



TAUP BULLETIN

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Temple Association of
University Professionals

Temple Finances and the TAUP Contract

TAUP has spent a good deal of time studying Temple University's annual financial statements (found at http://www.temple.edu/controller/treasurer's_reports/).

What we have found indicates that Temple has had healthy growth, has come to rely less on state appropriations for revenue, and has steadily reduced the proportion of spending on instruction over time. We believe that Temple has sufficient funds to pay for our economic proposals. The faculty and staff represented by TAUP perform the core functions and missions of the University. We deserve a better share of Temple's budget pie.

The accompanying tables give plenty of food for thought and discussion. TAUP welcomes responses from our members and discussion with Temple's management. In fact, we have asked for a meeting with CFO Anthony Wagner. Hopefully, the TAUP and Temple negotiating teams will be able to arrange that soon.

Figure 1 (Page 2) illustrates the growth in Temple's "Unrestricted Net Assets", which are defined in the financial statements:

Unrestricted: net assets not subject to donor-imposed restrictions. These net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Expenses are shown as decreases in unrestricted net assets.

Unrestricted assets are distinct from those restricted by donors for various reasons. They include cash, investments, land, buildings, accounts receivable and several other categories. Some of them are liquid assets; others

are not. From 2007 to 2008 unrestricted net assets grew by over \$227 million (22.4%), from a combination of operational surplus, investment increases, grants from the Commonwealth of Pennsylvania, and other sources. Over time the growth in these assets (almost 110% from 1998 to 2008) indicates a healthy, growing institution.

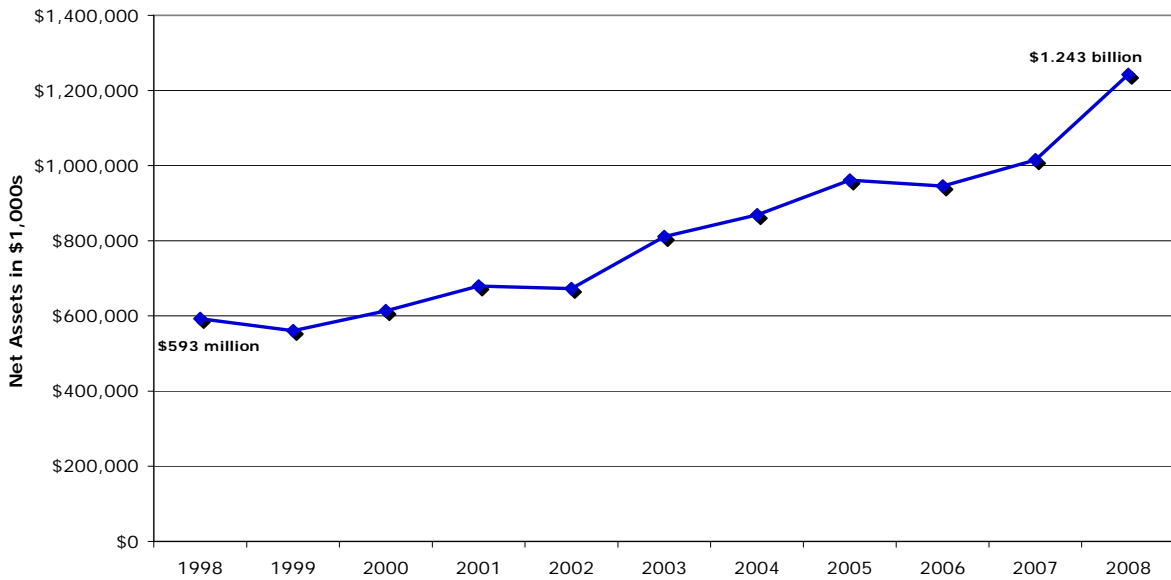
Figure 2 (Page 2) looks at two of the main sources of revenue for the work that the faculty do: tuition and state appropriation. Over the 10 years shown, tuition revenues grew by 126.4%, while state appropriations stagnated, growing only 8.4%. In fact, in several years (AY2002, AY2003, AY2004, AY2006, the appropriations were cut by anywhere from 2.4% to 4.6%. This fall, Governor Rendell has indicated there will be further cuts of at least 4.25% and maybe as much as 6.6%, though their full depth is not known yet. As Figure 2 indicates, Temple relies much more on tuition revenue than on state appropriations. As a combination, however, these two sources of revenue grew by 74.3% over the 10 year period

In Figure 3 (Page 3), we track the changes over the 10 years in revenue (combining tuition and appropriation) as well as expenditures that Temple reports as "Instruction," which is a subcategory of "Educational & General" (E&G). A gap has grown between these revenues and these expenditures. E&G almost matched the revenues in 1999 but is somewhat less now: A \$17 million gap in 1999 grew to a \$40 million one in 2008. A greater and growing gap appears between Instruction and Tuition + Appropriation: from \$126 million in 1999 to \$277 million in 2008.

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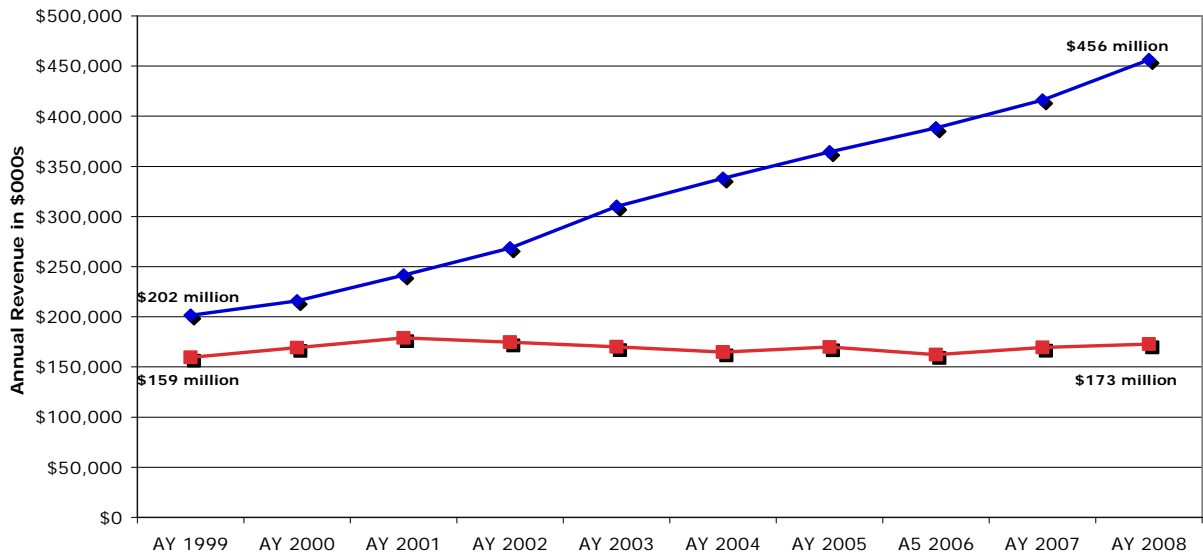
Figure 1: Total of Unrestricted Net Assets

as of July 1 of each year



Source: Temple University Financial Statements 1999 to 2008
http://www.temple.edu/controller/treasurer's_reports

**Figure 2: Trends in Revenue
Tuition vs State Appropriation**



Source: Temple University Financial Statements 1999 to 2008
http://www.temple.edu/controller/treasurer's_reports

◆ Tuition Income ■ State Appropriation

Figure 3: Tuition plus Appropriation Revenues vs Expenditures: E&G and Instruction

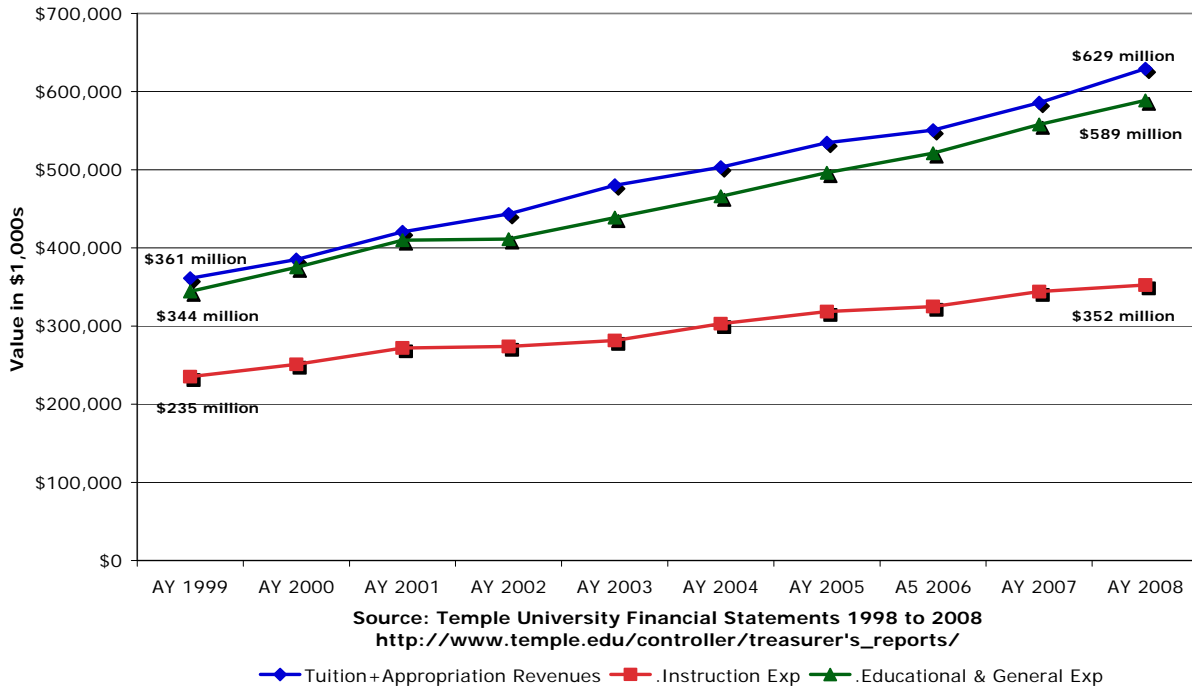
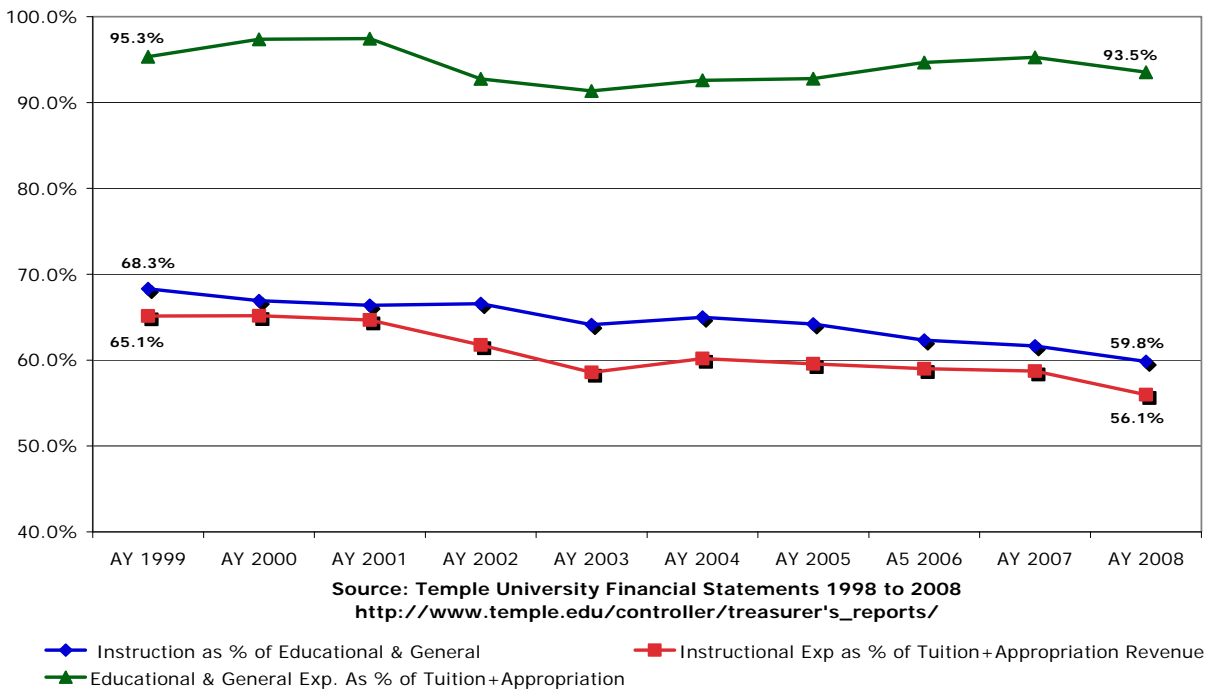



Figure 4: Instructional Expenses as % of Revenues (Tuition+Appropriation) and of E&G Expenses



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(Continued from page 1)

Figure 4 (Page 3) shows the same information but as ratios, so we can track the relative changes. While E&G expenditures have pretty much kept pace with revenues, Instruction has declined, relative to both revenues and total E&G spending.

Why has Instruction spending gone down, relatively speaking? This might happen when enrollments decline, but Temple's enrollments have been growing for years. It might happen if the teaching workload of faculty is increased or if class size has increased – to create greater "efficiency." This we can only speculate about because we do not have the data. Or such cost efficiencies could happen if other faculty costs go down, such as having less expensive faculty. In fact, over the past 10 years, Temple has gone down this route by more than doubling its proportion of NTTs to the current 35-40%. NTTs have lower salaries, a much smaller pension benefit, and generally have greater teaching loads.

Even beyond the NTTs, the faculty at Temple have received smaller pay increases on average, over the past four years, than faculty at other institutions surveyed by the AAUP in their annual report. While our increases have been 3.75% (including a .75% bonus that did not go to base salary), the AAUP reports that continuing faculty all over the country were receiving 4.5%, 4.4%, 5.0% and 5.1% in the years 2004-2008.

Meanwhile, the *Chronicle of Higher Education* just reported the salaries of university presidents. President Hart's salary as of June 30, 2008 was \$492,900 and her total compensation was \$572,900. These figures represent a 6% increase in salary and a 13.4% increase in total compensation from June 30, 2007.

The current economic environment looks pretty scary with the stock market plunge, the credit crisis, rising unemployment and no end in sight for these trends. These trends affect us all and Temple's finances as well. However, as an attractive high-quality, lower-cost alternative for students, there is a likelihood that Temple's enrollments, like those of other public institutions, will not suffer too much. Temple's endowment funds are modest compared to our peers, so they do not provide a large proportion of operating revenue anyway, even if their value is decreasing along with other equities. Higher education tends to be less sensitive to economic downturns, as individuals tend to enroll in greater numbers when their futures are uncertain.

TAUP thinks that this is the time for Temple to use its resources to improve the economic situation of its faculty. Our salary proposal is about 2% more than what Temple is offering per year. Currently, each 1% of salary equals a bit over \$1 million. We think Temple can find more money for our contract, can remedy some of the decline in instructional spending and can insure labor peace.