

Chairman Sims, Members of the Board, President Hardin,

Thank you for giving me the opportunity to represent the Faculty Senate and share with you our concerns with the following recent actions by the President and the Board.

At the May 2<sup>nd</sup> Board meeting, during an executive session closed to the public, the members of the Board voted to pay President Hardin \$300,000 in deferred compensation two years early. The money would come from the Board's Auxiliary Endowment Fund which consists mostly of excess profits from housing, the bookstore, and food services. After the executive session, the Board failed to announce the vote publicly; instead, a motion was made to approve all "personnel matters" discussed in executive session and the motion passed.

Nearly two months passed without any public disclosure from the Board or the President concerning the accelerated compensation. When rumors surfaced of the Board's actions, the President confirmed them; however, he failed to disclose that he had personally asked for the money in a March 25<sup>th</sup> letter to the Board. According to that letter, which has been recently acquired by the press, the Board asked President Hardin to present them with "a compensation package consistent with comparable universities." After reviewing the compensations of presidents at the U of A, Ole Miss, and Mississippi State, President Hardin requested immediate payment of the \$300,000 in deferred compensation, and an additional \$150,000 in yearly deferred compensation to be paid upon his retirement.

Much has been written in the press about the legality of the vote under the Freedom of Information act and whether the compensation came from public funds and therefore exceeded the state-mandated salary cap. We are confident that the Board will make sure that their actions conform to the letter of the law, even if retroactively. However, the mistakes made by the President and the Board are not simply legal ones. Damage has been done to the credibility of both the Board and the President, and to the reputation of UCA as a whole. The President and members of the Board carry an enormous responsibility; their decisions have a direct impact on the lives of hundreds of faculty and staff, and thousands of students. As the caretakers of a public university, the manner in which the Board and the President conduct themselves must not only meet legal standards, but also the highest ethical standards to ensure the public trust.

We perceive three troubling aspects of the President and Board's actions.

First and foremost, we are deeply disturbed by the President and the Board's lack of disclosure throughout this entire matter. The President and members of the Board have been repeatedly quoted by the press saying that this lack of transparency was unintentional, an "oversight." However, both the March 25<sup>th</sup> letter from President Hardin to the Board and an accompanying memo from Vice Presidents Gillean, Anderson, and McLendon, reveal a deliberate attempt to keep the compensation out of the public view.

Over the past six years, the Board, the President, and the Faculty have worked hard to create an atmosphere of shared governance at UCA. As a result, we have one of the

strongest Faculty Handbooks in the nation. However, effective shared governance cannot exist without openness and transparency on everyone's part. At any university, particularly a public one, the compensation of the President, or any employee, must be open to public scrutiny, regardless of whether the money is public or private. The failure of the Board and the President to recognize this fact is truly disappointing.

Second, the fact that President Hardin and the Board conspired to funnel hundreds of thousands of dollars of university funds to the President during an economic crisis at UCA shows a troubling disregard for faculty, staff, and students. At the May 2<sup>nd</sup> meeting, prior to the Board convening in executive session, President Hardin announced that \$4.5 million in legislative budget cuts would threaten the possibility of salary raises in the coming school year. At that same meeting, my predecessor, Faculty Senate President Ed Powers, addressed the board and explained that faculty are "... barely able to meet the needs of their students with the available budget" and are "struggling to meet the requirements of their disciplines with the available resources." Dr. Powers concluded his address by saying that "without more funding we might lose the progress we've gained." In seeming response to the coming budget crisis, the Board unanimously passed a resolution increasing student tuition an average of 5%.

Did the Board remember the \$4.5 million budget cut, the appeal from Dr. Powers, or their vote to increase tuition when, behind closed doors, they decided that now was a good time to accelerate President Hardin's deferred compensation?

According to Chairman Sims, the Board decided to award the deferred compensation early because of the President's "success in dramatically increasing student enrollment, increasing the average ACT scores of UCA's entering freshmen, bringing UCA into Division I athletics, and procuring a new \$18 million building for UCA's College of Business." Last year, they awarded President Hardin a \$100,000 bonus for many of the same reasons.

We certainly recognize President Hardin's achievements. President Hardin's leadership has helped bring unprecedented recognition and success to UCA. However, UCA is not one man. Any success at a university is largely the result of a team effort. President Hardin's success could not have happened without the extraordinary efforts of the faculty and staff. Growth in the student population has been fueled by the sacrifices of the faculty and staff. They have been asked to be more productive to cover the increased enrollment while waiting for funding to catch up to the growth. Development of the endowment also depends on the faculty and staff. Most people do not give money to UCA because Lu Hardin is president. People give money because they believe in the value of the experiences offered on campus, in the classroom, and through UCA's academic programs. Therefore, a decision to reward only one person for the perceived success of UCA is not only blind to the realities of the university system, but is offensive to the hardworking faculty and staff that have made the President look so good.

It is also offensive to faculty that, when asked by the Board to compare his compensation to similar universities, the President did not use any of the 22 regional peer universities

selected by our Salary Review Committee. These peer institutions are periodically used by the administration to assess the relative strength of faculty salaries and benefits. Rather than compare his compensation to the presidents of these similar institutions, which include ASU and UALR, the President chose universities with much larger enrollments and funding, such as the University of Arkansas at Fayetteville. The Chancellor of UA Fayetteville makes more than President Hardin in both salary and deferred compensation, but likewise, the average professor at UA Fayetteville makes over \$21,000 more than the average professor at UCA.<sup>1</sup> We would be happy to see dramatic increases in our own salary to close that gap if the Board agrees with the President that UA Fayetteville is an appropriate peer institution.

Third, we are worried about the damage the actions of the President and the Board have caused to the public image of UCA.

Did President Hardin or the Board reflect on the public perception of a university that asks its faculty, staff, and students to make sacrifices during tough economic times, while simultaneously paying its President a \$300,000 bonus?

Ironically, if the goal was to reward President Hardin for the unprecedented growth and success of UCA, the Board's mishandling of the compensation and the resulting negative press may have ultimately damaged UCA's rising reputation and jeopardized the President's credibility within the university.

Will students come to UCA when it has been revealed that revenue from auxiliary enterprises funded by them was funneled to the President?

Will alumni and large donors support UCA and its capital campaign when the President and the Board's actions suggest that the university is not fiscally responsible and does not exercise sound judgment in the current economic environment?

Will the faculty continue to make personal and professional sacrifices through oversized classes, insufficient institutional support, low summer pay, cuts in teaching positions and faculty development, and a minimal, if any, cost of living raise?

Will our retirees continue to support UCA, both financially and in the community, when retiree benefits were suddenly and unexpectedly cut without any input from faculty or staff? Could that \$300,000, which is more than the university spent in retiree benefits last year, been better used to help alleviate those cuts?

The recent action by the Board to cut retiree benefits is another example of the breakdown in shared governance and the disregard for faculty and staff here at UCA. The Board approved the cuts last month during an emergency teleconference meeting that was not announced to the greater UCA community until a few hours before the meeting. The proposed cuts had received no input from faculty or staff, despite UCA having available committees to examine such proposals. We were told by administration officials that there was simply no time to consult faculty and staff because a new federal accounting

rule required us to cut benefits by June 30<sup>th</sup>. However, that federal rule was put into place in June of 2004. We had four years to do something about it, with appropriate input from faculty and staff, but the administration waited until the last minute.

We recognize that the Board itself was put in a difficult position when making that vote. We have also received a commitment from the President that faculty and staff will have the opportunity to recommend changes to those cuts. Indeed, a resolution based on faculty and staff input is on the agenda today. It recommends that a lump sum payment be made to current retirees to cover their existing Medicare supplemental insurance. We ask that the Board keep our promise to current retirees and approve the resolution. Doing so would be a positive first step towards healing relations with those who contributed more time and effort to the success of this university than anyone in this room today.

In conclusion, we are saddened by the revelations of the past month. The lack of transparency and disregard for faculty interests has eroded our confidence in the President and the Board. Faculty perceives a culture of secrecy and misrepresentation created to enrich the President financially while the dire needs of the university go unfunded. Because a university that loses trust in its leaders cannot function, the Executive Committee of the Faculty Senate has been committed to rebuilding that trust. As a first step, we asked the President to reimburse the bonus, and were very happy that he did. We thank him for doing the right thing.

We also asked for and received assurances from President Hardin that transparency in his administration would increase, and that in the future, he would err on the side of full disclosure. However, actions speak louder than words, and in light of the news this week, we unfortunately remain unconvinced. In order for us to move forward, we strongly encourage the President and the Board to demonstrate a renewed commitment to openness and disclosure.

To that end, we suspect that the Board will publicly vote on President Hardin's requested compensation package today. We strongly recommend that the Board proceed with caution, and make no immediate changes to his current contract. Before revisiting President Hardin's contract, we ask that the Board openly develop a fair and reasonable compensation package relative to the majority of our peer institutions.

Finally, on a personal note, we have read the news that President Hardin will be undergoing surgery for eye cancer in the coming weeks. I think I speak on behalf of the entire faculty when I say that we wish the President the best of health, and hope he has a speedy recovery. Our thoughts will be with him.

Thank you for your time and consideration.

<sup>1</sup>This difference is based on statistics reported in the March-April, 2008, issue of *Academe* published by the American Association of University Professors.