

Investigation Finds Improper Budgeting Led to New Jersey City University's Financial Crisis

NJCU's leaders prepared a budget that contained an unlawful use of federal COVID-19 relief funds, then failed to disclose that fact for months, according to an investigation by the Office of the State Comptroller.

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TRENTON – A [report released](#) today by the New Jersey Office of the State Comptroller (OSC) found that nearly a year before New Jersey City University (NJCU) declared a financial emergency, top administrators prepared a budget showing a surplus even though they knew it contained a likely unlawful allocation of federal COVID-19 funds. The improper budgeting caused a deficit of nearly \$14 million by the end of the fiscal year.

OSC's investigation, initiated at the request of Governor Phil Murphy, found that in spring 2021, NJCU was in a precarious financial state as a result of years of declining student enrollments coupled with steady and dramatic increases in NJCU spending. Facing severe financial pressures, NJCU's senior administrators submitted, and the Board of Trustees approved in June 2021, a budget for fiscal year 2022 that called for using nearly \$14 million in federal COVID-19 funds from the Higher Education Emergency Relief Fund (HEERF) to pay for existing institutional student scholarships. NJCU's 2022 fiscal year began on July 1, 2021.

A review of more than 50,000 pages of documents, including emails, shows that NJCU's top administrators – including the then-President, Chief Financial Officer, and Vice President, Enrollment – were on notice that using the HEERF funds for an existing scholarship program would likely violate federal law.

The COVID-19 funds were not spent on this unlawful purpose. Instead, NJCU began draining its cash reserves to fund the scholarship program in fall 2021. There is no evidence that top administrators disclosed to the Board the budget shortfall – which amounted to about 8 percent of the budget – to the Board until a new, interim CFO was hired in April 2022.

In June 2022, the interim CFO officially informed the Board that the adopted budget's year-end projection of a \$480,000 surplus would likely turn into a nearly \$14 million deficit. With just 25.5 days of operating cash on hand, NJCU's Board declared a financial emergency.

"NJCU's senior administrators' conduct was remarkably irresponsible. They prepared a budget based on a risky and incorrect assumption, then failed to change course for 10 months, which thrust the University into crisis," said **Acting State Comptroller Kevin Walsh**. "Senior administrators fundamentally failed in their duties to protect NJCU."

OSC's investigation found that long before the pandemic, NJCU was on shaky financial footing. In 2015, the University had a net position – which includes its assets and liabilities – of \$104 million; by 2021, that plummeted to \$69 million due to years of budget deficits. OSC found that as student enrollment began declining in 2016, NJCU started spending heavily in an unsuccessful effort to attract more students.

NJCU began offering more tuition discounts to attract students. Although NJCU also raised tuition rates by an average of 3 percent every year since 2011, net tuition revenue only increased \$1 million, due to the increase in student tuition discounts. Tuition comprises, on average, 60 percent of NJCU's operating revenues. In all, student enrollment declined from 8,328 in 2011 to 6,918 in 2021.

OSC also found NJCU's real estate and capital expenses were financed, in part, with bonds that added to its debts. For instance, interest paid on capital debt was \$9.8 million in 2021, an increase of 78 percent from 2011. The number of undergraduate minor programs offered at NJCU also jumped from six in 2011 to 50 in 2020, but an NJCU consultant's review found 71 percent of the students were enrolled in just 15 of those programs.



Other key findings include:

- In 2021, the then-CFO sent at least three emails to the President and others, advising them that the HEERF funds should not be used to pay for institutional scholarship expenses. Despite these warnings, no action was taken to correct the budget or inform the Board of the serious budgetary issues.
- The Board of Trustees failed to exercise proper oversight over the administration. The Board received insufficient training and failed to appreciate its fiduciary responsibilities by not conducting annual written performance evaluations of former President Sue Henderson.
- Without exploring the causes of the financial crisis, the Board of Trustees permitted Henderson to resign immediately before it declared the financial emergency. Her separation benefits included a \$288,000 “transitional sabbatical,” a car, and a housing subsidy.

OSC’s investigation also revealed that the decentralized structure of New Jersey’s public higher education system creates a risk that a University’s irresponsible financial decisions will go undetected by the State.

“When a public institution fails, we owe it to residents to find out what went wrong, hold people accountable, and identify ways to prevent problems in the future,” said **Walsh**. “We share this report with the belief that transparency and accountability, coupled with improvements in how the administration and Board function, will better serve NJCU students.”

[Read the report.](#)

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[Appendix A: Timeline of NJCU's Financial Emergency](#)



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