Budget FY23

May 9, 2022
Agenda

- Higher Education
  - COVID-19 Impacts
  - Economics/Environment
  - State of New Jersey Budget

- Ramapo College
  - Historical Perspective
  - Budget FY23
  - Uncertainties Facing Ramapo

- Questions?
Higher Education
COVID-19 Impacts
COVID-19 Impacts

• Losses/Expenses/CARES Funds
  • FY20 – Refunds and Credits given ($5.2 million)
  • FY20 – Loss of State support ($2.6 million)
  • FY20 – FY22 Additional Expenses incurred
  • FY21/FY22 – CARES Funds received for Ramapo ($19.9 million)

• Enrollment
  • From FY20 UG cumulative decline to FY22 of approximately 10%
  • FY23 projected lower than actual FY22 enrollment (14.1% decline from FY20)

• Housing Occupancies
  • Pre-COVID-19 FY20 90.6%
  • FY21 – 14.4%
  • FY22 – 63.6%
  • FY23 – projected at 67.6%
**CARES Grants**

(dollars in thousands)

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Amount (in thousands)</th>
<th>Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Education Emergency Relief Fund I *</td>
<td>$2,303</td>
<td>FY21</td>
</tr>
<tr>
<td>Governor’s Emergency Education Relief Fund **</td>
<td>$1,603</td>
<td>FY21</td>
</tr>
<tr>
<td>Coronavirus Relief Fund I **</td>
<td>$3,670</td>
<td>FY21</td>
</tr>
<tr>
<td>Coronavirus Relief Fund II</td>
<td>$1,411</td>
<td>FY21</td>
</tr>
<tr>
<td>Higher Education Emergency Relief Fund II</td>
<td>$4,751</td>
<td>FY21</td>
</tr>
<tr>
<td>Higher Education Emergency Relief Fund III</td>
<td>$6,240</td>
<td>FY22</td>
</tr>
</tbody>
</table>

**Total** $19,978

* Funds received in FY20, but not recognized until FY21
** Included in FY21 Budget
COVID-19 Impacts

• Traditional Predictive Models – not functioning the same
  • Budget
  • Enrollment

• Talent Retention
  • “The Great Resignation”
  • Shortages – Teachers, Nurses and Counselors

• Students
  • Gap Years
  • Straight to Jobs
  • Mental Health
  • Skills Gap for some students
COVID-19 impacts to students

• Mental health severely affected
• Students of color were disproportionately affected
• Lower grades
• Loneliness

• 76% of bachelor degree seeking students reported emotional stress was the reason they considered withdrawing (up 34% since 2020)

• About 30% of these students cited the pandemic and attendance costs impacted their ability to stay enrolled

43,000 students who sought treatment at counseling centers in Fall 2020 indicated these areas of life were negatively affected by COVID-19

<table>
<thead>
<tr>
<th>Area of Impact</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mental health</td>
<td>72%</td>
</tr>
<tr>
<td>Motivation or focus</td>
<td>68%</td>
</tr>
<tr>
<td>Loneliness or isolation</td>
<td>67%</td>
</tr>
<tr>
<td>Academics</td>
<td>66%</td>
</tr>
<tr>
<td>Missed experiences or opportunities</td>
<td>60%</td>
</tr>
<tr>
<td>Career/employment</td>
<td>44%</td>
</tr>
<tr>
<td>Relationships (significant other, family, friends)</td>
<td>43%</td>
</tr>
<tr>
<td>Financial</td>
<td>35%</td>
</tr>
<tr>
<td>Health concerns (other)</td>
<td>30%</td>
</tr>
<tr>
<td>Health concerns (self)</td>
<td>26%</td>
</tr>
<tr>
<td>Grief/loss of someone</td>
<td>9%</td>
</tr>
<tr>
<td>Food or housing insecurity</td>
<td>9%</td>
</tr>
<tr>
<td>Discrimination/harassment</td>
<td>3%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Penn State Center for Collegiate Mental Health
Economics/Environment
• In FY23, rising labor costs will drive expense growth in the 4% to 6% range for the second year, compared to 3% to 4% increases over the last decade

• Increased spending on academic and mental health services, and increasing costs of utilities, travel and insurance are straining budgets

• A strong labor market and high inflation threaten to reduce tuition revenue. State funding remains below current inflation and the end of federal pandemic aid will reduce revenue
NJ no longer number one in total out of state migration. This data presents the number of first-time degree/certificate-seeking undergraduate students at Title IV institutions who migrate into and out of the state or jurisdiction: Fall 2018

### 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>34,928</td>
<td>6,455</td>
<td>-28,473</td>
</tr>
</tbody>
</table>

- New Jersey is 3rd behind California and Illinois in total migration, but is the national leader in the net migration

Future High School Graduates

- The overall number of high school graduates will peak in the mid-2020’s and then enter a period of modest decline through 2037
- Graduates will peak with the Class of 2025
- The number of high school graduates in New Jersey is expected hold steady or slightly increase until 2025

Source: WICHE, Knocking at the College Door, 10th edition, 2020, pgs 1,7
First Time Enrollments Drop

Projecting the Impact of Increased High School Dropouts and Delayed College Plans

Number of first-time enrollments at 2-year and 4-year institutions, 1990-2025

First-Time Enrollments

![Graph showing projected and actual first-time enrollments from 1990 to 2025. Actual figures are shown as a solid line, while the range of likely outcomes is shown as a dashed line.]

Estimated range of inputs informing outcome:
- High school dropouts: 1.2M-2M
- Students delaying matriculation due to financial stress, preference for in-person instruction: 5-40%
- Long-term decline in attendance due to decreased consumer confidence: 1-3x 2008 recession impact

Fall 2021 Enrollment drops by 1M

- Colleges enrolled approximately 1 million fewer undergraduate students in Fall 2021 compared to Fall 2019, a decrease of 6.6%
- Graduate enrollment dropped 0.4%
- Every institution type saw enrollment declines in Fall 2021

Year-over-year enrollment changes by institution type:

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Fall 2021</th>
<th>Fall 2020</th>
<th>Fall 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public 4-year</td>
<td>-3.0%</td>
<td>0.2%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Private nonprofit 4-year</td>
<td>-1.6%</td>
<td>-0.1%</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Private for-profit 4-year</td>
<td>-9.3%</td>
<td>5.3%</td>
<td>-2.1%</td>
</tr>
<tr>
<td>Public 2-year</td>
<td>-3.4%</td>
<td>-10.1%</td>
<td>-1.4%</td>
</tr>
</tbody>
</table>

Inflation

- Inflation measures how much more expensive a set of goods and services has become over a certain period, usually a year.

- The Consumer Price Index (CPI) and the Personal Consumption Expenditures Price Index (PCE) are at their highest level in 40 years in February 2022.

- CPI stood at 7.9% for the 12-month period, while PCE came in at 6.4%.

Source:
Inflation

- COVID-19 and the infusion of funds
- Supply change issues
  - Surging demands
  - Production costs (salaries and materials)
- Labor shortages

- Global markets (including the impact of Russia's invasion of Ukraine)
- Politics
- Inflation does not impact all equally
  - Rising food, rents, gas and other consumer goods
Increasing demands for return on investment from education

- Value and cost of education
- Student debt levels
- Graduation rates and retention
- Employment rates after graduation – what is the case for the need for higher education?
State of New Jersey Budget
State of New Jersey

• Moody’s Investors Service has upgraded New Jersey’s credit rating and the State plans to make a $6.82 billion pension payment

• In Fall 2022, tens of thousands of eligible students will receive free tuition at NJ’s public four-year colleges as a result of a $44 million increase in direct aid through the Outcomes-Based Allocation since 2021 through the Garden State Guarantee

• Increased support for the Educational Opportunity Fund, a higher income threshold for Community College Opportunity Grants to match the Garden State Guarantee’s limits, and a new initiative to encourage college completion, to expand access to degrees as widely as possible

• A net reduction of $17.2m in operating aid for senior publics, with a reallocation of $25 million to research institutions (mostly Rutgers) to support fringe benefit payments

• In November, the State announced $418 million investment in construction in grants thought its bond programs (applications opening soon)

Source: The State of New Jersey Budget in Brief Summary of Budget Recommendations Fiscal Year 2023
Ramapo’s proposed allocations within the FY23 State Budget, as compared to the expected FY22

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>Budgeted FY23</th>
<th>Expected FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations *</td>
<td>$15,574</td>
<td>$15,574</td>
</tr>
<tr>
<td>OBA - regular *</td>
<td>1,064</td>
<td>1,064</td>
</tr>
<tr>
<td>OBA - GSG</td>
<td>2,289</td>
<td>1,266</td>
</tr>
<tr>
<td>Legislative addition *</td>
<td>-</td>
<td>1,640</td>
</tr>
<tr>
<td>Property Sale</td>
<td>700</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$19,627</strong></td>
<td><strong>$19,544</strong></td>
</tr>
</tbody>
</table>

* Operational Total              | $16,638       | $18,278       |

Source: https://www.nj.gov/treasury/omb/publications/23budget/FY2023BudgetDetail-FullPDF.pdf
State Funding for Higher Ed

Percent change in state spending per student, inflation adjusted 2008-2018

Ramapo College
Historical Perspective
NJ Operational State Appropriations to State Colleges & Universities

TCNJ, Kean, NJCU, RCNJ, Stockton & William Paterson
Fall 2021 (FY22) Tuition & Fee Comparison of NJ Public Institutions

<table>
<thead>
<tr>
<th>Institution</th>
<th>Tuition &amp; Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>The College of New Jersey</td>
<td>$8,653</td>
</tr>
<tr>
<td>Ramapo College of New Jersey</td>
<td>$7,476</td>
</tr>
<tr>
<td>Richard Stockton University</td>
<td>$7,307</td>
</tr>
<tr>
<td>William Paterson University</td>
<td>$7,105</td>
</tr>
<tr>
<td>New Jersey City University</td>
<td>$6,584</td>
</tr>
<tr>
<td>Kean University</td>
<td>$6,298</td>
</tr>
</tbody>
</table>

Source: Institution websites
## NJ Operational State Appropriations per Student FTE

<table>
<thead>
<tr>
<th>Institution</th>
<th>FY 2020 Total Student FTE</th>
<th>FY 2023 Total Appropriation</th>
<th>FY 2023 Funding per FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>NJCU</td>
<td>6,391</td>
<td>$33,663,000</td>
<td>$5,267</td>
</tr>
<tr>
<td>WPU</td>
<td>8,683</td>
<td>$37,720,000</td>
<td>$4,344</td>
</tr>
<tr>
<td>TCNJ</td>
<td>8,500</td>
<td>$30,924,000</td>
<td>$3,638</td>
</tr>
<tr>
<td>Kean</td>
<td>12,412</td>
<td>$41,967,000</td>
<td>$3,381</td>
</tr>
<tr>
<td>Ramapo</td>
<td>6,089</td>
<td>$19,627,000</td>
<td>$3,223</td>
</tr>
<tr>
<td>Stockton</td>
<td>10,509</td>
<td>$28,952,000</td>
<td>$2,755</td>
</tr>
<tr>
<td>TESU</td>
<td>3,743</td>
<td>$10,097,000</td>
<td>$2,698</td>
</tr>
<tr>
<td><strong>Total/Average</strong></td>
<td><strong>56,327</strong></td>
<td><strong>$202,950,000</strong></td>
<td><strong>$3,603</strong></td>
</tr>
</tbody>
</table>
Enrollment Trends

Annualized Undergraduate FTE

14.1% Decline in enrollment Projected from FY20 to FY23

Fall and Spring enrollment - *Includes Ramapo @ PCCC
Enrollment Trends

Tuition Discount History - Undergraduate

Based upon the Fall tuition discounts (scholarships and waivers given) applied for each year.
Enrollment Trends

Graduate Credit Hours

FY18  FY19  FY20  FY21  FY22  FY23 (Proj)

Full year enrollment
Annualized Enrollment FY13 – FY23 (Proj)

<table>
<thead>
<tr>
<th>Year</th>
<th>TOTAL FTE</th>
<th>Undergrad FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY13</td>
<td>5,400</td>
<td>5,000</td>
</tr>
<tr>
<td>FY14</td>
<td>5,300</td>
<td>4,900</td>
</tr>
<tr>
<td>FY15</td>
<td>5,200</td>
<td>4,800</td>
</tr>
<tr>
<td>FY16</td>
<td>5,100</td>
<td>4,700</td>
</tr>
<tr>
<td>FY17</td>
<td>5,000</td>
<td>4,600</td>
</tr>
<tr>
<td>FY18</td>
<td>4,900</td>
<td>4,500</td>
</tr>
<tr>
<td>FY19</td>
<td>4,800</td>
<td>4,400</td>
</tr>
<tr>
<td>FY20</td>
<td>4,700</td>
<td>4,300</td>
</tr>
<tr>
<td>FY21*</td>
<td>4,600</td>
<td>4,200</td>
</tr>
<tr>
<td>FY22*</td>
<td>4,500</td>
<td>4,100</td>
</tr>
<tr>
<td>FY23*</td>
<td>4,400</td>
<td>4,000</td>
</tr>
</tbody>
</table>

Undergraduate is Fall and Spring enrollment, Graduate is full year enrollment.
*Includes Ramapo @ PCCC
Student to Faculty Ratio Trends

Fall 2017
Fall 2018
Fall 2019
Fall 2020
Fall 2021
Housing Occupancy

Percent Occupancy - As of Fall

FY18: 90.0%
FY19: 90.0%
FY20: 90.0%
FY21: 10.0%
FY22: 60.0%
FY23 (Proj): 70.0%

FY19-21 is based on the frozen file, FY22 is actual
Net Auxiliary Projections

$ in millions

FY18 FY19 FY20 FY21 FY22 (Proj) FY23 (Proj)

Res Life Food service
Salary Costs *

* Does not include fringe
Expense Categories

- Preliminary FY23 Budget Estimate
- FY22 Projection
- FY21
- FY20
- FY19
- FY18

Categories:
- Debt Service
- Other Expenses
- Salary and Fringe
What is a Structural Deficit?

“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 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

• ONLY an issue as the College is committed to keeping tuition increases low and higher education affordable for our students
How the College addresses these issues

- Higher Education has established a model to perform other services to help cover growing operating costs, the most significant being Auxiliary activities.

- Increase graduate programs to leverage the existing undergraduate strengths (development of the 4+1).

- The College commits to a balanced budget each year.

- Seek efficiencies and continue to keep College spend in check.

- Continue to look for other sources of revenue and support.

- FY22 debt restructuring, moved principal payments out into later years to free up operational cash.
Ramapo’s Changes in annual Debt Service resulting from Debt Refinances & Issuances FY17/FY22
Budget FY23
Budget Cycle FY23

Step 1
- New fiscal year begins (Jul)
- Submit OMB budget request to State (Nov)

Step 2
- Budget training for unit directors, ongoing
- Budget for units established by account for review
- President’s State of the College Address (Spring)

Step 3
- Budget Change Requests submitted through Adaptive (Mar-April)
- Draft proforma and assumptions tested (April)
- Cabinet reviews budget

Step 4
- Budget Presentation-Open Forum (May)
- Final budget developed for Trustee review (Jun)

Step 5
- Board of Trustees approves budget and tuition & housing updates (Jun)

Step 6
- Units receive new year’s budget, Budget Change requests available (Jul)

Step 7
- President’s State of the College Address (Fall)

Step 8
- Budget training for unit directors
- Units assessment and adjustment of current budget throughout year
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
• Currently in model 2.5% for both tuition and housing, however still evaluating impact

• Tuition waivers up approximately 30% from FY22

• Garden State Guarantee is budgeted to cover all expenses associated with this program (no net impact on our operating budget)

• Undergraduate enrollment for FY23 Fall & Spring is projected 4.7% lower than the actual enrollment for the full year ending FY22

• Graduate enrollment for FY23 is budgeted 1.2% less than the actual FY22 results

• Housing at 1,796 and 1,739 residents for Fall and Spring FY23 (67.6% average occupancy as compared to FY22 which had an approximate occupancy of 63.6%)
Current Key Budget Assumptions FY23

- No COVID-19 funds in the Budget at this time (expenses or grants)
- Full-time fringe rate budgeted at 65%
- Continuation of targeted cuts in non-salary expenditures, significant number of positions frozen
- SPIF eliminated, and reductions in utilities and deferred maintenance
- Per agreements, unions will receive deferred Cost of Living Adjustments, plus this year’s increments
- Managerial increases included
Sources of Revenues Preliminary FY23 Budget Estimate

Net Tuition and fees 44%

Auxiliary 15%

State Support - Operating 10%

State Support - Fringe 30%

Other 1%
Expenditures by Category
Preliminary FY23 Budget Estimate

Salaries & Benefits: 71%
Fuel & Utilities: 3%
Maintenance & Cap Improv: 3%
Contracted & Professional: 6%
Debt Service: 6%
Other: 11%
## FY21 Actual, FY22 Projection & Preliminary FY23 Budget Estimate

(Dollars in thousands)

<table>
<thead>
<tr>
<th>Income:</th>
<th>FY21 Actual</th>
<th>FY22 Projection (as of April 2022 adjusted for debt)</th>
<th>Preliminary FY23 Budget Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Tuition &amp; Fees</td>
<td>$ 77,260</td>
<td>$ 77,077</td>
<td>$ 73,130</td>
</tr>
<tr>
<td>Government Appropriations &amp; Grants</td>
<td>58,764</td>
<td>58,950</td>
<td>65,247</td>
</tr>
<tr>
<td>Auxiliary Enterprise Revenue</td>
<td>8,285</td>
<td>21,246</td>
<td>25,185</td>
</tr>
<tr>
<td>Interest &amp; Other</td>
<td>407</td>
<td>806</td>
<td>929</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>144,716</td>
<td>158,079</td>
<td>164,491</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Wages</td>
<td>94,463</td>
<td>107,260</td>
<td>121,453</td>
</tr>
<tr>
<td>Non-Salary Expenditures</td>
<td>22,781</td>
<td>40,780</td>
<td>39,609</td>
</tr>
<tr>
<td>Debt Service</td>
<td>18,364</td>
<td>12,244</td>
<td>10,340</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$ 135,608</td>
<td>$ 160,284</td>
<td>$ 171,402</td>
</tr>
<tr>
<td><strong>Statement of Net Position</strong></td>
<td>$ 9,108</td>
<td>$ (2,205)</td>
<td>$ (6,911)</td>
</tr>
<tr>
<td><strong>Statement of Net Position %</strong></td>
<td>6.3%</td>
<td>-1.4%</td>
<td>-4.2%</td>
</tr>
</tbody>
</table>

Projecting the net operations over three years to break even (no use of reserves)
UNCERTAINTIES FACING RAMAPO
Other uncertain items that could impact FY23 results

- Additional unfunded mandates, such as changes to union contracts or the Garden State Guarantee, could worsen the College’s net position.
- Another strain or surge of COVID could restrict operations.
- Changes in regulations or operational decisions could result in additional costs not budgeted.
- Housing occupancies could differ significantly from Budget.
- Further decline in State benefit support or significant changes in the fringe rate.
- Decline in student enrollments.
- What else???
Future Considerations

- What have we learned from COVID-19?
  - What has worked?
  - What hasn’t worked?

- Align our structure and protect ourselves from future events, noting our reliance on auxiliary programs

- Other sources of revenue
  - Additional auxiliary activities, or net revenue producing activities
  - New programs, Masters or Certificate programs

- Fundraising – align with College needs, PNP process, and an all hands on deck strategy aligned with College strategies

- 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
Questions?