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## The Effect of State Budgets on Labor Relations between Contracts

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*36th Annual Conference  
Tuesday morning session  
The Effect of State Budgets on Labor Relations between Contracts  
by Steve Hicks  
(President, Association of Pennsylvania State College & University Faculties)*

At one point in the early genesis of this panel, the working title was “can you swallow it?” This was based on the assumption at the time last fall that there might be concessions over state budgets (we in Pennsylvania didn’t have one yet). As colorful as that was, I was unwilling at that time to concede that we would “swallow” anything – in less graphic terms, we weren’t making any concessions. So, rather than that wonderfully colorful title, I thought, at least in the published version, we should go with something more droll and mundane. Thus what may seem droll and mundane frames my talk. We live in testing times, whether you’re in management, trying to find a way to stretch dollars as state legislatures cut funding, or in a union, trying to maintain the salary, benefits, and working conditions that make university teaching appealing to people. My purpose here is to delineate a couple of the changes in how we interact based on observation, so they may be more warm and fuzzy and less substantive than some of the other following presentations, but I hope they give you some feel for the effects on the ground of what the current budget conditions have wrought.

Let me now slide into something of a historical narrative: my home state, the Commonwealth of Pennsylvania, is not alone in having financial issues; last year we were the last state to have an annual budget, passed 101 days after the Constitutional deadline of July 1. The problem, to simplify, was a revenue shortfall of somewhere around \$3 billion, or about 9% of the budget, with the added variable of constituencies jockeying for ARRA money. In the end, the system I work in, which has fourteen public

four-year institutions, received a cut in state funding of \$38 million from the year before. That was filled in by ARRA money, with another \$27 million of 2008-09 stimulus fill.

Before all this came to light in October (101 days late, remember), the state system of higher ed (PASSHE) made a formal request of all its unions to forego their contractual raises and steps in the fall of 2009. This request is unprecedented in our history, and it led to a series of meetings and exchanges that have begun to change the nature of our relationship.

Probably the largest shift is the one in perspective on the collective bargaining agreement itself. My union, made up of approximately 6000 faculty (we have a smaller, newer coaches unit) have had a CBA since 1972 and we pretty much have thought that the contract was inviolate from signing to expiring. We often took with the signing of the CBA a literal as well as metaphorical sigh of relief – we relaxed as an organization (if not in the state office).

Now we are faced with shortfalls from the legislature that fit a familiar pattern to many of you: state appropriations that don't keep up with expenses. Added to which, the additional ARRA funding from 2008-09 has provided management an opportunity to re-think a whole series of options. Affordability studies by the PA Dept of Ed and the Washington Center created more discussion of the universities and the system "cutting fat." All this results in an atmosphere where finding ways to discuss opening (or nibbling around) the collective bargaining agreement and gaining some financial savings have become a frequent occurrence.

To continue the narrative, the biggest approach in opening the contract was that request last May to forego raises and steps. This year, as many of you heard in the presentation at noon yesterday, that was followed by a request to bargain on a retirement incentive package, which was made possible at least in part by the stimulus money. Both requests led to lengthy, tension-filled internal debates at APSCUF on how to handle the situation – not just concerns about getting into a bargaining situation and ending up giving too much away, but decisions such as “do we negotiate or don’t we?” and “what are the positives and the negatives?” These discussions of course took place with the specter of 2011 hanging about (our collective bargaining agreement expires in the middle of next year); around the capitol in Harrisburg, legislators and government officials talk of days post-stimulus money as a “cliff” they are staring at – back to the size of the 2009 hole, if not more.

Those two situations have meant that the two sides meet more frequently, with the central conversation focusing on finances and the complementary burdens on faculty load that go with shifts in money. This has happened both in the forum of statewide Meet & Discuss and in specially called meetings, as well as in various less formal venues, including hallways, lunch tables, and cell phone calls.

Since I'm supposed to be talking about effects here, it's worth noting the emotional effects of these meetings. Although we have been superficially friendly and cordial, there has also been an undercurrent of conflict and tension: at least on our side, we remember that the underlying subject here is a possible loss of material benefits or even their jobs for members. Obviously, that provides a level of tension that isn't there at a mere chat over a cup of coffee. There's also a certain amount of pleading from the

management side: they are frustrated and lacking for solutions (a familiar place for all of you, I'm sure) and sometimes say "we need your help." So far, my union has found that the kind of help they are asking for is not something my members are willing to provide.

The Appendix shows one of the one-page budgets submitted by each of the 14 universities -- this is Kutztown's from last year. This document is the official "public" budget of the university as at least tacitly approved by the state Board of Governors. This document has been what the union at the state level has worked with in terms of budget. You can see it's skimpy on detail; in addition, it raises questions as to its timeliness -- these are submitted to the Board in October of the year before a budget is submitted, so this budget is as Kutztown submitted in the fall of 2008 for the 2009-10 budget year.

A look at the genesis of those numbers shows their questionable accuracy. We had to use this information--assumptions from fall 2008-- to talk about how bad off the system is financially in the summer of 2009. Obviously, this wasn't very helpful--we didn't get a state budget until October 2009. In fact, the Board didn't even receive these budgets in the fall of 2009, because they understood that all the assumptions that went into their making could be overturned once there was a state budget.

Also of little use are the core statistics of the university. Those fall 2008 numbers show KU with a tuition increase of 1.2%, yet the Board approved a 3.7% increase in July 2009. The university also increased enrollment in the fall of 2009 by 3%. Together, those two numbers make a difference of approximately \$3.5 million in the KU budget.

The numbers are also off on other line items. As we sat discussing financial problems and state appropriation in the summer of '09, the best numbers management had as to

how many faculty were employed by the state system for the coming semester were the numbers from their census in September 2008. You can imagine my whole-hearted response to this, especially as I had heard from multiple campuses all spring that management wasn't approving replacements (in the end, we had an increase of less than 1% in faculty, with a 4% increase of enrollment across the state). The fall 2008 numbers were two semesters out of date for any valid discussion in July 2009.

An important factor in play here is what faculty cost. Management repeatedly said that there would be an increase in faculty salary of more than 5% in 2009-10. This was based on the faculty receiving step increases (our scale includes some 5% steps and some 2.5% steps), and a 3% across-the-board general pay increase. However, the true figure turned out to be almost exactly 4% (this is a figure with which APSCUF is very familiar, as we receive a straight percentage of salary for dues, so our income is integrally linked to PASSHE's salary payouts). The difference in cost to the state system was millions of dollars -- which was probably the point in holding tight on faculty hiring in the face of student growth.

As you might imagine, these meetings and discussions revealed that the union has a right to be skeptical of the system's numbers. While it's helpful that we are now familiar with the figures and the process for putting them together, no one wants to constantly explain their numbers and calculations. As we know, budgets like the ones here are fictions -- they aren't real numbers, but a series of assumptions, some of which are sophisticated guesses.

Most recently, the state system has announced preliminary plans to retrench at several universities; Kutztown has been publicly announced, and we are still waiting to see if the other shoe drops on other campuses. We have not retrenched since the early eighties, so beginning plans to do so is catastrophic. Our CBA process provides that, to retrench permanent faculty, the state has to Meet & Discuss with the financial data ahead of letters going out in the fall the year before their release. This provides both time for discussion and opportunities for the two sides, especially at the state level, to analyze decisions and provide possible alternatives to faculty layoffs.

All of this has changed the way APSCUF does business, the way we deal with the state system and vice versa. This is stressful work. The constant drone of "financial crisis" and its effect on the universities, the education it provides and the students it serves, is detrimental.

In short, this budget crisis creates tension and work. Each crisis and announcement comes with a series of meetings, a series of decisions, a series of public relations situations. Both the system and the union constantly have to figure out how much to say to the press; we attempt to retain our transparency as public institutions, but, as Gary Rhoades indicated yesterday afternoon, we don't want to go public because we do not want to erode the image of the institutions. "Givebacks" and "retrenchment" are not terms that generate public confidence, in either potential faculty or student recruits. No one wants to kill a program through poor handling of the PR.

As a result of this crisis, we no longer perceive that our CBA is a sacrosanct, sealed document -- we understand that its sanctity and inviolate nature are a matter of our

actively keeping it that way, diligently pushing back as management asks for help in potentially overriding its precedent. Further, we are becoming used to sitting down in high stress situations with the system, and sometimes with other unions, as we try to resolve a series of financial problems and issues.

Some of this is good. Some is trying. Some has been informative. But it's definitely a major change in the way we now do business, energizing us as we work between contracts, and instilling the vigilance we now constantly maintain in reference to our contract's elements.

## Appendix 1

Board of Governors Budget Request Summary  
Kutztown University of Pennsylvania

Educational & General Budget					
Revenue/Sources	FY 2007/08	FY 2008/09	Percent Change	FY 2009/10	Percent Change
Tuition	\$58,327,244	\$60,368,699	3.5%	\$60,368,699	0.0%
Fees	\$9,330,526	\$9,686,976	3.8%	\$9,787,243	1.0%
State Appropriation	\$40,766,097	\$42,642,871	4.6%	\$42,642,871	0.0%
All Other Revenue	\$5,417,081	\$5,344,873	-1.3%	\$5,371,177	0.5%
Use of Carryforward Fund Balance	\$0	\$0	n/a	\$0	n/a
<b>Total Revenue/Sources</b>	<b>\$113,840,948</b>	<b>\$118,043,419</b>	<b>3.7%</b>	<b>\$118,169,990</b>	<b>0.1%</b>
<b>Expenditures and Transfers</b>					
<b>Compensation Summary:</b>					
Salaries & Wages	\$56,873,721	\$59,598,165	4.8%	\$62,453,047	4.8%
Benefits	\$19,557,088	\$21,105,508	7.9%	\$22,616,179	7.2%
Subtotal, Compensation	\$76,430,809	\$80,703,673	5.6%	\$85,069,226	5.4%
Services & Supplies	\$24,475,093	\$25,642,146	4.8%	\$26,642,200	3.9%
Capital Expenditures and Transfers	\$12,935,046	\$11,697,600	-9.6%	\$12,092,933	3.4%
<b>Total Expenditures and Transfers</b>	<b>\$113,840,948</b>	<b>\$118,043,419</b>	<b>3.7%</b>	<b>\$123,804,359</b>	<b>4.9%</b>
<b>Revenue/Sources less Expenditures/Transfers</b>					
	\$0	\$0		(\$5,634,369)	

Annualized FTE Enrollment					
	FY 2007/08	FY 2008/09	Percent Change	FY 2009/10	Percent Change
Resident Undergraduate	7,716.00	7,716.00	0.0%	7,716.00	0.0%
Nonresident Undergraduate	960.70	960.70	0.0%	960.70	0.0%
Resident Graduate	500.00	500.00	0.0%	500.00	0.0%
Nonresident Graduate	24.33	24.33	0.0%	24.33	0.0%
<b>Total FTE Enrollment</b>	<b>9,201.03</b>	<b>9,201.03</b>	<b>0.0%</b>	<b>9,201.03</b>	<b>0.0%</b>

Unrestricted E&G FTE Employees					
	FY 2007/08	FY 2008/09	Change	FY 2009/10	Change
Faculty	487.20	498.20	11.00	498.20	0.00
AFSCME	291.25	297.25	6.00	297.25	0.00
Management	123.25	132.25	9.00	132.25	0.00
SCUPA	35.50	34.50	(1.00)	34.50	0.00
All Other	49.91	52.66	2.75	52.66	0.00
<b>Total Budgeted FTE Employees</b>	<b>987.11</b>	<b>1,014.86</b>	<b>27.75</b>	<b>1,014.86</b>	<b>0.00</b>