April 25, 2018

NOTICE

In accord with the published schedule of meetings for 2017-18, the Board of Trustees of Ramapo College of New Jersey will hold its Annual Budget Hearing in public session on Wednesday, May 2, 2018 at 10:00 AM in the Alumni Lounges (SC156-157) at 505 Ramapo Valley Road in Mahwah, NJ 07430. This hearing presents the proposed budget assumptions and projections for Fiscal Year 2019. The public may attend this meeting in person on the college campus. Official action will not be taken.
Open Forum on the Budget
FY19 – FY21

May 2, 2018
Agenda

- Higher Education Environment
  - Federal Issues
  - State Environment

- Impact to Ramapo College

- Budget process

- Financial outlook
HIGHER EDUCATION
ENVIRONMENT
Federal Issues
Trump Administration’s FY19 Proposed Budget

• Total FY19 Department of Education requests $59.9 billion, $7.1 billion or 10.5% decrease from 2017 enacted level
• Education – K-12
  • Increase in funding for charter schools
  • Decrease in funding for Impact Aid, which supports children impacted by Federal Activities
• Other
  • Cut to Adult Education State Grants, elimination of Federal Supplemental Educational Opportunity Grants and Federal Family Education Loans
  • Cuts to Federal Work-Study and decrease in average Pell Grant award, but overall funding consistent
• Higher Education Programs
  • Decrease in Federal TRIO programs, cut approximately $400 million
  • Decrease in specific programs and grants of $5.9 billion (including 21st Century Community Learning Centers $1.2 billion and Support Effective Instruction States Grants of $2.1 billion)

https://www2.ed.gov/about/overview/budget/budget19/summary/19summary.pdf
State Environment
Governor Murphy’s Proposal

- FY19 budget would allocate approximately $2.4 billion for Higher Education
  - $50 million additional for Community College
  - Increase funding for Tuition Aid Grant (TAG) $7 million
  - Educational Opportunity Fund (EOF) funding increased $1.5 million
  - Operational appropriations FY19 Ramapo at $14.953 million
- Increases in K-12 education funding in the amount of $283 million
- Funding State Pension - $3.2 billion payment planned
- Increases in NJ Transit by $242 million
- Minimum wage to increase to $15 per hour by 2021, FY19 will be up to $11 per hour
State of New Jersey
Rating Update - Moody's downgrades New Jersey's GO rating to A3; outlook stable

Summary Rating Rationale
Moody's Investors Service has downgraded to A3 from A2 New Jersey's general obligation rating. The ratings on the state's appropriation-backed debt, other GO related debt, moral obligation debt, intercept programs and certain special tax bonds that require state appropriation have also been downgraded by one notch. The downgrade affects approximately $37 billion of rated debt. The outlook on the state's ratings has also been revised to stable.

The downgrade to A3 reflects the continued negative impact of significant pension underfunding, including growth in the state's large long-term liabilities, a persistent structural imbalance, and weak fund balances. Despite the state's significant increases in pension contributions since fiscal 2012, contributions remain well below the actuarial recommended contribution and unfunded pension debt continues to grow. The downgrade also reflects the expectation that the statutory pension contribution schedule will be increasingly difficult to meet given the lack of structural budget adjustments to incorporate General Fund tax reductions that took effect in January 2017 (Chapter 57) and the state's reliance on optimistic revenue growth assumptions to balance the budget. Without balancing actions, the recent tax cuts will reduce revenues by $1.1 billion by fiscal 2021 and strain the state's ability to resolve its large structural imbalance in the near term.
**NJ Credit Rating Downgraded**

- Moody’s Investors Service dropped the State’s credit rating from A2 negative to A3 stable, citing an underfunded pension system and other budget issues.

- “The downgrade to A3 reflects the continued negative impact of significant pension underfunding, including growth in the State’s large long-term liabilities, a persistent structural imbalance, and weak fund balances,” Moody’s said.

- The State’s significant increases in pension contributions since 2012 are still below recommended payments and unfunded pension debt continues to grow, Moody’s said.

- Ramapo’s credit rating was not changed, and remains at A2 negative.

- December 2017 – update notes Moody’s credit view of the State of New Jersey reflects weak finances, large and rising long-term liabilities, and a wealthy and diverse economy.

## Annual Funded Ratios in FY16

NJ: One of the Lowest Funded Ratio FY16 & Lowest % Paid

<table>
<thead>
<tr>
<th>State</th>
<th>Assets (fiduciary net position)</th>
<th>Liabilities (total pension Liability)</th>
<th>Net pension liability</th>
<th>Funded ratio</th>
<th>Percent of employer benchmark paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Jersey</td>
<td>75,348</td>
<td>243,591</td>
<td>168,243</td>
<td>31%</td>
<td>33%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>19,868</td>
<td>63,286</td>
<td>43,418</td>
<td>31%</td>
<td>41%</td>
</tr>
<tr>
<td>US Total</td>
<td>2,617,730</td>
<td>3,971,623</td>
<td>1,353,892</td>
<td>66%</td>
<td>88%</td>
</tr>
</tbody>
</table>

New Jersey’s Pension System, According to Pew Charitable Trusts’ Study:
*The State Pension Funding Gap: 2016*

Capital Funding: Overview

Capital expenses usually funded by one of the following:

- Campus-backed debt
- General obligation bonds
- Bond programs administered by the New Jersey Educational Facilities Authority
- Direct State capital appropriations
- Private fundraising and philanthropy
Capital Funding: Most Recent General Obligation Bonds

- Jobs, Education and Competitiveness Bond Act of 1988
  - $350 million for all four sectors of higher education

25 years later…

- Building Our Future Bond Act of 2012
  - $750 million for all four sectors of higher education

- Ramapo has received $34.5 million in grants since FY12
Dollars represent **new** buildings built and placed in service from 1985-2015, and shows a period of expansion, while no capital support from the State.

Total new growth was approximately $250 million, and not shown on the chart is an additional $105 million in renovations during that time.
Impact of Capital Growth on Ramapo

$ in thousands


$ in thousands

$190,000 $210,000 $230,000 $250,000 $270,000 $290,000 $310,000 $330,000

Debt Outstanding  Capital Assets, Net
The overall number of high school graduates will plateau for most of the next decade.

After steady increases in the overall number of high school graduates for the last 15 years, the Northeast region is looking at declines in total population, as well as a shift in the demographic composition.
State % Change of High School Graduates

FY13-FY20

-8%
-11,306

-5%
-3,474

-1%
-94

-9%
-484

-7%
-7,604

FY13-FY25

-4%
-6,082

1%
2,848

-6%
-6,062

3%
2,362

16%
879

5%
442

Source: WICHE Knocking At The College Door https://knocking.wiche.edu/state-profiles/
Regional Divisions of the United States

Trends from FY13 – FY25

Source: WICHE Knocking At The College Door https://knocking.wiche.edu/state-profiles/
State % Change of High School Graduates

Middle States Grads, 2013 to 2032

Source: WICHE Knocking At The College Door https://knocking.wiche.edu/state-profiles/
# U.S. HS Graduates Trends – Top 10 States

<table>
<thead>
<tr>
<th>State</th>
<th>In 2013</th>
<th>From 2013 to 2025</th>
<th>From 2025 to 2032</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA</td>
<td>456,000</td>
<td>-25,000</td>
<td>-37,000</td>
</tr>
<tr>
<td>TX</td>
<td>314,000</td>
<td>61,000</td>
<td>-6,000</td>
</tr>
<tr>
<td>NY</td>
<td>212,000</td>
<td>2,000</td>
<td>-14,000</td>
</tr>
<tr>
<td>FL</td>
<td>176,000</td>
<td>17,000</td>
<td>-16,000</td>
</tr>
<tr>
<td>IL</td>
<td>153,000</td>
<td>-10,000</td>
<td>-18,000</td>
</tr>
<tr>
<td>PA</td>
<td>146,000</td>
<td>-6,000</td>
<td>-8,000</td>
</tr>
<tr>
<td>OH</td>
<td>135,000</td>
<td>-16,000</td>
<td>-9,000</td>
</tr>
<tr>
<td>MI</td>
<td>111,000</td>
<td>-14,000</td>
<td>-10,000</td>
</tr>
<tr>
<td>NJ</td>
<td>109,000</td>
<td>-6,000</td>
<td>-12,000</td>
</tr>
<tr>
<td>NC</td>
<td>101,000</td>
<td>9,000</td>
<td>-8,000</td>
</tr>
</tbody>
</table>

Source: WICHE Knocking At The College Door [https://knocking.wiche.edu/state-profiles/](https://knocking.wiche.edu/state-profiles/)
New Jersey High School Graduate Trends

- 9th highest producer of high school graduates with 100,500 high school graduates, on average projected per year between school years FY12 and FY32
- New Jersey generates about 16.5% of the Northeast’s total, on average

Source: WICHE Knocking At The College Door https://knocking.wiche.edu/state-profiles/
Migration of all first-time degree/certificate-seeking undergraduates in degree-granting postsecondary institutions - Fall 2016

Migration of Students

<table>
<thead>
<tr>
<th>State</th>
<th>Out of State</th>
<th>Into State</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Jersey</td>
<td>34,689</td>
<td>6,199</td>
<td>-28,490</td>
</tr>
</tbody>
</table>

- New Jersey is the National Leader in Net Out of State Migration

Source: National Center for Education Statistic, Digest 2017, Table 309.10.
Workforce Development in NJ

- 68% of New Jersey’s jobs will require a postsecondary education by the year 2020, up from 62% in 2010.

- 29% of New Jersey’s jobs will require a bachelor’s degree in 2020, tied with CO and MA for the highest percentage among the states.

Demands for return on investment from education

- Value and cost of education
- Employment rates after graduation
- Student debt levels
- Graduation rates and retention
IMPACT TO RAMAPO COLLEGE
Revenue from key sources continuing to decline

- State appropriations for public institutions have been steadily declining, projecting flat for FY19
  - NJ State Budget – Public Hearings took place in January and at the end of March
- Pressure from enrollment levels with decreasing population
- Affordability of tuition

Budget hearing schedules: http://www.njleg.state.nj.us/
NJ State Appropriations to each State College & University FY89-FY18

$ in thousands

FY89 FY90 FY91 FY92 FY93 FY94 FY95 FY96 FY97 FY98 FY99 FY00 FY01 FY02 FY03 FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18

The College of New Jersey  Kean University  New Jersey City University  Ramapo College of New Jersey  Stockton University  William Paterson University
## Total State Appropriations to the NJ State Colleges & Universities FY06-FY18

(same expected in FY2019)

<table>
<thead>
<tr>
<th>Institution</th>
<th>FY2006</th>
<th>FY2018</th>
<th>$ Cut</th>
<th>% Cut</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCNJ</td>
<td>$37,977</td>
<td>$27,177</td>
<td>$10,800</td>
<td>28.4%</td>
</tr>
<tr>
<td>Kean University</td>
<td>43,180</td>
<td>30,469</td>
<td>12,711</td>
<td>29.4%</td>
</tr>
<tr>
<td>NJCU</td>
<td>33,517</td>
<td>24,154</td>
<td>9,363</td>
<td>27.9%</td>
</tr>
<tr>
<td>Ramapo</td>
<td>21,417</td>
<td>14,953</td>
<td>6,464</td>
<td>30.2%</td>
</tr>
<tr>
<td>Richard Stockton</td>
<td>25,665</td>
<td>18,391</td>
<td>7,274</td>
<td>28.3%</td>
</tr>
<tr>
<td>William Paterson</td>
<td>42,085</td>
<td>30,357</td>
<td>11,728</td>
<td>27.9%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$203,841</strong></td>
<td><strong>$145,501</strong></td>
<td><strong>$58,340</strong></td>
<td><strong>28.6%</strong></td>
</tr>
</tbody>
</table>
## New Jersey State Support

<table>
<thead>
<tr>
<th>Institution</th>
<th>FY18 Adj. State Appropriation</th>
<th>FY18 Bud Est FTE Undergrad (tot weighted)</th>
<th>State Funding Per Undergrad FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Jersey City University</td>
<td>$24,154,000</td>
<td>4,911</td>
<td>$4,918</td>
</tr>
<tr>
<td>The College of New Jersey</td>
<td>27,177,000</td>
<td>6,639</td>
<td>4,094</td>
</tr>
<tr>
<td>William Paterson University</td>
<td>30,357,000</td>
<td>7,272</td>
<td>4,175</td>
</tr>
<tr>
<td>Kean University</td>
<td>30,469,000</td>
<td>9,267</td>
<td>3,288</td>
</tr>
<tr>
<td>Ramapo College</td>
<td>14,953,000</td>
<td>5,026</td>
<td>2,975</td>
</tr>
<tr>
<td>Stockton University</td>
<td>18,391,000</td>
<td>7,885</td>
<td>2,332</td>
</tr>
<tr>
<td><strong>Sector Average</strong></td>
<td><strong>$24,250,167</strong></td>
<td><strong>6,833</strong></td>
<td><strong>$3,630</strong></td>
</tr>
</tbody>
</table>
FY18 Tuition & Fee Comparison of New Jersey Public Institutions

- The College of New Jersey: $16,169
- Ramapo College of New Jersey: $14,080
- Richard Stockton University: $13,403
- William Paterson University: $12,804
- Kean University: $12,107
- New Jersey City University: $11,762
Annual Tuition & Fee Percent Increase - New Jersey Public Institutions

<table>
<thead>
<tr>
<th>Percent Increase from FY13 to FY18</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New Jersey City University</td>
<td>12.9%</td>
</tr>
<tr>
<td>The College of New Jersey</td>
<td>12.5%</td>
</tr>
<tr>
<td>William Paterson University</td>
<td>9.5%</td>
</tr>
<tr>
<td>Kean University</td>
<td>14.2%</td>
</tr>
<tr>
<td>Ramapo College</td>
<td>7.1%</td>
</tr>
<tr>
<td>Stockton University</td>
<td>8.8%</td>
</tr>
</tbody>
</table>
Operational State Appropriations as a Percent of Revenues

*State Support and Revenues do not include Employee Benefits*
State Appropriations vs. Tuition & Fees as a Percent of Operating Revenues

*State Support and Revenues do not include Employee Benefits

*State Support and Revenues do not include Employee Benefits
Student Indebtedness
(all data for federal loans only)

- Average Ramapo Freshmen in 2017
  - 70% take out loans averaging $7,743

- Average debt of Ramapo graduates
  - Graduating Class of 2017 – $33,300 (estimated)
  - Graduating Class of 2018 – $34,405 (estimated)

- State of New Jersey average
  - 2016 – $28,232
  - 2017 – $28,495 (estimated)

- National average
  - 2016 – $37,172
  - 2017 – $39,215

Sources: Ramapo College Office of Financial Aid, studentloanhero.com, ticas.org, lendedu.com, collegefactual.com and njspotlight.com
BUDGET PROCESS
Principles of Budget Development

- Using resources focused on the Mission of the College – commitment to academic excellence

- The planned use of resources will not exceed estimated resources available

- The College is committed to maintaining resources in order to sustain overall financial health

- Focus is a **Balanced Budget**
Focus on what is needed in each unit

- Current model forecasts expenses to rise at a higher percentage than revenues
- All new items will be requested with a funding source in mind
- Adaptive training available at any time
- Budgeting is a College-wide process, the Budget Office is here for support and guidance
- Each unit owns their budget
Where Do Operating Funds Come From?

- Tuition and fees
- State support
  - Operational Support - Appropriations
  - Employee benefits – “authorized positions”
- Auxiliary services
- Other
  - Grants, both State and Federal
  - Fundraising revenues and Foundation support
Sources of Revenues 2019 (Proj)

- State Support: 28%
- Net Tuition: 41%
- Net Fees: 10%
- Auxiliary: 20%
- Other: 1%
Expenditures by Category 2019 (Proj)

- Salaries & Benefits: 64%
- Debt Service: 11%
- Contracted & Professional: 9%
- Maintenance & Cap Improv: 2%
- Fuel & Utilities: 3%
- Other: 11%
- Salaries & Benefits: 64%
FINANCIAL OUTLOOK
What is a Structural Deficit?

- Defined by the Cambridge Dictionary as
  
  “The amount by which a government’s spending is more than it receives in taxes in a particular period, whether the economy is performing well or not.”

- Sometimes described as “robbing Peter to pay Paul” or a “funding gap”

- When long-term spending exceeds the projected long-term revenues that will be generated by operations

- A model of systemic need for funds that are not generated by operations
Over the last five years (FY12-FY17) revenue has grown 15.1%, expenses have grown 12.8% and tuition and fees increased 8.5%.

The College has committed to keeping spend in line to not exceed revenue, and budget in a conservative manner.
How has the College addressed these issues?

- The College commits to a balanced budget each year which means:
  - Delays of deferred maintenance projects
  - Delay or closure of programs/activities

- Prior year’s debt restructuring, which will generate $4 million in future cash flow savings from lower interest rates, and smoothing of future debt service payments

- Move towards an increase in graduate programs, to lever the existing undergraduate strengths

- Increase auxiliary revenue where practical

- Seek efficiencies and continue to keep College spend in check

- Look for other funding sources and support
Changes in annual Debt Service resulting from Debt Refinance and Issuance FY17

$ in thousands

$ 0

$ 5,000

$ 10,000

$ 15,000

$ 20,000

$ 25,000


Prior

New
Current Baseline Budget FY19

Current Key Assumptions:

- Base State operational support flat
- Full-time fringe rate at 51.95%
- Targeted cuts in general non-salary expenditures
- Slight increase in enrollment over FY18
- No new graduate programs offered in Fall FY18
- Housing occupancies at 92% in fall and 87% in spring
- All union contracts have been settled
Annualized Enrollment FY11 – FY21 (Proj)
## Ramapo College - Baseline Scenario

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>E &amp; G Revenues</strong></td>
<td>$123,892</td>
<td>$132,672</td>
<td>$133,946</td>
</tr>
<tr>
<td>Auxiliary Services</td>
<td>41,009</td>
<td>33,362</td>
<td>33,317</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>164,901</strong></td>
<td><strong>166,035</strong></td>
<td><strong>167,263</strong></td>
</tr>
<tr>
<td><strong>E &amp; G Expenditures</strong></td>
<td>140,970</td>
<td>143,877</td>
<td>146,188</td>
</tr>
<tr>
<td>Auxiliary Expenditures</td>
<td>26,079</td>
<td>26,148</td>
<td>26,349</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>167,049</strong></td>
<td><strong>170,024</strong></td>
<td><strong>172,537</strong></td>
</tr>
<tr>
<td><strong>Deficit</strong></td>
<td>($2,148)</td>
<td>($3,990)</td>
<td>($5,274)</td>
</tr>
</tbody>
</table>
Balancing Measures to Consider

- Reserves could be released to decrease deficit in FY19
- Review of SPIF program and budget changes
- Increases to tuition, fees and housing, noting College focus on affordability and accessibility for all students
- Assessment of staffing levels and open positions
- Review of other spend, including deferred maintenance which could have a significant impact
Other uncertain items that could impact FY19 results

- Further reduction in State appropriations
- Further decline in State benefit support or significant changes in the fringe rate
- Decline in student enrollments and housing estimates
- Possible weather related event
- What else?
Future Considerations

- **Affordability**
  - Continue to balance budget
  - Work to maintain affordability for students

- **Other sources of revenue**
  - Auxiliary activities
  - New programs, Masters Programs or Certificate Programs

- **New business and delivery models**
  - Alternatives to traditional degrees
    - Accelerated programs
    - Industry accreditations or certifications
  - Delivery of Education
    - Online programs
    - Hybrid models
Future Considerations

- **Enrollment/Student Success**
  - Maintain strong enrollment management efforts
  - Assess market, needs of students and future considerations
  - Continue efforts to maintain strong retention

- **Capital**
  - Continue to address deferred maintenance
  - New facilities Master Plan
  - Review expansion and utilize any funding opportunities, including grant funds
College Goal: Financial Sustainability