The Rutgers Athletics Program's Income, Expenses, and Deficit: Report and Recommendations

Budget and Finance Committee
Rutgers University Senate
March 2015

The charge:

Charge S-1408 - **Athletics Program Deficits:** Study the sources and the use of funds by the Athletic Department, and make recommendations concerning the use of funds from the University operating budget and student fees to support athletics expenditures. When discussing this charge, the Budget and Finance Committee may wish to ask the Student Affairs Committee for input relative to student funding of athletics. It may also want to consider the recent New Brunswick Faculty Council's detailed report of April 2014, "Athletics Program's Revenues, Expenditures and Deficit." Respond to Senate Executive Committee by February 2015.

Executive Summary

For more than a decade, the University's intercollegiate athletics program has operated at a substantial financial loss. Far from being self-sustaining, the program's revenues have paid for less than 60 percent of its costs. As a result, the program has had annual financial losses in excess of $20 million in each of the years since 2005-06.[1] In 2012-13, the program lost almost $47 million; last year 2013-14, the loss was $36.3 million, almost half of the program's expenses, which came to $76.7 million. All financial losses were paid by allocations of student fees and University discretionary funds.

These deficits represent a drain on the University's resources, and on the resources of students and their parents, during a period of financial stringency. On several occasions, President Robert Barchi has said unequivocally that the athletic program is "siphoning dollars away from the academic mission."[2] Thus, there is widespread concern about these substantial and continuing deficits.

Rutgers presidents have promised to reduce these deficits, yet the deficit spending has continued, and the amount of the deficits has increased.

The University Senate charged the Budget and Finance Committee (BFC) with studying the athletics program's finances (see charge above). The BFC appointed a subcommittee to gather information on the athletics program and its financial situation. The subcommittee has studied the athletics program's financial reports to the National Collegiate Athletic Association (NCAA) and the athletics program's long-range financial plan, has interviewed the chief

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1 All dollar amounts are given in nominal terms, not adjusted for inflation.

2 See http://www.nj.com/rutgersbasketball/index.ssf/2013/05/trancript_of_robert_barchi_int.html, accessed February 24, 2015.

financial officer of the University athletics program[3], and has reviewed the financial reports of the other Big Ten universities. Subcommittee members, and the BFC members as a whole, have considered drafts of this report and the recommendations accompanying it.

The committee's recommendations include the following:

- Rutgers Athletics should design and enforce a five-year plan to eliminate all financial losses.
- The Rutgers Athletics program should prepare medium- and long-term budget plans.
- Responsibility for implementing the Athletics budget plans should rest with the Athletics Director
- No capital investment (expansion or new construction of Athletics facilities) should be undertaken until the Athletics deficit is eliminated.
- No allocations from student fees should be used to finance Athletics.
- Financial losses funded by University discretionary funds and student fee allocations should be treated as loans, to be repaid as soon as possible.
- Athletics should provide copies of its reports to the NCAA, its detailed annual budget statements, and its medium- and long-range financial plans to the University community.
- The President should establish an advisory committee on management, budget and planning for Athletics.

1. Background

This report is concerned with the intercollegiate athletics program of the New Brunswick campus of Rutgers University (hereinafter, "Athletics"). It does not discuss intramural athletics at any of the Rutgers campuses. Likewise, it does not consider the intercollegiate athletics programs of Rutgers Camden or Rutgers Newark.

First, as **Table 1** shows, during 2013-14, a total 593 students were participating in one or more of the 24 athletic teams maintained by Athletics. Of these, men's football and men's and women's basketball are sometimes called "revenue sports"; the rest are sometimes called "non-revenue sports." Of these 24 teams, by far the largest is men's football, with 115 students participating. The next largest is men's lacrosse, with 53 student participants. The largest women's sports team is rowing, with 52 participants.

Table 2 shows trends over time in the total number of participants in Rutgers Athletics.[4] The decline between 2006-07 and 2008-09 is largely attributable to the University's decision, implemented effective 2008-09, to discontinue its support for six teams.

[3] Janine Purcaro, the Athletics Chief Financial Officer, provided us much information on the finances of the Athletics program (discussed in this section) and on the long-range plan for Athletics (discussed below). We are most grateful for her help.

[4] **Appendix A** contains a short historical review of Rutgers Athletics.

The expenses and revenues of Rutgers Athletics in 2013-14 are shown in **Table 3**. This shows that total revenues were $40.3 million, and that total expenditures were $76.7 million. This was a substantial financial loss, equal to $36.3 million. This financial loss was funded by transfers from the University discretionary fund ($26.0 million), called "direct institutional support," and by the allocation of student fees to Athletics ($10.3 million).

Table 3 also provides a breakdown of total revenues and total expenditures by team: football, men's basketball, women's basketball, other sports (i.e., the "non-revenue" sports), and a category called "non-program specific." A large proportion of total expenses – almost 44 percent – is allocated to the "non-program specific" category. The largest item in this category is "direct facilities, maintenance, and rental," equal to $10.0 million.

According to the instructions for reporting revenues and expenditures that the NCAA provides to each school, the category called "non-program specific" expenditures is supposed to refer to expenditures that are "not allocated by gender" or, equivalently, are "not related to specific teams." Some kinds of expenditures can naturally be classified as "non-program specific," e.g., the salaries of senior personnel such as the Athletic Director and the Chief Financial Officer, and various overhead items (e.g., utilities and supplies for the offices that house Athletics). Other kinds of expenditures could logically be allocated to each of the different teams. For example, if 40 percent of the Athletics tutoring services are devoted to assisting football players, then 40 percent of the cost of these services might be allocated to football, and so on. However, very little, if any, of the expenditures of Athletics appear to be allocated in this way. Rather, unless a particular expenditure is devoted exclusively to a particular team, the full amount may be put in the "non-program specific" category, even if some of it – or even most of it – is devoted to individual teams.

The Athletics reports to the NCAA also contain indications that Rutgers' procedures for classifying expenditures as either non-program specific or for a particular sport may have changed over time. As a case in point, **Table 4** shows how expenditures for "Direct Facilities, Maintenance and Rental" have appeared in Athletics' reports over time. In the 2009-10 academic year, this item totaled almost $10 million, and most of it was classified as expenditure for football; the amount of "non-program specific" expenditures for this purpose was relatively small (less than $3 million). The expenditures for football in this category were devoted primarily to maintenance and debt service for the football stadium and football practice facilities. Beginning in 2010-11, however, the amount for football for "Direct Facilities, Maintenance and Rental" fell to less than $700,000, while the amount for this purpose classified as "non-program specific" rose to somewhat more than $10.5 million. It therefore appears that Rutgers Athletics decided, effective 2010-11, to treat upkeep and debt service for the football stadium as "non-program specific" rather than as pertaining to football.

Therefore, the "non-program specific" category is ambiguous, and its meaning has shifted over time. As a result, discussions of the reported revenues and expenses of individual sports should be interpreted with caution, given that some expenses that might well be attributed to individual sports (e.g., the cost of the football stadium) are instead placed in the "non-program specific" category.[5]

Taken at face value (and ignoring the problems with the very large "non-program specific" item), **Table 3** indicates, that, exclusive of direct institutional support and student fees,

- Revenues from football exceeded expenditures by $2.0 million.
- Revenues from men's basketball exceeded expenditures by $1.2 million.
- Revenues from women's basketball fell short of expenditures by $2.0 million.
- Revenues from the "non-revenue" sports fell short of expenditures by $13.2 million.
- Revenues from "non-program specific" activities fell short of expenditures by $24.3 million.

Hence, overall, Athletics operated at a $36.3 million financial loss[6] during 2013-14. As **Table 5** shows, Athletics revenues have fallen far short of expenditures since at least 2003-04 (the earliest fiscal year for which figures are available). These large and growing deficits are the immediate concern of this committee.

On July 1, 2014, Rutgers left the Atlantic Athletic Conference (AAC) and became a member of the Big Ten Conference.[7] Section 2 of this report examines how Rutgers Athletics compares with the programs of its new peer group. It has often been suggested that entry into the Big Ten will eventually solve Rutgers Athletics' financial problems, so Section 3 reviews the University's current long-range financial plan for Rutgers Athletics. Section 4 presents recommendations concerning the budgeting and finances of Rutgers Athletics.

2. Rutgers and the Big Ten

Table 6 shows Big Ten schools' income, operating expenses, and surplus (or deficit) in 2013-14. Six of the Big Ten schools have income and expenditures in excess of $100 million. Most operate at a small surplus or a small deficit. Only Maryland[8] has a deficit ($17.6 million) that exceeds $10 million. As we have already seen, Rutgers' 2013-14 deficit is $36.3 million. This is larger than the combined total deficit of all other Big Ten schools that operate in the red.

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[5] Rutgers is not alone in assigning a large proportion of its total expenses to the "non-program specific" category. For example, at Illinois, non-program specific expenses are 48.6 percent of total operating expenses; at Indiana, the proportion is 35.2 percent; and so on.

[6] 1.996 + 1.202 – 2.048 – 13,154 – 24.322 = -$36.3 million. (Because of rounding, individual amounts may not sum to totals shown.) Expenditures in the "non-program specific" category are both ambiguous and very large; thus, statements about whether a particular sport did or did not receive revenues in excess of expenses may be very misleading. For example, it is certainly true that, taken at face value, **Table 3** indicates that football "made money" (i.e., received $1.9 million more in revenues than it incurred in expenses). However, this takes no account of the possibility that some of the "non-program specific" items could properly be attributed to football. For example, if $6 million in "Direct Facilities, Maintenance, and Rental" is actually attributable to football (rather than to exclusively "non-program specific" activities), then, far from generating a $1.9 million surplus, football operated at a $4.1 million financial loss.

[7] The most recent financial reports available (for Rutgers and other institutions) refer to 2013-14, when Rutgers was still a member of the AAC.

[8] Like Rutgers, Maryland became a member of the Big Ten Conference on July 1, 2014. Their last filing with NCAA refers to the fiscal year prior to their joining the Big Ten.

Four schools have expenditures that are relatively similar to those of Rutgers, whose expenditures were \$76.656 million: Illinois (\$83.112 million), Indiana (\$80.387 million), Maryland (\$72.953 million), and Purdue (\$74.605 million). However, in contrast with Rutgers, Indiana has a modest surplus (\$4.282 million), and Illinois and Purdue have modest deficits (\$6.190 million and \$3.233 million, respectively). Even Maryland's deficit of \$17.639 million is less than half the size of the Rutgers deficit.

It should be noted that the revenue figures in **Table 6** do not include subsidies from student fees or direct institutional support. **Table 7** shows that, except for Maryland, such subsidies are quite small for most Big Ten schools. Seven schools' athletics programs do not receive any subsidy from student fees, and six receive no subsidies from direct institutional support (a seventh, Michigan, received \$6,000 in such subsidies). For those schools that do receive a subsidy, the amount is generally rather small, except for Maryland.

Finally, **Table 8** provides information for each Big Ten school on three important sources of income – ticket sales, contributions, and media income and conference and tournament distributions – and compares them with total operating expenses. In most cases, the other Big Ten schools lead Rutgers by a wide margin in terms of each of these three categories. Now that Rutgers is part of the Big Ten, its media revenues will be determined largely by the the Big Ten's contractual distribution formula rather than by Rutgers Athletics' actions. In contrast, ticket sales and contributions can and should be increased substantially through the efforts of Rutgers Athletics and the University administration.

3. Review of Rutgers Athletics' long-range financial plan[9]

In February 2014, the University administration developed a financial plan for athletics for the period from 2013-14 through 2021-22.[10] **Table 9** shows the plan's projections of revenues (lines 1-4) and expenditures (lines 5-8) by major category, and also shows (lines 9-12) the total subsidy required in each of those years.[11]

In brief, the University's financial plan anticipates substantial growth in revenues, slow growth in expenditures, a decline in the deficit, and, therefore, a reduction in subsidies from University funds and student fees. However, Athletics will still run deficits each year up to and including the final year of the financial plan, in 2021-22. Moreover, the cumulative deficit between 2013-14 through 2021-22 is forecasted to exceed \$183 million, and would be funded by

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[9] This section draws on the New Brunswick Faculty Council's detailed report, "Athletics Program's Revenues, Expenditures and Deficit," April 2014.

[10] The plan implies that, beginning in 2014-15, total revenues (inclusive of subsidies) generally differ from total expenditures. For purposes of this discussion, any excess of revenues (inclusive of subsidies) over expenditures is treated as a reduction in the subsidy that would otherwise be required; and, analogously, any excess of expenditures over revenues (inclusive of subsidies) is treated as an increase in the subsidy that would otherwise be required. (See in particular lines 9-12 of Table 9.)

[11] Given only the information available in the financial plan, there is no way to determine how any additional excess of expenses over revenues would be allocated as between additional direct institutional support and additional student fees. Similarly, given only the information available in the financial plan, there is no way to determine how any excess of revenues over expenses would be allocated as between reduced direct institutional support and reduced student fees.

a combination of University discretionary funds and student fee allocations. Student fees allocated to athletics are projected to grow by 2.0 percent per year in each year up to and including 2021-22.[12]

The plan anticipates a substantial increase in Athletics revenues from a number of sources: substantial increases in contributions and donations to Athletics; increased revenues from ticket sales; greater marketing revenues; and, particularly important, substantial and increasing distributions from the Big Ten and the NCAA for (e.g.) media rights and tournament revenues (see, in particular, line 3 of **Table 9**).

The plan's projected increases in Big Ten distributions may be conservative. The Big Ten media contract is up for renewal in 2016, and the new contract is widely expected to be considerably more lucrative than the current one, resulting in substantially increased distributions to member schools. Likewise, the marketing revenues generated by the contract with IMG College will be much larger than those generated by Athletics' previous contract with Nelligan.

It is not easy to evaluate the reasonableness of the projections for increased fundraising and increased ticket sales. President Barchi described them to the New Brunswick Faculty Council chair as neither best-case nor worst-case predictions, but rather as the administration's best estimate. Regarding ticket sales, during the 2014 season, the football program sold about 95 percent of the available stadium seats, well above the figure for past seasons. This bodes well for ticket sales revenues in the short run, but it also means that Athletics has almost run out of vacant football stadium seats to sell. Additional revenues will likely have to come, to a large extent, from higher ticket prices.

The plan assumes that between 2013-14 and 2021-22, athletics expenditures will grow at an average annual rate of 2.92 percent per year (the approximate rate of growth in the recent past). The plan also assumes that there will be no further expansion of High Point Solutions Stadium and that, apart from a one-time increase in travel expenditures, there will be no major expenditure increases resulting from entry into the Big Ten.

However, there are some serious concerns about these expenditure projections. These projections do not appear to allow for any expenditures for expanded or new facilities, and do not appear to provide for a reserve to deal with unanticipated expenditure increases or unanticipated revenue shortfalls (as have occurred in the past).

It is quite possible that expenditures may rise faster than 2.92% a year, which would cause a concomitant increase in the annual deficit and in the cumulative deficit. For example, if the average annual rate of increase in expenditures were 4.0% (rather than the 2.92% figure assumed in the projections) and all other aspects of the projections were fulfilled, the cumulative subsidy between 2013-14 and 2021-22 would be $220.6 million, rather than the currently projected figure of $183.1 million. Likewise, if the average annual rate of increase in expenditures were 5.0 percent, and all other aspects of the projection were fulfilled, the

[12]There is no indication of whether student fees allocated to Athletics would be reduced, eliminated or reallocated in the event that the Athletics deficit disappears.

cumulative subsidy between 2013-14 and 2021-22 would be $250.45 million, which is over $65 million more than the currently projected figure.[13]

In sum, there is some basis for modest optimism about the possibility that Athletics may – eventually – become self-supporting. However, if experience is any guide, past forecasts have been overly optimistic. For example, in his September 2008 "State of the University" address, President McCormick announced that one of the goals for Athletics was "growth toward financial self-sufficiency"[14] – yet, ever since he spoke, the Athletics deficit has grown steadily. Likewise, in May 2013, President Barchi told the Newark *Star-Ledger* that the "business plan [for Athletics] will get us to budget neutrality in six years"[15] – yet, as we have seen, the long-range Athletics financial plan unveiled in February 2014 projects deficits continuing through 2021-22.[16]

4. Recommendations

A. Recommendations to improve financial health of the athletics program:

A.1 Design and enforce a **five**-year plan to eliminate **all** financial losses as well as **all** internal subsidies.

Administrators have often referred to the goal of eliminating the athletics deficit within five to eight years. Yet, for the first time in history, the deficit has exceeded more than $29 million for two years running. We urge the administration to make a public commitment now to the goal of completely eliminating all subsidies to the athletics program from discretionary University funds and student fee allocations within five years, i.e., by 2019-2020. If implemented on a straight-line basis starting in 2014-15, this would drastically reduce the future cumulative deficit from its currently-projected level $183 million through 2021-22.

A.2 Pursuant to A.1, the Athletics program should prepare medium-term and long-term budget plans.

Within the very near future, Athletics should prepare a plan for revenues and expenses for the medium-term, i.e., up to the start of the new Big Ten media contract (expected to take effect for the 2017-18 fiscal year). Once the new Big Ten media contract is adopted, Athletics should prepare new, rolling, long-term plans. The deficit-reduction plan developed pursuant to A.1 should be an integral part of both of these plans, which plans should be presented to the Presidential advisory committee (described in B.3 below) for review.

[13] Between 2003-04 and 2013-14, Athletics expenditures grew at an average annual rate of 8.72 percent.
[14] See http://richardlmccormick.rutgers.edu/writings/address/2008-annual-address-university-community, accessed February 9, 2015.
[15] See http://www.nj.com/rutgersbasketball/index.ssf/2013/05/trancript_of_robert_barchi_int.html, accessed February 9, 2015.
[16] Appendix C contains a brief discussion of non-monetary costs and benefits of Rutgers Athletics.

Sticking to these plans will require determined efforts and conscientious and sustained oversight, which leads directly to recommendations A.3-A.7.

A.3 Responsibility for implementing the plans described in A.1 and A.2 should rest with the Athletics Director.

As the university adopts a budget model of Responsibility Center Management (RCM), the budgetary/financial/deficit responsibility for Athletics – which is an Auxiliary Enterprise – should rest with the Athletics Director (AD). The AD would be charged with overseeing the Athletics budget and finances, and with ensuring that the goals set forth in the plans described in A.1 and A.2 are met. If needed, the AD would prepare annual contingency plans (to allow for midcourse correction if revenues fall short of forecasted levels and/or if expenses exceed forecasted levels), and would be charged with implementing these contingency plans as required. The AD would report annually to the Senate and to the University community on the extent to which the goals of the plans have been met and on any steps that might be necessary to ensure that these goals are met. The AD's employment contract should include a reduced base salary (relative to current levels) coupled with substantial incentive payments (relative to current levels) each year in the event that the Athletics deficit is materially reduced below its five-year plan set out in A.1.

A.4 Retain a consultant/expert to assist in formulating the plans described in A.1 and A.2.

To assist in the deficit-reduction effort, the administration, in consultation with the University Senate, should retain a consultant to review the program's finances and recommend measures to reduce the program's deficit in the most beneficial way to the Athletics program. The consultant would meet regularly with senior administrators and the Presidential Advisory Committee (described in B.3 below) to discuss their work, their findings and their recommendations.

The administration should continue to meet regularly with Big Ten athletics departments to identify best practices, policies and methods to increase athletics revenue and reduce athletics spending.

A.5 Under no circumstances should the University undertake expansion of existing facilities or construction of new facilities for Athletics – in particular, expansion of the football stadium – until Athletics no longer has a deficit of expenses over revenues.

A.6 Eliminate the allocation of student fees to Athletics.

Currently, student fees allocated to athletics come to more than $300 per year for each full-time undergraduate student in the New Brunswick campus, and the long-range financial plan of February 2014 calls for an increase in student fee allocations for Athletics of two percent per year. In light of the concerns raised by the Senate Student

Affairs Committee and in order to increase the affordability of Rutgers education, we recommend elimination of this transfer and reduction of student fees by the same amount.

The great majority of our Big Ten peers do not require students to contribute anything to their athletics programs. In an era of serious financial stringency for students and their families, compelling students to contribute to Athletics Program can no longer be justified. The administration and Athletics should begin work at once to phase out allocations of student fees to Athletics, with a view to their complete elimination by 2019-20. The distribution of "free" student tickets to Athletics games can be eliminated. Instead, Athletics can make game tickets available to interested students for purchase at a discount, and to the general public at a substantially higher price.

A.7 All financial losses funded by University discretionary funds and by student fee allocations should be considered loans, to be paid back as soon as possible.

The administration has repeatedly referred to the subsidy to Athletics as an "investment." Accordingly, the administration should announce that the financing of this "investment" – by massive deficits incurred in past years, and the approximately $180 million in deficits that Athletics is projected to generate through 2021-22 – constitutes a temporary loan, to be repaid promptly. The paid-back amounts would support academic and student programs. The payback schedule should start on 2020-2021, at which point, under A.1, the program would be “profitable” (i.e., income will exceed operating expenses). Other athletics programs, in the Big Ten and elsewhere, transfer some resources back to their institutions. Rutgers Athletics should be no different.

B. Recommendations regarding process and transparency

In general, basic information about the University Athletics program's finances is closely held and is not readily available to University Senate and to members of the University community. This inhibits informed discussion of the program's financial problems. The following are therefore recommended:

B.1 Athletics should provide copies of the annual NCAA filings to the University's faculty representative to the NCAA, University Senate, and the faculty councils for Newark, New Brunswick, Camden, and RBHS, and should post a copy on the Athletics website.

To improve transparency and allow informed discussion, when Athletics sends its annual financial report to the NCAA, it should simultaneously make this report generally available.

B.2 Athletics should prepare an annual detailed budget statement of revenue and expenses. This budget statement should be presented and discussed with the Presidential Advisory Committee, and provided to the University's faculty representative to the

NCAA, UniversitySenate, and the faculty councils for Newark, New Brunswick, Camden, and RBHS, and should post a copy on the Athletics website.

Athletics should be directed to prepare an annual budget statement of revenues and expenses that is considerably more transparent and detailed than the annual statement that it provides to the NCAA. This statement should clearly show, as separate items, the full cost (including maintenance, debt service, and other expenses) of the football stadium and of other Athletics facilities (including, e.g., practice facilities for the individual sports). Income and expenditure amounts currently classified as "non-program specific" should be clearly identified and, where possible, prorated to individual sports based on the number of participants in each sport or based on another parameter that best serves this objective.

B.3 The President should establish a Presidential Advisory Committee on management, budget and planning for Athletics.

The President should establish an advisory committee on management, budget and planning for the Athletics program, composed of members vetted by the Senate, with the faculty representative to the NCAA and the Athletic Director serving *ex officio*. This committee would meet regularly with the President or his designee and would receive reports (e.g., those described in B.1 and B.2 above) and quarterly updates on the budgetary/financial situation for Athletics. It would also receive annual updates to the University's long-range financial plan for Athletics, and would make recommendations to the President concerning the Athletics program's finances.

B.4 Reports should be made to the University Senate Budget and Finance Committee.

The Athletic Director should meet annually with the Senate Budget and Finance Committee to discuss the outlook for the Athletics budget for the coming year and for the long-range financial plan for Athletics.

Table 1: Rutgers Athletics teams, 2013-14

team	men	women
"revenue" sports teams:		
football	115	0
basketball	16	11
"non-revenue" sports teams:		
cross country	10	14
field hockey	0	20
golf	10	8
gymnastics	0	18
lacrosse	53	32
rowing	0	52
soccer	24	30
baseball	35	0
softball	0	20
swimming and diving	0	21
tennis	0	8
indoor track	33	35
outdoor track	36	36
volleyball	0	20
wrestling	27	0
total:	317	276

Source: Rutgers Athletics Report to NCAA for 2013-14.

Table 2: Participants ("Unduplicated Count") in Rutgers Athletics teams, 2003-04 through 2013-14

year	men	women	total
2003-04	457	294	751
2004-05	486	305	791
2005-06	454	279	733
2006-07	432	282	714
2007-08	344	309	653
2008-09	334	299	633
2009-10	324	287	611
2010-11	308	292	600
2011-12	321	291	612
2012-13	319	284	603
2013-14	317	276	593

Source: Rutgers Athletics financial reports to NCAA, 2003-04 through 2013-14.

Table 3: Rutgers Athletics expenses, revenues, and deficit ($ million), 2013-14

item	"revenue" sports			"non-revenue" sports	"non-program specific"	total
		basketball				
	football	men's	women's			
(1) operating revenue	21.696	5.946	1.688	1.611	9.389	40.322
(2) operating expenses	19.700	4.473	3.737	14.766	30.511	76.656
(3) surplus/deficit ((1)-(2))	1.996	1.473	-2.049	-13.155	-21.122	-36.324
(4) deficit finance:						
student fees	0.000	0.000	1.139	3.671	5.514	10.323
University discretionary funds	0.000	0.000	0.910	9.484	15.608	26.001
total:	0.000	0.000	2.049	13.155	21.122	36.324

Source: Rutgers Athletics Report to NCAA for 2013-14.

Table 4: Athletics expenditures for "Direct facilities, maintenance and rental," for fooball and "Non-program specific" activities, 2003-05 through 2013-14

	expenses for "Direct facilities, maintenance and rental"	
year	football	"non-program specific"
2003-04	0.000	1.628
2004-05	0.000	1.730
2005-06	0.000	1.837
2006-07	0.000	1.943
2007-08	0.000	1.996
2008-09	2.238	2.303
2009-10	6.925	2.971
2010-11	0.161	10.523
2011-12	1.319	9.835
2012-13	2.087	9.527
2013-14	0.366	10.973

Source: Rutgers Athletics financial reports to NCAA, 2003-04 through 2013-14.

Table 5: Revenues, expenses, and subsidies for Rutgers Athletics, 2003-04 through 2013-14

			subsidies for excess of expenses over revenue		
year	revenues	expenses	University discretionary funds	student fees	total subsidy
2003-04	19.757	33.226	8.372	5.097	13.469
2004-05	18.134	37.997	14.551	5.315	19.866
2005-06	21.018	41.824	14.366	5.808	20.174[1]
2006-07	23.609	44.820	13.829	6.448	20.277[2]
2007-08	29.793	51.749	15.239	6.981	22.220[3]
2008-09	32.801	58.354	17.918	7.795	25.713[4]
2009-10	37.350	64.203	18.412	8.441	26.853
2010-11	31.728	60.190	19.430	9.032	28.462
2011-12	36.058	64.039	18.462	9.519	27.981
2012-13	32.005	78.989	37.106	9.878	46.984[5]
2013-14	40.332	76.656	26.001	10.323	36.324[6]

Source: Rutgers Athletics Reports to NCAA for 2003-04 to 2013-14.

[1] Does not include the deficiency of revenue plus total subsidy relative to expenses, equal to -\$0.632m.
[2] Does not include the deficiency of revenue plus total subsidy relative to expenses, equal to -\$0.933m.
[3] Does not include excess of revenue plus total subsidy over expenses, equal to \$0.264m.
[4] Does not include excess of revenue plus total subsidy over expenses, equal to \$0.160m.
[5] Includes \$16.01m described as "extraordinary" items. Subsidy exclusive of these items is 46.984 - 16.010 = \$**30.974m**.
[6] Includes \$6.50m described as items that will be paid in future years, but are included in expense amount for current year. Subsidy exclusive of these items is 36.324 – 6.50 = \$**29.824m**.

Table 6: Income, operating expenses, and surplus (deficit), in $ million,
Big Ten schools, 2013-14

institution	revenue	operating expenditures	surplus (deficit)
Illinois	76.922	83.112	(6.190)
Indiana	84.669	80.387	4.282
Iowa	105.275	102.279	2.996
Maryland	55.314	72.953	(17.639)
Michigan	157.894	142.552	15.342
Michigan State	104.288	107.422	(3.134)
Minnesota	104.634	106.176	(1.543)
Nebraska	94.798	90.939	3.859
Northwestern*	n/a	n/a	n/a
Ohio State	145.233	113.937	31.296
Penn State	117.591	117.441	0.150
Purdue	71.372	74.605	(3.233)
Wisconsin	122.820	125.096	(2.276)
Rutgers	40.332	76.656	(36.324)

Source: Reports to NCAA for 2013-14.

* Northwestern University does not make its report public because, as a private university, it is exempt from freedom of information act requirements..

Table 7: Direct institutional support and student fees, in $ million, Big Ten schools, 2013-14

institution	student fees	direct institutional support	total
Illinois	3.047	0.880	3.927
Indiana	0.000	0.000	0.000
Iowa	0.684	0.000	0.684
Maryland	11.315	6.806	18.121
Michigan	0.000	0.006	0.006
Michigan State	0.000	0.389	0.389
Minnesota	0.000	1.543	1.543
Nebraska	0.000	0.000	0.000
Northwestern*	n/a	n/a	n/a
Ohio State	0.000	0.000	0.000
Penn State	0.000	0.000	0.000
Purdue	0.000	0.000	0.000
Wisconsin	0.000	5.091	5.091
Rutgers	10.323	26.001	36.324

Source: Reports to NCAA for 2013-14.

* Northwestern University does not make its report public because, as a private university, it is exempt from freedom of information act requirements.

Table 8: Revenue sources vs. operating expenses, in $ million,
Big Ten schools, 2013-14

institution	ticket sales (revenue source)	contributions (revenue source)	media and NCAA/ conference distributions (revenue source)	operating expenditures
Illinois	17.006	16.909	30.968	83.112
Indiana	17.029	16.792	30.073	80.387
Iowa	25.890	30.356	30.460	102.279
Maryland	13.442	11.225	19.038	72.953
Michigan	53.269	35.267	29.273	142.552
Michigan State	24.077	29.725	32.486	107.422
Minnesota	28.495	10.332	28.612	106.176
Nebraska	40.450	11.834	18.588	90.939
Northwestern*	n/a	n/a	n/a	n/a
Ohio State	56.003	28.202	30.595	113.937
Penn State	38.007	24.170	27.766	117.441
Purdue	14.421	16.282	28.927	74.605
Wisconsin	27.556	38.457	38.279	125.096
Rutgers	10.466	8.114	9.269	76.656

Source: Reports to NCAA for 2013-14.

* Northwestern University does not make its report public because, as a private university, it is exempt from freedom of information act requirements.

Table 9: Projected revenues, expenses, and subsidy for Rutgers Athletics, 2011-12 through 2021-22

item	category	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	revenues							
1	direct institutional support	18.46	37.11	22.21	13.26	12.35	11.45	10.55
2	student fees	9.52	9.88	10.30	10.51	10.72	10.93	11.15
3	conference/NCAA distributions	9.77	9.51	7.56	10.04	10.87	11.21	11.58
4	other	25.32	21.37	27.18	32.98	34.81	36.73	38.47
5	**total revenue** (=1+2+3+4):	63.07	77.87	67.25	66.78	68.74	70.32	71.75
	expenses							
6	debt service	5.42	5.39	5.73	5.63	5.58	5.53	5.48
7	other expenses	57.65	72.48	61.52	62.08	64.52	66.87	68.81
8	**total expenses** (=6+7):	63.07	77.87	67.25	67.72	70.10	72.40	74.29
	total subsidy							
9	direct institutional support (=1)	18.46	37.11	22.21	13.26	12.35	11.45	10.55
10	student fees (=2)	9.52	9.88	10.30	10.51	10.72	10.93	11.15
11	excess of total expenses over total revenue (=8-5)	0.00	0.00	0.00	0.94	1.36	2.08	2.54
12	**total subsidy** (=9+10+11):	27.98	46.99	32.51	24.71	24.43	24.46	24.24

Items 1-8 are taken directly from the University spreadsheet data (labelled "DRAFT -2.21.2014"), rounded to the nearest $10K.
* Entries for 2011-12 and 2012-13 do not all agree with the entries for the same items in the University's NCAA reports for these years.

* Total revenue (= 5) sometimes differs from total expenses (= 8).
When total revenue exceeds total expenses, this is treated in #12 as an offset (-) to the total subsidy.
When total revenue is less than total expenses, this is treated in #12 as an addition (+) to the total subsidy.

Table 9 (continued)

item	category	2018-19	2019-20	2010-21	2021-22	total, 2015-2022
	revenues					
1	direct institutional support	9.65	8.76	2.97	3.09	
2	student fees	11.37	11.60	11.83	12.07	
3	conference/NCAA distributions	14.97	19.38	25.00	35.53	
4	other	40.54	42.68	44.77	46.79	
5	**total revenue** (=1+2+3+4):	76.53	82.43	84.58	97.48	
	expenses					
6	debt service	5.42	5.37	5.32	5.26	
7	other expenses	71.34	73.92	76.64	79.41	
8	**total expenses** (=6+7):	76.77	79.29	81.96	84.67	
	total subsidy					
9	direct institutional support (=1)	9.65	8.76	2.97	3.09	94.29
10	student fees (=2)	11.37	11.60	11.83	12.07	100.48
11	excess of total expenses over total revenue (=8-5)	0.24	-3.14	-2.62	-12.81	-11.41
12	**total subsidy** (=9+10+11):	21.26	17.22	12.18	2.35	183.36

Items 1-8 are taken directly from the University spreadsheet data (labelled "DRAFT -2.21.2014"), rounded to the nearest $10K.

* Total revenue (= 5) sometimes differs from total expenses (= 8).
When total revenue exceeds total expenses, this is treated in #12 as an offset (-) to the total subsidy.
When total revenue is less than total expenses, this is treated in #12 as an addition (+) to the total subsidy.

Appendix A: Historical overview

Rutgers Athletics has enjoyed a certain amount of renown for having played the first intercollegiate football game (against Princeton, then known as the "College of New Jersey") in 1869. For much of the university's existence, however, Athletics was a relatively small enterprise. That changed radically in the late 1980s, when Rutgers' Board of Governors and Board of Trustees decided that Rutgers should get into big-time athletics.[1] In 1991, Rutgers joined the Big East Conference, but, as former University President Richard L. McCormick has commented, the 16 members of the Big East "varied widely from small Catholic institutions whose main sport was basketball to large state universities, like Rutgers, whose future in athletics was prominently tied to football."[2] The Big East slowly split up as its member schools began to look for conferences more in tune with their individual objectives. Meanwhile, Rutgers Athletics floundered: in 1996-97, men's basketball compiled a 11-16 record and the head coach was fired; the 1997 football team had a 0-11 record, including losses of 50-3 to Syracuse and 49-7 to Temple.

In 1998, in what *The New York Times* described as a "major move,"[3] Rutgers appointed a new Athletics Director, Robert Mulcahy, who for 19 years had been the president and chief executive officer of the New Jersey Sports and Exhibition Authority. According to *The Times*, "The appointment represented a victory for Gov. Christine Todd Whitman, who wanted Mulcahy for the state university post and had to overcome at least initial resistance from Dr. Francis L. Lawrence, the university president." In another significant development, in late 2000, Mulcahy hired Gregory Schiano to be the new football coach. Mulcahy, Schiano, and President McCormick began to develop ambitious plans for an expansion of the football stadium and to move further into the athletic bigtime.

In every year since at least 2003-04, Athletics has operated at a substantial loss. Financing this loss has required a correspondingly substantial subsidy for Athletics, paid for out of University discretionary funds and student fee allocations. As Rutgers has continued to aspire to bigtime athletics, the losses – and the subsidies – have increased. As McCormick has written, "When I became president [in late 2002], the University's annual subsidy of athletics was about $13 million… When I left the presidency [in June 2012], the subsidy was about $19 million." **Table 5** tracks Athletics' revenues, expenditures and deficit between 2003-04 and 2013-14. The annual deficit (and, thus, the subsidy necessary to fund it) has grown in almost every year. It stood at $36.3 million in 2013-14, the last year for which figures are available.[4]

As shown in **Table 5**, the deficit has been financed by allocations from University discretionary funds (sometimes called "direct institutional support") and from allocations of student fees.[5] **Table 5** shows the magnitude of each of these two forms of deficit finance between 2003-04 and 2013-14.

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[1] See Richard P. McCormick's manuscript, "Rutgers Enters the Big Time."
[2] See Richard L. McCormick, *Raised at Rutgers*, p. 163.
[3] See Frank Litsky, "COLLEGES: Rutgers Hires Mulcahy to Improve Sports Image," February 5, 1998.
[4] The 2014-15 fiscal year ends in June 2015; Athletics' financial report for that year will not be available until late January 2016.
[5] Full-time undergraduates on the New Brunswick campus are assessed a "campus fee" in addition to tuition. This campus fee (currently $1,211 per student per semester) is used to support "programs, services, and facilities, which complement and support the academic experience, such as health services, recreation centers, student centers, student events and concerts, campus buses, and athletics, among others." (See http://studentabc.rutgers.edu/tuition-and-fees, accessed February 12, 2015.) The central administration decides how much of the total student fees it

First, the student fee allocation to Athletics has grown steadily over time (the rate of growth in recent years has been approximately two percent). With a total undergraduate student body of almost 30,000, the total student fee allocation in 2013-14 was equivalent to about $344 per student per year (= $10.323 million ÷ 30,000). Although the subsidy to Athletics from University discretionary funds has varied somewhat over time, there has clearly also been an upward trend in this component of the subsidy as well.[6]

As the Athletics deficit continued to grow, a number of serious instances of management failure began to appear. These failures are intimately connected to the rapid expansion, and deficit spending, of the Athletics program.

In 2007, Athletics eliminated six varsity sports teams, igniting vociferous protests; ironically, although the program asserted that teams were being eliminated to save money, a reporter found that the move actually increased costs.[7] Despite high hopes, contributions to fund the expansion of the football stadium were negligible ("Only $250,000 of the $30 million [in planned-for contributions] was ever raised," McCormick has written[8]), and costs rose well beyond the projected amounts, requiring elimination of a variety of features in the original plan for expanding the stadium. McCormick pressed for changes in procedures, but felt that "the department of athletics seemed less open to acknowledging the mistakes or changing our ways of doing business."

In November 2008, an Athletics Review Committee (ARC) – established by McCormick to review the operation of Athletics – released its report.[9] As McCormick noted, "The report was extremely critical of the director of intercollegiate athletics, the president, and the Board of Governors for the isolated and unconstrained ways in which the department of athletics operated – and had been permitted to operate, by me and the governing board."[10] Prompted in part by the revelation that Mulcahy had awarded "a no-bid contract with a sports marketing firm hired after it put Mulcahy's son on its payroll,"[11] McCormick fired Mulcahy three weeks after the release of the ARC report.

In the late fall of 2012, Mulcahy's successor as athletics director, Tim Pernetti, became aware of a video showing varsity men's basketball practices during which the head coach, Mike Rice, threw basketballs at players' heads and assailed them with homophobic slurs and other abusive language. President Robert Barchi did not look at the video, and left the Rice question largely in the hands of subordinates whom he called his "direct reports." Over the course of several days, various University officials and members of the Board of Governors became

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collects will be allocated to these different "programs, services, and facilities," including – as shown above – to Athletics.

[6] In May 3, 2013, President Barchi told the *Newark Star-Ledger*, "It's not the size of the budget, it's whether the budget is siphoning dollars off the academic mission. It is now. We've been taking $1 million off that number every year." (See http://www.nj.com/rutgersbasketball/index.ssf/2013/05/trancript_of_robert_barchi_int.html, accessed February 24, 2015.) Unfortunately, however, far from declining by $1 million every year, the Athletics deficit has steadily increased.

[7] Ted Sherman, "Fewer Sports Teams, but Costs Still Rise," *The Newark Star-Ledger*, July 20, 2008.

[8] McCormick, *Raised at Rutgers*, p. 149.

[9] Report of the Athletics Review Committee, November 18, 2008. (See richardlmccormick.rutgers.edu/arc-committee-report, accessed February 12, 2015.)

[10] McCormick, *Raised at Rutgers*, p. 154.

[11] "Rutgers fires athletic director Robert Mulcahy," *The Newark Star-Ledger*, December 10, 2008.

involved in discussions about what to do. Eventually, President Barchi, his administration, and members of the Board of Governors agreed that Rice would be fined and given a three-game suspension. In April 2013, however, the video was leaked to national news outlets and ignited a firestorm of controversy. On the evening of the day when the video became public, President Barchi looked at it himself, and reversed himself, instructing Pernetti to fire Rice at once. Pernetti later resigned.

The Rice episode became the subject of two investigations, initiated at the request of the Rutgers administration. The first, by an attorney at the law firm Connell Foley, found (among other things) that Rice had engaged in some actions that were impermissible under NCAA policy. The second investigation, by two attorneys at the law firm Skadden, Arps, Slate, Meagher & Flom LLP, cited the 2008 ARC report and concluded that their own "review of the circumstances surrounding the termination of Coach Rice found that concerns regarding the insularity and autonomy of the Athletics Department as well as insufficient oversight by the President's Office and Board persist."[12] The Skadden report also noted that the administration had failed to implement a number of recommendations in the ARC report, including establishment of a "dotted-line" reporting relationship between the Athletics CFO and the Senior Vice President of Finance and Administration, establishment of an interdepartmental risk management committee, and performance of a full enterprise risk management review.

In addition to these management failures, there have also been failures of due diligence. For example, the University announced that the successor to Rice as men's basketball coach was a Rutgers graduate, but later had to admit that the new coach was many credit-hours short of his undergraduate degree.

In sum, this review of the recent history of Athletics shows that management failures of the first decade of this century continued into the second decade. It is clear that these management failures are distinct from the program's financial problems. However, it is also clear that the "insularity and autonomy of the Athletics Department as well as insufficient oversight by the President's Office and Board" have helped to create an environment that has contributed to, and has also made it harder to solve, the Athletics program's financial problems.

[12] Skadden, Arps, Slate, Meagher and Flom LLP, "Rutgers Case Study and Recommendations," July 22, 2013.

Appendix B: University Financial Plan for Athletics

RUTGERS, THE STATE UNIVERSITY OF NEW JERSEY
INTERCOLLEGIATE ATHLETIC PROGRAMS
SELECTED FINANCIAL DATA
FISCAL YEARS 2012, 2013 & PROJECTED 2014

DRAFT - 2.21.2014

		2012	2013	PROJECTED 2014
Revenues:				
Direct Institutional Support *	$	18,462,023	37,106,107	22,211,982
Student Fees		9,518,734	9,877,989	10,300,000
Conference/NCAA Distributions		9,773,663	9,511,703	7,558,377
Other		25,317,742	21,374,739	27,179,507
Total Revenues	$	63,072,162	77,870,538	67,249,866
Expenses:				
Debt Service		5,423,881	5,389,368	5,734,212
Other		57,648,281	72,481,170	61,515,654
Total Expenses	$	63,072,162	77,870,538	67,249,866

* *In addition to other support, includes Extraordinary Items and Title IX Support as follows:*

		2012	2013	PROJECTED 2014
Extraordinary Items:				
Nelligan Sports Marketing Settlement	$	-	7,000,000	-
Big East Withdrawal Fees		-	5,000,000	-
Loss of Big East home game		-	1,487,888	-
Settlements - Rice & Pernetti		-	2,213,016	-
Big Ten Transition costs		-	172,800	-
AD & MBB Searches		-	140,000	-
Decline in AAC vs. Big East Conference Revenue		-		2,441,623
Subtotal Extraordinary Items		-	16,013,704	2,441,623
Title IX Support		-	2,173,720	2,260,669
Total	$	-	18,187,424	4,702,292

RUTGERS, THE STATE UNIVERSITY OF NEW JERSEY
INTERCOLLEGIATE ATHLETIC PROGRAMS
SELECTED FINANCIAL DATA
FISCAL YEARS 2012 - 2022

			PROJECTED	
	2012	2013	2014	2015
Revenues:				
Direct Institutional Support *	$ 18,462,023	37,106,107	16,429,948	13,255,566
Student Fees	9,518,734	9,877,989	10,300,000	10,506,000
Conference/NCAA Distributions	9,773,663	9,511,703	7,558,377	10,041,836
Other	25,317,742	21,374,739	27,179,507	32,975,970
Total Revenues	63,072,162	77,870,538	61,467,832	66,779,372
Expenses:				
Debt Service	5,423,881	5,389,368	5,734,212	5,634,579
Other	57,648,281	72,481,170	61,515,654	62,081,483
Total Expenses	63,072,162	77,870,538	67,249,866	67,716,062
Operating Revenue (Deficit)	-	-	(5,782,034)	(936,690)

	2012	2013	2014	2015
Extraordinary Items:				
Nelligan Sports Marketing Settlement	$ -	7,000,000	-	-
Big East/AAC Withdrawal Fees	-	5,000,000	-	1,625,000
Loss of Big East home game	-	1,487,888	-	-
Settlements - Rice & Pernetti	-	2,213,016	-	-
Big Ten Transition costs	-	172,800	-	-
AD & MBB Searches	-	140,000	-	-
Decline AAC vs. Big East Conference Revenue	-	-	2,441,623	-
	-	-	-	-
Total Extraordinary Items	-	16,013,704	2,441,623	1,625,000

* *Includes Title IX Support in all years, as follows:*

	2012	2013	2014	2015
Title IX Support	2,090,115	2,173,720	2,260,669	2,351,096

2016	2017	2018	2019	2020	2021	2022
12,349,610	11,447,416	10,549,134	9,654,921	8,764,939	2,974,888	3,093,884
10,716,120	10,930,442	11,149,051	11,372,032	11,599,473	11,831,462	12,068,091
10,866,912	11,210,434	11,576,312	14,966,540	19,383,309	25,000,000	35,525,000
34,809,268	36,734,299	38,473,330	40,537,490	42,683,718	44,772,014	46,790,290
68,741,910	70,322,591	71,747,827	76,530,983	82,431,439	84,578,364	97,477,265
5,583,602	5,530,688	5,476,214	5,425,708	5,372,870	5,317,665	5,259,867
64,515,226	66,867,119	68,810,728	71,344,772	73,921,041	76,643,010	79,414,289
70,098,828	72,397,807	74,286,942	76,770,480	79,293,911	81,960,675	84,674,156
(1,356,918)	(2,075,216)	(2,539,115)	(239,497)	3,137,528	2,617,689	12,803,109

-	-	-	-	-	-	-
1,625,000	1,625,000	1,625,000	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,625,000	1,625,000	1,625,000	-	-	-	-

2,445,140	2,542,946	2,644,664	2,750,451	2,860,469	2,974,888	3,093,884

Appendix C: Non-monetary costs and benefits of Rutgers Athletics

This appendix discusses questions about possible non-monetary costs and benefits of Rutgers Athletics.

First, does Rutgers Athletics generate spillover or "trickle-down" benefits to the academic program? If so, these spillovers might take various forms. For example, the publicity generated by the presence of Rutgers teams on television might encourage more (and better prepared) high school seniors to apply for admission. Similarly, publicity generated by Athletics might generate more contributions to Athletics and/or to the academic program – although it seems obvious that any such contributions have not been nearly enough to erase the Athletics deficit, let alone provide large benefits for the academic mission.

In recent appearances before the University Senate, President Barchi has stressed that in Fall 2014 many applications for undergraduate admission came from parts of the Midwest, and has suggested that this may be a consequence of Rutgers' entry into the Big Ten. However, it is too early to tell if this will result in a greater "yield" (percentage of admitted applicants who actually attend) or an increase in the average SAT scores of new first-year students. As shown in **Figure 1**, the "dashboard indicators" of the Rutgers Office of Institutional Research and Academic Planning (OIRAP) suggest that, in the past, the "yield" and average SAT scores of newly-admitted student have moved in tandem with those of other AAU schools, without regard to athletic successes. (For example, there is no indication of an uptick, relative to other AAU schools, in yield or average SAT scores after the 2006 football season, sometimes called the team's "breakout" season.)[1]

Indeed, the notion of positive net spillover benefits for academics from Athletics is fundamentally illogical. In practical terms, it amounts to a suggestion that one can take funds away from academics, use those funds to increase spending on Athletics, and then expect this to create substantial *net* benefits for academics. This appears implausible in the extreme, not based hard evidence.[2]

Does Athletics generate other, less tangible, benefits for the University as a whole? It is sometimes said that a university's athletics program helps foster school spirit and a sense of community, and makes the university more visible in the society at large. A school's athletics program may help "build the brand." This may well be true of Rutgers. However, it is also true that the consequences of ramping up the University's athletics program have sometimes been negative rather than positive:

[1] More generally, scholarly research has found little evidence of major or enduring spillover benefits from athletics for academics at major universities. For example, Robert H. Frank ("Challenging the Myth: A Review of Links Among College Athletic Success, Student Quality, and Donations," Knight Foundation Commission on Intercollegiate Athletics, May 2004) concluded that "the most forceful conclusion that can be drawn about the indirect effect of athletic success is that they are small at best when viewed from the perspective of any individual institution. Alumni donations and applications for admission sometimes rise in the wake of conspicuously successful seasons at a small number of institutions, but such increases are likely to be both small and transitory."

[2] When Rutgers joined the Big Ten, it also became a member of the Committee on Institutional Cooperation (CIC). The CIC has been depicted by administrators as having the potential to assist Rutgers' academic mission.

- when football games are played on Thursday evenings, traffic and evening class schedules are seriously disrupted;
- the Mike Rice affair created a serious public-relations problem for the University, and unquestionably had an adverse effect on its image;
- during one football game, an intoxicated student fell over a railing to his death;
- during another football game, Rutgers students made inappropriate comments to the U.S. Naval Academy's football team, causing President McCormick to tender an apology;
- tailgating adults at the Penn State football game in 2014 displayed inappropriate signs mocking Jerry Sandusky (the former Penn State coach who was convicted of child molestation), causing President Barchi to tender an apology;
- in 2011, Rutgers appeared in *The Wall Street Journal*'s "college football grid of shame," which classified the football program as mediocre and heavily-subsidized;[3]
- there is a growing body of evidence concerning the incidence and disastrous effects of concussions sustained by student athletes, especially those playing football.

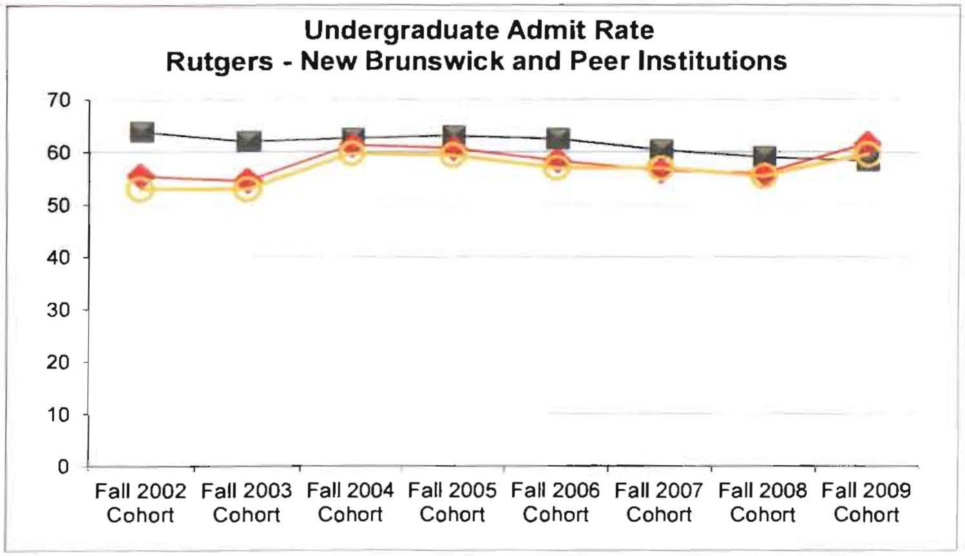
Thus, we find nonmonetary costs as well as nonmonetary benefits to Rutgers Athletics. For purposes of this report, the essential question is whether – even if one ignores all of the nonmonetary costs – the University can gain these nonmonetary benefits only by engaging in the extraordinarily large and prolonged deficit spending that have characterized Rutgers Athletics during the past decade or more.

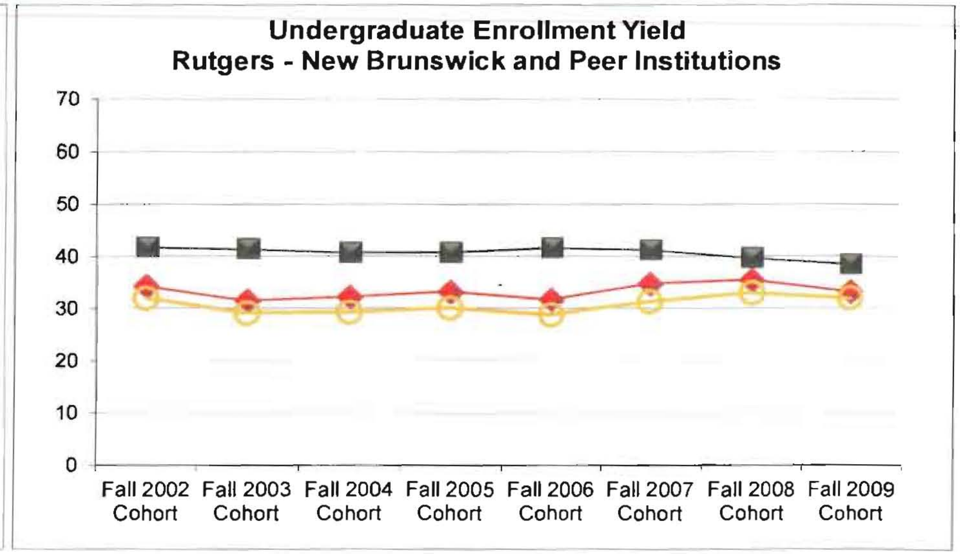
[3] See Darren Evenson, "The 2011 College Football Grid of Shame," *The Wall Street Journal*, September 2, 2011. A legend next to the Rutgers "Block R" logo says: "When do all of those subsidies start generating victories?" The following year, the Block R logo appeared in the lower left-hand quadrant of the grid, implying that the team was "embarrassing" and a "weakling" (see Rachel Bachman, "The College Football Grid of Shame," *The Wall Street Journal*, August 30, 2012).

Figure 1: Dashboard indicators for admissions, yield and SAT scores, 2002-2009 and 2011-2013

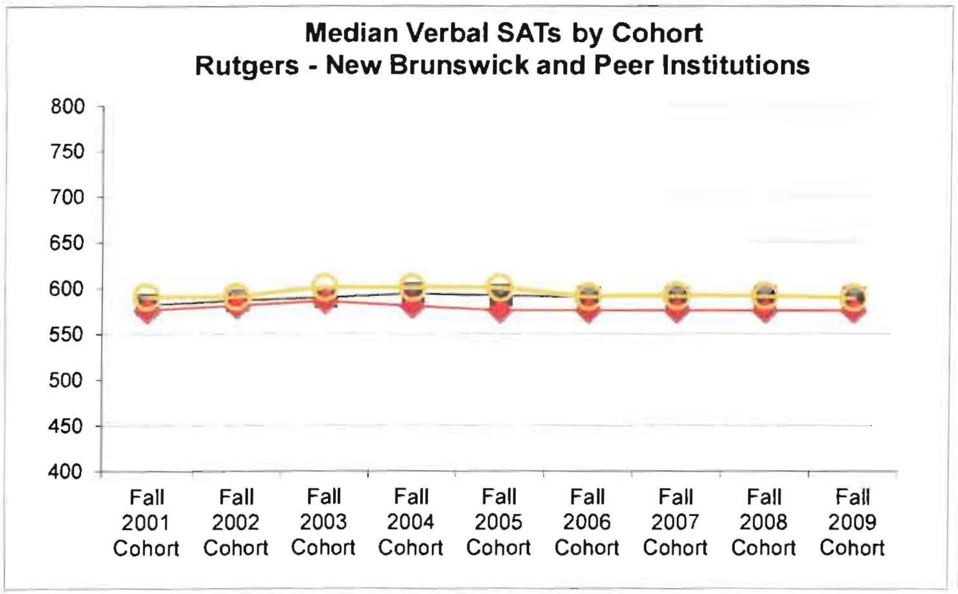
Rutgers, The State University of New Jersey: Dashboard Indicators 2011

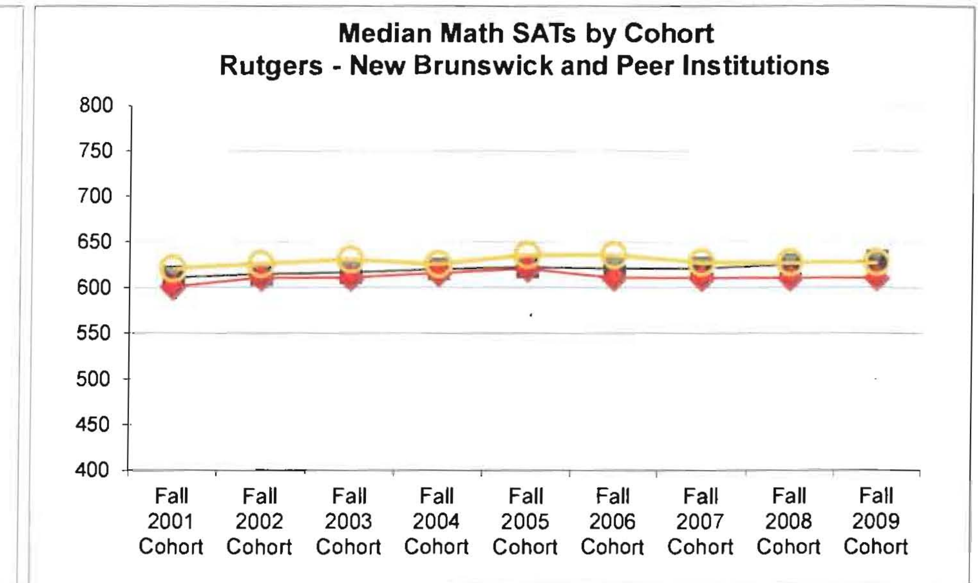
EXCELLENCE: *To pursue excellence by attracting the best students and faculty; to provide a quality educational experience; and to ensure high quality educational outcomes.*





Rutgers - New Brunswick — Public AAU Average — Rutgers - New Brunswick: Regular Admits

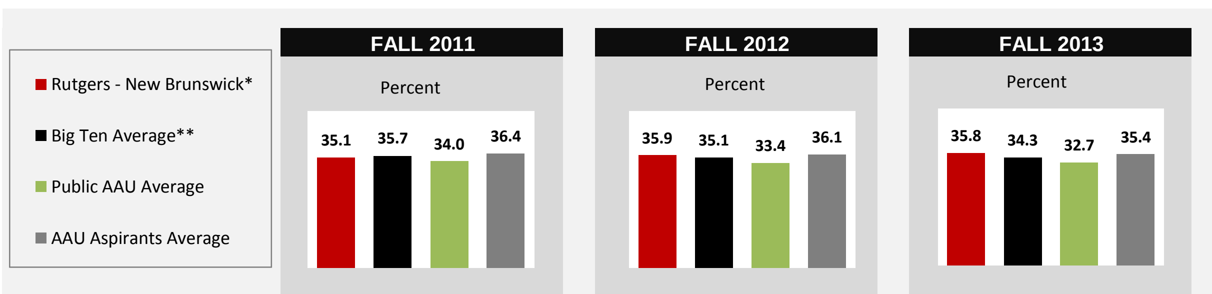




RUTGERS

RUTGERS-NEW BRUNSWICK AND PEER INSTITUTIONS

FALL 2011 - FALL 2013
FIRST-TIME DEGREE-SEEKING STUDENTS
ENROLLMENT YIELD



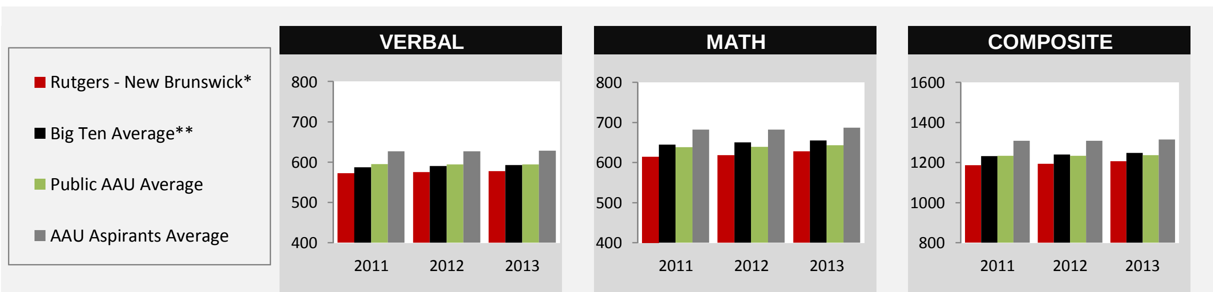
*Present New Brunswick. Excludes Pharmacy and Nursing.
**Excludes NorthWestern University.
Source: Fall Enrollment Survey, Integrated Postsecondary Education Data System (IPEDS)

August 2014

RUTGERS

RUTGERS-NEW BRUNSWICK AND PEER INSTITUTIONS

FIRST-TIME DEGREE-SEEKING STUDENTS
ENROLLED STUDENTS
AVERAGE SAT SCORES
FALL 2011 - FALL 2013



*Present New Brunswick. Excludes Pharmacy and Nursing.
**Excludes Northwestern University.
Source: Institutional Characteristics Survey, Integrated Postsecondary Education Data System (IPEDS)

August 2014

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