

Temple's Latest Statement About Finances is Flawed and Misleading

TAUP's main goal is to achieve a fair and equitable contract. We do not want to engage in a name-calling or combat. However, Temple management is attempting to directly influence members of our bargaining unit regarding our positions and proposals. Their most recent communication was a blast email and a posting on their website. TAUP must respond to the many misstatements, obfuscations and misleading arguments made in these statements. Ironically, Temple says that they are correcting inaccuracies we made. Temple's director of news communications was quoted recently in the Temple News about their emails to faculty, saying that management wants "the entire community to have the latest, most accurate information." Temple's communications do not live up to that promise.

1. Temple sent an email today ostensibly correcting "inaccuracies in the recent TAUP Bulletin. Temple management claims that our graphs and analysis are based on incorrect information and assumptions.

TAUP's response : The data and information used by TAUP come straight from Temple University's financial statements from 1999 to 2008, available to everyone at http://www.temple.edu/controller/treasurer's_reports/. Unless the data there are inaccurate, we stand by the graphs. As noted below, Temple's message does not actually refute or deny the specific analyses presented in the TAUP Bulletin.

2. Temple : They "offered TAUP the opportunity to meet with Anthony Wagner ... as TAUP had requested."

TAUP : Actually on Tuesday, November 11, we had given them a written request for a meeting with CFO Wagner and with Jewell Gould, the DC-based Director of Research for the AFT. On Thursday, November 13, at our joint negotiating session the Temple negotiating team refused to commit to such a meeting. Finally, on late Friday afternoon, November 14, we received word through the state mediator that Temple would agree to a meeting but wanted it early the following week. We then contacted Mr. Gould and found that he was scheduled for surgery the following Monday, and he would be available to meet on December 1. We informed the state mediator, who relayed the message to Temple. The meeting has been scheduled for December 2. In addition, TAUP continued to negotiate by sending important messages through the mediator.

3. Temple : " TAUP asserts that Temple's unrestricted net assets grew by 22.4 percent from 2007 to 2008, to a total of \$1.24 billion. TAUP has failed to disclose that those figures are based upon Temple's consolidated financial statements, and include the assets of the Temple

University Health System, Temple University Hospital and other healthcare related entities.”

TAUP : Temple’s financial statements are indeed a consolidation of all of these entities. Despite what Temple implies, TUHS finances are not presented separately in these statements from the rest of the university. In fact, the Independent Auditor’s Report from Deloitte & Touche LLP, calls the combined entity the “University”. Temple’s statements do not distinguish between the assets of the University and TUHS or other entities. How can management accuse us of deception for using the only publicly available data they provide? If Temple reports the assets of TUHS and other subsidiaries separately from the rest of the “University” elsewhere, they should make those reports publicly available too.

Nevertheless, Temple’s statement does not even address TAUP’s major point that the net unrestricted assets have grown by 110% from 1998 to 2008 and by 22.4% from 2007 to 2008 and that the university is a healthy, growing institution.

4. Temple : Unrestricted net assets [excluding TUHS] are \$908 million and include \$527 million of equity in equipment and buildings.

TAUP : According to the balance sheet in their 2008 financial statement, “property, plant and equipment, net” amount to \$1.137 billion out of a total of \$3.176 billion in total assets. It is not possible to find the information Temple’s e-mail reports on Temple’s financial statement. In any case, TAUP clearly stated that unrestricted assets include cash, investments, land, buildings, etc., and that some are liquid and others are not.

5. Temple : “The remaining \$381 million [in unrestricted assets] has been committed as follows: \$119 million for capital maintenance and improvements, \$79 million to debt retirement, and \$173 million in designated education accounts.”

TAUP : The word “committed” does not imply any legal obligation, mandate or restriction. The allocation of these funds is a matter of choice. Sometimes in the past, Temple has used the terms “designated” or “reserved”, but these terms also refer to choices that can be changed.

Here is an analogy: You had planned for this year to buy a new car or to make improvements to your home. You had set aside a fund for these expenses. However, when other priorities came up, you decided not to buy the car or to make the improvements because you needed the money elsewhere in your family budget. If you need to slow down the retirement of your home mortgage, you could do that. You make choices about how to allocate your own unrestricted funds and so do Temple’s management and Board of Trustees. The question is what are the priorities? Compared to funding the instructional side of the university, what is the relative importance of these other areas? Furthermore, it is not at all clear what the capital improvements or the designated education accounts are.

6. Temple : “By comparison, the University of Pittsburgh’s unrestricted net assets are more than \$1 billion greater than Temple’s.”

TAUP : The UPitt comparison is irrelevant. TAUP did not compare Temple to any other universities.

7. Temple : Regarding, “the case for faculty support,” they say that TAUP “claims” that instructional spending has dropped over time, saying that we ignore Temple’s additional spending on research. Moreover, they say that other nondiscretionary expenses (benefits, utilities, debt service, and insurance, including malpractice) have demanded a greater

proportion of Temple's expenditures.

TAUP : First of all, Temple does not refute the data in the graph showing the decline in Instructional spending relative to revenues from Tuition and Appropriation.

Second, it is likely that additional spending on research is supported by additional outside funding of research. Indeed, we chose to compare Instruction to Tuition plus Appropriation, deliberately excluding other sources of revenue. Federal, state, local and private grants and contracts, another category of expenditure in the financial statement, could be given to Temple for a variety of reasons – research, services or instruction. Temple provides no breakdown of these sources in the financial statements. We excluded also contributions; investment return; sales; auxiliary enterprises (such as dorms, the bookstores, and intercollegiate athletics) and patient care activities (which come from TUHS).

Third, what is the connection between other nondiscretionary expenses and instruction? Instruction and research are primary missions of the university. Why would not the increases in spending demand a greater proportion of nonacademic spending? If Temple wants us to consider other expenses, they should make clear how they are allocated.

Nevertheless, malpractice insurance would most likely be charged against "patient care" revenues, not Instruction, would it not? Temple is trying to have it both ways, saying that TAUP inappropriately included TUHS in our analysis of unrestricted net assets, but themselves including medically related expenses here.

8. Temple : They say that TAUP "ignores" the other increases for promotion, increased compensation, and summer teaching pay. Further, they say that faculty salary has increased by more than 3.75% each year.

TAUP : Temple ignores that 0.75% of the supposed 3.75% each year has been a bonus, not added to base salary, so that base salaries increased each year by only 3%. Similarly, summer teaching pay does not increase anyone's base salary.

Still, a very small number of faculty each year receive promotions or increased compensation. TAUP does not know the amount paid for promotional increases; Temple has not reported it to us. All faculty did not receive the 3% average increase to base because not all faculty receive merit pay. Compare that to the more than 5% raise for faculty all over the country (AAUP survey) or to the 6% raise in base pay for President Hart.

9. Temple : TAUP downplays current fiscal reality. Dramatic reductions in state appropriations have already been imposed and more are coming. A recession will affect fund-raising and endowment incomes and will increase borrowing costs and financial aid requests.

TAUP : While we have not experienced a downturn like the current one in a very long time, dramatic reductions in state support have happened several times in the past 10 years and didn't hamper the University's ability to grow. Moreover, faculty and staff are not immune to fiscal realities either, a point we will get to below.

10. Temple : TAUP ignores the real needs of students. Temple students are dependent on loans and are cost conscious in college choices. There are cheaper alternatives to Temple.

TAUP : Our members carry out the critical instructional mission directly with students. It would be hard to ignore their needs. No question that many students will be hurt in the

general economic situation. However, this is no reason to undermine the needs of the faculty and staff.

We have been affected by the economic crisis. Most of us have two main sources of assets: retirement funds and our homes. In the past 12 months, our retirement funds in CREF have lost 40% of their value, as the market has crashed. Our house values dropped by an average of 10% in the Philadelphia area. This affects our credit ratings and our ability to retire and pay our mortgages.

In fact, they refused our proposal to help more faculty afford retirement – like the 75% for the transition to retirement plan. They have put ZERO on the table for pensions for NTTs.

They want to keep hiring faculty at the same low minimum salaries in place for the past four years, regardless of the 15% inflation over that time. In the financially strapped Philadelphia school district, new teachers with BAs are hired at a minimum of \$41,111. At Temple, 13 NTTs were hired as Instructors at \$40,000 since August 2007. New teachers with PhDs receive at least \$47,008 in Philadelphia. Since August 2007, two NTTs were hired as Assistant Professors or Lecturers at \$42,500. Temple refuses to increase these minimum salaries.

Meeting the needs of the faculty, who carry out the central academic activities of the university, should be a top priority for Temple's administration.

11. Temple : To keep fixed costs low, the university must be prudent. They estimate that their proposals would increase our compensation by 18.03% compared to TAUP proposal's 24.06%.

TAUP : Notice that they mention "compensation costs" not just salary. Are they including increases in benefits premiums or in payroll taxes? These are not part of their proposal.

Nonetheless, the difference between their estimate of their proposals versus their estimate of TAUP's proposals is about 6% total or about 1.5% per year for 4 years. Since 1% of base salary currently is a little more than \$1 million, this amounts to less than \$2 million dollars per year difference. In an institution with a budget of \$1 billion per year (excluding patient care revenues and expenses), this amounts to two/tenths of one percent (0.2%) per year. TAUP believes that to perform the most basic mission of the university, management can find the money.

Despite the fact that our contract and its 30-day extension have expired, we continue to negotiate with honesty and good faith. We strive to achieve a fair and equitable contract that respects faculty and staff while continuing to secure Temple's future. This is indeed very possible. Temple can and should make the choices to achieve it.