

**New Jersey System of Public Research Universities
System Planning Project**

Funding and Finance Guiding Principles

Final Draft

**A White Paper Issued by the
System-wide Finance and Funding Issues Working Group
of the
Review, Planning, and Implementation Steering Committee**

October 21, 2003

**New Jersey System of Public Research Universities
Review, Planning, and Implementation Steering Committee
Funding and Finance Guiding Principles**

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I. INTRODUCTION

In 2002, Governor McGreevey created the Commission on Health Science, Education and Training. He charged the Commission with assessing the status of medical and health care training in the state and formulating recommendations to:

- Enhance the quality of education
- Increase overall competitiveness as institutions of health care learning
- Foster healthy synergy among the institutions

As a result of its study, the Commission recommended the creation of a single New Jersey public research university system that builds on the collective strengths of NJIT, Rutgers and UMDNJ and that provides an effective platform for excellence in both health and non-health disciplines. It was recognized that the creation of an excellent public research university system would require increased state appropriations and, ultimately, increases in other types of funding.

The Governor issued Executive Order 42 establishing a Review, Planning and Implementation Steering Committee to:

- Review the impact of the Commission's recommendation to create a comprehensive plan for restructuring New Jersey's public research universities
- Facilitate the collection of information pertaining to the restructuring
- Examine and prioritize specific strategies to restructure the three public research universities
- Outline a proposed work plan
- Deliver an assessment and implementation interim report to the Governor

The Steering Committee created several subcommittees and working groups to undertake the planning effort. This White Paper has been issued by one of the working groups — the System-wide Finance and Funding Issues Working Group.

The purpose of the System-wide Finance and Funding Issues Working Group was to:

- Study the current financial status of each of the three existing universities, including:
 - State appropriation funding levels
 - Non-state funding sources
 - Balance sheet items (assets, liabilities and net assets)

- Accumulate budget and financial information from each university that will serve as the base funding level for the new major research university system
- Conduct research and gather funding and budgeting models of other major public research university systems that will provide a context for determining a funding and budgeting methodology for the new major research university system
- Evaluate the strengths and limitations of different funding and budgeting models and formulate one or more recommended models for consideration
- Affirm the responsibility of New Jersey to invest in its public research universities

Major work steps undertaken by the group included:

- Obtained information about funding models of major public research university systems
- Evaluated strengths and limitations of different funding models and how they relate to the New Jersey situation
- Collected background information about the current finance and funding status of the three existing institutions
- Obtained preliminary financial data from each of the universities
- Based on available information, prepared schedules of recombined financial data
- Met with University Committees to discuss data gathering methods and issues
- Conducted institutional debt analysis
- Developed a preliminary draft of the White Paper and provided it to various planning committees for review and comment; prepared and transmitted the final draft of the White Paper

During the course of its work, the Finance and Funding Issues Working Group encountered significant problems related to obtaining useful financial data from the existing universities. Presented in Attachments A – D are the recombined (FY 2002) revenue and expense data for the new universities, based on information collected from the three existing universities. All of the data will need further refinement before it can be used in the ongoing planning process. Significant assumptions were made in order to reclassify the revenues and expenses to north, central and south universities. These assumptions were necessary to give the reader a relative idea as to the potential beginning financial picture of each new university. The assumptions will be reviewed by the university groups during the next stage of work, and some of the initial assumptions will need to be modified. Additionally, as decisions are reached about multi-campus programs, libraries, etc., the financial information will be adjusted appropriately. Balance sheet information (other than the debt information described below) was not developed as

part of the initial data collection effort, and it has been proposed that a study group convene to determine how this task might be approached in the future.

In addition to the data collection efforts noted above, the New Jersey Educational Facilities Authority and Morgan Stanley Co. Incorporated, working with university staff, compiled schedules of current debt and debt service by university and allocated the data to each of the new universities. A profile of the debt service by campus was then created to be used in the planning process (see Attachment E).

The debt analysis that Morgan Stanley completed identifies the debt service burden of each of the new campuses and of the consolidated institution. After budgets have been developed, the debt service could be assessed as a percentage of the budget and compared to the table above.

In addition, if the working group develops an allocation of financial resources by campus, Morgan Stanley would be able to assess leverage for each campus and compare it to the Total Resources to Debt ratio above. Debt Service Coverage can also be assessed once the budget and expected operating margin are known. With these ratio guidelines and others, Morgan Stanley can develop preliminary debt capacity within rating categories. Currently, the only ratio that can be estimated is the debt service per student or direct debt (principal) per student.

It is anticipated that the above-mentioned financial information initially will serve as the basis for the University and System Plans to be developed during the next stage of the planning project. Substantial effort will be required to obtain additional data in order to create the plans within the appointed three-month timeframe. The areas that especially need further examination and resolution by the Steering Committee primarily relate to academic programs and services that are multi-campus in nature and the methodologies used to allocate certain revenues and administrative and facilities costs.

In addition to the collection, allocation and analysis of financial data, the Finance and Funding Issues Working Group also focused on formulating some overarching principles to guide future planning efforts. These principles are discussed in this White Paper in the following sections:

- A Vision for Funding a System of Public Research Universities
- Recommended Finance and Funding Guiding Principles
- Proposed Action Plan

It is anticipated that the guiding principles contained in the White Paper will provide a broad framework for succeeding planning phases.

II. A VISION FOR FUNDING A SYSTEM OF PUBLIC RESEARCH UNIVERSITIES

The New Jersey plan to create a system of three regional public research universities is designed with the expressed intent to “enhance the quality of education, increase overall competitiveness as institutions of health care learning, and foster healthy synergy among the institutions”. To achieve these important goals, the state and the universities need to invest strategically in programs and initiatives that will lead to excellence. State appropriations for higher education greater than what has been awarded in the past will be required to ensure the success of the restructuring process. Furthermore, it is recognized that some non-state revenue sources (e.g., alumni support) may not continue at the current level during the transition period, and state funding also should anticipate this short-term possibility.

Excellent public research universities require support from multiple revenue streams, including all of the following sources:

- State appropriations
- Tuition and fees
- Research grants and contracts
- Gifts from individuals, foundations, and corporations
- Endowment income
- Practice plan income
- Self-supporting academic programs (e.g., continuing education)

To achieve excellence, New Jersey’s proposed system of public research universities must develop and sustain long-term funding plans that maximize all of these revenue streams. It is envisioned that restructuring the existing public research universities ultimately will enhance capacity to obtain support from all of the sources, however, it must be recognized that ongoing commitment and support from the State of New Jersey will be critical to realizing this goal. This concept is further discussed below under the following headings.

- Restructuring Costs and Potential Savings
- Five Elements of State Support

Restructuring Costs and Potential Savings

As planning for the restructuring of New Jersey’s public research universities is continued, it will be essential to estimate the following significant costs and potential savings.

Restructuring costs for creating the new system. Significant time, effort and resources must be expended to create the new system of public research universities, including: (a) bringing together the existing campuses in Newark, New Brunswick-Piscataway, and Camden-Stratford; (b) creating whatever consortia services may be needed for libraries, information technology, etc.; and (c) establishing the Chancellor's Office. These costs need to be funded through additional state appropriations.

Ongoing costs of operating three excellent public research universities. Looking out to 2010 (the period covered by the Commission on Higher Education's long-range plan), resources will be essential in order for these institutions to achieve their goals and meet the needs of the people of New Jersey. Although it is anticipated that the resources will come from multiple revenue streams, it must be understood at the outset that significantly increased state appropriations will be necessary as well. Planning for restructuring, therefore, must include an estimation of how much additional ongoing state funding will be required.

Ongoing costs of three academic medical centers. Because all three universities will have academic medical centers with complex and entwined costs and revenue streams, it will be important to estimate relevant costs, revenues and reimbursement formulas. In addition, as the mission of indigent care is essential, so too is adequate funding for that patient population.

Potential savings realized through the restructuring effort. Savings may be achieved through possible consolidation of academic program offerings and the elimination of redundant administrative and operating costs. Analysis is needed to identify potential savings opportunities, execute action plans, and develop measurement systems to realize the savings. Such savings will not be immediate, but may be realized as the new universities gain synergies and momentum after the restructuring effort is complete.

Five Elements of State Support

Once the costs of the three public research universities have been estimated and the increased state funding requirements have been identified, it will be essential to obtain commitment from the state to provide the necessary level of support. The following five elements of state commitment are required for the restructuring effort to be successful.

1. The provision of the upfront resources needed to bring together the separate institutions.
2. Access to increased capital through a major bond issue in 2004 proposed to enhance higher education enrollment capacity and to enable the state to invest in university-based research that will create jobs and economic growth in New Jersey.

3. Improvements in the annual appropriations for the universities at the outset of restructuring – specifically for the 2005-07 fiscal years, including restoration of state funding lost in prior fiscal years. (It should be noted that this funding would only bring the research universities to a level of funding that was recommended several years ago and would not provide for the intervening cost increases or enrollment changes.)
4. A policy framework that expresses the state’s responsibility for predictable core funding for the three public research universities.
5. The development of a dedicated revenue stream for higher education.

The vision for funding the New Jersey system of public research universities requires a set of fundamental principles for the creation of strategies, plans, policies and practices that will guide the restructuring effort.

III. RECOMMENDED FINANCE AND FUNDING GUIDING PRINCIPLES

Following are six recommended finance and funding guiding principles to be used to achieve the vision of the new system of public research universities.

Principle Number 1: Provide Increased State Funding for Transition Costs, Net of Potential Cost Savings

The changes required to create the new public research universities and the Chancellor’s Office will need to be funded through an increase in state funds. Potential cost savings realized through the effort to consolidate programs and eliminate redundant administrative and operating costs may reduce the funding for restructuring and transaction costs.

Principle Number 2: Create a Comprehensive Funding Strategy for the System of Public Research Universities Linked to Performance Goals and Measures

Each of the proposed New Jersey public research universities will have a distinct mission, programs, and funding and finance strategies. Each new university will need to develop a strategic funding model that integrates and links all major funding sources and ties them to programmatic goals and initiatives. Specific performance goals and measures will need to be identified by each university and used to assess the success of the funding strategies. Additionally, there will need to be a clear understanding between the universities and the state that the universities cannot be held to specific performance measures if financial constraints prohibit the state from meeting its funding commitments.

Principle Number 3: Create a Predictable State Funding Mechanism for the Base Budget and Ongoing State Capital Investments with the Development of a Dedicated Revenue Stream

A predictable budget base needs to be ensured to achieve the vision of a system of three excellent public research universities. Long-range strategic planning, capital investments in new academic programs and infrastructure, and capital fund raising campaigns all require reliable and dependable state funding support.

The Commission on Higher Education's draft Strategic Plan advocates the need for a predictable funding mechanism for the base budget for New Jersey's colleges and universities. A dedicated revenue stream from the state is needed to achieve excellence, especially in a situation where the System is attempting to attain parity with other leading state university research systems. The Commission also recommends that peer and aspirant institutions be identified for each of the new public research universities and their data used to determine the appropriate long-term funding base.

Increased state investment should, in turn, leverage increased external support. Further, increased state funding should be linked clearly to state priorities (such as capacity increases, quality enhancement, and job creation) as well as to more specific key performance measures.

Principle Number 4: Recognize Institutional Growth by Using a "Base-Plus" State Funding Methodology

The new system of public research universities needs to have a state funding mechanism that recognizes the costs of providing *excellence* in education, the complex infrastructure required to support research, and changes in student enrollment levels. Increasing student levels create demands on operating resources and the use of capital. During periods of declining enrollment, the burden of fixed costs and excess capacity creates a different set of issues. A state funding mechanism should be used to recognize the marginal costs associated with the increase and decrease in enrollments.

Principle Number 5: Use State Funds to Support Strategic Initiatives

Achievement of the strategic aims of the new system of public research universities will require that investments be made in new strategic initiatives. During the transition to the new public research university structure, state funding should be appropriated to carry out specific strategic objectives. Explicit programmatic goals and performance measures should be linked to each of the state-funded strategic initiatives.

Where possible, strategic initiatives should be linked with other state-sponsored initiatives, including the Jobs Growth and Economic Development Commission currently functioning under an Executive Order of the Governor. Additionally, each university has a role in its community and should continue to use its financial strength to support local activities, such as public/private partnerships.

New Jersey public research universities should seek specific ways to leverage increased state funding to increase endowment and annual giving programs. For example, new endowed professorships may be matched with increased state operating funding. Similar programs may be established for other initiatives such as student scholarships, library resources, and capital programs.

Principle Number 6: Establish Equitable Funding for Multi-Campus Programs

Each new research university will offer programs that provide for comprehensive education and significant research. To be competitive and comprehensive, similar programs may be needed at each university. However, in order to optimize efficiency, the university system should establish equitable methods for allocating revenues and sharing costs in instances when universities choose to take advantage of multi-campus programs in lieu of creating duplicative programs.

IV. PROPOSED ACTION PLAN

The proposed action plan outlines the next stage of the planning process and summarizes major work steps related to each of the principles described above.

Action Plan for Stage II of Planning Process

Guiding Principle	Major Actions
1. <i>Provide Increased State Funding for Transaction Costs, Net of Potential Cost Savings</i>	<ul style="list-style-type: none"> • Estimate cost of Chancellor’s Office and Governing Board • Continue institutional data gathering project Identify transaction cost
2. <i>Create a Comprehensive Funding Strategy for the System of Public Research Universities Linked to Performance Goals and Measures</i>	<ul style="list-style-type: none"> • Prepare a conceptual design for the approach to a comprehensive funding strategy • Draft the outline for Plans for each of the new universities and the system
3. <i>Create a Predictable State Funding Mechanism for the Base Budget and Ongoing State Capital Investments with the Development of a Dedicated Revenue Stream</i>	<ul style="list-style-type: none"> • Identify an approach to determine peer and aspirant institutions for each new public research university • Draft performance goals and measures for each new public research university
4. <i>Recognize Institutional Growth by Using a “Base-Plus” State Funding Methodology</i>	<ul style="list-style-type: none"> • Prepare a conceptual design for the approach to a ‘base-plus’ funding methodology
5. <i>Use State Funds to Support Strategic Initiatives</i>	<ul style="list-style-type: none"> • Prepare a conceptual design for an approach for state funding to support strategic initiatives
6. <i>Establish Equitable Funding for Multi-Campus Programs</i>	<ul style="list-style-type: none"> • Identify revenues and costs associated with multi-campus programs

V. CONCLUSION

During the past nine months, the Finance and Funding Issues Working Group devoted substantial effort to identifying preliminary financial data related to each of the existing universities and determining factors that will contribute to the success of the proposed New Jersey system of public research universities. Key among these factors are:

- The development of comprehensive funding strategies that are linked to meaningful performance goals and measures and based on support from multiple revenue streams
- The long-term and substantial commitment and support of the State of New Jersey.

The guiding principles and major actions developed by the Finance and Funding Issues Working Group incorporate these important factors and provide a preliminary framework for subsequent planning phases.

ATTACHMENT A

Recombined Financial Data for Three New Universities

ATTACHMENT A

New Jersey System of Public Research Universities
Recombined Revenue, Expenses, and Changes in Net Assets
Year Ended June 30, 2002

	North	Central	South	Multi-Campus Programs	Central Administration and Plant	UMDNJ Proprietary Units	Total
Operating revenues:							
Student tuition & fees	118,820,239	185,206,928	33,446,977	51,554,516	-967,875	0	388,060,784
Federal appropriations and grants	67,056,653	111,845,446	7,647,566	78,075,800	2,345,201	8,972,000	275,942,666
State and municipal grants	19,349,987	29,480,332	3,396,729	70,002,679	2,928,000	21,129,000	146,286,727
Other grants	18,032,272	50,337,270	2,830,908	26,008,070	-3,076,000	5,023,000	99,155,520
Net patient service revenues	0	0	0	0	0	0	0
Managed care premium	0	0	0	0	0	0	0
Professional services	0	0	0	0	0	0	0
Auxiliary enterprises	15,209,821	132,428,273	5,313,045	4,011,393	2,642,185	0	159,604,716
Indirect cost recoveries	12,755,000	0	1,006,000	15,214,000	4,840,000	395,000	34,210,000
Other operating revenues	6,683,366	20,108,975	1,281,777	5,266,311	7,437,694	0	40,778,123
Central and multicampus allocation	12,583,399	69,887,652	9,115,067	-87,940,913	-3,645,204	0	0
Total operating revenues	270,490,737	599,294,876	64,038,068	162,191,856	12,504,000	35,519,000	1,144,038,536
Operating expenses:							
Instruction	147,408,552	265,495,286	50,142,883	130,293,901	24,937,425	0	618,278,046
Research and programs	102,788,879	214,874,415	12,074,857	84,008,883	822,272	8,304,000	422,873,304
Public service and enterprise development	15,354,230	25,640,796	738,656	9,107,263	208,104	27,555,000	78,604,049
Academic support	14,666,000	0	742,000	1,501,000	3,989,000	0	20,898,000
Libraries	4,542,682	0	1,829,323	28,877,120	0	0	35,249,126
Student services	6,219,783	20,340,186	6,171,590	6,567,112	13,785,688	0	53,084,359
Institutional support	46,122,629	7,646,708	9,189,488	40,991,754	103,054,772	822,000	207,827,350
Patient care services	0	0	0	0	0	0	0
Managed care services	0	0	0	0	0	0	0
Professional services	0	0	0	0	0	0	0
Operation & maintenance of plant	32,564,182	67,950,852	6,826,677	-2,191,568	42,461,675	0	147,611,818

ATTACHMENT A (Continued)

	North	Central	South	Multi-Campus Programs	Central Administration and Plant	UMDNJ Proprietary Units	Total
Scholarship and fellowships	-4,350,637	-37,808,716	-5,783,346	83,015,051	-591,514	1,000	34,481,837
Insurance	1,010,000		0		25,271,000	0	26,281,000
Depreciation	25,491,689	59,878,530	6,203,157	11,898,035	13,049,000	556,000	117,076,411
Auxiliary enterprises	10,313,753	130,310,842	6,364,062	-2,338,839	2,277,241	0	146,927,059
Other expenses	32,000	0	0	241,000	1,141,825	0	1,414,825
Central and multicampus allocation	25,436,567	154,815,454	16,185,185	-86,816,718	-109,620,487		0
Total operating expenses	427,600,309	909,144,351	110,684,532	305,153,993	120,786,000	37,238,000	1,910,607,185
Nonoperating revenues (expenses):							
State appropriations	120,987,810	259,995,860	40,703,330	73,045,946	58,162,000	0	552,894,946
Fringe benefits paid by State of NJ	42,099,393	62,041,508	12,218,862	19,399,440	26,269,796	0	162,029,000
Gifts and bequests	11,395,612	17,340,430	1,593,633	5,117,998	19,033,232	314,000	54,794,905
Disposal of assets expense	-1,431,095	-624,407	-14,469	0	0	0	-2,069,971
Interest income (expense)	0					0	0
Net increase (decrease) in fair value of investments	-4,656,575	-21,751,833	-430,519	-13,270,187	15,249,291	0	-24,859,822
Endowment and investment income	1,631,941	9,243,047	625,157	15,138,473	24,270,559	2,000	50,911,178
Net investment loss	-80,000					0	-80,000
Interest on capital asset related debt	10,021,723	-15,932,212	-1,183,263	-2,248,729	-15,659,000	0	-45,044,927
Other nonoperating revenues	-3,719,390	2,356,851	-1,860,737	4,452,183	19,872,726	1,336,000	22,437,633
Central and multicampus allocation	-599,327	28,648,252	964,199	657,822	-34,811,604		-5,140,659
Net nonoperating revenues	155,606,648	341,317,496	52,616,193	102,292,946	112,387,000	1,652,000	765,872,283

ATTACHMENT A (Continued)

	North	Central	South	Multi-Campus Programs	Central Administration and Plant	UMDNJ Proprietary Units	Total
Other revenues:							
State appropriations - capital	18,916,824	48,358,350	7,953,088	7,601,040	16,889,000	0	99,718,302
Capital grants and gifts	4,253,905	4,262,687	0	90,283	1,982,478	0	10,589,353
Additions to permanent endowments	4,307,477	21,727,749	93,157	3,704,481	-8,778,260	0	21,054,604
Central and multicampus allocation		-3,645,784	18,133	-4,548,804	8,775,782		599,327
Total other revenues	27,478,207	70,703,001	8,064,378	6,847,000	18,869,000	0	131,961,586
Increase in net assets	25,975,282	102,171,022	14,034,108	-33,822,192	22,974,000	-67,000	131,265,220

Note 1. The North University column contains NJIT, the NJIT Foundation, the New Jersey School of Medicine, and Rutgers allocated programs.

Note 2. The Central University column contains Rutgers allocated programs.

Note 3. The South University column contains the School of Osteopathic Medicine and Rutgers allocated programs.

Note 4. The Multi-Campus column contains the Rutgers Business School, School of Social Work, College of Nursing and Libraries, excluding Law School Libraries, and all UMDNJ programs save NJMS and the School of Osteopathic Medicine.

Note 5. The Central Administration and Plant column totals include only UMDNJ amounts - Rutgers has allocated such costs.

ATTACHMENT B

New Jersey Institute of Technology and Foundation Financial Data

**ATTACHMENT B
New Jersey Institute of Technology and Foundation Financial Data**

Institution: New Jersey Institute of Technology
 College/School or Entity: New Jersey Institute of Technology (University)
 Location: Newark

**Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended June 30, 2002**

Operating revenues:

Student tuition & fees	49,745,000
Federal appropriations and grants	4,143,000
State and municipal grants	8,514,000
Other grants	
Net patient service revenues	
Managed care premium	
Professional services	
Auxiliary enterprises	7,481,000
Indirect cost recoveries	
Other operating revenues	389,000
Total operating revenues	70,272,000

Operating expenses:

Instruction	54,261,000
Research and programs	4,681,000
Public service and enterprise development	3,917,000
Academic support	14,055,000
Libraries	2,555,000
Student services	8,650,000
Institutional support	17,823,000
Patient care services	

ATTACHMENT B
New Jersey Institute of Technology and Foundation Financial Data

Institution: New Jersey Institute of Technology
 College/School or Entity: New Jersey Institute of Technology (University)
 Location: Newark

Managed care services	
Professional services	
Operation & maintenance of plant	17,472,000
Scholarship and fellowships	3,335,000
Insurance	1,010,000
Depreciation	12,995,000
Auxiliary enterprises	3,304,000
Other expenses	
Total operating expenses	144,058,000

Nonoperating revenues (expenses):	
State appropriations	52,383,000
Fringe benefits paid by State of NJ	15,660,000
Gifts and bequests	(7,000)
Disposal of assets expense	(1,308,000)
Interest income (expense)	
Net increase (decrease) in fair value of investments	(204,000)
Endowment and investment income	
Net investment loss	1,055,000
Interest on capital asset related debt	(5,809,000)
Other nonoperating revenues	212,000
Net nonoperating revenues	61,982,000

ATTACHMENT B
New Jersey Institute of Technology and Foundation Financial Data

Institution: New Jersey Institute of Technology
College/School or Entity: New Jersey Institute of Technology (University)
Location: Newark

Other revenues:

State appropriations - capital	4,187,000
Capital grants and gifts	3,911,000
Additions to permanent endowments	126,000
Total other revenues	8,224,000

Increase in net assets (3,580,000)

Net assets - beginning of year 105,422,000

Net assets - end of year 101,842,000

ATTACHMENT B
New Jersey Institute of Technology and Foundation Financial Data

Institution: New Jersey Institute of Technology
 College/School or Entity: The Foundation at New Jersey Institute of Technology
 Location: Newark

Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended June 30, 2002

Operating revenues:

Student tuition & fees	21,989,000
Federal appropriations and grants	8,839,000
State and municipal grants	2,423,000
Other grants	
Net patient service revenues	
Managed care premium	
Professional services	
Auxiliary enterprises	
Indirect cost recoveries	4,228,000
Other operating revenues	2,225,000
Total operating revenues	39,704,000

Operating expenses:

Instruction	
Research and programs	37,496,000
Public service and enterprise development	619,000
Academic support	
Libraries	
Student services	
Institutional support	2,416,000
Patient care services	
Managed care services	
Professional services	

ATTACHMENT B
New Jersey Institute of Technology and Foundation Financial Data

Institution: New Jersey Institute of Technology
 College/School or Entity: The Foundation at New Jersey Institute of Technology
 Location: Newark

Operation & maintenance of plant	
Scholarship and fellowships	1,940,000
Insurance	
Depreciation	
Auxiliary enterprises	
Other expenses	32,000
Total operating expenses	42,503,000

Nonoperating revenues (expenses):	
State appropriations	
Fringe benefits paid by State of NJ	
Gifts and bequests	5,295,000
Disposal of assets expense	
Interest income (expense)	
Net increase (decrease) in fair value of investments	(646,000)
Endowment and investment income	
Net investment loss	(1,135,000)
Interest on capital asset related debt	
Other nonoperating revenues	325,000
Net nonoperating revenues	3,839,000

ATTACHMENT B
New Jersey Institute of Technology and Foundation Financial Data

Institution: New Jersey Institute of Technology
College/School or Entity: The Foundation at New Jersey Institute of Technology
Location: Newark

Other revenues:

State appropriations - capital	
Capital grants and gifts	
Additions to permanent endowments	1,639,000
Total other revenues	1,639,000

Increase in net assets 2,679,000

Net assets - beginning of year 35,717,000

Net assets - end of year 38,396,000

ATTACHMENT C

Rutgers Financial Data

ATTACHMENT C

RUTGERS, THE STATE UNIVERSITY OF NEW JERSEY

Office of the University Controller

Statement of Revenues, Expenses and Changes in Net Assets - All Campuses (including Multi-Campus & Central)

DRAFT

For the Year Ended June 30, 2002

	New Brunswick	Newark	Camden	Central Administration	Multi-Campus *	SubTotal	Financial Statements
OPERATING REVENUES							
Student Tuition and Fees (net of scholarship allowances of \$70,531)	185,206,928	34,892,239	27,746,977	1,152,125	24,843,516	273,841,785	273,842
Federal Appropriations	6,311,406	0	0	0	767,367	7,078,773	7,079
Federal Grants & Contracts	105,534,040	10,669,653	2,851,566	(963,799)	28,331,434	146,422,893	146,422
State & Municipal Grants & Contracts	29,480,332	3,025,987	990,729	0	51,758,679	85,255,728	85,256
Nongovernmental Grants & Contracts	50,337,270	5,247,272	1,887,908	(2,060,000)	156,070	55,568,518	55,568
Auxiliary Enterprises (net of scholarship allowances of \$20,712)	132,428,273	7,728,821	5,313,045	2,642,185	4,011,393	152,123,716	152,124
Other Operating Revenues	20,108,975	4,069,366	1,281,777	2,874,694	240,311	28,575,122	28,575
	529,407,224	65,633,338	40,072,001	3,645,204	110,108,769	748,866,536	748,866
Central and MultiCampus Allocation	69,887,652	12,583,399	9,115,067	(3,645,204)	(87,940,913)	0	
Total Operating Revenues	599,294,876	78,216,737	49,187,068	0	22,167,856	748,866,536	748,866
OPERATING EXPENSES							
Educational and General:							
Instruction	265,495,286	54,628,552	35,597,883	17,737,425	30,331,901	403,791,046	403,791
Sponsored Research	114,806,369	7,213,180	1,002,072	0	(32,044)	122,989,578	122,990
Other Separately Budgeted Research	57,774,782	(4,892,904)	307,475	409,272	10,385,860	63,984,485	63,984
Other Sponsored Programs	42,293,264	8,383,603	3,735,309	0	8,066	54,420,242	54,420
Extension and Public Service	25,640,796	652,230	359,656	74,104	511,263	27,238,049	27,238
Libraries	0	1,987,682	1,829,323	0	28,877,120	32,694,126	32,694
Student Services	20,340,186	6,088,783	5,547,590	11,586,688	2,898,112	46,461,359	46,463
Operations and Maintenance of Plant	67,950,852	13,790,182	6,313,677	9,595,675	(3,182,568)	94,467,818	94,468
General Administration and Institutional	7,646,708	4,642,629	2,328,488	69,058,772	8,227,754	91,904,350	91,904
Student Aid (net of scholarship allowance)	(37,808,716)	(10,492,637)	(5,963,346)	(2,070,514)	81,714,051	25,378,837	25,379
Depreciation	59,878,530	8,058,689	3,598,157	0	1,630,035	73,166,411	73,166
Disposal of Plant Facilities	624,407	123,095	14,469	0	0	761,971	762
Auxiliary Enterprises	130,310,842	7,009,753	6,364,062	2,277,241	(2,338,839)	143,623,059	143,623
Other Expenses	0	0	0	951,825	241,000	1,192,825	1,193
	754,953,305	97,192,836	61,034,816	109,620,487	159,271,712	1,182,074,155	1,182,075
Central and MultiCampus Allocation	154,815,454	25,436,567	16,185,185	(109,620,487)	(86,816,718)	0	
Total Operating Expenses	909,768,758	122,629,403	77,220,000	0	72,454,993	1,182,074,156	1,182,075
Operating Income(Loss)	(310,473,883)	(44,412,667)	(28,032,932)	(0)	(50,287,138)	(433,208,620)	(433,209)

ATTACHMENT C

RUTGERS, THE STATE UNIVERSITY OF NEW JERSEY

Office of the University Controller

Statement of Revenues, Expenses and Changes in Net Assets - All Campuses (including Multi-Campus & Central)

DRAFT

For the Year Ended June 30, 2002

	New Brunswick	Newark	Camden	Central Administration	Multi-Campus *	SubTotal	Financial Statements
NONOPERATING REVENUES(EXPENSES)							
State Appropriations	259,995,860	39,017,810	27,012,330		10,262,946	336,288,946	336,289
Fringe Benefits Paid Directly by the State of New Jersey	62,041,508	17,037,393	8,099,862	13,323,796	(189,560)	100,313,000	100,313
Gifts	17,340,430	2,973,612	1,216,633	12,340,232	1,195,998	35,066,905	35,067
Endowment and Investment Income	9,243,047	1,434,941	209,157	949,559	13,917,473	25,754,178	25,755
Unrealized Gains(Loss) on Marketable Securities	(21,751,833)	(3,806,575)	(430,519)	10,080,291	(13,270,187)	(29,178,822)	(29,179)
Interest on Capital Asset Related Debt	(15,932,212)	(4,212,723)	(1,183,263)	0	(2,248,729)	(23,576,927)	(23,577)
Other Nonoperating Revenues	2,356,851	285,610	1,172,263	(1,882,274)	(63,817)	1,868,633	1,869
Net Nonoperating Revenues	313,293,652	52,730,069	36,096,463	34,811,604	9,604,124	446,535,912	446,537
Central and MultiCampus Allocation	28,648,252	4,541,332	964,199	(34,811,604)	657,822	0	
Net Nonoperating Revenues	341,941,903	57,271,402	37,060,662	0	10,261,946	446,535,913	446,537
Income before Other Revenues and Expenses	31,468,021	12,858,735	9,027,730	(0)	(40,025,192)	13,327,293	13,328
Capital Appropriations	48,358,350	11,454,824	6,340,088	0	754,040	66,907,302	66,907
Capital Grants and Gifts	4,262,687	342,905	0	1,502,478	90,283	6,198,353	6,197
Additions to Permanent Endowments	21,727,749	2,542,477	93,157	(10,278,260)	3,704,481	17,790,604	17,791
	74,348,786	14,340,207	6,433,245	(8,775,782)	4,548,804	90,895,259	90,895
Central and MultiCampus Allocation	(3,645,784)	(599,327)	18,133	8,775,782	(4,548,804)	0	
Total Capital Appropriations and Endowment Additions	70,703,001	13,740,879	6,451,378	0	0	90,895,259	90,895
Net Increase in Net Assets	102,171,022	26,599,614	15,479,108	0	(40,025,192)	104,223,553	104,223
NET ASSETS							
Net Assets - Beginning of the Year	1,155,651,320	221,631,760	142,477,560	0	63,323,360	1,583,084,000	1,583,084
Net Assets - End of the Year	1,257,822,342	248,231,374	157,956,668	0	23,298,168	1,687,307,553	1,687,307

* Amounts remaining in Multi-Campus pertain to the Rutgers Business School, School of Social Work, College of Nursing and Libraries, excluding Law School Libraries

ATTACHMENT D

University of Medicine and Dentistry of New Jersey Financial Data

ATTACHMENT D

University of Medicine and Dentistry of New Jersey
Statement of Revenues, Expenses and Changes in Net Assets

Summary by Schools	North							South		Administration and Plant		Proprietary Units Excluded	Primary Institution per AFS		
	NJMS	NJDS	SHRP	SN	GSBS	RWJMS	SPH	Total Multi-Campus	SOM	CA	OPP			Total Admin and Plant	Total
Operating Revenues:															
Student tuition and fees	12,194,000	5,909,000	6,540,000	862,000	1,621,000	10,422,000	1,357,000	26,711,000	5,700,000	(2,120,000)	-	(2,120,000)	42,485,000	-	42,485,000
Federal appropriations and grants	43,405,000	1,141,000	157,000	1,345,000	221,000	42,441,000	3,672,000	48,977,000	4,796,000	3,309,000	-	3,309,000	100,487,000	8,972,000	109,459,000
State and municipal grants	5,387,000	935,000	2,541,000	3,040,000	516,000	6,708,000	4,504,000	18,244,000	2,406,000	2,928,000	-	2,928,000	28,965,000	21,129,000	50,094,000
Other grants	12,785,000	560,000	368,000	520,000	697,000	21,200,000	2,507,000	25,852,000	943,000	(1,016,000)	-	(1,016,000)	38,564,000	5,023,000	43,587,000
Net patient service revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Managed care premiums	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Auxiliary enterprises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Indirect cost recoveries	8,527,000	258,000	29,000	92,000	8,000	14,604,000	223,000	15,214,000	1,006,000	4,840,000	-	4,840,000	29,587,000	395,000	29,982,000
Other operating revenues	-	4,531,000	21,000	-	-	474,000	-	5,026,000	-	2,100,000	2,463,000	4,563,000	9,589,000	-	9,589,000
Total operating revenues	82,298,000	13,334,000	9,656,000	5,859,000	3,063,000	95,849,000	12,263,000	140,024,000	14,851,000	10,041,000	2,463,000	12,504,000	249,677,000	35,519,000	285,196,000
Operating Expenses:															
Instruction	38,519,000	26,033,000	12,258,000	2,784,000	3,808,000	47,618,000	7,461,000	99,962,000	14,545,000	7,200,000	-	7,200,000	160,226,000	-	160,226,000
Research and programs	49,908,000	2,491,000	57,000	932,000	20,000	63,155,000	6,992,000	73,647,000	7,030,000	413,000	-	413,000	130,998,000	8,304,000	139,302,000
Public service & enterprise development	10,166,000	399,000	1,804,000	2,908,000	-	3,348,000	137,000	8,596,000	379,000	134,000	-	134,000	19,275,000	27,555,000	46,830,000
Academic support	611,000	-	12,000	1,257,000	-	232,000	-	1,501,000	742,000	3,979,000	10,000	3,989,000	6,843,000	-	6,843,000
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Student services	131,000	611,000	-	-	1,212,000	1,846,000	-	3,669,000	624,000	2,050,000	149,000	2,199,000	6,623,000	-	6,623,000
Institutional support	21,241,000	4,701,000	2,725,000	2,763,000	482,000	21,499,000	594,000	32,764,000	6,861,000	24,048,000	9,948,000	33,996,000	94,862,000	822,000	95,684,000
Patient care services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Managed care services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operation and maintenance of plant	1,302,000	-	141,000	41,000	(49,000)	858,000	-	991,000	513,000	932,000	31,934,000	32,866,000	35,672,000	-	35,672,000
Scholarships and fellowships	867,000	25,000	137,000	-	531,000	608,000	-	1,301,000	180,000	1,479,000	-	1,479,000	3,827,000	1,000	3,828,000
Insurance	-	-	-	-	-	-	-	-	-	25,271,000	-	25,271,000	25,271,000	-	25,271,000
Depreciation	4,438,000	1,251,000	847,000	160,000	66,000	7,716,000	228,000	10,268,000	2,605,000	3,001,000	10,048,000	13,049,000	30,360,000	556,000	30,916,000
Auxiliary enterprises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-	-	-	190,000	-	190,000	90,000	-	190,000
Total operating expenses	127,183,000	35,511,000	17,981,000	10,845,000	6,070,000	146,880,000	15,412,000	232,699,000	33,479,000	68,697,000	52,089,000	120,786,000	514,147,000	37,238,000	551,385,000

ATTACHMENT D (continued)

Summary by Schools

	North		Multi-campus Programs					South		Administration and Plant			Total	Proprietary Units Excluded	Primary Institution per AFS
	NJMS	NJDS	SHRP	SN	GSBS	RWJMS	SPH	Total Multi-Campus	SOM	CA	OPP	Total Admin and Plant			
Nonoperating revenues (expenses)															
State appropriations	29,587,000	17,034,000	6,264,000	3,108,000	2,583,000	31,472,000	2,322,000	62,783,000	13,691,000	11,519,000	46,643,000	58,162,000	164,223,000		164,223,000
Fringe benefits paid by the State of NJ	9,402,000	4,834,000	2,098,000	730,000	385,000	11,141,000	401,000	19,589,000	4,119,000	6,417,000	6,529,000	12,946,000	46,056,000		46,056,000
Gifts and bequests	3,134,000	269,000	104,000	149,000	6,000	2,672,000	722,000	3,922,000	377,000	6,693,000	-	6,693,000	14,126,000	314,000	14,440,000
Disposal of assets expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income (expense)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net increase (decrease) in fair value of investments	-	-	-	-	-	-	-	-	-	4,336,000	833,000	5,169,000	5,169,000		5,169,000
Endowment and investment income	197,000	167,000	11,000	-	-	1,043,000	-	1,221,000	416,000	18,984,000	4,337,000	23,321,000	25,155,000	2,000	25,157,000
Net investment loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on capital asset related debt	-	-	-	-	-	-	-	-	-	(4,459,000)	(11,200,000)	(15,659,000)	(15,659,000)		(15,659,000)
Other nonoperating revenues (expenses)	(4,542,000)	(453,000)	876,000	294,000	190,000	3,357,000	252,000	4,516,000	(3,033,000)	6,133,000	15,622,000	21,755,000	18,696,000	1,336,000	20,032,000
Net nonoperating revenues (expenses)	37,778,000	21,851,000	9,353,000	4,281,000	3,164,000	49,685,000	3,697,000	92,031,000	15,570,000	49,623,000	62,764,000	112,387,000	257,766,000	1,652,000	259,418,000
Other revenues:															
State appropriations - capital	3,275,000	1,077,000	78,000	6,000	6,000	5,666,000	14,000	6,847,000	1,613,000	3,884,000	13,005,000	16,889,000	28,624,000		28,624,000
Capital grants and gifts	-	-	-	-	-	-	-	-	-	110,000	370,000	480,000	480,000		480,000
Additions to permanent endowments	-	-	-	-	-	-	-	-	-	1,500,000	-	1,500,000	1,500,000		1,500,000
Total other revenues	3,275,000	1,077,000	78,000	6,000	6,000	5,666,000	14,000	6,847,000	1,613,000	5,494,000	13,375,000	18,869,000	30,604,000	-	30,604,000
Increase (decrease) in net assets	(3,832,000)	751,000	1,106,000	(699,000)	163,000	4,320,000	562,000	6,203,000	(1,445,000)	(3,539,000)	26,513,000	22,974,000	23,900,000	(67,000)	23,833,000

ATTACHMENT E

Debt Service Analysis

Overview of Preliminary Debt Analysis

Moody's Investors Service is the only rating agency that publishes median ratios for a number of metrics for public institutions of higher education. Shown below, these ratios provide guidance on boundaries between rating categories. While no one measure can assure a certain rating, several ratios can indicate in which category a particular institution may be rated. At this preliminary stage, it is difficult to assess where the consolidated University of New Jersey entity would be rated; however, as these ratios are developed further, they will provide the working group with a more refined sense of the rating agencies' perspective on the credit that will be established.

<i>Moody's Public Medians For FY2002</i>				
	Aaa/Aa1	Aa2	Aa3	A1
Total Resources to Debt	6.84x	2.84x	2.21x	2.36x
Debt per Student	\$13,280	\$10,888	\$9,145	\$6.405
Debt Service to Operations	1.90%	2.30%	3.60%	2%
Debt Service Coverage	5.65x	3.92x	2.49x	2.9x

The debt analysis that Morgan Stanley completed identifies the debt service burden of each of the new campuses and of the consolidated institution. After budgets have been developed, the debt service could be assessed as a percentage of the budget and compared to the table above.

In addition, if the working group develops an allocation of financial resources by campus, Morgan Stanley would be able to assess leverage for each campus and compare it to the Total Resources to Debt ratio above. Debt Service Coverage can also be assessed once the budget and expected operating margin are known. With these ratio guidelines and others, Morgan Stanley can develop preliminary debt capacity within rating categories. Currently, the only ratio that can be estimated is the debt service per student or direct debt (principal) per student.

We therefore do not have sufficient information to do a debt capacity assessment as yet. The working group now has the line item for debt service per campus and an amortization schedule to incorporate into the budget models.