

The Effect of State Budgets on Labor Relations between Contracts

Angelo Armenti, Jr., President
California University of PA



Baruch College – Vertical Campus

April 13, 2010

Conference & Panel Themes

- Conference Theme: “Renewal and Reinvestment in Higher Education: Implications for Academic Collective Bargaining”
- Panel Theme: “The Effect of State Budgets on Labor Relations between Contracts”

A Question of Renewal & Reinvestment in Higher Education

- Q: Renewal and Reinvestment by States?
- A: No evidence of reinvestment in higher education by the states; also no hint of even remotely better news on the horizon.
- A: Any renewal of public higher education will have to come largely from private sources, as public universities in America continue to be “privatized without a plan.”

Implications for Collective Bargaining

- Q: Implications for Academic Collective Bargaining?
- A: Dismal, which is to say, “Depressing to one’s spirit or outlook.”
- A: Or, if you prefer: miserable, gloomy, dreary, bleak, drab, grim, etc.
- The antonym of dismal is “bright;”
- Hence implications are anything but bright.

Effect of Budgets on Contracts

- Q: The Effect of State Budgets on Labor Relations between Contracts?
- A: Extreme frustration and stress for both labor and management as states continue to disinvest in public higher education.
- Q: Why such a pessimistic outlook?
- A: Consider the available facts and trends:

The Fiscal Survey of the States

- “The Fiscal Survey of the States” – dated December 2009 – is a joint publication of the National Governors Association (NGA) and the National Association of State Budget Officers (NASBO).
- Google NGA or NASBO and search for “Fiscal Survey of the States.”
- See also “State Fiscal Update – February 2010” & “Bottom Line” at same website.

The Bottom Line (Feb/2010)

“State revenues are continuing to deteriorate, as most states are witnessing actual monthly totals lower than their recent forecasts, which have been revised downward. States also face combined remaining budget gaps of \$136.1 billion for FY 2010-12.

Bottom Line II

- “This means that states have not bottomed yet because not only has there been no leveling of revenues, but Medicaid has continued to grow rapidly. In January 2010, states eliminated 18,000 jobs, and according to the survey, states will continue to shed jobs this year.

Bottom Line III

- “Not only will this be a direct drag on the economy, but due to states’ balanced budget requirements, they will continue to cut spending and increase taxes, which will also weaken the economy and, thus, its ability to generate private sector jobs. States foresee fiscal year 2011, which starts for most states July 1, 2010, to be the most difficult to date, and few see fiscal year 2012 much better.”

Fiscal Survey of the States: Executive Summary

- “States are currently facing one of the worst, if not the worst, fiscal periods since the Great Depression. Fiscal conditions significantly deteriorated for states during fiscal 2009, with the trend expected to continue through fiscal 2010 and even into 2011 and 2012.

Executive Summary II

- “The severe national recession drastically reduced tax revenues from every revenue source during fiscal 2009 and revenue collections are expected to continue their decline in fiscal 2010.

Executive Summary III

- “As state revenue collections historically lag behind any national economic recovery, state revenues will remain depressed throughout fiscal 2010 and likely be sluggish into fiscal years 2011 and 2012.

Executive Summary IV

- “Fiscal 2009 general fund expenditures declined 3.4 percent compared to fiscal 2008 levels. Likewise, enacted budgets for fiscal 2010 show a 5.4 percent decrease in general fund expenditures.

Executive Summary V

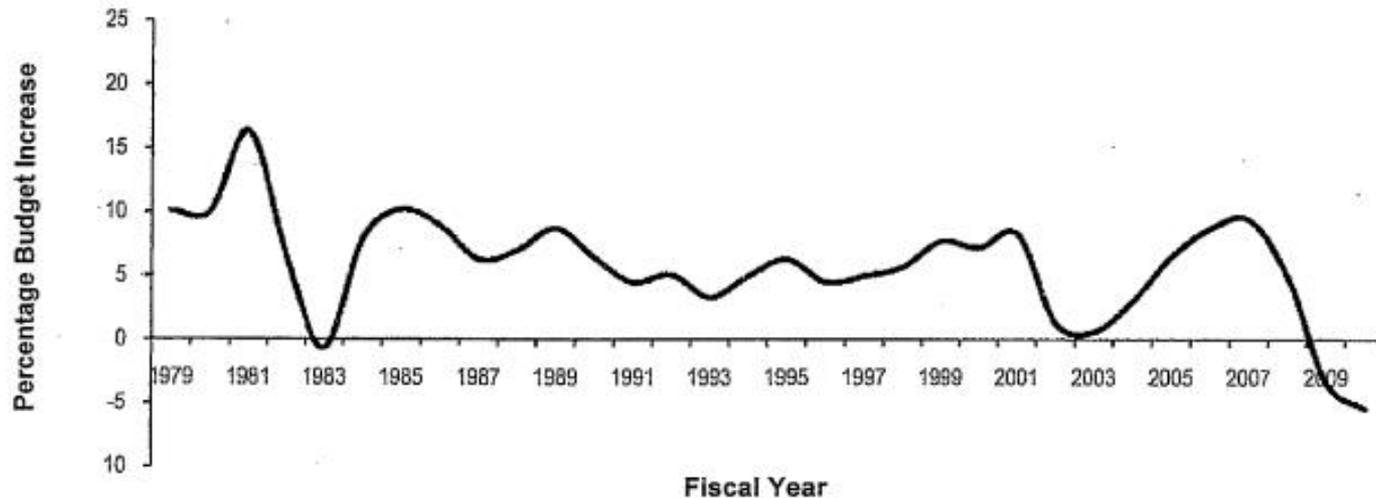
- “These decreases in general fund expenditures would be the largest declines in the history of the Fiscal Survey of States. Prior to 2009, actual state general fund spending had only declined one other time, in 1983, by 0.7 percent.”

Annual Percent Budget Changes – 1979 to 2010

THE FISCAL SURVEY OF STATES: DECEMBER 2009 9

FIGURE 1

Annual Percentage Budget Changes, Fiscal 1979 to Fiscal 2010

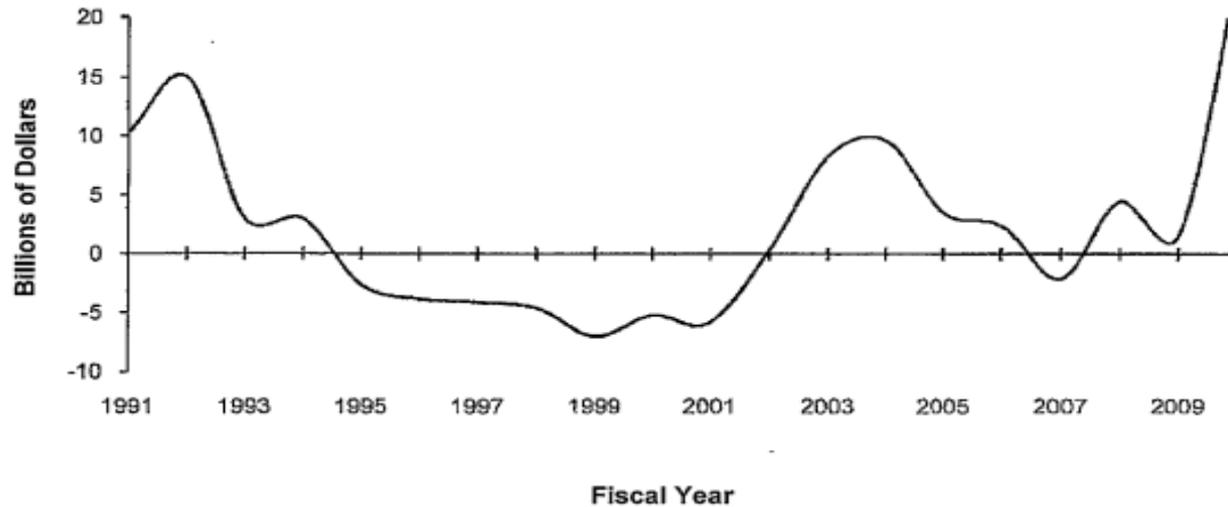


SOURCE: National Association of State Budget Officers.

State General Fund Expenditure Growth – Fiscal 2009 & 2010

FIGURE 2

Enacted State Revenue Changes, Fiscal 1991 to Fiscal 2010



SOURCE: National Association of State Budget Officers.

State Budget Reductions

- “Forty-three states reduced their enacted budgets in fiscal 2009 by \$31.3 billion while 36 states cut their fiscal 2010 expenditures by \$55.7 billion. These cuts are in stark contrast to the thirteen states that had to reduce their enacted budgets in fiscal 2008 and the three states that reduced their enacted budgets during 2007.

This Time is Much Worse

- “During the last fiscal downturn, the peak years of reductions to enacted budgets occurred in fiscal 2002 and fiscal 2003, well after the national recession had ended and only totaled \$14 billion and \$12 billion, respectively.

Tally of the States

- “Twenty-eight states had declines in general fund expenditures in fiscal 2009, while 37 states enacted fiscal 2010 budgets with general fund expenditures below fiscal 2009 levels.

Sales & Income Tax Collections are Down

- “Fiscal 2009 estimated tax collections of sales, personal income, and corporate income are 7.4 percent lower than actual fiscal 2008 collections. Sales tax collections were 4.7 percent lower and personal income tax collections were 8.2 percent lower.

Corporate Tax Collections are also Down

- “Corporate income tax collections were 16.1 percent lower relative to actual fiscal 2008 collections. Within state budgets, about 40 percent of general fund revenue is from personal income tax, 33 percent is from sales tax, and eight percent is from corporate tax, with the rest from various other sources.”

“Declining Public Support...”

- Two years ago on April 7, 2008 my paper on “Declining Public Support for Public Higher Education in PA” was presented at this Conference. It predicted that public higher education would be a thing of the past in just one more generation.
- Q: Has anything changed since then?
- A: Yes, things have gotten worse! State funding is down and is being shored up temporarily with ARRA (“Stimulus”) funds.

The “Cliff” Awaits

- Federal “Stimulus” funding is scheduled to go away in FY 2011-12.
- Due to the bleak picture presented earlier regarding state budgets nationally, there is grave doubt as to whether the states will be able to replace the ARRA “temp-fix.”
- With continuing declines in state funding levels, the implications for “labor relations between contracts” appear dire indeed.

27 years of “disinvestment”

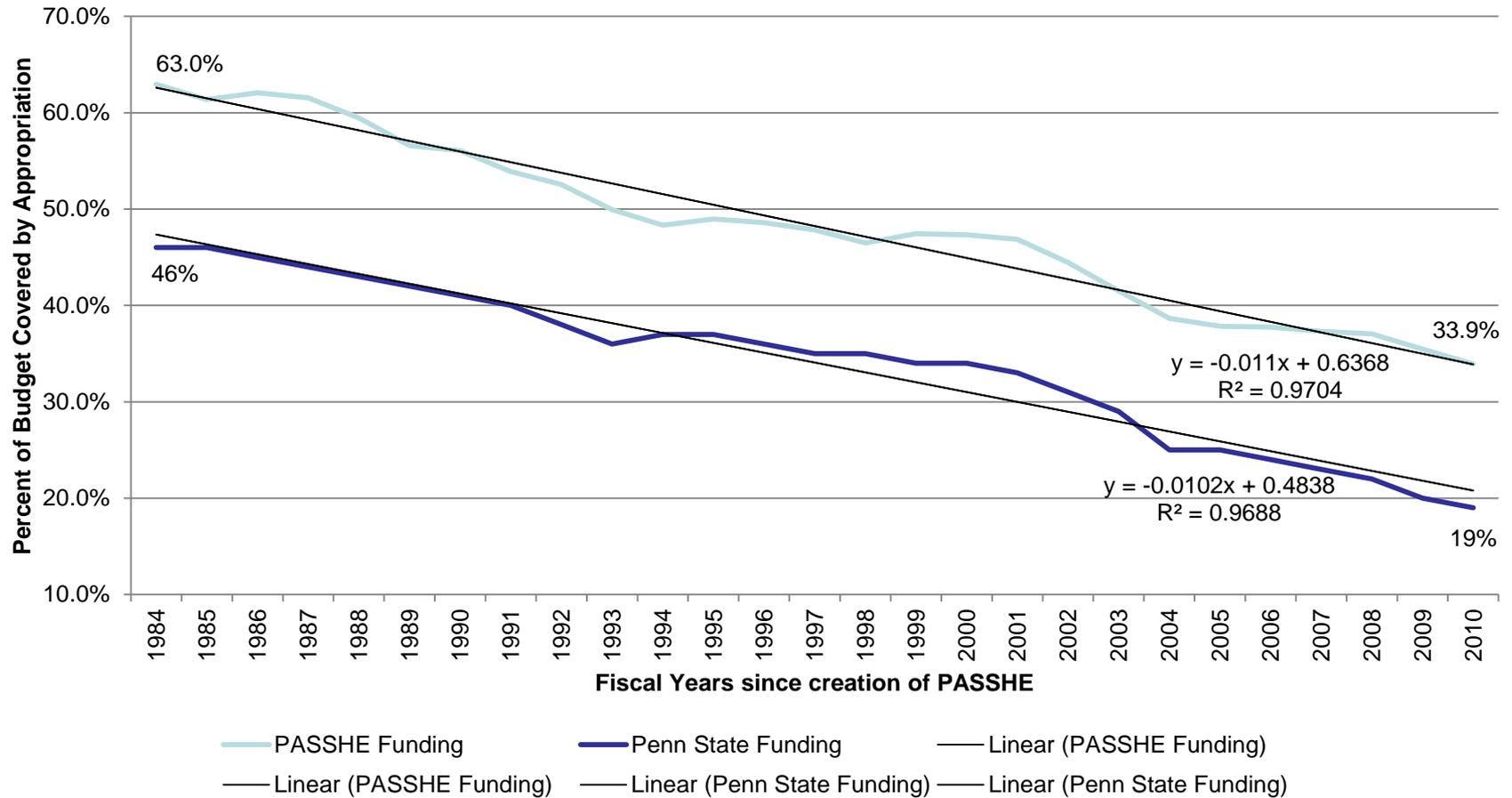
- From 1983-84 to 2007-08, the state’s share of the PASSHE budget fell from 63% to 37%. Since 2008, it fell to 34%.
- From 1983-84 to 2007-08, the state’s share of the Penn State budget fell from 46% to 22%. Since 2008, it fell to 19%.
- Public higher education—as we have known it—will be a thing of the past in one more generation (even with ARRA funds!)

What will the “new” public higher education look like?

- A generation from now, public higher ed will look just like private higher ed in terms of state funding, except that it will continue to be constrained by outdated business practices totally out of touch with the needs of the privatized “public” universities that we are all being forced into becoming.
- Needy students will be marginalized—if not totally abandoned—by the states.

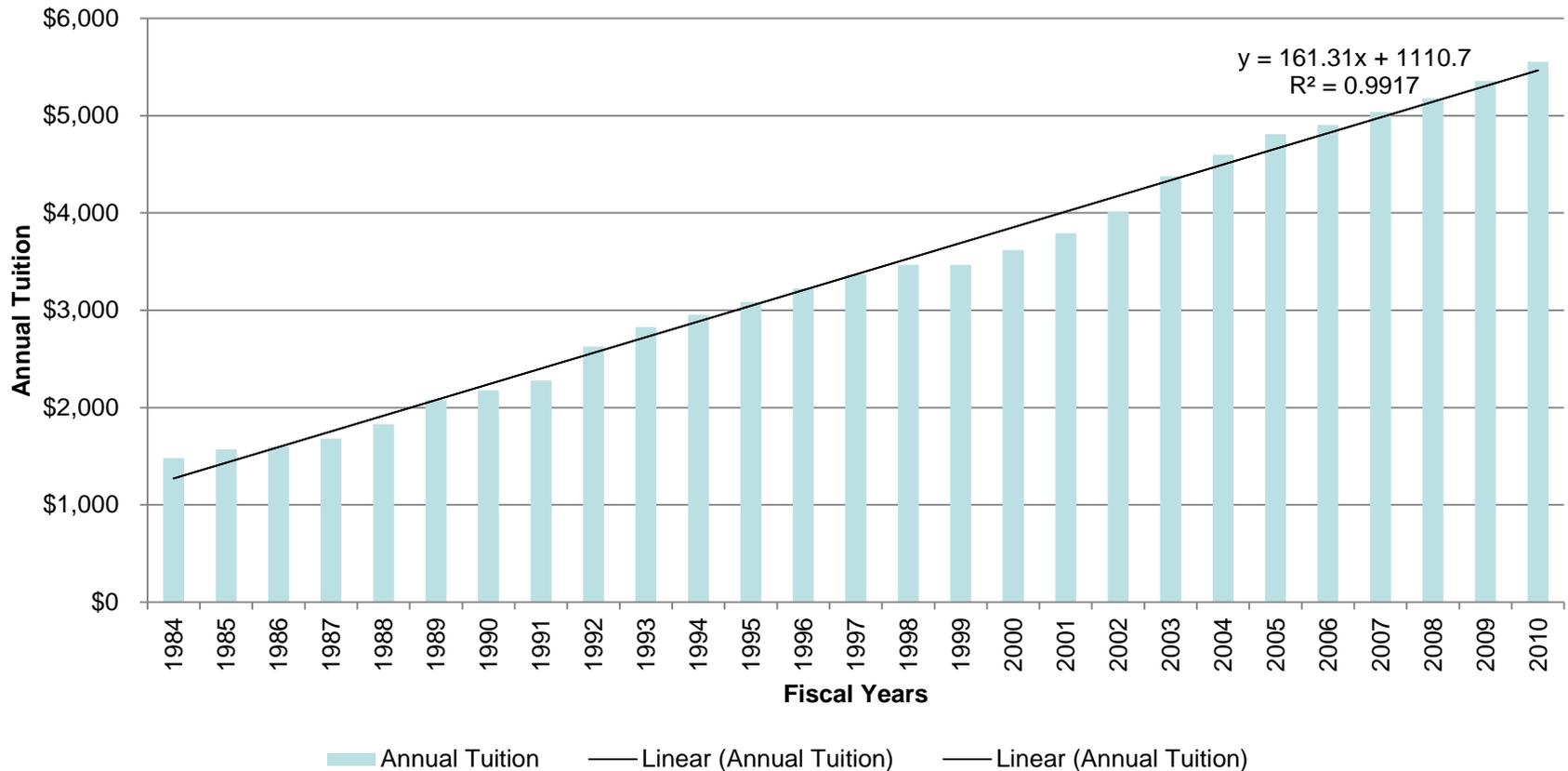
27 Years of Declining Public Support

PA Share of Higher Education Budgets: 27-year Trend



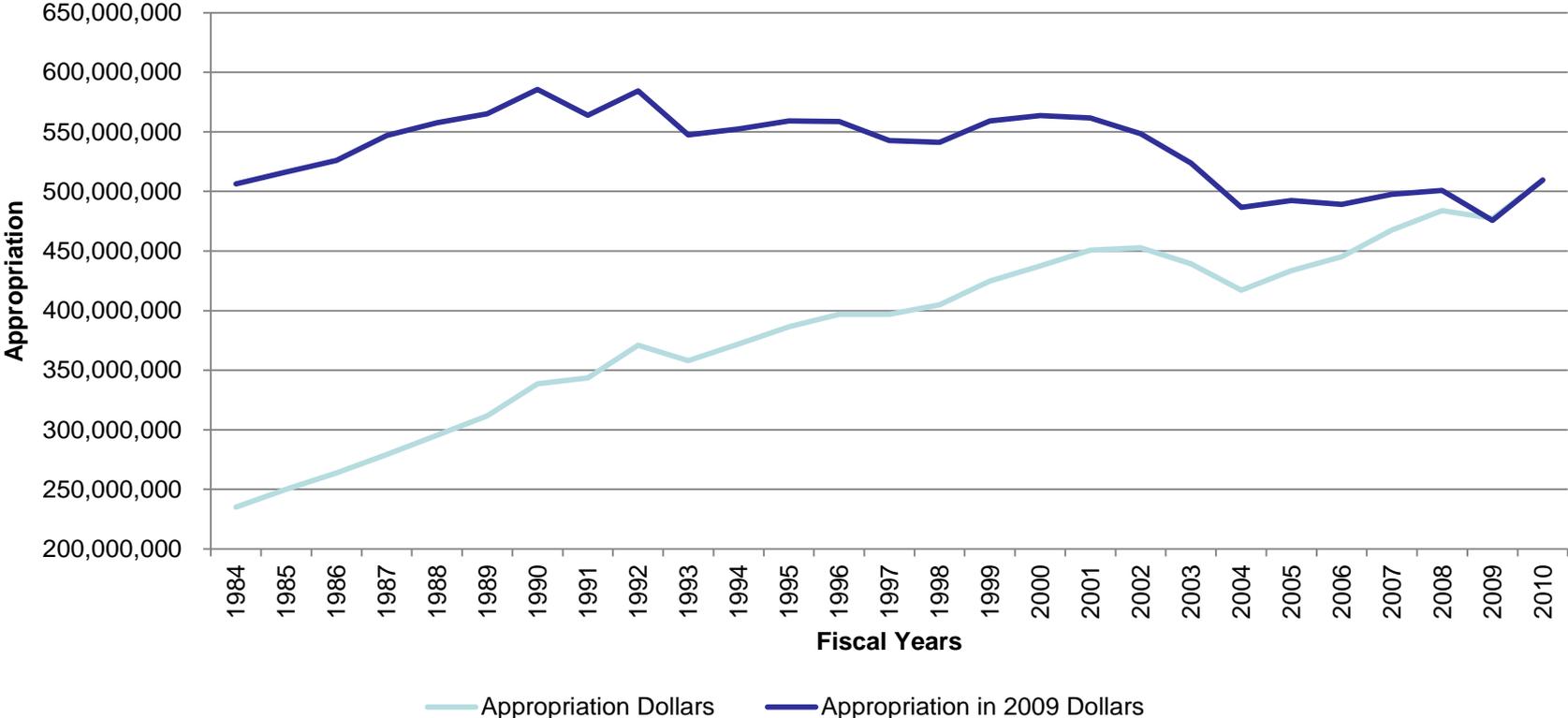
27 Years of 5.2% (Average) Tuition Increases

PASSHE Undergraduate Tuition - 1983-84 to 2009-10



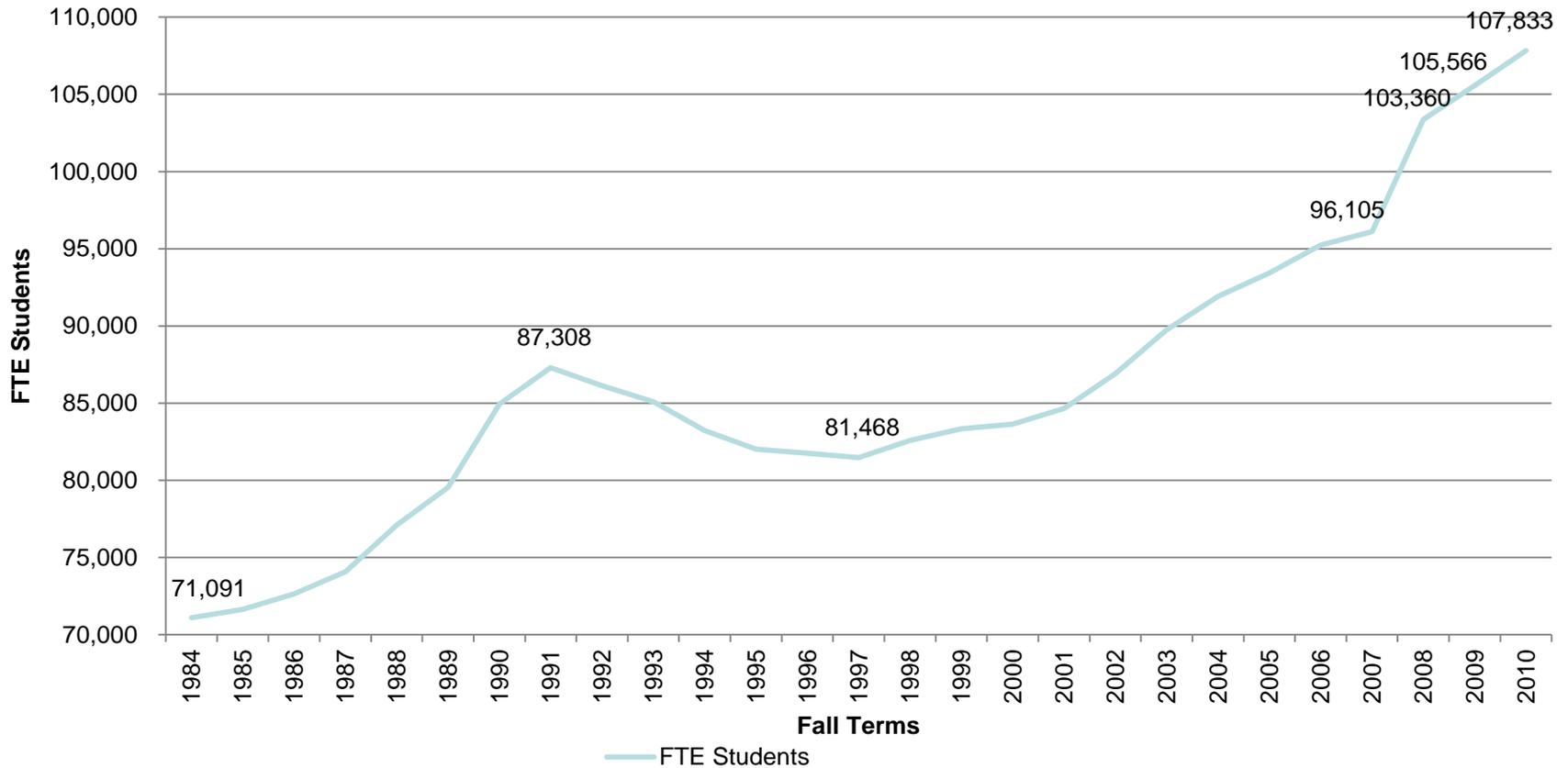
From High to Low - 19% Drop

PASSHE Appropriation - Inflation Adjusted - 2009 Dollars - 1984 to 2010

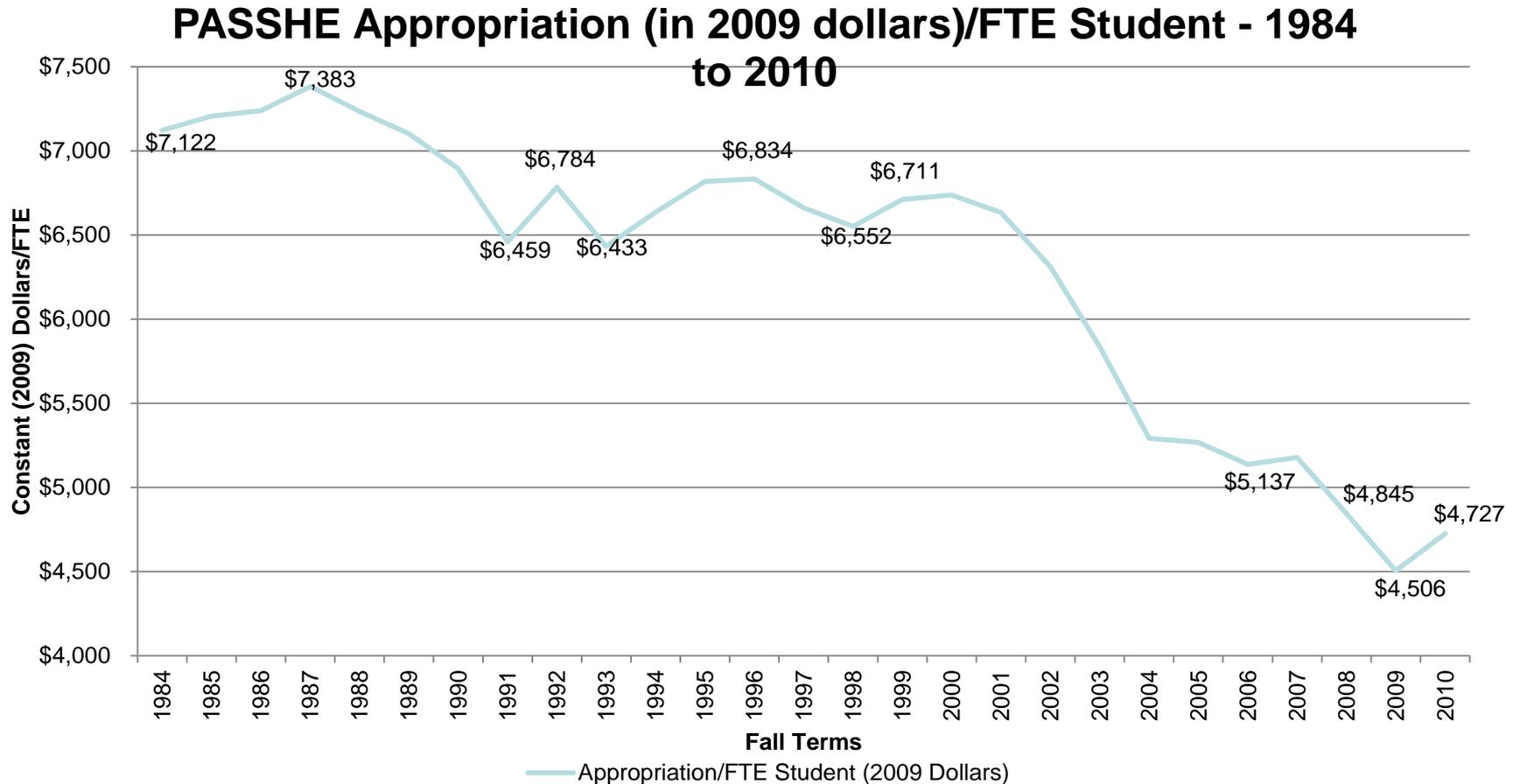


A 52% Increase in FTE Students!

PASSHE Student FTE - 1984 to 2010

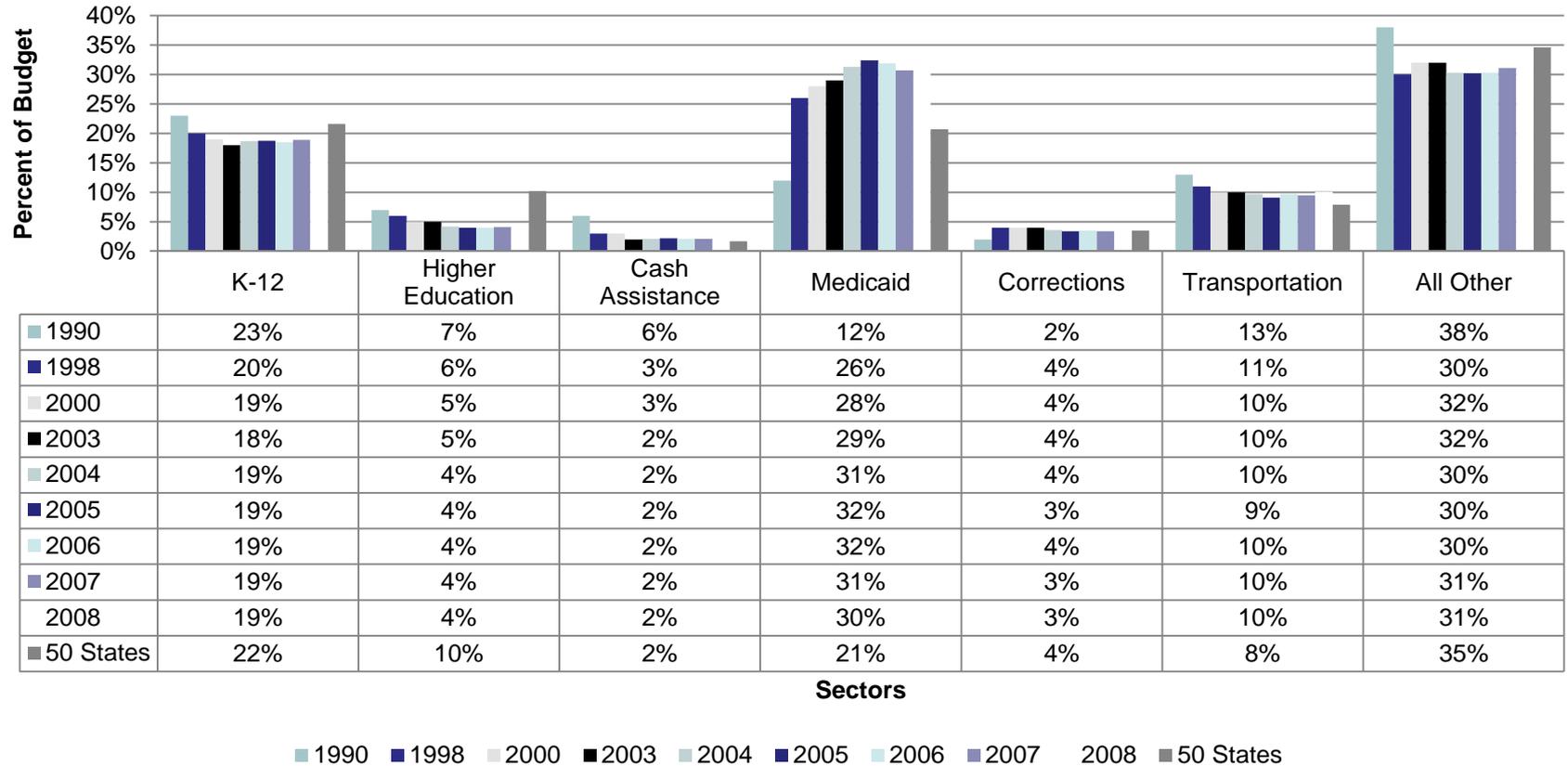


1987 to 2009: 39% drop in 2009 Dollars/FTE



Pennsylvania's Budget Priorities

Pennsylvania Budget vs. Average of the 50 States



Thank you!

- I appreciate your kind attention.
- I will be happy to share this slide presentation upon request.
- Thank you.