure within larger departments.

1. Excludes part-time employees, students, adjunct faculty, work study, and graduate assistants
2. Includes faculty and staff
3. Layer 1 is Chancellor at each campus
4. Club Sports has been excluded from consideration

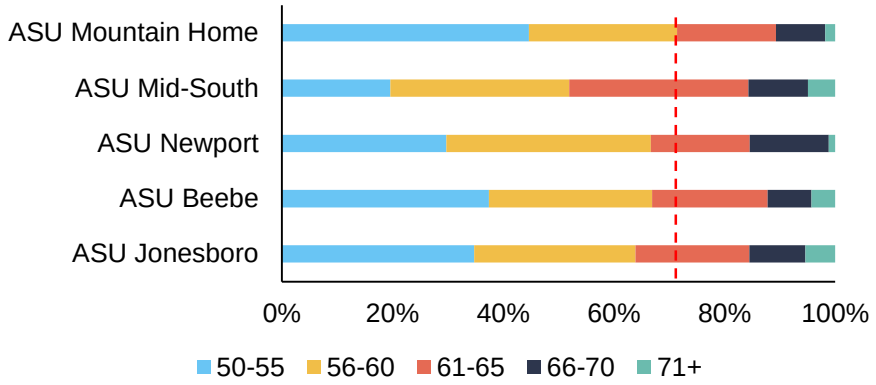
ORGANIZATION REDESIGN OPTIONS

Options exist to facilitate organizational redesign while also minimizing associated risks.

Total Employee Population



Employee Population over Age 55



Across the ASU System, over 40% of employees are over age 50.

Layer	18-24	25-34	35-49	50-64	65+
1	0%	0%	0%	100%	0%
2	0%	6%	42%	47%	6%
3	1%	12%	41%	42%	5%
4	1%	12%	37%	42%	9%
5	2%	19%	34%	34%	11%
6	5%	22%	32%	35%	5%
7	8%	22%	32%	33%	5%

Layer	50-55	56-60	61-65	66-70	71+
1	60%	20%	20%	0%	0%
2	37%	16%	42%	5%	0%
3	33%	26%	31%	10%	0%
4	30%	35%	21%	10%	5%
5	32%	27%	20%	14%	7%
6	40%	34%	17%	6%	3%
7	38%	28%	26%	5%	4%

Of the employees age 50 and older, more than 35% are more than 60 years old and nearly 15% are 66 or older.

Early retirement packages or strategic elimination of positions when they are voluntarily vacated may limit negative perception of redesign efforts by staff.

1. Excludes part-time employees, students, adjunct faculty, work study, and graduate assistants
2. Includes faculty and staff
3. Layer 1 is Chancellor at each campus
4. Based on available age records - ~7%-13.5% unavailable systemwide

OPPORTUNITY CALCULATION

Increasing spans of control throughout the ASU System presents an opportunity for substantial reduction in labor and benefits cost.

Campus	Headcount	Supervisors	# of Layers	Span of Control (SoC)	Opportunity @ Average SoC = # Layers	Opportunity @ Average SoC = # Layers + 1
ASU Jonesboro	1,735	264	7	6.6	**$1.68M**	**$3.21MM**
ASU Beebe	272	43	6	6.3	**$588K**	**$697K**
ASU Newport	155	29	6	5.3	**$210K**	**$363K**
ASU Mid-South	146	26	6	5.6	**$169K**	**$191K**
ASU Mountain Home	112	21	5	5.0	**$83K**	**$182K**

Improving the span of control at all layers and at all campuses to the levels indicated above implies a reduction in FTE of between 44 and 74 systemwide

This suggests a systemwide cost reduction opportunity between $2.73MM and $4.64MM

Targeting best practice spans of control for all campuses and departments may result in systemwide savings of over $4.5MM.

1. Excludes part-time employees, students, adjunct faculty, work study, and graduate assistants
2. Includes faculty and staff
3. Layer 1 is Chancellor at each campus
4. Estimated cost savings based on salary with fringe included

RECOMMENDATIONS

Huron considers the following recommendations to be critical to any organizational redesign efforts across the ASU System institutions.

	Function	Recommendations
1	People	Assess skill level of current workforce to identify gaps.
2		Set organizational targets for spans and layers based on best practices and establish process for implementation.
3	Process	Assess existing training and process documentation to identify gaps.
4		Detailed process redesign should be performed within key functional areas (e.g., Facilities Management, and Human Resources).

ADDITIONAL QUESTIONS AND NEXT STEPS

Following are additional questions that we have or additional analysis that is needed following our review of the ASU organization at both the system level and the campus level.

1. Activity analysis is needed to determine total scope of responsibility for all individuals. This is an essential step in organizational redesign and many titles (e.g., Administrative Assistant) do not reflect the work that is performed by the individual in a particular role.

2. Detailed process analysis would be required to determine the extent to which inefficient processes drive the need for greater attention by each supervisor and thus limits the number of employees that they are able to effectively supervise.

3. Turnover analysis is needed to determine the extent to which lack of experience at the employee level requires greater supervision and limits the size of organizational spans.

The next step in an organizational assessment would involve a deeper dive into the roles, responsibilities, and processes that are currently in place.

FACILITIES

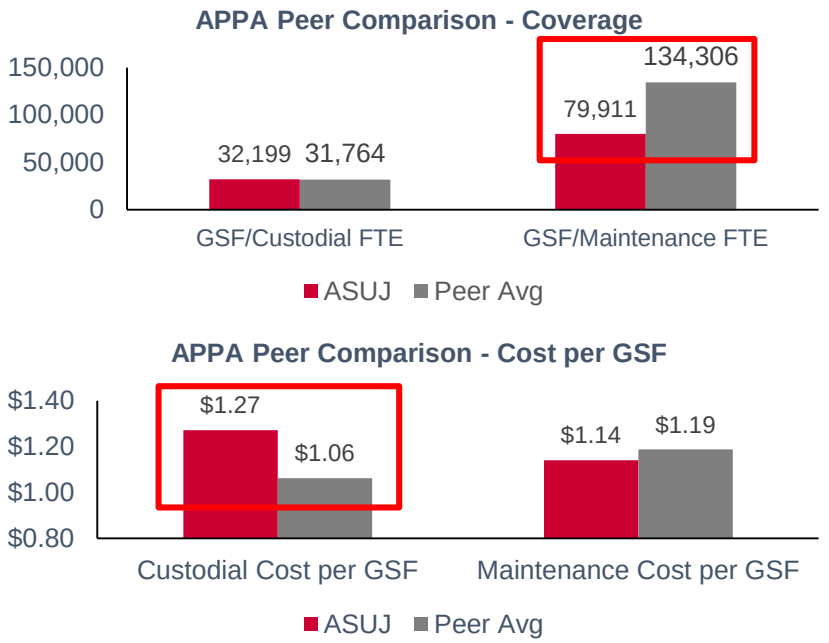
FACILITIES OPERATIONS

ASU Jonesboro compares well against its peer institutions in some functional areas but initial benchmarking suggests potential opportunities for improvement.

Case for Change

- ASU Jonesboro commits a greater percentage of budget to Maintenance and a lower percentage of budget to Grounds and Custodial Operations relative to peer institutions
- Total expenditure per custodial GSF is greater than the peer average suggesting an opportunity for overall reduction in cost
- The area covered by each Maintenance FTE is lower than peer institutions, suggesting an opportunity for right-sizing facilities operations teams
- Design standards are uncommon across the ASU System which may:
  - Increase the cost of procurement for replacement items (e.g., light bulbs, and faucets)
  - Reduce the efficiency of custodial operations as some surfaces and building materials are more time-consuming to clean

APPA Peer Comparison[1]



Opportunity	Financial	Service	Implementation	Risk	Realization	Score
Right-Size Facilities Operations	$500K - $1MM	3	2	3	3	3.7
Clearly define and publish system-wide design standards	$250K - $500K	8	3	8	8	5.3

1. APPA data provided by ASU-Jones

SURVEY RESULTS

We received feedback specific to facilities operations in the open-ended responses to the Accelerate ASU Opportunity Identification Survey.

"Facilities Management's greatest weakness is how slow they respond to requests and how painfully slow they bill - sometimes billing for services 6 months or more later."

"[*We*] need to actually perform effective preventative maintenance, hire and promote those that actually are workers, [*and*] listen to current employee's input/suggestions."

"The Housekeeping and Maintenance crew works very hard and covers a lot of ground with short staff , resources and time limits."

"Housekeeping and Grounds crews are excellent for being overworked and underpaid."

1. Source: results of Accelerate ASU Opportunity Identification Survey, open-ended responses

PROCESS OBSERVATIONS

During the course of our interviews, we observed several key themes across ASU facilities management units.

1

Work Orders

- Two of five campuses utilize work order management technology systems (ASUJ, and ASUMH)
  - Technology is not used to its full potential thus limiting process efficiency and the ability to track, report, and act on key metrics
- Three of five campuses have manual work order processes
  - Paper-based processes are inefficient
  - Preventative maintenance is often not tracked
  - Performance is not measured

2

Inventory/Procurement

- Frequent use of P-Cards for purchasing supplies was indicated
  - Costly to make individual purchases rather than leveraging procurement contracts
  - Indicative of problems maintaining required inventory of goods
- All campuses except for ASU Jonesboro indicated manual processes for requesting a purchase from the procurement department or requesting inventory from the warehouse

3

Preventative Maintenance

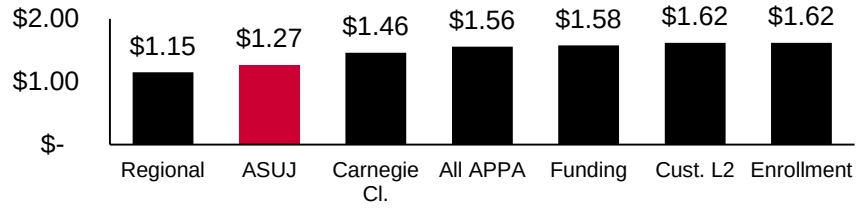
- Preventative maintenance is often not tracked or entered as a work order
- PM is routinely deferred to deploy resources to address reactive maintenance needs
- Deferral of PM is costly and leads to expanded scope and cost of maintenance work in long-term

Effective processes for work order management, procurement of supplies, inventory maintenance, and preventative maintenance are required as foundational elements of a successful facilities operations unit.

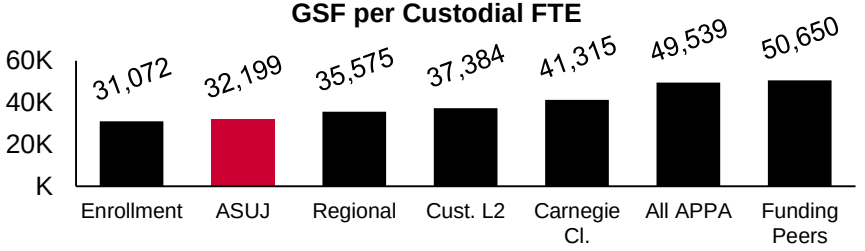
FACILITIES BENCHMARKING – PEER GP. AVERAGE

Our initial benchmarking analysis compared ASU Jonesboro to a small set of peer institutions – we expanded to compare against larger peer sets in particular peer categories.

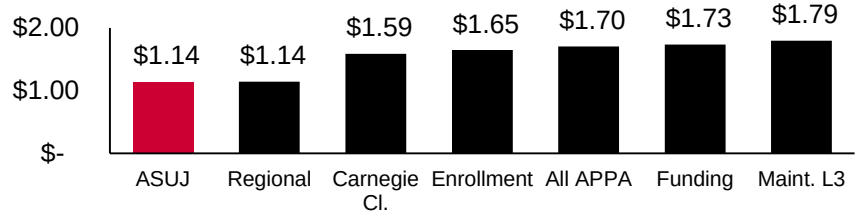
Custodial Cost per GSF



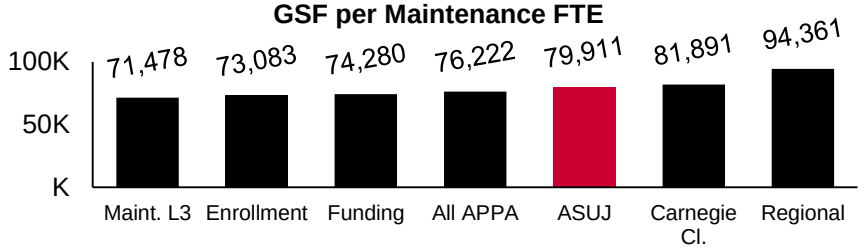
GSF per Custodial FTE



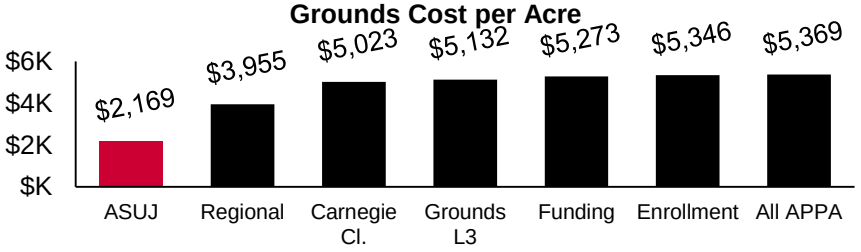
Maintenance Cost per GSF



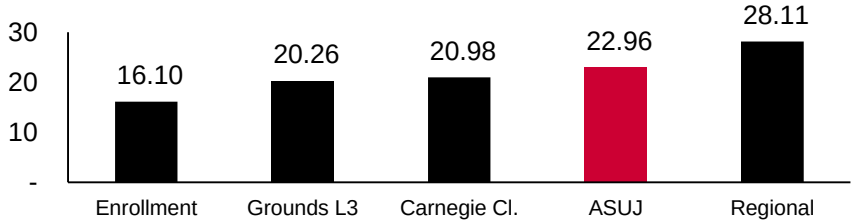
GSF per Maintenance FTE



Grounds Cost per Acre



Acres per Grounds FTE[2]

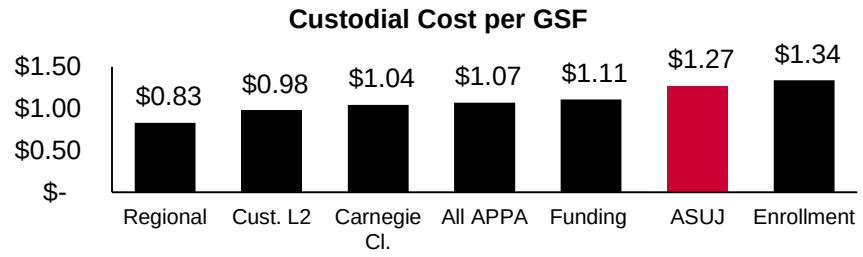


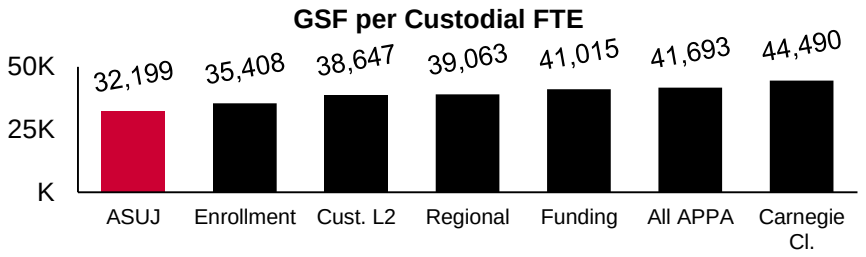
When compared against peer average metrics, ASU Jonesboro appears competitive with regard to cost per unit of space and coverage per FTE.

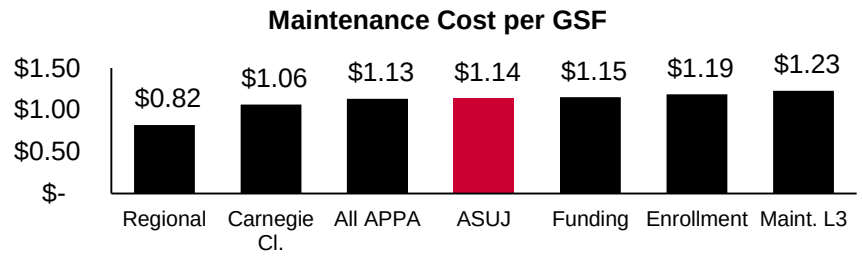
1. Analysis performed using APPA data provided by ASU Jonesboro
2. "All APPA" and "Funding" peer sets not included to avoid outliers in these populations for grounds coverage

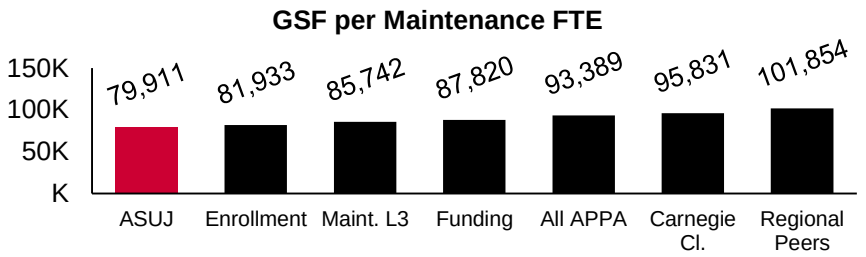
FACILITIES BENCHMARKING – PEER GP. TOP QTL.

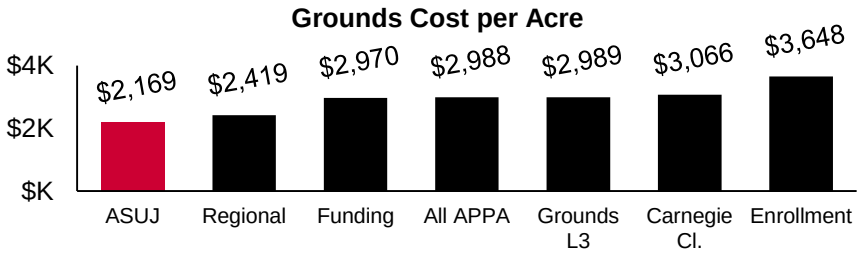
Next, we compared ASU Jonesboro against the top quartile in the same key peer categories.

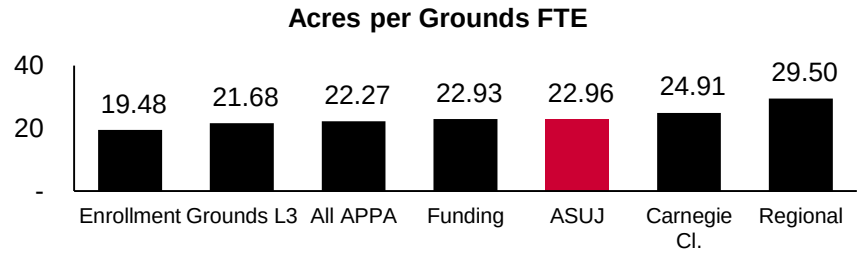










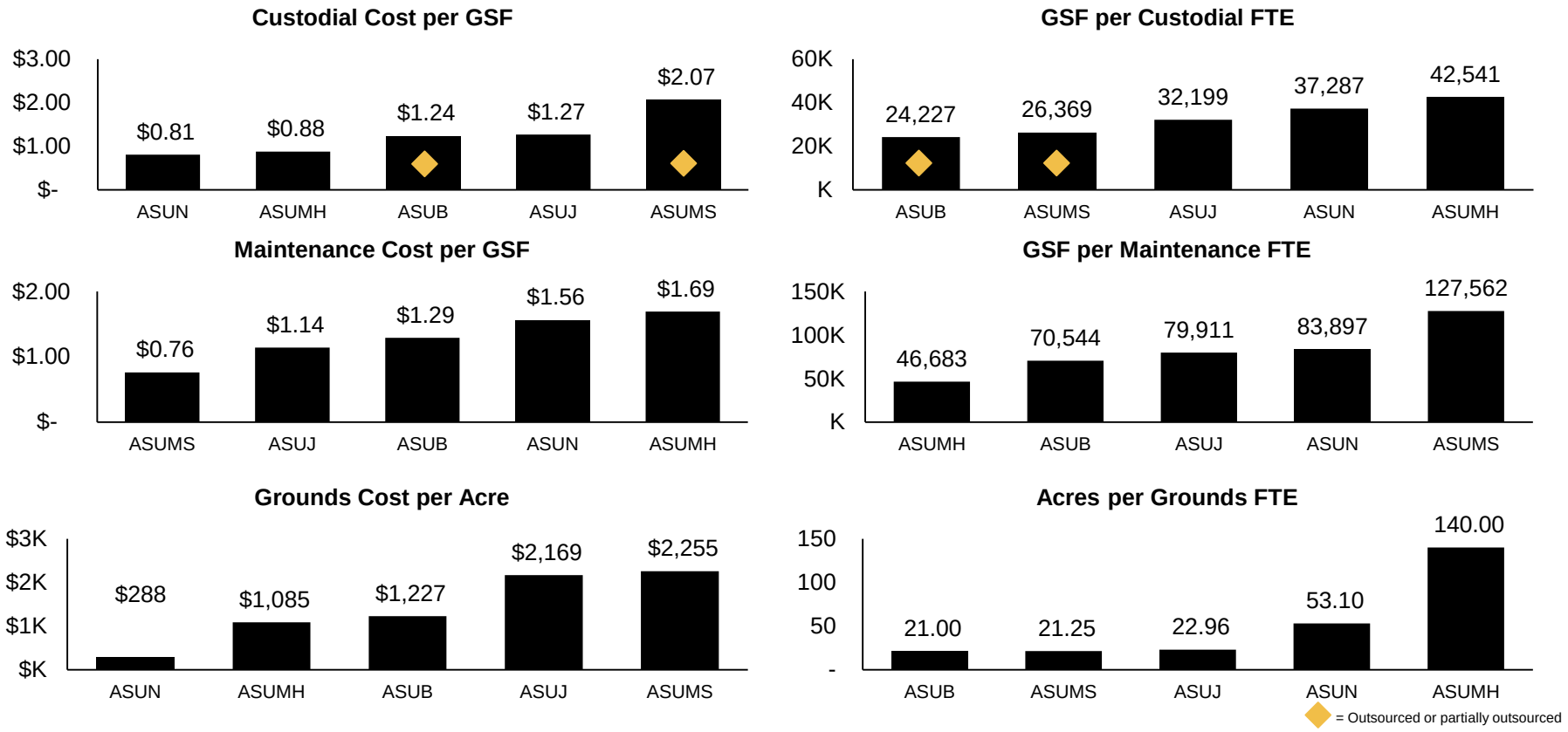


When compared against peer top quartile metrics, ASU Jonesboro demonstrates room for improvement in Maintenance and Custodial functions with regard to cost per unit of space and coverage per FTE.

1. Analysis performed using APPA data provided by ASU Jonesboro

FACILITIES BENCHMARKING – ASU CAMPUSES

We also compared the other campuses in the ASU System against the Jonesboro Campus.



While some campuses appear to have favorable metrics compared to the Jonesboro campus, our interviews indicated that this may suggest that they may lack resources and ability to match standards of excellence.

1. Analysis performed using APPA data provided by ASU Jonesboro
2. Data for Beebe, Newport, Mid-South, and Mountain Home campuses provided directly from facilities leadership at each campus.
3. ASUB Custodial data based on outsourcing contracts and staffing levels

OPPORTUNITY CALCULATION

Following deeper industry benchmarking analysis, we have identified opportunities for process improvement and staffing realignment.

	Custodial Cost per GSF	GSF per Custodial FTE	Maintenance Cost per GSF	GSF per Maint. FTE	Grounds Cost per Acre	Acres per Grounds FTE
ASU Jonesboro	$1.27	32,199.12	$1.14	79,910.62	$2,169.12	22.96
ASU Beebe	$1.24	24,226.56	$1.29	70,543.80	$1,226.67	21.00
ASU Newport	$0.81	37,287.44	$1.56	83,896.75	$288.06	53.10
ASU Mid-South	$2.07	26,368.67	$0.76	127,561.67	$2,254.65	21.25
ASU Mountain Home	$0.88	42,541.40	$1.69	46,683.20	$1,085.13	140.00
Opportunity @ Current ASU Jonesboro Metric	**$190K**	**$93K - $130K**	**$375K**	**$81K - $114K**	**$7K**	**$18K - $25K**
Overall Opportunity by Functional Area	**$93K - $190K**		**$81K - $375K**		**$7K - $25K**	

	Custodial Cost per GSF	GSF per Custodial FTE	Maintenance Cost per GSF	GSF per Maint. FTE	Grounds Cost per Acre	Acres per Grounds FTE
ASU Jonesboro	$1.27	32,199.12	$1.14	79,910.62	$2,169.12	22.96
Average of Peer Set Averages	$1.50	40,922.40	$1.60	78,552,38	$5,016.09	21.36
Average of Peer Set Top Quartiles	$1.06	40,052.43	$1.10	91,094.75	$3,013.32	32.46
Opportunity at Average of Peer Set Averages	**-**	**$384K - $537K**	**-**	**-**	**-**	**-**
Opportunity at Average of Peer Set Top Quartiles	**$487K**	**$353K - $494K**	**$169K**	**$163K - $228K**	**-**	**$190K - $266K**
Overall Opportunity by Functional Area	**$353K - $494K**		**$163K - $228K**		**$190K - $266K**	

Cost Per GSF: ↓ ↑

GSF per FTE: ↓ ↑

This suggests a systemwide cost reduction opportunity between $887K and $1.5MM

While ASU Jonesboro may perform well against a large pool of category peers, it should target the top quartile to achieve a "best in class" organization.

1. Potential savings assumes a fully-loaded bands of $25K - $35K per FTE

PREREQUISITES FOR CHANGE

Before any organizational changes are implemented, ASU should ensure that three foundational elements of effective organizational efficiency and success are in place.

1

Business Processes
We often find that business processes are inefficient and outdated. Processes are often highly manual with excessive layers of approval. Process documentation and adequate training are often overlooked as critical inputs to a successful organization.

2

Use of Technology
Use of technology varies greatly throughout the ASU System with some campuses operating systems capable of meeting organizational needs, others underutilizing technology systems and still others operating systems that are inadequate along with shadow systems to fill any gaps.

3

Talent Management
One of the most critical components of organizational success is talent management. In addition to ensuring that processes are optimized and appropriate systems are in place, it is paramount to ensure that the ASU System is able to attract and retain requisite talent.

Ineffective or inefficient practices in these three areas are often the root cause of inefficient organizational design as additional staff become the solution to problems with people, process, and/or technology.

RECOMMENDATIONS

Huron considers the following recommendations to be critical to the success of facilities management throughout the ASU System going forward.

	Function	Recommendations
1	People	ASU should establish a systemwide governance structure for Facilities Management to ensure consistency.
2		ASU should target best in class organizational metrics and strategically pursue realignment.
3		Perform compensation analysis to measure performance against market compensation rates.
4	Process	Common processes should be standardized and documented systemwide (e.g., work order assignment/close).
5		Standards for procurement and inventory management should be implemented and enforced to reduce p-card spend within facilities.
6	Technology	ASU should provide a standard set of tools including technology systems (e.g., work order mgmt. sys.) to all campuses.
7	Outsourcing	Use of outsourcing within Facilities Management functions should be evaluated against the cost of providing service in-house.

ADDITIONAL QUESTIONS AND NEXT STEPS

Following are additional questions that we have or additional analysis that is needed following our review of the Facilities Management function at each ASU campus.

1. The work order process is inconsistently implemented across campuses. In some cases the process utilizes a work order management system and in others it is paper-based. Additional analysis of work order volume, opening, and closing would be needed to determine performance. This would include an analysis of preventative vs. reactive maintenance work orders.

2. Absence management is often a significant cost and concern, particularly in facilities operations organizations. Additional analysis is needed to determine the extent to which absence is driving overtime, use of additional staff, and overall cost of the facilities functions.

3. Effective training and documentation can increase the efficiency of a facilities unit. Our interviews suggested that training programs that existed in the past may have given way to learning a job as you perform it. Analysis of existing training programs and existing process or safety documentation (e.g., MSDS) would be needed to fully assess the current state.

The next step in a review of Facilities Management across the ASU System would involve a deep dive into the people, process, and technology that is currently in place.

BENEFITS

HUMAN RESOURCES: BENEFITS ADMINISTRATION

Our analysis and research suggests that opportunities exist to reduce costs associated with administration of benefits, which is already centralized at the system level.

Benefits Administration

- A holistic approach to Benefits Administration involves examining the entire portfolio of benefits, comparing to the industry and market, and aligning to best fit the needs of ASU and its employees
- Current policy stipulates that ASU will provide benefits for retirees and spouses post-employment until age 65.
  - Afterward, ASU will be responsible for payment of 50% of the benefit cost for retirees and their spouse
  - This policy extends full contribution from ASU through age 65 for a spouse regardless of age at the primary beneficiary's retirement

ASU System Defined Benefit Contributions[1]

Institution	Defined Contribution %
ASU System	10%
ASU Mid-South	14%
Appalachian State University	9.15%
Middle Tennessee State University	9%
University of Central Arkansas	10%
University of Arkansas System	5-10%
Western Kentucky University	8.74%

- ASU System currently offers a 10% retirement benefit contribution (14% at Mid-South Campus).
  - Greater than industry and in-state standards
  - Increased plan participation presents a liability
  - Each 1% reduction in defined benefit contribution will save the ASU System an estimated $1MM

Opportunity	Financial	Service	Implementation	Risk	Realization	Score
Evaluate Benefits Policies	$1MM - $2MM	5	3	1	8	5.2

Note: Retirement Vendor Consolidation opportunity is not included in the above expense reduction estimates because this initiative is expected to yield direct savings to employees only and not to the organization. However, the organization may benefit from indirect savings from reduced administrative obligations. Further review and data is needed to assess potential employee savings opportunity.

1. Based on 2016 data from ASU System Financial Reports (http://www.astate.edu/a/controller/files/2016financial.pdf)

HEALTH PLAN DESIGN

Opportunity exists to expand health plan offerings and modify plan design, increasing employee choice and aligning plan design with leading practice.

Case for Change

- More than half of higher educational institutions offer two or more plans; the most common plans offered are preferred provider and high deductible health plans. ASU offers a single PPO plan design for approximately 2,000 enrolled employees. ASU should consider adding a **second plan of lower value** to provide choice while creating an opportunity to maintain a lower cost plan and increasing contributions for the current plan
- ASU has little out-of-network expense, however for the expense that is out of network, ASU may want to consider increasing the coinsurance differential for out-of-network services from 10% to 20% such that **out of network** services would be **covered at 60%** rather than 70%. For those peer institutions offering plans with 80% in-network coinsurance, all have a 60% out of network benefit including Georgia Southern, Appalachian State, Louisiana Tech, Middle Tennessee State, and Sam Houston

Savings Opportunity as a Percentage of Specialty Drug Spend	
Site of Care Management	4.3%
Reimbursement Management	2.7%
Clinical Management	3.5%
Copay Assistance Programs	2.6%
Quantity and Days Supply Limitations	2.0%

- ASU reports extensive coverage with the CIGNA network. The extensive coverage may allow ASU to differentiate among providers in the network and establish a **third network tier for high performing providers**. Narrow networks can save from 1 – 4% of medical plan costs
- ASU made some **changes to its prescription drug coverage** in 2019, adding a separate out-of-pocket maximum. ASU may wish to consider other strategies to control prescription drug expense such as a separate deductible, addition of a specialty tier, specialty site of care management, and leveraging manufacturer copay assistance programs

By implementing modest plan design changes, ASU could reduce medical plan expense by 1.5 - 2%

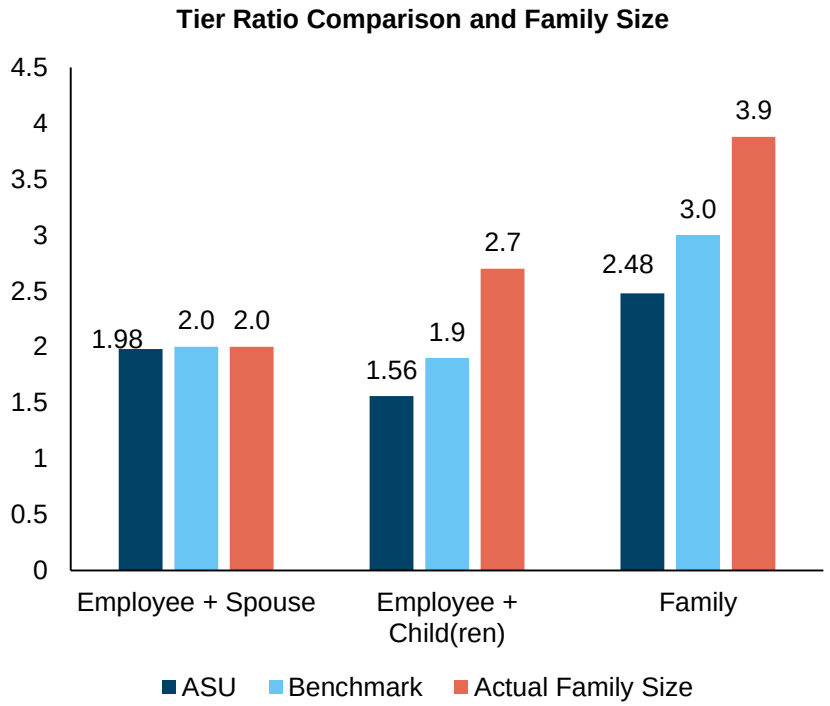
Source: State of Specialty Management, 2017, SPG

EMPLOYEE HEALTH PLAN CONTRIBUTIONS

Opportunity exists to modify current tier ratios to more closely match plan cost and increase employee accountability for health through wellness incentives and penalties.

Case for Change

- ASU's current **tier ratios** (the ratio between the cost of the tier and Employee Only coverage) **do not reflect the actual cost of the tier** which results in Employee Only subsidizing dependent tiers. ASU may want to consider migrating rate tier ratios to reduce subsidization and more closely reflect actual costs by tier
- ASU does not have either incentives or penalties for wellness related activity. A recent survey indicated **support for a tobacco use surcharge** among the campuses. Supported by a tobacco cessation program, a smoker surcharge could serve as the first step in development of a wellness strategy



More closely aligning rate tiers with actual costs will allow ASU to reduce subsidies for dependents while maintaining its support for employees.

Source: Huron Client Experience Database, non-BBBS plans

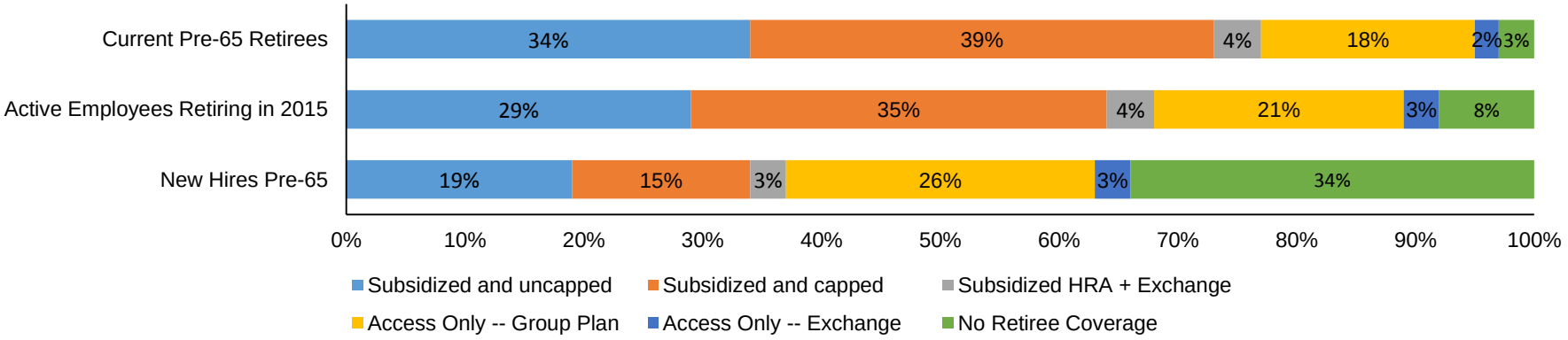
RETIREE MEDICAL SUBSIDIES

Where possible, ASU should consider implementing strategies to reduce retiree medical expenditure.

Case for Change

- Medical and life insurance benefits are available to **pre-65 retirees** attaining the earlier of age 55 with at least 70 points (age plus continuous full-time service), or age 60 with at least 10 years of continuous full-time service. ASU subsidizes the medical benefit at **50% of the premium** equivalent by rate tier
- To the extent feasible, ASU should consider implementing **strategies to control expenses and future liability**. Strategies include eliminating future coverage for those below a certain age and years of service, tiering subsidies by years of service, capping the subsidy, redefining the basis of the subsidy based on expected retiree expense, or providing the subsidy only with individual coverage purchased through the public exchange

Type of Pre-65 Retiree Medial Coverage



There are multiple strategies available to ASU to reduce annual retiree medical expense by up to $840,000.

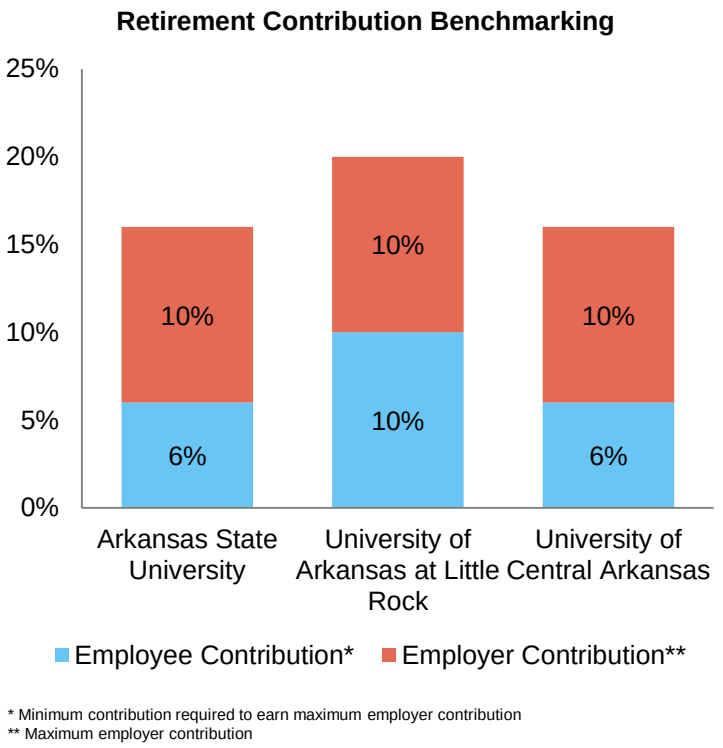
Source: Aon Hewitt 2015 Retiree Health Care Survey

RETIREMENT CONTRIBUTIONS

Opportunity may exist to reduce ASU's retirement contribution or to move to a matching-style contribution.

Case for Change

- ASU's current employer contribution is in alignment with those offered by other peer institutions in the state but above the level of national benchmarks
- UCA offers a 10% employer contribution on a 6% mandatory employee contribution; UALR offers a base 5% employer contribution with an opportunity to receive up to a 10% contribution by matching employee contributions ranging from 0%-10%
- National benchmarks show that 58% of institutions contribute up to 6%, while only 23% of employers contribute 10% or more
- There is opportunity to bring the employer contribution down to 6% to align with national benchmarks and/or offer a match on employee contributions to receive a full 10% employer contribution to maintain alignment with other Arkansas institutions
- Note that governmental 403(b) plans are not subject to most nondiscrimination testing requirements with the exception of satisfying universal availability rules



* Minimum contribution required to earn maximum employer contribution
** Maximum employer contribution

Opportunity exists to consider a match-type formula or to reduce the 10% employer contribution to 6%, potentially reducing expenses by up to $3M.

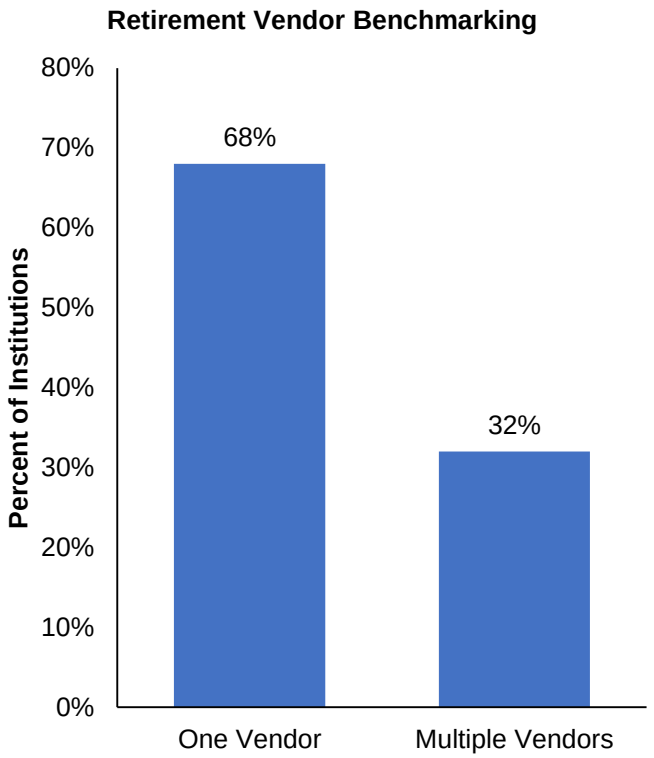
Source: Publicly available information on university retirement plans; 2017 Transamerica Retirement Plan Trends for Institutions of Higher Education

RETIREMENT VENDOR CONSOLIDATION

Opportunity exists in in consolidating retirement services to a single vendor.

Case for Change

- ASU utilizes multiple retirement services vendors - TIAA, VALIC, and Voya
- Multiple vendor arrangements are not prevalent practice and may lead to additional complexity in administration, additional complexity and redundancy in investment choices, less effective training and education programs around retirement, and higher fees for employees
- 68% of higher education institutions utilize one retirement vendor while only 32% utilize multiple vendors
- Huron has conducted retirement vendor RFPs in which the client moved from multiple vendors to an exclusive vendor, resulting in a 58% reduction in recordkeeping and administrative fees. Note that fee reductions are typically passed on to the employee and do not benefit the organization directly; however, the organization may benefit for simplified administration and streamlined education/communications



Opportunity exists to consolidate services with an exclusive vendor through a competitive RFP process in order to streamline administration and potentially leverage asset volume for lower fees for employees.

Source: 2017 Transamerica Retirement Plan Trends for Institutions of Higher Education

ACCRUAL CLASSIFICATION ALIGNMENT

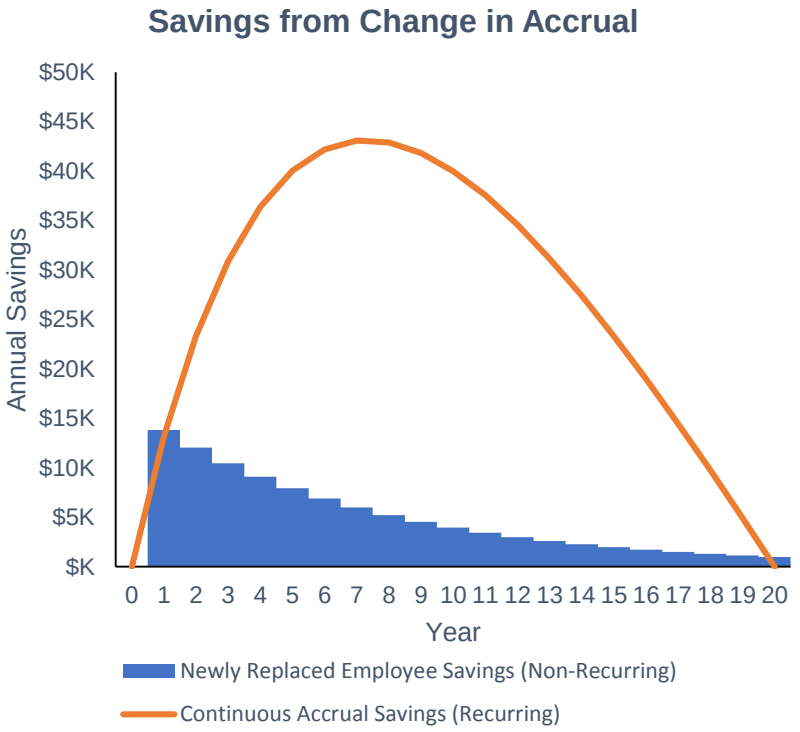
Opportunity exists to align non-exempt employees to classified accrual rate, ensuring consistency in alignment between classification and FLSA status across organization.

Case for Change

- ASU utilizes separate accrual schedules for non-classified and classified employees, with non-classified employees receiving 15 hours per month, and classified employees accruing based on years of service
- Non-exempt employees receive compensatory time, compensating for reduced classified accruals
- Opportunity exists to review non-exempt employees receiving non-classified rates, and utilize classified accruals

Implementation Method	Financial Impact
Grandfathering (Present Value* of Non-Recurring Savings)	$59,600
Changing Accrual for Current Employees	$106,400

* Only P&L impact is included. Accurate Balance Sheet impact requires additional PTO bank data.
** Discount rate of 10% and turnover rate of 13% used



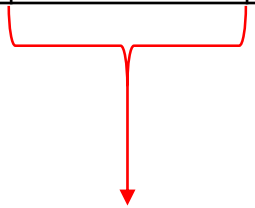
Opportunity exists to reduce costs by up to $100K by aligning non-exempt employees with classified accrual schedules.

Source: 2017 ASU Compensation and PTO bank data

OPPORTUNITY CALCULATION

Across the ASU System there are opportunities to make small changes to existing benefits that can result in a substantial reduction in cost.

Opportunity	Financial	Service	Implementation	Risk	Realization	Score
Redesign Health Plan	$360K - $460K	4	8	8	10	6
Reduce Retiree Medical Expense	$560K-$840K	1	3	8	10	5.7
Modify Retirement Match Formula	$2.1MM - $3.1MM	5	3	5	5	6.7
Align PTO Accrual Schedules	$40K - $60K	6	3	8	5	4.6



This suggests a systemwide cost reduction opportunity between $3.1MM and $4.5MM

Modification of existing employee benefits and/or benefit structure is not without risk but suggests substantial cost reduction opportunity that can be realized in the near term.

RECOMMENDATIONS

Huron considers the following recommendations to be critical to reducing the cost of benefits administration across the ASU System.

	Function	Recommendations
1.	Health	Implement a second lower value plan
2.		Incorporate strategies to effectively manage specialty drug spend
3.		Align tier rates and ratios to better reflect the actual cost of coverage while at the same time adjusting contribution strategy by rate tier to reduce employee subsidization of dependent tiers
4.	Retiree Medical	Develop and implement strategy to reduce retiree medical liability and long term expense
5.	Retirement	Review retirement contribution strategy and consider a match-type formula to both reduce expense and increase employee savings for retirement
6.		Consolidate vendors to reduce investment fees paid by employees
7.	Time off Accruals	Align non-exempt employee accruals with classified accrual schedule
8.	LTD Benefit	Provide employees the option of paying taxes on the employer paid premium so that the benefit, when received is non-taxable. This strategy will provide a greater benefit to employees and may allow ASU to reduce coverage from 60% to 50%.

ADDITIONAL QUESTIONS AND NEXT STEPS

Following are some outstanding questions following our review of Benefits Administration across the ASU System.

1. Employee-level PTO balances separated by Leave Type and pulled as of December 31 are required to more accurately determine the balance sheet impact of accrual modifications.

2. Detailed leave data with diagnosis, duration and income source (STD, sick bank) is needed to identify opportunities to improve leave management.

3. Schedules of rates and fees, contracts, and total assets under management by retirement vendor are required to estimate employee and employer savings that could be attained through a competitive RFP process.

4. Analysis of detailed claims experience is needed to identify opportunities for health management

While action can be taken immediately to reduce the cost of Benefits Administration systemwide, additional analysis is required to determine the full scope of opportunity at ASU.

INFORMATION TECHNOLOGY

HURON

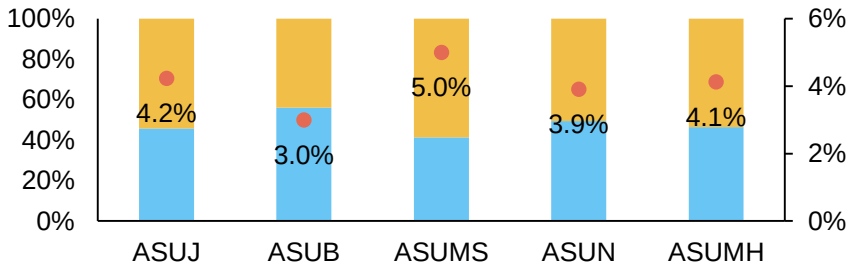
INFORMATION TECHNOLOGY

Campuses appear to align with industry benchmarks individually but could realize economies of scale and provide more value-add services through sharing resources.

Case for Change

- On an individual basis, each ASU campus is near the industry benchmark for overall expenditures (4.1% of OpEx) and staffing (5.0% of Faculty & Staff)[2]
- Across the System four different ERP systems are used, resulting in inconsistent utilization, data, and reporting
  - ASUJ, ASUN, and ASUB recently underwent significant implementations or updates
- A majority (54%) of campuses' IT spend is on non-labor expenses – the majority being ERP systems and other licensing and maintenance (20-30% of total expenses)
- ASUJ has a highly centralized IT organization, supporting over 90% of IT staff where we typically see a 60/40 split

Central IT Spend by Campus[1]



$ in thousands	Labor		Non-Labor		% of OpEx
ASUJ	3,901	46%	4,628	54%	4.2%
ASUB	559	56%	439	44%	3.0%
ASUN	391	49%	401	51%	3.9%
ASUMS	472	41%	670	59%	5.0%
ASUMH	287	46%	332	54%	4.1%

Opportunity	Financial	Service	Implementation	Risk	Realization	Score
Rationalize distributed labor, applications, and hardware, and migrate services centrally	$250K - $500K	5	7	7	6	5.3

Sources:
[1]Campus Rev/Exp files (1.2) FY17
[2]EDUCAUSE CDS 2017

BUSINESS CASE SUMMARY

What?

- Centralize certain IT services in a shared service center at Jonesboro
- Implement IT Governance to drive transparency
- Re-focus IT resources on-campus towards user training and enablement
- Establish program management office to centralize ERP, infrastructure services, and Data warehousing

Why?

- Increase user enablement and empowerment
- Provide end-users with training and support on using technology effectively
- Reduce technology expenses by leveraging economies of scale across the system for technology procurement
- Focus on using technology for process automation and reduction of manual data entry
- Improve accountability and collaboration of technology resources
- Achieve system-wide efficiencies

Impact?

- Effective management of resources with focus on end-user enablement and use of technology to drive institutional goals
- Maintain quality of IT service delivery while ensuring schedule, and expectations are not compromised
- Predictability and readiness of infrastructure, application and data analytics from a service delivery standpoint
- Increased information security across the system, which in the current state is lacking

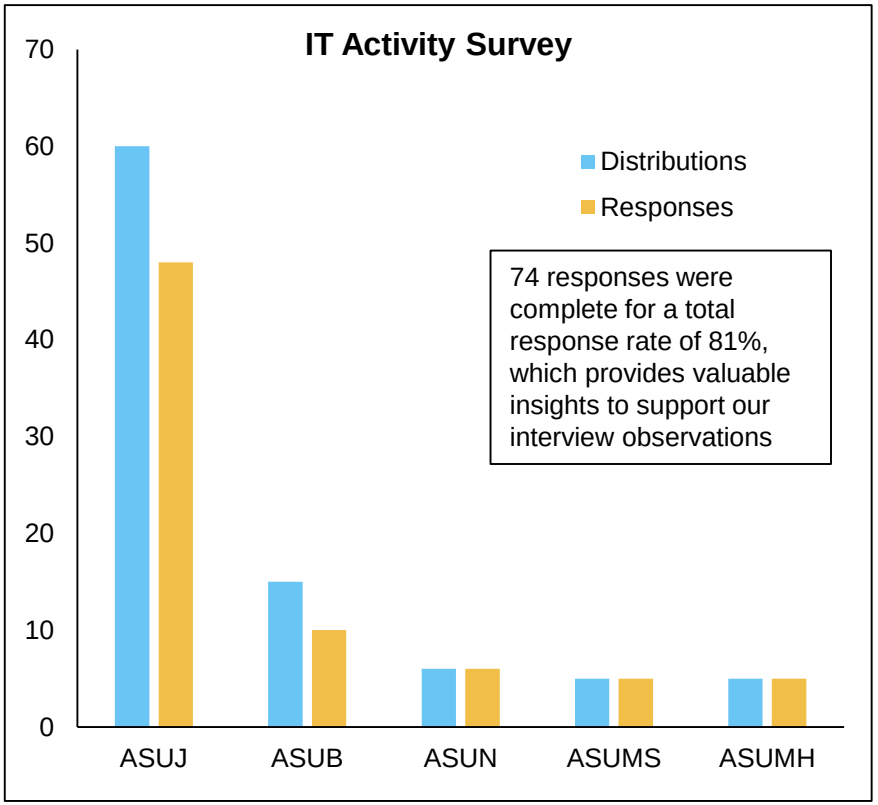
Cost of not Changing?

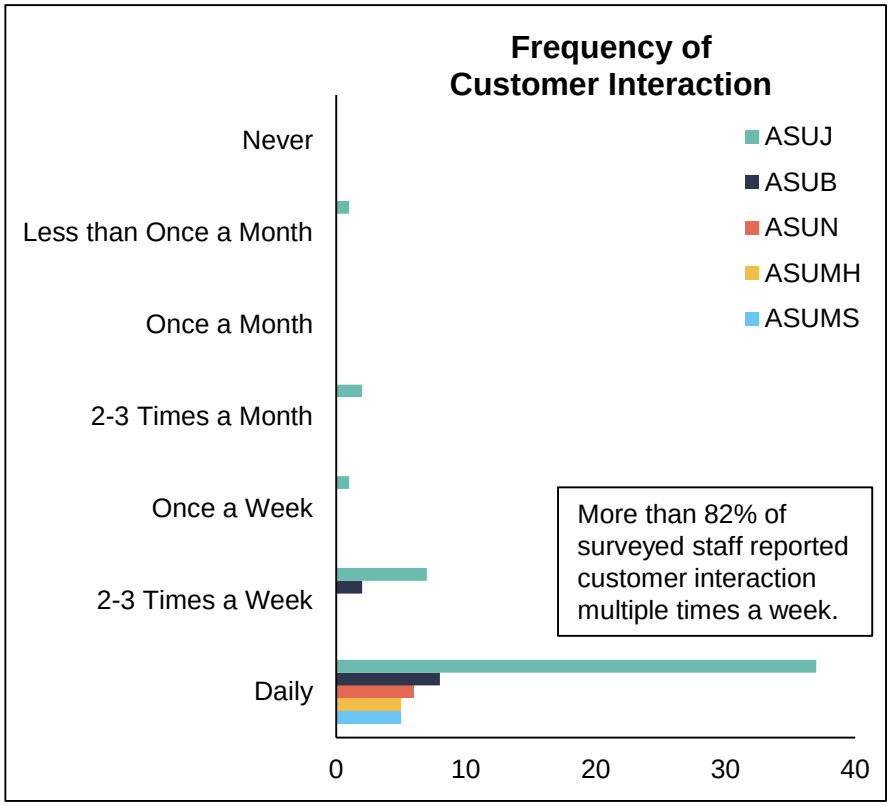
- Inability to leverage and scale technology for gaining efficiencies
- Increasing costs due to duplication of technology procurement
- Duplication of effort for delivering IT services
- Continued lack of collaboration
- Exponential increase of non-standardized data impacting data reporting

Technology does not appear to support achievement of end-user effectiveness or business value. The gap between delivery of IT services and use of IT resources by end-users needs to be bridged.

SURVEY RESPONSE SUMMARY

To better understand the IT operations and services that exist across the ASU System, Huron deployed an IT activity survey to the 90 IT staff members across the five campuses.





IT activity across the ASU System suggests a high-touch environment and the interviews informed the fact that the staff on the 2 year campuses perform activities across multiple domains

Accelerate ASU

ASU SERVICE INVENTORY

The following matrix provides an overview of services provided by individual IT units as reported by the units. The distribution illustrates activities being duplicated across campuses.

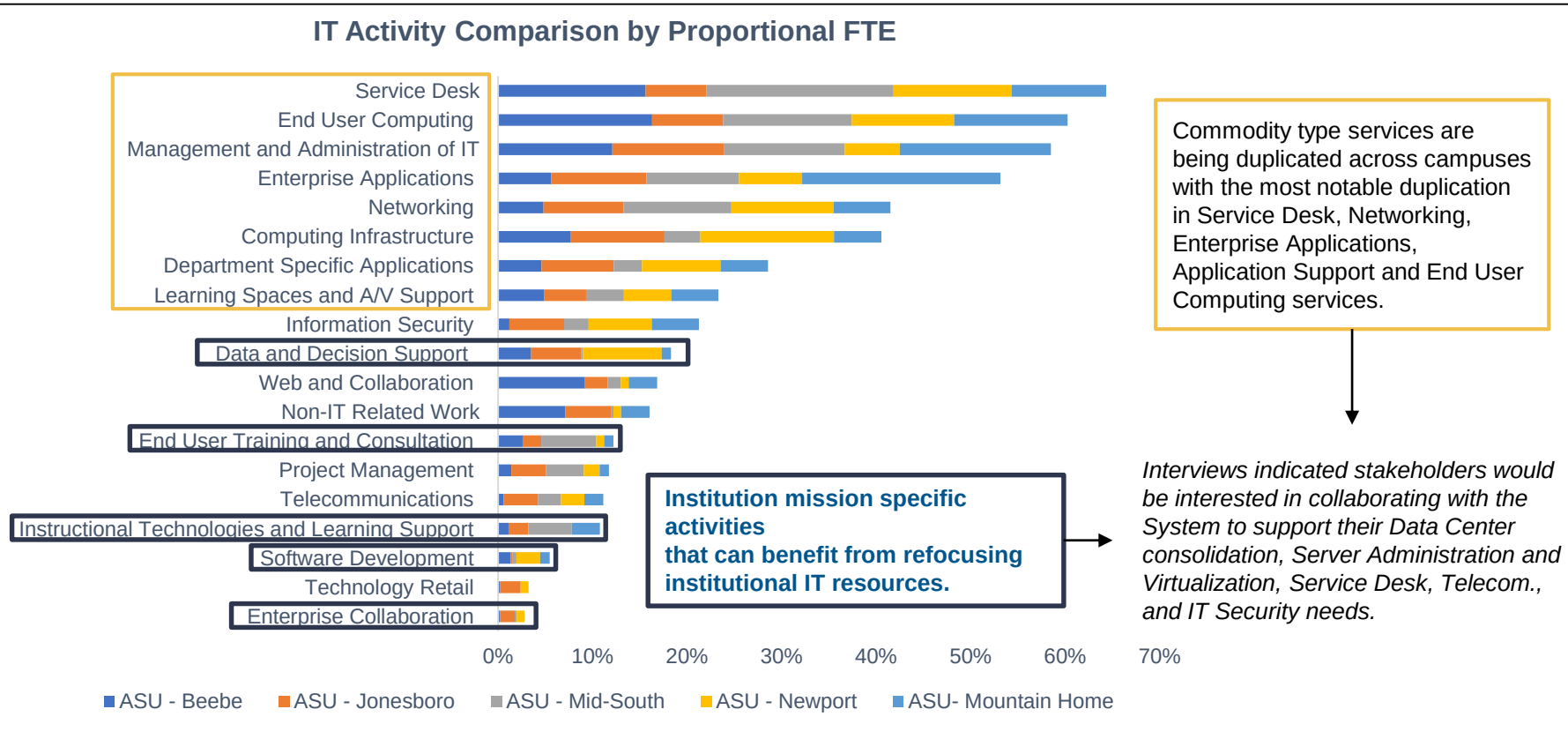
IT Services / Functions	ASU-Jonesboro	ASU-Beebe	ASU-Mid-South	ASU-Mountain Home	ASU-Newport
Non-IT Related Work	X	X	X	X	X
Computing Infrastructure	X	X	X	X	X
Data and Decision Support	X	X	X	X	X
Department Specific Applications	X	X	X	X	X
Technology Retail	X	X			X
End User Computing	X	X	X	X	X
Enterprise Collaboration	X	X	X		X
End User Training and Consultation	X	X	X	X	X
Enterprise Applications	X	X	X	X	X
Service Desk	X	X	X	X	X
Information Security	X	X	X	X	X
Instructional Technologies and Learning Support	X	X	X	X	
Learning Spaces and A/V Support	X	X	X	X	X
Management and Administration of IT	X	X	X	X	X
Networking	X	X	X	X	X
Project Management	X	X	X	X	X
Telecommunications	X	X	X	X	X
Web and Collaboration	X	X	X	X	X
Software Development	X	X	X	X	X

X = Service delivered by individual campus

HURON

SERVICE DISTRIBUTION

The following chart provides a cross ASU system view of the IT service delivery areas across the institutions:



Staff and resources on the smaller campuses are currently consumed by the high-touch and commodity services that don't allow IT to focus on services that further the respective institutions' mission.

IT SERVICE CATEGORIZATION

The matrix below can serve as a framework for evaluating appropriate delivery model for the IT services across the System:

	High Differentiation	Low Differentiation
Commodity	**Streamline / Standardize / Rationalize** ▪ Rationalize 3rd party apps. serving a common goal ▪ Redundant and shadow systems ▪ Customizations and modifications ▪ Ad-hoc reports and systems for specific campus functions	**Centralize** ▪ Commodity type repetitive services (low-differentiation) commonly offered across ▪ Services using the same underlying tech ▪ Back-office activity that sees little interaction with the customer ▪ IT services that are scalable ▪ Dependency: Needed for other initiatives
Specialized	**Remain on Campus** ▪ IT services that are high-touch in nature ▪ Level 2 and Level 3 support that is highly specialized and unique to the campus/ customer ▪ Ad-hoc customer requests that are highly differentiated	**Reassess Need** ▪ IT services are specialized and appear to be highly differentiated ▪ Strategic change in direction (e.g., cloud) ▪ Services have a common goal but separate technologies are being used

This framework informs the specific recommendations that are outlined in the following slides.

RECOMMENDATION LAYOUT

Huron has developed a summary of recommendations. The key below provides guidance on how to read the list of Huron developed recommendations presented on the next pages:

Impact	Implementation Complexity	Implementation Effort	Duplication of Service
Level of impact the change will have on improving the efficiency and effectiveness of IT operations	Level of effort and complexity associated with the implementation of the change	Amount of staffing and resources that will be impacted or required to complete implementation	Level to which the services are replicated at one or more campuses

High	Positive impact on multiple campuses
Medium	Positive impact on few campuses or 2 or more stakeholder entities
Low	Positive impact on one campus or stakeholder group

High	High Complexity – affects multiple processes spanning multiple systems / functions; high effort
Medium	Medium complexity - affects one or more processes or systems; medium effort
Low	Low Complexity - affects 1-2 processes involving a single system or low effort

High	High Effort – will require a large number of FTE's across campuses
Medium	Medium Effort – will require several FTE's and significant resources to implement
Low	Low Effort – will not require more than 1-2 FTE's to implement

None	Service not offered
No	Services offered by 1 or 2 campuses
Yes	Services offered by all campuses

Each recommendation is summarized in this section of the document and rated across four dimensions that detail the impact on enhancing operations and ease of implementation.

RECOMMENDATIONS SUMMARY (1 OF 7)

The table below provides a single dashboard to display the magnitude and expected impact of each recommendation.

			Impact	Implementation Complexity	Implementation Effort	Duplication of Service/ Effort
	Strategy and Governance					
E	1	**Implement ASU IT Governance:** Implement centralized IT governance with representation from all campuses. Data governance, project prioritization, and SLAs will need to be managed as part of IT governance.	High	High	Low	None
E	2	**Hire/ Appoint a System CIO:** System-wide CIO with financial and operational responsibility for managing the proposed centralized IT services. The CIO should co-lead and facilitate IT Governance along with the CFO.	High	Low	Low	Yes
$ E	3	**Establish a Program Management Office (PMO):** The PMO will be responsible for managing, prioritizing, and recommending technology projects that have a system-wide impact. Hire a project manager to manage schedule, scope, and budget for all projects.	High	Medium	Medium	None

C Cloud / Hosted
O Outsourcing / 3rd Party Vendor
$ Cost Savings
E Efficiencies / Improved Services
R Reduce / Address Risks

RECOMMENDATIONS SUMMARY (2 OF 7)

The table below provides a single dashboard to display the magnitude and expected impact of each recommendation.

			Impact	Implementation Complexity	Implementation Effort	Duplication of Service/ Effort
	Strategy and Governance					
R	4	**Information Security and IT Policy:** Hire a system TISO and centralize policy development, security controls review, information security training, and the security management program at the system level.	Medium	High	Low	None
C $ O E	5	**Enterprise Architecture & Cloud Strategy:** Develop an ASU system-wide EA & cloud strategy/roadmap. As ASU campuses leverage hybrid-cloud for technology infrastructure (IaaS) and applications (SaaS), a clear strategy and tactical plans are needed to transition infrastructure and applications to the cloud and track benefit realization.	Medium	Low	Low	No

C Cloud / Hosted
O Outsourcing / 3rd Party Vendor
$ Cost Savings
E Efficiencies / Improved Services
R Reduce / Address Risks

RECOMMENDATIONS SUMMARY (3 OF 7)

The table below provides a single dashboard to display the magnitude and expected impact of each recommendation.

			Impact	Implementation Complexity	Implementation Effort	Duplication of Service/ Effort
		Infrastructure & Operations				
E $ C R	6	**Establish Centralized Data Center at Jonesboro:** The data center at Jonesboro has the capacity to accommodate the servers from other campuses. Upgrading the HVAC will enable the data center functionality to be centralized at Jonesboro. The new model should be built on SLAs and using the infrastructure-as-a-service model.	High	Medium	Medium	Yes
E $ C R	7	**Centralize Server Administration:** Every campus has at least 1 or fractional FTEs for server administration. This function should be centralized the Jonesboro campus and servers on remote sites should be transitioned to the VMWARE environment or to the Data Center. SLAs and OLAs will govern the management and administration of servers.	Medium	Low	Low	Yes
E $ C R	8	**Virtualization – VMWARE:** Every campus is using VMWARE, except for one campus that is using Hyper-V. Transition VMWARE servers to the Jonesboro cluster.	High	Low	Medium	Yes

C Cloud / Hosted
O Outsourcing / 3rd Party Vendor
$ Cost Savings
E Efficiencies / Improved Services
R Reduce / Address Risks

RECOMMENDATIONS SUMMARY (4 OF 7)

The table below provides a single dashboard to display the magnitude and expected impact of each recommendation.

			Impact	Implementation Complexity	Implementation Effort	Duplication of Service/ Effort
	Infrastructure & Operations					
E $ C R	9	**Virtualization – VDI:** Multiple campuses have implemented VDI for computer labs. This service should be centralized and offered out of the Jonesboro service center. Increase in licensing and storage capacity will be needed to accommodate this recommendation. Transition VDIs to the Jonesboro cluster.	High	Low	Medium	Yes
E $ R	10	**Backups and Recovery:** After the Data Center and Virtualization have been centralized and operational out of the Jonesboro campus, the functions of backup and recovery should also be centralized at Jonesboro for all campuses. Critical to this service are clearly defined SLAs, time to recovery and contingency plans. Jonesboro campus should also invest in upgrading the backup sites.	High	Medium	Medium	Yes

C Cloud / Hosted
O Outsourcing / 3rd Party Vendor
$ Cost Savings
E Efficiencies / Improved Services
R Reduce / Address Risks

RECOMMENDATIONS SUMMARY (5 OF 7)

The table below provides a single dashboard to display the magnitude and expected impact of each recommendation.

			Impact	Implementation Complexity	Implementation Effort	Duplication of Service/ Effort
	Infrastructure & Operations					
O E $ C R	11	**Telecommunications:** Campuses are using ShoreTel and appear to have individual call offices set up. Centralize telecommunications as systemwide service and leverage cloud technologies VOIP to deliver telecommunications services to the campuses.	Medium	Medium	Medium	Yes
E $	12	**Service Rationalization:** Reevaluate the existing service delivery model and consolidate commodity services to reduce duplication and improve efficiencies/effectiveness while enhancing service quality.	High	Medium	Medium	None
E $ C	13	**Learning Management System (LMS) Assessment:** Conduct a system-wide review and assessment of the LMS systems, and 3rd party applications integrated or used as upstream/ downstream systems for academic, pedagogy and online learning support. The assessment should recommend a course of action to standardize on an LMS platform that could be managed centrally and customized at the institutional level. Canvas and Blackboard are the dominant systems currently in use by ASU institutions.	Medium	High	Medium	Yes

C Cloud / Hosted
O Outsourcing / 3rd Party Vendor
$ Cost Savings
E Efficiencies / Improved Services
R Reduce / Address Risks

RECOMMENDATIONS SUMMARY (6 OF 7)

The table below provides a single dashboard to display the magnitude and expected impact of each recommendation.

			Impact	Implementation Complexity	Implementation Effort	Duplication of Service/ Effort
	Infrastructure & Operations					
E $ C R	14	**ERP Assessment:** Conduct a system-wide review and assessment of the ERP systems use at ASU, and 3rd party applications integrated or used as upstream/ downstream for administrative and academic planning and support. The assessment should recommend a course of action to standardize on a Systemwide ERP that could be managed centrally and customized to meet individual campus needs.	High	High	High	Yes
O E $ C R	15	**Service Desk:** Centralize service desk operations at the Jonesboro campus. The Jonesboro campus appears to have the infrastructure and scale needed to support this service. Level 1 support and remote assistance using Bomgar should be provided for all campuses out of the Jonesboro campus. The investment might be needed in procuring licensing for the Service Desk and Bomgar systems. Crucial for this recommendation is the establishment of clearly defined SLAs and OLAs.	High	Medium	Medium	Yes
E $	16	**Rationalize and standardize software:** Review and remove redundant and shadow systems used across all ASU campuses.	High	Medium	High	Yes

C Cloud / Hosted
O Outsourcing / 3rd Party Vendor
$ Cost Savings
E Efficiencies / Improved Services
R Reduce / Address Risks

RECOMMENDATIONS SUMMARY (7 OF 7)

The table below provides a single dashboard to display the magnitude and expected impact of each recommendation.

			Impact	Implementation Complexity	Implementation Effort	Duplication of Service/ Effort
	IT Financial Management					
E $	17	**IT Funding Model:** Reevaluate existing IT funding model and create a transparent and centralized model that provides the flexibility to allocate funds as needed to meet ASU's goals, fund critical infrastructure upgrades in a timely manner, and incentivize campuses to leverage central IT "commodity" services.	High	High	High	None
E $	18	**Centralize Technology Procurement:** Centralizing procurement of technology at the system level will afford the campuses to leverage economies of scale when negotiating contracts and will allow for deeper discounts on software licensing, bulk purchases of computer and network equipment.	High	Low	Medium	Yes
E	19	**Establish Data Standards & Streamline Ad-hoc Reports:** Lack of data governance has led to a proliferation of ad-hoc reports. Establishing data standards at the ASU system level will streamline ad-hoc reports and lead to standard reports that make data from ERP systems accessible for end users.	High	High	High	Yes

C Cloud / Hosted
O Outsourcing / 3rd Party Vendor
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E Efficiencies / Improved Services
R Reduce / Address Risks