UMass Budget and Finances

let’s talk big picture + plans

Mid Spring 2021
Mo’ Money

UMass and the Commonwealth were in good shape financially pre-pandemic!

Post-COVID relief (CARES ‘20: $2.2T, Dec ‘20: $900B, ARP ‘21: $1.9T) and future stimulus: even better.
What’s a budget?

and who writes it?
and how is it presented?
and who is affected by it?
...and so on...

- An impartial accounting of assets and liabilities?
- A best-effort projection of future income and expenses?
- A list of judgments?
- A statement of priorities?
- A political document?

Some of each!
Some context on the UMass budget

In the recent past:

- Furloughs (other units), rejected salary cuts (MSP), and VSIP/hiring freezes (all units)

- FY21: ~7.5% one-time cuts over the “usual” 5%* base cuts

Further back:

- $30M surpluses most years, but low raises & no merit

* in “normal” times, base cut + reallocation is “usually” smaller:
  ~2%
UMass System has run surpluses for years
UMass *Amherst* accounts for most of the surplus!

Thanks for the furloughs!
Money in the bank; students and faculty in the tank

State allocation to UMass, inflation-adjusted

Shrinking per-student!
Money didn’t go to lavish raises...

2015: 3.5% (2.1 Across The Board, 1.4 Merit)
2016: 4% (2.1 ATB, 1.9 Merit)
2017: 2% ATB, no merit
2018: 2% ATB, no merit
2019: 2% ATB, no merit
2020: 0%, no merit

>$150M in surpluses were run @ UMass Amherst during this time period.

No year ended in a deficit.
Furloughs: How did this happen?

Staff agreed to take furloughs in a good-faith compromise based on projections from the administration and BoT.

Many staff ended up furloughed for three weeks — a 6% pay cut, and work not done or shifted to others.
Furloughs: Why did this happen?

• They said we would have a 5% drop in fall enrollment
  • WRONG — only 0.5% drop
• They said we would have a 10% cut in state funding
  • WRONG — no cut in state funding at all, level-funded!
• They said we couldn’t count on federal relief funds
  • WRONG — Three relief acts have passed!
Furloughs: Why mightn’t this have happened?

Board of Trustees maintains multiple funds based on past years’ surpluses:

- >$323M in unrestricted funds
- >$125M in emergency reserves

Neither was tapped during pandemic!

Only for things like an “asteroid strike.”
Voluntary Separation Incentive Program (VSIP)

Since S20 reductions by unit:
- USA – 96 left
- PSU – 79 left
- AFSCME – 95 left
- MSP – 35 left

In total – approximately 300 left.

Approximately zero replaced — meanwhile 350+ “temporary” (non-unit) employees on campus.
MSP pay cuts: Why didn’t this happen?

Swamy, by way of John McCarthy and Deborah Gould, told us in December faculty/librarians needed to take cuts of $6.3M to balance the FY21 budget.

Congress was debating a relief bill at the time. We consulted members and rejected the administration’s proposal. Congress passed the relief bill shortly thereafter.

The December relief packaged sent UMass $28M, $18M of which for UMass to keep people employed (other $9M reserved for students).

($6.3M deficit) + ($18M unrestricted relief) ≈ $12M surplus for this FY
The future

Money into the system to be allocated to “strategic priorities.”

Raises and restoring full staffing are strategic priorities!
Who does the American Rescue Plan help?

American families

- Veterans
  - $17 billion

- Restaurant and bars
  - $25 billion

- Renters and homeowners
  - $40 billion

- Other
  - $45 billion

- FEMA disaster relief
  - $47 billion

- Farmers, small businesses, and other vital industries
  - $109 billion

- Vaccinations and health care
  - $176 billion

- Reopen schools and higher education
  - $178 billion

- Tax credits, aid, and child care for families
  - $219 billion

$1,400 checks
$424 billion

State and local aid (prevent layoffs and service cuts)
$350 billion

Unemployment insurance
$286 billion

What about the coming years (FY22, FY23)?

Campus will end this year (FY21) with ~$12M surplus.

The American Rescue Plan (just passed) is sending $50M to UMass for use across the next two fiscal years.

It’s also sending $4.3B to Massachusetts in unrestricted funds.

And the MA Fair Share will almost certainly pass (again!) in the next two years: $2B/year!

Meanwhile, all eligible adults (students!) will have access to vaccine by mid-summer and enrollments (and housing receipts) are likely to return to normal.

Yet the campus is proposing a 5% per-college budget cut (with smaller reallocation) for FY22!

The campus’s continued “caution” around the budget is unreasonable.
The deficit/surplus rollercoaster, summarized

UMass Amherst Campus:

Early Dec ‘20: Campus told us: $6M deficit → $6M deficit

Mid Dec ‘20: Campus gets $18M from feds (+ $9M more earmarked for students) → $12M surplus

Mar ‘21: Campus receives $50M from feds for use over next two and a half years → $62M surplus (carried across 2+ years)

Massachusetts:

Mar ‘21: State receives $4.3B from feds → don’t cry about the state budget

The near future: Fair Share / Millionaire’s Tax

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Broadly, economy is likely to be booming

Back on track to pre-pandemic levels! ... with a President and Congress who appear to value broad prosperity.

Inflation is a risk they’re willing to run. And we should have decent ATB raises to account for it -- and to make up for years without!
Boom boom shake the room

We can’t know the future, but the CBO is projecting 5.5% growth in US the next fiscal year.

Some analysts (Goldman Effing Sachs) are more optimistic: 7.5% or greater!

Build Back Better / Green New Deal / etc. is very likely to pump even more money into the economy — two more (!!!) budget reconciliation bills this year!

Eight months through FY21, MA has collected $19.5B in taxes, $1.1B more than it did during the same eight pre-pandemic months of fiscal year 2020. The last month Massachusetts saw a year-over-year decline in tax collections was September.

There is NO REASON the Commonwealth and University continue to embrace timidity or austerity, after doing so unnecessarily for the past 5+ years!
What do we want? **EVERYTHING!** Raises and full staffing!
When do we want it? **NOW! FY22-23!**

Doing nothing — that is, accepting the administration’s negative-sum budgeting and reallocation at face value — is an easy option (especially in CICS, Engin, ISOM) but not a neutral one!

I think we should be talking, lobbying, agitating, marching, etc. for:

- Raises
- Full staffing (campus-wide)
- A broad vision of accessible, affordable public higher education:
  - Commit to **higher** per-student state spending;
  - and to **lower** tuition for in-state students!