Chancellors, Presidents, and Business Officers,

Three expenditure freeze bills that will have potential impacts to your purchasing, hiring and salary decisions for the remainder of the biennium are moving very quickly through the Legislature. I wanted to give you an idea of the freeze provisions as they currently stand, but please keep in mind that the bills are still being amended and are still subject to change.

The bills are intended to result in savings, but it is important to note that they do not add to the general budget reductions we are likely to receive in the 2010 supplemental budget. Instead, they are legislatively mandated means of achieving the overall savings.

Salary Freeze – SB 6382

This bill extends the current salary freeze to June 30, 2011. It freezes all salaries except for increases based on demonstrated retention difficulties and increases provided in collective bargaining agreements applicable to faculty, technical college classified staff, and civil service employees. The salary freezes apply regardless of fund source. Any salary increases provided under the exceptions must be reported to the legislature in July 2011.

We are still analyzing how the provisions of this bill interact with existing faculty agreements, appropriations act language, and statutes.

This bill has passed the Senate and the House, but was amended by the House. Differences will need to be worked out in conference. The bill has an emergency clause and takes effect as soon as the Governor signs it, so it is possible for this bill to become law within the week.

Compensation Savings (“Furlough Bill”) – SB 6503

This bill has passed the Senate and is up for executive session in the House Ways and Means Committee this afternoon. The bill requires statewide compensation savings totaling $69 million between June 1, 2010 and June 30, 2011. OFM is to spread the $69 million among the various state agencies and institutions of higher education based on each entity’s proportionate share of compensation expenditures. Compensation savings can be achieved through mandatory and voluntary temporary layoffs, reductions in workforce, reduced work hours, as well as voluntary retirement, separation and other incentive programs. Savings resulting from temporary layoffs (furloughs) taken prior to the effective date of the bill can be counted toward the savings target, but other types of compensation savings achieved prior to June 1, 2010 do not count.
toward the target. The bill states that it is the intent of the legislature that agencies strive to preserve family wage jobs by reducing the impact of temporary layoffs on lower-wage jobs. Compensation savings must be from positions supported by General Fund-State and Education Legacy Trust Fund appropriations. Exemptions include classroom instruction; operations not funded by state funds/tuition; campus police/security officers; employees needed to protect public assets; IT systems and safety. The bill provides for collective bargaining over implementation.

We don’t have a number yet on our share of the $69 million, but we expect it to be somewhere between $2 million and $4 million based on our very rough estimates. The compensation savings specified in the bill are NOT in addition to the general budget reductions.

Additional Expenditure Freezes – HB 2921

This bill has passed the House but is still working its way through the Senate. It would take effect 30 days after being signed by the Governor, so we could see this take effect sometime in March.

This bill is similar to last year’s freeze bill. The freezes apply only to expenditures made with state and tuition funds. Exempt from the freeze are expenditures made with private grants, local funds, and federal grants. The bill freezes:

Hiring. Exemptions are enumerated in the bill and include higher education positions directly related to academic programs; positions funded with grants or local funds (anything other than state or tuition funds); positions filled with student workers; campus police and security; emergency management and response; positions related to student health care and counseling.

New Personal Service Contracts. Exemptions: contracts funded exclusively with private or federal grants; where the costs are necessary to receive or maintain federal funds; and where the costs are funded by grants or local funds (anything other than state or tuition funds).

Equipment Purchases over $5,000. Exemptions include purchases made with grants or local funds (anything other than state or tuition funds).

Out-of-state travel and training. Exempts travel necessary for receiving or maintaining federal funding and travel funded with grants or local funds (anything other than state or tuition funds).

Exceptions can be granted by OFM for the critically necessary work of an agency. The legislature must be notified prior to an exception becoming effective and must be posted on OFM’s website.
Again, these bills are fluid and much detail needs to be worked out. We know this will impact your planning efforts on campus for the current fiscal year and beyond so we will update you as things crystallize about these bills. Please contact me, Denise Graham (360-704-4350), or John Boesenber (360-704-4303) if you have additional questions.

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