

RIDER UNIVERSITY AIMS TO BOLSTER BALANCE SHEET THROUGH CUTS

By Lisa Allen

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Rider University has decided to cut 14 academic programs and lay off 14 full-time faculty members, a move industry watchers see as a sign of the times.

The liberal arts college in Lawrenceville, N.J. announced Thursday, Oct. 29 that it would save nearly \$2 million per year through these cuts and other measures, which will address a budget deficit that a school spokeswoman Kristine Brown pegged at \$7.6 million.

There are about 4,000 nonprofit colleges in the U.S., and Joe D'Angelo, a partner at advisory firm Carl Marks Advisory Group LLC, believes "about 300 of them will have similar issues to Rider and be pressured to make similar decisions."

Rider painted its problems as widespread in Thursday's statement, stating "Rider, and higher education as a whole, needs to adapt to the changing climate particularly with a declining pool of college-age students." D'Angelo explained in a phone interview that the number of 18-year-old high school graduates who are eligible for college is not expected to start increasing again until 2021, and added that more and more non-profit colleges are headed into financial distress.

He even compared higher education to the energy sector, the locus of distress in

today's market, because both industries are experiencing such intense disruption.

D'Angelo thinks that strategically eliminating academic programs is an important step for financially-challenged colleges, as "You'll never cost-cut your way to a balanced budget without rationalizing your programs. There are a lot of schools doing it."

Moody's Investors Service Inc. analyst Pranav Sharma said in a phone interview that Rider's recent moves are a credit positive, and said that the university's management has a very good track record of cutting expenses and managing operations.

The 2014 numbers show that the school's enrollment was down and net tuition per student was down as well, suggesting that the school had to offer discounts to reach the desired class size, Sharma noted. About 20% of the public and private higher education providers that Moody's covers are "experiencing financial pressure," Moody's analyst Edie Behr said by phone, and noted that these institutions are having a hard time raising revenues and cutting expenses.

Moody's rates Rider at Baa2.

According to D'Angelo, other than program cuts, other popular turnaround strategies

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include trying to monetize real estate assets. For example, he noted that Boston liberal arts school Emmanuel College got "a new lease on life" by renting out an acre of land in an area concentrated with pharmaceutical-industry businesses to Merck & Co. Inc. for \$50 million. Some single-sex colleges have gone co-ed, hoping to attract more students. At Rider, the following courses of study will cease to exist: Art and Art History, Advertising, American Studies,

Business Education, Economics (BA), French, Geosciences, German, Italian (minor), Marine Science, Organizational Leadership (at the graduate level), Philosophy, Piano and Web Design. The school will also turn Business Economics, Entrepreneurial Studies and Sociology into minors rather than majors. In addition to the full-time faculty cuts, Rider will eliminate two clerical jobs and five vacant faculty positions.

Brown said the program downsizing will affect 272 students.

Jeffrey Halpern, a Rider professor who is also the school's Chief Grievance Officer and contract administrator, said by phone he understands that schools need to eliminate programs sometimes, but he was highly critical of how this one was handled.

He referred to the process as a "Saturday night massacre" in which a handful of administrators made a decision in secret and announced it without first seeking feedback from the broader university community.

"The way this was done has created a complete collapse in both faculty and student morale," he said, adding that it is causing current students to mobilize and circulate petitions and even consider transferring. "It makes students think, 'Is my program safe?' and it makes potential students think the same thing," said Halpern, who fears this could hurt the school's recruitment efforts.

The school, founded in 1865, has 4,100 undergraduate and 950 graduate students. Before the staff cuts, the school boasted 248 full-time faculty members and a 12 to 1 student to faculty ratio.

Brown said the college has a \$216 million budget for the 2015 to 2016 school year, including \$59 million in scholarships and a \$7.6 million budget deficit.

The college increased tuition by 4.2% to \$38,360 for the current school year, while the school saw a 14% drop in incoming freshman this fall from last fall, Brown said.