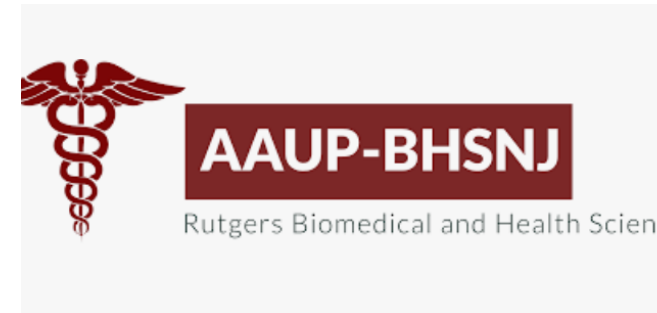




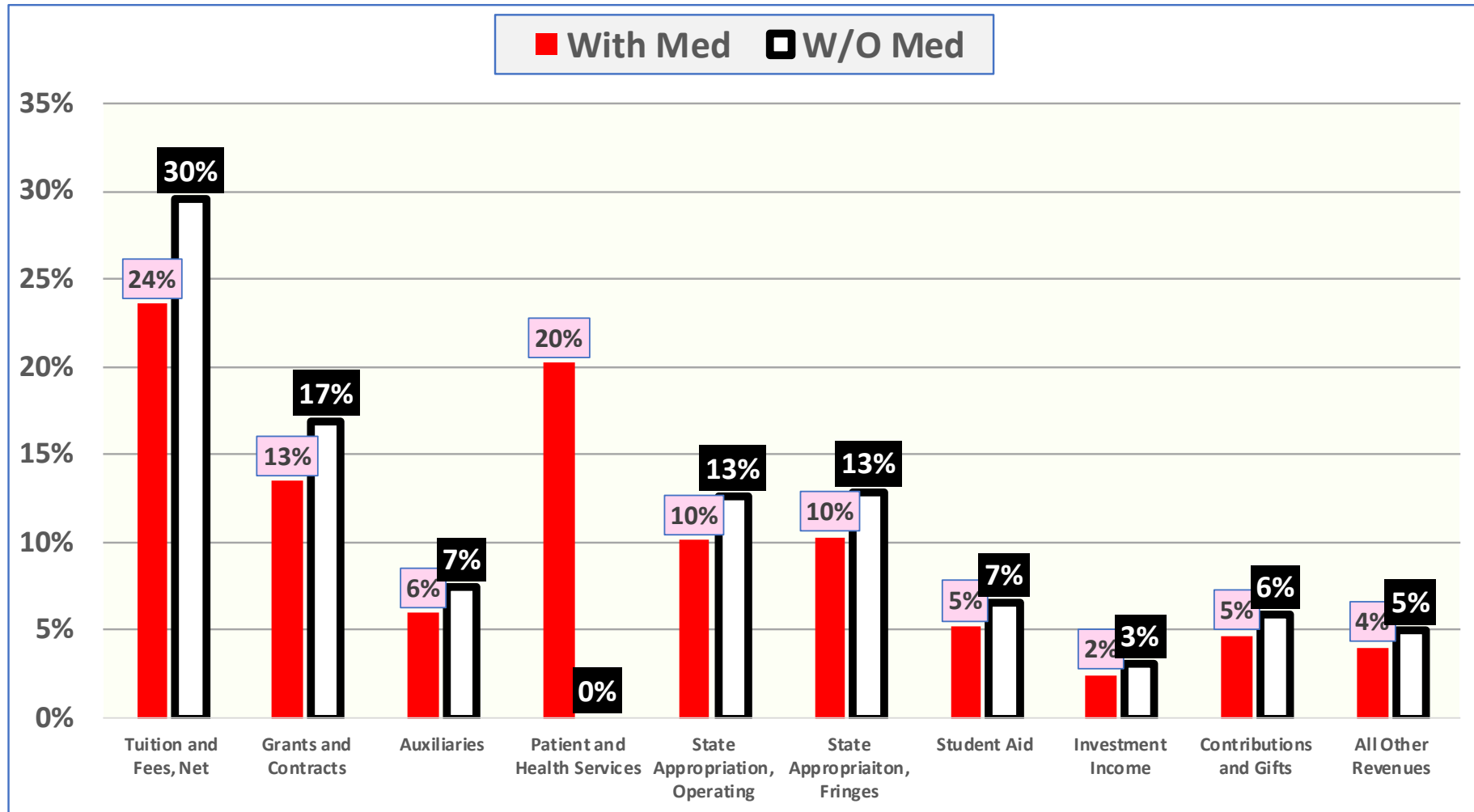
**Open the Books:
Financial Analysis of Rutgers in the Middle of the
Coronavirus Pandemic**

**Howard Bunsis
Professor of Accounting, Eastern Michigan University
Past Chair, AAUP Collective Bargaining Congress
May 1, 2020**



Rutgers 2019 Revenue Distribution Graphically

Source: Audited Financial Statements, All Campuses Combined



Rutgers 2019 Revenue Distribution

Source: Audited Financial Statements, All Campuses Combined, in Millions

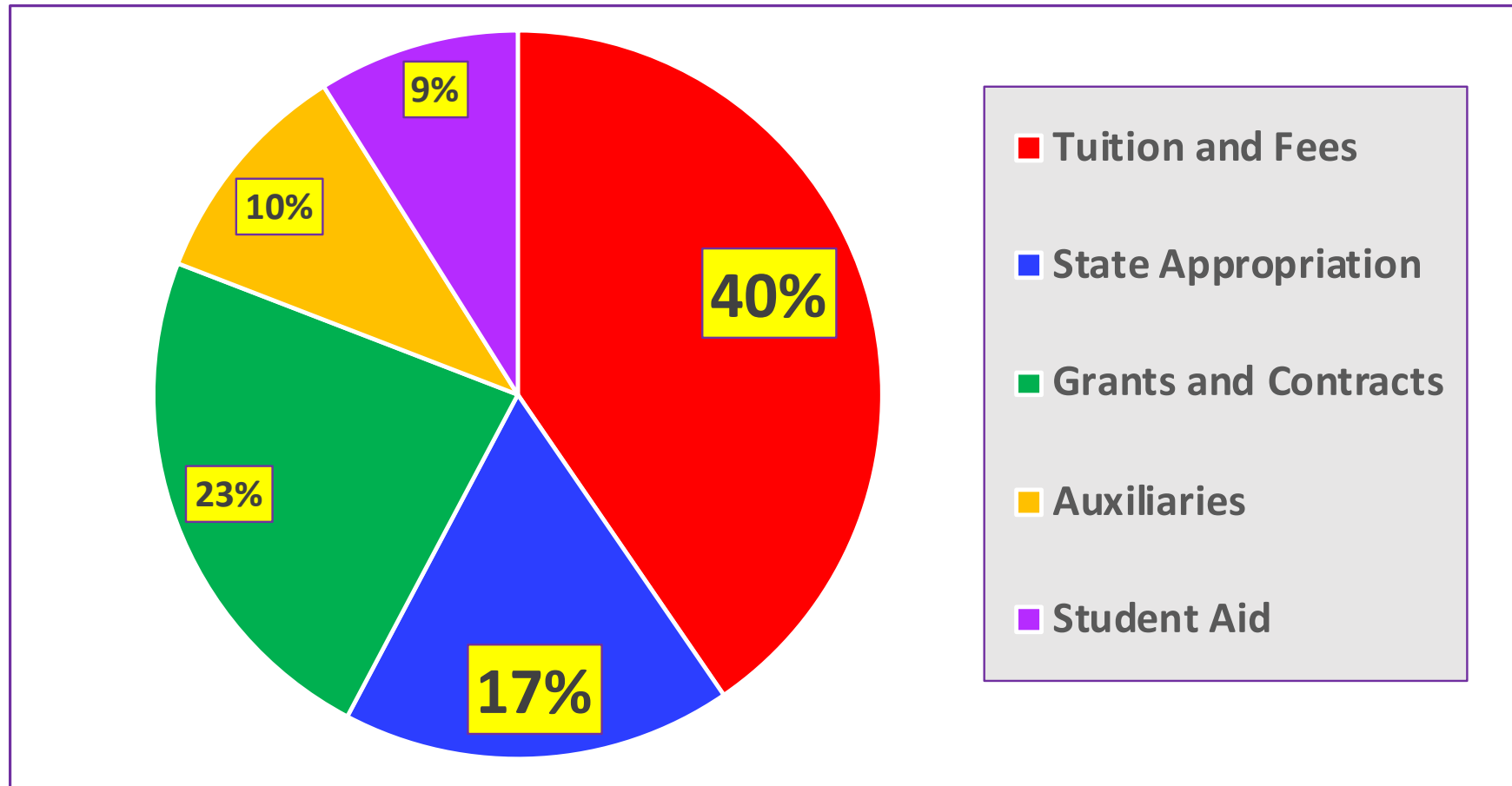
In Millions	With Med	W/O Med	With Med	W/O Med
Tuition and Fees, Net	1,017.8	1,017.8	23.6%	29.6%
Grants and Contracts	581.8	581.8	13.5%	16.9%
Auxiliaries	256.6	256.6	5.9%	7.5%
Patient and Health Services	871.5	0.0	20.2%	0.0%
State Appropriation, Operating	435.8	435.8	10.1%	12.7%
State Appropriation, Fringes	443.8	443.8	10.3%	12.9%
Student Aid	225.0	225.0	5.2%	6.5%
Investment Income	105.3	105.3	2.4%	3.1%
Contributions and Gifts	202.1	202.1	4.7%	5.9%
All Other Revenues	172.9	172.9	4.0%	5.0%
Total Revenues	4,312.6	3,441.2	100.0%	100.0%

**2019 Revenue Distribution:
Main Sources Only:
Even in this breakdown, the State is only 17%**

2019, In Millions	Dollars	% of Total
Tuition and Fees, Net	1,017.8	40%
Grants and Contracts	581.8	23%
Auxiliaries	256.6	10%
State Appropriation, Operating	435.8	17%
Student Aid	225.0	9%
Sources	2,517.0	100%

2019 Rutgers Revenue Distribution of Major Sources Only

Source: Audited Financial Statements

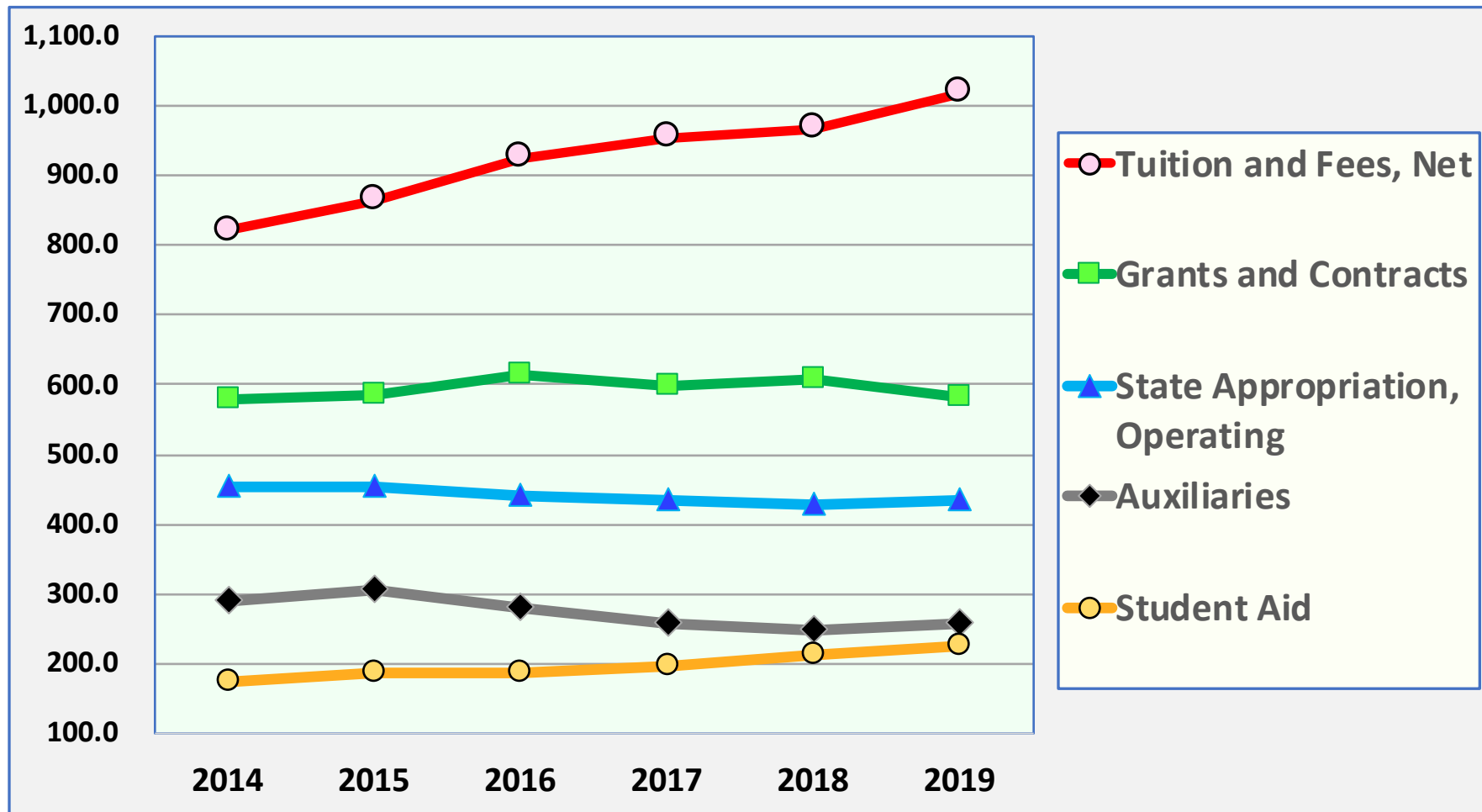


Rutgers Revenue Over Time

Source: Audited Financial Statements

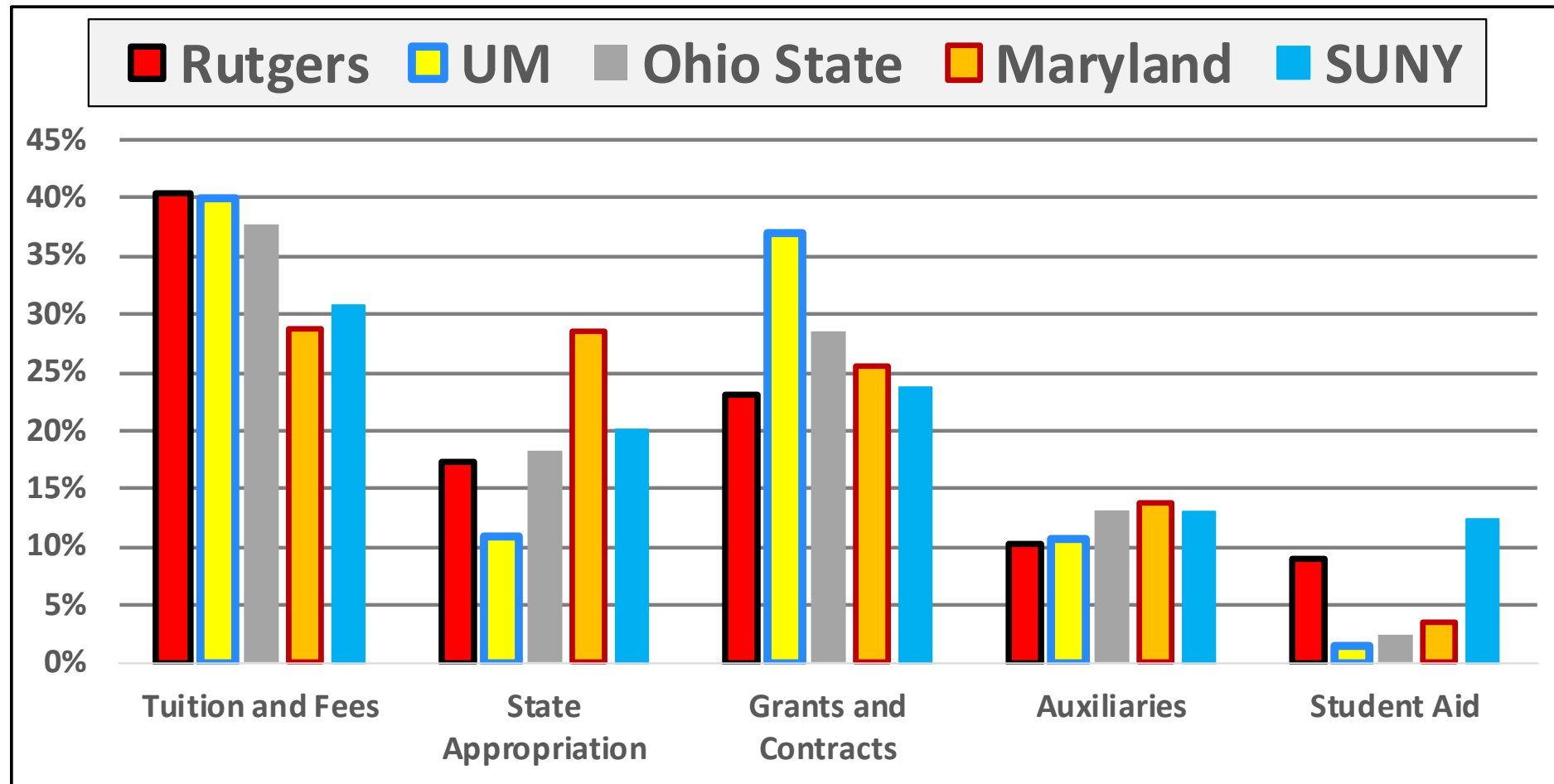
In Millions	2014	2015	2016	2017	2018	2019	2020
Tuition and Fees, Net	820.2	863.1	925.1	954.0	966.0	1,017.8	
Grants and Contracts	579.7	584.9	615.0	597.7	608.4	581.8	
Auxiliaries	291.5	306.3	280.6	259.1	248.5	256.6	
Patient and Health Services	487.6	518.0	613.2	726.6	782.0	871.5	
State Appropriation, Operating	455.2	455.2	439.9	435.2	428.8	435.8	440.0
State Appropriation, Fringes	322.2	326.7	335.7	372.3	385.1	443.8	
Student Aid	174.1	188.7	188.6	198.6	214.1	225.0	
Investment Income	15.7	47.5	19.4	152.4	128.9	105.3	
Contributions and Gifts	81.6	113.0	176.1	134.0	106.0	202.1	
All Other Revenues	247.6	215.3	188.5	106.8	175.6	172.9	
Total Revenues	3,475.3	3,618.6	3,782.2	3,936.7	4,043.4	4,312.6	

Major Revenue Sources Over Time Graphically



2019 Revenue Distributions of Peer Institutions

Sources: Audited Financial Statements of each institution



What Does Responsibility Centered Management Do?

- Each unit is treated as a cost center
 - “every tub on its own bottom”
 - Vanderbilt calls it: VU-ETOB
- Surges in revenue into a specific field move resources into that college and out of other colleges. RCM provides an incentive to increase the hiring of faculty on contingent contracts so that colleges have “flexibility.”
- There is no incentive for colleges to collaborate or offer interdisciplinary programs because revenue is driven only by the credit hours and grant dollars that are generated in a college.
- Academic units have to compete with each other for resources, but service units just have their revenues allocated.

The RCM Corporate Budget Model



The Coronavirus Pandemic and Higher Education in the Press

The Hits are Here

Inside Higher Education, April 27, 2020

- **Kent State** to address \$110 million shortfall; announces 20% budget cuts, including salary reductions and layoffs for 2021 fiscal year
- **Syracuse University**: Claimed \$35M loss and is planning pay cuts and hiring freezes.
- **The University of Louisville**: 1% pay cut for employees above \$58k; halted contributions to retirement accounts
- **Boise State**: tiered furloughs based on salary; claimed \$10M loss
- **The University of Kentucky**: Will implement layoffs, furloughs and hiring freezes; claimed \$70M budget shortfall
- **Northwestern University**: Froze faculty and staff pay; hiring freeze
- **Miami University in Ohio**: NTT faculty not renewed

How Higher Education Leaders Should Respond To The Coronavirus Financial Crisis: Forbes, April 14, 2020

- **Instead of raising tuition rates, universities should cut massive athletic subsidies, halt the facilities arms race, close centers that are not directly related to the teaching and research mission**
- **Take a chainsaw to bureaucratic bloat.**
- **Work on improving graduation rates and learning outcomes so that employers and families can be confident a college degree prepares graduates for the workforce.**

More Advice from Forbes

- It would not be the worst outcome of this crisis for university leadership formerly too feckless to **stare down intransigent faculty** and the empire builders in student services finally to recognize that their choice is now between eliminating the **fatuous and nugatory** or slipping into insolvency.
- **Faculty will teach more.**
- Nor would it be a bad outcome if colleges and universities made sure that at **8:00 a.m. and on Friday afternoons** expensive classroom buildings and laboratories are no longer campus dead zones. Employers would assuredly welcome graduates whose academic schedules prepared them for the constraints of a real-world work schedule.

Some Progressive Advice

- **Only Free College Can Save Us From This Crisis**
 - The situation demands bold action on par with the New Deal
 - Chris Newfield
- **After Coronavirus, the Deluge**
 - *By Jacques Berlinerblau* (Professor of Jewish Civilization at Georgetown)
 - Upper-level administrators have been waiting for the opportunity to finish what they started. Watch out.
 - **Don't Let a Good Crisis Go to Waste**
 - “Experts in innovation on college education” view this moment as an “exquisite” opportunity.

20% Enrollment Decline for Fall 2020 Is Now Part of the Landscape Inside Higher Education, April 29, 2020

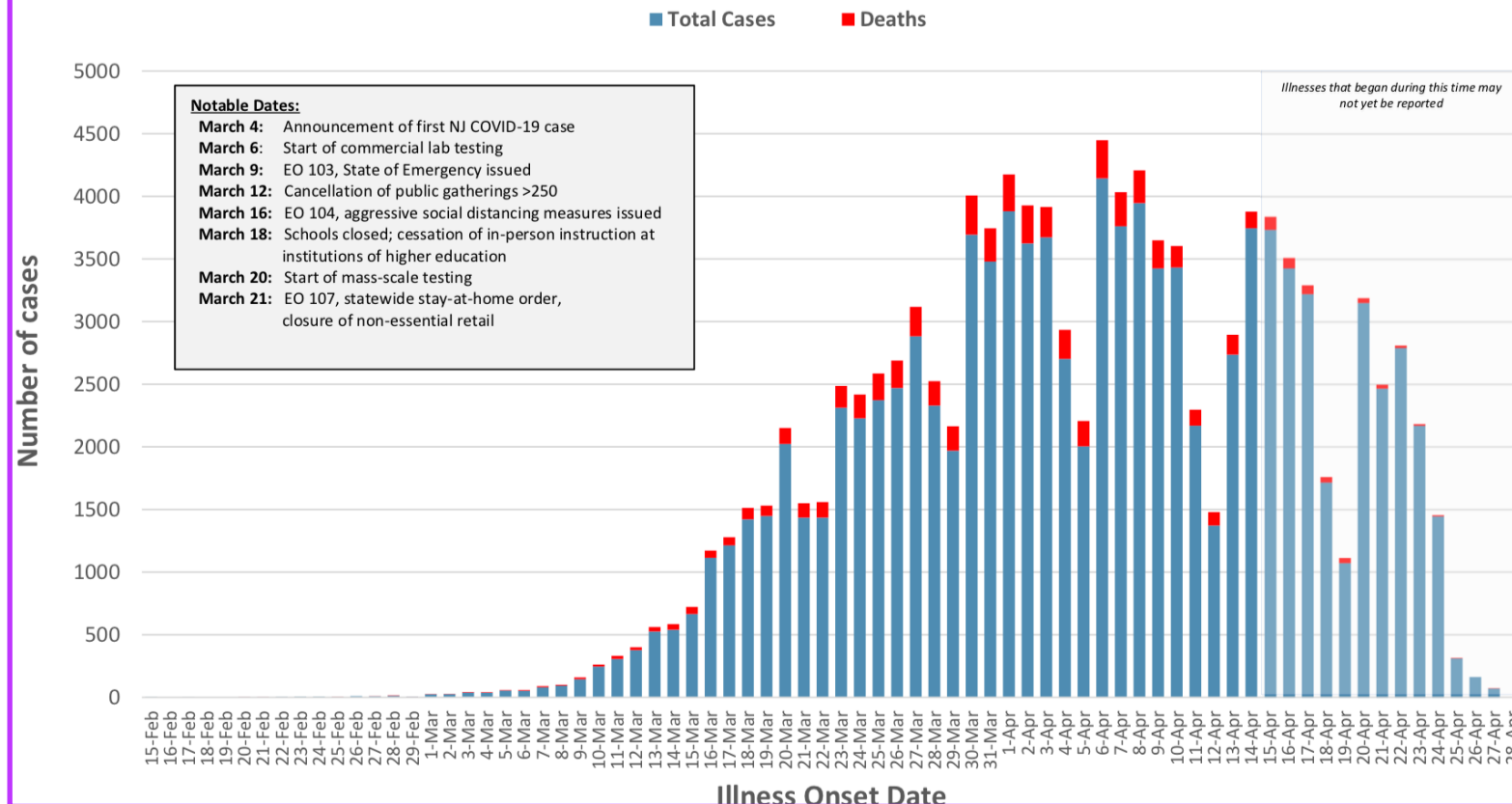
- Projection comes from **SimpsonScarborough** a higher education research and marketing company.
- All their clients are upper-level administrations. **RU has been a client;** Their CEO has a marketing and sports media background in higher education
- The findings are based on surveys of more than 2,000 college-bound high school seniors and current college students in March, just after the coronavirus began spreading in the United States, and in April, after three weeks of record unemployment claims.

Harsh Statistics as of April 28, 2020

Source: <https://coronavirus.jhu.edu/us-map>

https://www.nj.gov/health/cd/documents/topics/NCOV/COVID_Confirmed_Case_Summary.pdf

COVID-19 cases and deaths in New Jersey by Illness Onset Date, N=113,856



Top Counties by Death:	
Queens	3,581
Kings	3,494
Bronx	2,529
Wayne	1,622
Nassau	1,620
New York	1,532
Cook	1,347
Suffolk	1,102
Essex	1,028
Westchester	962
Bergen	960

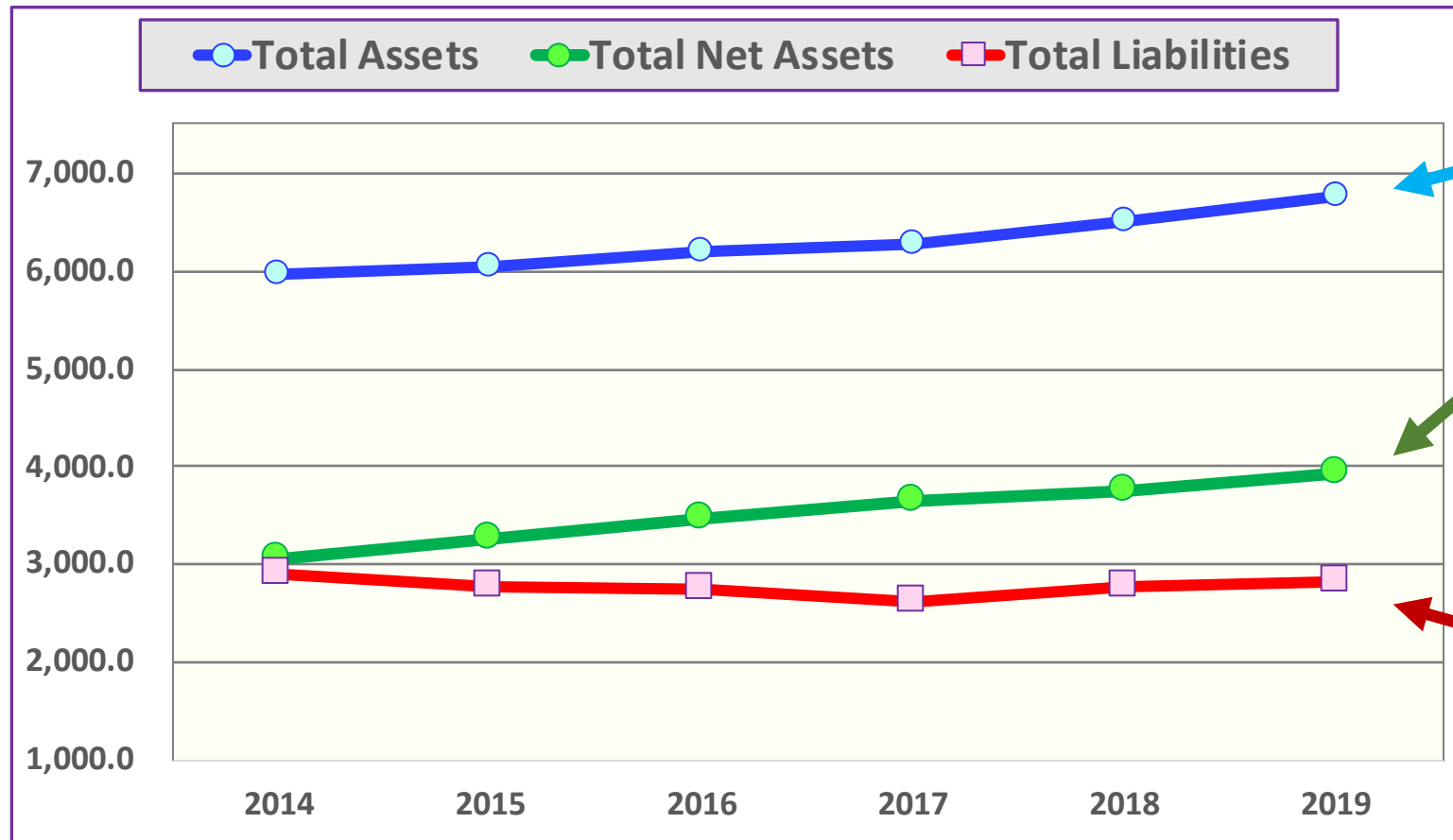
Financial Situation of Rutgers as of June 30, 2019:

- Reserves**
- Operations**
- Debt**
- Bond Ratings**

Rutgers Balance Sheet, Adjusted for Pensions

(Blue = Green + Red)

Source: Audited Financial Statements



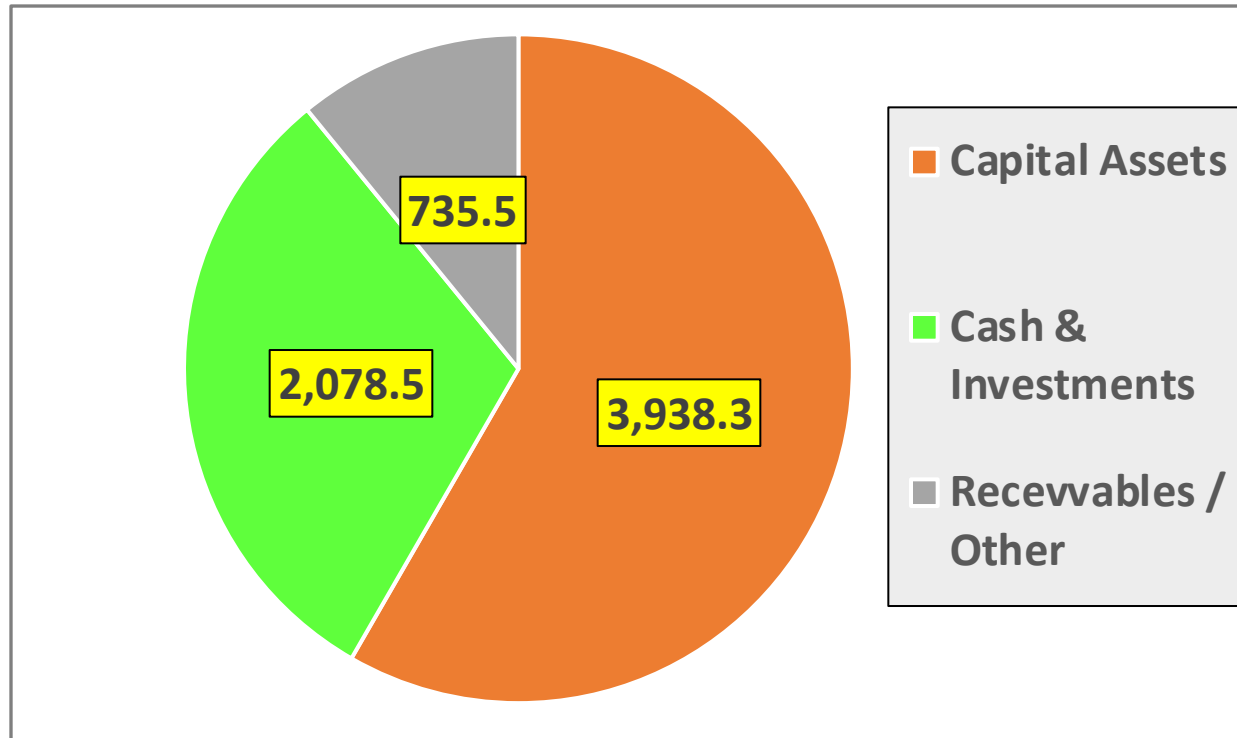
What makes up these assets?

How much of the \$3.9 Billion million of net assets are unrestricted reserves?

Is there too much debt?

2019 Asset Breakdown

Source: Audited Financial Statements



Does not include:

- \$131M in RU Foundation assets
- \$78 M in UPA Assets

2019 Assets	\$\$ in Millions	% of total
Capital Assets	3,938.3	58%
Cash & Investments	2,078.5	31%
Receivables/Other	735.5	11%
Total Assets	6,752.3	100%

Capital Assets vs. Salaries and Benefits

Source: Audited Financial Statements

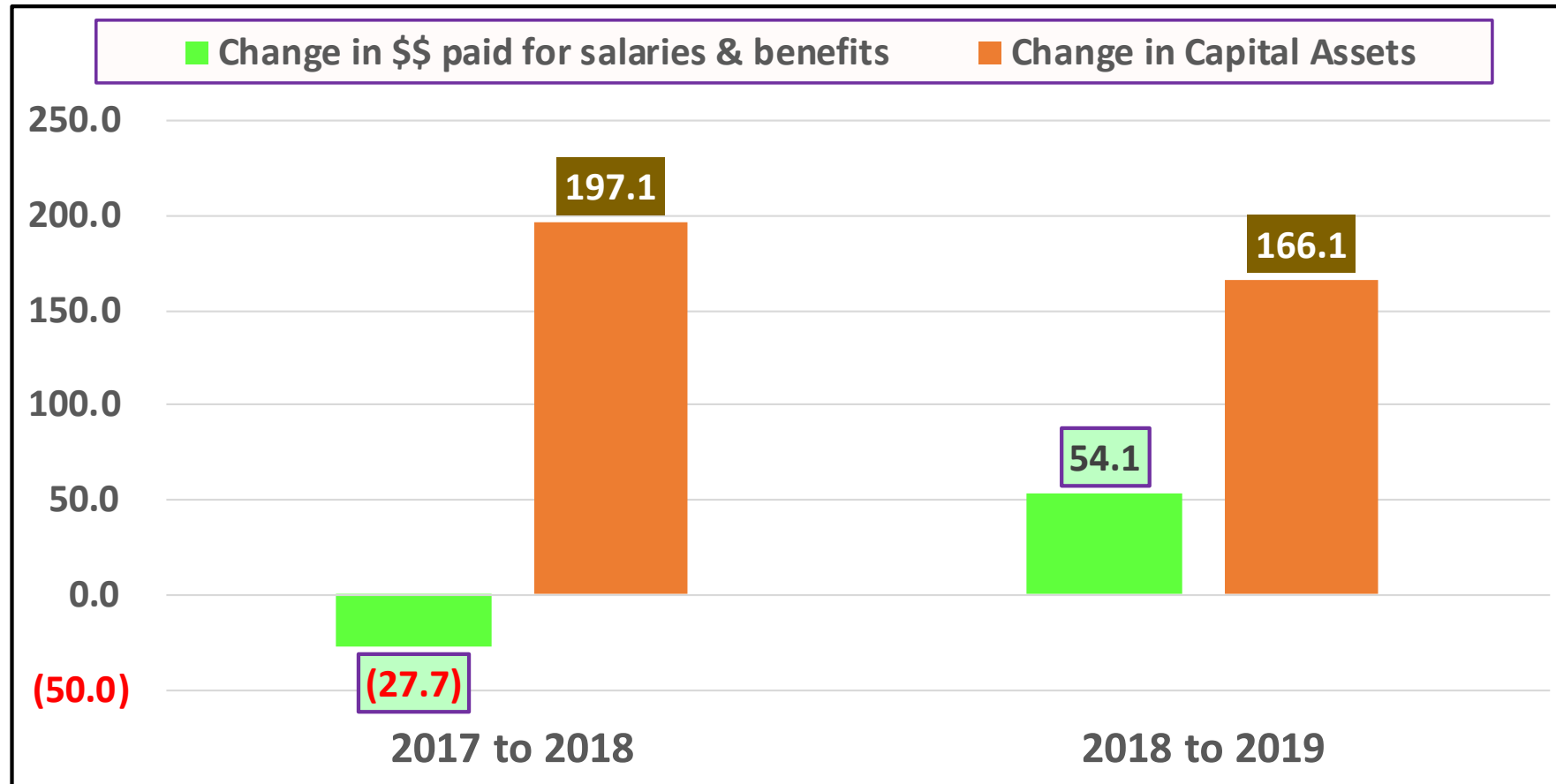
	2017	2018	2019
Cash paid for salaries and benefits	2,330.4	2,302.7	2,356.8
Capital Assets	3,575.2	3,772.2	3,938.3
Dollar Change	2017 to 2018	2018 to 2019	
Cash paid for salaries and benefits	(27.7)	54.1	
Capital Assets	197.1	166.1	
Percentage Change	2017 to 2018	2018 to 2019	
Cash paid for salaries and benefits	-1.2%	2.3%	
Capital Assets	5.5%	4.4%	

Capital projects completed or in progress during 2019

- RWJ Barnabas Health Athletic Performance Center on the Livingston Campus
- New Brunswick Performing Arts Center
- Busch Livingston and Newark RBHS Co-Generation Plants Upgrades
- Student Services One-Stop on Busch Campus
- School of Dental Medicine D South Clinic Renovation

2017 to 2019 Changes in Capital Assets vs. Changes in Salaries: Buildings Over People

Source: Audited Financial Statements



Debt: Recent Issues and Availability

Source: Audited financial statements

	2017	2018	2019
Commerical Paper	85.7	130.7	175.7
LT Debt	1,918.0	2,009.5	1,945.8
Total Interest bearing debt	2,003.6	2,140.2	2,121.5
Total Assets	6,272.4	6,508.2	6,752.3
Debt / Assets	32%	33%	31%
New Debt	2017	2018	2019
Commercial Paper		45.0	45.0
Bonds		91.5	(63.7)

Recent Debt Issues:

- 2019: \$100.0 million of taxable commercial paper to provide interim financing for “certain capital projects.”
- 2019: Issued \$50.0 million and retired \$100.0 million of taxable commercial paper to manage its liquidity.
- 2018: Issued 2018 Series N and O bonds totaling to \$144.7 million to provide financing for the Newark Honors Living-Learning Community project and for various capital projects.
- 2018: \$50.0 million of taxable commercial paper was issued to manage the University’s liquidity.

Commercial paper: Up to \$300 million can be tapped into now, with the opportunity of going up to \$500M; all at the discretion of the Board

Balance Sheet Detail – Adjustment for GASB 68 and 75 Pensions/Retiree Health

Source: Adjustments made by Rutgers in audited financial statements

As Reported, in Millions	2014	2015	2016	2017	2018	2019
Total Assets	5,967.4	6,124.3	6,446.4	6,747.0	6,882.6	7,121.1
Total Liabilities	2,899.0	4,209.8	4,430.8	4,706.9	4,816.5	4,928.6
Total Net Assets	3,068.4	1,914.5	2,015.5	2,040.2	2,066.1	2,192.5
As Reported, in Millions	2014	2015	2016	2017	2018	2019
Invested in Capital Assets	1,351.4	1,457.5	1,601.5	1,750.8	1,905.8	1,991.5
Restricted Non-Expendable	548.1	563.9	582.0	646.4	713.3	738.7
Restricted Expendable	460.0	470.9	471.9	459.4	511.4	622.1
Unrestricted	708.8	(577.9)	(639.9)	(816.4)	(1,064.5)	(1,159.8)
Total Net Assets	3,068.4	1,914.5	2,015.5	2,040.2	2,066.1	2,192.5

Adjusted, in Millions	2014	2015	2016	2017	2018	2019
Total Assets	5,967.4	6,050.4	6,200.6	6,272.4	6,508.2	6,752.3
Total Liabilities	2,899.0	2,787.5	2,740.8	2,631.8	2,762.6	2,816.9
Total Net Assets	3,068.4	3,263.0	3,459.8	3,640.5	3,745.6	3,935.4
Adjusted, in Millions	2014	2015	2016	2017	2018	2019
Invested in Capital Assets	1,351.4	1,457.5	1,601.5	1,750.8	1,905.8	1,991.5
Restricted Non-Expendable	548.1	563.9	582.0	646.4	713.3	738.7
Restricted Expendable	460.0	470.9	471.9	459.4	511.4	622.1
Unrestricted	708.8	770.6	804.4	784.0	615.0	583.1
Total Net Assets	3,068.4	3,263.0	3,459.8	3,640.5	3,745.6	3,935.4

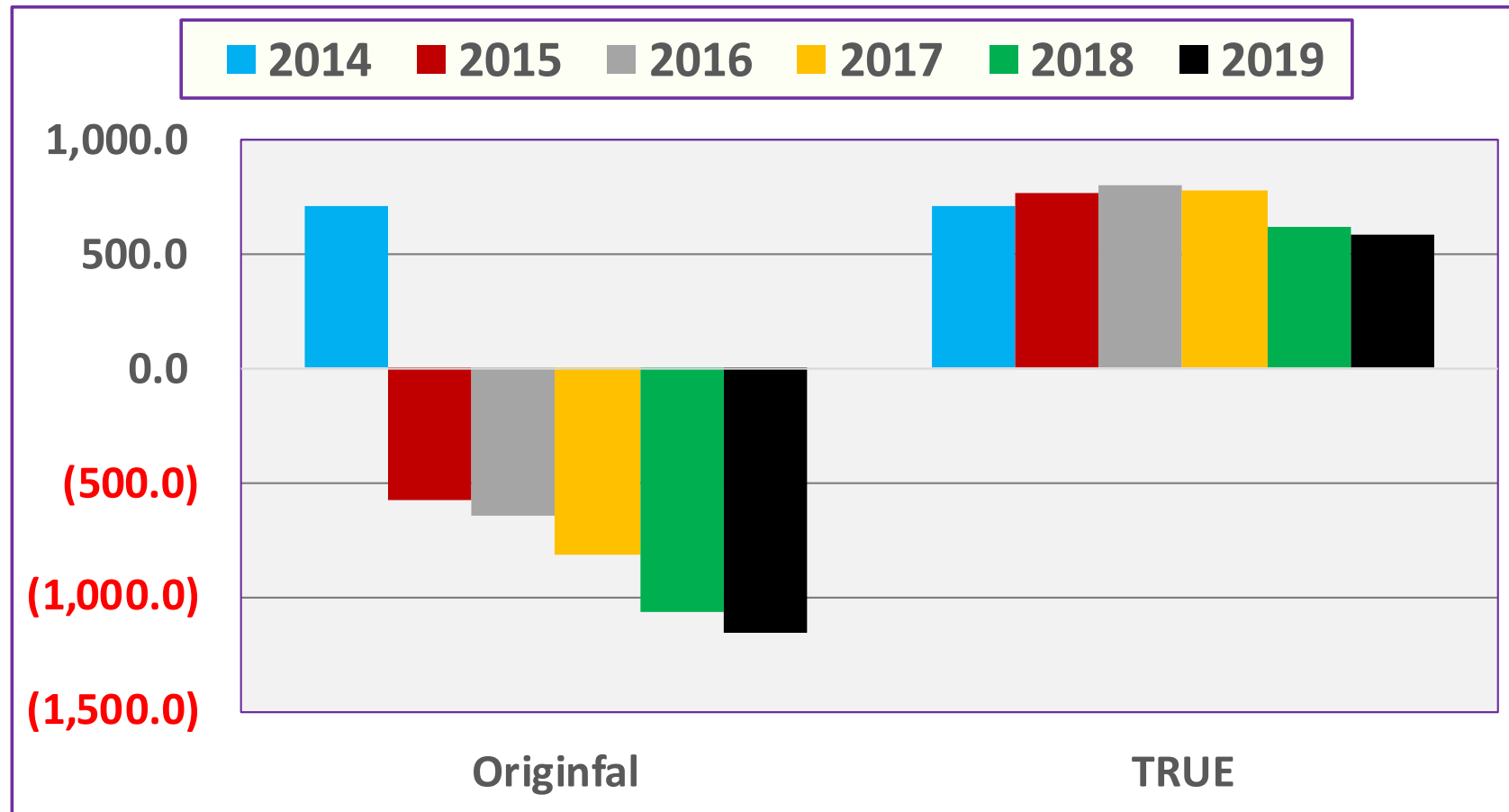
Adjustment	2014	2015	2016	2017	2018	2019
GASB 68 and 75 Adjustment	0.0	1,348.5	1,444.3	1,600.4	1,679.5	1,742.9

For 2019:

Unrestricted Reported of -1,159.8 + 1,742.9 Adjustment = +583.1 True Unrestricted

Rutgers Unrestricted Reserves: Original vs. Adjusted (Real)

Adjustments Made by RU Administration in Audited Financial Statements



What is this Pension Adjustment About?

- There was no pension liability on balance sheets until 2015
- In 2014, the government accounting standards board (GASB) added GASB 68, which put the liabilities for defined benefit pension plans of public universities on the balance sheet. This was done at the behest of university administrators, who wanted to make their balance sheets look worse.
- In 2017, GASB added the OPEB liability to public university balance sheets, via GASB 75
- Neither of these liabilities are real liabilities of RU nor of any public university; that is because the real backstop is the State of New Jersey. These are state obligations. In fact, these liabilities are also properly on the balance sheet of the State of New Jersey.
- In addition, Rutgers, in their own audited financial statements, takes out the effects of pensions and retiree healthcare and reports what the balance sheet should really be.
- Just as importantly, the bond rating agencies take out these liabilities in calculating the relevant ratios to assess the financial health of colleges and universities

Net Asset Categories:

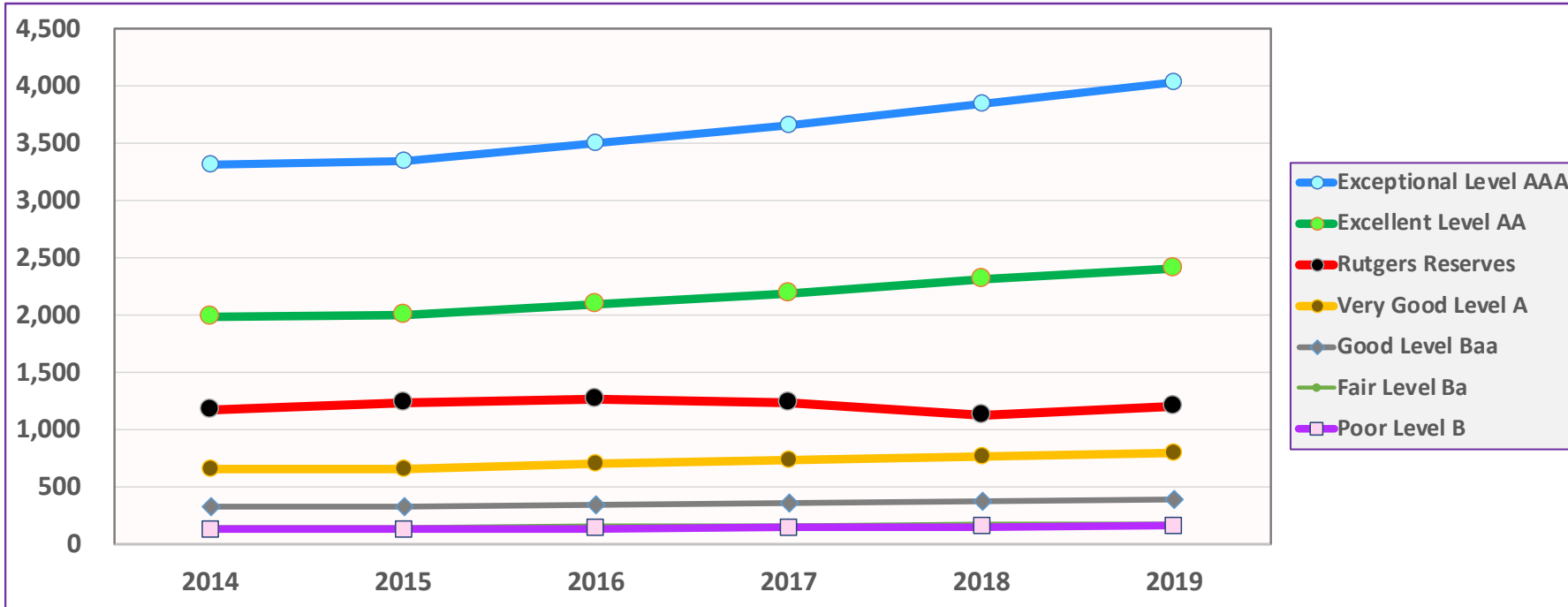
In 2019, RU had net assets of \$3.9 billion;

The last two categories total \$1.2 Billion and are True reserves

Category	Discussion	Amount
Invested in capital assets:	this is the value of the buildings, and this component of net assets does not tell us anything about the financial freedom or flexibility of RU. Not part of reserves	\$1,991.5
Restricted non-expendable net assets	These are net assets that have restrictions that do not allow for the principle of donated funds to be spent; this is mostly related to funds that have been donated to the university. Not part of reserves	\$738.7
Restricted expendable net assets	These are net assets that are set aside for a specific purpose, and the reserves can only spent for that purpose. This component IS included in the calculation of reserves by Moody's	\$622.1
Unrestricted Net Assets	Unrestricted means unrestricted. The administration may claim that unrestricted net assets are already spoken for. If the reserves were truly spoken for and contractually committed, the amounts would not be in the unrestricted category.	\$583.1
Total Net Assets		\$3,935.4

Reserves (Expendable Net Assets) in Context

Sources: Audited Financial Statements and Moody's



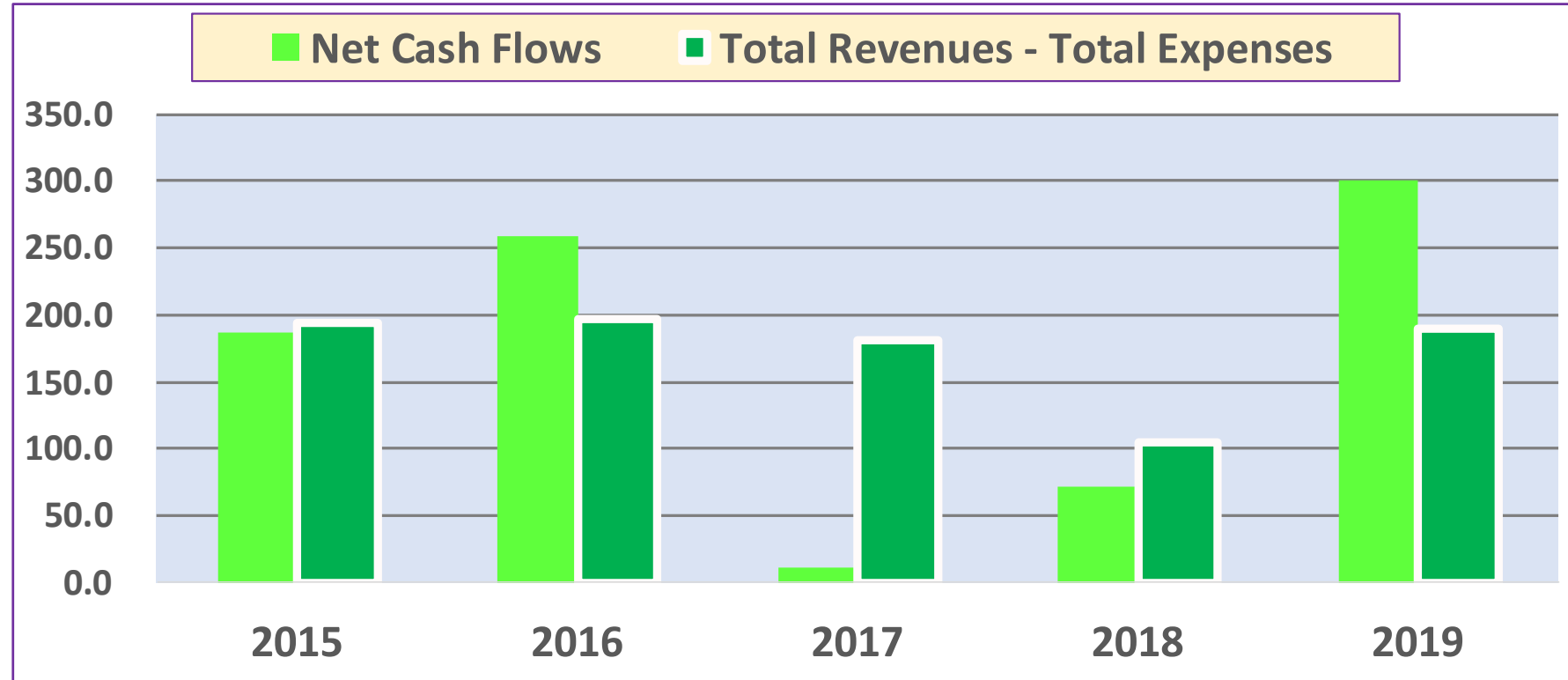
- Rutgers actual bond rating is between AA and A
- In 2019, the total reserves were \$400 million above the A level

	2014	2015	2016	2017	2018	2019
Restricted Expendable	460.0	470.9	471.9	459.4	511.4	622.1
Unrestricted	708.8	770.6	804.4	784.0	615.0	583.1
Total Reserves	1,168.8	1,241.5	1,276.3	1,243.4	1,126.4	1,205.2
Total Operating Expenses	3,324.0	3,343.8	3,418.3	3,666.2	3,853.6	4,029.7
Primary Reserve Ratio	35.2%	37.1%	37.3%	33.9%	29.2%	29.9%
Number of Months	4.22	4.46	4.48	4.07	3.51	3.59

What the Admin Will Say About Reserves vs. The Reality of Reserves

What the Administration Will Claim	What is Reality
The reserves are not nearly that high, as so much of the reserves are restricted by the endowment and donor restrictions	The unrestricted reserves do not include any funds restricted by donors
Most of the reserves are already designated by Board policy for important student initiatives; even if we wanted to move some of the funds, we are not allowed to do so	If there is a firm, no-way-you-can-get-out-of-it commitment, then the external auditors would put those funds in the temporarily or permanently restricted categories of net assets; the Board may have voted for certain initiatives, but those priorities can be changed at the discretion of the Board. The RU CFO admitted this in a prior meeting
Reserves cannot be spent on recurring expenses such as faculty salaries, and we would be violating our fiduciary responsibility if we used reserves in a haphazard manner	Reserves should not be spent on recurring expenses, but reserves ARE there for this exact purpose: to deal with temporary and unexpected declines in revenues or increase in expenses. That is EXACTLY the situation we are in now with the coronavirus pandemic

Operating Results and Cash Flows



	2015	2016	2017	2018	2019
Net Cash Flows	186.6	259.4	11.9	72.4	300.9
Total Revenues - Total Expenses	194.6	196.9	180.7	105.1	189.8

Rutgers on 2019 financial results - In their own words

Source: Audited Financial Statements

- The University's financial condition at June 30, 2019, **improved** with an increase in net position of \$126.4 million.
- Total operating revenues increased by \$146.5 million, or 5.4%
- Operating expenses increased by \$69.6 million, or 1.7%
- **Tuition revenue** is a significant source of funding for the University. In fiscal 2019, the enrollment peak was 70,876 students compared to 69,198 students in fiscal 2018. Approved increases in tuition and fee rates of about 2.3% were offset by increases in scholarship allowances.
- **Annual appropriations from the State** represent a **vital part** of the University's funding. In fiscal 2019, State appropriations increased 8.1% over fiscal 2018.

Moody's Bond Rating: Aa3 on February 24, 2020

https://www.moodys.com/research/Moodys-assigns-Aa3-to-Rutgers-Universitys-NJ-2020-Series-S--PR_906334213

The assignment and maintenance of Aa3 ratings positively incorporate the university's large scale of operations, with almost \$4.3 billion of operating revenue, and critical role in the State of New Jersey's (A3 stable) educational framework as the flagship and land grant university

Strengths:

- Strong growing and diverse revenue streams
- Enrollment growth
- Sizeable financial reserves of almost \$2.2 billion (this is larger than the \$1.2B we reported)
- Large Capital spending in recent years without too much additional debt

Challenges:

- Unrestricted component of reserves is not large
- Risks of the State appropriation
- Risk of reliance on the health care sector

S&P Bond Rating: A+ on February 28, 2020

Source: https://www.standardandpoors.com/en_US/web/guest/article/-/view/type/HTML/id/2390471

"The long-term rating reflects our view that Rutgers' enterprise profile is very strong, characterized by its role as the flagship University of New Jersey's higher educational system, consisting of 11 public colleges and universities, with favorable enrollment, retention and graduation rates"

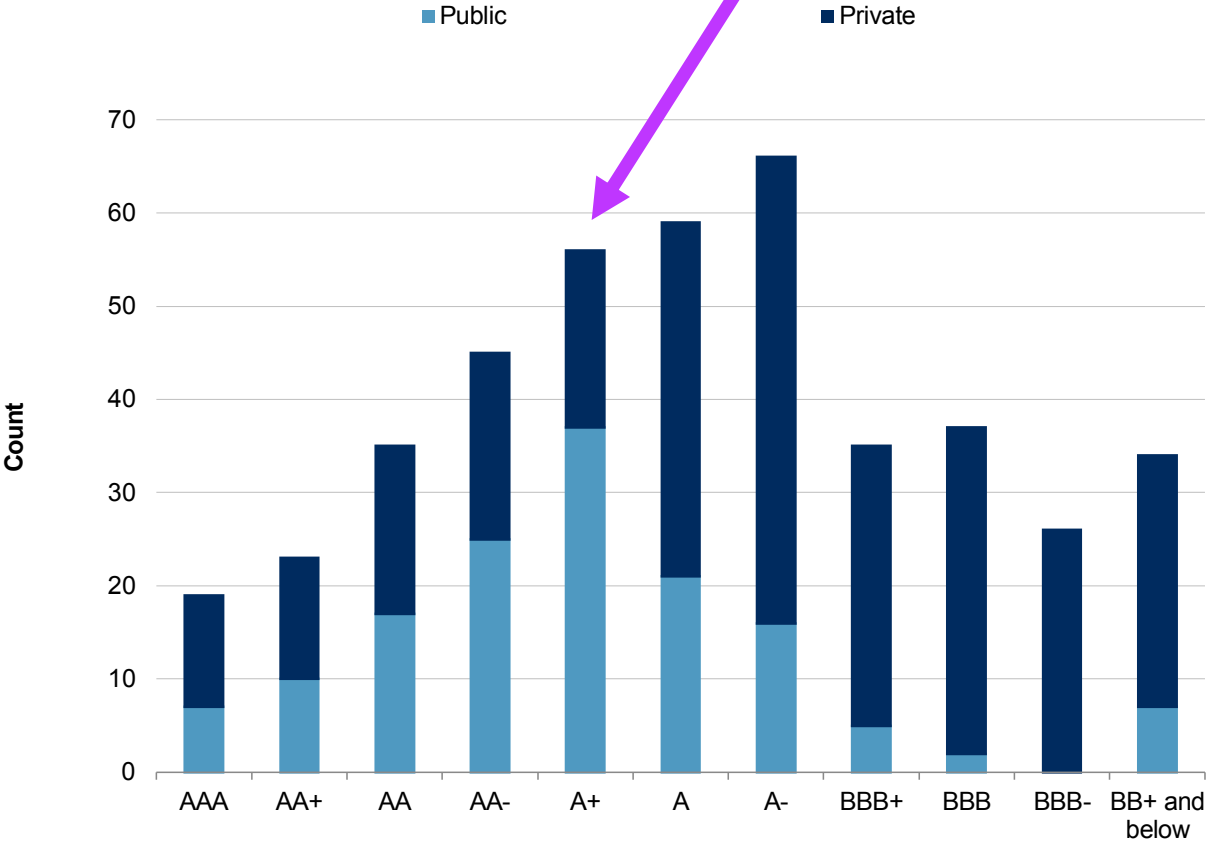
Comments:

- The stable outlook reflects our view that Rutgers' enrollment and other demand metrics will remain favorable,**
- Financial operating performance on an adjusted full-accrual basis for fiscal 2020 will be break even or better while available resources have improved slightly from operating cash flow, investment performance, and philanthropic support.**
- In addition, we believe additional debt issuance will be modest if any and balanced with improved available resources**

Higher Education S&P Ratings

Rutgers is A+

Higher Education 2019 Rating Distribution

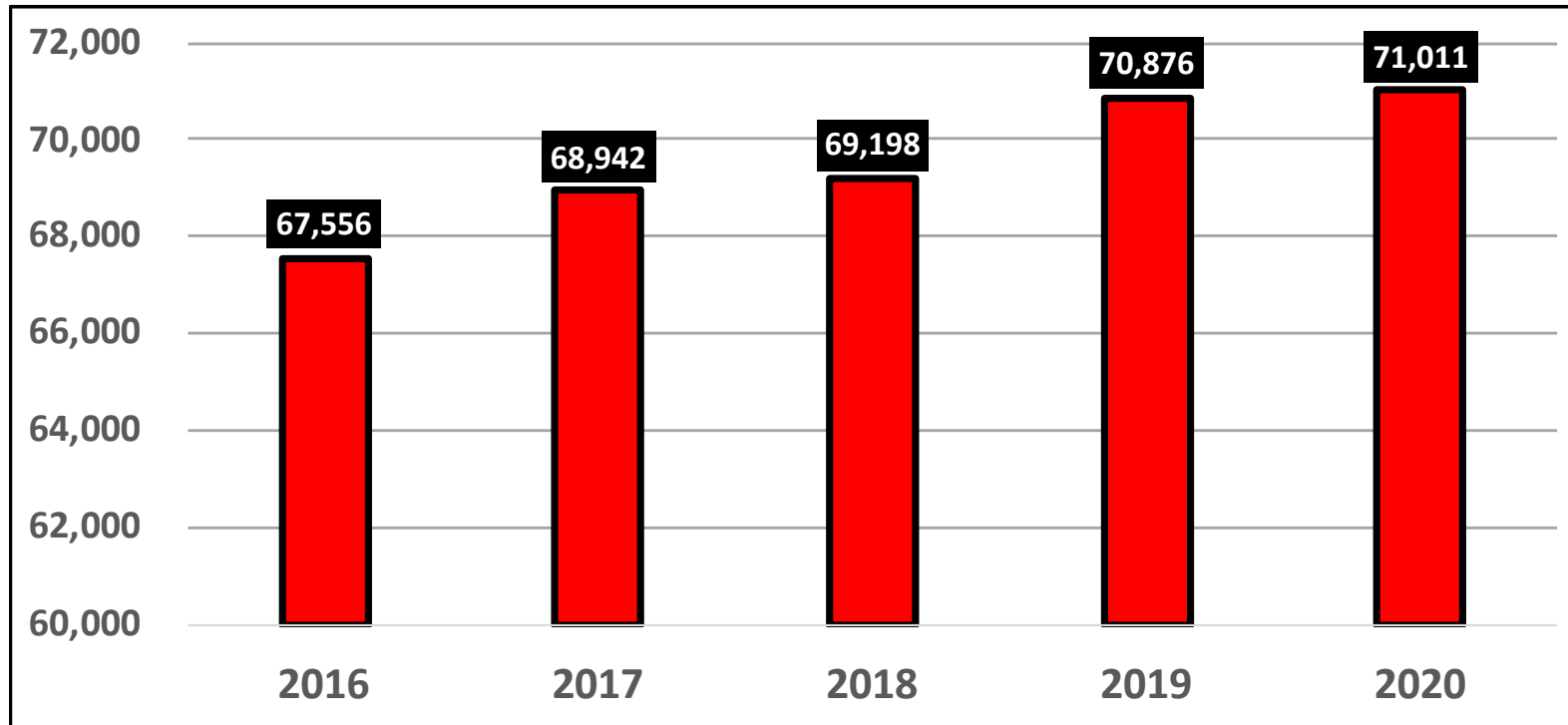


Examination of Tuition and the State Appropriation:

- Enrollment Levels and Changes**
- Tuition Price and Discount Rate**
- State appropriation, operating and fringe**
- Potential Losses for 2020 and beyond**

Enrollment: Largest Revenue Item

Source: <https://oirap.rutgers.edu/StudentEnrollment.html>



	2016	2017	2018	2019	2020
Enrollment	67,556	68,942	69,198	70,876	71,011
Annual # Change		1,386	256	1,678	135
Annual % Change		2.1%	0.4%	2.4%	0.2%

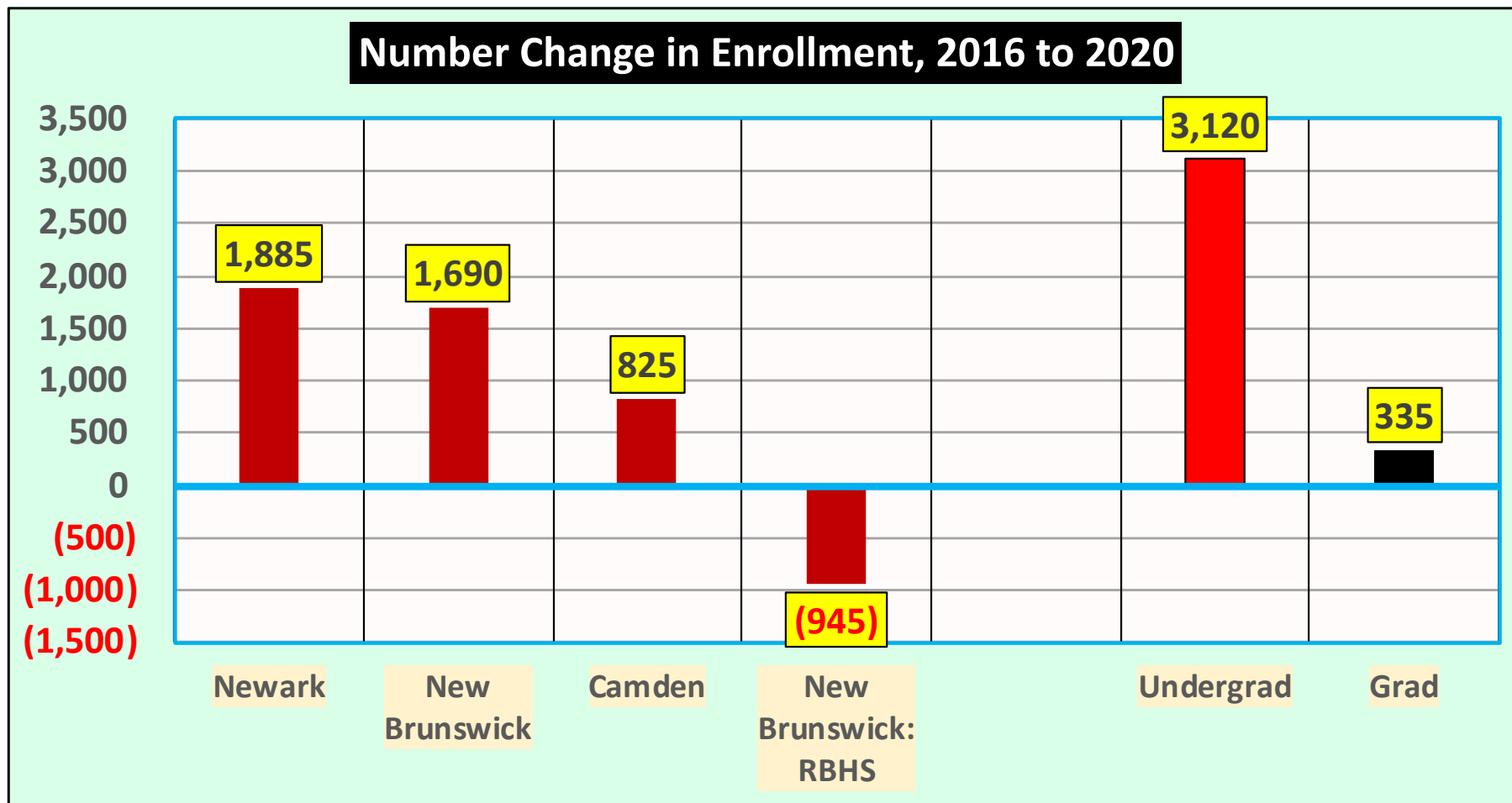
Breakdown of Enrollment by Campus

						Change 2016 to 2020	
	2016	2017	2018	2019	2020	Number	Percent
Camden	6,408	6,475	6,853	7,171	7,233	825	12.9%
Newark	11,720	12,321	12,768	13,451	13,605	1,885	16.1%
New Brunswick	41,699	42,314	42,808	43,354	43,389	1,690	4.1%
New Brunswick: RBHS	7,729	7,832	6,769	6,900	6,784	(945)	-12.2%
Total	67,556	68,942	69,198	70,876	71,011	3,455	5.1%
Percent of total	2016	2017	2018	2019	2020		
Camden	9%	9%	10%	10%	10%		
Newark	17%	18%	18%	19%	19%		
New Brunswick	62%	61%	62%	61%	61%		
New Brunswick: RBHS	11%	11%	10%	10%	10%		
Total	100%	100%	100%	100%	100%		

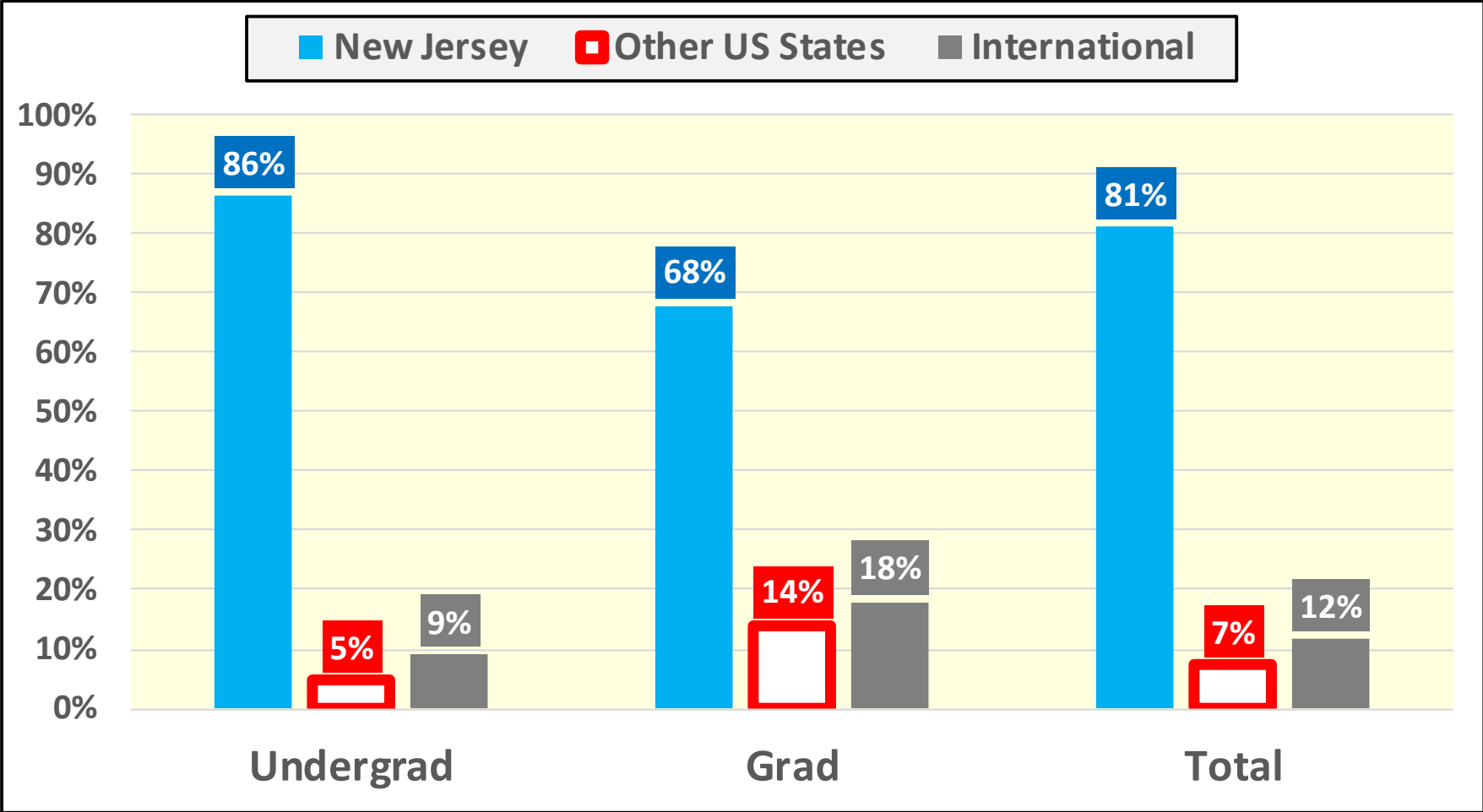
Breakdown of Enrollment by Level

						Change 2016 to 2020	
	2016	2017	2018	2019	2020	Number	Percent
Total Undergrad	48,096	49,359	49,681	50,957	51,216	3,120	6.5%
Total Grad	19,460	19,583	19,517	19,919	19,795	335	1.7%
Total Enrollment	67,556	68,942	69,198	70,876	71,011	3,455	5.1%
						Change 2016 to 2020	
Undergrad:	2016	2017	2018	2019	2020	Number	Percent
Camden	4,899	5,021	5,489	5,776	5,739	840	17.1%
Newark	7,713	8,170	8,551	9,142	9,319	1,606	20.8%
New Brunswick	33,060	33,653	33,274	33,704	33,880	820	2.5%
New Brunswick: RBHS	2,424	2,515	2,367	2,335	2,278	(146)	-6.0%
Total Enrollment	48,096	49,359	49,681	50,957	51,216	3,120	6.5%
						Change 2016 to 2020	
Grad:	2016	2017	2018	2019	2020	Number	Percent
Camden	1,509	1,454	1,364	1,395	1,494	(15)	-1.0%
Newark	4,007	4,151	4,217	4,309	4,286	279	7.0%
New Brunswick	8,639	8,661	9,534	9,650	9,509	870	10.1%
New Brunswick: RBHS	5,305	5,317	4,402	4,565	4,506	(799)	-15.1%
Total Enrollment	19,460	19,583	19,517	19,919	19,795	335	1.7%

Enrollment Growth by Campus and Level, Graphically: 2016 to 2020

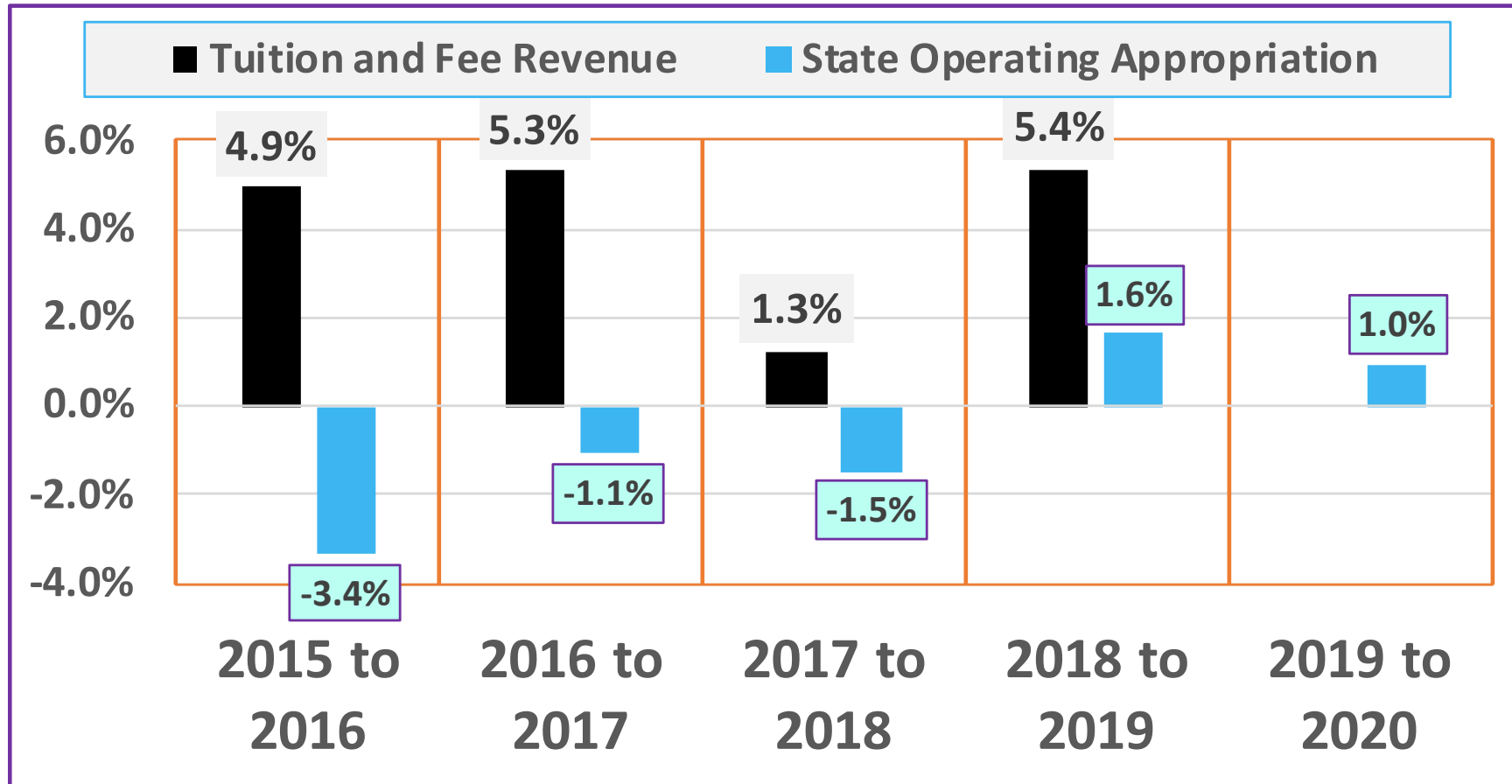


Percent of Enrollment by Residency, 2020



Growth in Tuition Revenue and the State Appropriation

Source: Audited financial statements

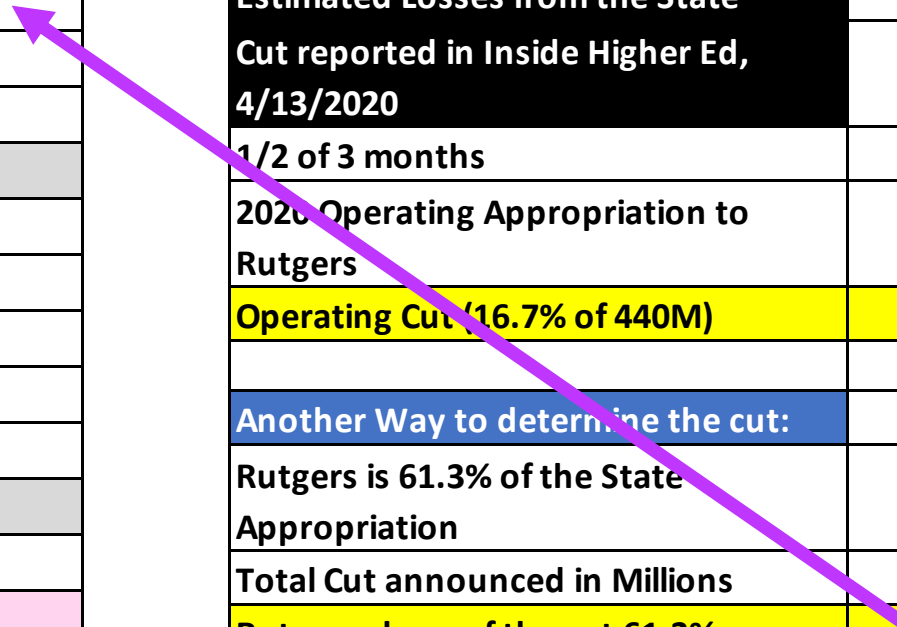


What About That \$200 Million "Deficit?"

<https://www.chronicle.com/article/How-Much-Coronavirus-Stimulus/248471>

Estimated Losses	In Millions
Loss from State (1/2 of final 3-month or 1/6th)	74.8
Refunds to students	56.0
Hospital non-elective	55.0
Total	185.8
Direct Mitigation:	
CARES Act	54.2
Amount for scholarships per CARES Act	(27.1)
Savings on utilities, food, events, hospital	45.3
Total Direct Mitigation	72.4
Estimated Loss	113.5
Unrestricted Reserves	583.1

Estimated Losses from the State Cut reported in Inside Higher Ed, 4/13/2020	
1/2 of 3 months	16.7%
2020 Operating Appropriation to Rutgers	440.0
Operating Cut (16.7% of 440M)	73.3
Another Way to determine the cut:	
Rutgers is 61.3% of the State Appropriation	
Total Cut announced in Millions	122
Rutgers share of the cut 61.3%	74.8



Expected State Revenue Losses

Source: Center on Budget and Policy Priorities, April 29, 2020

COVID-19 State Budget Shortfalls Could Be Largest on Record

Total shortfall in each fiscal year, in billions of 2020 dollars



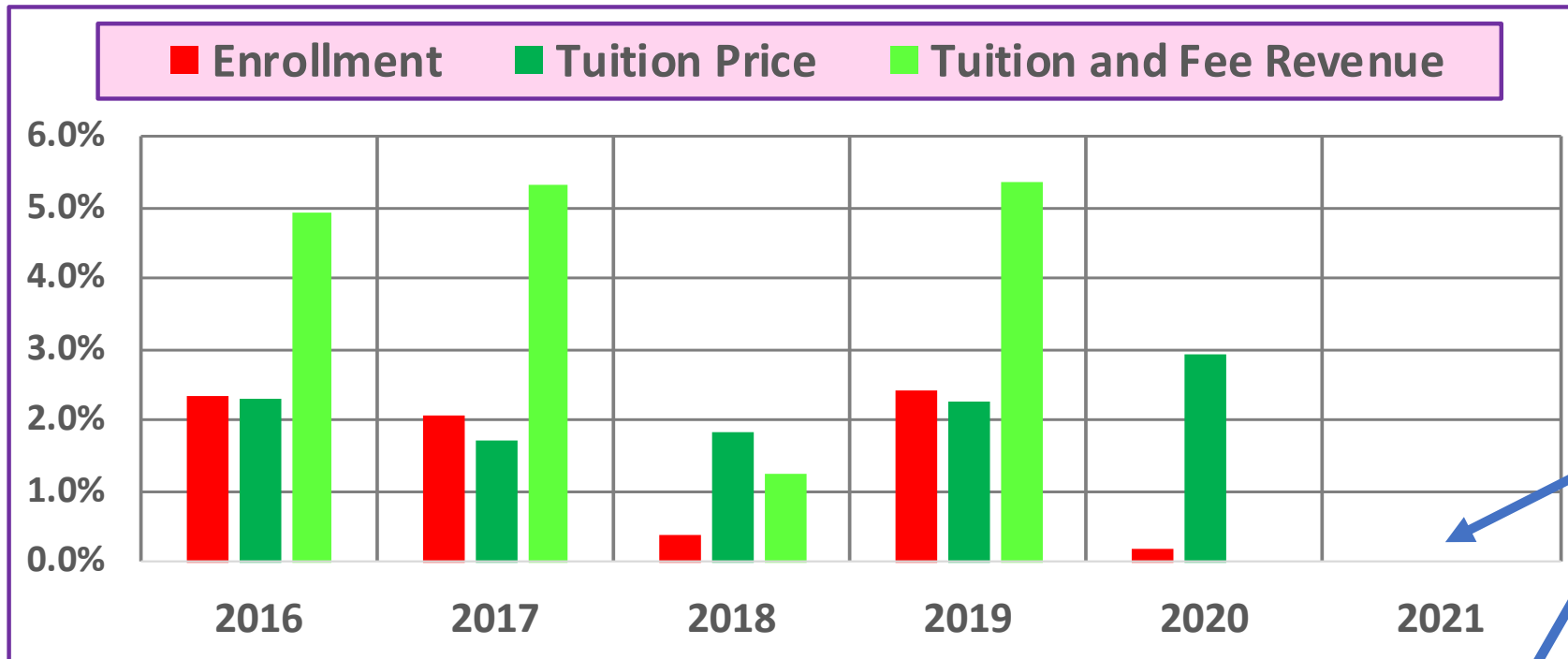
N.J. tax collections 'falling off the cliff' in coronavirus crisis, Murphy says

Apr 15, 2020

Estimates based on CBPP calculations using Congressional Budget Office and Goldman Sachs unemployment estimates.

Source: Center on Budget and Policy Priorities

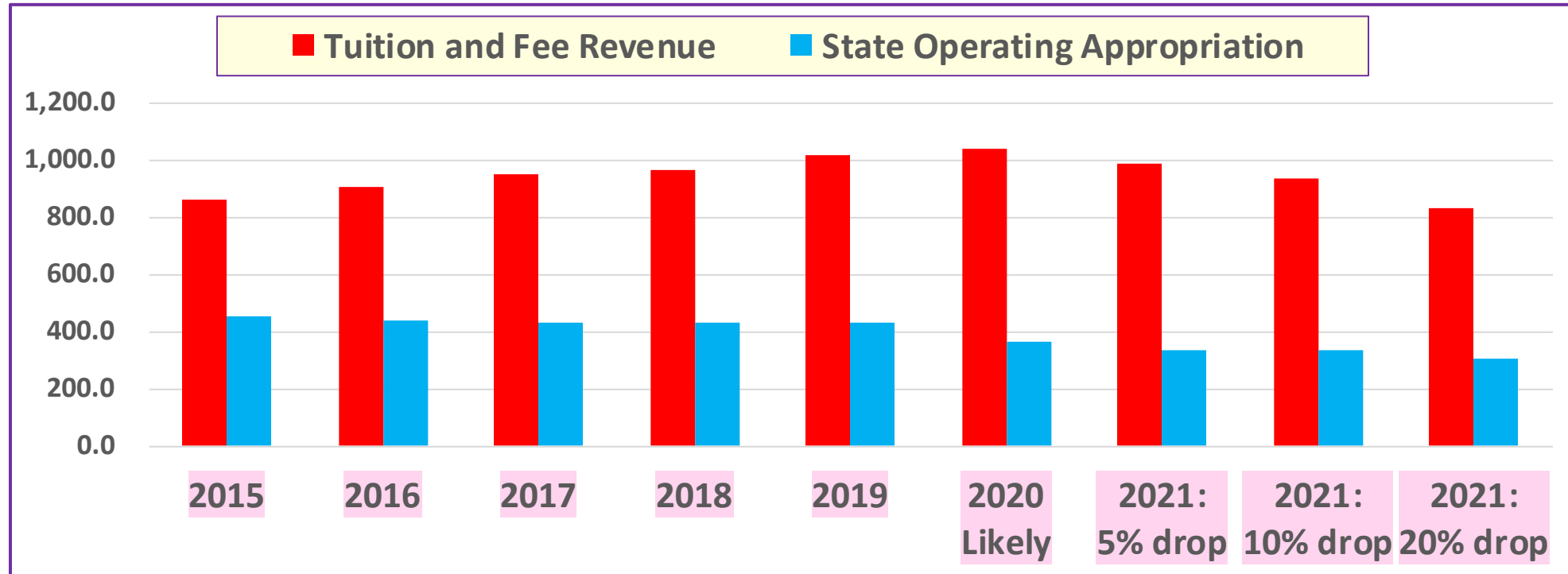
Annual Percentage Changes in Enrollment, Tuition Price, and Tuition Revenue



Tuition Freeze for 2021

	2016	2017	2018	2019	2020	2021
Enrollment	2.3%	2.1%	0.4%	2.4%	0.2%	??
Tuition Price	2.3%	1.7%	1.9%	2.3%	2.9%	0.0%
Tuition and Fee Revenue	4.9%	5.3%	1.3%	5.4%	??	??

2021 Scenarios



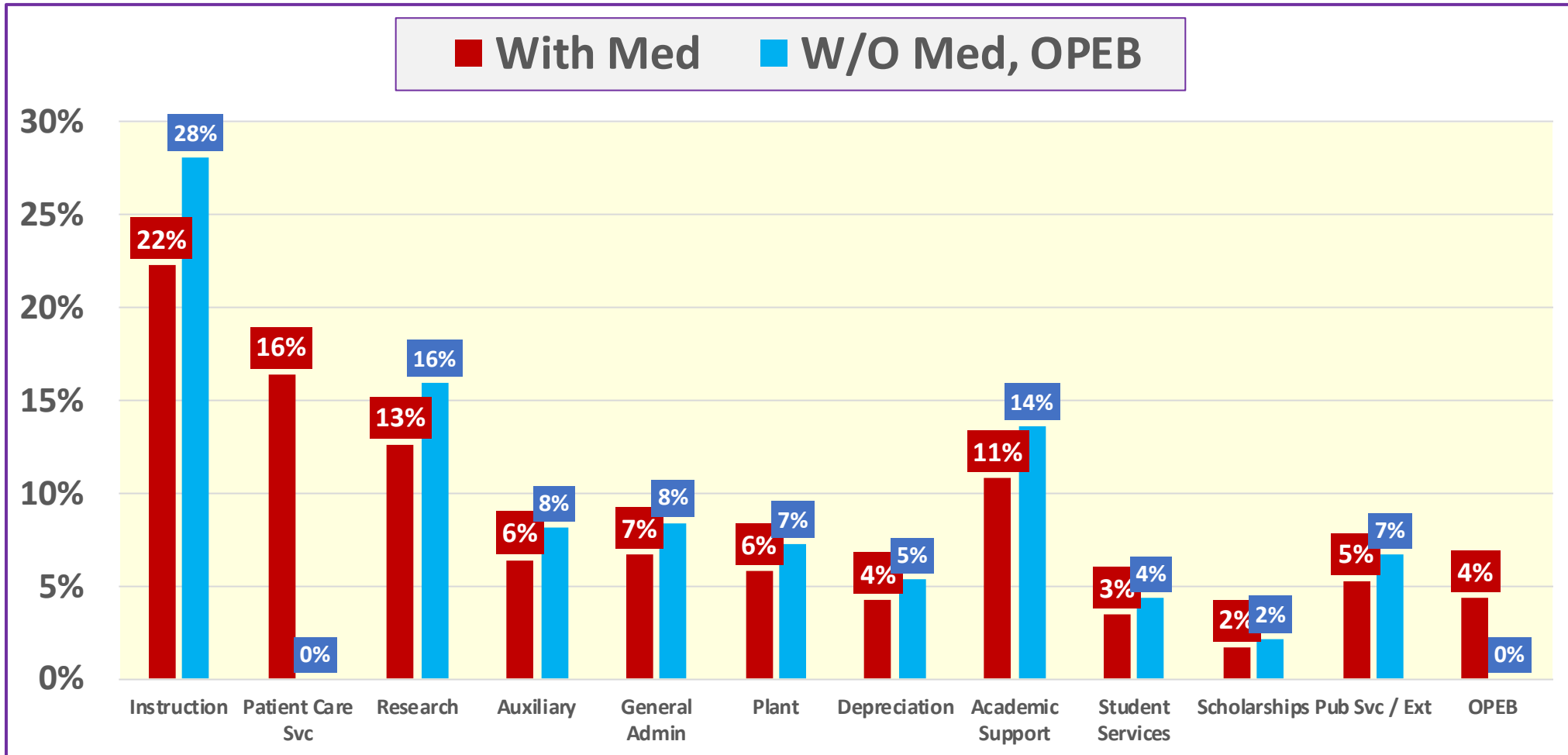
	2015	2016	2017	2018	2019	2020 Likely	2021: 5% drop	2021: 10% drop	2021: 20% drop
Tuition and Fee Revenue	863.1	905.8	954.0	966.0	1,017.8	1,043.2	991.1	938.9	834.6
State Operating Appropriation	455.2	439.9	435.2	428.8	435.8	365.2	334.7	334.7	304.3
Total	1,318.2	1,345.7	1,389.2	1,394.8	1,453.6	1,408.4	1,325.8	1,273.6	1,138.9
Reduction						(45.2)	(82.6)	(134.8)	(269.5)

Examination of the Expenses and Priorities of the Rutgers Administration:

- **Upper-Level Administrative Costs**
- **Athletics**

2019 Expense Distribution

Source: Audited Financial Statements, All Campuses Combined



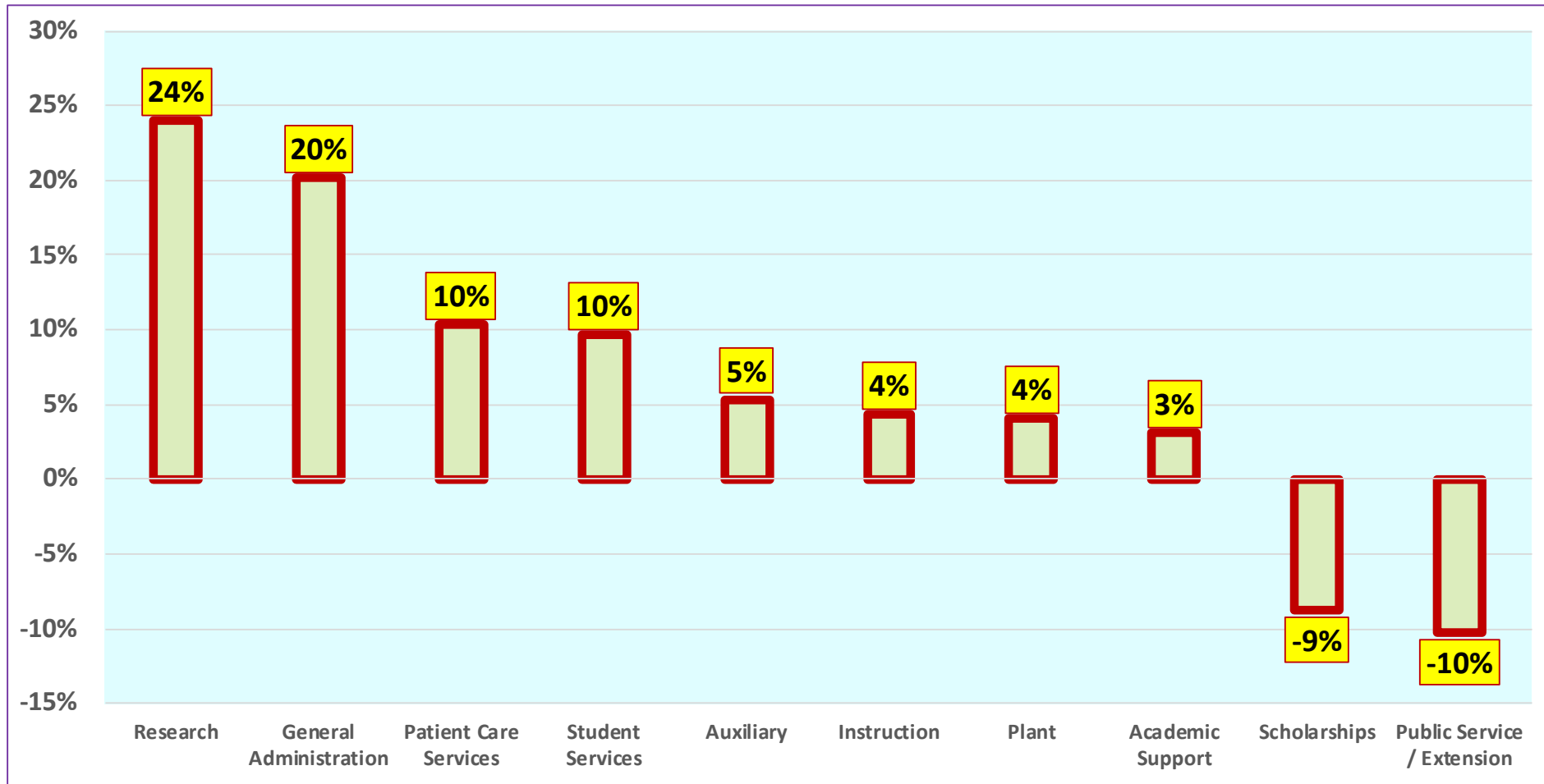
2019 Expense Distribution Numbers

Source: Audited Financial Statements, All campuses combined, in thousands

	2017	2018	2019
Instruction	914,052	911,764	953,424
Patient Care Services	636,343	661,082	702,032
Research	436,186	530,921	540,713
Auxiliary	260,895	262,229	274,758
General Administration	237,767	275,518	285,664
Plant	237,835	245,196	247,371
Depreciation	184,782	180,969	181,337
Academic Support	448,726	442,963	462,491
Student Services	133,840	145,479	146,713
Scholarships	79,708	51,238	72,691
Public Service / Extension	251,856	225,409	225,969
Other	228	0	0
OPEB	0	276,630	185,875
Total Operating Expenses	3,822,218	4,209,398	4,279,038

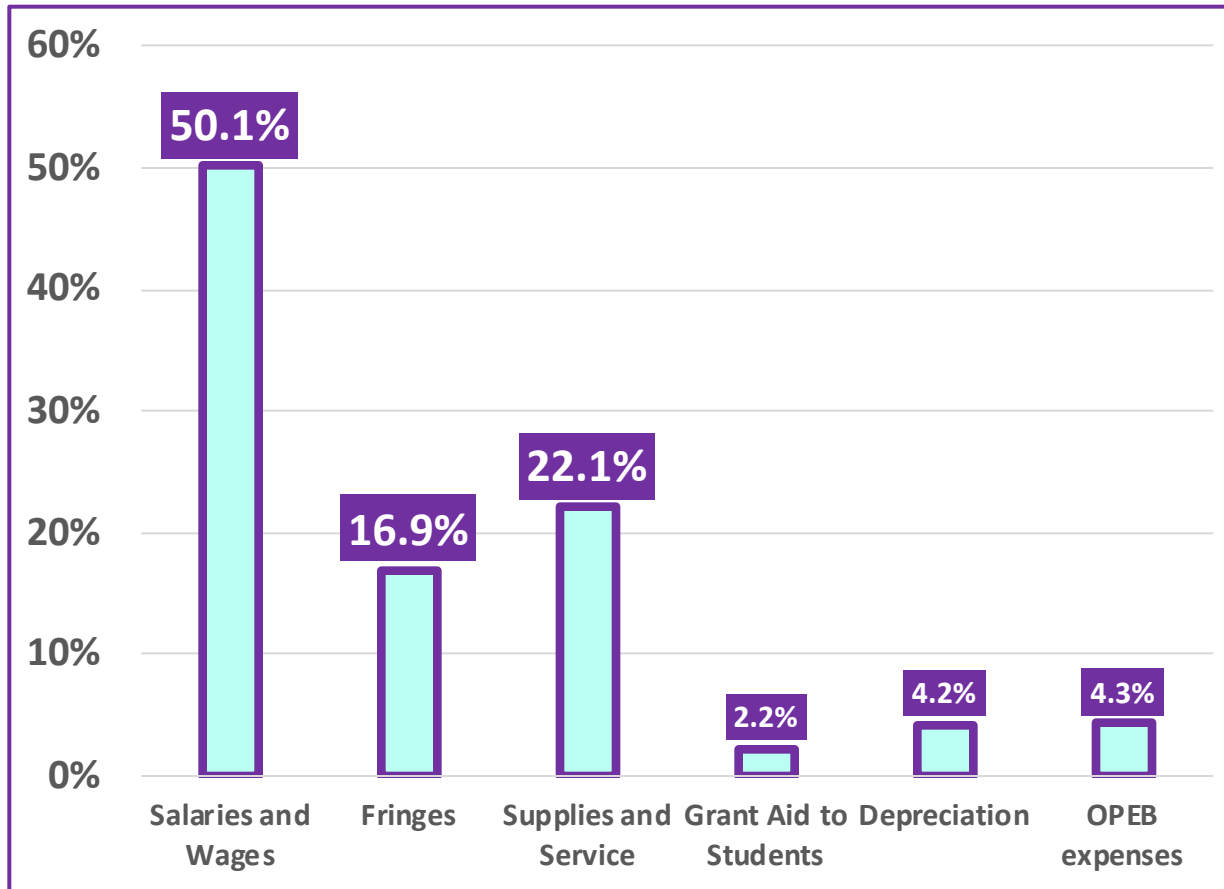
Percent Change in Expenses, 2017 to 2019

Source: Audited Financial Statements, All Campuses Combined



Another Breakdown of Expenses

Source: Audited Financial Statements



2019	In Thousands	% of Total
Salaries and Wages	2,144,603	50.1%
Fringes	724,692	16.9%
Supplies and Service	947,730	22.1%
Grant Aid to Students	94,801	2.2%
Depreciation	181,337	4.2%
OPEB expenses	185,875	4.3%
Total Operating Expenses	4,279,038	100.0%

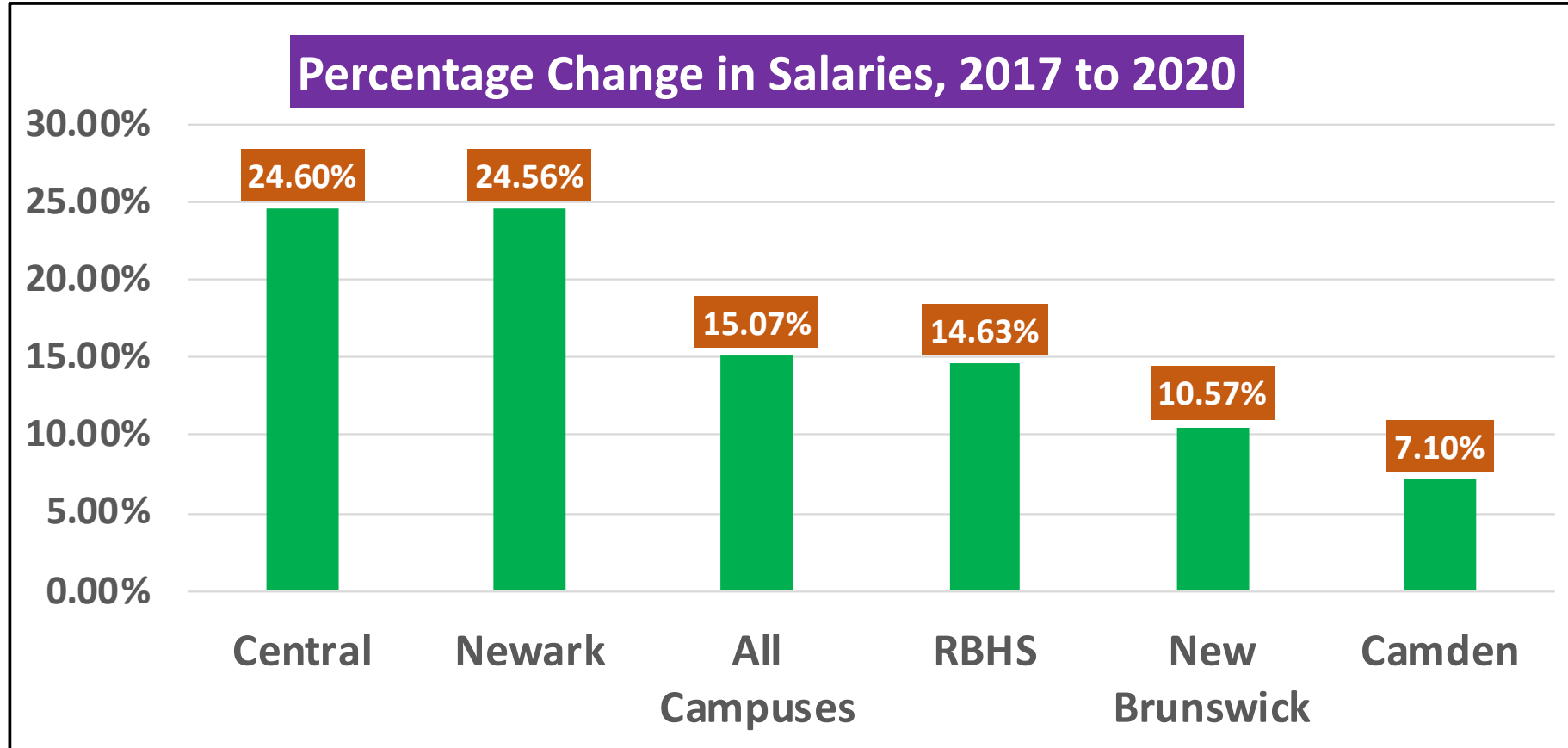
Salary Only Expenses per the Rutgers Budget

Source: <https://budget.rutgers.edu>

Salaries Per Budget:	2017	2018	2019	2020
New Brunswick	619,710	634,897	666,414	685,214
Newark	141,435	154,711	172,851	176,169
Camden	83,423	85,955	88,172	89,343
RBHS	847,555	882,290	897,823	971,576
Central	260,323	287,535	319,343	324,373
Total	1,952,446	2,045,388	2,144,603	2,246,675
Percent of total	2017	2018	2019	2020
New Brunswick	31.7%	31.0%	31.1%	30.5%
Newark	7.2%	7.6%	8.1%	7.8%
Camden	4.3%	4.2%	4.1%	4.0%
RBHS	43.4%	43.1%	41.9%	43.2%
Central	13.3%	14.1%	14.9%	14.4%
Total	100.0%	100.0%	100.0%	100.0%

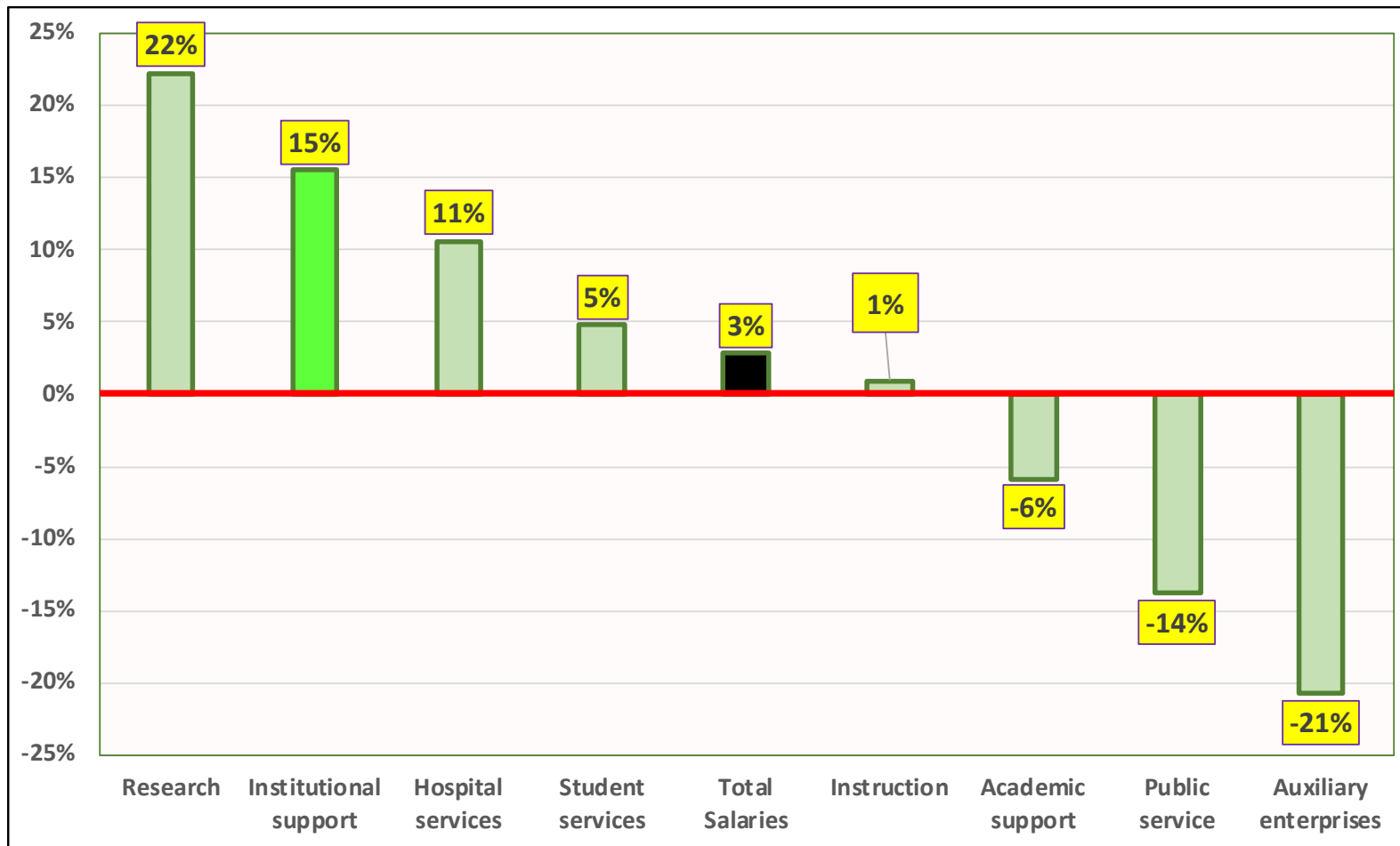
Percentage Changes in Salaries, 2017 to 2020

Rutgers Budget, <https://budget.rutgers.edu>



Percentage Change in Salary-Only Component of Expenses, 2017 to 2018

Source: IPEDS (Integrated Postsecondary Education Data System of the U.S. Dept. of Education)
 2018 is the Latest Year Available on IPEDS



Salary Only: All Campuses	2017	2018
Instruction	614.4	620.2
Research	209.1	255.6
Public service	145.6	125.6
Academic support	258.6	243.4
Student services	75.8	79.4
Institutional support	108.0	124.7
Auxiliary enterprises	90.3	71.6
Hospital services	366.2	405.0
Other expenses	11.3	6.7
Total Salaries	1879.2	1932.2

Number of Management (Only high level) Employees

Source: IPEDS, 2017 to 2019

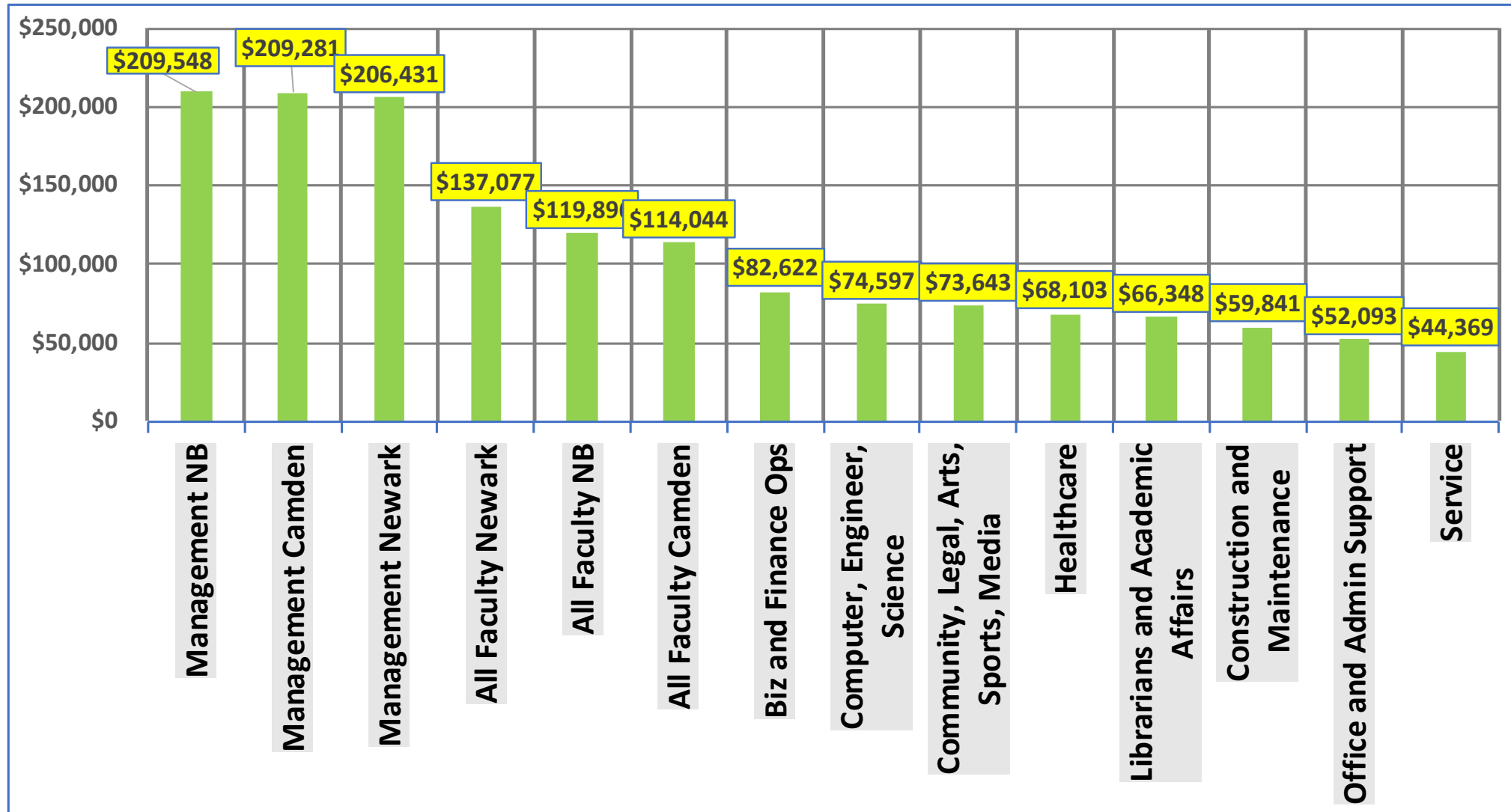
				2017 to 2019	
Management Number	2017	2018	2019	# Change	% Change
Camden	17	15	17	0	0%
New Brunswick	239	255	258	19	8%
Newark	36	37	37	1	3%
Total	292	307	312	20	7%
				2017 to 2019	
Management Total \$\$	2017	2018	2019	# Change	% Change
Camden	\$3,339,421	\$3,164,920	\$3,557,776	\$218,355	7%
New Brunswick	\$47,127,122	\$53,048,857	\$54,063,345	\$6,936,223	15%
Newark	\$6,960,585	\$7,502,625	\$7,637,951	\$677,366	10%
Total	\$57,427,128	\$63,716,402	\$65,259,072	\$7,831,944	14%
				2017 to 2019	
Management Average	2017	2018	2019	# Change	% Change
Camden	\$196,437	\$210,995	\$209,281	\$12,844	7%
New Brunswick	\$197,185	\$208,035	\$209,548	\$12,363	6%
Newark	\$193,350	\$202,774	\$206,431	\$13,082	7%
Total	\$196,668	\$207,545	\$209,164	\$12,495	6%

From 2017 to 2019:

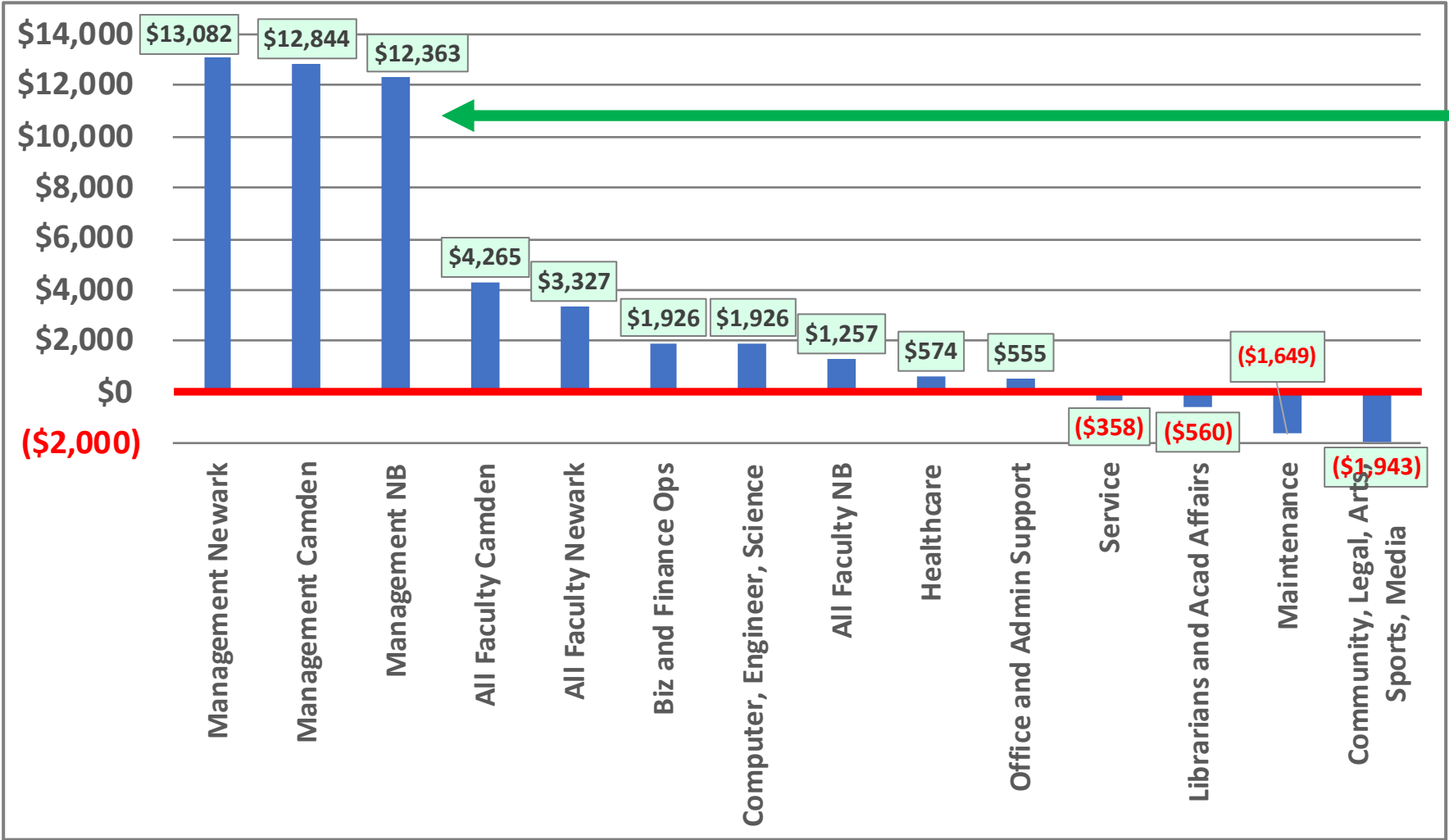
- 20 more upper-level managers
- 14% increase in total dollars
- \$12,495 increase in average salary
- 6% increase in average salary

The average upper-level manager makes \$209,164 in 2019

2019 Average Salary of Employee Classifications per IPEDS



Dollar Change in Average Salary of Employee Groups, 2017 to 2019 per IPEDS



Increases for management employees are SIGNIFICANTLY larger than the increases for all other employees

Big Ten Conference

Institution	Founded	Joined	Type	2019 Enrollment
Illinois	1867	1896	Public	49,702
Michigan	1817	1896	Public	46,716
Minnesota	1851	1896	Public	50,734
Northwestern	1851	1896	Private	22,127
Purdue	1869	1896	Public	44,474
Wisconsin	1848	1896	Public	43,463
Indiana	1820	1899	Public	43,503
Iowa	1847	1899	Public	31,656
Ohio State	1870	1912	Public	61,170
Michigan State	1855	1950	Public	50,351
Penn State	1855	1990	Public	46,810
Nebraska	1869	2011	Public	25,820
Maryland	1856	2014	Public	41,200
Rutgers	1766	2014	Public	50,254

2018 Presidential Salaries of Public Big Ten Institutions

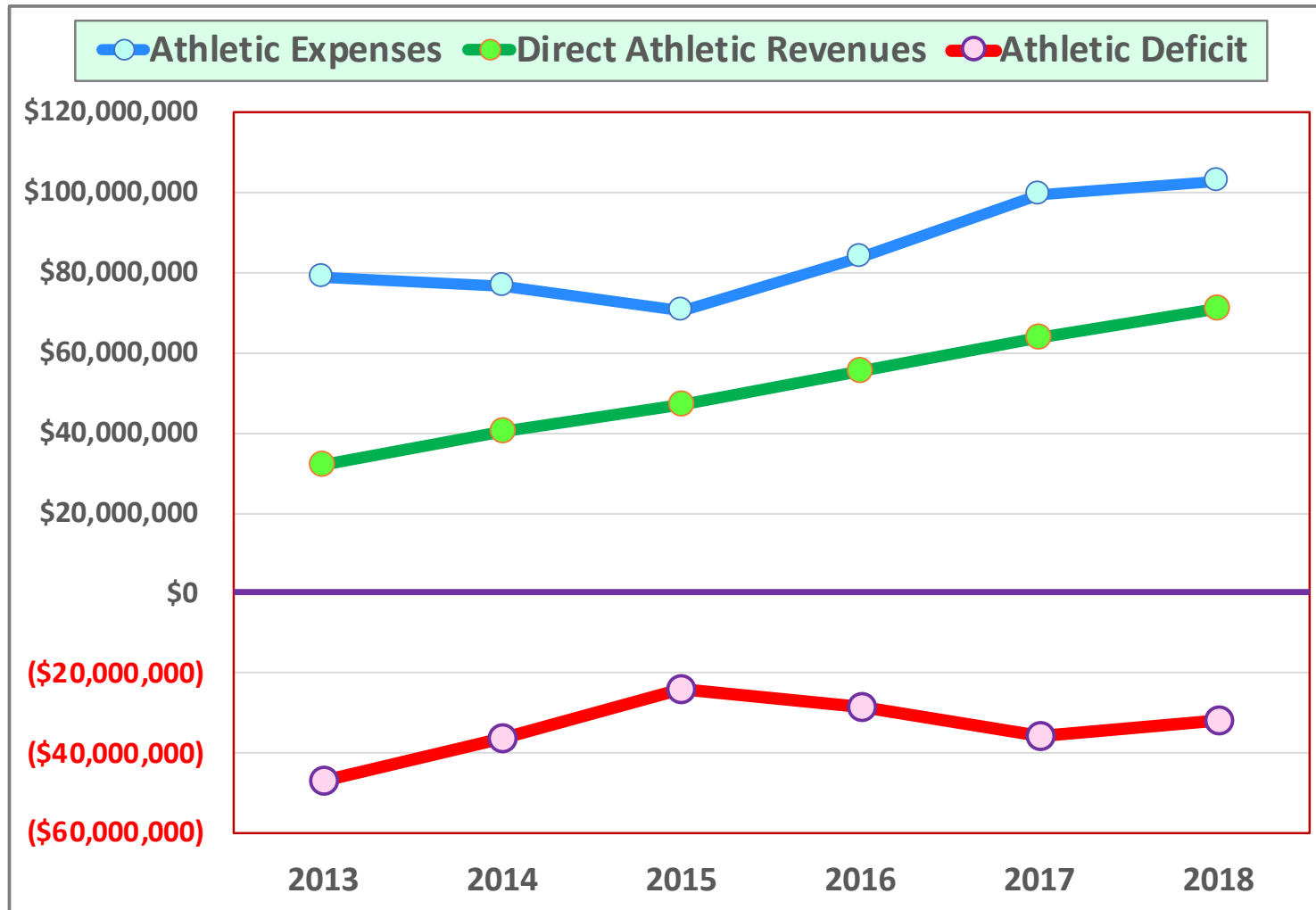
Source: Chronicle of Higher Education, 1/14/2020

Institution Name	President's Total Pay			
Penn State	\$1,854,881			
Ohio State	\$1,206,751		Peer Average	\$881,090
Purdue	\$926,559		Median	\$815,603
Indiana	\$909,185		Rutgers Rank (of 13)	5
Rutgers	\$870,644			
Nebraska	\$849,775			
Michigan	\$848,505			
Michigan State	\$782,700			
Minnesota	\$724,668			
Illinois	\$720,308			
Maryland	\$703,090			
Iowa	\$623,056			
Wisconsin	\$423,606			

**Rutgers Athletics:
Go Scarlet Knights**

Athletic Deficits per USA Today Through 2018

\$31 Million Deficit in 2018



	Athletic Expenses	Direct Athletic Revenues	Athletic Deficit
2013	\$78,989,475	\$31,992,778	(\$46,996,697)
2014	\$76,656,339	\$40,315,674	(\$36,340,665)
2015	\$70,558,935	\$46,755,032	(\$23,803,903)
2016	\$83,974,159	\$55,363,486	(\$28,610,673)
2017	\$99,193,280	\$63,795,549	(\$35,397,731)
2018	\$102,518,486	\$70,764,595	(\$31,753,891)

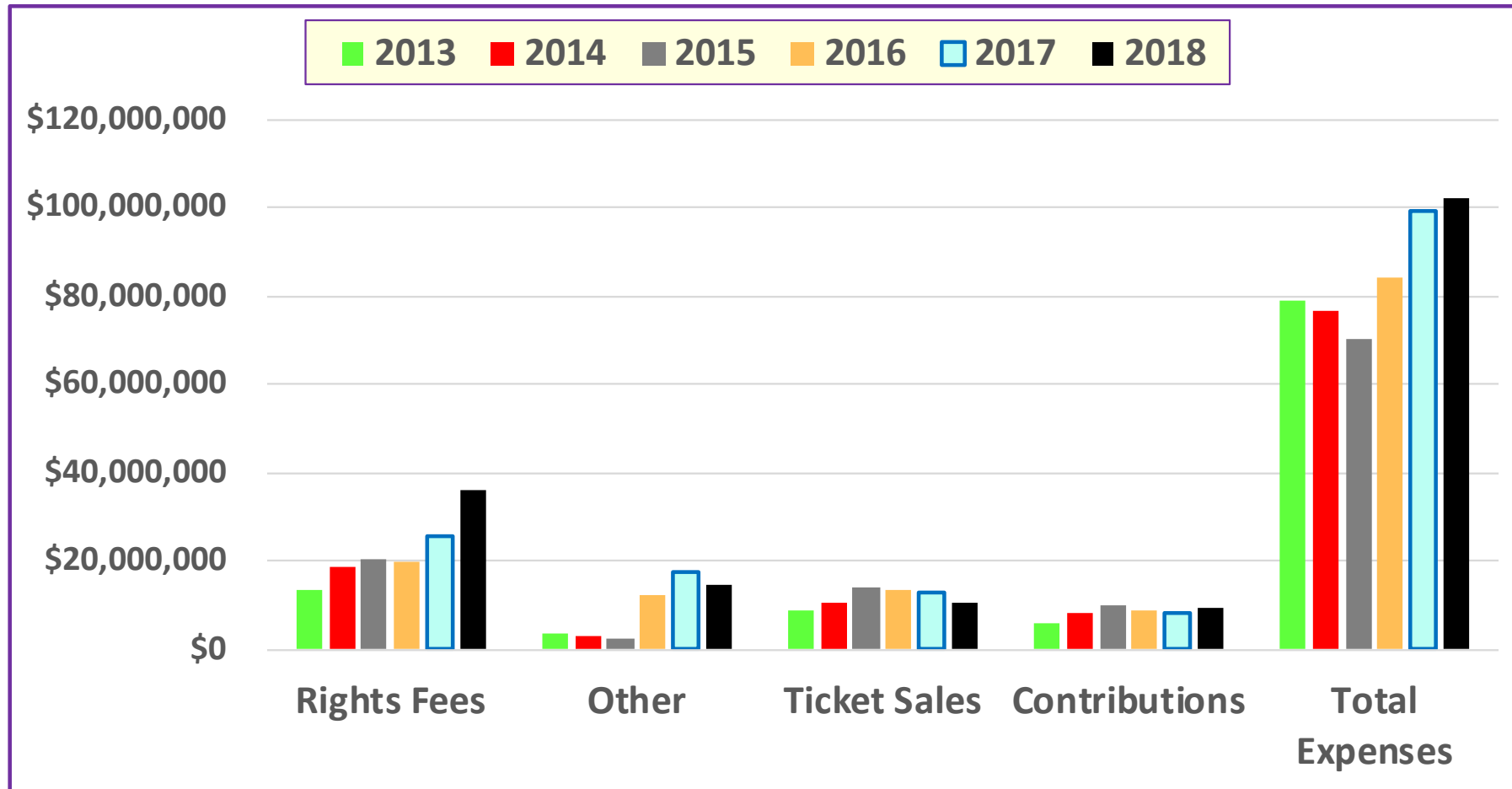
Direct Athletic Revenues Includes

- Ticket Sales
- Contributions
- Rights and Licensing
- Other

It does not include student fees and support from the core academic mission

Athletic Revenues vs. Athletic Expenses Graphically

Source: USA Today



Student and Institution Support Necessary For Athletics To Operate: Subsidies Likely Until 2027 per Outside Report

Source: USA Today

Year	Student Fee	School Funds	Dollar Subsidy	Total Athletic Expenses	Subsidy Percent (% of Expenses subsidized)
2013	\$9,877,989	\$37,118,708	\$46,996,697	\$78,989,475	59%
2014	\$10,323,090	\$26,017,575	\$36,340,665	\$76,656,339	47%
2015	\$10,863,906	\$12,939,997	\$23,803,903	\$70,558,935	34%
2016	\$11,421,897	\$17,188,776	\$28,610,673	\$83,974,159	34%
2017	\$11,766,728	\$21,320,750	\$33,087,478	\$99,193,280	33%
2018	\$11,894,203	\$18,086,588	\$29,980,791	\$102,518,486	29%

According to a comprehensive 58-page report on Rutgers athletics produced by College Sports Solutions, a full revenue share is essentially not happening until 2027, when all 14 member schools will receive an estimated \$65.24 million (rights fees in prior slide)

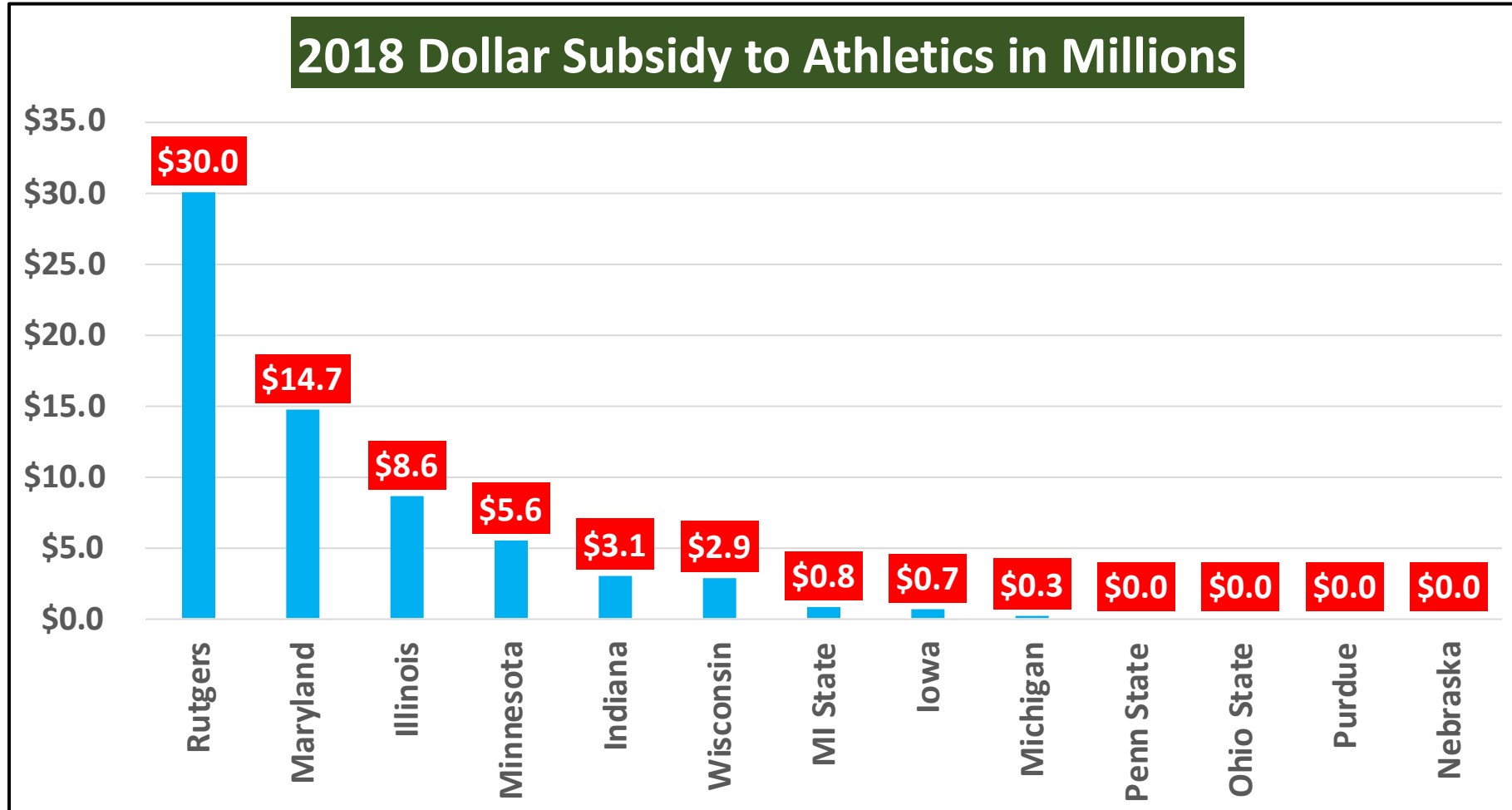
Student Fee + School Funds = Dollar Subsidy

Subsidy % = Dollar Subsidy / Total Athletic Expenses

Dollar Subsidies of Big Ten Public Institutions, 2018

Rutgers Leads the Big Ten – By A Huge Amount

Source: USA Today



Summary of What Can Be Done From a Financial Standpoint

There will be a decline in enrollment and the New Jersey appropriation.

The issues are:

- Can the decline be alleviated?
- What steps should be taken?

Likely RU Management Solutions:

- Hiring freezes
- Furloughs
- Layoffs

Other Strategies:

- Work together to do everything possible to **enhance the student experience**, even in a remote environment
- **Reduce upper-level management and athletic spending**
- Use **reserves** – this situation is **EXACTLY** what reserves are designed to be used for
- **Borrow** – RU has a low level of debt and rates are low, and RU is starting from a solid place financially at the end of 2019. RU routinely borrows \$40-50 million with short term debt