UNIVERSITY OF DELAWARE FINANCES: "EXCELLENT"

In preparing for contract negotiations, the AAUP commissioned a financial analysis from national AAUP. The report concludes “the University of Delaware remains in excellent financial condition. The University has diversified financial sources of revenue, has a positive operating cash flow for the past nine years, still has relatively little debt, and has stable enrollment. Enrollment at the University has grown at an average annual rate of 0.6% between 2004 and 2011 and over the last 5 years it has grown at an average annual rate of 1.4%.”

In reaching this conclusion, the report summarizes the March 2013 bond rating given to the University by Moody’s:

Moody’s gave the University an Aa1 rating with a stable outlook. Why did Moody’s give the University this extremely high rating? Moody’s report states that the University is a flagship university with high non-resident enrollment. It has “good financial resources supporting debt and operations.” Moreover, Moody’s reports “consistently strong operating margins and cash flow generation.” Moody’s also notes that state funding has declined modestly but is expected to rise slightly in FY 2013. Finally, Moody’s sees the University as competitively positioned and has been able to strengthen the quality of entering students, because of its ability to attract out-of-state students.

The report, prepared by Dr. Rudy Fichtenbaum, Professor of Economics at Wright State University and President of national AAUP, was sent to members of the AAUP Steering Committee in advance of the Steering Committee meeting held on April 4, and it...

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was also sent to the Administration Bargaining Team. The report, *An Update Analysis of the Financial Statements of the University of Delaware, Academic Years 2004-2012*, is available on the UD/AAUP website (www.udel.edu/aaup/aaupreport-udfinances-2004-2012.pdf).

**Budgets and Financial Statements**

Many faculty members are concerned about the University’s finances because they focus on the budgets for their departments, schools, and colleges. As this report makes clear, focusing on budgets is not a good way to assess the University’s financial health. A focus on budgets, whether the academic budget for the entire University or the budgets for particular academic units, is misleading for two main reasons: (1) Budgets do not account for the ability of the University to transfer funds from one fund to another. Focusing on budgets gives a partial picture of the University’s finances; and (2) Budgets, like diets, are plans. They often do not fully account for actual revenues and expenditures in much the same way that a diet plan does not account for what an individual may actually eat.

Rather than focusing on budgets, this report analyzes in detail the University’s financial statements, including its balance sheet, income statement, and statement of cash flows. Several comparisons are especially engaging. In 2004, 37 percent of the University’s revenues came from tuition and fees, and 20 percent came from state operating appropriations. In 2012, 44 percent of the University’s revenues came from tuition and fees, and 14 percent came from state operating appropriations. While state funding has declined, tuition and fees have increased as sources of revenue. When we look at resource allocation, 46 percent went to instruction and departmental research in 2004. In 2012, 45 percent of resources were allocated to instruction and departmental research.

The report demonstrates that the University is in an excellent position to provide reasonable salary increases in order to maintain its competitive position with other institutions, and to recognize the faculty’s contributions in both enhancing the status the University and realizing the University’s educational and research missions.
JOIN AND SUPPORT THE AAUP

If you are not a member of the AAUP, and if you value the AAUP’s work, such as providing financial analyses of the University of Delaware, you should join by filling out and submitting the attached form.

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