



BOARD OF TRUSTEES

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NOTICE

In accord with the published schedule of meetings for 2018-19, the Board of Trustees of Ramapo College of New Jersey will hold its Annual Budget Hearing in public session on Wednesday, May 1, 2019 at 10:00AM in the Trustees Pavilion at 505 Ramapo Valley Road in Mahwah, NJ 07430. This hearing presents the proposed budget assumptions and projections for Fiscal Year 2020. The public may attend this meeting in person on the college campus. Official action will not be taken.

4.17.19 bwg

Open Forum on the Budget FY20 – FY22

May 1, 2019

Agenda

- Higher Education Environment
 - Federal Issues
 - State Environment

- Impact to Ramapo College

- Budget process

- Financial outlook

HIGHER EDUCATION ENVIRONMENT

Federal Issues

Trump Administration's FY20 Proposed Budget

Department of Education

- Includes \$64.0 billion in new discretionary Budget Authority
 - \$7.1 billion or 10 percent decrease below the fiscal year 2019 appropriation.
- Increase in “Education Freedom”
 - \$500 million for the Charter Schools Program, an increase of \$60 million over the FY19, to support State and local efforts to establish and expand charter schools.
 - \$107 million for the Magnet Schools Program to increase educational options for students and families.

Streamline and Improve Postsecondary Aid Programs

- Expand Pell Grant program eligibility to students enrolled in high-quality short-term programs that lead to a credential, certification, or license in a high-demand field
- Reform the Federal Work-Study program to support workforce and career-oriented training opportunities for low-income undergraduate students, instead of merely providing subsidized employment as a means of financial aid
- Consolidate multiple Income-Driven Repayment (IDR) plans into a single plan
- Invest \$1.8 billion for NextGen Servicing and Processing Environment, a student loan servicing upgrade undertaken by Federal Student Aid (FSA) to provide better service

Trump Administration's FY20 Proposed Budget

- Proposed Reductions & Eliminations
 - Cut Federal Work Study \$630 million or 56%
 - Eliminate Federal Supplemental Educational Opportunity Grant (SEOG)
 - Eliminate the Public Service Loan Forgiveness (PSLF) program
 - Eliminations competitive grants/programs:
 - Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP),
 - Teacher Quality Partnership (TQP) grant program,
 - International Education and Foreign Language programs,
 - Graduate Assistance in Areas of National Need (GAANN) program.
 - Cut Trio Grant \$100 million or 10.4%

State Environment

Governor Murphy's Proposal FY20 Budget

- FY20 budget would allocate approximately \$2.58 billion for Higher Education
- Working toward the Governor's goal of tuition--free community college, includes a funding recommendation of \$58.5 million for Community College Opportunity Grant (CCOG)
- Increase funding for Tuition Aid Grant (TAG), \$5 million
- Educational Opportunity Fund (EOF) funding increased \$2.25 million
- Operational appropriations FY20 Ramapo at \$14.6 million and \$1 million in outcomes-based measures
- Increases in K-12 education funding in the amount of \$206 million
- Funding State Pension - \$3.8 billion payment planned
- Increases in NJ Transit by \$100 million to \$407 million in General Fund support to NJ Transit
- Minimum wage to increase to \$15 per hour by 2021, FY19 will be up to \$11 per hour
- \$35 million allocated to outcomes based aid, \$20 million new and \$15 million reallocated

Office of the Secretary of Higher Education (OSHE)

Equity-Focused Funding Rationale in Proposed FY20 Budget

- Grand total of \$35 million distributed based on the outcomes-based funding rationale:
 - \$20 million increase in higher education direct operating aid
 - \$15 million of existing higher education operating aid reallocated
- FY 2020 begins a path to a more rational approach to funding higher education in the State and note this is just the start/beginning.

**New Jersey (State of)
A3 – Outlook Stable**

**Announcement of Periodic Review: Moody's announces completion of a periodic review of ratings of New Jersey (State of)
19 Apr 2019**

New York, April 19, 2019 -- Moody's Investors Service ("Moody's") has completed a periodic review of the ratings of New Jersey (State of) and other ratings that are associated with the same analytical unit. The review was conducted through a portfolio review in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. The review did not involve a rating committee. Since 1 January 2019, Moody's practice has been to issue a press release following each periodic review to announce its completion.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Credit ratings and outlook/review status cannot be changed in a portfolio review and hence are not impacted by this announcement. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody.com for the most updated credit rating action information and rating history. Key rating considerations are summarized below.

New Jersey's A3 rating is based on the state's large, diverse and wealthy economy offset by significant long-term liabilities and the multi-year burden of rapidly-rising pension contributions, which are the result of significant historic pension underfunding. The state's near-term budget flexibility and structural balance have improved but remain weak compared to peers and leave future budgets dependent on additional tax increases or continued economic growth that may be uncertain. In the event of future downturns, the governor's broad powers to reduce expenditures is an important, proven budget tool. This periodic review also covered related credits within the state's debt stack including any special tax, lease, appropriation and moral obligation, intercept program, and pool program ratings.

S&P notes progress but ranks NJ among worst-funded pension systems

As defined by the American Academy of Actuaries

Pension Funded Ratio	
Strong	90% or above
Above Average	80% to 90%
Below Average	60% to 80%
Weak	60% or below

- The New Jersey pension system's funded ratio was 35.8% during the 2017 fiscal year, the second lowest in the Country (Kentucky at 33.8%)
- New Jersey also ranked by S&P as having the highest total obligations to retirees and bondholders as a per-capita percentage of its gross domestic product.

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

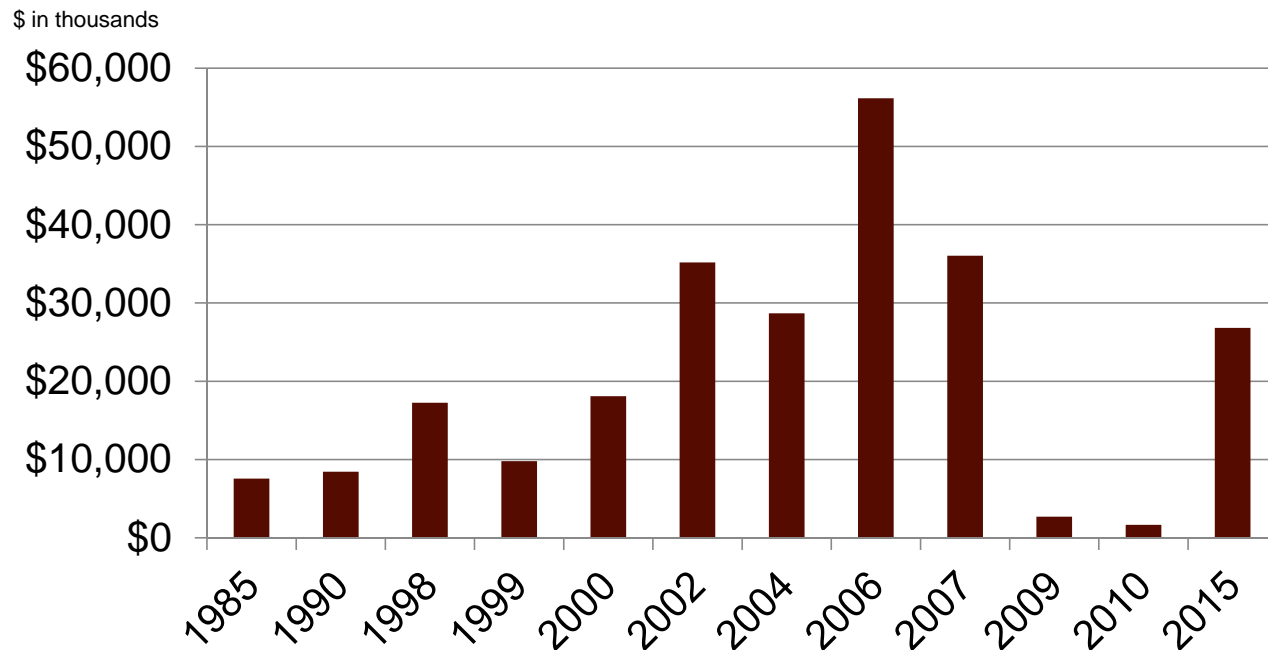
Capital Funding: Most Recent General Obligation Bonds

- 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

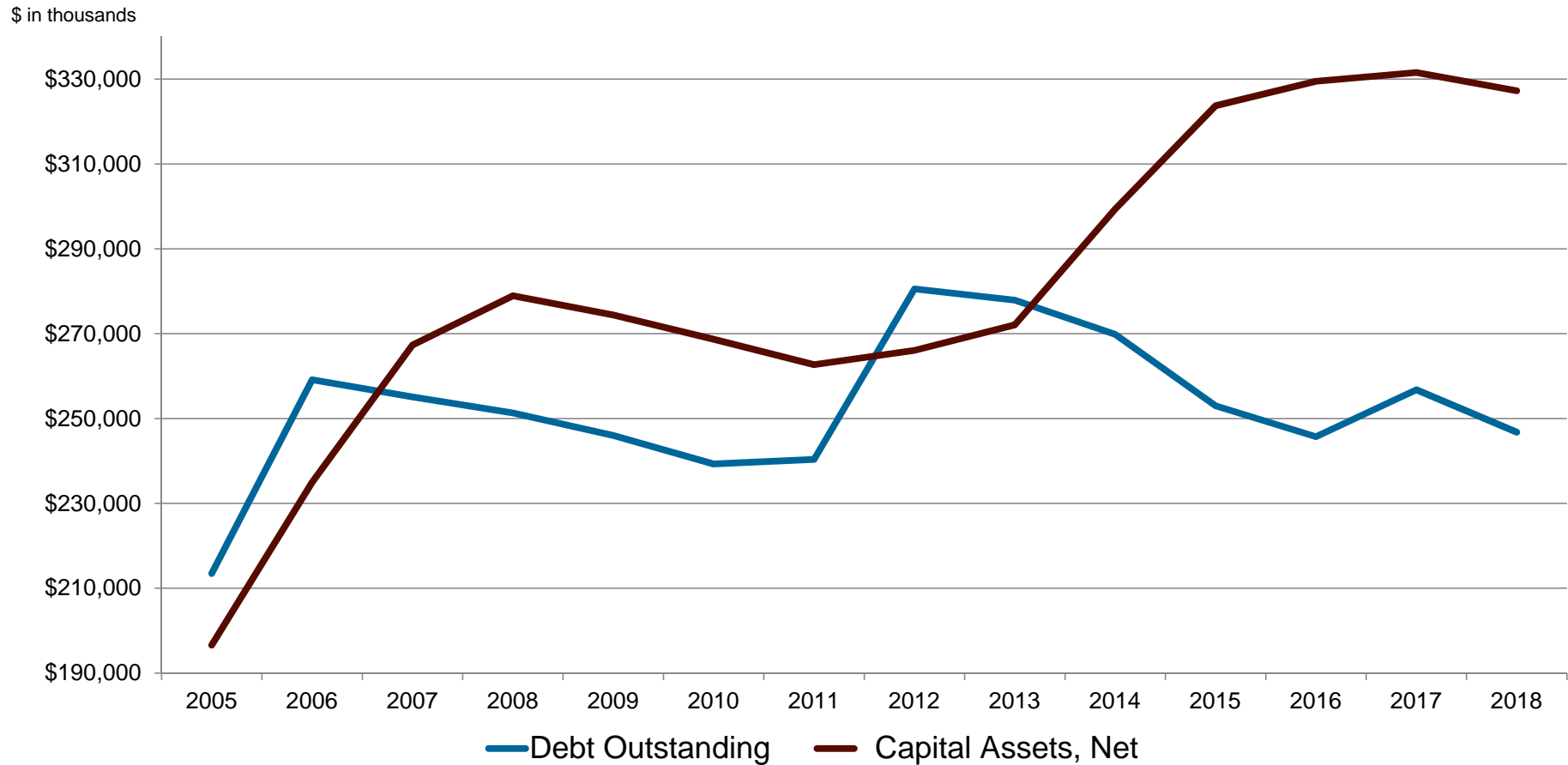
Facilities Growth at Ramapo 1985-2015



	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.

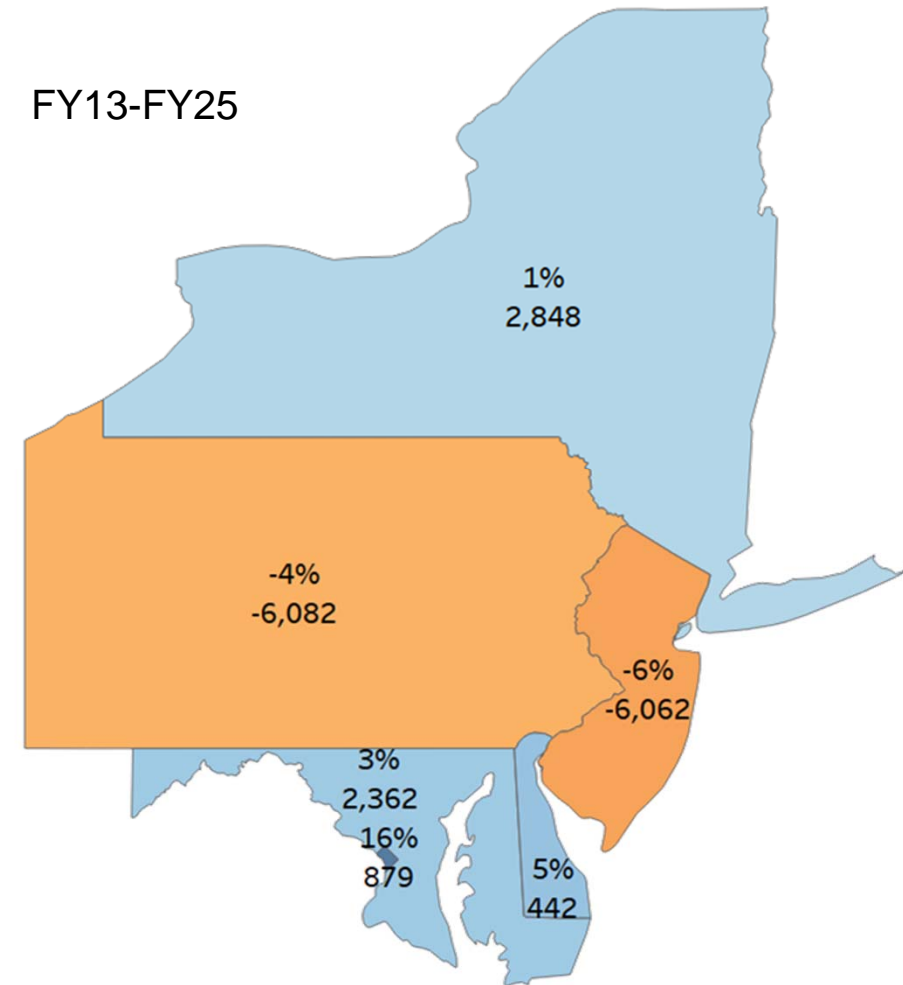
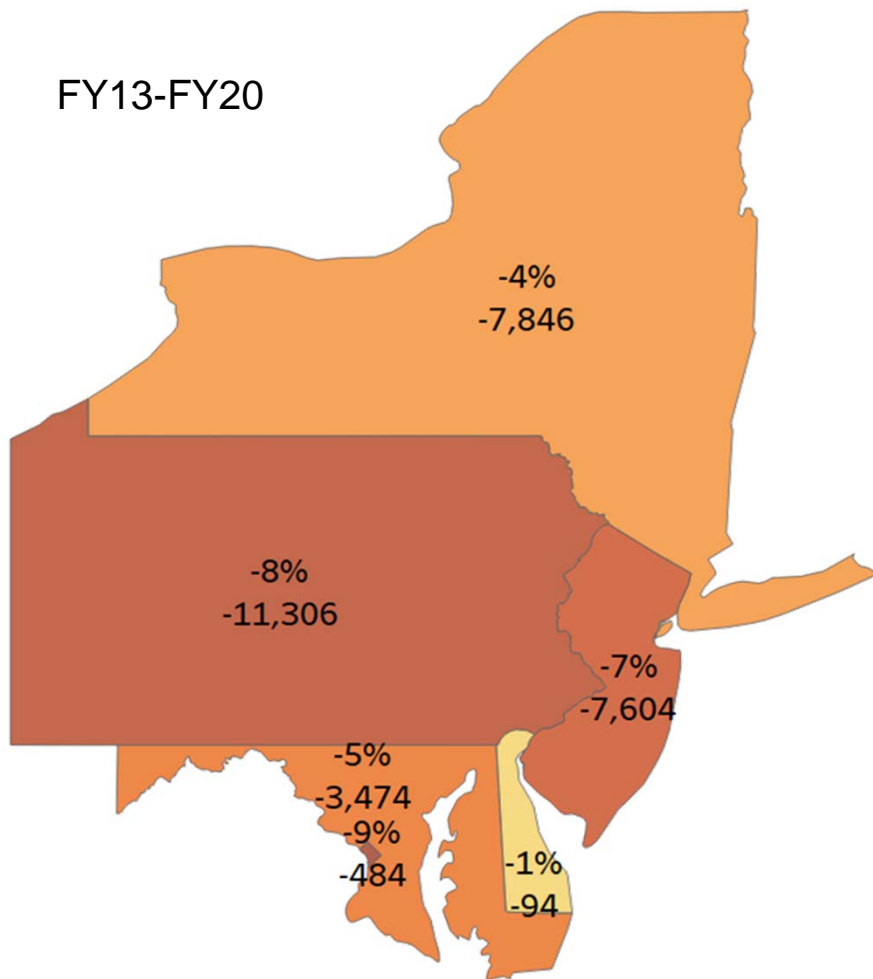
Impact of Capital Growth on Ramapo



Student Demographics - HS Graduates

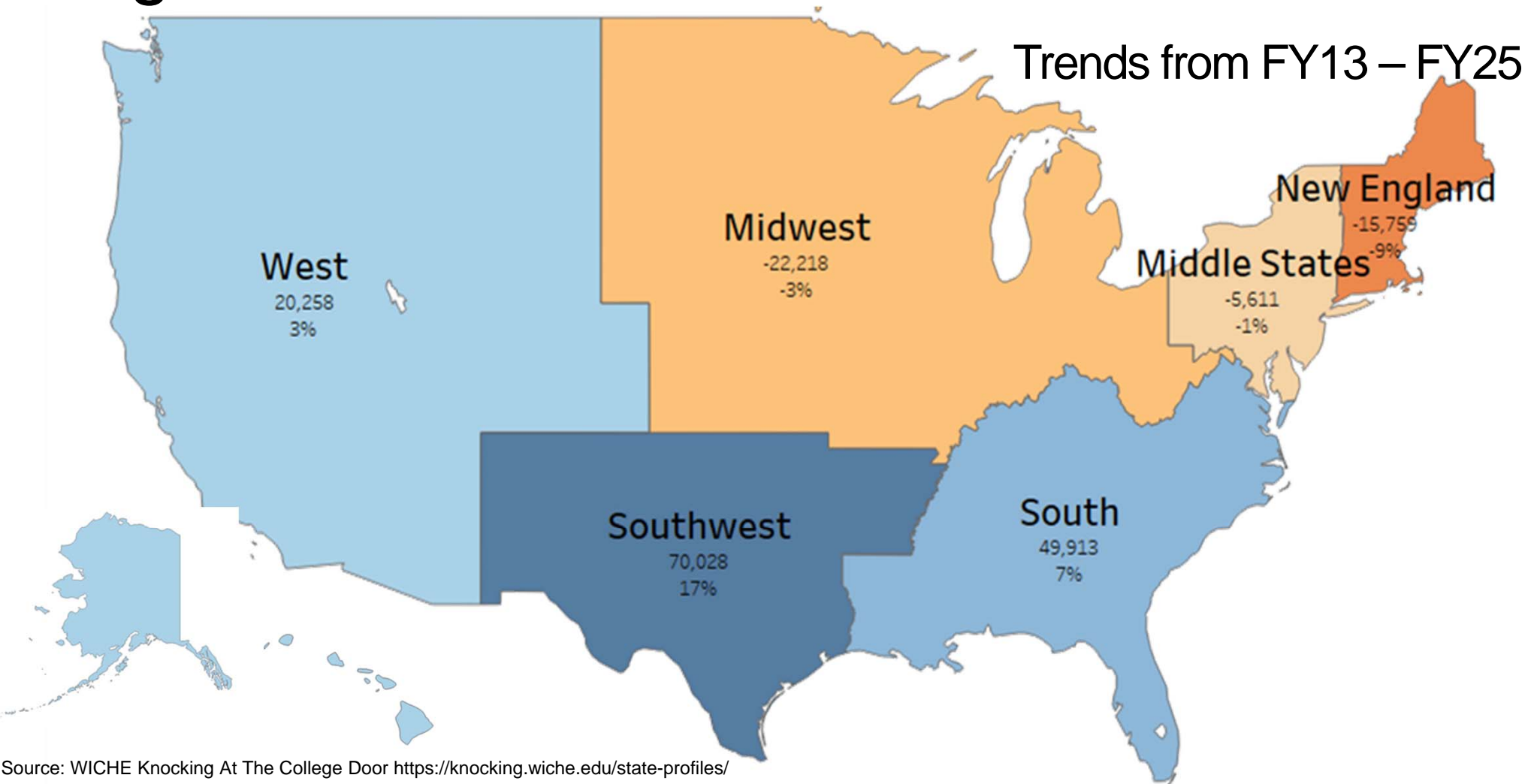
- The overall number of high school graduates will plateau for most of the next decade.
- After steady increases in the overall number of high school graduates for the last 15 years, the Northeast region is looking at declines in total population, as well as a shift in the demographic composition.

State % Change of High School Graduates



Regional Divisions of the United States

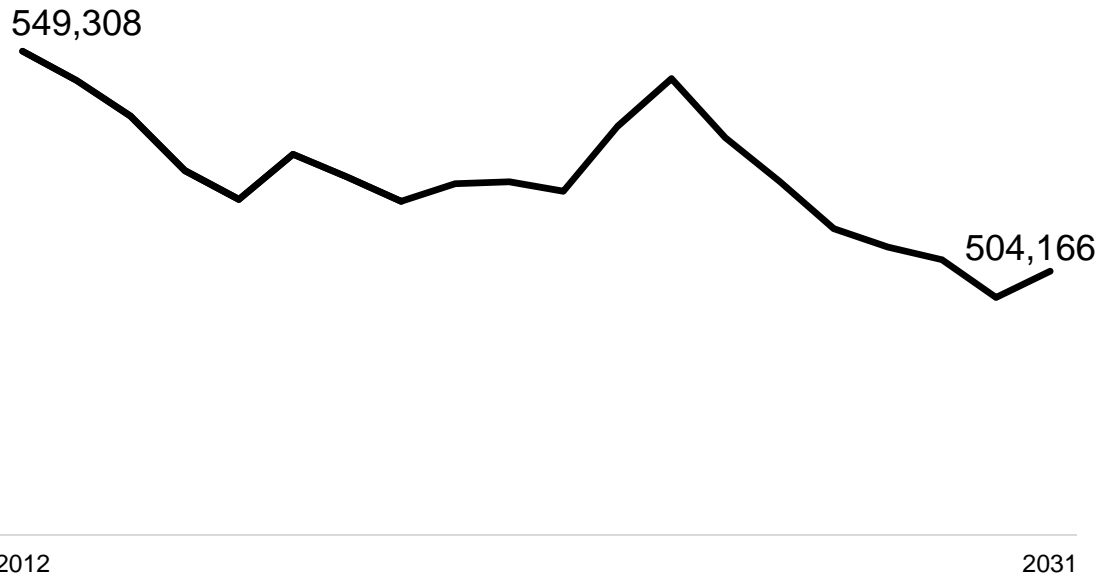
Trends from FY13 – FY25



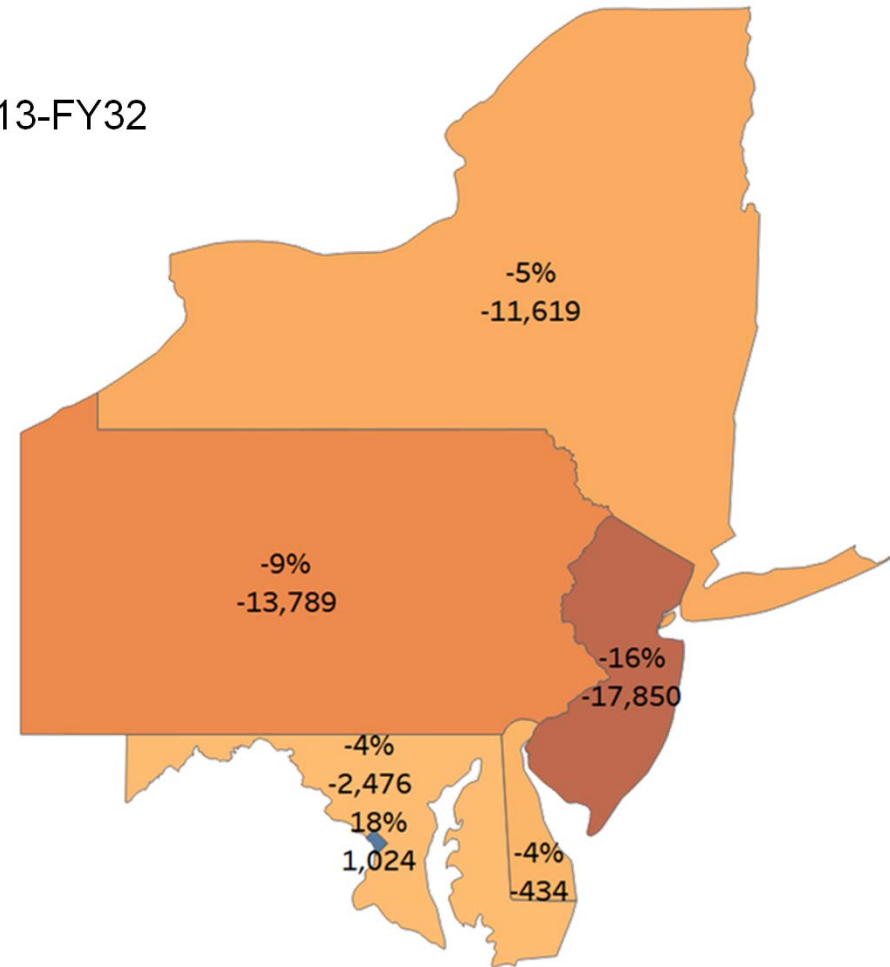
Source: WICHE Knocking At The College Door <https://knocking.wiche.edu/state-profiles/>

State % Change of High School Graduates

Middle States Grads, 2013 to 2032



FY13-FY32

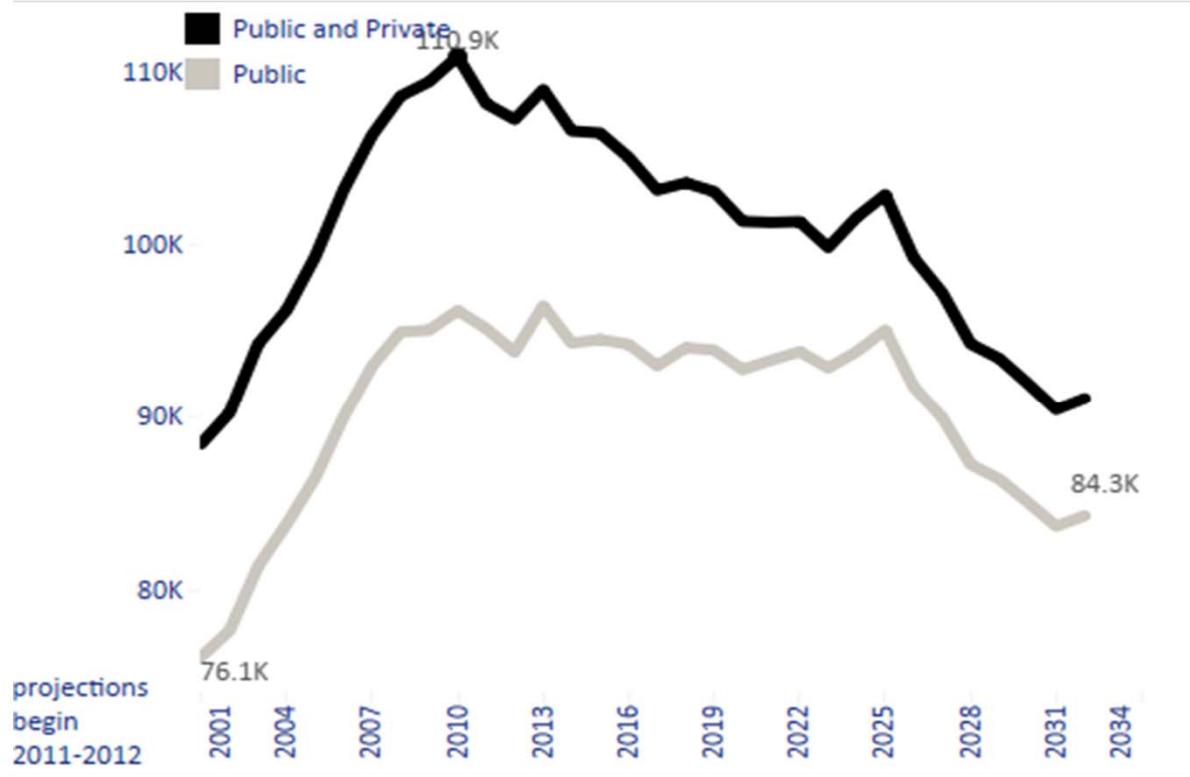


Source: WICHE Knocking At The College Door <https://knocking.wiche.edu/state-profiles/>

U.S. HS Graduates Trends – Top 10 States

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

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

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.





THE EDUCATION EQUATION

Strategies
for Retaining
and Attracting
New Jersey's
Future Workforce

“In 2017, the nation’s millennial generation surpassed baby boomers and became the largest of the five living generations. As reported by NJBIA... millennials are leaving the Garden State more frequently than any other generation. Furthermore, New Jersey has also been the highest millennial outmigration state in the country.” **[From 2007 to 2016, a net loss of 183,591.]**

“A large segment of millennial out-migrators are graduating high school seniors and college-aged individuals (ages 18-24) who are continuing their education at traditional four-year higher education institutions.

The loss of high school graduates results in a negative return on investment for New Jersey taxpayers, who on average invest more than \$20,000 per pupil per year for K-12 education.” **[For each student approximate \$260,000 for life time education, or net loss from 2007-2016 of \$47.7 billion.]**

What does the NJBIA suggest we do in Higher Education? Focus on:

- Attractability & Affordability (of education)
- Skill building
- Career Exploration and Education

<https://www.njbja.org/2018equation/>

Demands for return on investment from education

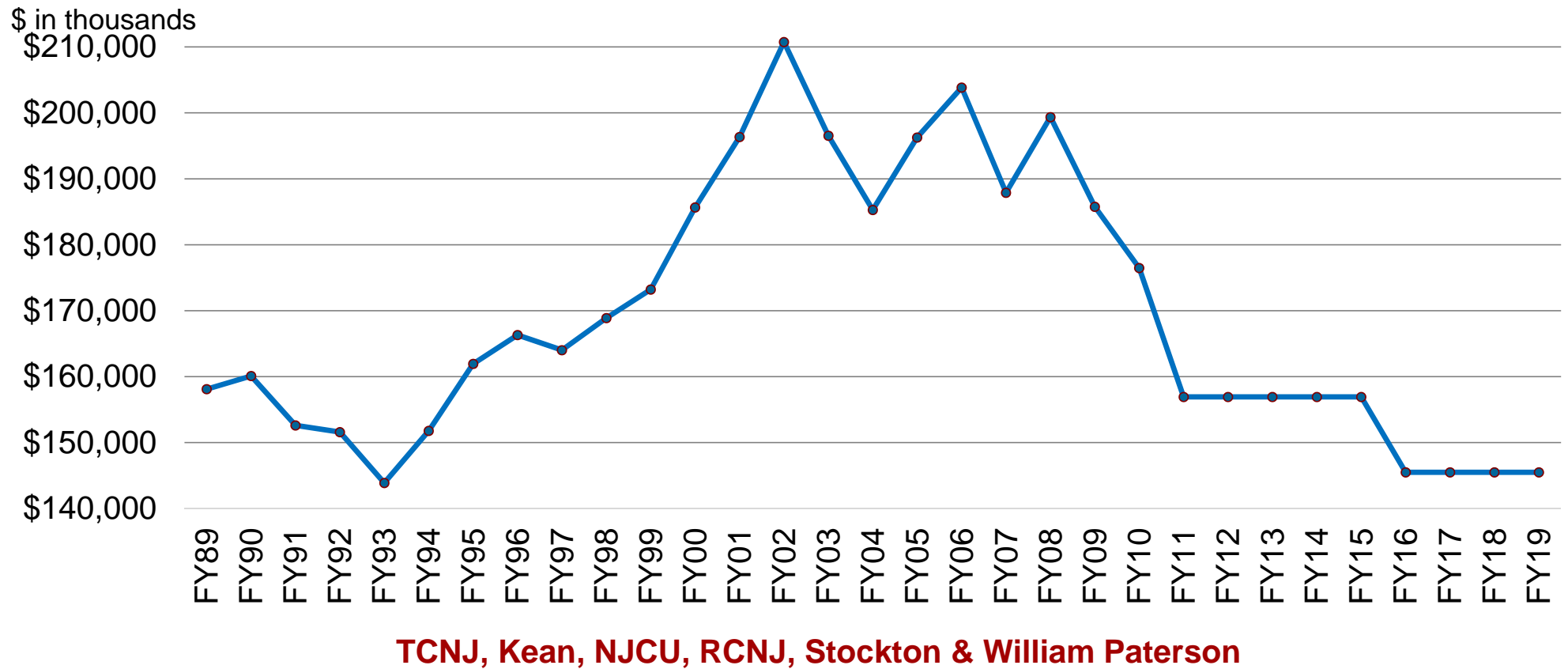
- Value and cost of education
- Employment rates after graduation
- Student debt levels
- Graduation rates and retention

IMPACT TO RAMAPO COLLEGE

Revenue from key sources continuing to decline

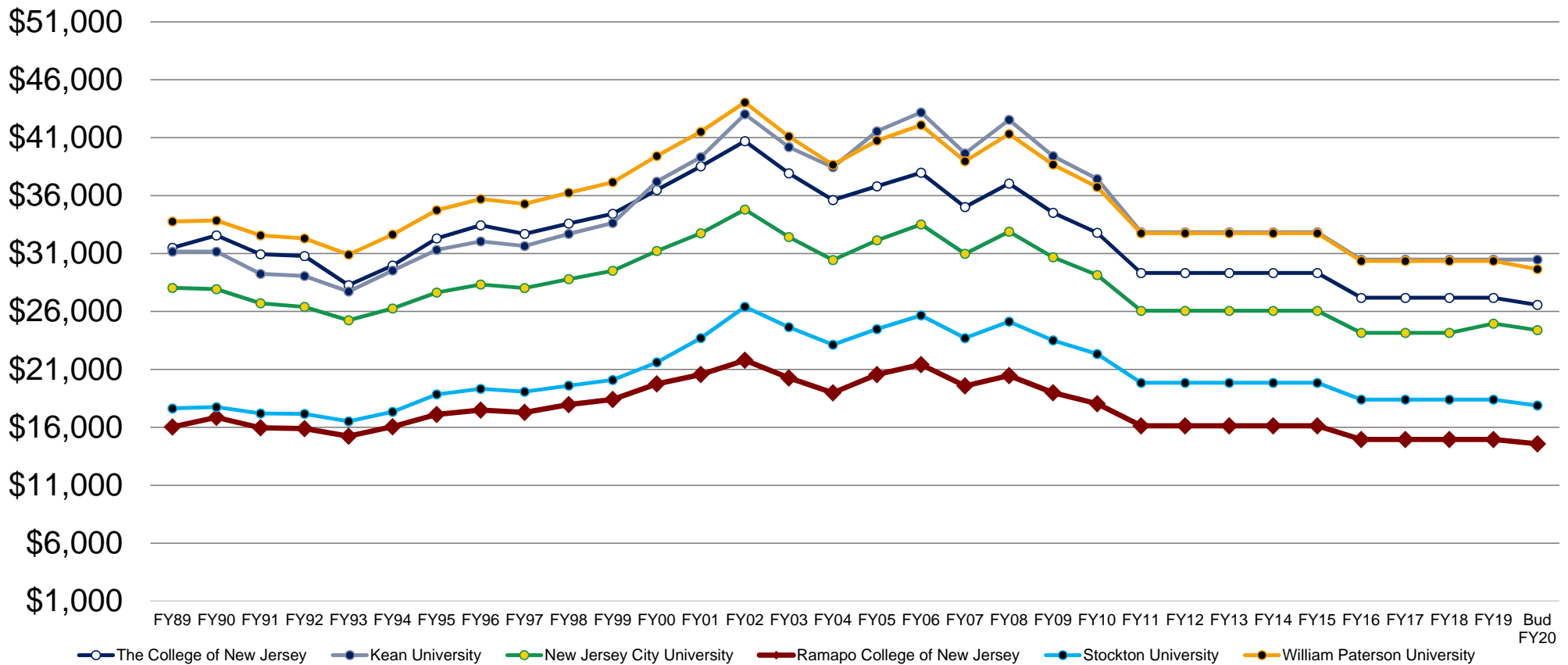
- Operational State appropriations for public institutions have been steadily declining, projecting decrease of \$379,000 for FY20
 - NJ State Budget – Public Hearings are taking place March 20th to May 15th
 - New Outcomes based measures are proposed for \$1,053,000
- Pressure from enrollment levels with decreasing population
- Affordability of tuition

NJ Operational State Appropriations to State Colleges & Universities FY89-FY19



NJ Operational State Appropriations to each State College & University FY89-FY20

\$ in thousands



Operational State Appropriations to the NJ State Colleges & Universities FY06-FY20

\$ in thousands

<u>Institution</u>	<u>FY2006</u>	<u>FY2020</u>	<u>\$ Cut</u>	<u>% Cut</u>
TCNJ	\$37,977	\$26,571	\$11,406	30.0%
Kean University	43,180	29,821	13,359	30.9%
NJCU	33,517	24,386	9,131	27.2%
Ramapo	21,417	14,574	6,843	32.0%
Richard Stockton	25,665	17,883	7,782	30.3%
William Paterson	<u>42,085</u>	<u>29,649</u>	<u>12,436</u>	<u>29.5%</u>
TOTAL	\$203,841	\$145,501	\$58,340	28.6%

Outcomes-based measures from the Office of the Secretary of Higher Education (OSHE)

The formula is both designed to be simple and easily implemented, using accurate and valid data, to ensure that institutions can concentrate on the metrics that matter the most.

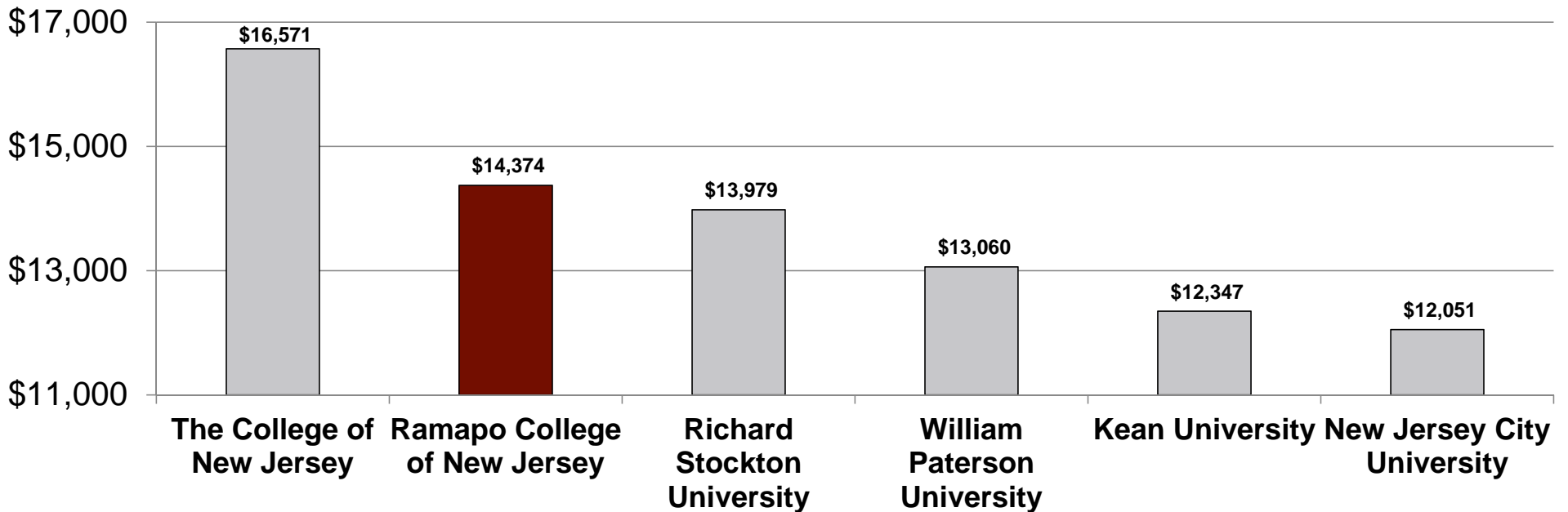
The allocation methodology uses three variables:

1. The **total number** of degrees awarded in the most recent fiscal year (FY 2018),
2. The **total number** of under-represented racial/ethnic minority degrees awarded (FY 2018), and
3. The **number** of low-income students using student financial aid proxies (e.g. Pell grant recipients).

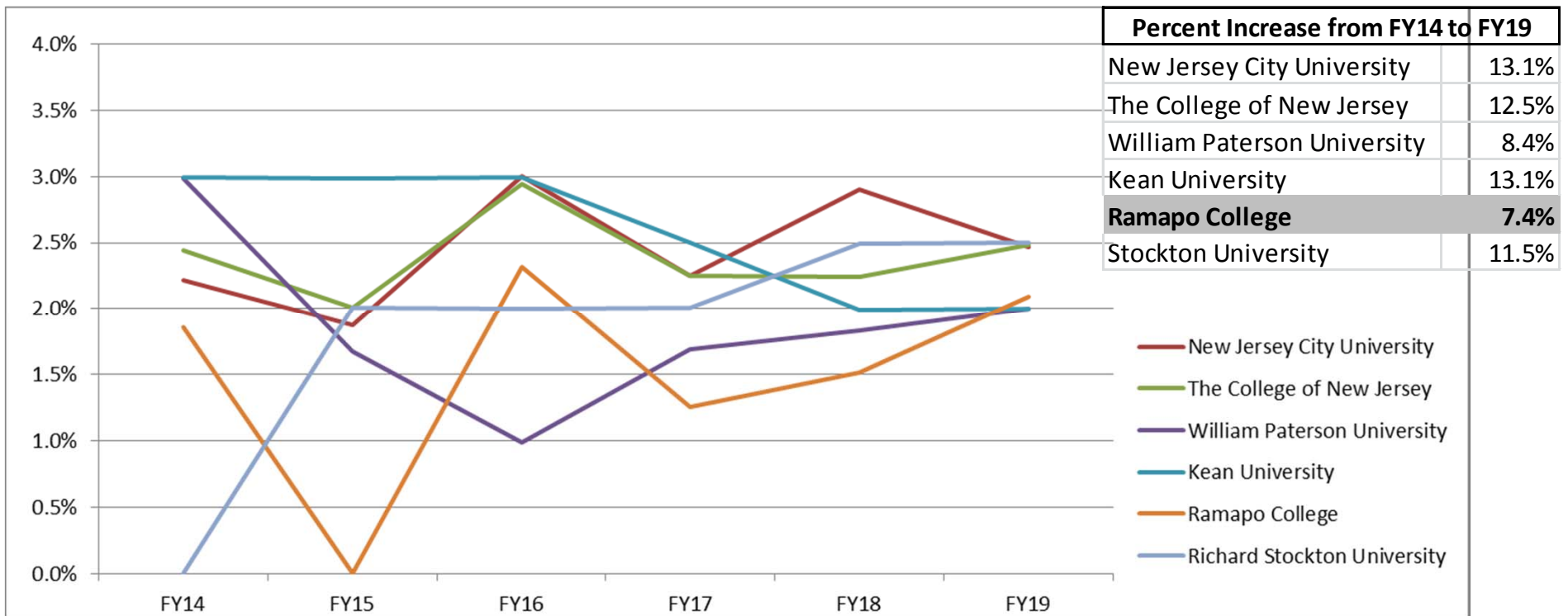
New Jersey State Support Projected for FY20

	Calculated Base Appropriations (in 000's)	Outcomes Based allocation (in 000's)	Position FY20	Enrollment FY20 Budget	Student ratio per position ratio	Total \$ per student
New Jersey City University	\$ 24,386	\$ 2,086	1,129	7,991	7.1	\$ 3,313
Kean University	29,821	3,239	1,074	13,771	12.8	2,401
William Paterson University	29,649	2,566	1,111	9,883	8.9	3,260
The College of New Jersey	26,571	1,127	859	7,436	8.7	3,725
Ramapo College of New Jersey	14,574	1,053	573	5,811	10.1	2,689
Stockton University	17,883	1,853	1,069	9,558	8.9	2,065

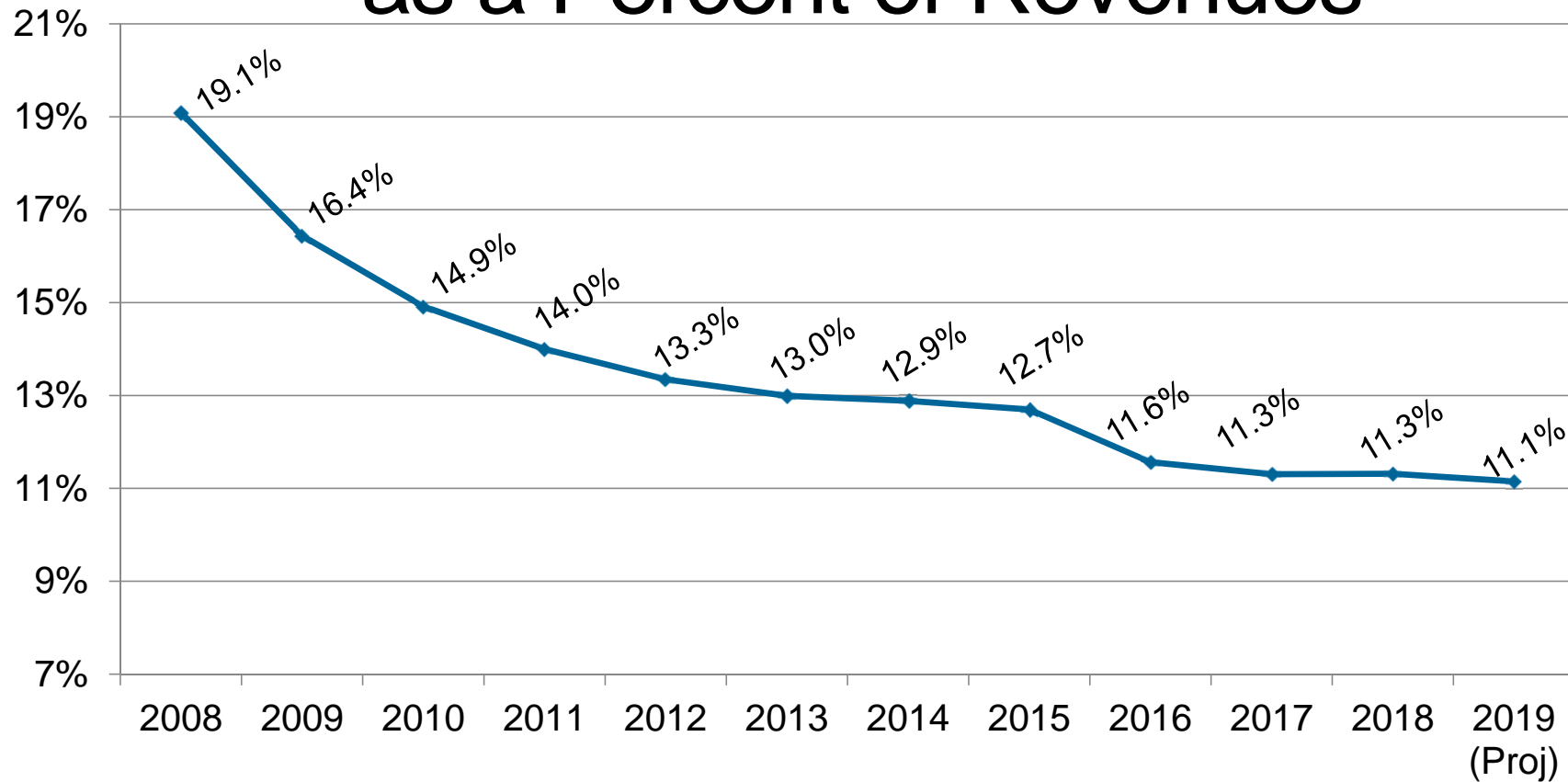
FY19 Tuition & Fee Comparison of New Jersey Public Institutions



Annual Tuition & Fee Percent Increase - New Jersey Public Institutions

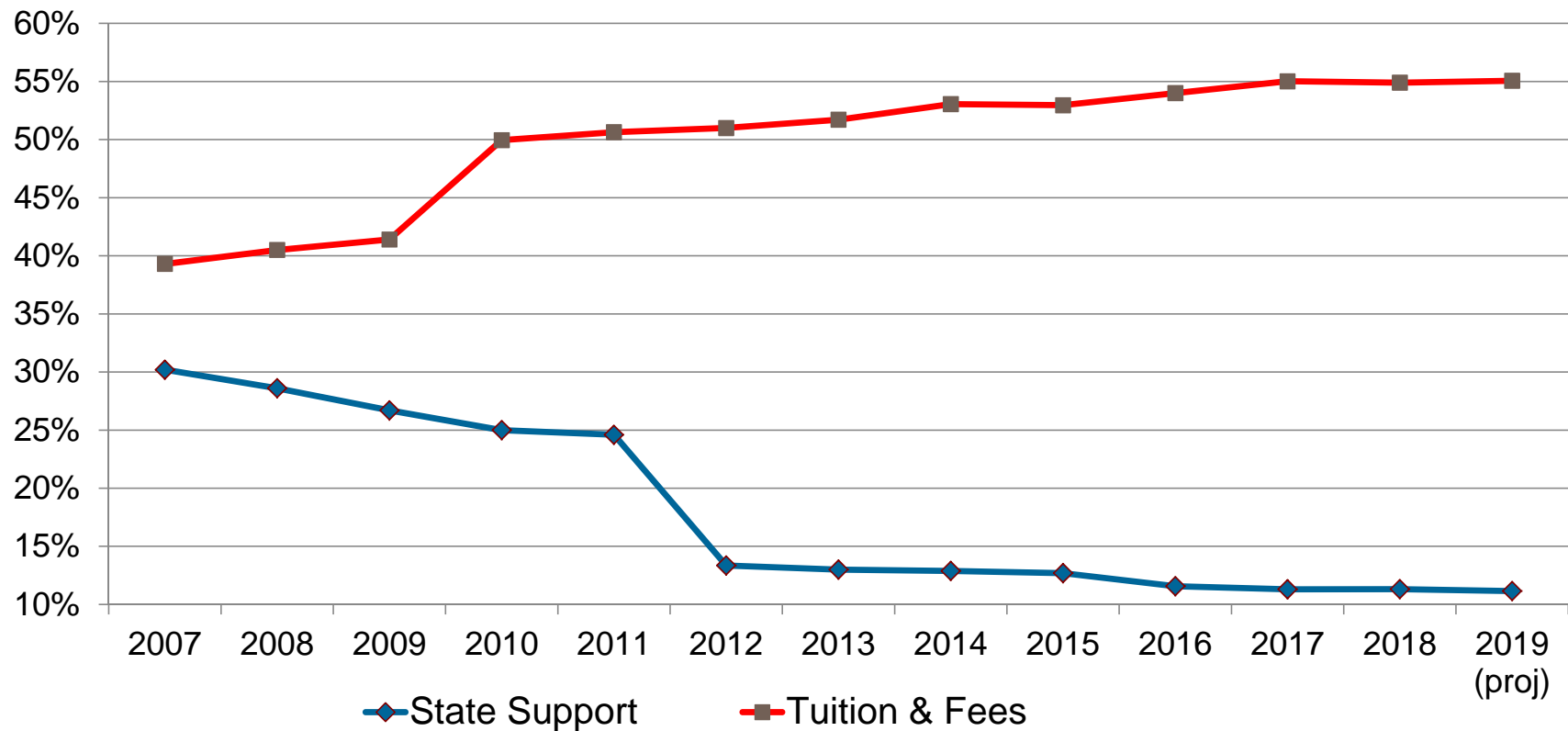


Operational State Appropriations as a Percent of Revenues



*State Support and Revenues do not include Employee Benefits

Operational State Appropriations vs. Tuition & Fees as a Percent of Operating Revenues



*State Support and Revenues do not include Employee Benefits

Student Indebtedness

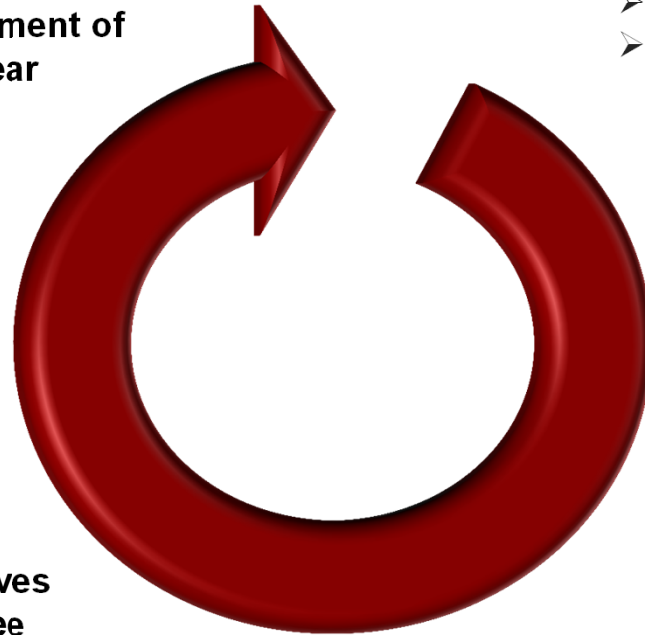
(all data for federal loans only)

- Average Ramapo Freshmen
 - In 2017 – 70% take out loans averaging \$7,743
 - In 2018 – 60% take out loans averaging \$5,832
- Average debt of Ramapo graduates
 - Graduating Class of 2017 – \$33,300 (actual)
 - Graduating Class of 2018 – \$34,405 (estimated)
- State of New Jersey average
 - Class of 2017 – \$32,247*
 - Class of 2018 – not yet available
- National average
 - 2017 – \$37,172**
 - 2018 – \$33,310***

Sources: Ramapo College Office of Financial Aid, *<https://ticas.org/posd/map-state-data>, ** <https://www.credible.com/blog/statistics/average-student-loan-debt-statistics/>, *** <https://www.debt.org/students/>

BUDGET PROCESS

Budget Cycle



Step 8

- Budget training for unit directors
- Units assessment and adjustment of current budget throughout year

Step 7

- President's State of the College Address

Step 6

- Units receive new year's budget (Jul)

Step 5

- Board of Trustees approves budget and tuition and fee increase (Jun)

Step 4

- Budget Presentation-Open Forum (May)
- Final budget developed for Trustee review (Jun)

Step 1

- New fiscal year begins (Jul)
- Submit OMB budget request to State (Nov)

Step 2

- Budget training for unit directors
- Budget for units established by account for review
- Budget Change Requests submitted through Adaptive (Feb- Mar)

Step 3

- Cabinet reviews budget
- Draft proforma and assumptions tested (April)

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**

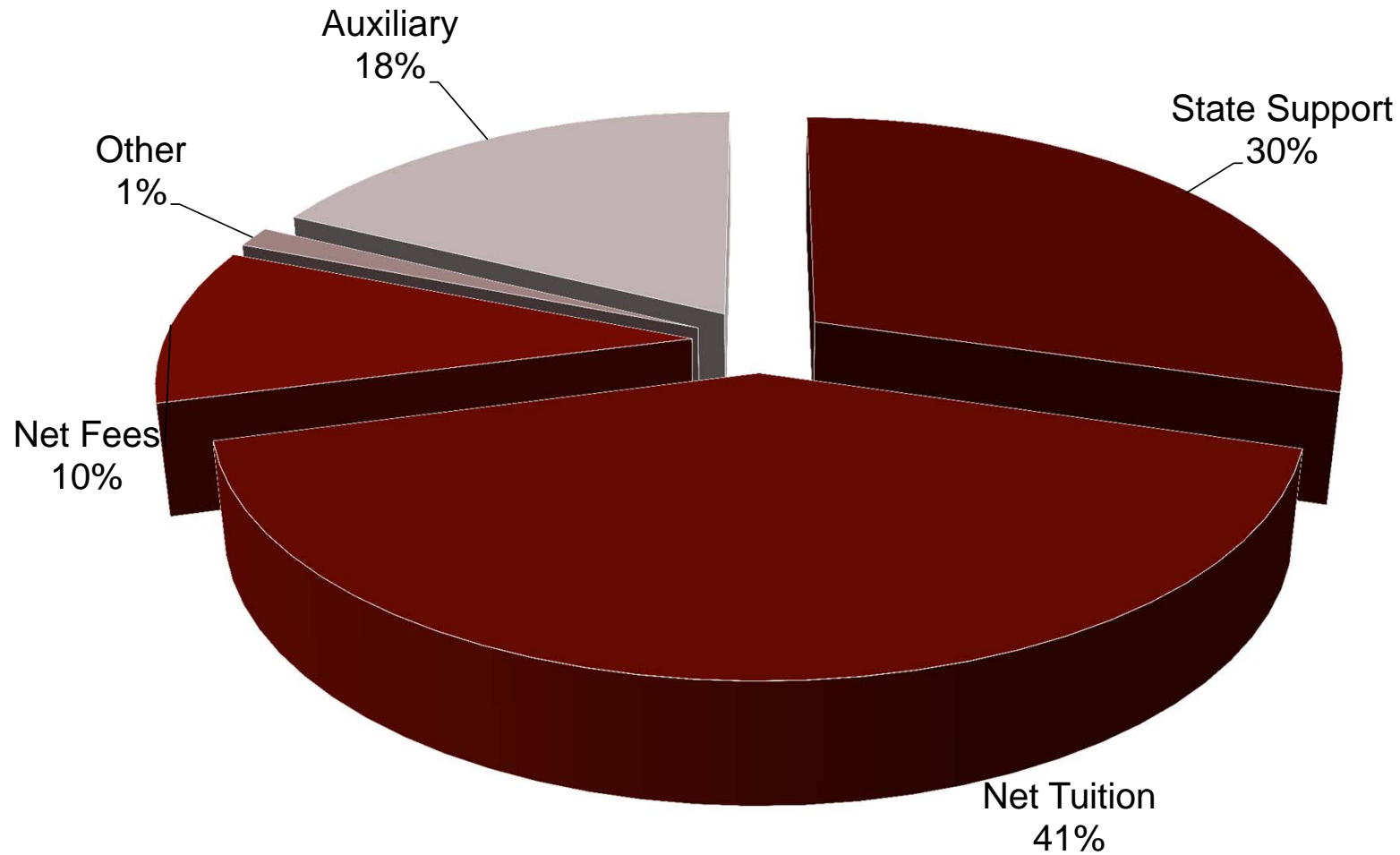
Budget Process

- Model forecasts expenses to rise at a higher percentage than revenues
- Integration of Budget and Planning to focus on long-term and strategic
- Focus on what is **needed** in each unit to meet the goals/mission
- All new items should be requested with a funding source in mind
- Adaptive training available all year, either individual or group training
- Budgeting is a college-wide process, the Budget Office is here for support and guidance
- Each unit owns their operations and budget

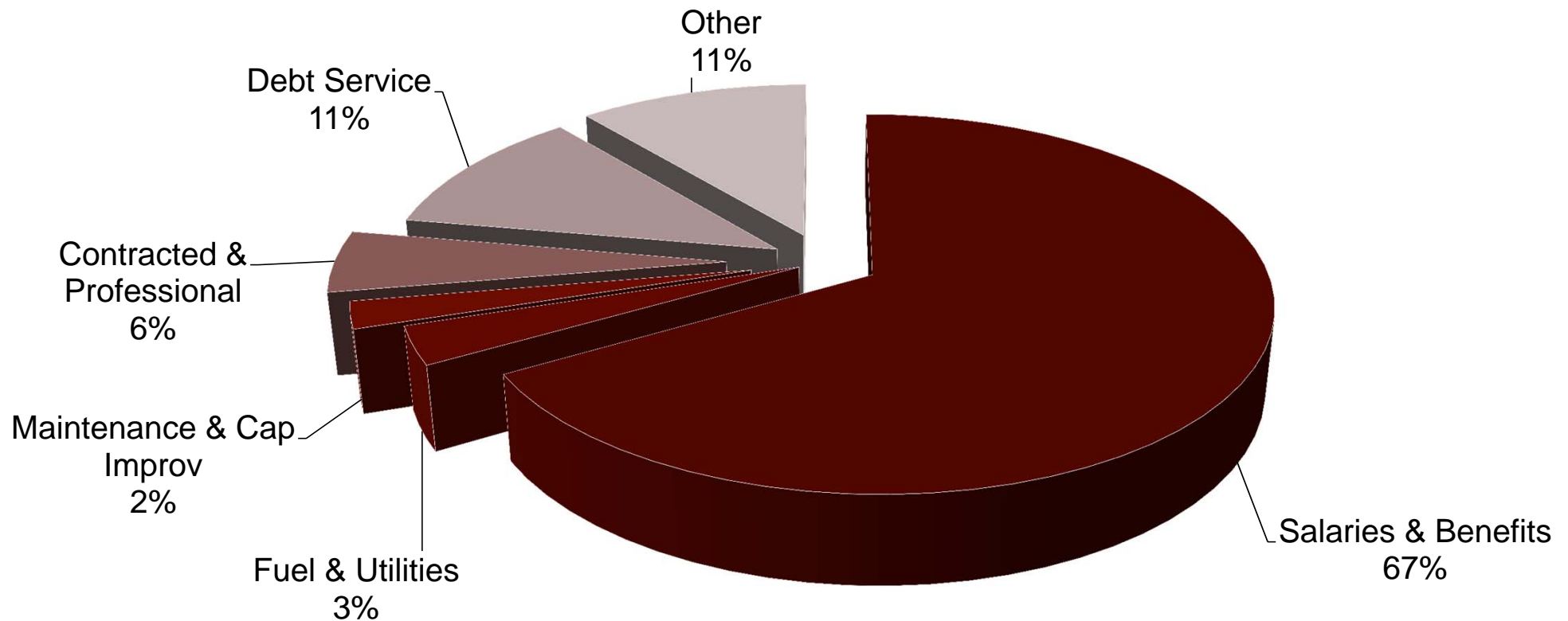
Where Do Operating Funds Come From?

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

Sources of Revenues FY20 (Proj)



Expenditures by Category FY20 (Proj)



FINANCIAL OUTLOOK

What is a Structural Deficit?

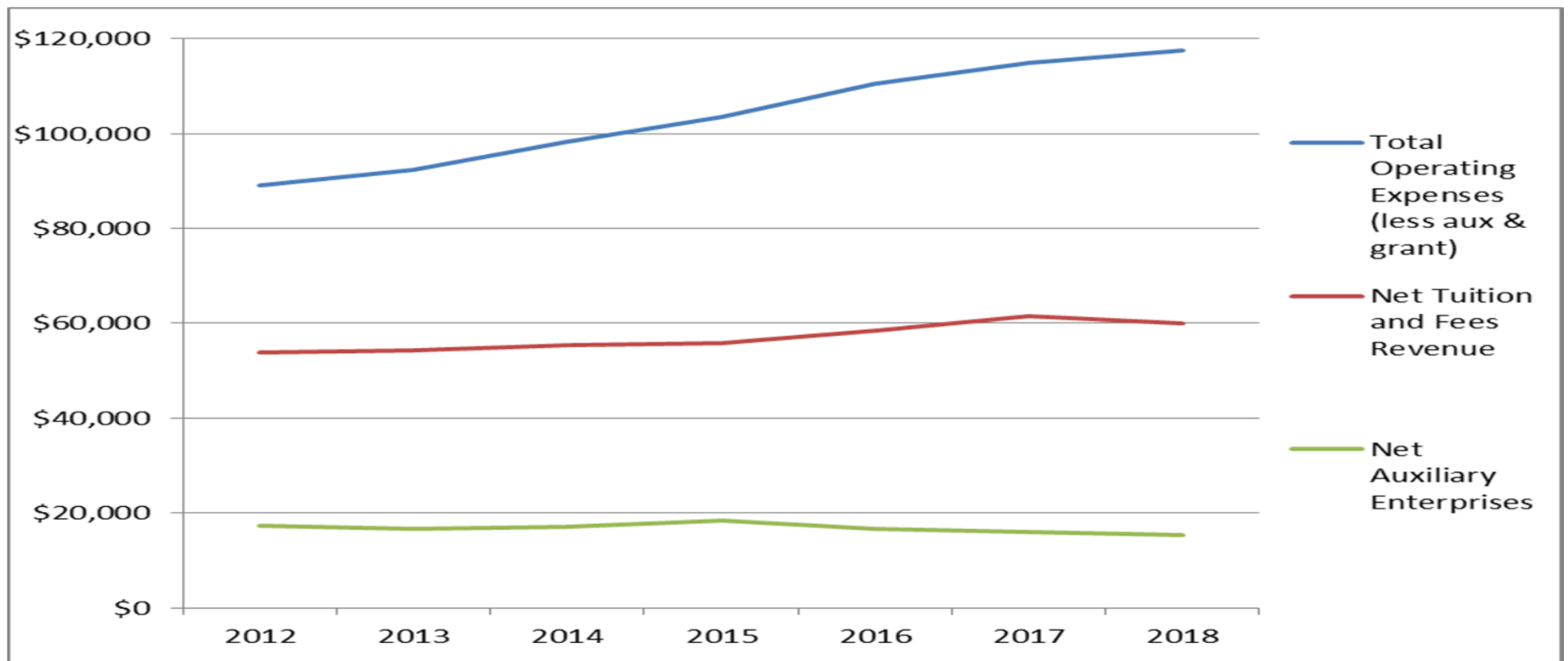
- Defined by the Cambridge Dictionary as

“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.”

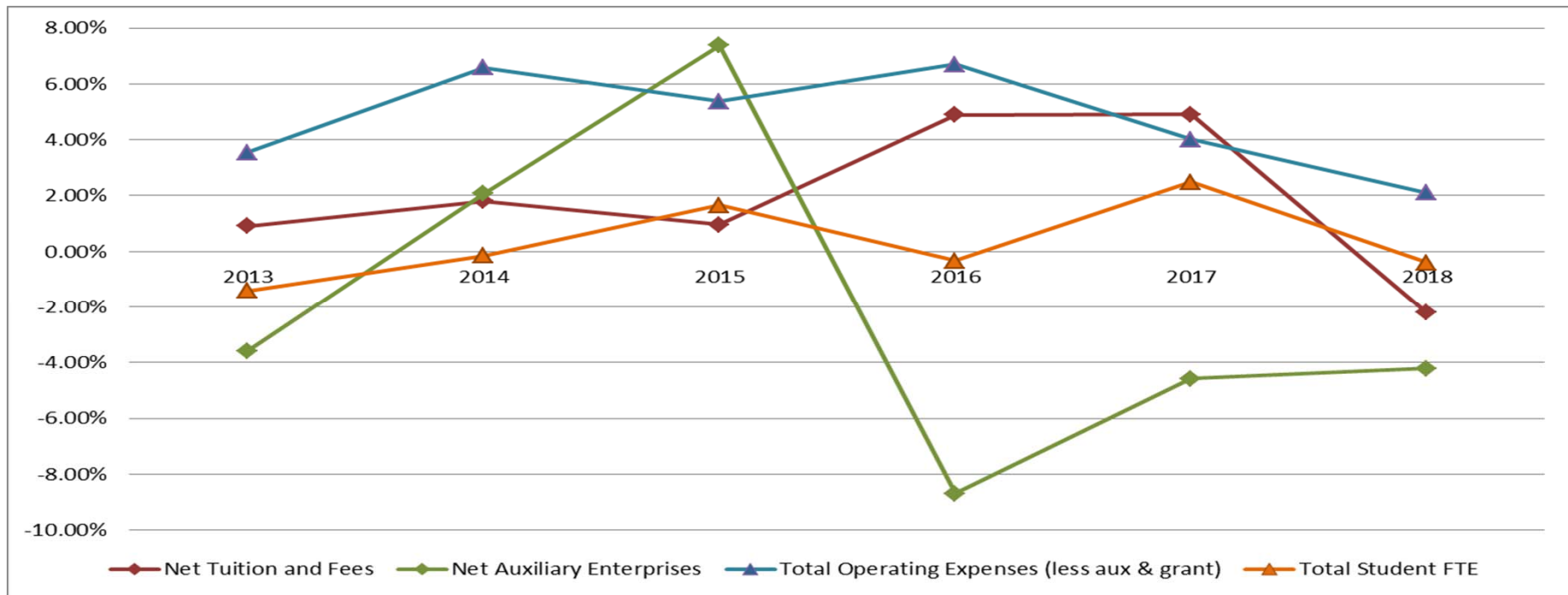
- Sometimes described as “robbing Peter to pay Paul” or a “funding gap”
- When long-term spending exceeds the projected long-term revenues that will be generated by operations
- A model of systemic need for funds that are not generated by operations

Historical Trending of Financial Results

\$ in thousands



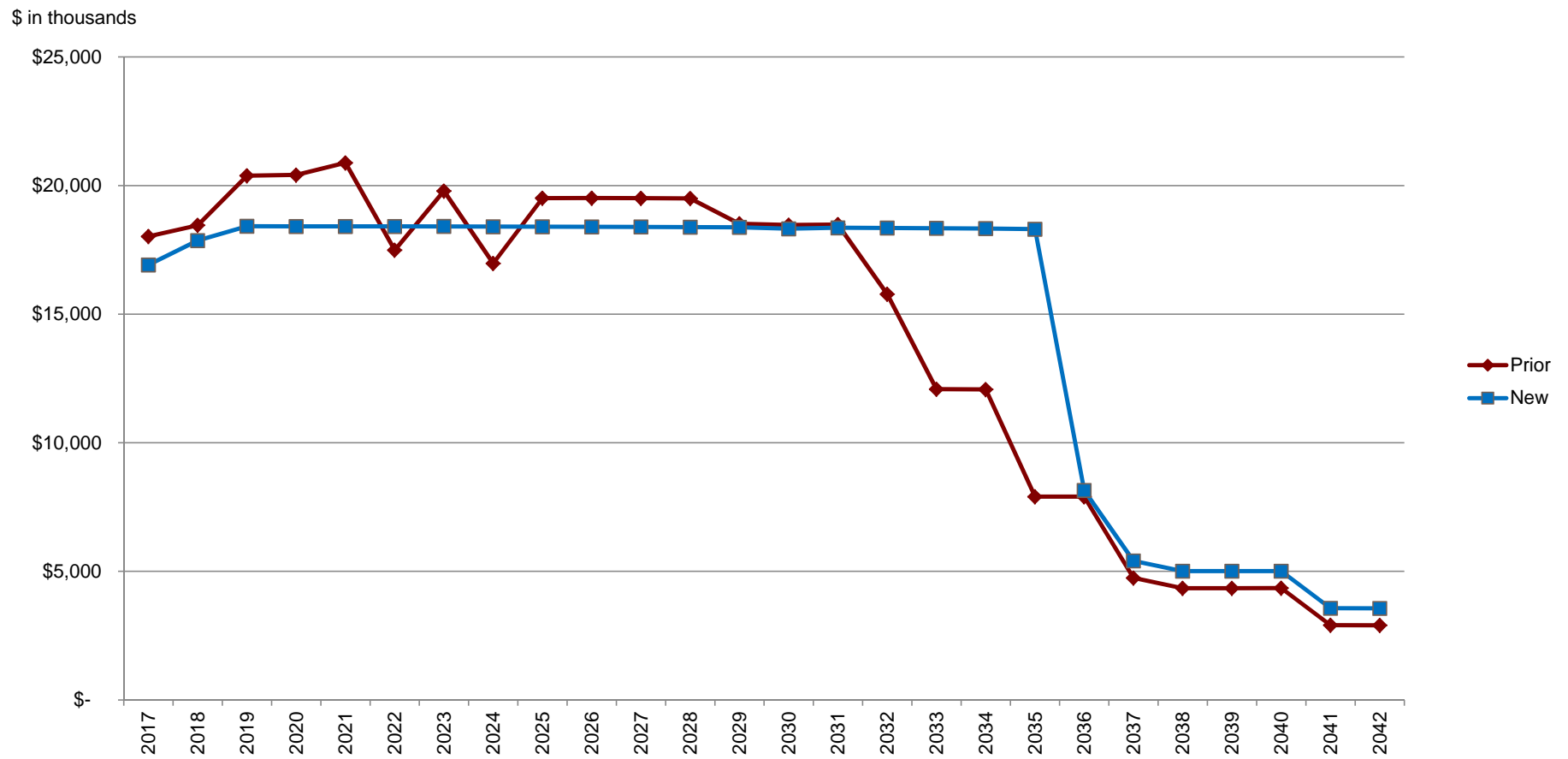
Percent change from prior year



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
- FY17 debt restructuring, saved the College a projected \$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

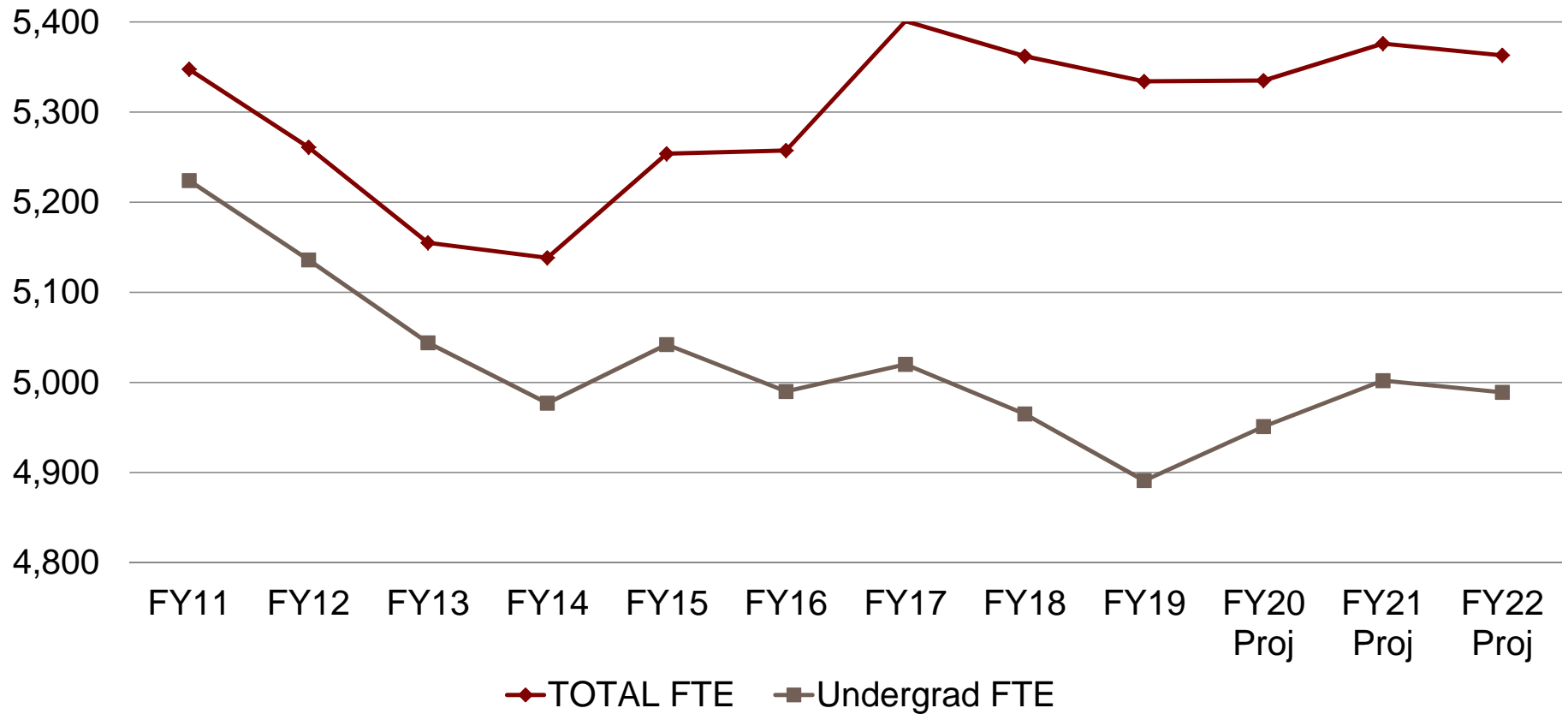


Current Baseline Budget FY20

Current Key Assumptions:

- Base State operational support lower and outcomes-based measures included
- Tuition and fee increase being reviewed, but no change was included in Baseline
- Full-time fringe rate at 50%
- Targeted cuts in non-salary expenditures, elimination of select vacant lines, reduction in SPIF and capital funding
- Projecting an increase in undergraduate enrollment over FY19 levels
- Second year no new graduate programs offered
- Graduate enrollment projected to decrease 13% over FY19 levels
- Housing occupancies at 91% in fall and 86% in spring
- Union contracts have been estimated, if not currently known

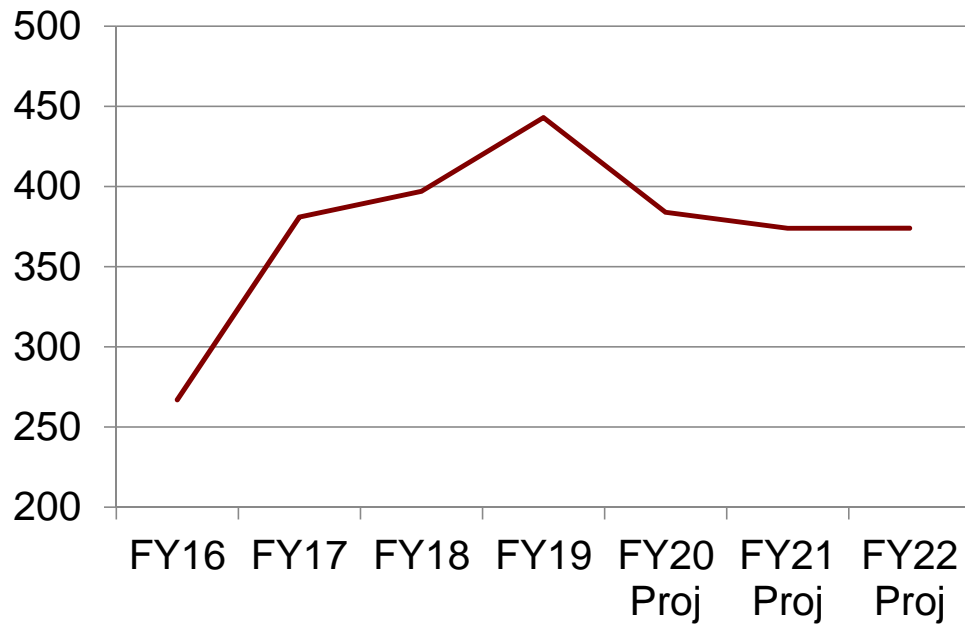
Annualized Enrollment FY11 – FY22 (Proj)



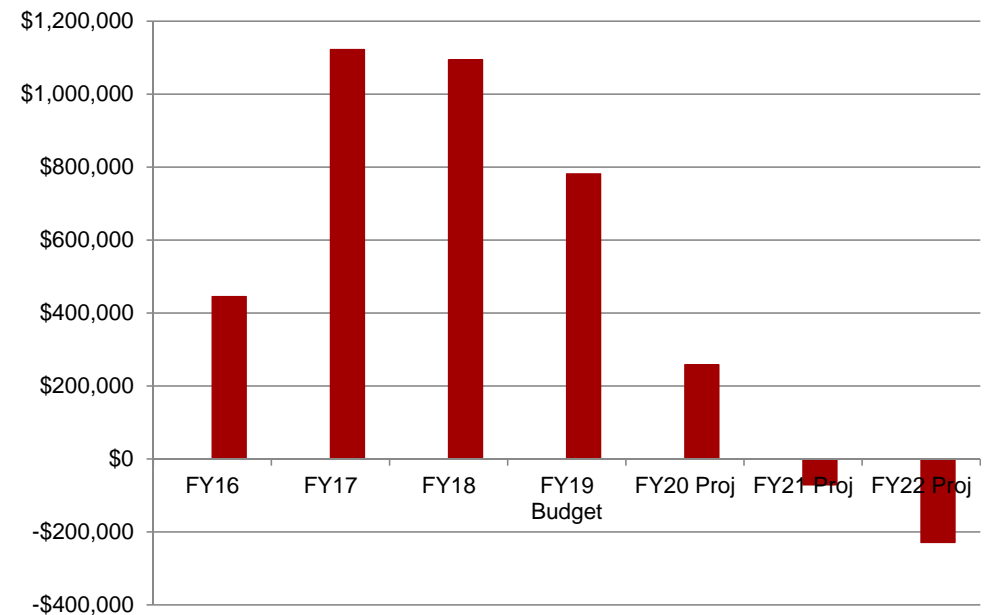
Undergraduate is Fall and Spring enrollment, Graduate is full year enrollment.

Graduate Program Actual and Projected Results

Full Year Enrollment



Net Revenue w/overhead



Ramapo College - Baseline Scenario

(\$in thousands)	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>
E & G Revenue	\$ 122,377	\$ 124,631	\$ 125,883
Auxiliary Services	<u>35,184</u>	<u>35,194</u>	<u>33,960</u>
Total Revenue	157,561	159,825	159,843
E & G Expenses	132,492	136,614	140,187
Auxiliary Expenditures	<u>29,416</u>	<u>30,098</u>	<u>29,723</u>
Total Expenditures	<u>161,908</u>	<u>166,712</u>	<u>169,910</u>
Deficit	<u>\$ (4,347)</u>	<u>\$ (6,887)</u>	<u>\$ (10,067)</u>

Ramapo College – Tuition Assessment

	FY20		
(\$in thousands)	<u>1.50%</u>	<u>2.00%</u>	<u>2.50%</u>
E & G Revenue	\$ 123,519	\$ 123,900	\$ 124,281
Auxiliary Services	<u>35,523</u>	<u>35,636</u>	<u>35,749</u>
Total Revenue	159,042	159,536	160,030
E & G Expenses	132,492	132,492	132,492
Auxiliary Expenditures	<u>29,416</u>	<u>29,416</u>	<u>29,416</u>
Total Expenditures	<u>161,908</u>	<u>161,908</u>	<u>161,908</u>
Deficit	\$ <u>(2,866)</u>	\$ <u>(2,372)</u>	\$ <u>(1,878)</u>

Balancing Measures to Consider

- Shift to long-term thinking, and not just patch one year at a time
- Budget is a college-wide process, should involve all of campus
- Innovative ideas to increase revenues - new affiliation agreements, auxiliary activities, new majors and masters programs
- Assessment of staffing levels, organizational structures and open positions
- FY20 items:
 - Further cuts to non-salary lines
 - Review of SPIF program and budget changes
 - Increases to tuition, fees and housing
 - Review of other spend, including employee travel and larger items such as deferred maintenance will be reviewed, which could have a significant impact
 - Reserves could be released
- Need for Institutional Change – Innovative and Strategic Long-term Vision

Other uncertain items that could impact FY20 results

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

Future Considerations

- Affordability
 - Continue to balance budget AND work to maintain affordability for students

- New business and delivery models
 - Satellite campus locations to increase enrollment

 - Alternatives to traditional degrees
 - Accelerated programs
 - Industry accreditations or certifications

 - Delivery of Education
 - **Online programs**
 - Hybrid models

Future Considerations

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

- 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

