



BOARD OF TRUSTEES

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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

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May 2, 2018

# Agenda

- Higher Education Environment
  - Federal Issues
  - State Environment
  
- Impact to Ramapo College
  
- Budget process
  
- Financial outlook

# HIGHER EDUCATION ENVIRONMENT

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# 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 21<sup>st</sup> 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>

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# 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



## CREDIT OPINION

27 March 2017

Update

Rate this Research >>

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## 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

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

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

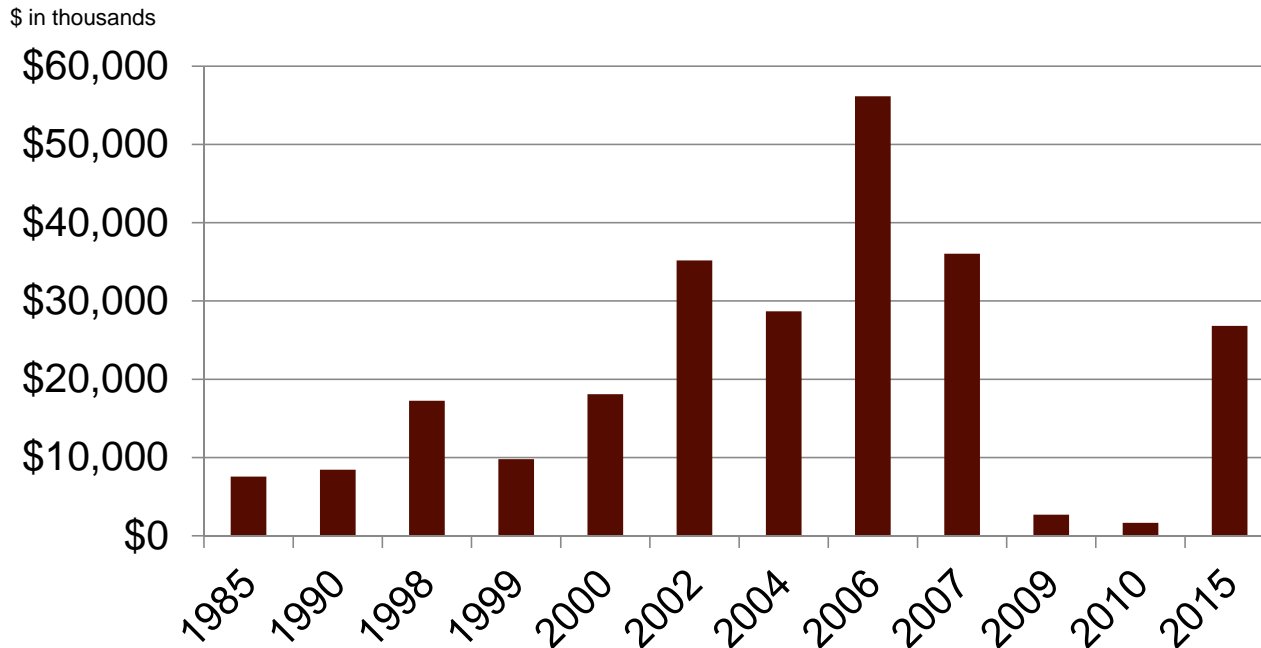
# Capital Funding: Most Recent General Obligation Bonds

- 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

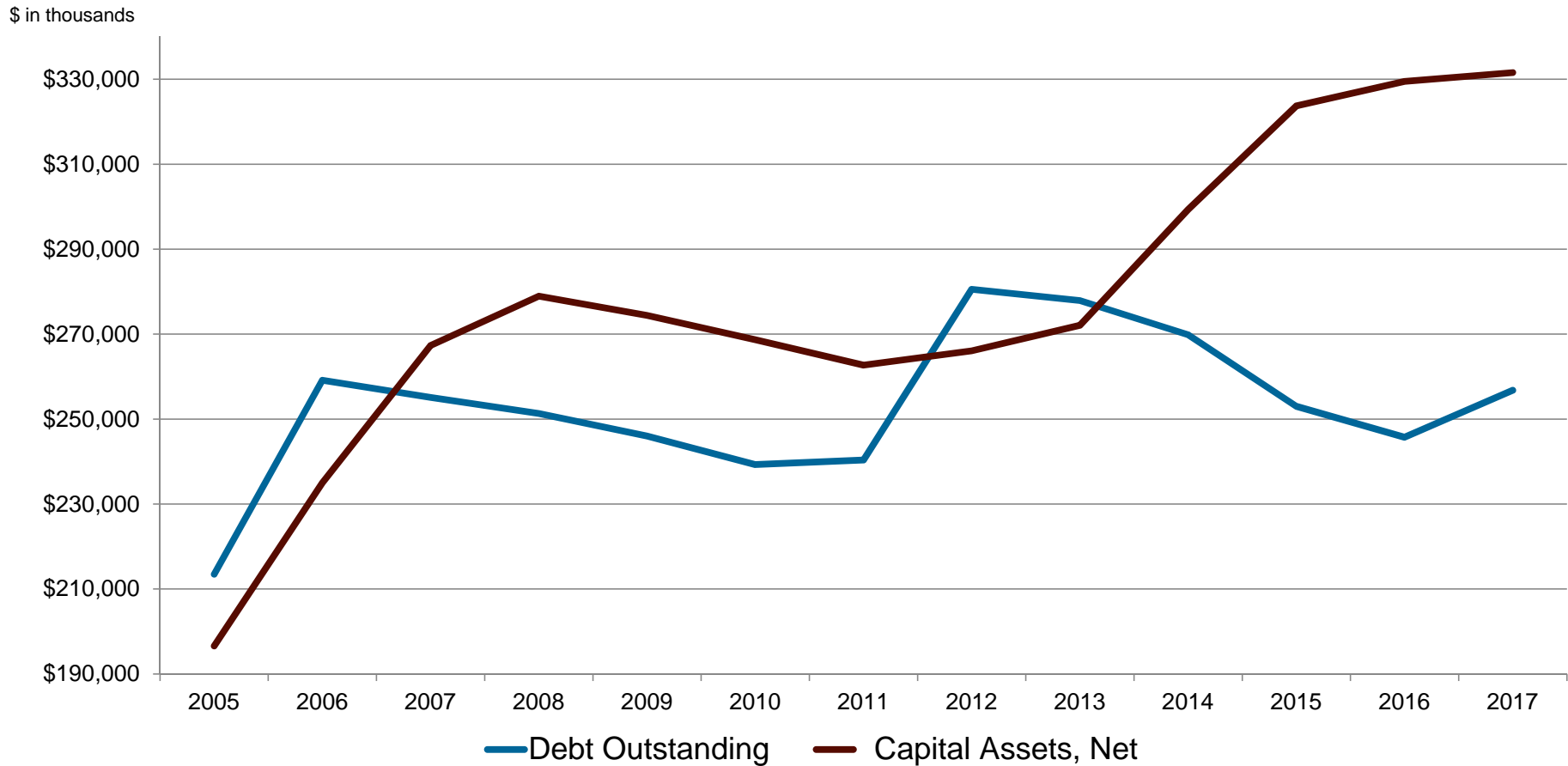
# Facilities Growth at Ramapo 1985-2015



	Year Built
Residences - Pine Hall	1985
Residences - Linden Hall	1990
Berrie Center	1998
Facilities Management Office	1998
Residences - Bischoff Hall	1999
Residences - Mackin Hall	2000
Trustees Pavilion	2000
Residences - The Village	2002
Residences - The Overlook	2004
Residences - Laurel Hall	2006
Parking Garage	2006
Anisfield School of Business	2007
Sharp Sustainability Education Center	2009
Greenhouse	2009
Salameno Spiritual Center	2010
Adler Center for Nursing	2015

- 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

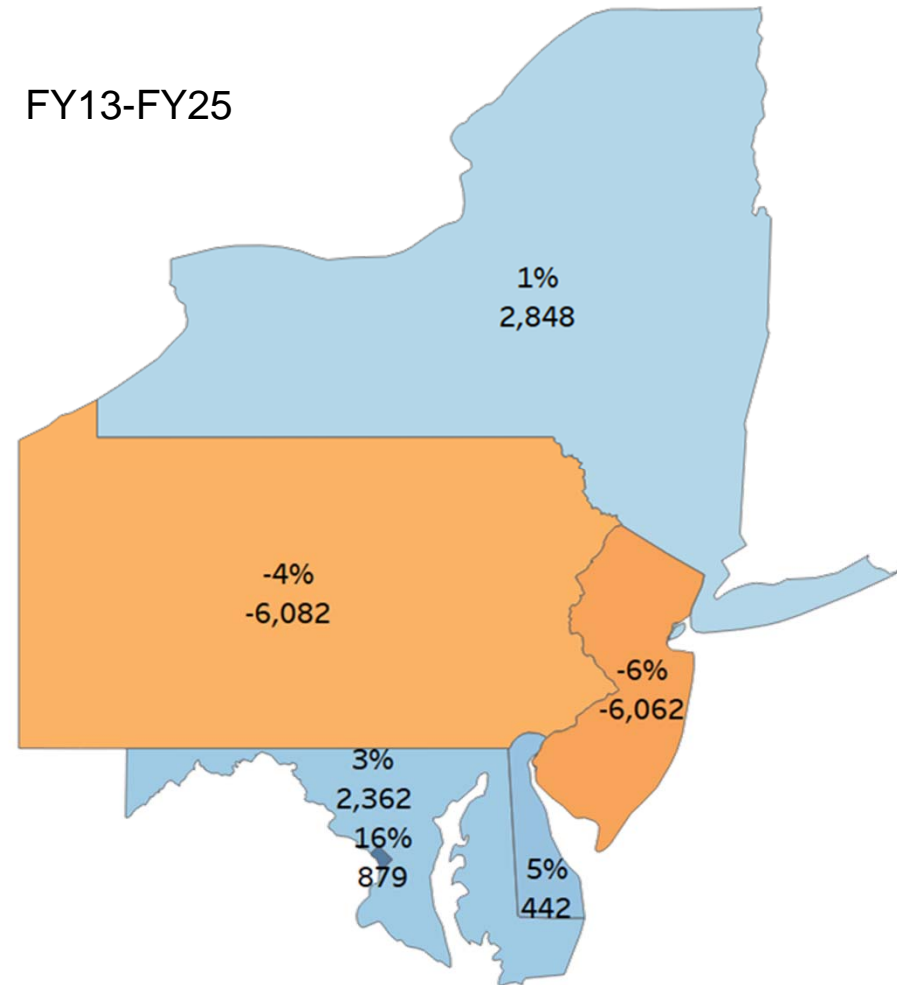
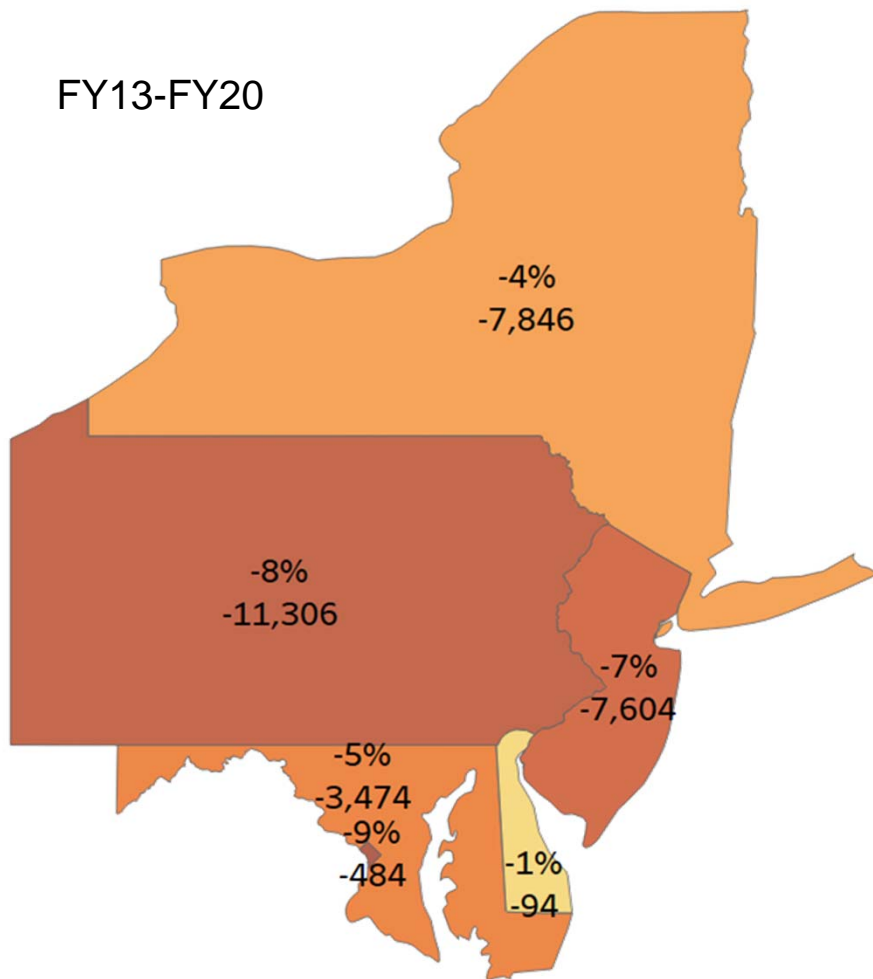


# Student Demographics - HS Graduates

- 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.

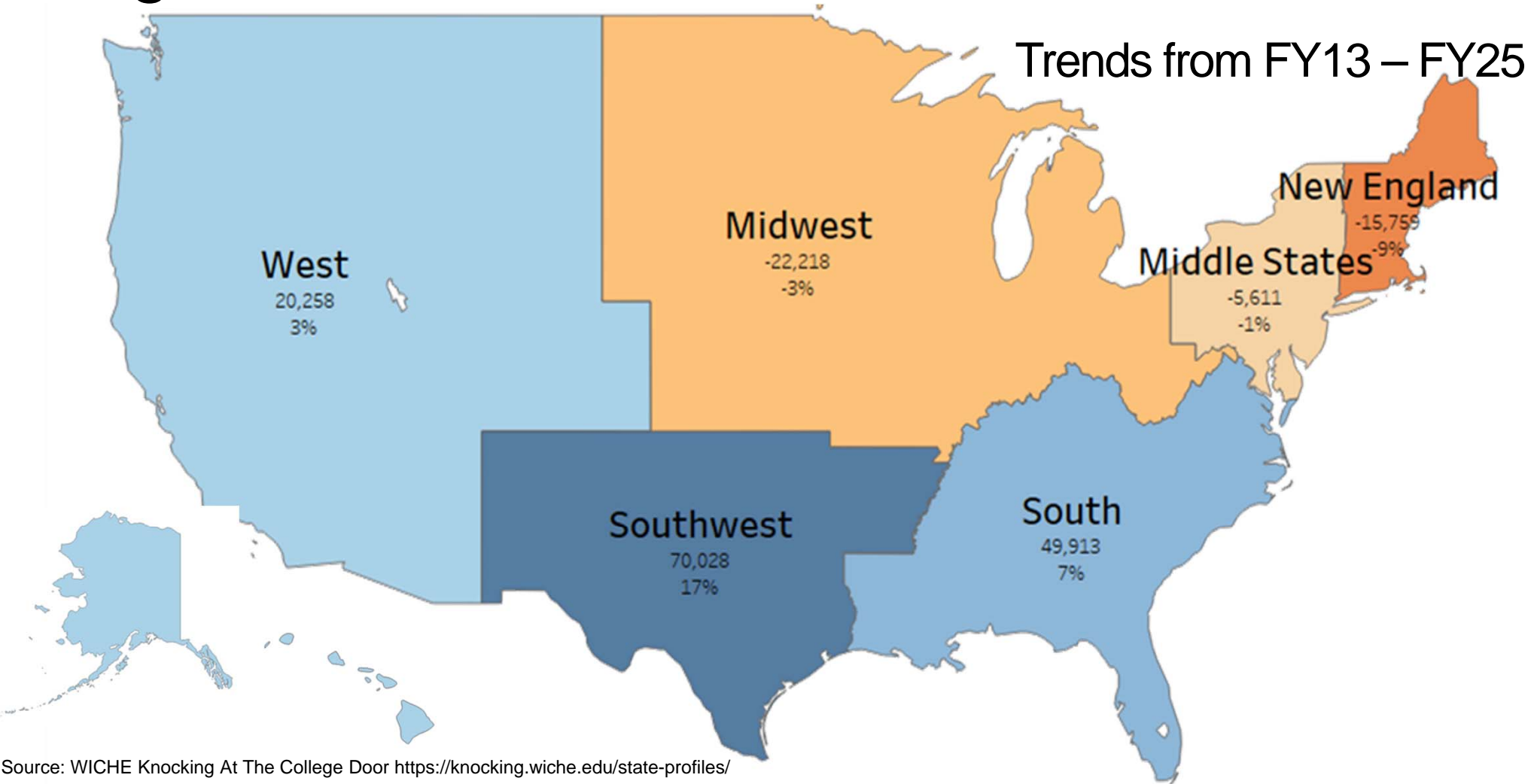


# State % Change of High School Graduates



# Regional Divisions of the United States

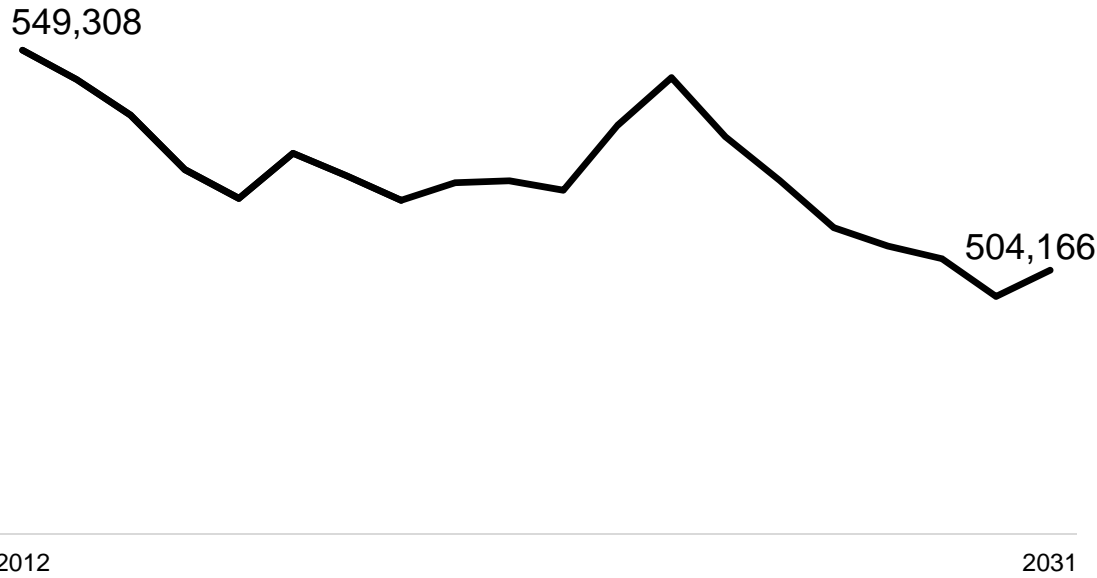
Trends from FY13 – FY25



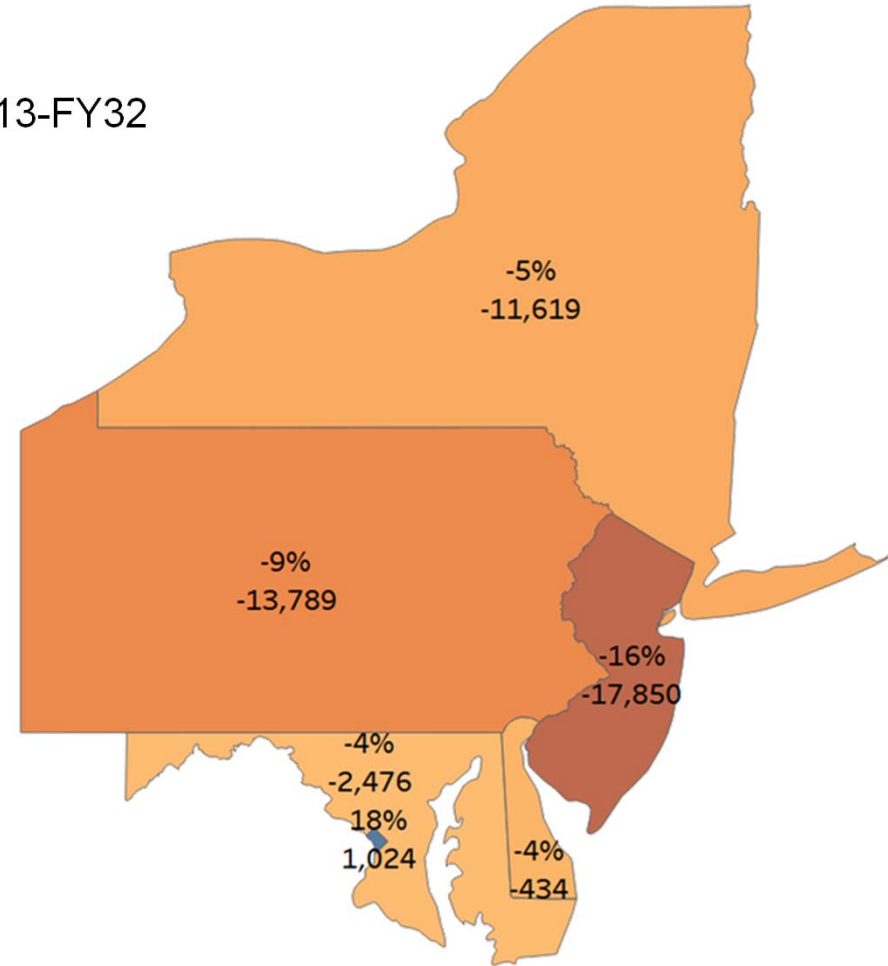
Source: WICHE Knocking At The College Door <https://knocking.wiche.edu/state-profiles/>

# State % Change of High School Graduates

Middle States Grads, 2013 to 2032



FY13-FY32

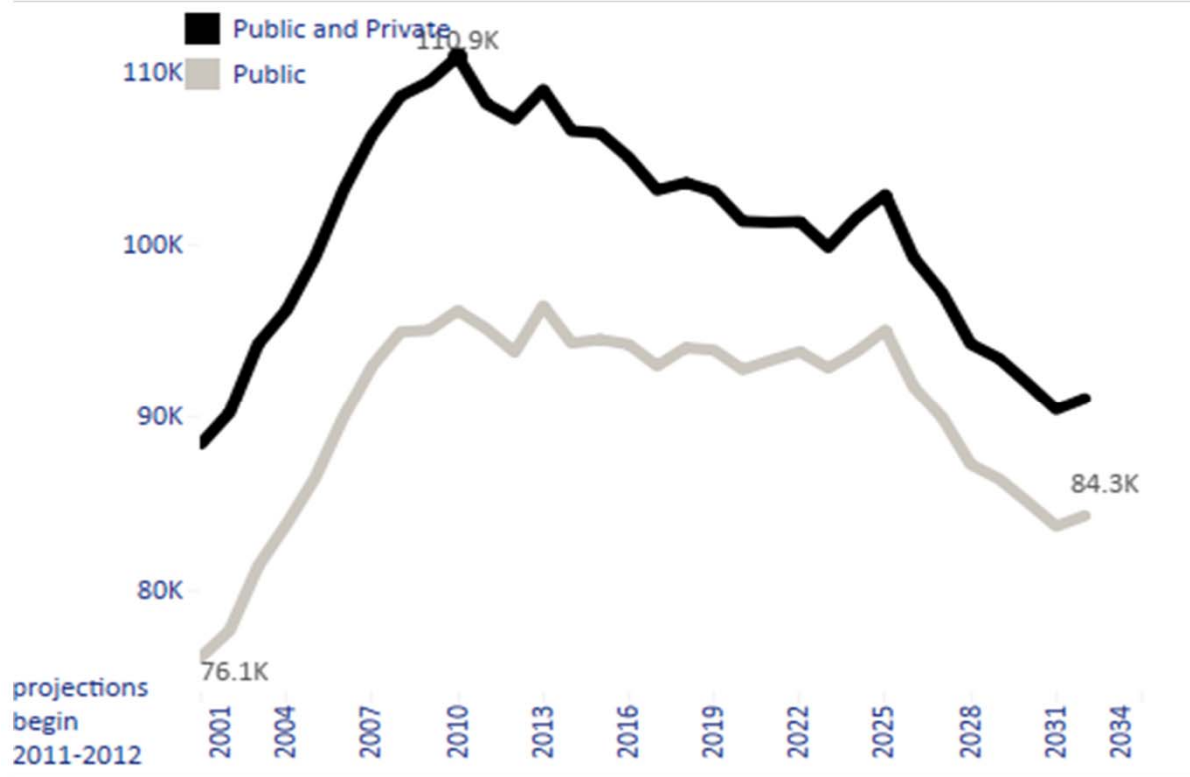


Source: WICHE Knocking At The College Door <https://knocking.wiche.edu/state-profiles/>

# U.S. HS Graduates Trends – Top 10 States

	<b>In 2013</b>	<b>From 2013 to 2025</b>		<b>From 2025 to 2032</b>	
CA	456,000	-25,000	<b>-5%</b>	-37,000	<b>-9%</b>
TX	314,000	61,000	<b>19%</b>	-6,000	<b>-2%</b>
NY	212,000	2,000	<b>1%</b>	-14,000	<b>-7%</b>
FL	176,000	17,000	<b>10%</b>	-16,000	<b>-8%</b>
IL	153,000	-10,000	<b>-7%</b>	-18,000	<b>-13%</b>
PA	146,000	-6,000	<b>-4%</b>	-8,000	<b>-6%</b>
OH	135,000	-16,000	<b>-12%</b>	-9,000	<b>-8%</b>
MI	111,000	-14,000	<b>-13%</b>	-10,000	<b>-10%</b>
NJ	109,000	-6,000	<b>-6%</b>	-12,000	<b>-12%</b>
NC	101,000	9,000	<b>9%</b>	-8,000	<b>-7%</b>

# New Jersey High School Graduate Trends



- 9<sup>th</sup> 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

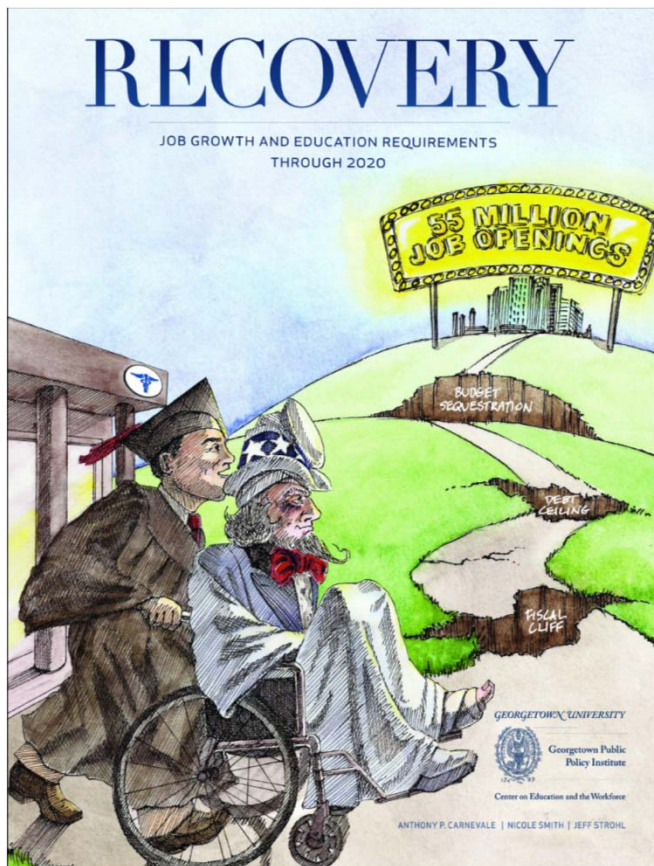
# Migration of all first-time degree/certificate-seeking undergraduates in degree-granting postsecondary institutions - Fall 2016

## Migration of Students

State	Out of State	Into State	Net
New Jersey	34,689	6,199	-28,490

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

# 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

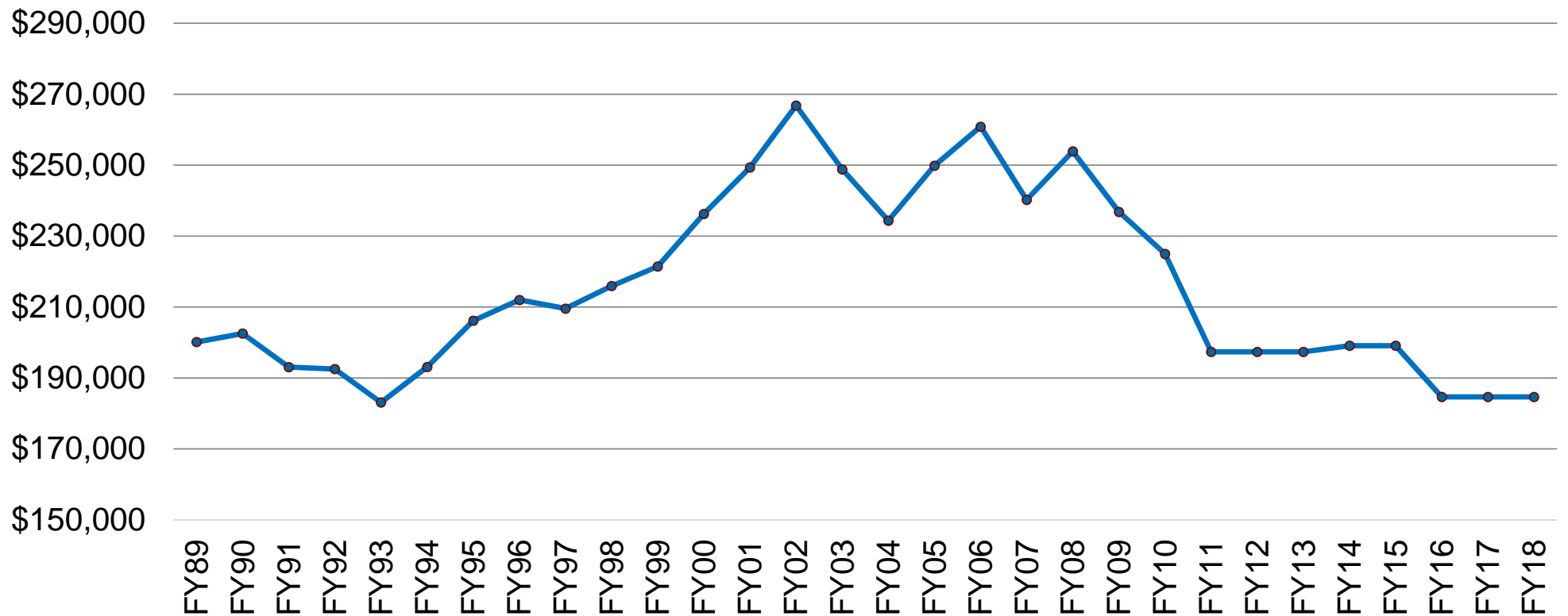
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# Revenue from key sources continuing to decline

- 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

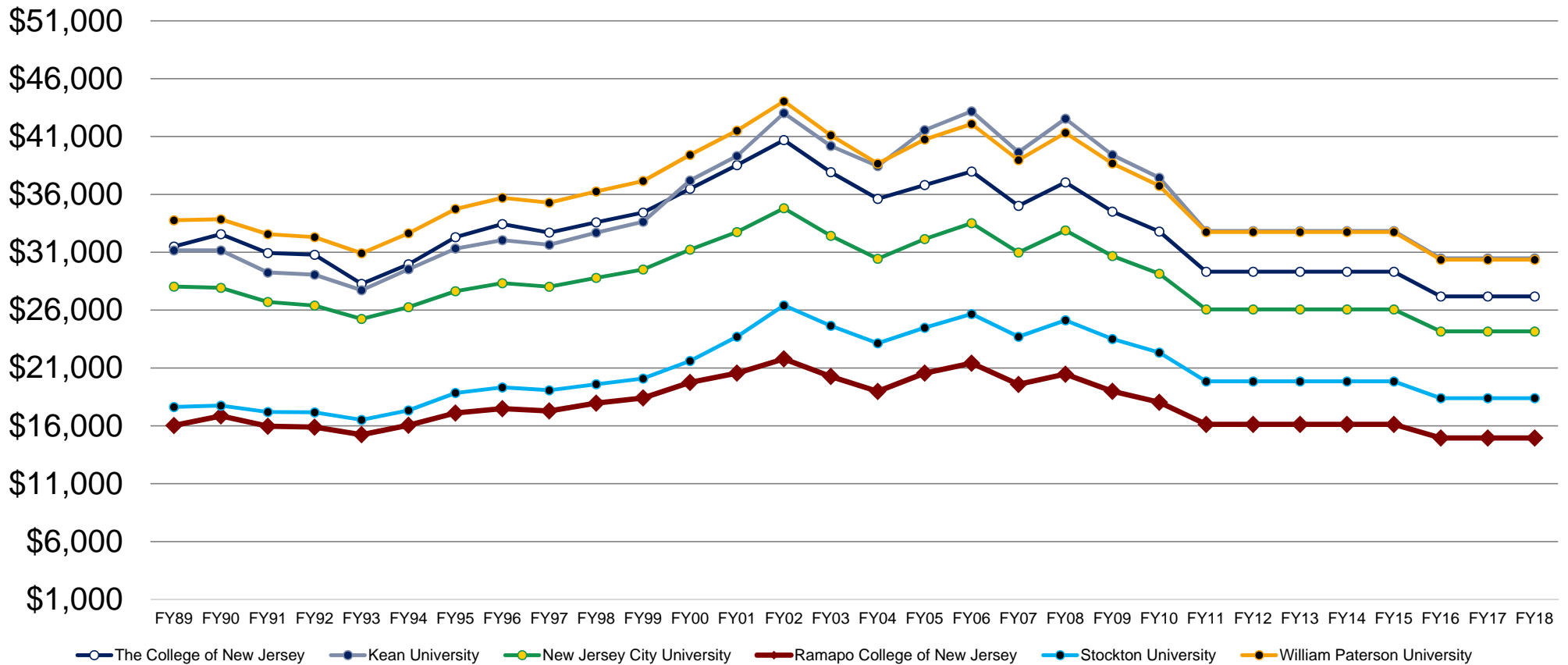
# NJ State Appropriations to State Colleges & Universities FY89-FY18

\$ in thousands



# NJ State Appropriations to each State College & University FY89-FY18

\$ in thousands



# Total State Appropriations to the NJ State Colleges & Universities FY06-FY18

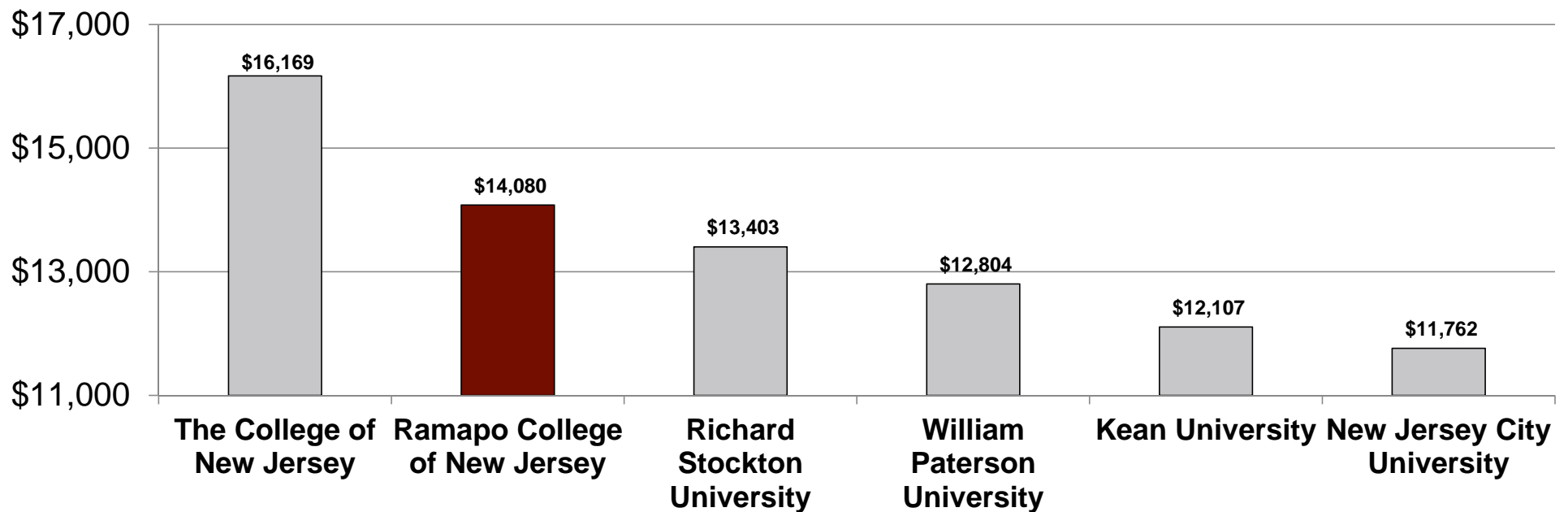
(same expected in FY2019)

\$ in thousands					
<u>Institution</u>	<u>FY2006</u>	<u>FY2018</u>	<u>\$ Cut</u>	<u>% Cut</u>	
TCNJ	\$37,977	\$27,177	\$10,800	28.4%	
Kean University	43,180	30,469	12,711	29.4%	
NJCU	33,517	24,154	9,363	27.9%	
<b>Ramapo</b>	<b>21,417</b>	<b>14,953</b>	<b>6,464</b>	<b>30.2%</b>	
Richard Stockton	25,665	18,391	7,274	28.3%	
William Paterson	42,085	30,357	11,728	27.9%	
<b>TOTAL</b>	<b>\$203,841</b>	<b>\$145,501</b>	<b>\$58,340</b>	<b>28.6%</b>	

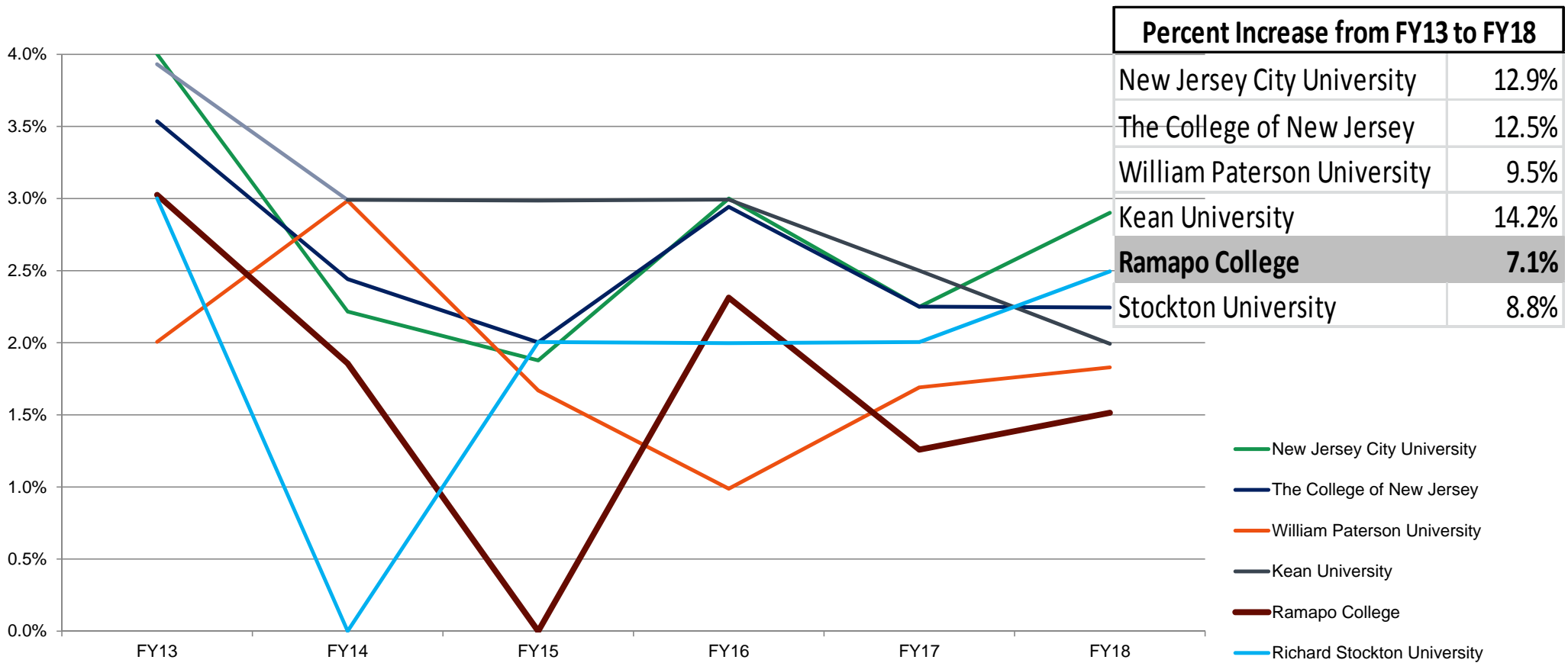
# New Jersey State Support

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

# FY18 Tuition & Fee Comparison of New Jersey Public Institutions

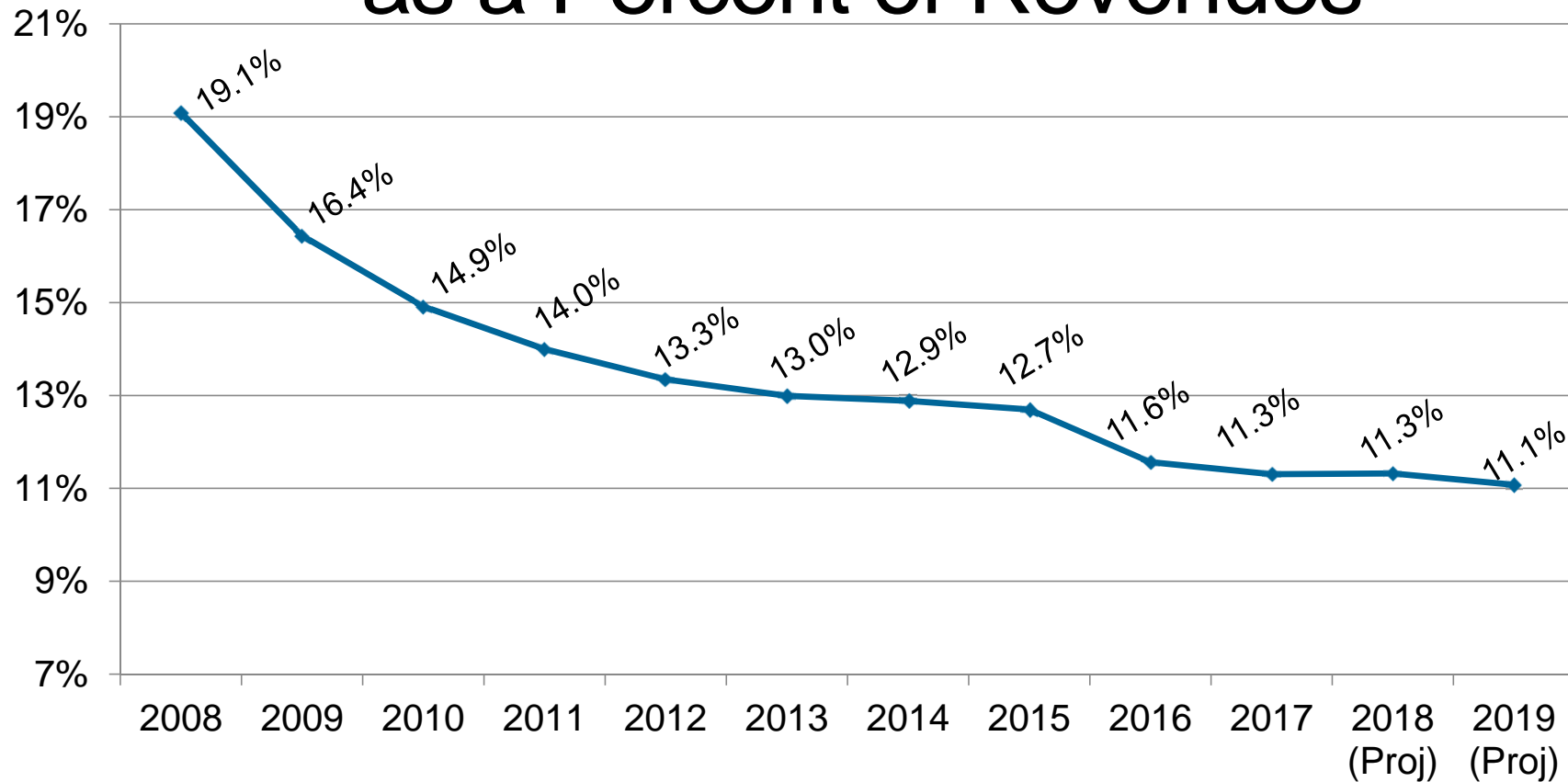


# Annual Tuition & Fee Percent Increase - New Jersey Public Institutions



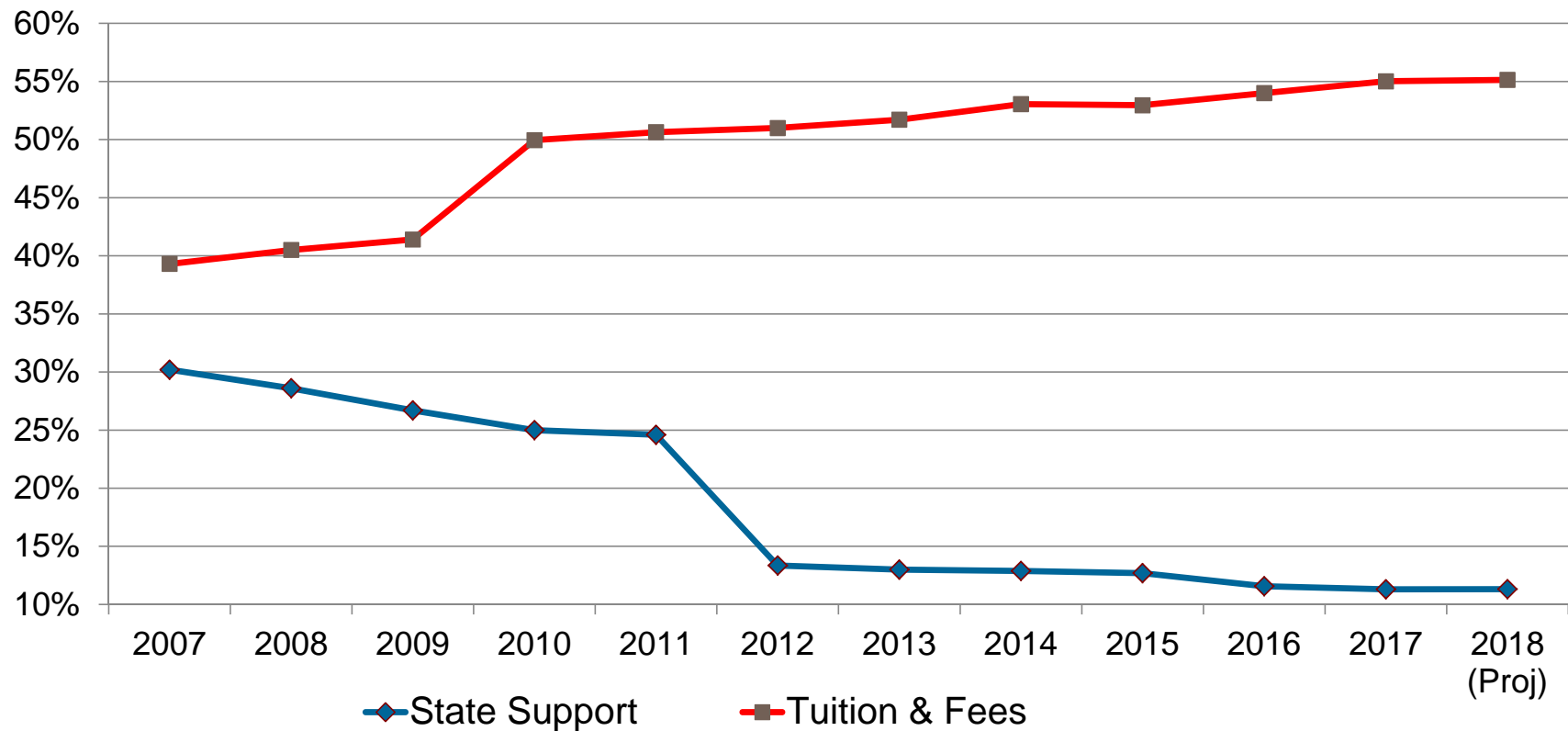


# Operational State Appropriations as a Percent of Revenues



\*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

# 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

# BUDGET PROCESS

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# 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**

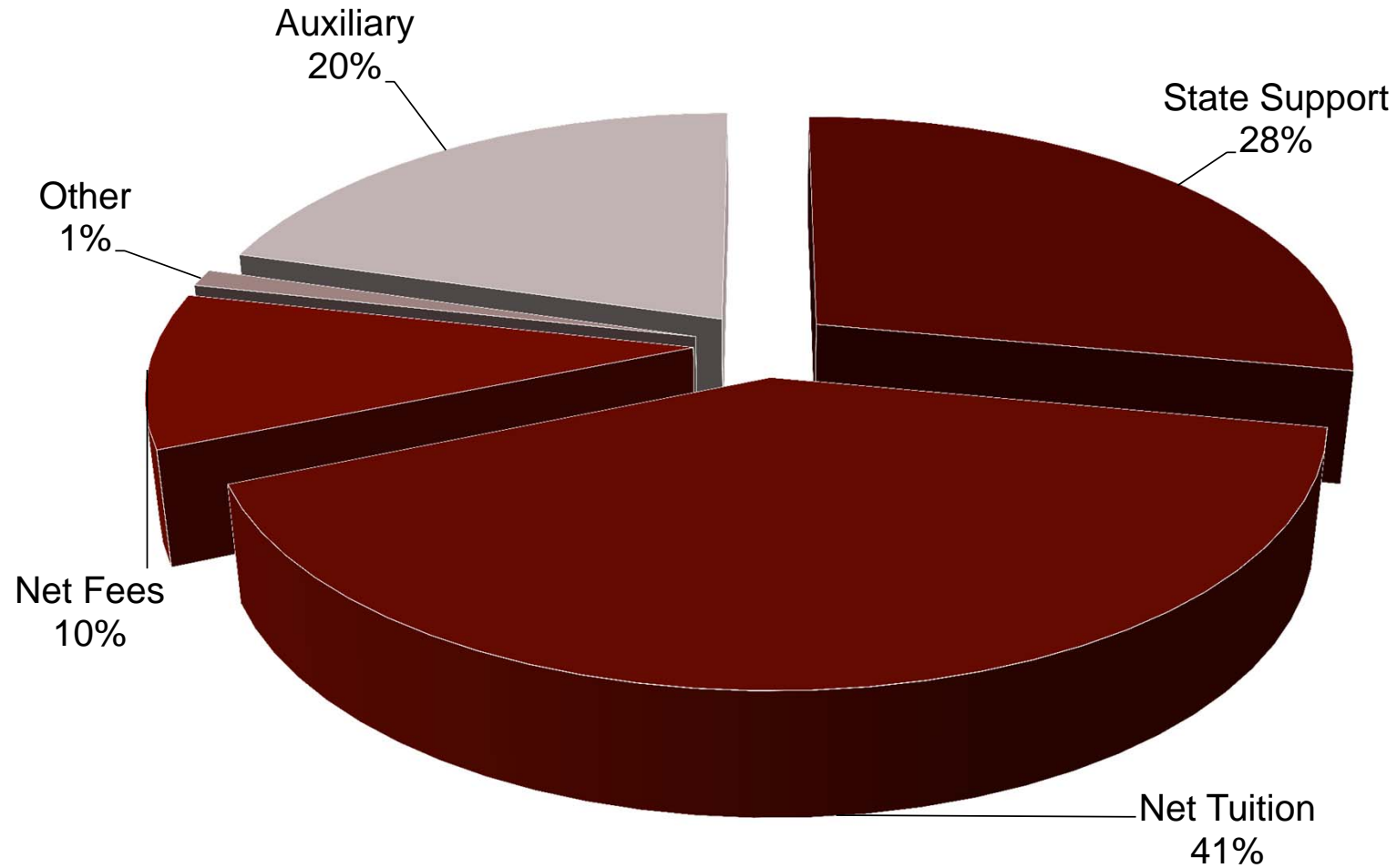
# Budget Process

- 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?

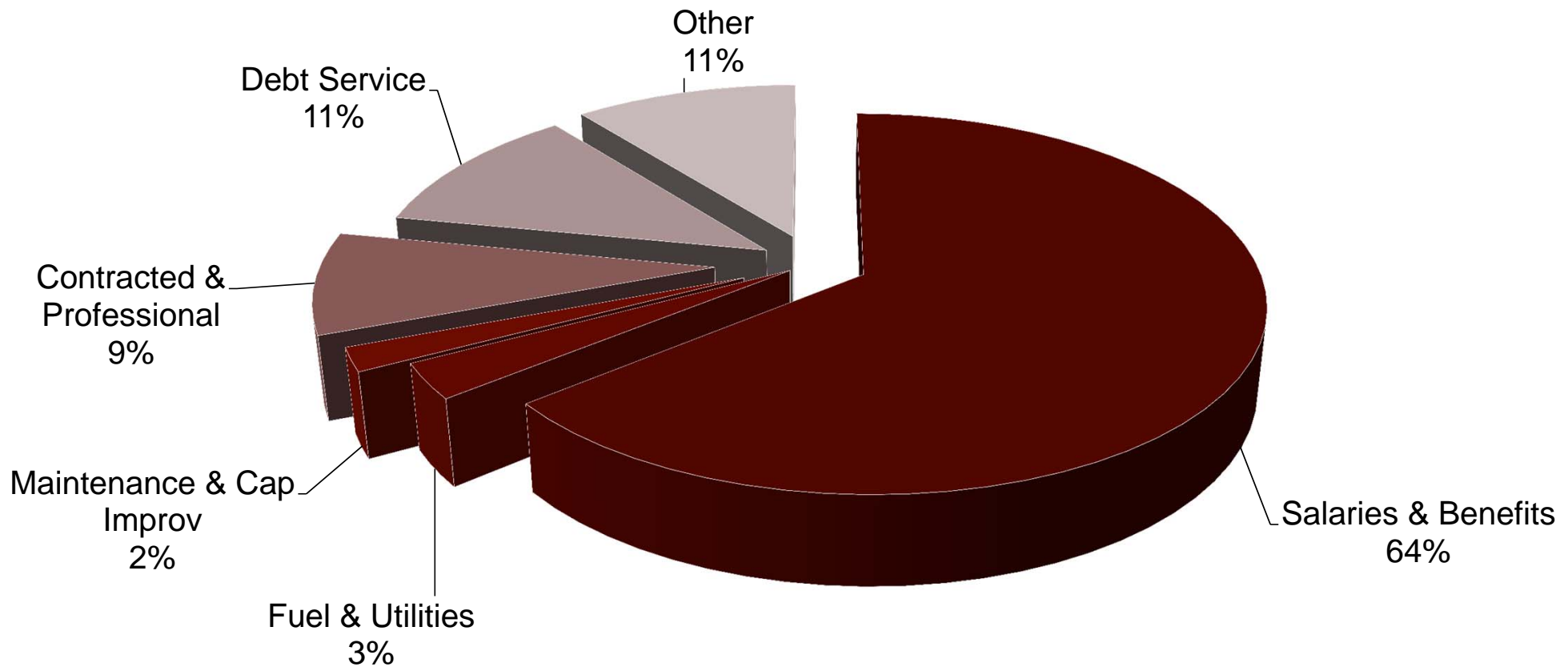
- Tuition and fees
- State support
  - Operational Support - Appropriations
  - Employee benefits – “authorized positions”
- Auxiliary services
- Other
  - Grants, both State and Federal
  - Fundraising revenues and Foundation support

# Sources of Revenues 2019 (Proj)





# Expenditures by Category 2019 (Proj)



# FINANCIAL OUTLOOK

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# What is a Structural Deficit?

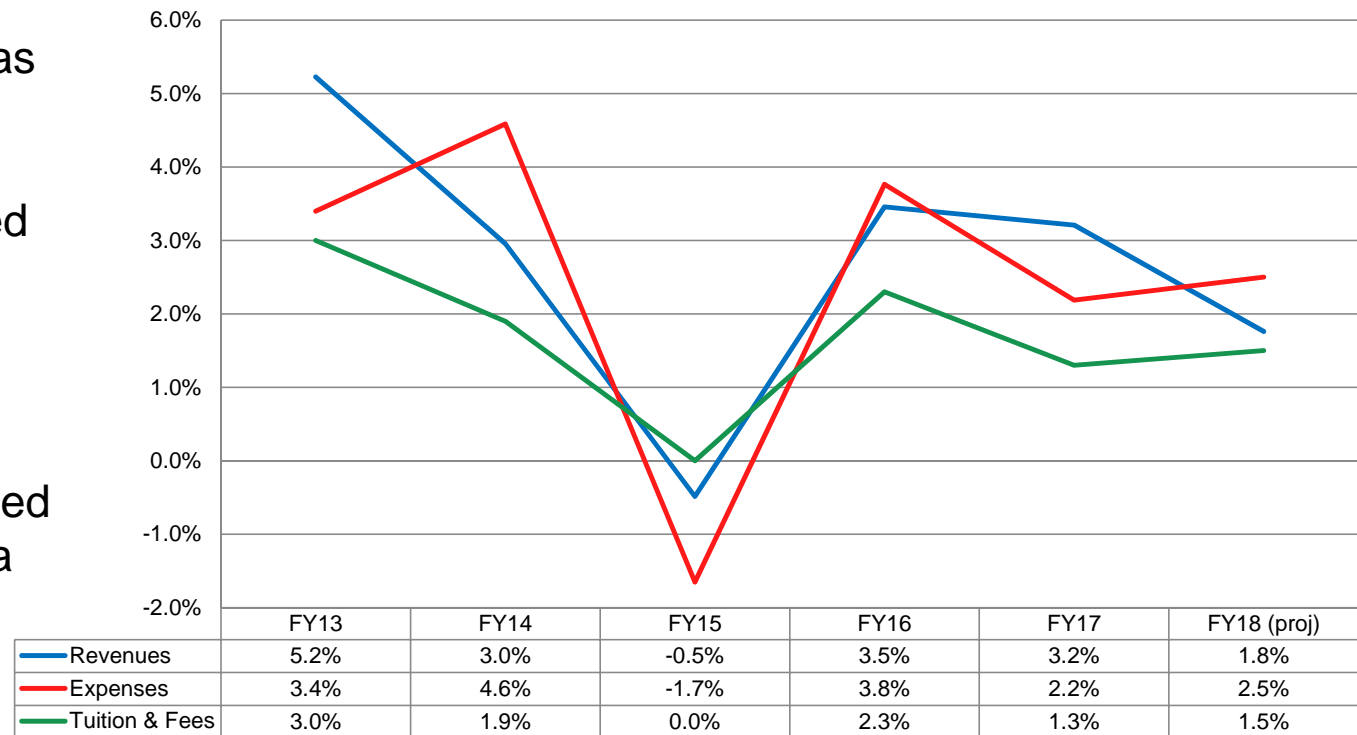
- Defined by the Cambridge Dictionary as

“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

# Operating Results – Five Year Trend

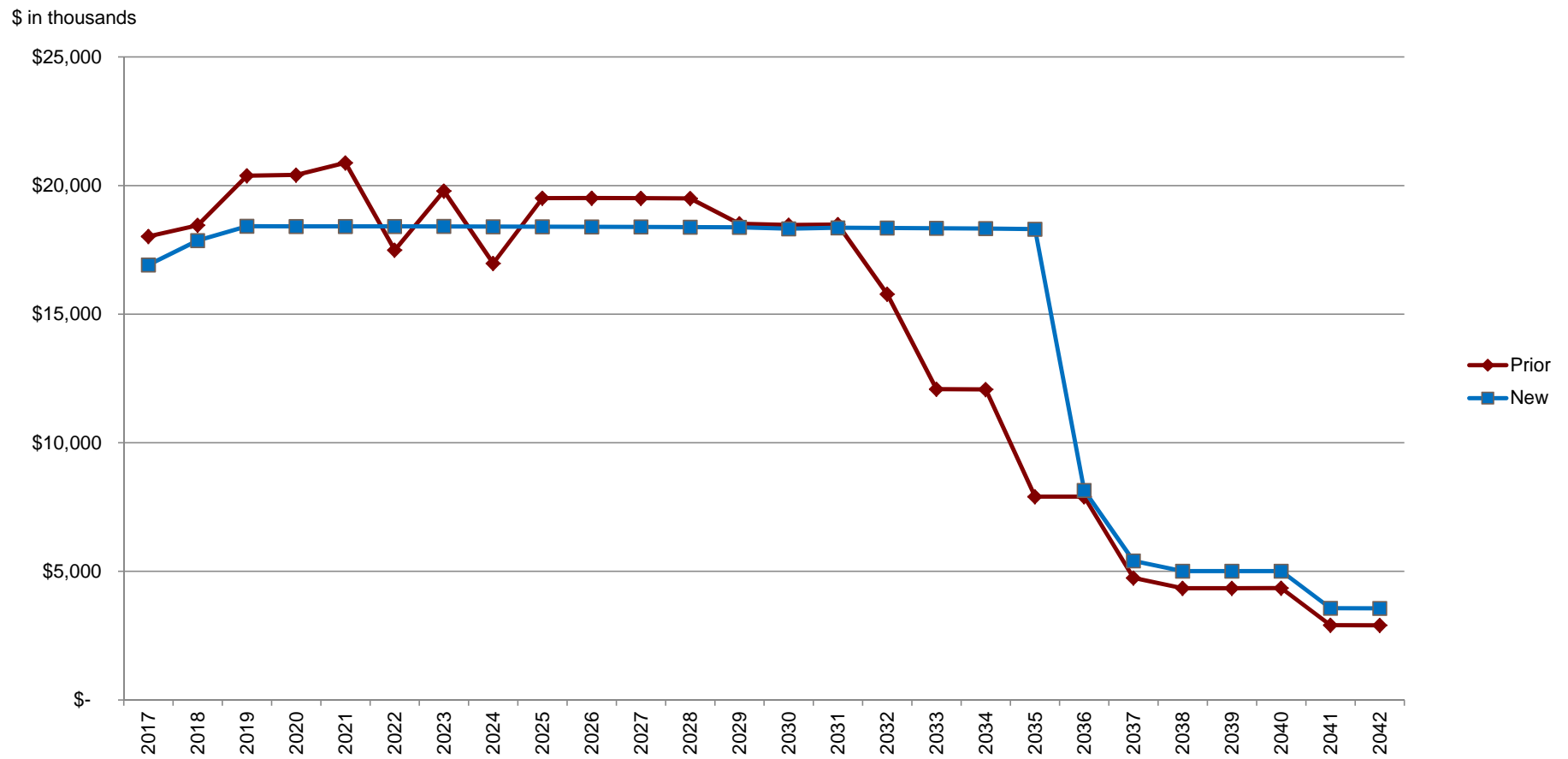
- Over the last five years (FY12-FY17) revenue has grown 15.1%, expenses have grown 12.8% and tuition and fees increased 8.5%.
- The College has committed to keeping spend in line to not exceed revenue, and budget in a conservative manner.



# 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

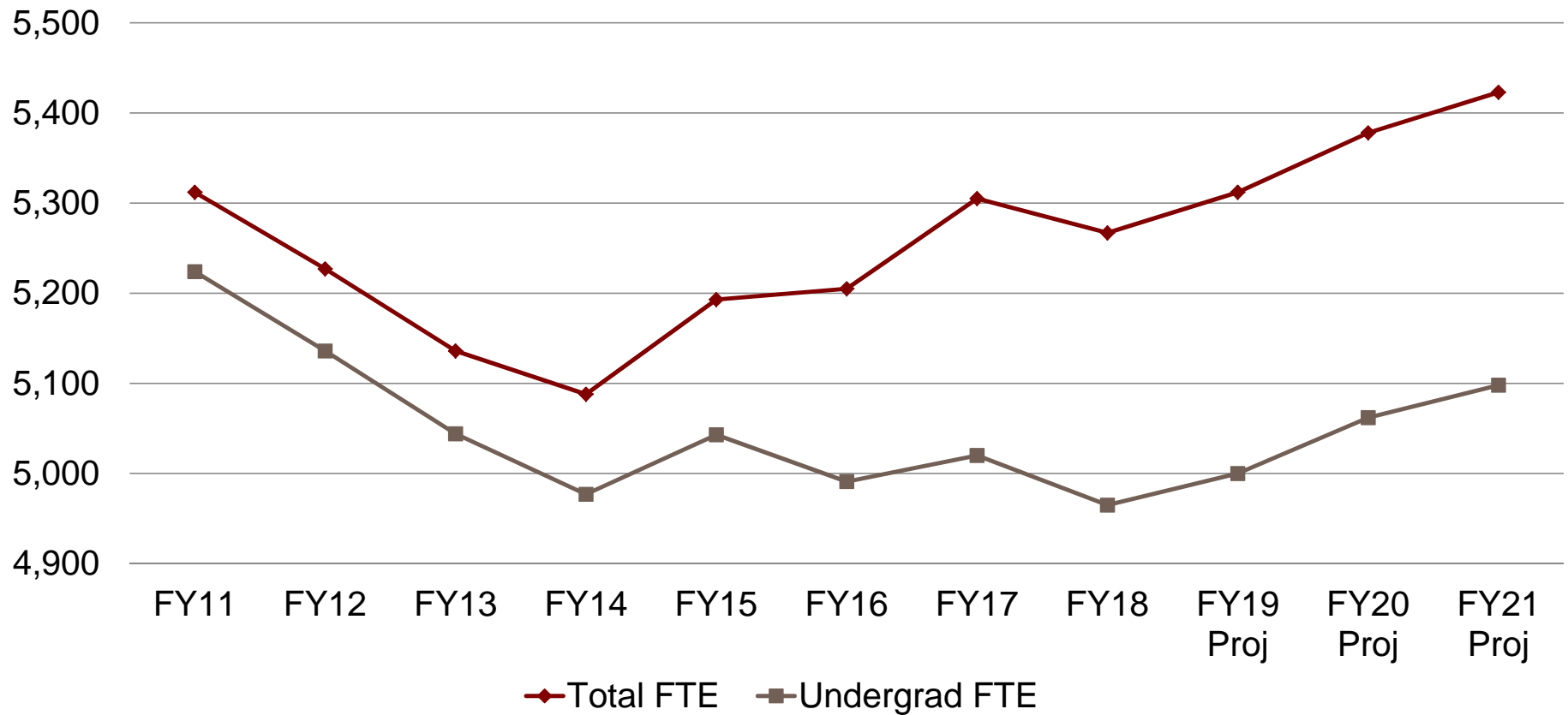


# Current Baseline Budget FY19

## 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

\$ in thousands	<b><u>FY2019</u></b>	<b><u>FY2020</u></b>	<b><u>FY2021</u></b>
<b>E &amp; G Revenues</b>	\$123,892	\$132,672	\$133,946
<b>Auxiliary Services</b>	41,009	33,362	33,317
<b>Total Revenue</b>	<b>164,901</b>	<b>166,035</b>	<b>167,263</b>
<b>E &amp; G Expenditures</b>	140,970	143,877	146,188
<b>Auxiliary Expenditures</b>	26,079	26,148	26,349
<b>Total Expenditures</b>	<b>167,049</b>	<b>170,024</b>	<b>172,537</b>
<b>Deficit</b>	<b>(\$2,148)</b>	<b>(\$3,990)</b>	<b>(\$5,274)</b>

# 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

