

Happy New Year

by Jim Pehler, President

Welcome back! The start of the new year brings with it the baggage of the old. First, the effort to settle the faculty contract is still pressing forward. Our team firmly believed that in our November negotiations session we could have settled the contract. The unfortunate part is that the other side had a problem understanding the importance of reassigned time. As faculty members, we need to start telling our deans, vice presidents and presidents on each of our campuses, the critical need for having reassigned time for all faculty. Let them know why it is important to you (see Wil Harri's article).

The second piece of luggage is the budget; it is not meeting the financial needs of the Minnesota State Colleges and Universities (MnSCU) in general and specifically the needs of the state universities. As you and I both know, student tuition has gone up to cover the funding that was not allocated by the legislature this last session. Couple this with the fact that the governor and the Department of Finance suddenly discover that their economic bucket has a hole in the bottom, thus causing a projected deficit of \$1.9 billion. I find it very interesting to note that if the state and Governor Ventura, in particular, had not provided any rebate checks or tax reductions during the time of surplus, there would be \$4 billion more in the bank at the present time. In 1999, \$1.3 billion was given in rebates; in 2000, \$150 million; and, in 2001, \$791 million. In 1998, \$1.4 billion was given in tax reductions; in 2000, \$150 million; and, in 2001, \$759 million. In 2000, \$300 million was given in license tab fee reductions. It is a shame that the governor wants to look only to the future when the reality is we would still be sitting with a surplus if restraint had been used in returning those \$300-400 checks to every citizen.

The IFO has been working on ideas on how to combat this loss (see Russ Stanton's article). If MnSCU and specifically the state universities are asked to reduce their already inadequate budgets, we need to insure that any money reduced is at least returned to the institutions when the state recovers its economic health.

The last area of comment is the willingness of MnSCU's Administrative Affairs Office to work with the state university faculty, the IFO's Academic Affairs Committee and Coordinator, Debra Japp, and the IFO's Board of Directors. It is amazing how much misunderstanding and contention can be avoided when we sit down together to resolve issues before they become major problems.

The year 2002; it is a lot of the old and we will probably add more luggage. The attitude and approach of the new chancellor, his understanding of higher education, state universities, faculty and students goes a long way in establishing a healthy working relationship that has not been shown in the past. I am also optimistic that with your continued help and support we will make this one of the better years for all of our state universities. Thank you for your assistance and support and have a great new year!

The State Budget Mess - Painful Cuts Loom

by Russ Stanton, Director of Governmental Relations

THE PROBLEM

In early December, the State Department of Finance announced a projected budget shortfall of \$1.953 billion for the biennium ending June 30, 2003. The Minnesota Constitution requires a balanced budget. Therefore, this shortfall must be filled through a combination of tax increases, spending cuts, and/or dipping into budget reserves.

In his State of the State address, the governor stated that he is leaving all options on the table, but if the legislature does not begin to address the shortfall within one week of the beginning of the session, he will use his executive powers to begin to address the shortfall. Already the commissioner of finance has asked that all state agencies and the higher education systems prepare plans on how they would implement a 5% or 10% cut in spending.

THE CAUSE

The projected shortfall is the result of two factors, a normal downturn in the economy, punctuated by the terrorist attacks on September 11th, and excessive tax cutting.

The phenomenal economic expansion of the late 1990s created huge budget surpluses, most of which were returned to the taxpayers in the form of rebates. Governor Ventura is correct when he says that the rebates were not the cause of the current problem—they simply returned one-time windfalls to the taxpayers in the form of one-time rebates.

Legislators and the governor caused the current budget crisis when, at the insistence of the Republican-controlled House, they passed permanent reductions in tax rates, based on a temporary swell in economic growth. When the economy slowed, the reduced tax rates simply did not generate enough revenue to meet the state's budget, creating a huge projected shortfall.

In 1999, the legislature made permanent cuts to income tax rates in the amount of \$1.4 billion. In 2000, the legislature again cut income tax rates by over \$150 million per year. They also cut license tab fees by hundreds of millions of dollars per biennium. In 2001, the legislature passed major property tax relief measures that cost the state general fund \$625 million in the current biennium and \$1.959 billion the next biennium. If the legislature and governor had not implemented these permanent cuts in tax rates, the state would not have a budget shortfall, either now or in the future.

SUGGESTED BUDGET BALANCING STRATEGIES

Avoid Hasty Decisions. Everyone should recognize that this is a projected shortfall, based on long-term economic estimates. These estimates have often been inaccurate in the past—the current estimate is \$2.1 billion (7.6%) off from what was predicted last February. The December estimate is based on economic data collected last fall when the economy was still reeling from the September 11th attacks. The legislature and governor should not make long-term budget policies until they can collect more reliable economic data. They should address the shortfall one biennium at a time and wait to see where the economy is headed. In the meantime, the state should rely on its considerable budget reserves to cushion the dip in revenues.

Use the Reserves. The state has a \$653 million “rainy day” reserve. It is raining! In addition, the state has a \$350 million “cash flow” reserve to accommodate volatility in state revenue collections. On top of that, it has \$158 million reserved in an account for future tax cuts, that could be reallocated to cover the shortfall. It should be noted, however, that reserves are one-time monies that can cushion the blow of an unanticipated event, or smooth the transition to reduced budgets. They are not a solution to long-term imbalances between revenue and spending. Eventually they will have to be restored.

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Raise Taxes. When crafting solutions, the state should look to the cause of the long-term shortfall. Simply restoring the income tax rates to where they were in 1999 would solve nearly all of the long-term structural budget imbalances. Alternatively, the state could extend the sales tax to clothing or services, raise the gas tax, or tax internet sales.

Budget Cuts. Budget cuts will be painful. Faculty members should not assume there is some “other” area of the budget that can absorb all of these cuts. K-12 education makes up 41% of the state budget and higher education makes up another 10%. It will be almost impossible to implement any sizable cut without including these sectors—both of which are hurting financially. State agencies saw a zero increase in state support this biennium. About the only area with room to cut are aids to local governments, which are primarily used to offset local property taxes. However, these aids make up only 10% of the state budget.

The MnSCU institutions are in a particularly poor position to absorb budget cuts. MnSCU has been meagerly funded for the last decade. This year, MnSCU institutions received a 3.8% increase in appropriations, but it was more than eaten up by enrollment increases and inflation. Students suffered double-digit tuition increases to make up the shortfall. Cuts to MnSCU’s budget will inevitably lead to further tuition increases next fall and affect compensation—85% of the MnSCU budget is compensation related.

Automatic Restorations Mechanisms. One method of possibly softening the long-term effects of any budget cut is to adopt an automatic funding restoration clause that would kick in if and when state revenue collections improve to a certain level. In the mid-1980s, the IFO proposed, and the legislature adopted, such a clause, and it resulted in the total restoration of our funding.

Thus, we find ourselves in a budgetary mess which is likely to affect every faculty member. Balancing the state budget is not just an exercise in accounting—it is an intensely political process that brings to the fore conflicting philosophies regarding the role of government, state priorities, and who should bear the burden of state government. This is likely to be a very ugly legislative session, but we can not afford to sit on the sidelines.

In the next few months you are likely to hear some conservative legislators claim the shortfall was beyond their control and we must now “all share the pain” of solving the budget problem. These legislators (and the governor) should be reminded that they indeed caused the shortfall by permanently cutting tax rates during times of plenty, and that all taxpayers should share the pain—not just public employees and students. Public officials that first cut tax rates and then cut higher education funding and force up tuition, do not deserve our political support.

So Long to Our Friends

Cathy Cowan, a professor at Southwest State University, was involved in a fatal auto accident during the winter break while traveling to visit her sister in Chicago. A memorial service was held at Wesley United Methodist Church in Marshall on January 2nd. SSU will be planning a memorial service after they are able to recover from their recent campus fire. If you would like to send a card or flowers to her sister, you can do so at the following address: Martha Adams, 207 Braeburn, Barrington Hills, IL 60010-9637

Senator Sam Solon of Duluth, one of the Senate’s most senior members, died on December 28th. Solon, a strong supporter of higher education, served on the Higher Education Finance Division for most of his legislative career. The son of Greek immigrants, Solon grew up during the Great Depression. He never forgot his roots, and championed education as an avenue of opportunity for the working class. He was a retired teacher. Solon’s courteous, low-key style endeared him to all who worked at the Capitol. We are grateful for his many years of service and we will dearly miss him.

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ATTENTION: Delegates Needed

The IFO Delegate Assembly is March 22nd and 23rd in St. Paul. As the supreme governing body of the organization, the 195 delegates will set IFO policies, dues and budgets for the succeeding two fiscal years as well as deliberate over resolutions dealing with negotiations and legislative goals. Advise your local Faculty Association that you wish to be a delegate before February 15th. Delegates attending the assembly are contractually released from duty for Friday, March 22nd.

Any IFO member, committee or local faculty association may submit a resolution dealing with the IFO's official positions with respect to public higher education, legislative priorities, funding priorities, academic affairs or organizational policies of the IFO, by completing the form below.

INTER FACULTY ORGANIZATION 2002 DELEGATE ASSEMBLY RESOLUTION FORM

I. Resolution:

Be it resolved that the IFO...

II. Explanation:

(Please use additional paper if necessary.)

III. Signatures:

_____ Date _____
(person or group proposing)

_____ Date _____
(person or group seconding)

IV. Category (please check one):

____ Academic Affairs

____ MnSCU Budget

____ Governmental Relations

____ Contract Goals and Policies

____ Miscellaneous

*Please return this form to your local FA President by March 1st.
IFO standing committees, please return this form directly to the IFO office.*

Negotiations Update

by Wil Harri, Office Administrator

As this newsletter goes to press, a joint negotiations session has been tentatively scheduled for Friday and Saturday, February 1st and 2nd. The negotiating teams had adjourned on November 17th, with no future negotiation sessions scheduled.

Contract Language

The parties have reached tentative agreements on 20 items while the 85 language items remaining on the table were reduced by the IFO to 18 items critical to a settlement. Most of the critical items are technical in nature and several, in fact, correct editorial errors made in previous contract settlements. The IFO has insisted that contract language be clear, concise and not readily subject to misinterpretation.

Substantive language items include: greater flexibility in summer session scheduling; earlier notice of non-renewal for athletic appointments; and, an increase in the credits for tuition waiver to diminish disparities between those campuses with and without tuition banding. The IFO continues to seek language that expedites arbitration in discipline cases and full, but confidential, disclosure of information necessary to resolve grievances.

A reassignment of at least three credits per academic year is being sought for all full-time faculty in the bargaining unit for meeting all of the workload requirements. Currently, over 40 percent of the faculty have reassigned time for administrative, research, or special assignments. Although MnSCU has encountered some difficulty with costing portions of proposed economic changes, the parties agree this item will have a significant impact on campus staffing and funding.

Economics

The IFO negotiating team has three general concerns with respect to an economic settlement. First, they seek to maintain or improve upon the percentage of university dollars which is allocated to the faculty. Second, the IFO settlement must be comparable to other state bargaining unit settlements. And third, obtaining compensation improvements which insure more competitive salaries nationally.

Obviously, the events of this fall and the recently projected state budget shortfall have tempered the parties' economic postures.

Salary Review News Flash

by Patrice Arseneault

MnSCU has been in contact with the consultant recommended by the salary review committee, Dr. Lois Haignere, to contract with her for the MnSCU/IFO salary study. It is our understanding that the consultant will not be able to begin the analysis until May because of prior commitments in her schedule.

Statewide Meet & Confer Announcement

Statewide meet and confer notes are now being posted on the IFO website. Please keep in mind that these are only notes and are unofficial in nature. For up-to-date information, visit us at www.ifo.org.

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Inter Faculty Organization

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