



June 8, 2020

Via Regular and Electronic Mail (pnowlan@rutgersaaup.org and aaup@rutgersaaup.org)

Patrick Nowlan, Executive Director
AAUP-AFT
11 Stone Street
New Brunswick, NJ 08901

**Re: Rutgers University and American Association of University Professors-
American Federation of Teachers, AFL-CIO**

Dear Mr. Nowlan:

As we all are aware, the COVID-19 pandemic has dramatically altered all of our lives and, at least temporarily, changed how we operate as a University. The financial toll that it has taken on our country, our state, and Rutgers is unprecedented. In order to respond to this crisis and the financial toll it has taken, in accordance with Article 8, Part Six, paragraph A of the July 1, 2018 to June 30, 2022 collective negotiations agreement between the AAUP-AFT and the University (the "Collective Negotiations Agreement"), we are writing to advise that Rutgers is invoking the "subject to" language in the prefatory paragraph of Article 8 of the Collective Negotiations Agreement.

The University has determined that there currently exists a fiscal emergency at the University for the following reasons:

1. For the remainder of Fiscal Year 2020, the University is forecasting a negative change in Fund Balance Operations of almost 58 million dollars.
2. For Fiscal Year 2021, the University is forecasting a negative change in Fund Balance Operations of over 204 million dollars.
3. Those two figures total a shortfall of over 262 million dollars. More specifically, and by way of example, these losses were caused by a number of factors, including, but not limited to, the following:
 - a. **Lost State Appropriations:** Rutgers already had experienced a 50% reduction in its anticipated appropriation from the State for the first quarter. More recently, the State announced that there also would be no operating appropriations in the first quarter of Fiscal Year 2021. Although Rutgers has not been advised at this point about its specific appropriations figures, it has removed 51 million dollars (the anticipated Fiscal Year 2021 first quarter appropriation) from its revenue figures to account for this potential, significant loss.
 - b. **Lost Auxiliary Revenue:** As set forth above, the COVID-19 pandemic, and its effects on the University are unprecedented. In light of the University's need to act swiftly to respond to the health emergency, students had to convert to an on-line learning platform and vacate dorms during the spring 2020 semester. As a result, dorms and

dining halls are now vacant and the University issued partial refunds for housing, dining, and student parking costs. Auxiliary services such as Dining had to shut down completely, as they did not have a revenue source.

- c. **Lost Healthcare Revenue:** Due to the state of emergency in the State, and the ordered cessation of elective medical procedures, the University experienced an unanticipated, significant drop in healthcare clinical revenues.
4. Personnel costs represent approximately 66% of the University's annual operating budget. Accordingly, the 66% amount of the two-year shortfall is over 173 million dollars.

As a result of the determination by the University that there exists a fiscal emergency and that, as a result, the University is invoking the "subject to" language in the prefatory paragraph of Article 8 of the Collective Negotiations Agreement, the University is withholding the following increases set forth in Article 8 of the parties' collective negotiations agreement, which are set to take effect on July 1, 2020:

1. Fiscal Year 2020-2021 salary increase program set forth in Article 8, Part One (III);
2. Fiscal Year 2020-2021 salary increase program set forth in Article 8, Part One (VI) (Minimum Salaries – 7/1/20);
3. Fiscal Year 2020-2021 salary increase program set forth in Article 8, Part Two (IV) (size of salary increase); and
4. Fiscal Year 2020-2021 salary increase program set forth in Article 8, Part Three (A)(a) and (b) (for Fiscal Year 2020-21).

Along with this Notice, pursuant to the requirements in Article 8, Part Six, paragraph B of the Collective Negotiations Agreement, the University hereby provides to the AAUP-AFT the following statements/financial documents:

1. The financial information upon which the University relies as the basis for its claim that a fiscal emergency exists¹;
2. The audited financial statements for the prior fiscal year²;

¹ See https://www.nj.gov/treasury/omb/pdf/SpendingFreeze_2020.pdf. The University produces herewith in the attached packet a document entitled "Rutgers FY2021 Budget All Units." This document replaces the document provided to the Coalition of Rutgers Unions ("CRU") on May 4, 2020 entitled "COVID-19 IMPACT ALL UNITS."

² The University produces herewith in the attached packet the Fiscal Year 2019 Financial Report – FINAL. This is the same response the University provided to the CRU on May 4, 2020.

3. Quarterly Statement of Net Position (Balance Sheet) for the current fiscal year³;
4. Current projection of the Income Statement for the Unrestricted Educational and General Operating Funds (Operating Budget) for the current fiscal year⁴;
5. Quarterly Statement of Cash Flows (Statement of Cash Flows)⁵;
6. Unaudited End of Year financial statements for the statements listed above⁶;
7. University budget request submitted to the Department of Treasury for past, current and upcoming fiscal years⁷; and
8. The University's Unrestricted Operating Budget for the current fiscal year and budget for the upcoming fiscal year.⁸

The University regrets having to take this action, but it is necessary due to the financial situation caused by the unprecedented circumstances surrounding the pandemic.

Sincerely,



J. Michael Gower
Executive Vice President for Finance and Administration
University Treasurer

Enclosures

³ The University produces herewith in the attached packet a document entitled Statement of Net Position – March 31, 2020. The document in the packet enclosed with this letter has been updated from what was provided to the CRU on May 4, 2020 to include information through March 2020.

⁴ The University produces herewith a document entitled “Rutgers FY2021 Budget All Units.” This document replaces the document provided on May 4, 2020 entitled “COVID-19 IMPACT ALL UNITS.”

⁵ The University produces herewith a document entitled Cash Flow Activities through March 2020. This document updates what was provided to the CRU on May 4, 2020 to include information through March 2020.

⁶ Such documents are not available for Fiscal Year 2021.

⁷ The University produces herewith documents showing budget requests for Fiscal Years 2019, 2020, and 2021. The University previously provided the information for Fiscal Years 2020 and 2021 to the CRU on May 4, 2020.

⁸ The University produces herewith the Resolution Approving Fiscal Year 2019-20 Budget. This information is not yet available for Fiscal Year 2021. This is the same response the University provided to the CRU on May 4, 2020.



**FY 2021 BUDGET
ALL UNITS**

'Dollars in thousands

As of 6/1/2020

	FY2020	FY2020	Variance	FY2021
Revenues	Budget	Forecast	Forecast vs Budget	Budget
1 Student Tuition and Fees	1,334,994	1,342,056	7,062	1,277,284
2 Federal and State Student Aid	226,166	228,020	1,854	231,016
3 Federal Appropriation	7,053	14,542	7,489	7,324
4 Allocated University Support	-	-	-	-
5 NJ State Appropriations	439,974	389,270	(50,704)	299,575
6 State Paid Fringe	447,196	447,196	-	447,196
7 Grants and Contracts	494,373	493,767	(606)	503,414
8 Facilities and Administrative Recoveries	111,822	111,943	121	117,617
9 Gift and Contribution Revenue	37,909	47,339	9,430	43,691
10 Endowment and Investment Income	64,634	68,264	3,630	59,844
11 Healthcare Revenue	597,611	571,445	(26,166)	570,028
12 Affiliated and Housestaff	352,255	336,888	(15,367)	415,221
13 Other Sources Revenue	120,098	122,490	2,392	115,117
14 Auxiliary Revenue	318,625	263,383	(55,242)	176,346
15 Total Revenue	4,552,710	4,436,603	(116,107)	4,263,673
Expense (Uses of Funds)				
16 Total Compensation	2,981,389	2,926,338	55,051	2,958,910
17 Scholarships and Fellowships	423,581	429,093	(5,512)	439,948
18 Debt Service - Principal and Interest	172,354	171,760	594	182,317
19 All Other Operating Expense	969,389	963,414	5,975	925,555
20 Total Expense	4,546,713	4,490,605	56,108	4,506,730
21 Surplus/(Deficit) before Transfers	5,997	(54,002)	(59,999)	(243,057)
22 Transfers	-	-	-	-
23 Cost Pool Transfers	-	-	-	-
24 Total Operating Transfers	-	-	-	-
25 Surplus/(Deficit) after Operating Transfers	5,997	(54,002)	(59,999)	(243,057)
Other Transfers				
26 Plant Fund & Non Operating Transfers	(35,235)	(22,778)	12,457	5,861
27 Use of Prior Year Net Assets	34,384	18,820	(15,564)	32,715
28 Change in Fund Balance Operations	5,146	(57,960)	(63,106)	(204,481)

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