Higher Ed Officials Testify Against Attack on State Colleges

The following analysis of the Romney plan was compiled by the MTA Governmental Services Division.

The Governor’s FY’04 budget makes massive changes and serious cuts to public higher education and targets state employees rights and benefits in significant ways:

**Higher Education Reorganization**

While the Governor built into his budget appropriation levels to coincide with his intended reorganization plan, he did not include the reorganization plan in the budget. It appears that he will put forward a detailed reorganization plan later in the year. Most assume that it will be released before May as part of his Article 87 attempt to force the Legislature to forward a detailed reorganization plan later in the year. The press has reported that issue differently.

1. A new Secretariat of Education will be created to oversee the regionalization of higher ed. —G.
2. Higher education will be regionalized and administered by Regional Coordinating Councils comprised of educators and local employers. Each campus will be overseen by an independent Board of Trustees. The Councils will help coordinate education policy in each region. The chair of each Council will be a voting member of a new, expanded Board of Higher Education, including eight other gubernatorial appointees.
3. The Governor reintroduces Tuition Retention so that campuses will retain 100% of their tuition and fees and calls for increases in tuition and fees at every campus in the system (5%–15% in-state and 20%–28% out-of-state).
4. All state and community college campuses and 3 UMass campuses (Lowell, Dartmouth and Boston) will be consolidated within the new regional system. UMass Amherst will operate as a “Commonwealth-wide institution outside the regional design.” In their press release, the Governor’s office says that UMass Amherst will not be privatized. The press has reported that issue differently.
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6. According to Romney’s press release, UMass Medical, the Mass College of Art and the Mass Maritime Academy will be privatized over a four year period. At the 2/27 meeting of the Board of Higher Education, Peter Nessen, the new Secretary of Education insisted that these three schools would in fact not be privatized. Rather, he asserted, they would be state-assisted while allowed to grow in size, enrollment and tuition.
7. The campuses he plans to merge are: Berkshire Community College with the Mass College of Liberal Arts; Greenfield Community College with Holyoke Community College; Mt. Wachusett Community College with Fitchburg State College. The Governor has not provided any details of what these consolidations will look like. The Governor’s office insists that they do not intend to close any campuses.

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The chart in the column below, “How the States Rank,” illustrates the one-year and two-year changes in the amounts individual states allocated for higher education. The one-year change of a decrease of 2.8% landed Massachusetts at number 42. However, combined with a decrease the year before, Massachusetts absorbed a two-year higher education funding decrease of 8.2%, giving it a two-year ranking of 47th among the 50 states.

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MEASURING UP: A History of Taxes and Spending in Massachusetts

EXECUTIVE SUMMARY

Measuring Up provides a comparative context for policymakers to consider as they weigh a range of options for resolving the Commonwealth’s fiscal difficulties. Specifically, this report compares Massachusetts to the other 49 states on the basis of the amount of revenue generated through various methods and the amount of spending devoted to certain program areas. In addition, it illustrates the manner in which the Commonwealth’s tax and spending priorities have changed over the last two decades.

The picture that emerges is one in which Massachusetts raises less and spends less than nearly any other state. Moreover, tax and spending levels have fallen more over the last two decades than in any other state. By FY 1979, Massachusetts stood out among the states for the commitments it made to educate its children, to protect its citizens, and to aid its families that were struggling to make ends meet. By FY 2000, it had fallen by a distance distinguished itself as one that had it fallen. The report analyzes combined state and local revenue and spending in fiscal year 2000, the most current data available from the U.S. Census Bureau. In particular, it measures state and local fiscal data relative to personal income in each state in order to facilitate useful interstate comparisons. The highlights of the report include the following:

State and Local Revenue

• Total state and local revenue constituted a smaller share of income in Massachusetts than in all but six other states; that is, Massachusetts ranks 44th among the 50 states. In fiscal year 2000, state and local revenue amounted to 19.9 percent of personal income in Massachusetts, compared to the national average of 15.5 percent. State and local revenue would have been $3.5 billion higher in FY00 if Massachusetts had been at the national average.

• Massachusetts also ranked in the bottom half of all states in terms of total taxes as a share of personal income. In the Commonwealth in FY00, taxes equaled 10.5 percent of personal income, compared to only half the overall national level of 10.8 percent and 30th out of the 50 states.

• While Massachusetts’s income tax collections, as a share of personal income, were higher than most states in FY00, its sales and excise tax revenue was nearly the lowest in the country. In fact, the only states with lower consumption taxes were the five states without any general sales tax at all.

• Over the last 20 years, Massachusetts has cut revenue more than any state in the nation. Indeed, Massachusetts ranked 7th in overall state and local revenue in 1979, but, by 2000, it had fallen to 44th. Over this 20-year period, state and local revenue fell by 10.3 percent, while, nationally, state and local revenue grew by 13.1 percent.

State and Local Expenditures

• Since a state’s level of spending is, to some extent, a function of the level of revenue it raises, it should come as no surprise that Massachusetts ranked 45th in terms of total state and local spending in FY00.

• Massachusetts spent less as a share of income on elementary and secondary education, on higher education, and on education overall than virtually every state in the nation in FY00. In fact, Massachusetts ranked 49th on overall spending on education, 49th on spending for elementary and secondary education, and 49th on spending for higher education (Figure 1).

• Massachusetts also ranked exceptionally low in terms of spending on wages and salaries for state and local government employees (such as teachers, firefighters, and police officers). Massachusetts placed 47th in this category in FY00.

• The change in spending between 1979 and 2000 is stark. In FY79, Massachusetts direct general expenditures stood at 18.8 percent of personal income, but fell to 16.5 percent by FY00. In contrast, spending, in most states grew during this period, with the national average rising from 16.5 percent in 1979 to 16.6 percent in 2000. The drop in spending relative to personal income in Massachusetts during this period exceeded that of all other states (Figure 2).

• Nowhere was this drop in spending relative to the size of the economy more disturbing than in education. Between 1979 and 2000, spending on education in Massachusetts relative to personal income plunged by 18.4 percent, despite the implementation of education reform during the latter half of the 1990s. Only Arizona saw a sharper drop in school funding between 1979 and 2000 (Figure 2).

These data are critical in understanding the roots of the current fiscal crisis. In demonstrating that spending overall, as well as spending in key areas, is significantly below the national average, this analysis makes clear that excessive spending is not the cause of multi-billion dollar state budget deficits. Instead, low levels of taxation and other sources of revenue—levels that have fallen dramatically over the last two decades—must be addressed if Massachusetts is to gain the degree of fiscal stability while improving its ability to invest in the future. This analysis will help voters and policymakers alike evaluate recent charges that Massachusetts will once again become “Taxachusetts” if any of the tax cuts enacted during the 1990s are reconsidered in light of the current budget shortfall. With total own-source revenue in Massachusetts almost 12 percent below the national average, the chance of Massachusetts becoming a high-tax state appears remote.
March 2003

Perspective 3

It Wasn’t Spending…

Large Tax Cuts in 1990s Led to Current Crisis

Although some claim that the state budget crisis is a result of state spending growing too rapidly in the 1990s, a new study shows the opposite is true. State spending as a share of personal income actually dropped between FY91 and FY02; at the same time large tax cuts reduced state revenues, creating a structural deficit. Highlights of the study (Trading Places: The Role of Taxes and Spending in the Fiscal Crisis) include:

- Over the past 12 years the government took a smaller and smaller portion of taxpayers’ money. After adjusting for inflation, personal income grew at an average rate of 2.6 percent per year between FY91 and FY02, while state spending only increased by 2.3 percent annually. This trend is the opposite of what happened in the 1980s, when spending grew faster than personal income.

- Not only did overall spending grow slowly, but after adjusting for inflation large areas of the budget actually experienced cuts during the decade. For example:
  - Spending on cash assistance dropped by 61 percent between FY91 and FY02.
  - Funding for mental health programs decreased 5.9 percent per year.
  - Support for housing and other community development programs was cut by $120 million, or 57 percent, over the decade.

- Ninety percent of new spending fell in two areas: K-12 education and health care.

- Compared to the rest of the country, Massachusetts cut government spending (measured as a percentage of personal income) more than any other state in the nation during the 1980s and 1990s.

- As a share of personal income, only five states spend less on state and local services than Massachusetts. Only three states spend a smaller portion of personal income on public employees.

- Massachusetts is 42nd in the nation in public employees per capita.

- The primary state response to the booming economy of the 1990s was tax cuts, not spending increases. Large and ultimately unaffordable tax cuts implemented during this boom reduced state revenue by $3.7 billion a year. As a result, the state is facing a deficit of $3 billion in the approaching 2004 fiscal year.

Trading Places is available on the MBPC website: www.massbudget.org

QUOTE OF NOTE: Save the MMA

“We’re open minded about many of Governor Mitt Romney’s ideas for reorganizing state government...but let’s not privatize the Massachusetts Maritime Academy...We cannot imagine a private company taking on the investment of the Buzzard’s Bay campus and keeping tuition costs within the reach of state residents. Without a state subsidy, tuition could climb from $11,500 a year to $30,000.”
— Cape Cod Times, March 1, 2003
8) Of the $94m the Governor intends to raise from education MTA Board members, and the staff of the retirement system from a defined benefit plan (pensions announced that he will propose to change the state re-

4) HELC opposes the privatization (however called) of the Massachusetts Maritime Academy and the Massachusetts College of Art.

5) HELC opposes the dismantling of the University of Massachusetts system and supports the current governance structure for UMass.

6) HELC opposes tuition retention unless, at the least, it is accompanied by a guaranteed foundation budget and the state commits to paying for tuition waivers granted to numerous state and city employees through their collective bargaining and grievance mechanism.

7) With respect to regionalization, HELC recommends regional seats on the Board of Higher Education and opposes the creation of seven new regional boards.

8) HELC supports the significant amount of resource sharing among the campuses that exist now and that could increase under current statute.

9) HELC opposes increased tuition and fees because this reduces “access” and “affordability” to students. It places an unfair tax on the backs of students.

10) HELC opposes any further shifting of health insurance costs to state employees. The proposed increases would be at best a 65% increase and at worst a 465% increase in employee contributions (on top of unfunded health education contracts).

11) HELC opposes the Governor’s attempt to gut Chapter 150E, the collective bargaining law. The current law provides basic protections for working people and public employees, prevents patronage and provides a vehicle for a healthy working relationship between the employer and the unions.

12) HELC opposes the Governor’s proposal to change the state pension plan from a defined benefit plan to a defined contribution plan. There was also a consensus of opinion on two other related issues.

1) Because UMass-Worcester (the medical school) is not represented in MTA or MPT, HELC does not take a public position on the Governor’s proposal to privatize it. However, as individuals support maintaining a state institution because it does provide an affordable option to students pursing medical education.

2) HELC believes that the presidency of William Bulger is a matter for the UMass Trustees to decide and that personalities and politics should not come into play in possible reorganization schemes.

---PVM

Romney’s Higher Education Plans continued from page 1

8) Of the $94m the Governor intends to raise from increased tuition and fees, 40% of it (approximately $44m) is to be set aside as additional financial aid for Massachusetts residents in need.

Higher Education Budget Accounts

Unfortunately, it is impossible to present a higher ed line item by line item comparison of Romney’s proposal to this year’s FY’03 budget because the Governor’s budget is presented in terms of its reorganization plan. Under a plan, a lump sum appropriation would go to the Board of Higher Education and they would distribute the funds to the colleges based on enrollment and “performance.” Under the Governor’s newly configured higher education budget, higher ed campuses would have over $150m less to spend in FY’04 than in FY’03 and the library and reference materials account would remain at the equally pathetically level of $1.2m.

Employee Rights and Benefits

The Romney Budget advances a number of recommendations that represent a severe reenactment in the area of employee rights and benefits that affect both K-12 and Higher Education employees. These include:

Collective Bargaining

Several budget sections eviscerate the public employee collective bargaining law affecting all public employees including everyone in K-12 and higher education. The budget proposes to diminish significantly the number of public employees eligible for collective bargaining protections and to narrow the scope of bargaining.

The budget would make it illegal to bargain over many matters incorporated currently into collective bargaining agreements including seniority, longevity, staffing levels, training, and subcontracting. Contracts could not protect employees from unfair dismissals in most cases and in the limited areas where arbitration would be allowed, the burden of proof would be transferred from the employer to the employee.

Fort justly, the budget defines supervisory and managerial employees so broadly that most members of MTA’s APA (Association of Professional Administrators) who work at the state colleges would be ineligible to join a collective bargaining unit even with the diminished rights outlined above. Classes of employees such as department heads in schools and colleges might be affected and possibly even teachers and faculty who supervise aides or graduate students.

Pensions

After release of House One, the governor announced that he will propose to change the state retirement system from a defined benefit plan (pensions based on age and years of service) to a defined contribution plan (pensions based on the success or failure employee contributions to an investment plan such as a 401k or 403(b)). Presumably, this proposal, if adopted, would not affect state employees who are vested in the current system but would have serious implications for less senior employees.

The allocation to the state employee/teacher pension fund’s that would continue the amortization of the funds liability is decreased by $144.5 million from FY’03. Proposed to make up the gap is a provision to transfer ownership and control of up to $180 million in surplus real property to the fund’s managers.

State Employee Insurance Premiums

The budget for group health insurance benefits is reduced from $744 million in FY2003 to $718.6 million for FY2004. This reflects a decrease in the employee’s share of health insurance premiums from 85% to not more than 75% and an increase in the state employee’s share from 15% to at least 25% if the least expensive plan is selected. Employees selecting indemnity coverage would be forced to pay any amount of the premium.

The budget for a “health and wellness reserve for higher education personnel” is funded at $4.4 million. The FY2003 budget provided $3.2 million but called a reserve for “eligible personnel employed at the community and state colleges.” The rationale for changes in the appropriation and description is not known at this time.

Retiree COLA

There is no reference in the Romney recommendations that authorizes the granting of a COLA in FY2004 for retired teachers and state employees.

Civil Service

The budget proposes to repeal Civil Service for those local and state employees currently covered. The governor states that “collective bargaining and general employment law now provide employees with extensive protections against arbitrary dismissal.” Please note the Governor recommends (see above under “Collective Bargaining”) that key collective bargaining protections including fair dismissal rights be repealed.

Outsourcing of State Employee Jobs

The budget proposes that the Pacheco law which prohibits the unchallenged outsourcing of state employee jobs to the private sector be essentially repealed.

NOTE: Because of the proposed budget’s vagueness, even insiders in some instances, it may be some time before any full ramifications of proposed statutory changes are known. The governor has stated he will submit a detailed reorganization package later in the spring.