April 9, 2020

TO:       UH Officers
FROM:    David Lassner
SUBJECT:  Update to Freeze

Again, thank you for all you and your teams have been doing and continue to do to support our students, our employees, and our state during this unprecedented crisis. I have never been prouder to be part of this great university system.

That said, it is clear that even as we have been fighting to bring our students through this semester while keeping our employees and students safe, we must also prepare for serious constraints next fiscal year. While the level of impact is not known, experts predict a recession worse than a decade ago. Our state’s major economic driver, tourism, is particularly hard hit and the economic impact of COVID-19 has already resulted in significantly reduced tax revenues. As with other state-funded programs, we do not yet know what the level of general fund allocations will be starting July 1, but we must be prepared for them to be reduced.

Similarly, we do not yet know what the impact of this crisis will be on UH tuition revenues. We do not yet have certainty on how many students will actually enroll in the fall, the balance of student types and tuition levels (resident, non-resident, WUE), and where enrollment increases or decreases will occur (campuses, levels, programs). These variables determine tuition revenue, which comprises the other major component of our operating budgets along with state general funds.

We also do not yet know what level of federal stimulus support will be available to UH nor the details of how it can be used.

Recognizing these uncertainties, on March 24, 2020, I issued a memo implementing a freeze on: permanent hires with appropriated funds, faculty SSAs and staff SCAs, and on out-of-state travel. Authority to delegate exceptions was granted only to the Officers of the University of Hawai‘i. The purposes of this freeze were both to limit new commitments of recurring funds at a time when we do not know what will be available, and to limit discretionary one-time expenditures that impact the current resources available to help us ride through the worst of the financial situation to come, likely the FY20-21 fiscal year.
On Friday, April 3, 2020 Governor Ige issued a hiring freeze for the entire state, including UH, along with guidance to curtail certain non-personnel expenditures. The Governor noted that “At this point, no one can predict how long this worldwide health crisis will last and it is premature to reconsider the economic impact to the State. We all know the impact will be significant and painful. The State will face reductions in both general and special fund revenues that could not have been imagined.”

While the Governor’s freeze does exempt “direct instructional (teaching)” positions, other exceptions to the Governor’s freeze are authorized only where there is an urgent and critical need involving public health and/or safety and may be requested of the Governor, personally, via the State Department of Budget and Finance. The Governor also noted in closing that this is only a first step as “Undoubtedly, additional fiscal measures will be necessary.”

Last weekend I had a long talk with the Governor about our overlapping but non-identical freezes and how we can navigate forward to a positive future for our state. We both agreed, for example, that instructional positions at UH are a significant part of our expenses with different types of personnel and collective bargaining considerations from those of the DOE. I shared with him that our expenditures must be supported by our revenues and these can be best managed carefully and prudently within UH.

We also agreed that UH needs to be part of building the post-pandemic economy for our state. UH must lead and support the development and nurturing of new economic sectors that Hawai‘i so desperately needs. To do so we need to step up quickly in new ways with clear priorities. And we will need to collaborate and share responsibilities across departments, schools, colleges, and campuses in ways we have not done in the past. This will be uncomfortable for some within our community, but necessary for our collective future.

Recognizing our uniqueness and the importance of UH in the new economy Hawai‘i needs, the Governor agreed to delegate back to the UH President the authority to manage our personnel under an updated UH freeze.

Therefore, effective immediately, my memorandum of March 24, 2020 is rescinded and replaced by the following more comprehensive measures. Exceptions to these measures may be granted only by the President on the recommendation of a University of Hawai‘i Officer (Provost of UH Mānoa, Chancellors of UH Hilo and West O‘ahu, UH System Vice Presidents).

1. A freeze on all new UH hires into regular (permanent or temporary) positions using non-extramural funds. This includes UH General Funds (GF), Tuition and Fee Special Funds (TFSF), Research and Training Revolving Funds (RTRF) and other special and revolving funds. Graduate Assistants are exempt from this freeze but must be part of hiring plans approved by a UH Officer. Also exempt are new hires for whom a formal offer was extended and formally accepted in writing on or before the initial freeze on March 24, 2020.
2. Postponement through the current and next fiscal year of all faculty Special Salary Adjustments (SSAs) and staff Special Compensation Adjustments (SCAs).

3. A freeze on all out-of-state travel with GF or TFSF funds. This remains in place even after travel restrictions associated with the COVID-19 crisis may be lifted.

4. A freeze on all equipment purchases over $25,000 and all vehicle purchases with non-extramural funds.

5. A freeze on all new service contracts over $100,000 with non-extramural funds. Contract renewals are not frozen but should be carefully scrutinized to determine if they are absolutely necessary at this time.

Expenditures with extramural funds are exempt, as extramural funds will be a significant source of economic stimulus for Hawai‘i. Expenditures with extramural funds must be consistent with applicable contracts, grants, and guidelines. Further, extramural program managers should be cognizant of the fiscal constraints under which the entire UH and state will be operating as they ensure highest and best use of such funds.

Effective immediately, you should take any additional measures feasible to defer non-essential recurring and non-recurring expenditures as possible. The strength of our fund balances and reserves will be essential in helping us through the difficult period ahead.

And as I noted in my March 24 memo, we must all develop options and approaches to substantially and structurally reduce ongoing expenditure requirements within all units while continuing to address our most critical mission priorities. In addition to the mandatory freezes for all units in this memorandum, you are authorized to issue such additional unit-level actions as may be necessary and appropriate for your mission and circumstances, consistent with applicable collective bargaining agreements.

It saddens me that we have to impose these constraints and begin planning for reductions at this extraordinarily difficult time. But these measures will help us get through the financially difficult months ahead so that we can emerge from this crisis strong and well-positioned to serve our state.

I trust that each of you will exercise with great discretion your authority to request exceptions.

Thank you once again for all you are doing each and every day for the University of Hawai‘i, our students, our employees, and the people of Hawai‘i.

c: The Honorable David Ige, Governor, State of Hawai‘i
Benjamin A. Kudo, Chair, University of Hawai‘i Board of Regents