

Annotated Response to President Greenwood's Comments Posted on the UH Website

Below is the "Open Letter" that President Greenwood sent to university community to "explain" the administration's position with respect to the "last, best, final, offer" presented to the faculty in bargaining unit 7. The language used, and the points made, are not new. These comments reflect the position expressed by UH administrators at the bargaining table. The description of many of the employer's proposals is disingenuous or predicated on the acceptance of certain assumptions underlying the reasons for the current budget crisis. On October 5, UHPA members will vote on a ballot issue that would authorize the UHPA Collective Bargaining Committee to accept the UH administration's LBFO or reject the offer by voting NO. In considering all of the consequences of voting YES, statements are highlighted below and responses are in red.

An Open Letter to the University of Hawai'i

Sept. 28, 2009

Aloha Colleagues,

Once again, please let me express my profound gratitude for the warm aloha that you have extended to me. It is the strength of this aloha spirit and the sense of shared purpose that I am certain will see us through this difficult fiscal period.

None of us are individually or even collectively responsible for the fact that the State of Hawai'i, our mainstay funder, has experienced severely restricted revenues this year that will most likely continue into at least the next year. [This is not entirely true. The Governor chose to restrict legislatively appropriated funds for the University and the total amount to be restricted. This was completely discretionary on her part; there was nothing that required a restriction or the amount to be made, even if the Governor felt compelled to "balance projected state revenues with future expenditures. Further, the Governor refused to expend special state funds, including the "rainy day fund," to reduce the amount that she felt she had to restrict. She also refused to consider or propose any increases in taxes. Finally, the state legislature failed to come back into session to address the Governor's restrictions to public education. So, we can identify at least two responsible parties; the Governor and the Legislature.] As a consequence, our level of state funding has been greatly reduced and we must find an unprecedented amount of savings to meet our budgetary needs.

It has come to my attention that there is continuing confusion about the situation, and thus I would like to share with you a review of previous communications from former President McClain and answers to a number of questions.

On July 1, 2009, he wrote a letter to the UH 'ohana in which he laid out the basic problem we face:

"As you know, the budget restrictions imposed by Gov. Lingle on June 1 for the next two fiscal years coupled with the budget passed by the legislature and signed into law earlier this week by the governor mean that we will have \$76 million fewer general funds in FY10 and \$78 million fewer general funds in FY11. Were it not for the offset of \$22 million in federal stimulus funds in each year, the general funds budget cuts would amount to \$98 million and \$100 million, with slightly less than half (\$46 million) by the legislature, and slightly more than half (\$52 and \$54 million) coming from the governor's action in the wake of the May 28 Council of Revenues downgrade of its economic forecast.

"This amount is more than 20 percent of the general funds received each year by UH, net of payments of such items as fringe benefits, interest payments on bond indebtedness and the like."

The situation remains essentially unchanged, with the unfortunate further news that the Council of Revenues has projected somewhat lower revenues in the latest forecasting. In the face of these newer projections, Gov. Lingle did make some further reductions to other state agencies but announced that she would not further restrict the University of Hawai'i [Again, evidence of where the responsibility for the revenue short fall should be placed].

In addition, the stimulus (ARRA) funds designated for the university **have not yet been released** [Again, this is the responsibility of the Governor, and she has dragged her feet over these federal ARRA funds for both K-12 and higher education.] to the university. Thus, while we expect to receive them and are planning accordingly, they are not yet available to help address our budget reductions [sic].

When the university receives the \$22 million in federal stimulus funds that we are expecting from the governor, our budget cuts will still amount to \$76 million and \$78 million in FY 2010 and FY 2011, respectively. **If we do not receive stimulus funds**, we will face budget cuts of \$98 and \$100 million [There is no reason that UH should not receive these funds, and thus this should not be used as an argument to force the faculty to make up the shortfall through salary reductions].

At the same time, the University of Hawai'i System is facing a **record increase in enrollment levels**. More than 58,000 credit students are enrolled at our 10 campuses statewide. While this is a welcome development with respect to acknowledging that the University of Hawai'i is an important source of educational advancement for students and is highly appreciated by others, it does present significant logistical and **resource issues**. [There will also be record tuition collections with increased enrollment.] We must do everything within our means to meet the increased demand for services while making sure all students receive the quality education they deserve and the support they need to succeed. [And therefore, how can we ask UHPA faculty to make less, but yet work harder? In the end, the negative consequences will also fall onto the students.]

Thus, the university must now make difficult decisions now to **get us through this set of circumstances**. [Yes, decisions must be made, but they are systemic problems, not short term, without a restoration of state general fund revenues.] The approach that former President McClain proposed and with which the Board of Regents concurred was multipronged, relying on multiple strategies as described in the answers to the questions attached.

In an effort to ensure that accurate information is provided about the university's plans and efforts to address the restrictions imposed on us, please read the attached questions and answers, which also address some aspects of the administration's current proposal to UHPA.

In these unprecedented times, I continue to believe that the university is, indeed, a powerful agent for economic improvement, educational advancement, and cultural good and that there is no better investment for the future of our state than in higher education and the University of Hawai'i. I strongly support a competitive environment for faculty salaries and benefits; improved support for teaching, learning and research; and increased access for more students, particularly those who have been underserved, to succeed in our university. I know our entire 'ohana believes in these objectives as well, and I urge us all to unify our voices so that when better economic circumstances allow, we will be **persuasive as our state leaders** consider how to sustain and grow our university. [If persuasion by the President and Regents were ever necessary it is now during the crisis, if all that is stated in this paragraph is true. What leads you to expect that "our state leaders" will be any more responsive in the future when they refuse to address the fundamental public policy issue of maintaining support to public education when the Governor imposes draconian revenue restrictions?]

Mahalo,
M.R.C. Greenwood

Frequently asked questions about the budget restrictions and the proposal to the faculty

What was the university's budget reduction and how was it applied?

What about the stimulus funds?

How does the university propose to make up the budget shortfall?

Can't tuition be increased to meet the shortfall?

What is the administration's proposal for faculty salary reductions?

What is the payroll lag and how does it save money?

Does the university propose retrenching faculty?

What about the increased cost of the EUTF (Health Fund)?

Are there any other proposed benefits for faculty?

What are other public universities doing with respect to salary savings?

What was the university's budget reduction and how was it applied?

The state legislature passed a budget that reduced the state's contribution to the university (general funds) by \$46 million in each of FY 2010 and FY 2011. In addition, the governor further restricted the university's general fund appropriation by \$52 million in FY 2010 and \$54 million. The result of the initial legislative and gubernatorial actions was a reduction of \$98 million in FY 2010 and \$100 million in FY 2011.

These cuts have already been made to the budget and the university must now balance the budget without these funds. The budget reductions by unit are as follows:

FY 2010 *	Legislative Reductions	Governor Restrictions	Total Cuts	Expected ARRA	Net Impact
UH Manoa	\$ - 34.2	\$ - 29.4	\$ - 63.6	\$ 14.7	\$ - 48.8
UH Hilo	- 2.6	- 4.1	- 6.7	0.3	- 6.4
UH West O'ahu	- 0.4	- 0.8	- 1.2	0.0	- 1.2
Community Colleges	- 6.9	- 14.1	-21.0	7.0	- 14.1
UH System	- 1.9	- 3.6	- 5.5	**	-5.5
Small Business Development Center/Aquaria	0.0	- 0.1	-0.1	0.0	-0.1
TOTAL	\$ - 46.0	\$ - 52.1	\$ - 98.1	\$ 22.0	\$ - 76.1

* Dollar amounts above are in millions, totals may not add due to rounding.

** UH may receive additional federal stimulus funds for specific purposes. See the following question.

Legislative reductions reflect the budget for each major unit as passed by the legislature. The governor's restrictions were based on 13.8 percent of the university's state-funded payroll, the amount that would have been saved through her proposal of 36 furlough days per year. [The Governor never proposed that the faculty take 36 days of furloughs. She simply determined how much money she needed to "save" and imposed her restrictions. The Governor used no specific criteria to determine how much she wanted to "save" in public employee salaries. In the series of changing proposals to the HGEA and UPW, the budget plan always produced fiscal year surpluses. She always wanted more than she needed, even based on the multi-year revenue projections.] These restrictions were allocated to the units based on their proportionate percentage of the payroll.

What about the stimulus funds?

The legislature authorized \$22 million in American Recovery and Reinvestment Act (ARRA) funds in each year of the biennium, which represents a spending ceiling. The ARRA funds were applied for by the governor [Applied for late and, seemingly, reluctantly.], and the first portion of the funds have been approved by the U.S. Department of Education. The university and the state Department of Education are working with the governor toward an agreement for her to release [Again, the Governor chooses to exacerbate the budget crisis for public education.] those funds. Of the \$22 million, the legislature authorized \$14.7 million for UH Manoa, \$7 million for the UH Community Colleges and \$.3 million for UH Hilo.

An additional \$10 million in ARRA funds was authorized by the legislature for the UH System only for the first year of the biennium only, but would be released only at the discretion of the governor, mostly likely for specific purposes such as the “assurances” necessary under the ARRA. [Why should any of these federal funds be allocated to the UH System?] This might include [?] a statewide longitudinal data system to be developed in collaboration with the Hawai'i Department of Education and others. This \$10 million will not be available to address operating budget shortfalls at the UH System or campus levels. [Based on whose decision will they not be available?]

At the end of the biennium, the ARRA funds will no longer be available to help address legislative reductions in the university's base budget.

How does the university propose to make up the budget shortfall?

The university prefers a strategy that uses multiple approaches to meeting these reductions. The plan includes

- The use of \$22 million in American Recovery and Reinvestment Act (ARRA) funds in each year of the biennium as described above. [But not the additional \$10 million listed above for the UH System.]
- \$2 million in savings from executive salary reductions of 6–10 percent, which began on Sept. 1, 2009.
- 5 percent [sic] pay reductions from all other employees, which would save approximately \$22 million per year. [The amount of salary savings from UH employees in bargaining units represented by the HGEA and the UPW is being determined in an interest arbitration.]
- A payroll lag for faculty, which would result in a \$12 million “credit” [It is not a credit but a savings in that fiscal year through the elimination of one paycheck.] toward the FY 2010 shortfall since the last paycheck for FY 2010 would be deferred from June 30 to July 1, 2010.
- \$4 million in energy savings from shutting the university down during non-teaching days when the university has proposed to place employees on paid administrative leave and from the implementation of other energy saving measures.
- Projected net tuition revenue increases of \$20 million in FY 2010 and an additional \$20 million in FY 2011. [What has not factored been in is the increase in tuition as a result of the historically high student enrollments. This only reflects the end of a six year schedule of tuition rate increases.]
- Additional savings from retirements, vacancies, increased efficiencies, carry-over funds and program adjustments of \$16 million.

Can't tuition be increased to meet the shortfall?

In accord with the 6-year tuition schedule adopted by the Board of Regents in 2005, tuition is already increasing at the rate of 11–13 percent per year. Additional increases of the same magnitude are approved for the next two years. These are among the highest percentage increases [Because the UH tuition rates were historical the lowest in the country.] in the country and are generating increased net tuitions of \$20 million in each year, which has been factored in to the overall plan for dealing with the budget shortfalls. [UH tuitions remain, even with the increases, some of the “best buys in the nation.” Although we don't want tuition increases, as the Provost of the University of Michigan recently stated, if state legislature reduces its support for the university, then the cost of higher education will shift to the tuition paid by the students. The Regents have the authority to raise tuition rates at any time. The previously approved schedule of increases does not keep them from readjusting those rates in light of the “budget crisis.”]

What is the administration's proposal for faculty salary reductions?

Salaries for faculty paid from State-appropriated funds would be reduced by a 5 percent annualized reduction in FY 2010 and no additional annualized reduction in FY 2011. The salaries would revert to current pay levels on June 30, 2011. Salaries for faculty paid from extramural funds would not be reduced. [However, the 5% reductions in the lecturer fee schedule, non-credit instruction, summer session, or Outreach College do not “snap back” on June 30, 2011.]

Salaries for faculty who retire by Dec. 31, 2009, would not be reduced.

The proposal also includes new minimum salaries for each rank. While most faculty are already above these minima, the higher levels will benefit 136 faculty. [136 faculty members out of 3600 faculty and 300 lecturers.]

Faculty would receive administrative leave with pay for 13 days (5 percent of a normal 11-month work year): the day after Thanksgiving, the week preceding Christmas, the week preceding New Year's and spring break. The university intends to shut down all but essential services during these periods to help achieve the \$4 million in energy savings described above. [These are already days when the faculty members are paid, and this "administrative paid leave" is not changing the overall expectations of the faculty to provide teaching, research, and service. Whether the \$ 4 million in energy savings can be achieved was the real motivation behind this "administrative leave" and it preceded the UH administration's LBFO. The planned shutdown of the buildings would occur whether salary reductions were accepted or rejected.]

What is the payroll lag and how does it save money?

The payroll lag would shift the pay day for faculty from the 15th and 30th of the month to the 5th and 20th. No pay is lost; it is simply delayed by five days. [If this were true, then explain why faculty members will receive 24 paychecks in 2009, but 23 paychecks in 2010. Also, individual federal 1040 income statements for 2010 will show a salary 4.2% less than the annual salary received in 2009 before any salary reduction were applied. The administration is requesting that you give them one paycheck in 2010 and they will return it to you when you retire or terminate your employment, perhaps 20 years from now.] Because the lag crosses the fiscal year, there would be one less payroll in this fiscal year and we can "credit" that savings to this fiscal year's restriction. All state employees other than UH faculty are already paid on this basis [And UHPA was the only union to stand up in 1999 and object to Governor Cayetano's unilateral implementation of the payroll. The federal district court challenge was successful, with the judge finding that the payroll lag produced significant financial burdens that justified a permanent injunction.]. The five day lag would be implemented by deferring the June 30, 2010 payroll by one day, and then an additional day each month thereafter until the 5 day lag is achieved.

The payroll lag will NOT impact retirement pay for faculty. ERS bases its calculation on when the pay is earned, not paid, so that the pay earned in June would be credited to June even if the actual pay date is July 1. [The ERS calculation is based on the 36 highest monthly salaries, usually calculated during the period immediately before retirement. However, the 5% salary reduction listed above would impact your retirement calculation by reducing the amount received during those 36 months.]

Does the university propose retrenching faculty?

Even with a 5 percent pay reduction, a payroll lag, tuition increases and our other efforts, the university will still face a budget shortfall of approximately \$16 million. [And the UH administrators representing the employer in bargaining specially said there would still be reductions in both programs and personnel to make up that \$16 million.] The university's offer to UHPA makes no changes in the current retrenchment procedure [The administration has proposed a new paragraph M in the retrenchment article. The language is ambiguous with respect to how it impacts the retrenchment process, although it purports to assure that there will be no layoffs before June, 30, 2010.] and commits to no retrenchment during FY 2010. At this point, if the targeted salary savings are achieved [What if they are not achieved? What's the target? Will it include use of all the "special fund accounts" in the UH budget?], the university does not anticipate any retrenchment of tenured or tenure track faculty [Does not anticipate, but even with the salary reductions they could be wrong. Do they anticipate the elimination of temporary faculty, those on annual contracts, or lecturers who are neither tenure track or tenured? If so, it is not stated in the UH administration's LBFO.] for budgetary reasons in either FY 2010 or FY 2011.

What about the increased cost of the EUTF (Health Fund)?

Employer contributions to the EUTF (Health Fund) are not part of the university operating budget [Then why is the UH administration's LBFO proposing to eliminate the "most favored nation" clause in our contract that guarantees that the faculty are paid the highest employer contribution to any other bargaining unit members by qualifying it to only include settlements after June 30, 2009. The Firefighters

contract, which was settled on July 1, 2007, provides a floor of 60% of the health insurance premiums being paid by the employer. On July 1, 2009, the Governor ordered the state to not send any additional funds to the EUTF, so the employer's percentage share fell to less than half. And the health insurance premiums are scheduled to increase again once the EUTF finalizes the rates. Public employees are paying \$2400 more in HMSA premiums than they otherwise would if the employer's share had remained at 60%]. The contract language proposed ensures that UH faculty would receive **the best deal offered** [But substantially less than what we currently have.] to any bargaining unit going forward. **If the legislature increases** [The employer's contribution percentage is determined in the negotiated contracts, not by the legislature. Once it is fixed, the legislature cannot change that percentage.]The contribution, faculty would automatically benefit from that increase.

Are there any other proposed benefits for faculty?

In addition to the new minimum salaries for the lowest-paid faculty, the proposal includes the beginning of a new benefit in the form of partial (1/2 of tuition) scholarships for faculty dependents attending a UH campus.

What are other public universities doing with respect to salary savings?

A **national association** [We believe it is the Association of Public and Land Grant Universities.] of universities administered a **survey** [There are more than 4000 colleges and university in the U.S. The information available as of this date indicates that none of the UH benchmark institutions are in retrenchment, including UC-Davis.] in August to 188 land grant and public institutions and 83 responded. Of the 83, 67 are research universities.

Of the 83 responding institutions

- 42 (51 percent) are laying off permanent staff
- 8 (10 percent) are laying off tenured/tenure track faculty
- 38 (46 percent) are laying off temp/part-time staff
- 28 (34 percent) are laying off temp/part-time/adjunct faculty
- 19 (23 percent) are mandating staff furloughs
- 18 (22percent) are mandating faculty furloughs
- 13 (16 percent) are reducing salaries for senior administrators

The institutions mandating furloughs are in the following states: California, Connecticut, Georgia, Illinois, Kansas, Maryland, North Carolina, Nevada, Oregon, Pennsylvania, South Carolina and Wisconsin [Interesting, Michigan, the state with the highest unemployment in the nation and a failed auto industry is not reducing faculty salaries or initiating furloughs.]