AAUP Study

The sides disagree on Dr. Michael Brogan's analysis of Rider's 2011 report to the federal Integrated Post-Secondary Education Data System.

Administration

- Rider's faculty to student ratio has remained low, and is currently 12:1.
- Despite recent enrollment declines, the share of Rider's budget that goes to instruction has remained consistent, and is slightly higher than our peer private universities.
- The AAUP is correct that full time faculty and chairs are 35% of salaries and benefits, but several tables in the AAUP report quoted in The Rider News, are incorrect, because the AAUP included part time faculty costs in the remaining 65% "administration" as quoted in The Rider News. The correct percentage is 54%, which in addition to administrators includes clerical staff, facilities and public safety employees, and other non-administrators. IPEDS does not separately report part-time faculty pay. All colleges report part-time faculty pay as instructional cost in IPEDS.
- Increases in both staff and faculty between 2001 and 2012 were to support expanded enrollment and student services, new academic and support programs, new residence halls and other facilities, and broader technology options. These positions support students.
- Rigorous processes have been in place for more than 15 years to approve all administrative staffing and compensation changes. Raises over this period have been consistent between faculty and non-faculty employees. Increases in adjunct and overload pay are categorized as "administration"; in the AAUP analysis, which only separates out full-time faculty and chairs.

AAUP

- The AAUP has worked closely with the Administration over the years to keep the faculty-student ratio low. The benefits for doing so far exceed the costs. Keeping the ratio low is both beneficial from a pedagogical perspective but also gives the university a comparative advantage relative to peer institutions in attracting students to attend the university. This statement lacks context. On a percentage basis for the period from 2004-2012 the distribution of instructional costs has shifted away from full-time faculty and chairs to contingent faculty and administrative staff.
- In 2004, the percent of total salaries and benefits for full-time faculty and chairs was approximately 39% for full-time faculty/chairs and 14% for non-full-time faculty/chairs (a difference of 25 percentage points between the two groups). By 2012, the difference between groups was 19 percent instead of the previous 25 percent (36 percent for full-time faculty/chairs and 17 percent for non-full-time faculty chairs), a decrease of 6 percentage points.
- If funding were to have remained "consistent," we should expect the initial difference of 25 percentage points to hold over time. This substantiates the administration's priorities over time which have placed non-faculty compensation over essential, core-mission compensation— that of the faculty.
- VP Karns' claim that tables reported by the AAUP were "incorrect" is unfounded. She does this by attempting to redefine numbers the Administration has reported publicly in the past. Specifically, IPEDS data lumps the cost of part-time faculty into "instructional costs." Now she has attempted to redefine instructional costs as "all-faculty," a term not used by the AAUP in its initial report.
- VP Karns' redefinition of "teaching" is a clear example of equivocation by the Administration in terms of trying to minimize the rise in administrative costs relative to actual instructional expenditures from 2001 to 2012. The AAUP accounted for this by taking the difference between the amounts spent on full-time faculty and chairs relative to all other salaries and benefits from 2004–2012. The remaining instructional costs cover courses taught by adjuncts or administrators, or by full-time faculty on an overload basis. Thus our December statement is true: only about one third of compensation goes to full-time faculty. As we also reported, this proportion has decreased over time.
- When adjusting for enrollment growth, incremental position growth and costs tied to the university's strategic initiatives and overall growth have not been equally felt across employee groups. For instance, other things being equal, for every 11 new full-time students, a new administration position was created. For every 38 new full-time students, a new full-time faculty position was created. The magnitude between full-time administrators and full-time faculty is about 3.5 more students are needed for a full-time faculty position compared to a full-time administration position. Even in light of administration processes, such as HRAC, to closely monitor non-faculty salary positions, there has been substantial increase in spending on administrative positions from 2001-2012. On an annual average basis administration salaries and benefits have increased approximately $1.7M per year. For full-time faculty and chairs there has been an average increase of roughly $753K per year. This is a significant difference between the two groups resulting in administrative salaries and benefits increasing at a rate of roughly 2.3 times more than they do for faculty salaries and benefits on an annual basis.

Union consultant's financial analysis (Fichtenbaum report)

Administrators and union differ about methodology and some conclusions.

Administration

- The report is not an entirely impartial review, as it was prepared by the national president of the AAUP.
- Several elements of the review are flawed, such as combining operating/payroll cash and endowment investments to develop conclusions on investment performance. Comparing returns on operating cash, which is appropriately invested to avoid risk, to stock market returns is inappropriate.
- The report looked at a composite financial score used only by the State of Ohio despite the availability of widely accepted approaches such as "Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks." Forbes magazine recently stated that publication is "widely considered to be one of the most important financial publications in higher education."
- The Fichtenbaum report compares Rider, a private university, to Ohio's fourteen public universities and twenty-three community colleges only, which is not a relevant peer group.
- In addition to Moody's analysis, Rider benchmarks its financial health on an ongoing basis using best practice methodology and nationally recognized comparative sources. The benchmarking clearly shows the need to act now to strengthen Rider's finances.

AAUP

- The union's interpretation of Rider's financials has always been performed by union members or paid union consultants, just as the administration evaluates those same financials using administration members or paid consultants. This is not in and of itself an indication of bias. The "Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks" (designed by the accounting firm KPMG) uses almost the same ratios to construct its index as the Fichtenbaum-Bunsis Index. The difference is in how this data is interpreted. When an institution achieves scores at the mid-point on its scale KPMG claims there is a need to "re-engineer" the institution, whatever that is supposed to mean. If an institution scores above the mid-point KPMG claims that the University should redirect institutional resources to allow for institutional transformation. All of this is highly subjective "administration speak" to justify administrators directing resources as they choose no matter the value of the score. The Ohio index (developed by Moody's) is not in anyway unique to Ohio public universities and colleges, there is nothing unique about the financial performance of private universities and colleges although the terminology used in their financial statements differs somewhat from that used in the financial statements at public institutions (FASB v GASB). To suggest that because in Ohio they use the viability ratio to measure solvency the viability ratio at Rider cannot possibly measure solvency is simply absurd.
- VP Karns' attack on the Fichtenbaum report's methodology is a classic red herring. All of the reports use the same data and composite scores. Whether using Moody's ratios, the Ohio State method, or the scores developed independently by by Professors Fichtenbaum and Bunsis, all three methodologies arrive at composite scores that for all practical purposes are identical.
- These scores (4 out of a possible 5) are also consistent with the latest report from the U.S. Department of Education's "financial-responsibility test" for Private Universities, which gave Rider a score of 2.4 on a scale that ranges from -1 to +3. The real issue is not the numbers but the interpretation of those numbers. We believe (along with Professor Fichtenbaum and the US Department of Education) that these scores indicate that Rider is still in good financial shape, despite some weakening of its financial position.

AAUP Rider University

Moody's outlook

The parties see different significance in a report by Moody's Investors Service that lowered Rider's financial outlook from "stable" to "negative."

Administration

- In a communication to members, the AAUP termed the Moody's report "a thin, flawed analysis, which provides little factual basis for its conclusions". In fact, Moody's evaluates more than 60 financial measures to assess Rider's financial health, and publicly reports 17 key financial and enrollment ratios. Moody's is independent and nationally recognized, and evaluates the finances of more than 500 colleges and universities each year. Its methodology is publicly available on the Moody's web site.
- Moody's always factors in the presence or absence of unions as a standard element of its ratings methodology, because contractual commitments are fixed costs, not out of any union bias as implied in the AAUP's communication to its members.
- Moody's cited a number of Rider strengths in its report, including strong academic programs and careful financial management.
- Moody's two primary concerns were the low levels of expendable net assets or financial "reserves," and the need to use reserves this year to cover the 2014 deficit.

AAUP

- Moody's does not provide an explanation of its methodology in the report. Nor does it provide "60 financial measures." The report references an undisclosed methodology on their website, but it is not presented or explained in the report. A small number of figures are provided in the report and listed on the third page, but the specific key financial indicators and ratios used in their analysis are not identified.
- The report is five pages, two pages of which are devoted to general information about Moody's and legal information about the report, leaving approximately three pages devoted to the financial status of the university.
- Moody's may be a widely used financial reporting firm in the U.S., but their reputation is hardly untarnished. Moody's cozy relationship with the banks issuing mortgage derivatives led to grossly misstated risk assessments for these instruments, essentially bad reporting, and together with Standard and Poor's erroneous reports are considered key triggers for the 2008 financial meltdown.
- The Moody's report states in the opening paragraphs that "… with more than half of its [Rider's] full-time workforce unionized, the university has less flexibility to make meaningful cuts"(emphasis added). The labor contract is mentioned three times in the 5 page report. Nowhere in the report is there any analysis which backs the claim that the only meaningful cuts to Rider's expenses must include labor pay It is simple repeated in the Moody's report as though it were a self-evident truth not to be questioned.
- Moody's analysis is a tool bond buyers use when deciding whether or not to purchase bonds. Thus its analysis of Universities is not particularly useful as a measure of their long-term health. Vice President Karns notes Moody's "two primary concerns were the low levels of expendable net assets or financial "reserves," and the need to use reserves this year to cover the 2014 deficit."
- The University's liquid reserves have declined because the administration used them to pay for capital improvements of the campus. Those liquid reserves were not lost, but converted into physical assets. While those liquid assets are no longer available to pay off bond holders (Moody's primary concern), the physical assets they were converted to are available to advance the University's primary mission of educating students.
- Karns claims the administration must use reserves to cover a 2014 "deficit." We cannot know this until after the year is over and the audited financial statement is available for analysis. At this time it is simply a claim by the administration—a claim that it has often made prior to labor negotiations and one that has never proved accurate.
- Vice President Karns focuses primarily on operating revenue, which is but one measure of the University's financial health, and which by its very nature overstates so-called deficits and ignores cash flows. The AAUP report prepared by Professor Fichtenbaum considers both operating revenues and cash flows. Rider's positive cash flows during the period of the study ranged from a low of $7.6 million to a high of $15.8. In 2013 it was $12 million.

Faculty Pay

Administration and faculty cite different measures of the generosity of faculty compensation and its weight in the overall financial situation.

Administration

- The AAUP noted in the Rider News that Moody's indicated Rider's recent faculty raises lagged inflation. Unlike many colleges and universities across the country, Rider has not had a wage freeze, and Rider faculty pay has been and remains highly competitive.
- The most recent AAUP national salary survey shows all faculty ranks at Rider in the top 10% of pay among more than 400 master's level colleges and universities. The University reviews this data because it is the AAUP's and widely publicized. Our primary comparison for all employees including faculty is to a more similar peer group, as discussed below.
- Faculty pay is at the top end for similar universities as well. Rider's primary source to benchmarks faculty and administrative pay is 34 private colleges with similar enrollment and financial resources, adjusted to reflect Rider's high cost location. This 2013 benchmarking also shows that collectively, faculty pay is well above the middle of the comparison group, at 116% of the peer median. This survey shows 63% of faculty paid in the top 10% versus peers of the same rank and discipline. 89% of Rider faculty are paid in the top 20% versus the 34 peers.

AAUP

- Vice President Karns compares Rider to either private or public Universities, depending on which better suits her purpose. Universities that have had wage freezes during recent years have been, for the most part, in the public, not the private sector.
- Recent Rider faculty wage increases have lagged behind both inflation and the average national wage increases in private universities. If in fact the University faces a worsening financial situation, it is not due to increases in faculty compensation.
- We believe using the statement "well above the middle of the comparison group" is inaccurate and misleading. The 34 colleges used in this peer comparison are not identified, and 116% of the peer median means 16% above the median (at the median would be 100%). A more accurate way of stating this would be 16% of the median or in the 58th percentile.

Administrative Pay

The parties disagree on the role administrative compensation plays in the university's situation.

Administration

- Using the same 34 university comparison group and approach, the benchmarking shows 2013 administrator pay collectively is 99% of peer median, meaning Rider pay is at the middle of the peer group.
- Rider has eliminated 20 non-faculty positions since 2009, for base budget savings totaling more than $1.1 million.
- The President's and Vice Presidents' salaries are evaluated annually by an independent consultant hired by the Board of Trustees, and compared to the same group of peer institutions. The 2013 consultant report shows that the Vice Presidents collectively are paid at 98% of the peer median, also just below the middle of the peer group.
- The President's salary, adjusted for his voluntary pay reduction, is 80% of peer median, well below the middle of the group. When total 2013 compensation is included, he is at the 75th percentile vs. the peers, meaning one in four peer presidents had higher total pay than Rider. The AAUP 85th percentile is correct but compares Rider to all private universities, which includes many small and less complex schools.
- The AAUP compares 2011 pay to 2003. 2011 presidential pay includes University provided housing, which was left out of the 2003 number the AAUP used. 2011 also includes a performance bonus and deferred compensation. Both are common elements of presidential pay, but were not used by Rider in 2003. Dr. Rozanski voluntarily declined one or both of those types of pay awarded by the Board of Trustees in 2008, 2009 and 2010. It is not clear how the AAUP Vice President comparison was developed, but the bottom line is that now and in prior years, Rider officers' pay is in line with universities with similar enrollment and financial resources.

AAUP

- Merely evaluating administration pay in 2013 does not provide adequate context. Administration pay, especially at the VP and President level, can vary significantly from year to year.
- From data provided by the IRS 990 forms for the University, the President's salary has risen (in unadjusted dollars) 118% from 2003 to 2011—in adjusted dollars the amount is 78%, stated more directly, it has almost doubled in this time frame, increasing about 13% per year.
- Among 550 of the top private universities in the country as identified in the Chronicle of Higher Education, the President of Rider University's total compensation in 2011 was ranked in the 85th percentile.
- In terms of total compensation among VPs at the university, there is a similar trend as the President. Also using data provided by the Chronicle of Higher Education for 2011, the median compensation package for Rider's 4 VPs was $302,921. For all other VPs at private institutions in the US, the median was $237,083 (a difference of roughly $65K). Based on median salaries among VPs, Rider is in the 85th percentile. Among peer-institutions, the median salary for VPs was $255,372. When comparing median salaries for VPs within the peer-group, Rider is in 79th percentile.

Dependence on Tuition and Fees

Administration

- More than 90% of Rider's revenues come from tuition and fees, room and board. 86% is the most recent average for schools with Rider's bond rating.
- Rider works strategically and effectively to recruit and retain students, including enhancing financial aid awards to better meet student needs. Awards are funded by Rider's operating budget as well as by donor scholarship gifts.
- Our goal is to maintain, or if possible, to grow the current level of enrollments even as the pool of available students declines and competition for students increases.
- Revenue growth is slowing for private colleges due to enrollment declines related to demographics and stagnant family incomes. Those universities with the best prospects going forward will be those that adjust to the "new normal."

AAUP

- It is very important that Rider do a better job at enhancing its fund raising capacity both for operating and capital expenses.

Overall Situation of the University

Administration

- Rider, like most private universities, is adapting to a declining pool of college-age students and increased competition from public universities and on-line programs. Numerous external sources indicate that this is not a short-term challenge.
- The University proactively reduced costs as the growth in revenue slowed, and more needs to be done. More than $10 million of base budget cuts have been achieved over the last four years to help maintain balanced budgets and enhance scholarship funding.
- This year, expenses will exceed revenues. Rider does not have adequate reserves to fund multiple years of deficits.

AAUP

- When looking at operating expenses, Rider's expenses may have exceeded revenues, but we will not know this for sure until after the University's financial audit, which occurs in summer 2014.
- One of the major differences between operating cash flows and income (loss) before other revenue (net income) is that net income and the change in net assets include depreciation as an expense. However, since depreciation is a non-cash expense, it does not represent an outflow of cash i.e., it is an expense only on paper and does not actually make us poorer.
- The AAUP has every confidence that the University will again show a positive net cash flow at the end of this fiscal year.

What are your goals?

The Rider News asked both sides what they would like to achieve.

Administration

- To help build an understanding that bringing revenue and expense into balance is critical to Rider's academic excellence, strong scholarship support for students, and long term financial health and competitiveness. We don't want to wait for a crisis to act.
- To commit that we will find the right solutions for Rider through the open sharing of information, the continuing dialog within our community, and a collaborative approach to problem solving.
- To reassure the community that Rider's focus on quality, affordability and student service will not change as we continue to address the challenging financial climate in higher education.

AAUP

- In many ways we share Vice President Karns' stated goals, but these stated goals are in conflict with the overall administration message—that the University is in financial crisis and only radical re-engineering will save it.
- The AAUP believes that the University is not in crisis, and while prudent planning is always called for, radical steps are more likely to lead to disaster than prevent it.