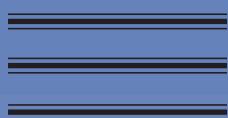

April 2010

"Academic freedom for a free society"

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Report on Collective Bargaining

The AAUP Bargaining Team has had four meetings with the University's Management Team since the first organizational meeting on February 18. Over the course of these meetings, proposals presented by the AAUP have been discussed and have been subject to a variety of counter proposals by both negotiating teams. At a March 24 Steering Committee meeting, the AAUP team provided Steering Committee members and departmental representatives with a summary of the current state of negotiations that generated a thorough discussion of specific proposals and counter proposals. The next bargaining session, initially scheduled for April 5, has been rescheduled by the University team for April 12. We hope that both the pace and urgency of the negotiations will pick up as we move forward.

The bargaining sessions have been collegial and have been focusing on a wide range of issues, some of which appear to be close to tentative agreements between the two bargaining teams. There is a tentative agreement on requiring the University to provide advance information on contract renewals for tenure track and nontenure track faculty by October 31 of each year. AAUP proposals for leave for illness or injury and for enhancing the "stop the tenure clock" policy by including faculty members granted a leave of absence pursuant to the Family and Medical Leave Act are close to tentative agreement.

Progress has been made on including an Academic Freedom provision in the *Collective Bargaining Agreement* (CBA), on a proposal to clarify and specify relationships among annual evaluations, individual faculty members' workloads, and merit, and on more fully specifying Article XIII so that courses taught by persons who are not full-time University of Delaware faculty members can be more effectively monitored and regulated.

AAUP proposals on the use of Email by the AAUP, University funding for course reductions for faculty members as authorized by the CBA, clearly specifying relationships between assigned workload and promotion and tenure, and funding for salary equity have been the subject of counter proposals by both teams and require continued discussion and negotiation. In addition, the University Management Team has made a number of proposals that were discussed and acted on by the AAUP Steering Committee.

The AAUP Bargaining Team urges faculty members not to pay attention to

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rumors about ongoing negotiations. Questions regarding specific proposals should be addressed to either the AAUP Bargaining Team or AAUP Steering Committee members.

Assessing The Financial Condition of the University of Delaware

As we continue to formulate a salary proposal to present to the University, there are several core factors that are being considered. First, we consider comparisons to other institutions in our region. This has been important in formulating past salary proposals both in terms of where the University stands generally in relation to a range of comparators, and where it stands in relation to prominent institutions in our region to which all members of the University community aspire. Second, we consider the particular needs of faculty members. These considerations include the needs of faculty at different ranks as well as the expenditures that faculty incur through their ongoing teaching, scholarly, and professional activities. Third, we consider the financial condition of the University of Delaware in order to make reasonable proposals that contribute to the status of the University, to fairness and to improved faculty morale.

In order to assess the University's financial condition, the AAUP Executive Council commissioned a report on the financial condition of the University by national AAUP. Dr. Rudy Fichtenbaum, Professor of Economics at Wright State University, prepared the analysis. Dr. Fichtenbaum serves as Treasurer of the Collective Bargaining Congress of national AAUP. He has prepared numerous analyses of a variety of higher education institutions. The report, *An Analysis of the Financial Statements of The University of Delaware, Academic Years 2004-2009*, is available on the UD/AAUP Web Site (<http://www.udel.edu/aaup/>).

As indicated in its title, the report focuses on University of Delaware's financial statements for a five-year period, from 2004 through 2009. The report stresses the importance of focusing on actual revenues and expenses and actual cash flows rather than on budgets to determine the University's financial condition. While a budget is a plan and a statement of priorities, financial statements provide a picture of the actual flows of cash and actual sources of revenue and where they are allocated. In a sense, budgets are like proposed diets and financial statements are like what is actually consumed. The report also stresses the importance of looking at the University's financial condition over a period of years rather than at a single moment in time. In this way, it is possible to consider trends in order to understand how financial performance has changed over time. In addition, it is important to keep in mind that the report is based on fiscal year financial statements. Fiscal year 2009, for example, began on July 1, 2008 and ended on June 30, 2009. Finances for fiscal year 2009 reflect the depth of the current recession. The report does not reflect the rebound in the value of common stocks, the decline in state support, or the tuition and fee increases that have

AAUP Voice

Gerry Turkel, Editor

The AAUP Voice is the official newsletter of the University of Delaware Chapter of the American Association of University Professors.

The Voice appears four times a year, twice in the fall semester and twice in the spring semester.

The Executive Council acts as editorial board. During contract negotiations or when otherwise warranted, Bargaining Team members also participate on the board.

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occurred since June 30, 2009.

The report analyzes the University's finances by focusing on three financial statements: (1) the balance sheet which is composed of assets, liabilities, and net assets. The balance sheet gives a snapshot of the University's financial condition at one point in time; (2) the income statement which is composed of revenues, expenses, and changes in net assets. The income statement measures how revenues and expenses are changing over time; and (3) the statement of cash flows which shows the revenues that the University books and the expenses it incurs. This shows inflows and outflows of cash. The report also looks at trends and ratios that indicate the University's financial performance.

In looking at the University's assets and liabilities, the report concludes that the University is in a strong financial position. Its ratio of assets to liabilities in 2009 was 1.81. This means that the University had enough current assets to cover 181 percent of its current liabilities. In this analysis two items are of particular interest. First, the University experienced a decline in total assets of \$400 million between 2007 and 2009, mostly due to declining values of endowment and investment funds. In 2008 endowment and other investment funds declined to \$1.4 billion and then to \$1.05 billion in 2009. However, since the S and P 500 index increased by more than 30 percent since July 2009, it is very likely that the University has recouped a substantial portion of these losses. Second, liabilities also increased in recent years due to bonds and notes coming due and to postretirement benefit obligations.

Several other indicators of the University's financial condition show that it is in a strong position. The debt to revenue ratio is modest and has not changed much since 2004. Although liquid assets declined due to the collapse of financial markets in 2008 and 2009, the University still had \$957 million in liquid net assets at the end of fiscal year 2009. The report provides the following summary of the University's assets and liabilities:

A very high proportion of the University's endowment is held outside of permanently restricted net assets which is very unusual and gives the University more financial flexibility to deal with unexpected changes in revenues and expenses. The University also has relatively little debt and its reserves, relative to operating expenses, are relatively high (Italics added).

Other important dimensions of University finances are revenues and expenses. Between 2004 and 2009, operating revenues increased annually by 5.5 percent. The most important source of this increase is tuition and fees which increased an average of 6.3 percent per year. On the expense side, operating expenses increased by 5.4 percent per year from 2004 to 2009. Instruction, one component of operating expenses, increased on average by 4.7 percent. Overall, the net income of the University increased from \$16.3 million in 2004 to \$27.6 million in 2009. Such fluctuations are to be expected. The positive trend is an indication of the University's financial health. As the report states, “ . . . When all is said and done the University is running a substantial cash surplus every year.”

The report provides an important analysis regarding compensation:

. . . Wages, benefits and post retirement benefits for instruction and department research accounted for 33.6 percent of operating expenses in 2004 and 32.3 percent of operating expenses in 2009. Most of this represents compensation for faculty. If the percentage of operating expenses spent on wages, benefits and post retirement benefits in instruction and departmental research had remained constant University would have spent an additional \$9.1 million on instructional and departmental research.

While we await the comparative data from other institutions, the report on University finances provides a sound foundation for a well-reasoned salary proposal that meets faculty needs and enhances the status of the University.

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