

Inter Faculty Organization

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NOTES FROM THE PRESIDENT

by [Roderick Henry](#), IFO President

Dear Colleagues,

If you have any unspent funds in your IFO travel or other MnSCU accounts, spend them or encumber them NOW.

Russ Stanton's IFO Update article below has more information on this.

THE 2010 SESSION EXPECT CHAOS, RANCOR, AND PAINFUL BUDGET CUTS

by [Russ Stanton](#), IFO Director of Government Relations

The 2010 legislative session will be called to order on Thursday, February 4th. All signs point to a session full of chaos, political rancor, and painful budget cuts.

Another Budget Shortfall to Solve

Many of the problems this year are carryovers of last session when the state faced a budget shortfall of \$6.2 billion. The legislature addressed the problem last session using a combination of federal stimulus money, cuts in appropriations, accounting shifts, and tax increases targeted at high income taxpayers. In the final days of the session, Governor Pawlenty vetoed the tax bill, leaving a large “hole” in the state budget. The House of Representatives fell five votes short of the 2/3 vote needed to override the veto.

Following the session, Governor Pawlenty unallotted nearly \$2.7 billion in state appropriations. Included in the cuts were a \$100 million in cuts to higher education funding, \$50 million to the U of M and another \$50 million to the MnSCU institutions.

In late November, the budget picture grew worse as the state economic forecast projected an additional \$1.2 billion state budget shortfall for the biennium.

The Strike-down of Pawlenty’s Unallotment

In late December, Ramsey County Judge Kathy Gearin ruled that Governor Pawlenty overstepped his authority in unilaterally unallotting a \$5.3 million appropriation for disabled people with special dietary needs. While the ruling only addressed the \$5.3 million appropriation, it cast a doubt on the legality of all of Pawlenty’s \$2.7 billion in unallotments. Governor Pawlenty is appealing the ruling and has asked the Supreme Court to expedite the appeal. Since many of the judges are Republican appointees, Pawlenty probably has a good shot at overturning Judge Gearin’s ruling. In the meantime, it is unclear whether the unallotments will stand, what the real shortfall is, and how the legislature and Governor will proceed.

State Developing Cash Flow Problems

State revenues and expenditures vary throughout the year leading to significant swings in cash balances. In the past, that was not much of a problem, because the state maintained a cash flow account of approximately \$350 million, plus reserves in the neighborhood of \$650 million. However, the reserves and the cash flow account have been drained, and as the state approaches months with typically slow revenue intake, it is running out of cash. To keep the general fund afloat financially, the state has begun borrowing from other funds, such as the Health Impact Fund, Health Care Access Fund, and MnSCU. As of December 31, 2009 the state general fund had borrowed about \$880 million from other funds, including \$225 million from MnSCU. In addition, the state is delaying tax refunds and payments to vendors.

However, all that borrowing will not be enough. The general fund balance is projected to dip into the red by \$143 million by this April. On top of this, State Budget Director Jim Showalter said the state needs about \$400 million on hand to keep state cash flow from “seizing up.” This means the state needs to come up with \$550 million in cuts and/or revenue increases—in addition to the \$1.2 billion it needs to come up with to address the shortfall projected in the November forecast. Existing state law allows the Executive Branch to delay some cash payments to vendors, providers, higher education, and school districts. They can also delay tax refunds. Minnesota Statutes 16A.152 allows the state to delay up to 15% of its payments to higher education systems (the U of M and MnSCU institutions), and MMB officials indicated that is being considered.

At a hearing Wednesday, Rep. Tom Emmer asked what would happen to the money borrowed if the state finances continue to deteriorate; state finance officials replied that there are “no guarantees.”

Politics on Steroids

The budget problem will have to be addressed in one of the most politically charged environments in state history. Governor Pawlenty is running for president, and he will almost certainly be taking the “no tax increase” stance that has served him well politically during his last seven years as governor. This will severely limit options to solve the crisis. Legislators are chaffing over the draconian cuts already made to state appropriations, particularly the cuts in health care for state residents earning less than \$8,000 per year. They will likely insist on raising taxes on the highest income Minnesotans to reduce the size of the cuts to education and low income citizens. It is hard to imagine anything but a stalemate on these issues.

Compounding the problem of the budget shortfall is that every single legislator is up for re-election this fall, and

their endorsing conventions will be held during the legislative session. On top of that, a dozen legislators have announced an interest in running for governor, and the state endorsing conventions have been moved up from June to late April—right when the budget balancing bills will be moving through the legislative process. I think it is reasonable to expect a lot of posturing and grandstanding during the session, making it very difficult to strike compromises and solve problems.

Implications for MnSCU

Relative to other areas of the budget, MnSCU is entering the session fairly well positioned. This is because the federal stimulus money the state received for higher education prevents cuts to higher education below the FY 2006 funding base for higher education. Because of this, the cuts to the U of M and MnSCU combined can not exceed \$47 million (in addition to the unallotments already made) without jeopardizing the federal funds.

There will be a lot of competition between the U of M and MnSCU over who takes the higher education cuts. The federal stimulus limits the cuts to higher education as a whole—it doesn't address how the cuts are allocated within higher education. If both systems were cut to their 2006 base, MnSCU would suffer a cut of about \$10.5 million (in addition to the \$50 million unallotment already made by the Governor), and the U of M would suffer a cut of about \$36.5 million. However, I suspect that the U of M will lobby hard for a 50/50 sharing of the cuts.

One way to ease the pain of cuts would be to raise the tuition rates. That would require a loosening of the tuition caps placed on MnSCU in the last higher education bill. If we suffer cuts and the tuition caps stand, program cuts and layoffs are inevitable.

The state could also try to get a waiver from the federal stimulus rules to allow the state to cut higher education below the 2006 base. California and Louisiana have already sought such waivers. The IFO would vigorously oppose such a waiver if it is proposed.

Pension Fund Shortfalls

On top of the general fund shortfall, all of the state retirement funds are suffering from huge unfunded liabilities that have to be addressed or the funds will be in serious jeopardy. The Teachers Retirement Association (TRA) has the biggest problem. It has a shortfall of about \$9.2 billion based on the market value of its assets as of June 30, 2009. This shortfall will likely shrink substantially as the stock market recovers, but even using five-year averaging (smoothing) of the value of TRA's assets, the fund is about \$5.1 billion underfunded. Even assuming an 8.5% annual return on investments, TRA will run out of money by about 2032. To get the funds out of the hole and close to full funding by 2038, TRA is proposing legislative action to:

- Increase both employer and employee contributions by 2% of salary—phased in over four years;
- Suspend the cost of living increases for retirees for two years;
- Cut the annual cost of living increases from 2.5% to 2.0%; and,
- Reduce the interest rates paid on refunds and deferred benefits.

These will be tough measures to pass at a time when faculty and many school teachers are not getting pay increases, and school districts and MnSCU are experiencing budget cuts. However, if the problem is not dealt with soon, it will grow larger and more difficult to deal with in the future. IFO is supporting most of TRA's reforms because it is IFO's position that the state must live up to the retirement promises made to employees; therefore, we must protect the stability of our pension plans.

The Bonding Bill—the Only Ray of Optimism

In even numbered years, the legislature normally passes a large bonding bill that appropriates money for state building and infrastructure projects. This year is a particularly good year to borrow money and catch up on infrastructure improvements: interest rates on borrowing are at historical lows; building costs are down because contractors are hungry for work; and the building projects inject money into local economies and create jobs.

Rumor has it the Governor will support about a \$750 million bonding bill. Legislative leaders are pushing for a bill of around \$1 billion.

Typically, higher education gets about 1/3 of the bonding appropriations, split about evenly between the U of M and MnSCU institutions. The higher education sector is particularly fortunate that the Senate Chair of the Capital Investment (Bonding) Committee is Senator Keith Langseth and the House Chair is Representative Alice Hausman. Both are strong supporters of projects for higher education and very competent at moving the legislation through the progress.

IFO is supporting the [MnSCU bonding request and prioritization](#). The highest priority on the request is \$100 million for [Higher Education Asset Preservation \(HEAPR\) projects](#) (replacing roofs, updating heating and air conditioning, etc.). The IFO believes it is important to maintain facilities we already have before we build new facilities.

On January 14th the Senate Higher Education Committee passed its recommendations on bonding—they supported the MnSCU request and prioritization, with full funding of the HEAPR request.

Summary

Do not expect much good to come out of the 2010 legislative session—other than perhaps a good bonding bill. For most of this session we will be fighting just to hold on to what we now have and to minimize budget cuts to the campuses. State finances are in shambles. There is no will on the part of the Governor to raise taxes, and little will on the part of legislature to solve the problem through cuts alone. It looks like a perfect prescription for a stalemate. Until the economy improves and we get new leadership in state government, the future looks fairly bleak.

BEWARE OF MN ONLINE "WORK FOR HIRE" GRANTS!

by [Connie Howard](#), *IFO General Counsel*

The Minnesota Online Council is advertising the availability of collaborative grants to help fund development of online programs in high-demand areas. However, faculty should be aware that the grant money comes with a major catch. According to information contained on MnSCU's online collaborative program project website, "all work under these awards will be considered **work for hire**." Any faculty considering applying for a MN Online collaborative grant should be aware that if they sign a "**work for hire**" agreement, any work that they produce as a result of the grant shall "belong to and shall be the sole and exclusive property of [their university.]" In plain English, that means that if you sign a "**work for hire**" agreement your university and MnSCU – **not you** – will own any work you create as a result of the grant. MnSCU could use the work at any of its institutions or even sell the work to third parties. In addition, you could be required to get permission to use any of your own work covered by a "**work for hire**" agreement.

The IFO urges faculty to consider carefully whether the MN Online grants or any other "**work for hire**" grants are worth the strings that come attached to them. Before submitting a grant proposal, contact your FA president or the IFO state office. The union is lobbying MN Online to revise its grant boilerplate to encourage online course development without stripping faculty authors of all of their intellectual property rights. There are alternative options available that could give MnSCU a license to use faculty works while allowing faculty to retain ownership and the right to use their own creations. Let MN Online know that faculty are interested in collaborative course development, but not at the cost of surrendering all of their intellectual property rights to works they develop.

HEALTH REIMBURSEMENT ARRANGEMENT UPDATE

by [Russ Stanton](#), *IFO Director of Government Relations*

Here is an update from MnSCU on the MnSCU Health Reimbursement Arrangement (HRA) and Benny Cards:

The 2010 employer contribution toward faculty HRA accounts has been loaded onto the Benny cards for eligible

2010 participants. Participants who had less than \$500 in their HRA account on December 31, 2009 received an \$800 contribution toward their HRA accounts. Participants who had \$500 or more in their accounts as of December 31, 2009 will have their \$800 contribution posted to their Health Care Savings Plan (HCSP) account.

If you had an HRA balance during 2009 and want to “spend down” that account, you will need to submit a paper claim (these balances are not on the Benny card). The “run out” period for 2009 claims will end on February 28, 2010. Any balances left on your 2009 HRA account will be transferred to your Benny card sometime after February 28, as long as you were eligible for an HRA contribution in 2010. Forms for submitting 2009 claims can be found [HERE](#).

NELLIE STONE JOHNSON SCHOLARSHIP DINNER MARCH 25, 2010

by [Donna Lynn Blake](#), IFO Controller

The 23rd Annual Nellie Stone Johnson Scholarship Dinner will be held on Thursday, March 25th, 2010, at the Prom Center in Oakdale, MN (just north of Interstate 94 and Radio Drive in Woodbury, a short 8 miles east of downtown St. Paul). The Nellie Stone Johnson Scholarship Program provides financial assistance to racial minority union members and their families who wish to pursue an education at one of the Minnesota State Colleges and Universities. The annual dinner benefits the scholarship program. Higher education supporters, labor union activists, legislators and students participate in the event. The dinner honors the student recipients and Nellie Stone Johnson. The evening starts with a reception and silent auction at 5:30 p.m., followed by the dinner and program at 6:30 p.m. The IFO has purchased a table of eight seats. If you would like to attend this event for the IFO, please contact me via email at blake@ifo.org.

NOMINATIONS FOR 2010 DELEGATE ASSEMBLY AWARDS DUE FEBRUARY 1

by [Patrice Arseneault](#), IFO Director of Grievances and Equity

The IFO Feminist Issues Committee (FIC) will be accepting nominations until February 1, 2010, for two awards to be presented at the 2010 Delegate Assembly. The first award is for Outstanding Contributions to the IFO by a woman IFO member, and the second award is for Outstanding Contributions to Women’s Advancement in MnSCU by an IFO member. Nomination forms are on the [IFO home page](#).

To be considered for either award, nominees must be IFO members and not have [received the award before](#). Nomination forms are available on the IFO website, and may be submitted by email to arsen@ifo.org or by mail to FIC Nominations, IFO, 490 Concordia Avenue, Suite 125, St. Paul, MN 55103. Nominations must be received by the IFO by February 1, 2010.

DELEGATE ASSEMBLY REMINDER APRIL 9-10, 2010

by [Cindy Finch](#), IFO Membership Coordinator

The Inter Faculty Organization Delegate Assembly will be held on April 9-10, 2010, at the Roseville Radisson (same location as 2006 & 2008). According to [Chapter XI](#) of the IFO Operating Procedures the following table outlines the number of delegates allotted to each campus (updated since the last edition of the *Update Newsletter*):

	Campus Appointments	
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Campus	FA President Member Appointments	1 per 15 Members	Subtotal Member Delegates	Board Members	TOTAL DELEGATES
Bemidji	5	12 (178)	17	3	20
Mankato	5	36 (534)	41	4	45
Metro	5	16 (240)	21	2	23
Moorhead	5	20 (295)	25	3	28
St. Cloud	5	37 (557)	42	4	46
Southwest	5	10 (150)	15	2	17
Winona	5	24 (360)	29	3	32
*TOTAL	35	155 (2,314)	190	21	211

*Total numbers current as of 1/15/10 and are subject to change before the registration deadline.

If you are interested in becoming a Delegate for your campus, please fill out this [form](#) and send it to your [faculty association](#). Each faculty association will have their own deadline for registration; please check with your faculty association for more details. The tentative agenda can be found on the [form](#).

To propose a new resolution you will need to fill out this [form](#) and send it to your [faculty association](#). Each faculty association has their own deadline for submitting new resolutions. Please check with your Faculty Association for more details.

CONTACT US

The IFO *Faculty Update* is published and distributed by the [Inter Faculty Organization](#). If you need to contact the Inter Faculty Organization, our 490 Concordia Avenue, Suite 125, Saint Paul, MN 55103, or you can reach us by phone at 800/325-9644 or 651/227-8442. You can send us an email by clicking [HERE](#).