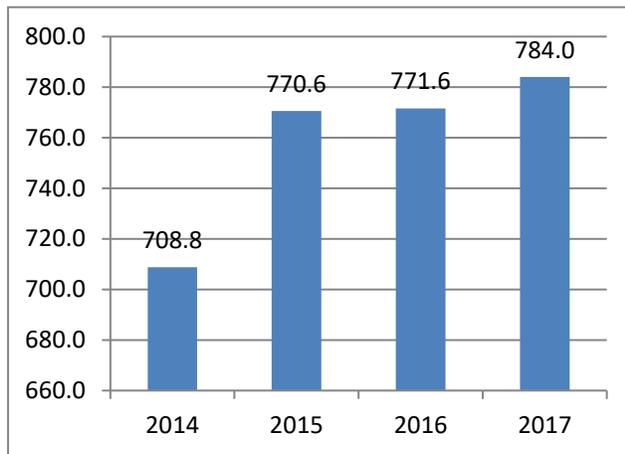


## Rutgers University: the State of its Finances

**B**usiness is booming for Rutgers... Since 2014, total student enrollment at Rutgers has risen nearly 5% from 66,013 to 69,198, tuition has increased every year (as illustrated in Figure 3), and revenue has grown commensurately, as the adjacent table demonstrates. At the same time, Rutgers has managed to keep its expenses down, to an average growth of 2.8% over this same period of time. From any perspective, the last four years have been good to Rutgers. These revenues and expenses are detailed further in Figures 4 and 5 below.

**Table 1: Rutgers Revenue v. Expenses, 2014–16**

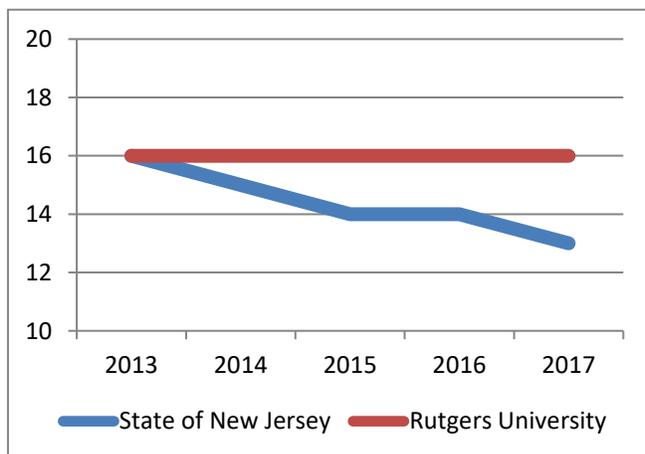
	2014	2015	2016
<b>Total Revenues</b>	3475.3	3550.6	3603.2
<b>Total Expenses</b>	3407.1	3424.0	3502.2
<b>Change in Net Assets</b>	68.2	126.6	101
<b>Net Income Ratio</b>	2.00%	3.60%	2.80%



**Figure 1: Rutgers Reserves (in Millions). Source: Rutgers Audited Financial Statements, analyzed by Howard Bunsis**

according to a January 2018 Wall Street Journal [op-ed penned by Marc Levine](#), the chairman of the Illinois State Board of Investment, which oversees \$22 billion of pension assets, and which recently divested its \$1.5 hedge-fund asset class. Explaining the board's decision, Levine noted that such hedge funds are not benchmarked against the overall stock market, but rather against other hedge funds, a much lower bar. He found that these funds often yielded 2% returns, less than investment-grade bonds were earning. Clearly Rutgers has money to burn.

This growth has largely been applied to Rutgers' reserves, which have reached unprecedented levels, as illustrated in the adjacent chart. These reserves have given Rutgers the opportunity to play the hedge fund and derivatives game. As Rutgers faculty and students discovered in November of 2017 when the [New York Times](#) and the [Guardian](#) published reports on the infamous "Paradise Papers," we have engaged Appleby, a law firm based in Bermuda that specializes in offshore accounts, to invest these assets through secretive offshore entities, including private equity and hedge funds in Bermuda and the Cayman Islands. Peculiarly, these funds are viewed by financial analysts as "hopelessly complicated, hard to understand, and have lousy returns,"



**Figure 2: State of New Jersey v. Rutgers Bond Ratings. Source: Moody's Investors Service**

Meanwhile, in Trenton, the carious finances of the State of New Jersey have resulted in the three top credit-rating agencies—S&P, Fitch Ratings and Moody's Investors Service—downgrading its bonds no fewer than a record 11 times under the Christie administration, making New Jersey one of the worst-rated states in the union. Despite the state's increasingly perilous fortunes, Moody's Investors Service has consistently assigned a Aa3 rating to Rutgers's General Obligation Refunding Bonds, citing its "strong overall wealth with very good liquidity" (Moody's Investors Service, June 21, 2017). The credit-rating agency has placed its confidence in Rutgers despite what it describes as "an

increasingly pressured state environment,” as reflected by a decline in direct state appropriations over the Christie years to only 12% of Rutgers’ revenue, and an additional 9% appropriation earmarked to cover a portion of employee fringe benefits, such as healthcare. Indeed, with the exception of state appropriations (which dropped \$15.3 million from in 2014 to 2016), and grants and contracts (which dropped \$4.5 million from 2014 to 2016), all other sources of revenue are quite healthy—particularly revenue from tuition and student fees, which increased an astonishing \$85.5 million over this same time period, more than offsetting the losses from these other sources, as illustrated in Figure 6 below.

Table 2 below presents the rubric with which Moody’s has graded Rutgers. Rutgers is primarily assessed on the basis of four categories: its primary reserve (“very good”), its debt as expressed in terms of viability (“solid”), its net assets (again “solid”), and its cash flow (“excellent”).

**Table 2: Summary of Ratio Definitions and Benchmarks**

	Poor	Questionable	Average	Solid	Very Good	Excellent	Rutgers (2016)
<b>Primary Reserve</b>	Less than -10%	-10% to 4.99%	5–9.99%	10–24.99%	25–49.99%	Greater than 50%	36%
<b>Viability</b>	Less than 0%	0–29.99%	30–59.99%	60–99.99%	100–249.99%	Greater than 250%	63%
<b>Net Asset</b>	-5%	-5–0%	0–0.99%	1–2.99%	3–4.99%	Greater than 5%	2.8%
<b>Cash Flow</b>	-5%	-5–0%	0–0.99%	1–2.99%	3–4.99%	Greater than 5%	6.4%

**...but Rutgers invests its money in everything but education.** Despite its rather bullish fortunes, bolstered by an excellent cash flow driven primarily by tuition and fee growth, the Rutgers administration has opted to invest in an ambitious capital plan and other areas not directly related to instruction, the primary business of a public university. This fact is largely invisible to the public eye; in a 10/31/2017 press release announcing the most recent round of tuition increases, the administration has argued that “tuition increases at Rutgers, with a \$4.39 billion budget in 2017–2018, are driven by increasing expenditures, **primarily personnel salaries**, and moderated by any increased appropriations in the annual state budget” [emphasis added]. It is indeed true that salaries and fringe benefits compose 69% of Rutgers’ expenses, and without further context, the reader might well conclude that the increase in personnel salaries was driven largely by instructional and research faculty—whose salaries account for nearly 40% of that sum, the largest single portion. In truth, the salaries of these instructional and research faculty actually *declined* by 0.2% and 4.13% of the budget, as the salaries of upper-level administrators and all other personnel increased by 12.4% and 7.7%, respectively, as illustrated in Figure 7.

It is true that wages have been increasing, particularly among college, university, and professional school administrators, but according to the US Bureau of Labor Statistics, the mean wage for these administrators rose only 3.1% from \$106,270 in [2014](#) to \$109,560 in [2016](#). This means that the increase in wages alone cannot account for the 12.4% change in management salaries, as it is fully four times the increase in the national mean. Nor does it explain why the salary expenses of instructional and research faculty have declined while the university is growing both in terms of its revenue and its student population, and while faculty wages are also growing nation-wide at an even faster rate than postsecondary administrators elsewhere. While the absolute number of upper-level administrative positions is few in relation to the total number of employees, these administrators command much larger salaries than faculty and other university employees, as Table 3 demonstrates. Rutgers’ failure to invest in more instructional and research faculty, at a time when the number of students is increasing, the tuition and fees they pay are increasing, and the university enjoys “excellent” cash flow and “strong overall wealth with very good liquidity” according to a top credit-rating agency, is inexplicable.

**Table 3: Administrators by Salary**

Category	Number
More than \$500,000	43
\$400,000 to \$500,000	43
\$300,000 to \$400,000	75
\$250,000 to \$300,000	86
Total Admins Over \$250,000	247

Any discussion of Rutgers' finances would not be complete without addressing athletics. Rutgers subsidizes its athletics program [more than any other member](#) of the Big Ten Conference, and its subsidies only increased in 2016, as Table 4 below illustrates. These subsidies have driven the growth in student fees and also divert school funds from instruction and research:

**Table 4: The Rutgers Athletics Budget and Subsidies**

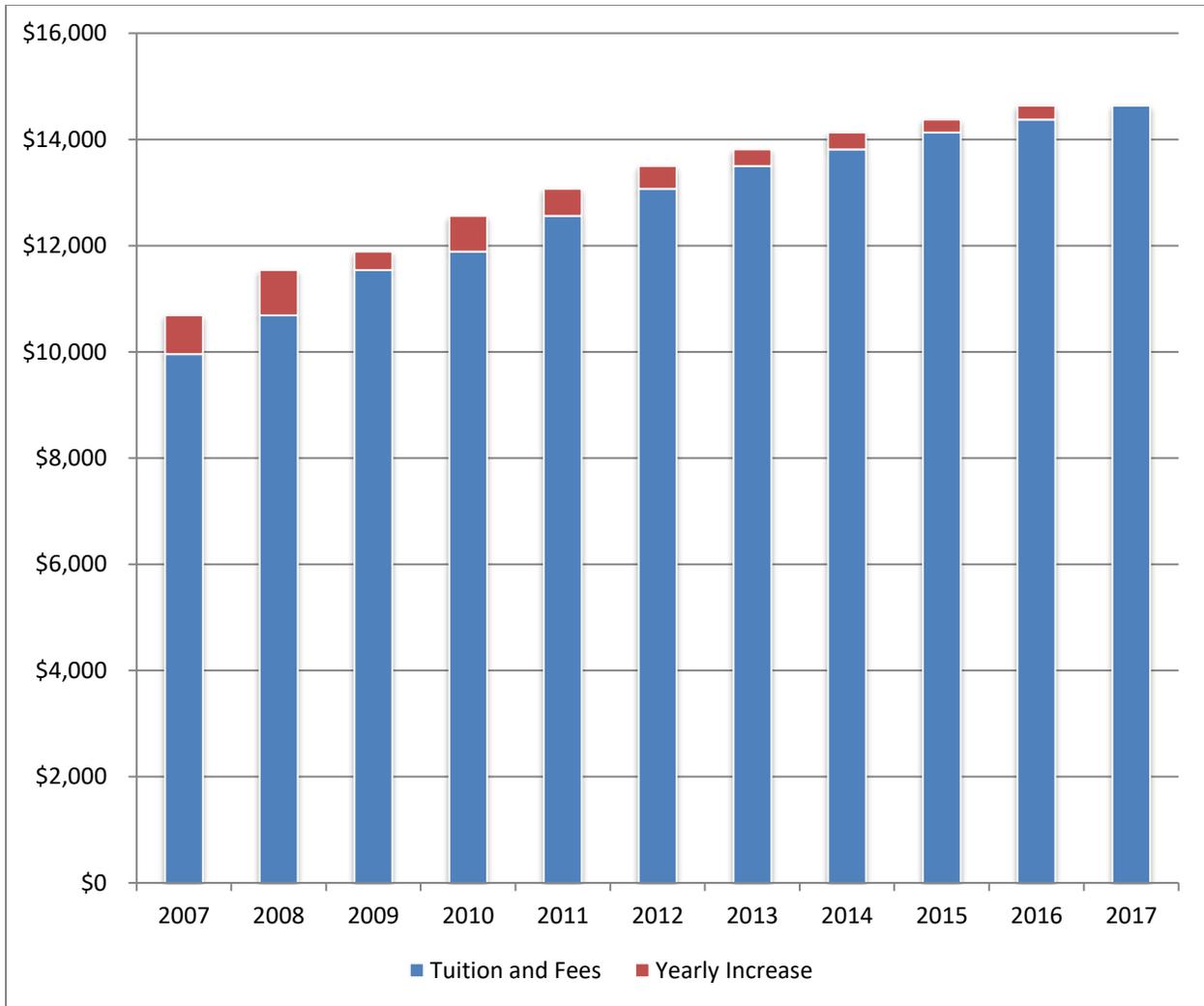
Year	Student Fees	School Funds	Total Subsidies	Total Athletic Budget	% Subsidy
2005	\$5,314,905	\$14,567,049	\$19,881,954	\$37,997,629	52%
2006	\$5,807,996	\$14,384,303	\$20,192,299	\$41,824,257	48%
2007	\$6,447,790	\$13,849,266	\$20,297,056	\$44,819,848	45%
2008	\$6,980,728	\$15,256,553	\$22,237,281	\$51,748,813	43%
2009	\$7,794,629	\$17,937,921	\$25,732,550	\$58,354,222	44%
2010	\$8,441,092	\$18,426,587	\$26,867,679	\$64,203,255	42%
2011	\$9,032,350	\$19,443,173	\$28,475,523	\$60,190,100	47%
2012	\$9,518,734	\$18,477,322	\$27,996,056	\$64,038,720	44%
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%

In 2017, [the subsidy increased](#) to a whopping \$35.4 million, not including an additional \$11.9 million in “loan proceeds against future Big Ten earnings,” for a total of \$47.3 million—the largest deficit in the history of Rutgers Athletics, according to Mark R. Killingsworth, Professor of Economics at Rutgers.

**Rutgers has a transparency issue.** As a public institution, its finances should theoretically be public, to reassure its students, its employees, and the general public that it is acting honorably and within their best interests. Even so, the [Rutgers Budget Office](#) offers visitors only the 2017–2018 budget. We requested the budget data from the 2016 Integrated Postsecondary Data System (IPEDS) of the U.S. Education Department (USED), which were submitted to the USED in April of 2017, but were published by IPEDS only in January 2018. Rutgers denied our request. Additionally, the common data set, which has data on degrees, number of part time employees, enrollment and class size, is not publicly available, and the [Rutgers University Fact Book](#) for 2016-2017, which has data on enrollment, number of employees and salaries from that year, has yet to be published. Rutgers offers some [Facts & Figures](#) on its website, but those are not significant.

Although Rutgers completes its audited financial statements at the end of the fiscal year in July, it did not release them to its employees until the end of the calendar year, and for the first time they have not broken down their expense data by salary. In other words, they reported total instruction expenses, total administrative expenses, and so forth, but they have neglected to distinguish the expenses comprising salaries, fringe, and other costs within this data. This is an entirely new development, as Rutgers has reported these expenses separately in every previous year up, until 2017. This makes it impossible for Rutgers employees and the publics they serve to compare 2017 expenses with prior years, until they report the data to IPEDS in April of 2018. This begs the question: *what is Rutgers hiding?*

It is hard not to conclude, not only from the facts that are available but also from those that the management has consistently refused to disclose, that the administration has not invested its resources in the interests of the students who study at Rutgers, its employees who work at Rutgers, or the public which sustains Rutgers.



**Figure 3:** Annual Rutgers Tuition and Mandatory Student Fees, 2007–2017. The blue indicates tuition and fees for that year, the red indicates the increase for the following year. Source: Rutgers Audited Financial Statements, analyzed by Howard Bunsis.

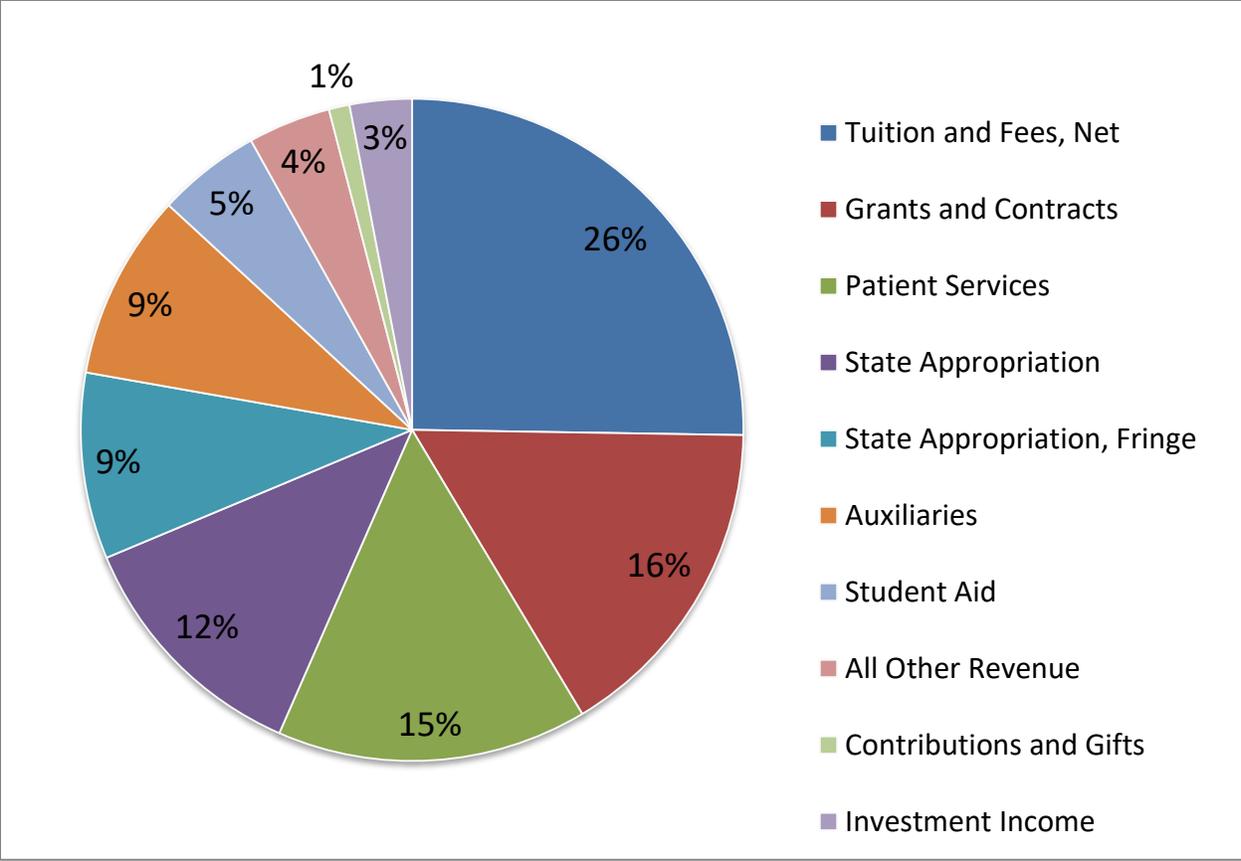
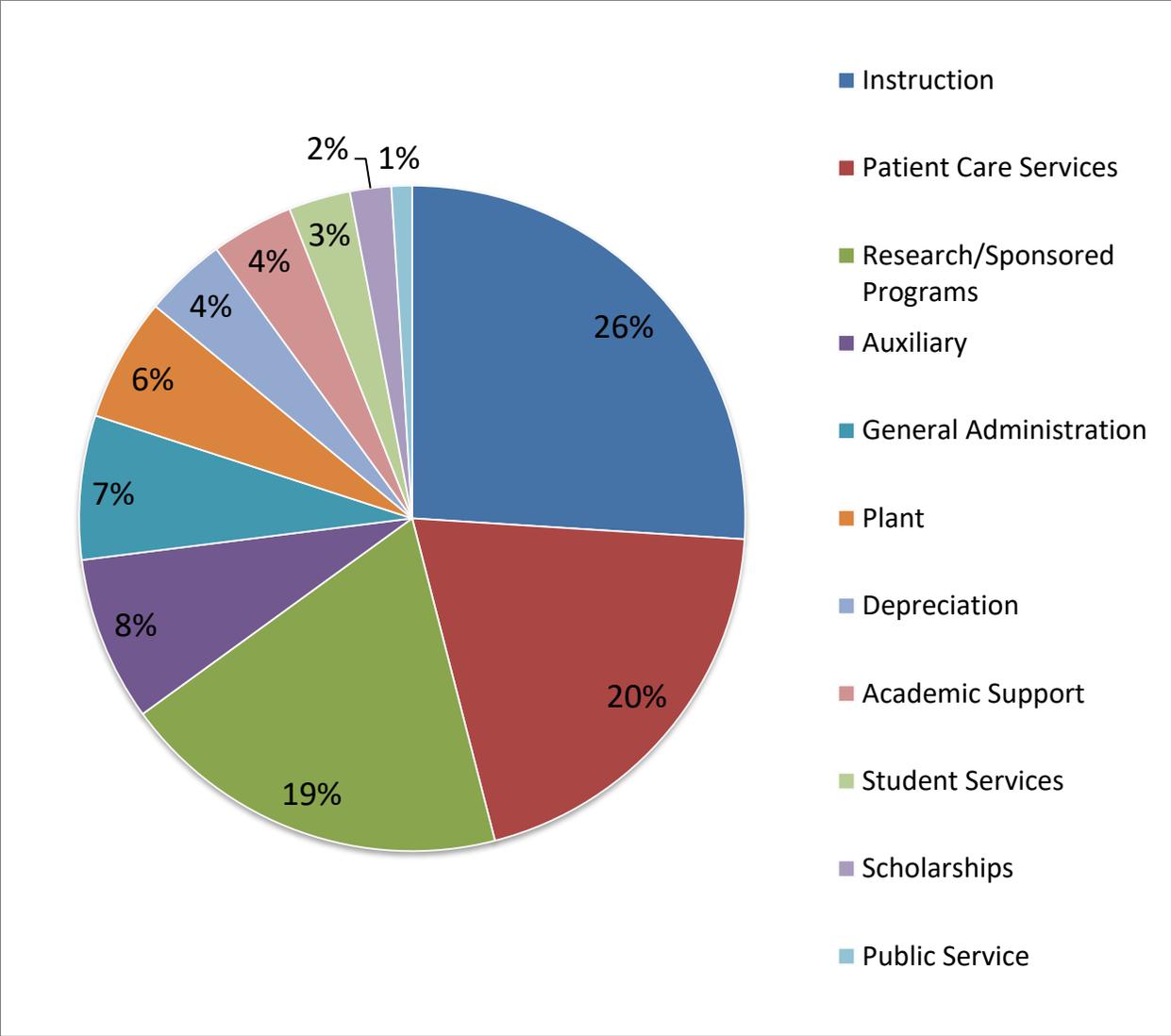
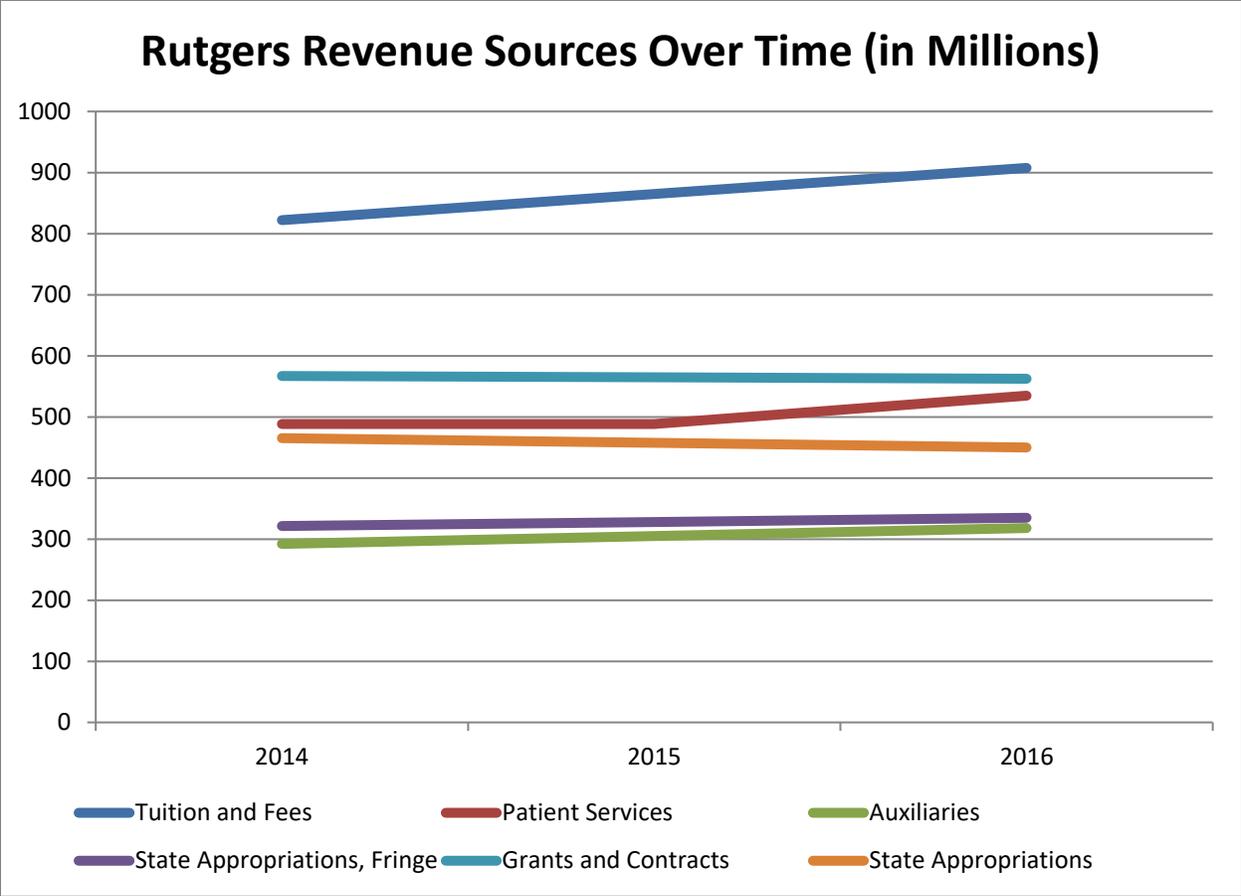


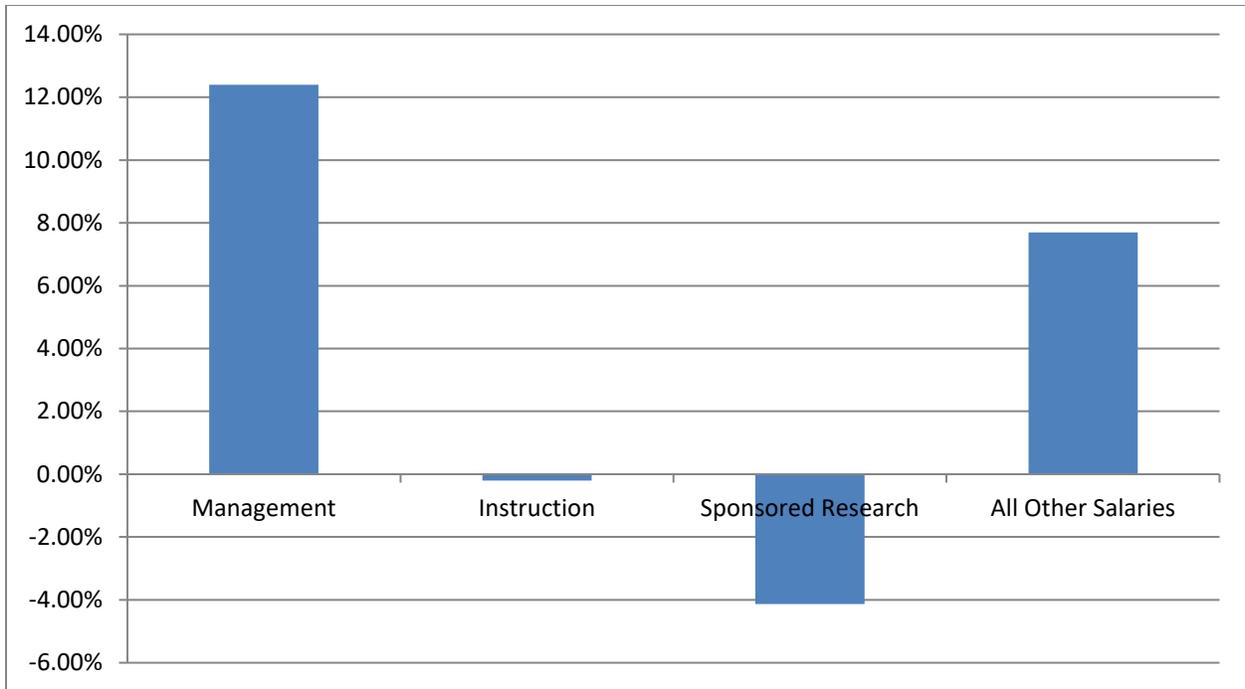
Figure 4: The Sources of Rutgers' Revenue (2016). Source: Rutgers Audited Financial Statements, analyzed by Howard Bunsis.



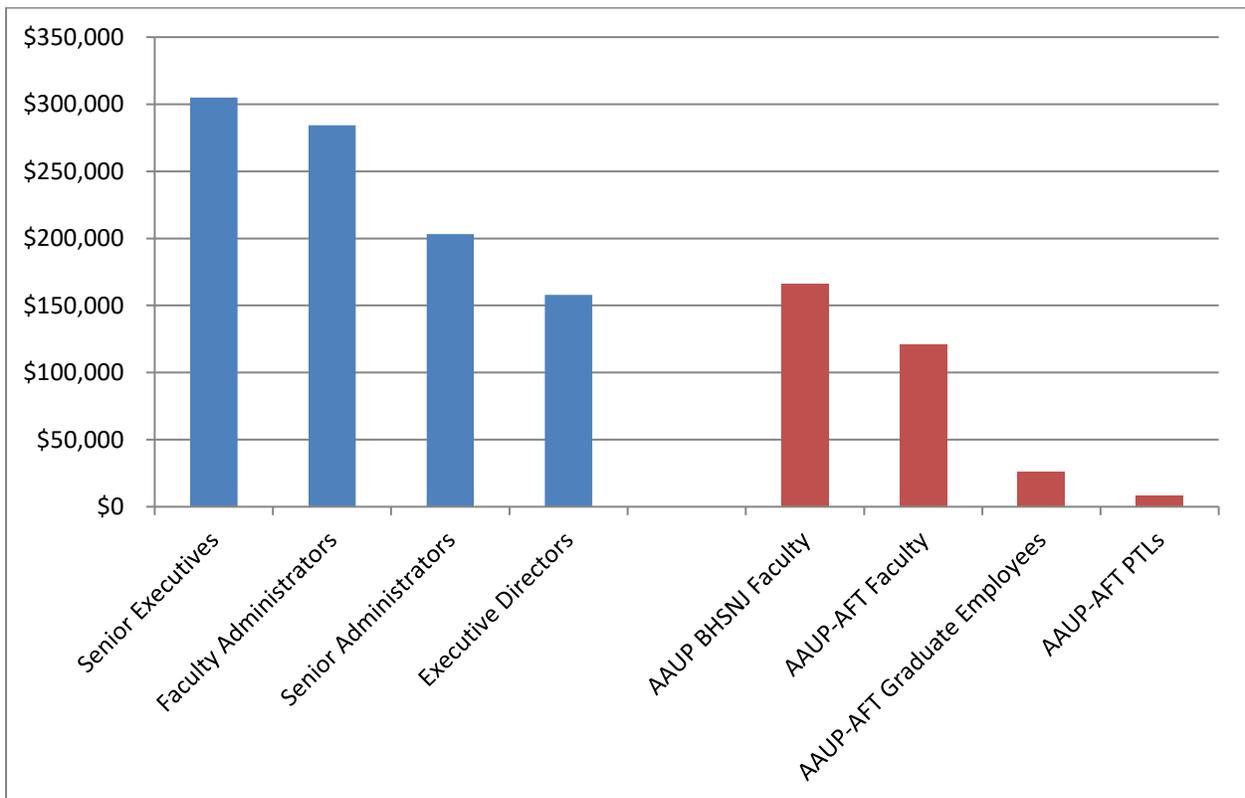
**Figure 5:** Rutgers' Expenses. (2016). Source: Rutgers Audited Financial Statements, analyzed by Howard Bunsis.



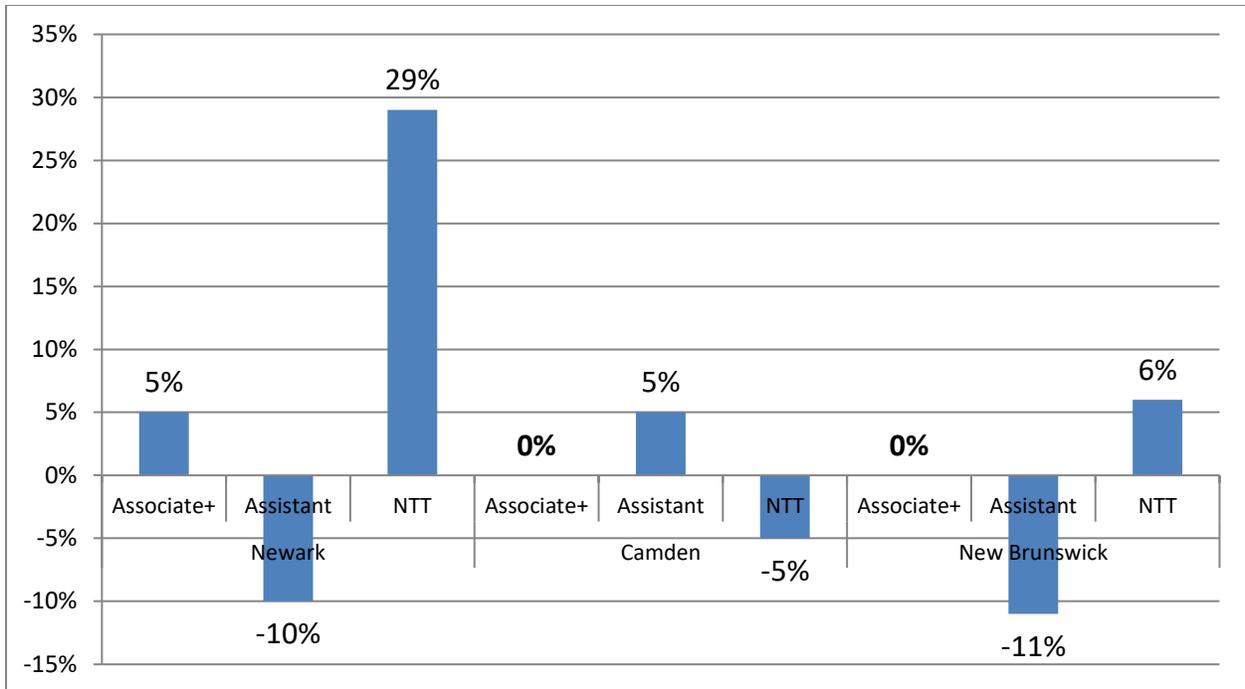
**Figure 6:** Shifts in Sources of Rutgers' Revenue, 2014–2016. Source: Rutgers Audited Financial Statements, analyzed by Howard Bunsis .



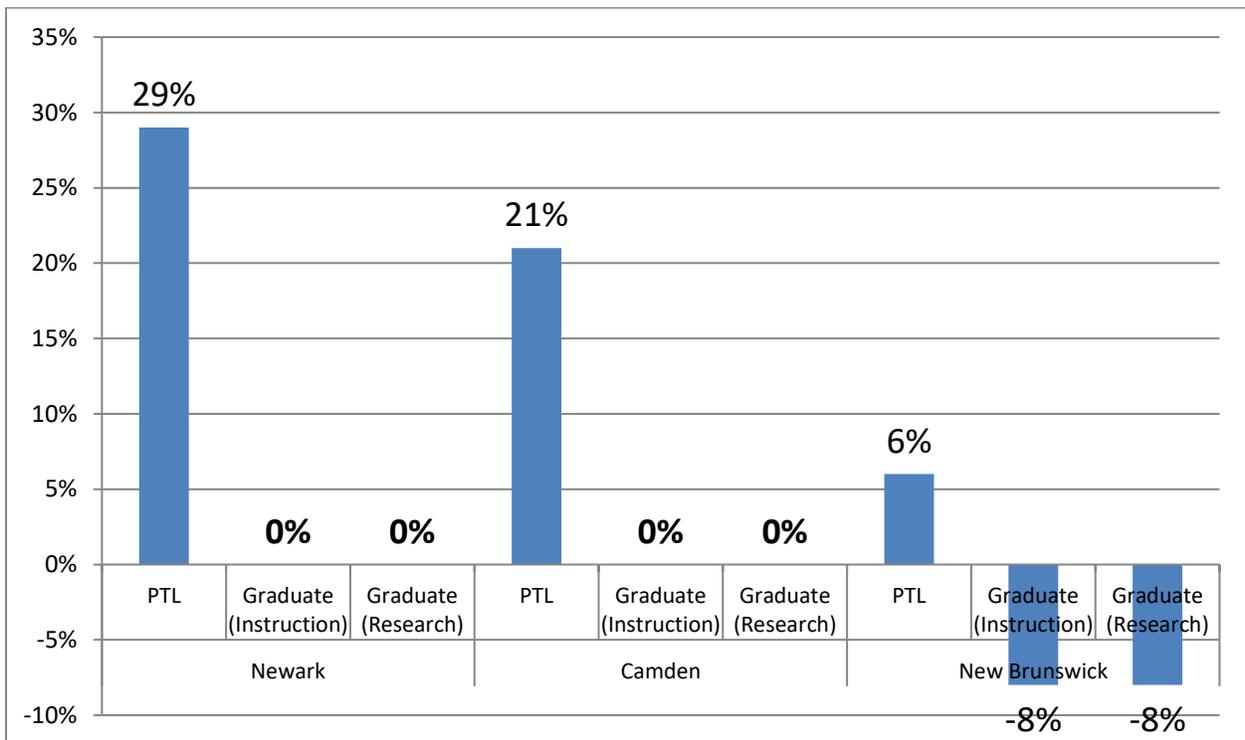
**Figure 7:** Percent Changes in Salary for Different Classes of Rutgers Employees, 2014–2016. Source: Rutgers Audited Financial Statements, analyzed by Howard Bunsis.



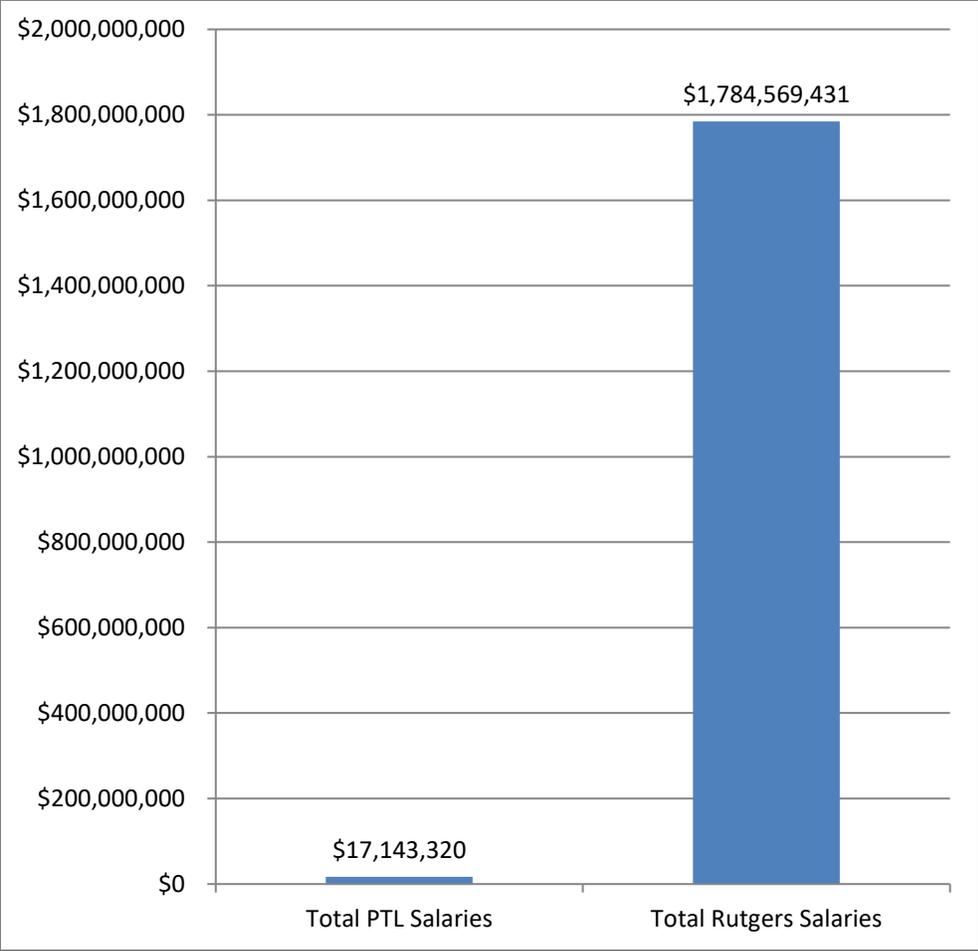
**Figure 8:** Average Salaries for Different Classes of Rutgers Employees, 2017. Source: Rutgers Audited Financial Statements, analyzed by Howard Bunsis.



**Figure 9:** Changes in Full-Time Instructors on Each Rutgers Campus, 2014–2016. Source: Rutgers Audited Financial Statements, analyzed by Howard Bunsis.



**Figure 10:** Changes in Part-Time Faculty or Graduate Employees on Each Rutgers Campus, 2014–2016. Source: Rutgers Audited Financial Statements, analyzed by Howard Bunsis.



**Figure 11: AAUP-AFT Part-Time Lecturer (PTL) Compensation in Context.** The number of PTLs teaching at Rutgers has more than doubled in the past decade, from 925 in 2008 to 2,008 in 2017, while hires of full-time (tenure and non-tenure track) faculty have remained stagnant. Today, these PTLs teach approximately 30% of undergraduate courses, at the cost of only 0.96% of the total salary pool. Source: Rutgers Audited Financial Statements, analyzed by Howard Bunsis.