

Reject Unfair Austerity, End Waste, Build a Better Rutgers  
AAUP-AFT University Budget and Priorities Committee  
May 6, 2020

WE CAN'T ADDRESS A CRISIS WITHOUT THE FACTS

Management claims Rutgers is in a budget crisis due to lost revenue. In his [April 24 message](#) President Barchi specified a “\$200 million shortfall” for this fiscal year without further details. Though the economic impact of the pandemic on the state of New Jersey is very real, its current and future effects on Rutgers remain unclear, because Rutgers’s accounts are not transparent. Management’s claims about the university’s budget and finances must be carefully scrutinized. The administration has not used the contractual language of “fiscal emergency” yet; instead, management speaks of an “enormous financial impact.” Nonetheless, based on public records, and working with AAUP Council Member Howard Bunsis (Professor of Accounting, Eastern Michigan University), we have been able to establish some key facts for understanding the present financial situation of the university.<sup>1</sup>

The **revenue shortfall is not the same as a budget hole**. The impact on the budget consists of the difference between lost revenues and foregone expenses. Lost revenues include frozen state funding, postponed clinical procedures, and dining and housing refunds to students. But we can be sure that **Rutgers is paying much less to operate its nearly-empty campuses than it would in normal circumstances**. We also know that **Rutgers has money coming in from the federal stimulus**. Our analysis of the actual shortfall for the fiscal year is as follows (see Appendix for line-by-line explanation).

losses/gains	amount (\$ millions)
Frozen and rescinded state funds	73.2
Refunded student fees	56.0
Postponed elective procedures	55.0
CARES stimulus funds	-27.1
Travel savings	-11.7
Utilities/services savings	-23.4
Net shortfall	122.0

1. Prof. Bunsis’s May 1, 2020 presentation is available [on video](#).

From the available evidence, President Barchi's figure of \$200M appears to be rounded up from \$184M.<sup>2</sup> The approximately 600 PTL courses Barchi cut, with roughly 200 PTLs summarily laid off, would account for about \$3.5M "saved" next semester (at an average PTL per-course pay of \$5800). **President Barchi's \$15M rounding error is enough to restore all PTL courses and rehire all laid-off PTLs four times over.** A truly serious situation demands serious transparency and precision, not scare tactics.

There is also clear evidence that **Rutgers can meet its fiscal needs without layoffs or cuts to core academic functions.** At the end of FY2019 (June 30, 2019), the university had \$583.1M in unrestricted reserves, according to its most recent [audited financial statement](#) (p. 9). In an April presentation, Michael Gower, the Executive Vice President of Finance and Administration, stated that of this unrestricted reserve, 18% is specified as "Designated Funds" for "strategic initiatives and unexpected expenses" and another 6% for "Student Services" for "strategic initiatives and . . . unexpected expenses." An additional 34% of "Invested Funds" also includes money for "strategic initiatives" controlled at various levels of administration. In other words, as much as half the reserve is a pure "rainy day fund," and in recent meetings with the union coalition, Gower has also stated that \$300M is available for emergencies. In truth, the whole unrestricted reserve is what it sounds like, unrestricted. Furthermore, accountants include restricted expendable assets when they assess the financial health of an organization. Based on its [2019 financial statement](#), Rutgers has **\$1.2 billion** available in its expendable reserves.

These reserves have accumulated because Rutgers regularly runs a surplus from year to year, collecting more money in tuition and other revenues than it spends. Rutgers reported a 2019 **budget surplus of \$73.7M** (according to the legally-mandated [Statement of Allocations and Transfers](#) for 2019). Rutgers's significant reserves are a key reason why it has a strong [bond rating](#): Aa3 from Moody's (as of February 25) and A+ from Standard & Poor's (as of April 30). This means that **Rutgers can and does regularly borrow large amounts of money.** According to its most recent financial statement the university has ready access to \$300M in commercial paper.<sup>3</sup>

Taken all together, these financial facts make President Barchi's emphasis on a shortfall figure of \$200M difficult to accept. Rutgers has not received all the revenues it expected, including funding from the state of New Jersey, but

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2. Throughout, "M" stands for "million."

3. [2019 financial statement](#), p. 45. "Commercial paper" is a form of short-term debt.

it has also spent less than expected and has retained large amounts of money in reserve. The true budgetary situation remains unclear. What is clear is that the administration is trying to use the urgency of the crisis to apply austerity exclusively at the expense of faculty and staff. But the present crisis offers a **chance to redirect resources back to the fundamental mission**. If the administration wants to preserve Rutgers's integrity, it should use all of the resources at its disposal to protect workers and students.

There is no question that the pandemic and all its consequences will have a significant economic effect at Rutgers. But a **fair response requires respecting shared governance and collective bargaining**. Now is the time for the Administration to recognize the need for union participation in all decisions about the future of the university. **There can be no talk of "shared sacrifice" without real shared governance**. Other Big 10 universities—such as Michigan State and the University of Minnesota—have already started collaborative planning groups. Our Union's graduate steering committee has [proposed a commission](#) to ensure the fair distribution of CARES Act funding designated for students. Democratic deliberation is the only strategy that respects the work of those who carry out the core missions of the university: teaching and research.

How best to achieve democratic governance is a matter for everyone to discuss. The financial situation bears directly on governance, however, because **the central administration's secretive budgeting process and its self-serving appropriation of resources are an obstacle to reclaiming Rutgers for all**. The rest of this report details this misappropriation of resources.

## RCM BUDGETING PUTS MANAGEMENT FIRST

Why does Rutgers propose to solve its budget problems with layoffs and pay cuts? The university's budgeting system, Responsibility Center Management (RCM), is **designed to disguise management bloat**. Under RCM, each unit that teaches students or receives income (from grants, etc.) must pay a tax which goes into the coffers of the central administration to spend as the administration wishes. The units must balance their budgets after this tax, which is typically 15–25% of revenues allocated to that unit. If deans and chancellors think they have to cut staff to balance their budgets, **that is by design**. According to the university's own [public 2020 budgets](#), the "cost pool transfer" to the central administration was planned as \$637M, or 14% of total revenues. Central doesn't balance its budget; it just takes from the units that actually do

teaching and research. **Responsibility Center Management means Central Management Takes No Responsibility.** This system has never made sense for Rutgers, and it is time for it to go. **Rutgers's budgets should be based first and foremost on the needs of its public mission of teaching, research, and service, not on central management's desire to control "strategic funds."**

#### MANAGEMENT GROWS WITHOUT LIMIT

Rutgers is a national leader in management bloat. The ranks of senior management have grown rapidly in the last decade, and executive compensation has grown even faster, far outpacing any increases in faculty, staff, and graduate-student pay.

Since the last economic crisis a decade ago, the amount of money Rutgers has reported spending on "General administration and institutional support" has nearly tripled, from to \$105.8M to \$285.7M (financial statements from 2009 and 2019). The UMDNJ merger certainly accounted for some of these expenses, yet the number of *non*-medical Rutgers top managers at the rank of assistant vice provost and above **more than doubled** in the same period, from 51 in 2009 to 105 in 2019. The total salaries of that group **increased 2.5x**, from a total of \$10.4M to \$25.7M.<sup>4</sup> Within this group of high-ranking non-medical, non-athletics senior administrators, at least 50 individuals have yearly salaries higher than \$250,000, and 21 have salaries above \$350,000. Even these figures underestimate the true cost of top-heavy administration, which not only includes the costs of senior managers' staffs and offices but also the endless counterproductive projects and initiatives these excess administrators spend their time devising (RCM, strategic planning, Cornerstone, OneSource, Infosilem . . . ).

Executive salaries at Rutgers are high, and they have been growing faster than the salaries of any other group of university employees. According to data reported by Rutgers to the U.S. Department of Education (IPEDS data for [New Brunswick](#), [Newark](#), [Camden](#)), just in the last three years the university increased its total number of senior managers from 292 to 312. Their total salaries increased from \$57.4M to \$65.3M; the average management salary went from \$196,668 to \$209,164 yearly.

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4. The group includes all individuals not at RBHS whose titles contain the words "president," "chancellor," or "provost," including vice chancellors, executive vice presidents, etc. RBHS did not exist in 2009.

On April 24, weeks after senior administrations at peer institutions had taken voluntary pay cuts, the Barchi administration announced it was following suit. But **senior management thinks it can buy credibility with a pittance.** What President Barchi described as 10% pay cut for his top managers over a four-month period is, in simpler language, a 3.3% reduction in yearly salary, with no promises at all beyond that quarter. **For example, President Barchi is reducing his own compensation from about \$871,000 to \$847,000.** (We assume the reduction is to his \$705,305 base pay, but his [total compensation](#) is higher.) **Football coach Greg Schiano will have to make do with \$3.87 million instead of \$4 million.** The total size of the give-back from Barchi and his top-level executives (based on 2017 salary data) is about \$101,000. The athletics director and the basketball coaches, all paid more than \$500,000 yearly, are taking the same cut, adding (with Schiano) another \$193,000. The 1.67% pay cuts (5% for four months) for the remaining administrative executive council might amount to another \$500,000, with the same amount for the rest of the athletics leadership. **Altogether, this give-back, made while hundreds of PTLs are receiving a 100% pay cut, is a gesture of contempt.**

## THE ATHLETICS SINKHOLE

During President Barchi's tenure, Rutgers Athletics has incurred ever-increasing deficits. During each of the past three years, these deficits have exceeded \$40M, according to a [USA Today summary of reports to the NCAA](#). Since President Barchi arrived at Rutgers, the cumulative total deficit exceeds \$200M. No other Big 10 school spends as much to subsidize its athletics program as Rutgers (\$30M in school and student fees in 2018; the next largest competitor is UMD, with a subsidy of \$14.8M.) Over the course of a single year, 2019, athletics' "internal loan" balance increased from \$45.39M to \$121.52M.<sup>5</sup> In other words, **the administration handed athletics \$76M in 2019, and we have no idea if athletics can ever pay it back.** The program's long-term pattern of big deficits suggests the opposite. Meanwhile, athletics has its own version of managerial excess. Football coach Schiano's compensation includes not only his enormous \$4M salary, but his \$15,000 annual car benefit, \$642,000 in salaries for a personal staff, and more. In short, athletics is spending freely while the academic units have been told to tighten their belts for ten years and more. This provides the clearest possible evidence that the

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5. Athletics balance information obtained by OPRA request.

money to protect the University's academic mission is already available—it's just not going to academics. **The current fiscal disruption provides an opportunity for Rutgers to refocus its budgetary priorities from athletics to academics.**

#### A STIMULUS FOR OUR RUTGERS

Not only should we defend what matters—no layoffs, no tuition hikes—now is the time to advocate for focusing resources on the instructional and research capacity of Rutgers. In frightening global economic circumstances, it is all too easy to accept the idea that higher education is a luxury we can do without. For decades, politicians have claimed that reasonably compensated public-sector workers—and their ill-paid contingent colleagues—should be the first to feel the economic pain. But **a society in crisis needs robust public services, including higher education.** Even in the narrowest economic terms, harming Rutgers harms New Jersey. Rutgers is the state's second-largest employer. And if good jobs are scarce, more people will likely go back to or continue in higher education. But this education will give many fewer individual and collective benefits if New Jersey's public university has been cut to the bone by short-sighted managers. Instead, this is a time for Rutgers to reinvest in the people who keep campuses running, students learning, and research advancing. **Rutgers has the resources to make this reinvestment,** provided its management ends short-sighted and wasteful policies, and provided all of us who make Rutgers work gain a full say in how its resources are used.

AAUP–AFT University Budget and Priorities Committee

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## NOTE

Uncited figures are calculations based on detailed budget (2017) and salary (2019) information obtained through OPRA requests.

## APPENDIX: ESTIMATING THE REVENUE SHORTFALL

*State funds.* The state of New Jersey, as part of a large spending freeze, has “frozen” some of its payments to the university (the state currently lists \$41M of frozen Rutgers funds). It has also rescinded an earlier overpayment of \$28M. In a March presentation, Michael Gower stated that the lost state money totaled \$73.2M, which is higher than the total known amount. However, we have used his figure.

*Refunded fees.* Again from Michael Gower, these include \$28.5M in housing refunds, \$15M in dining refunds, and \$4M in parking refunds.

*Postponed elective procedures.* Gower gave a range of estimates for lost clinical revenue, from \$10M to \$55M. We have used the high figure. However, bear in mind that most of those procedures will happen eventually, just not this quarter. These losses are included in management’s estimates in order to generate urgency.

*The Federal stimulus.* According to a [Chronicle of Higher Education analysis](#), \$54.2M is coming to Rutgers in the first wave of CARES act funding; this amount places Rutgers third among all universities as a beneficiary of the stimulus. Half of this is reserved for student aid; presumably some proportion of the student aid money will also end up being paid back to the university. Nonetheless, we include only the non-student-aid portion of the stimulus. Bear in mind, too, that further federal stimulus bills are likely, and thus more money will follow from subsequent federal stimulus bills.

*Foregone expenses.* Rutgers [budgeted](#) \$127M for “plant operation and maintenance” for FY2020. Perhaps half of this bill is for utilities like electricity and gas (the most recent detailed budget we have, for 2017, has a total of \$64.5M in utilities items).

Commencement has been cancelled altogether; university travel (budgeted at \$46.8M for 2020) has been banned for most of spring and all of the summer. A quarter of this amount is \$11.7M.

The following items from the 2017 budget can be used to estimate savings:

item	budgeted expense (\$)
Dining Food & Concessions	3,719,526.80
Dining Food Service	2,735,648.51
Other Supplies Events & Programs	1,265,449.40
Other Supplies General	10,195,109.03
Services Food & Catering	3,744,989.02
Services Honoraria	719,032.28
Services Valet Parking	749,086.28
Professional Service Consultants	7,512,032.22
Utilities Natural Gas	14,367,199.22
Utilities Electric	36,523,833.88
Utilities Fuel Oil	2,446,047.27
Utilities Water & Sewer	8,314,122.37
Rent Buses	1,200,253.03
Total	93,492,329.31

A quarter of this total is \$23.4M. This is a conservative estimate, since it omits a number of budget items that are probably affected by the campus closure, notably a \$55M “Services Other” item.