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NOTES FROM THE PRESIDENT

by [Roderick Henry](#), IFO President

Dear Colleagues:

The White Knuckle Trip Begins

The world spins 'round and 'round, the year ends, and Minnesota faces yet another budget crisis. To mangle the words of the poet Shelley, "Heaven smiles - and the Minnesota budget gleams - like the wreckage from a dissolving dream...."

This is not the first budget crisis that faculty have faced, nor is it the last. A variety of political and economic forces have produced a series of state budget problems, each one worse than the previous one. Each time we are told that there will be dire consequences for all unless major changes occur...and each time some changes occur but we keep on operating in much the same way as before.

We know that the State of Minnesota faces immediate and long-term budget shortfalls.

We also feel that the economy is in such an uncertain state and that the political landscape is so volatile that it would not be in the interests of those the system serves - as well as its employees - to ask for inadequate system funding at this time.

We feel that MnSCU should be extremely careful in making budget-cutting decisions. We do not wish to see a MnSCU biennial operating budget that will use student tuition or fee increases as a way to offset losses in other state operations. We do not wish to see a biennial operating budget that uses quick fixes such as improper use of adjunct/community or fixed-term faculty or a reckless expansion of online offerings as a way to bring finances into balance. We feel that MnSCU needs to continue to improve faculty salaries relative to similar national institutions so as to enhance our ability to attract the best possible faculty, particularly in light of the new nine-month appointment language.

I repeat my statements made at the October and November MnSCU Board of Trustees meetings - the IFO

is willing and ready to work with MnSCU to get the best possible budget in these difficult times. Our ability to do so is impeded by the attitude expressed by members of the MnSCU Board of Trustees that they wish to remove every statutory and contractual impediment to managerial flexibility, which I assume means such things as tenure, retrenchment provisions, even the Public Employees Labor Relations Act. We will have discussions with MnSCU regarding the meaning of these statements and the impact on joint legislative goals and other efforts required by these challenging times.

Pawlenty's Wage Freeze

The Pawlenty administration announced December 9 that it will try to negotiate a wage freeze for state union employees - this means us. The governor wants state salaries frozen for two years and also announced restrictions on hiring new state workers. The IFO has a 2% increase scheduled to take effect in January of 2009; this will occur unless we negotiate a change. In the past, the IFO has successfully sued to prevent imposition of changes in our master contract; we feel that the precedent established holds in this situation. We will be meeting this week with representatives of the Governor's office to find out more about this and other topics.

Pawlenty and MnSCU's Online Initiative

The IFO was surprised to hear about MnSCU's apparent endorsement of Governor Pawlenty's online teaching initiative. I first heard about it during the MnSCU Board of Trustees meeting the day before the fly-around news conferences when several recent appointees took umbrage at my earlier line about "reckless expansion of online offerings." One would think that there would have been discussions with people who have actually taught online courses - I myself have been teaching online or distance courses since the mid '80s, but apparently MnSCU wasn't interested in faculty perspectives on this issue. I was surprised to see that online programs such as mine, created by our faculty in response to changing technologies and student demand and later assisted by local administration programs had been "incented" into being. It was reminiscent of something from the Middle Ages where the serfs, pages, and knights defeat an army and the king proclaims himself "defender of the realm" or a flashback to the old top-down Soviet-style economies of Eastern Europe where the leader decrees that there will be 50,000 pairs of shoes produced per month by a factory without asking about factory conditions, styles actually demanded by consumers, etc. Rest assured that we will be addressing this issue at MnSCU Board of Trustees meetings and MnSCU meet and confers, as there are a few minor questions that need to be addressed such as:

- Who is the current and future market for online courses or degrees? My own experience has shown online students to be a mix of on-campus students needing a course or two for degree completion, truly place bound students from our traditional service areas (sick spouse or child or stop-lossed in Iraq), summer workers who still want to work towards their degree while they feed the iguanas in Reptile Gardens or the like, and entirely new groups from Colorado, Ontario, and other places. Is this typical? If so, is it desirable?
- Which students do well with online courses? Which students do well with online degrees? Are there groups that get left out or shortchanged if online becomes the dominant or only option for some degrees or programs?
- How do online courses compare with traditional courses in terms of overall quality, rigor, grading, completion rate, attrition, student cheating, student interaction, etc.?
- How do teachers of online courses view the amount of work required to deliver them effectively and how should these be counted towards workload?
 - Does MnSCU truly favor the "Capella Model" of faculty (15% permanent, 85% adjunct) as some of our trustees have said?

As always, your thoughts on this are appreciated, whether relayed directly to me or through your IFO representatives.

In Closing...

We will all be dealing with those interesting times supposedly referenced in the Chinese proverb for the next six months...or the next few years. If that reference is too obscure, perhaps listening to the song

Crazy Train by Ozzy Osbourne will make the situation clearer. That being so, the best way to make it through trying times like these is to remind yourself that this professional employees' union has weathered previous problems by doing what unions and professional organizations do - acting in the best interests of its members and not giving in to short-sighted solutions that will hurt our faculty and the people they serve. I'm sure we'll be treated to all sorts of rumors, threats, bold initiatives, disparaging comments and other incarnations of negativity as things progress and the state and MnSCU move towards concrete actions - but, as the cover of the Hitch Hiker's Guide to the Galaxy says, "Don't Panic." Now is the time to become more involved in your union and now is the time to support your fellow union members.

THE BUDGET TSUNAMI WHAT IS NEXT FOR FACULTY?

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

During the last nine months the IFO spent a lot of time and effort providing input to MnSCU as it developed its budget request to the 2009 legislature. We were happy to get many of our recommendations included in the MnSCU request, such as annual inflation adjustments and an appropriation to improve the competitiveness of state university faculty salaries relative to peer institutions nationally.

Then in October and November the economic Tsunami hit, changing almost everything. The first shock was to faculty retirement investments, as the value of stocks and bonds dropped by more than one-third. TRA and the other defined benefit plans were not immune; Minnesota public pension plans have lost \$14 billion since the economy turned sour last year. In November, in anticipation of a growing state budget crisis, the MnSCU Trustees cut back their proposed budget request from a \$127 million increase to just a \$77 million increase for inflation.

\$5.273 Billion in Shortfalls

Last week the news worsened. On December 4th the State of Minnesota announced its semi-annual [forecast of state revenues and expenditures](#). It was worse than anything we have seen in our lifetimes. Not only is the state facing a record budget shortfall of \$4.847 billion for the FY 2010-2011 biennium, it is also facing a \$426 million shortfall for the remainder of this fiscal year (which ends June 30, 2009). The combined projected shortfall is \$5.273 billion—not counting any adjustments for inflation. Even a modest 1.9% inflation adjustment each year would add another \$1.1 billion to the deficit.

Declining Tax Revenue

The state faced a structural budget deficit of over a billion dollars even before the economic collapse; the economic collapse exacerbated the shortfall because it meant tax collections dropped. For the coming two years personal income tax collections are expected to drop 10.1% from the projection made at the end of the last legislative session. Sales taxes are expected to be down 8.7% next biennium. Corporate income taxes are expected to be down a whopping 31.3% from the last projection. Health and human services expenditures are expected to go up \$580 million, mainly due to increased health care enrollment. State economists believe we are in the deepest and longest recession in post war history.

Few Options

Unlike the last big budget shortfall six years ago, the state goes into this crisis with its rainy day fund almost depleted—they spent all but \$155 million of it on solving the shortfall last year. Six years ago the state had over one billion dollars of tobacco funds that it used to solve the shortfall—this time there are no tobacco funds. The Minnesota Constitution requires a balanced budget—state leaders cannot deficit spend. The budget will be balanced either through spending cuts, tax increases, or both.

The Short Term Problem

State leaders are just beginning to formulate a strategy for dealing with the shortfalls. Urgent action is

needed on the \$426 million shortfall for this fiscal year. If they don't act quickly much of the money will be spent, and the longer they delay the bigger, percentage terms, the cut will need to be to balance the budget. Governor Pawlenty can unallot to balance the budget, and he will probably do so in order to act quickly. Otherwise, the legislature will have budget proposals ready for quick passage after they are sworn in on January 6th. I expect the first round of budget balancing to be entirely done through budget cuts rather than tax increases. Legislators are not going to propose raising taxes until they have thoroughly made the case with the public that they have made all the spending cuts that they can responsibly make.

Things are moving very fast. **Yesterday, the Governor announced a pay freeze for state employees.** We don't have any details yet, particularly how it will affect the IFO's 2% raise that is scheduled to go into effect in January. The state unions are meeting with the Commissioner of Management and Budget tomorrow to discuss the impact on state employees. It looks like one target that is emerging for cuts is state aid to counties and cities.

Implications for the MnSCU System

Since state leaders have yet to agree on a strategy, it is impossible to know how much the MnSCU system, or the state universities in particular, will be cut to solve the immediate budget shortfall. MnSCU is a little under 4% of the general fund budget. BSU professor Tom Fauchald estimated that if the budget cuts are proportionate across-the-board, the total cut to the entire MnSCU system would be about \$16.6 million--\$2.1 million to the system office and \$14.5 to the campuses. For those campus figures, click [here](#) (Excel file) to see Tom Fauchald's analysis. Of course, there is no guarantee the cuts will be proportional across-the-board, or that MnSCU will cut the central office and the campuses proportionally.

MnSCU Options

Raising tuition to solve the short term problem will be difficult because the new semester will soon be underway. Most (65%) of MnSCU's costs are for personnel, and since it would not be possible to lay off tenured or fixed term faculty before the end of the year, most of the cuts will probably come from non-faculty items and the system will probably have to dig into its reserves. The MnSCU central office has a reserve of about \$8 million, and the campuses have reserves of about \$64 million. However, if they use the reserves now it will mean there won't be reserves to address the much bigger financial problem that we are facing next biennium. For a link to the MnSCU FY 2009 budget, including a list of the reserves for each institution, click [here](#).

The Longer Term, Bigger Problem

For the two fiscal years starting July 1, 2009, the state is facing a much more severe problem—a \$4.847 billion shortfall even before inflation is addressed. If the budget is balanced by cuts alone, MnSCU's share of the cut—if it was done proportionately—would be around \$190 million! Pay increases already agreed upon are probably secure, but it will take both huge tuition increases and significant layoffs either at the central office or the campuses to absorb a budget cut of this size.

Increasing state revenue could soften the cuts, but tax increases are always difficult—especially with this governor. In a bad economic time like this, there will be strong resistance from both parties to raising taxes on middle and low income taxpayers. Don't expect legislators to rush to raise taxes—they will only raise taxes after they have made a sincere effort to cut as much spending as they can—and then only if there is strong public support for raising taxes instead of cutting budgets even deeper.

Expect a lot of the debate later in the session over taxing higher income Minnesotans. A tax study done last year showed that Minnesotans earning over \$105,000 paid a much lower percentage of their income in state and local taxes than taxpayers earning less than \$105,000.

IFO's Response

The first thing the IFO membership needs to do about this problem is be realistic—we are not going to escape the pain of these cuts. The state is not going to solve this \$4.8 billion general fund shortfall next biennium by simply “cutting someone else” or “cutting fat.”

1. Some items of state spending, like the \$870 million for debt service on state bonds, simply cannot be cut.
2. State government programs have been decimated over the last six years and there is simply not much left to cut. *Even if the legislature totally wiped out all the general fund appropriations for all the state agencies; all of the environment, energy and natural resources programs; all public safety programs; all agriculture and veterans programs; all economic development programs; all general fund expenditures for transportation programs; and all general fund expenditures for capital projects—they would save less than \$4 billion dollars—not enough to solve the problem!*
3. 40% of general fund expenditures are for aid to local school districts. This is a high priority item for almost every legislator because there are millions of parents with children in school, and this is such an important expenditure for economic and social well being. K-12 education usually escapes budget cuts.
4. 27.6% of the budget is for health and human services. A large part of this is support for people in nursing homes that have spent their assets, and another large part is for health care for low income people. During hard economic times the demand for human services always increases.
5. 9.1% of the general fund budget is for aids to local government for property tax relief. This could be cut, and probably will be cut some, but cutting this item would increase property taxes—a regressive form of taxation.
6. That leaves higher education—also 9.1% of the budget. Higher education is always vulnerable during budget cutting because we have an alternative source of revenue—tuition increases.

To combat the short term cuts to higher education we are taking every opportunity we can to talk to legislators about the importance of higher education investments to get us out of this economic mess. We are attending fundraisers, talking with individual legislators, and I have addressed the House DFL Caucus as a whole.

IFO's Messages

Our messages are:

1. MnSCU institutions are the institutions that laid off workers return to for further education for the good paying jobs of the new economy—jobs that require higher levels of education.
2. MnSCU institutions, because they are more accessible and affordable, are the institutions that first generation college students attend to get a foothold in the economy.
3. MnSCU institutions produce the graduates that are necessary for a functioning economy and society: 52% of the state's new teachers; 82% of the nurses; 89% of the law enforcement and construction management graduates; and 41% of the business graduates.
4. 82% of MnSCU graduates stay in the state after graduation. Businesses move to this state because of our highly educated workforce.
5. The state needs to invest in higher education to preserve our global economic competitiveness.

We will Need Faculty Involvement

We have more time to respond to the big budget shortfall for next biennium—the budget for the next two years probably won't be passed in early May. I believe that after the Governor proposes his budget in late January, the legislature will take the budget on the road for public hearings. It is my hope that we can get the hearings scheduled at state universities, since university communities are regional centers. This will give us an opportunity to turn out MnSCU constituencies to testify and to get our perspectives before the press and public. If we have hearings please take the time to turn out and consider testifying. There will be intense competition for shrinking resources this time around, and legislators respond to the constituencies that they hear from the most.

The IFO leadership will be seeking every opportunity to testify before the legislative meetings in St. Paul, and we have a “Lobby Days” event scheduled for mid-February where the IFO Government Relations Committee, Executive Committee and Academic Affairs Committee will be sitting down with the legislative leadership, the higher education chairs, and campus area legislators to discuss the budget

problem and other IFO legislative goals.

I will be monitoring legislative meetings, meeting with legislators, and sending out action alerts encouraging faculty to write to the appropriate legislators at the appropriate times in the process to most effectively advance our interests. Please respond to these calls for action. While Rod Henry and I will communicate our positions at the Capitol, legislators respond best to communications from classroom professors—especially if they are constituents.

We will also be working with students, and if possible, administrators. Students are a huge voting block; there are 242,000 students taking credit courses in MnSCU, and another 135,000 taking non-credit courses. Legislators also have a lot of good will toward students—they represent the future. Administrators also carry weight simply because of their positions of authority. In tough times like these we need to pull together as much as possible when we have common interests. As Joseph Stalin once observed, “Sometimes you must walk with the devil to get across the bridge.”

Never Give Up!

The next year will be one of the toughest we have ever faced. However, our cause is good and we have friends in the legislature eager to help us in any way they can. We are in a rapidly changing environment. The economy may come out of recession sooner than expected. The federal government may step in to help out the states. We simply have to stay flexible and be ready to respond to changes as they occur. If we stick together, get involved, and work hard we will get through this.

2006 SALARY STUDY RESULTS

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

The IFO MnSCU 2006 Salary Study is now complete. All faculty who were fixed term, non tenure track, probationary, or tenured in the 2005-06 academic year who were not full-time coaches should have received a letter in campus mail from the joint [IFO MnSCU Salary Review Committee](#) with information about the salary study and faculty member’s individual data from the 2005-06 academic year. The data sheet indicates whether you will receive an equity step increase as a result of the study. If there are errors on your salary data sheet, please notify the IFO ([Pat Arseneault](#)) or MnSCU’s System Personnel Director ([Gary Janikowski](#)). We will reevaluate individuals with data errors as soon as possible to determine if the corrections result in a salary equity step adjustment, though we will not be able to make corrections before the equity step increases are implemented in January.

In total, 402 faculty will receive salary equity step increases from the 06 study. Faculty receiving equity steps will also get retroactive pay for the increase back to the first pay period in fall 2008. The step increase to base pay and the retroactive pay will occur on the January 2, 2009, pay check.

The lump sum retro pay is taxed separately from your regular payroll at a flat rate of about 38%. Faculty may desire to make a one-time change for a larger deduction in their Tax Sheltered Annuity for the payroll period beginning December 10 and ending December 23, 2008, and then change the deduction back to their regular deduction for the payroll period beginning on December 24. MnSCU has a link on its Human Resources web page with instructions for [one time deductions](#).

As a result of the 2006 salary study, there are 25 faculty at BSU, 20 faculty at Metropolitan State University, 98 faculty at MSU, Mankato, 56 faculty at MSU Moorhead, 113 faculty at St. Cloud State University, 19 faculty at SMSU, and 71 faculty at WSU who will receive equity step increases to base pay. In total: 204 faculty will receive a one step increase; 128 faculty will receive a two step increase; 47 faculty will receive a three step increase; 18 faculty will receive a four step increase; and, 5 faculty will receive a five step increase to base pay. The number of faculty receiving equity step increases may be slightly higher once we make corrections for faculty who have advised us of errors in the data.

The IFO would like to express its appreciation to members of the [Salary Review Committee](#) who have spent an immense amount of time and energy during the course of the 2006 salary study. The committee and the faculty members also owe a great deal of thanks to SRC Chair Cathy Summa for her diligence and perseverance in shaping the scope of the study and the breadth of the remedy. The 2006 study remedy recommended by the Salary Review Committee resulted in over three times as many faculty receiving equity step adjustments as in the last salary study conducted in 2002.

IFO HOLIDAY HOURS

In observance of the holidays, the IFO headquarters in St. Paul will be closed for the weeks of December 22 and 29, and will reopen on Monday, January 5, 2009. If you have an urgent issue during this period, please call us at 800/325-9644 or 651/227-8442, and you will be directed to call our after hours emergency number.

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 address is 165 Western Avenue North, Suite 8, Saint Paul, MN 55102, or you can reach us by phone at 800/325-9644 or 651/227-8442. You can send us an email by clicking [HERE](#).