

## Despite success on the field, big-spending Rutgers athletics is saddled with its largest deficit ever

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By **Jarrett Renshaw/Statehouse Bureau**

**TRENTON** — It was a sea of scarlet.

Rutgers University's newly expanded football stadium was jammed with 52,737 boisterous fans for the 2009 home opener against the Cincinnati Bearcats, a sellout crowd that brought in \$1.6 million in ticket sales, shattering attendance records.

More than 30,500 of the fans had bought season tickets, including 892 who shelled out hundreds of dollars for new luxury club seats, built to attract wealthy supporters and potential donors. A new state-of-the-art scoreboard adorned the southern end zone like a resplendent trophy. Despite the eventual loss, there was an optimistic energy in the air.

That heady day seems long ago now.

Despite winning on the field this year, Rutgers football and its broader athletic program are among the biggest money losers in the nation, a *Star-Ledger* analysis shows, and the situation may be getting worse. The shortfall last year forced the university to divert millions of dollars from student fees, tuition and state tax dollars to cover the \$64.2 million it spent to run its 24-sport athletic program, records reveal.

This new analysis is the first since the \$102 million stadium expansion was completed more than two years ago, and it comes as Rutgers athletics again finds itself at a crossroads.

Across the country, teams are bolting long-standing alliances for different conferences and the promise of



Andrew Mills/The Star-Ledger

Sparse crowd settles in early in the second quarter at Rutgers Stadium as the Scarlet Knights host Louisville in Big East football action at Rutgers Stadium.

megamoney TV deals. So far, Rutgers has stuck with a reshuffled Big East Conference that includes newcomers like Boise State and Central Florida, instead of following long-time rivals Syracuse, West Virginia and Pitt to greener pastures.

The departures have raised questions about whether the conference will keep an automatic spot in the football Bowl Championship Series — and the big payday that comes with it — and how the new alignment will fare when it's time to sign a new television contract. The other concern is whether fans will pay to see the likes of Southern Methodist University and San Diego State when they visit Piscataway.

*The Star-Ledger's* review included NCAA reports and university records obtained under the state's Open Public Records Act, including annual financial reports, game-day ticket breakdowns and vendor contracts. The documents depict an athletic program struggling financially under the weight of its own high expectations.

One of the more surprising findings shows that an increasingly smaller percentage of fans at home games now pay for tickets, because to offset declining attendance, the university hands out fistfuls of complimentary passes to fill seats. While the stadium may look more filled, there is still less revenue for the cash-strapped program.

This year, roughly 59 percent of the fans bought a ticket, down from 76 percent in 2009. And despite a liberal use of complimentary tickets, the team still played in front of thousands of empty seats this year, even though it went into its final home game with a chance to win its first Big East title.

### **Short of expectations**

Athletic Director Tim Perneti was hired in 2009 in part to help turn around the department's finances. Since then, he has sold the naming rights to the football stadium to High Point Solutions for \$6.5 million over 10 years and pledged to reduce university athletic subsidies by at least \$1 million this year.

"I have said from day one that our goal is to raise revenue and decrease the reliance on university subsidies, but it's not going to happen overnight," Perneti said. "Spending is not our problem."

*The Ledger* analysis shows that Rutgers spent more on sports last year than most of the 120 college programs in the Football Bowl Subdivision, but the school could not keep pace when it came to generating revenue. As a result, 42 cents of every dollar Rutgers spent on athletics last year came from student fees, tuition dollars and other nonathletic revenue, among the highest ratios in the nation, the analysis reveals.

The athletic department spent \$26.8 million more than it generated in revenue last year, a figure that ranks it among the 10 highest operating losses in major programs in the country, the analysis reveals. The loss was covered by \$8.44 million in student fees and \$18.4 million from the school's general fund.

The largest operating deficit last year among major college programs in the country was \$36.7 million, according

## RU FOOTBALL STATISTICS

YEAR	SPENDING IN MILLIONS	TICKET SALES IN MILLIONS	SUBSIDY IN MILLIONS	COACH SALARIES** IN MILLIONS	OTHER COACHES IN MILLIONS	TOTAL ATTENDANCE (HOME GAMES)	ATTENDANCE PER GAME	ATTENDANCE BARB (SEAT)	IN STATE TUITION**	OUT OF STATE TUITION**
2012	126.82	119.67	11.88	11.34	11.24	213,268 (7)	48,239	48	126,000	126,000
2009	128.16	11.76	11.88	11.27	11.21	242,799 (7)	48,559	48	126,000	126,000
2008	128.77	11.76	11.88	11.27	11.21	242,799 (7)	48,559	48	126,000	126,000
2007	123.72	11.76	11.88	11.27	11.21	242,799 (7)	48,559	48	126,000	126,000
2006	123.18	11.80	11.88	11.27	11.21	242,799 (7)	48,559	48	126,000	126,000
2005	111.73	11.88	11.88	11.27	11.21	242,799 (7)	48,559	48	126,000	126,000
2004	89.11	11.55	11.88	11.27	11.21	242,799 (7)	48,559	48	126,000	126,000

  

Percent change from 2004 to 2012	<b>182%</b>	<b>609%</b>	<b>-7.1%</b>	<b>356%</b>	<b>86.8%</b>	<b>74%</b>	<b>49%</b>	<b>24 SPOTS</b>	<b>47%</b>	<b>51%</b>
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Sources: Rutgers, NCAA. \* Includes bonuses and other perks. \*\* Includes room, board, fees and other costs. 7th Edition 2013

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to an annual report on collegiate sports revenues and expenses by the NCAA, which does not reveal the names of institutions.

Pernetti's contract provides a \$10,000 bonus when the university's subsidizing of the program both doesn't increase and falls as a percentage of the athletic budget. He has yet to get a bonus.

The annual losses, however, have not deterred spending, which has almost doubled since 2005. The increase comes as overall state funding to the university has dropped by \$29 million, or 10 percent, over the past three years, forcing officials to freeze salaries, rely more on part-time teachers and even yank faculty office phones.

The disparity has created tension between faculty and the administration over the university's priorities. On Dec. 14, the faculty of the School of the Arts and Sciences at Rutgers will hold a vote on a resolution calling for increased scrutiny of the athletic department.

"The academic departments are taking blow after blow, but it looks like the only people getting a higher amount of discretionary funding is the athletic department," said economics professor Mark Killingsworth, one of the faculty members pushing for the resolution.

### Value of football

The annual shortfalls in the athletic department have been hastened by a poor economy and an unexpected nose dive of 32 percent in football season-ticket-holders since 2009, which has cost the university millions of dollars and made financial assumptions behind the stadium expansion appear too rosy in hindsight, according to records and interviews with past and present university officials.

The average attendance for the current season was 43,761, an 11 percent drop since 2009. This is significantly lower than the 50,500 officials had bet on with the expansion, according to records and interviews.

As a result, records show that ticket-sale revenue is down \$2.88 million or 27 percent.

University leaders say the increased financial commitment to sports has paid big dividends on and off the athletic field.

Rutgers President Richard McCormick, who will step down at the end of the 2011-12 academic year after 10 years at the helm, said enrollment and applications are at record highs, due in some part to the popularity of the football program and other teams. This year's freshman class has on average SAT scores five points higher than the

previous one, he added.

"Our national culture and media put a high value on sports and athletic achievement, but any notion that Rutgers has made the success of athletics a priority to the exclusion of our threefold mission of teaching, research and public service is incorrect and unfair," McCormick said in a written statement.

Meanwhile, the football team has gone to six bowl games in seven years and the women's basketball team has competed in 2007 NCAA Final Four. And this year, eight wrestlers qualified for college championships.

Supporters also note that the surge in popularity of sports has also boosted donations to the Rutgers Foundation, the fundraising arm of the university. The foundation launched an ambitious \$1 billion capital campaign last year, and it has already raised more than \$500 million, officials said.

### **Pigskin payday**

In 2010, Rutgers University's football program was one of the biggest money losers in the country, spending \$2.86 million more than it got from ticket sales, sponsorships and other revenue, according to school and NCAA records. Only 25 of the 120 in the elite Football Bowl Subdivision lost more money .

That figure includes the \$6.2 million the university paid on debt for the stadium expansion, records show. However, Perneti said future financial reports will no longer include the debt payments in the program's operating expenses, a deletion that will make the program appear much more financially stable.

"When the expansion is paid off, the university will own it, not the football program, so it just makes sense," said Perneti, adding that the football program turned a modest profit last year if the debt payment is not counted.

Football programs are generally moneymakers for colleges, with 58 percent of major programs turning a profit, including one university that made \$70 million last year, according to NCAA records .

But supporters say that the success cannot simply be measured in dollars and cents. You must consider intangibles, they say.



Ed Murray/The Star-Ledger

Rutgers University held a press conference to announce High Point Solutions Stadium the new name for Rutgers football stadium in Piscataway in June.

Ross Baker is one of those supporters. He has been a political science professor at the school for more than four decades. He remembers the days when Rutgers football was as popular as a midterm exam.

"Ten years ago, when I was in front of the class of 300 students, they were wearing Seton Hall or Duquesne sweatshirts," said Baker. "But now, on a day before a game, the classroom is a sea of scarlet red. These students care, and that means something."

He said the campus was a ghost town on fall weekends a decade ago, but now it's a beehive of activity. "That's good for the city, its businesses and that doesn't show up on a balance sheet."

### **On the bright side**

Pernetti, a former CBS College Sports Network executive, said college sports is a powerful brand and one of the university's strongest marketing tools.

"The success of the football team has been the biggest single thing for the university in the last 10 years," Pernetti said. "We have a world-class faculty, which combined with the sports programs, makes us a force, and people should embrace that."



John Munson/The Star-Ledger

Rutgers head football coach Greg Schiano and athletic director Tim Pernetti smile during a press conference earlier this month. Pernetti said his goal is to decrease the reliance on university subsidies and increase revenue for the Rutgers athletic department.

He notes that football ticket sales have jumped from \$1.5 million in 2004 to \$10.6 million last year.

In 2001, the football team attracted 20,455 fans per game, making it 87th in overall attendance among the nation's major programs. That same year, the school hired New Jersey native Greg Schiano as head coach.

In 2005, he led the team to its first winning record in more than a decade, and a year later, the team went 11-2 and beat Kansas State in the Texas Bowl, its first ever postseason victory.

By 2009, the average attendance grew by 88 percent, and the school moved up to number 43 in overall attendance ranking, its highest ever.

The team finished 8-4 this year and will play Iowa State in the Pinstripe Bowl on Dec. 30 at Yankee Stadium.

But the analysis shows the success of the football team came at a cost.

From 2005 to 2010, athletic spending grew from \$38 million to \$64 million, a 70 percent jump. Head and assistant coaches salaries grew by about \$5 million, or 65 percent, during that same time, while administrative salaries rose by 24 percent.

Schiano, who signed a new contract in 2007, made more than \$2.5 million last year including salary, bonuses and other perks. He is the highest-paid public employee in the state and one of the best-paid college football coaches in the country, the analysis reveals.

The second-highest-paid coach at the university is C. Vivian Stringer who was paid \$1.3 million including bonuses and other perks last year to lead the women's basketball team. During her 16 years as head coach, the team has won two-thirds of its games and played in its first ever national championship game in 2007. Despite the success, last year the team had an operating loss of \$2.9 million and attracted an average of 3,039 fans at home games.

### **Unfounded foundation**

In 2008, before the financial crisis took hold of the United States, the Rutgers Board of Governors approved a \$102 million expansion of the football stadium that added about 12,000 seats and boosted total capacity to 52,454.

At the time, the board and the administration said the extra seating was necessary because thousands of Rutgers fans were clamoring for tickets, but the university could only accommodate a fraction. So many people were lining up for season tickets, they said, that 10,000 fans had to be put on a waiting list.

On the day of the announcement, McCormick made a statement hailing the move as a step toward financial self-sufficiency for the athletic department. He added that the project wouldn't touch a dime in tuition dollars and wouldn't need to take funds from any academic programs. In fact, McCormick said, it would pay for itself with a new avalanche of ticket revenue.

"We are not taking funds from another area of the university to pay for the expansion," McCormick said. But *The Star-Ledger* analysis shows that promise has yet to be fulfilled.

The 10,000-person waiting list for season tickets vanished, and season-ticket sales are down 32 percent this year

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from their historic high in 2009. Perneti attributes the decline to the economy and a 20 percent hike in ticket prices enacted before the downfall.

"We are not Norman, Oklahoma. We have to compete with pro teams, and there is a lot of competition here for fans dollars," said Perneti, referring to the historic Oklahoma University football team that enjoys a relative sports monopoly.

In 2008, the year before the expansion was complete, the university diverted \$22 million in student fees and tuition money to keep the athletics department solvent. By 2010, that figure had risen 22 percent to \$26.8 million, instead of falling as predicted, records show.

"You would be hard-pressed to find someone today who is in favor of the stadium expansion instead of investing in new technology, such as digital classrooms," said Kristen Clarke, a 21-year-old senior who serves as the student representative on the Board of Governors. "I love football, and go to all the football games, but I don't think any have been sold-out. It just has not worked out that way."

On Friday, Perneti sent out a detailed, 26-paragraph letter to fans and supporters that touted the success of individual teams while responding to growing criticism about spending.

"In a state like New Jersey, there are many agendas and criticisms, but one thing is for certain. You see the cars with the Rutgers magnets, you see the kids with the Rutgers t-shirts and hats, you see the (Rutgers emblem) in every direction on game-day in a sea of scarlet. The (Rutgers emblem) is a true unifying factor in the state of New Jersey and it always will be," Perneti wrote.

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