

UNIVERSITY OF MASSACHUSETTS AT AMHERST
OFFICE OF THE FACULTY SENATE

ADDRESS BY REPRESENTATIVE STEPHEN KULIK

Good afternoon, everyone. It's nice to be with you again. I always enjoy these chances to come by and chat with you, and I look forward to any comments you may have about the current political scene -- the budget scene and Beacon Hill. We congratulate you on the completion of this semester, and also congratulate you all on your good work to bring about the contracts funding and honoring of the commitment that was made to you and other employees in public higher education in Massachusetts. It was a hard-fought victory that was achieved because of the unity of the faculty with the other higher education staff and because of the focus, timing, and commitment to show up at the State House and advocate strongly for honoring that commitment. We're so glad that it was able to be done with a very serious commitment from legislative leadership to see the rest of that commitment through in terms of the retroactive funds coming through when they are available.

I want to talk a little about what remains to be done and where we may be going in the next year with the budget situation which so closely affects this campus and all of public higher education. We're not finished yet with the issue of the contract funding and the \$10 million appropriation which was in the supplemental budget and which is a very important matter for this University. The Governor did veto that. I was very disappointed that he did, and disappointed by the reason that he gave. He said he didn't want to support it because he didn't know how the University would spend \$10 million dollars, which I was a little surprised to hear from someone who's been in office for about a year. Perhaps he has not had the time to focus on the impact of successive years of budget cuts here and the impact of people leaving university service due to early retirement and layoffs. It would be very easy to spend more than ten times the \$10 million here in an effort to catch up with some of the backwards steps we've made in the past few years. So I was very disappointed in that, but I'm very optimistic that when the legislature reconvenes in January, that that will be one of the vetoes that is taken up. I believe the legislative leadership is committed to overriding his veto, and I believe that that will happen in a fairly strong bipartisan way as well. I was very surprised that he did that, because the reason for putting that money back in the supplemental budget was to try to bring some equity to the level of cuts between the state and community college system and the university system which was more severe. The \$10 million gets us about halfway to closing that gap. We could've gone all the way, but we are still in a difficult financial situation. I just think it was very shortsighted of the Governor, and I think it probably says a lot about his view of public higher education. He hasn't quite yet grasped what it's all about. I hope that when we see his budget submissions in House One in January, we will get a clearer understanding of where he stands right now on the issue of public higher ed. On the contracts issue, we're also very troubled by what he has said and what he hasn't explained very thoroughly about his comments -- that he views this less as a long-term contractual obligation than a bonus of some sort because higher ed employees have gone without raises for so long. It's a very puzzling comment. Clearly, the intent of the legislature is that that money gets built into the base appropriation that should be coming to the University and all of higher ed for fiscal year 2005. To do any less would mean serious further cuts that would have to be made on this campus. So, I think, if the Governor follows through on these initial comments he has made, he is in for a real battle with the legislature over that. Again, we've used the word "commitment" a lot in this struggle, and I think that the majority of the legislature -- both Democrat and Republican -- feel very strongly that this was a significant downpayment on a long-term commitment that we plan to follow through with regarding funding in the base appropriation for the University and a commitment to continue working towards achieving the earliest possible resolution of the retroactive issue. So we will know more about the Governor's true intentions in about a month from now, when we do see his budget. I did hear today that his Secretary of Administration and Finance, Eric Kriss, met with community college presidents his morning and indicated that they may see some additional increase in their appropriations in House One, but there was a reaffirmation of the Governor's intent not to fund the contracts at the community college level. Tomorrow he is meeting with the state college presidents and will be delivering a similar message. I think the battle lines are drawn and the stage is set to deal with that issue early in the new year.

So what are we looking at as we look towards fiscal '05, which will kick off when the Governor releases his budget? I think we're looking at an improving economic situation in the state. Tax revenues are coming in higher for the first five months of fiscal '04 than anticipated at a pretty good clip -- about \$250 million or so over our expectations for fiscal '04. While it may be very tempting to want to spend that money right now, we really need to keep hold of it for fiscal '05 because we do face a structural deficit in the commonwealth that, by most accounts, will give us a shortfall for fiscal '04 with at least \$1 billion. That's a lot of money, but it's not the \$2 billion we were dealing with in fiscal '04, and it's not the \$2 billion for the next fiscal year that most people were thinking we would face just a couple months ago. The Senate

Chair of Ways and Means came out with a very thorough analysis of where he thought the budget would be going in fiscal '05 and had very good reason to think we were looking at a \$2 billion shortfall, and that's on top of the \$3 billion in cuts that have been made to the state budget over the last couple years, in addition to the almost complete use of our \$1.2 billion dollars or so in reserve fund. We have seen a complete free-fall in state tax revenues which we're, just now, going to recover. We're probably facing one to two more difficult years which, with the budget season starting, indicates to me that we probably can't expect any significant increases in appropriations in any particular area. We have the areas of the budget that have been driving increases -- which are Medicaid, Debt Service, and Pension obligations -- really driving our shortfall at this point. With revenues declining, those are areas of the budget that increase which we have very little control over. There is not much we can do about something like Debt Service. We can refinance some of our long-term debt, and that's been going on. We can delay our obligations into the unfunded pension liability, and that's going to be on the table this year, but it has long-term consequences. We're supposed to fully fund our pension system, which is important to all of you who will someday avail yourselves of that system. It's supposed to be fully funded by 2028. We can delay that, but we do that at a cost; we lower the cost of what we're paying now into the pension system to free up some cash that would be used in our operating budget, but we simply make it a more expensive proposition in the long-term and delay by a decade or so when we get to fully funding that unfunded liability. So that has long-term issues for capital spending in Massachusetts in the rates we pay when we borrow for capital improvements and so forth. It's a very serious matter. Some people think it's ok to do that, others don't. I think it will be a big part of the budget debate this year. I do think we have a reasonable shot at holding a line against any further cuts this year. I wouldn't be surprised if the Governor's budget might have a level-funding component absent the commitment to the contracts. It may look like level funding, but last year the Governor's budget had a lot of gimmicks in it that made it look like it was a balanced budget, but it really wasn't, because a lot of the savings that he projected were not real savings. They had to do with what I would call "gimmick-y" types of accounting tactics and also major reorganization proposals he had made, particularly in higher education at the state community college level but also in the court systems. Those numbers just didn't really materialize. He was proposing, in his House One budget last year, that there would be about \$2 billion worth of savings that he could then allocate to meet some of our other operational obligations, but that just never happened. I suspect we may see a similar tactic from him coming out in January, and it's up to us and the legislature to actually sift through what's real and what isn't real and come up with a responsible budget, but I don't anticipate seeing a lot of increases.

Therefore, what does that mean for you folks? I think we would be very lucky if we could hold the line on any further cuts. Doing that is going to take an awful lot of work on your behalf -- directly and indirectly through us and the legislative delegation -- but I was very heartened this year by the effort you all put forth toward the contracts. The unity with other collective bargaining units throughout higher education was an important example of what can be accomplished when people work together. I think that's important to do for fiscal year '05 when we're talking about the appropriations to the University. If we could shift that kind of lobbying effort and focus onto the operating budget for the University, then I think we could probably hold our own this year and maybe even see an increase in the budget because, in fact, higher ed has been cut more deeply than any other single component of the state budget over the last three or four years. So there is some catching up to do. There is an awfully good argument to be made that even though we're not out of the budgetary woods yet, if we could begin making some strategic investments into the areas that were cut the deepest, then this is a good year to do it as revenues are beginning to climb a little bit and we're looking at perhaps being out of the fiscal crisis in, say, fiscal year '07. We're not talking about big increases, but I think it's worth the effort -- especially the effort for you to stay organized with your colleagues around the state and also with the other unions here on campus. If we can get them to be as motivated about the operating budget as they had been about fulfilling the commitment on the contracts, I think this was a very successful effort that we can build on. Many more of my colleagues are aware today of higher education and what's going on around the commonwealth campuses right now than they were five or six months ago. I think you've heard a number of us say, over the years, that higher education is not high on the radar screen for an awful lot of our colleagues. That's unfortunately true, but we have an opportunity now to build on the success of this latest lobbying effort and move into the budget season in January.

So that's my advice: to try to stay organized and to work with all of us in the local delegation. Speaking of the local delegation, there is a reception with most of us from the Hampshire / Franklin area this afternoon from 4 to 5:30 that is being hosted by the campus unions over in Campus Center 101. You're all welcome to stop by and say hello to any of the senators or representatives from the area. It's just a very informal kind of gathering with the intent of the union leadership to thank the delegation for our efforts and talk about where we go from here. So I just wanted to throw that little advertisement out there in case you have time to stop by after this. I'd be happy to take any questions or comments now if we have time.