

The New Jersey Institutional Investors Forum XII

October 29, 2009

Jon S. Corzine
Governor

Vivian Altman
Chair

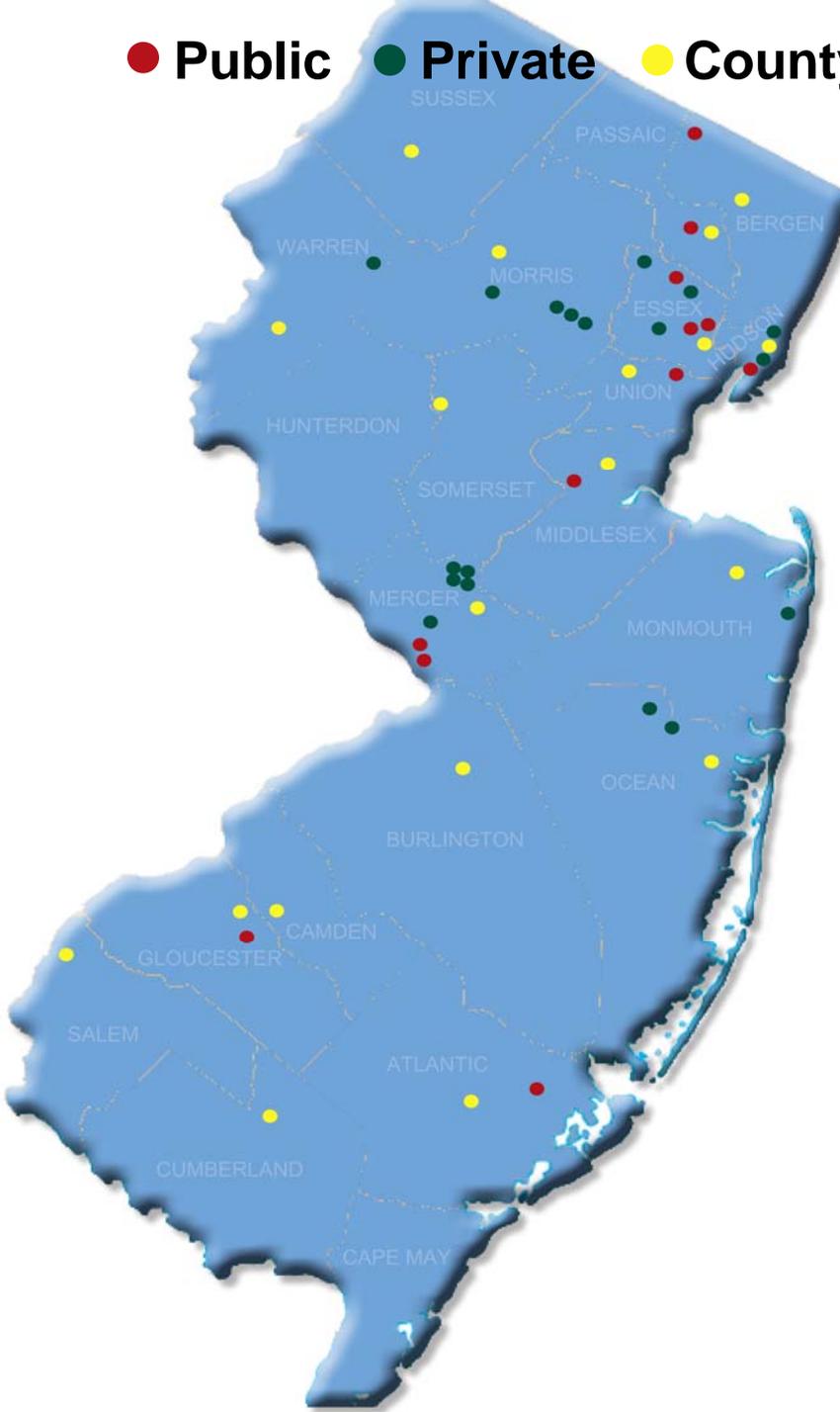
Roger L. Anderson
Executive Director



NJEFA

Building Futures for New Jersey and its Higher Education Community

● **Public** ● **Private** ● **County**



State Colleges and Universities

The College of New Jersey
 Kean University
 Montclair State University
 New Jersey City University
 New Jersey Institute of Technology
 Ramapo College of New Jersey
 The Richard Stockton College of NJ
 Rowan University
 Rutgers, The State University
 Thomas Edison State College
 University of Medicine and Dentistry
 The William Paterson University of NJ

Independent Colleges and Universities

Beth Medrash Govoha
 Bloomfield College
 Caldwell College
 Centenary College
 College of Saint Elizabeth
 Drew University
 Fairleigh Dickinson University
 Felician College
 Georgian Court University
 Institute for Advanced Study
 Institute for Defense Analyses
 Monmouth University
 Princeton University
 Princeton Theological Seminary
 Rabbinical College of America
 Rider University
 Saint Peter's College
 Seton Hall University
 Stevens Institute of Technology

County Colleges

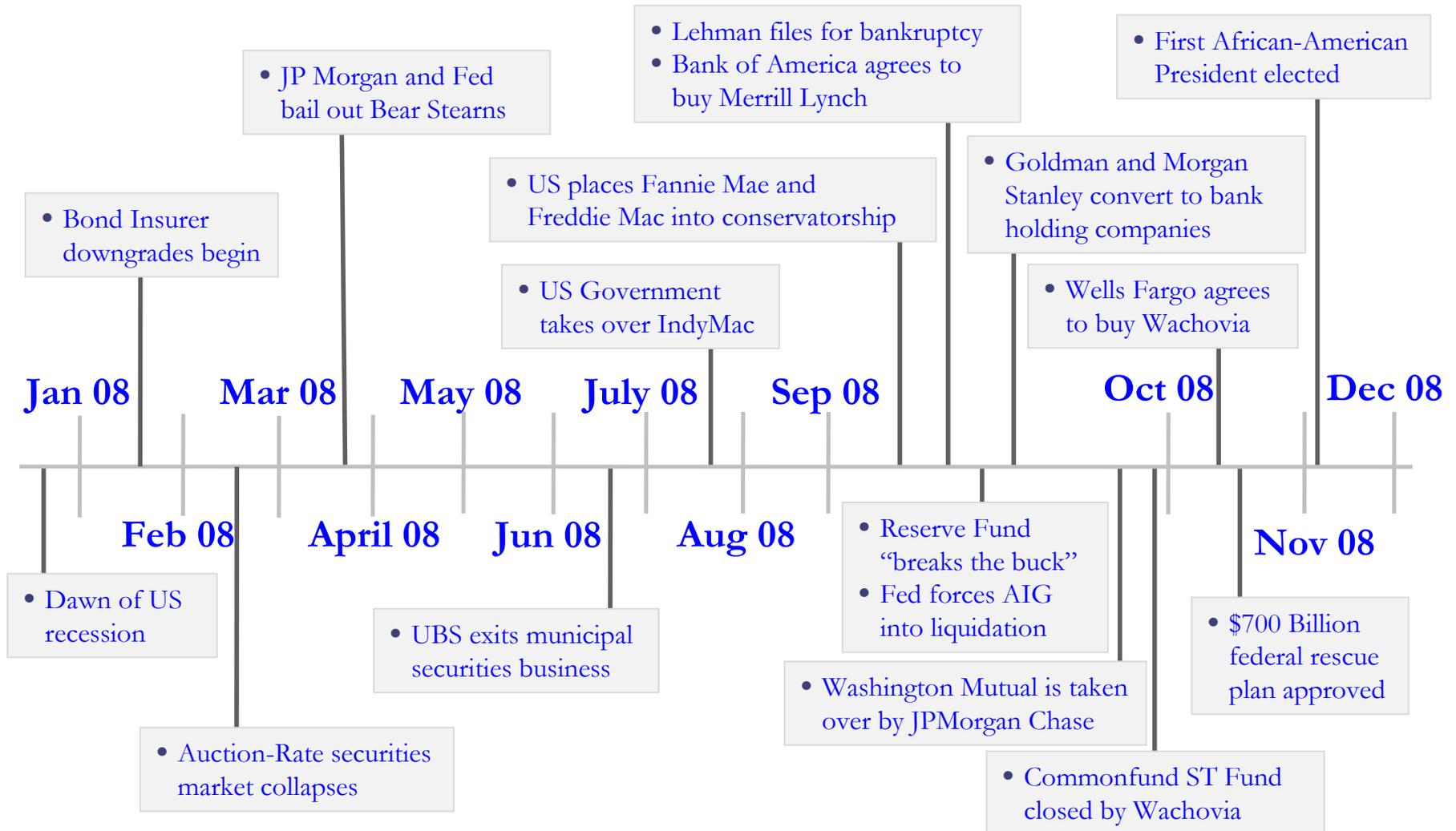
Atlantic Cape Community
 Bergen Community
 Brookdale Community
 Burlington County
 Camden County
 Cumberland County
 Essex County
 Gloucester County
 Hudson County Community
 Mercer County Community
 Middlesex County
 County College of Morris
 Ocean County
 Passaic County Community
 Raritan Valley Community
 Salem County
 Sussex County
 Union County
 Warren County Community



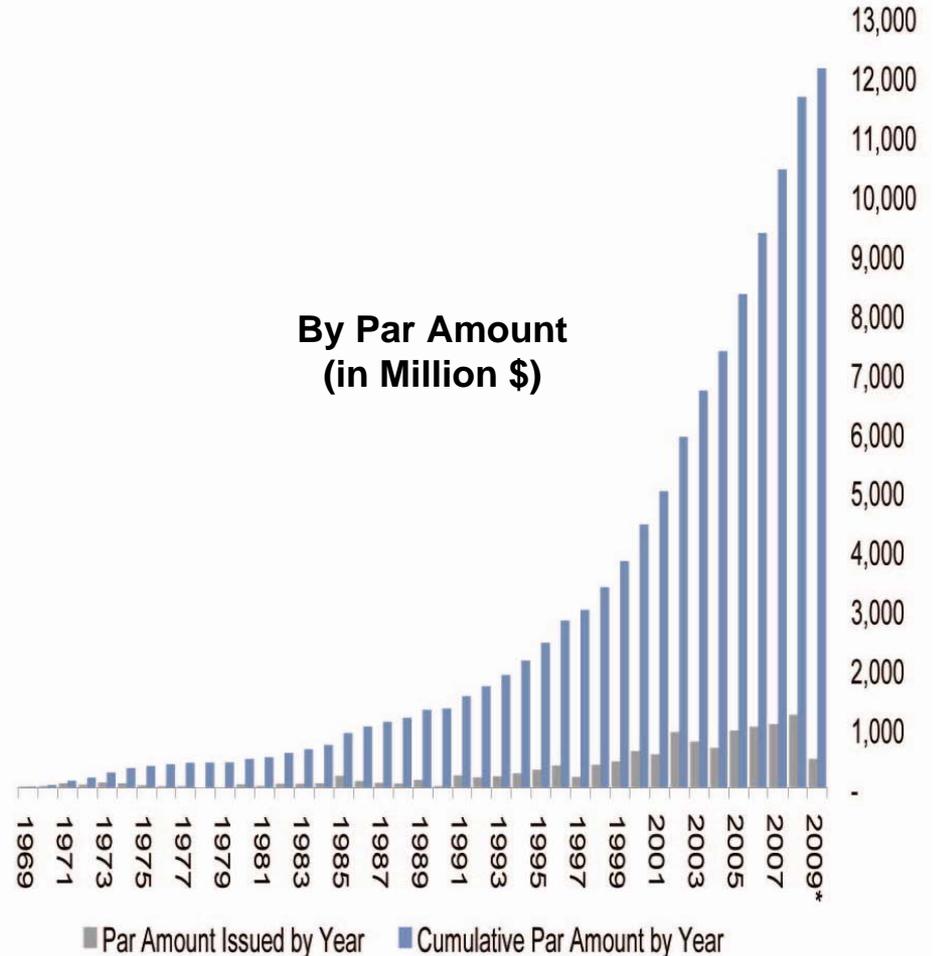
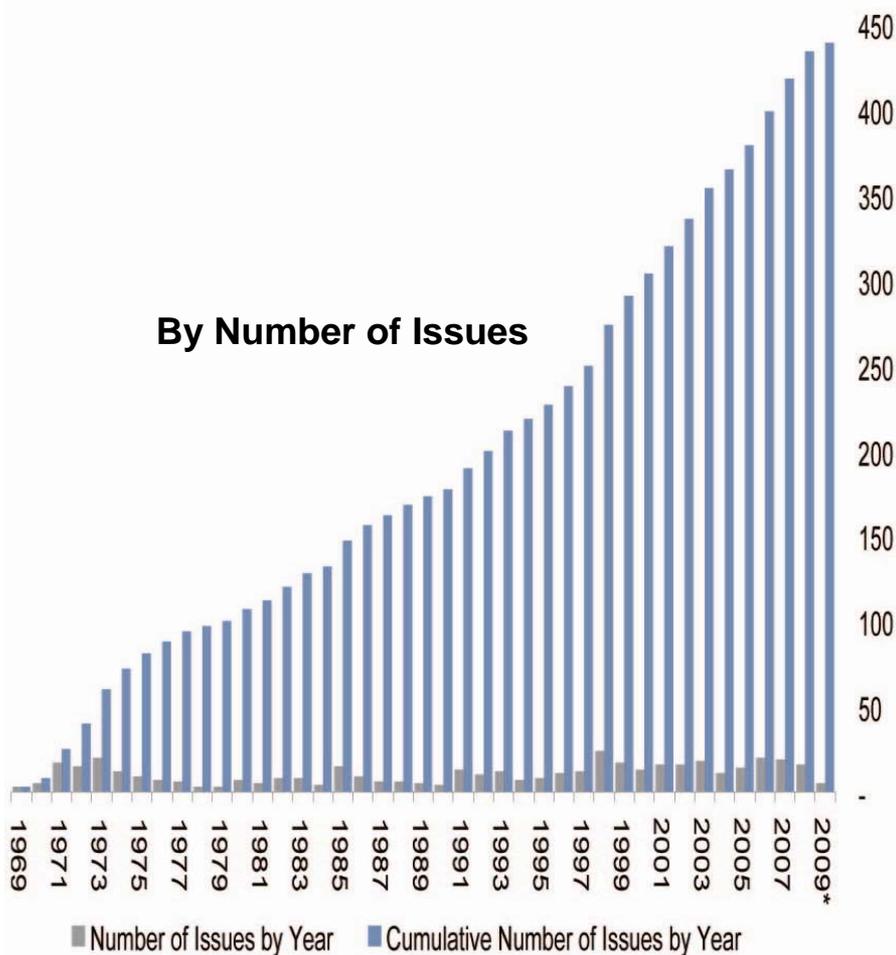
NJEFA Services

- **Financial Services:**
 - Tax-exempt bonds
 - Taxable bonds
 - State-supported bond programs
 - Tax-exempt leasing program
- **Post-closing/Other Services:**
 - Investment of bond funds
 - Monitoring for refunding opportunities
 - Arbitrage compliance
 - Swap monitoring
 - Escrow restructuring
 - Higher education finance conferences
 - Investor relations

Events of 2008

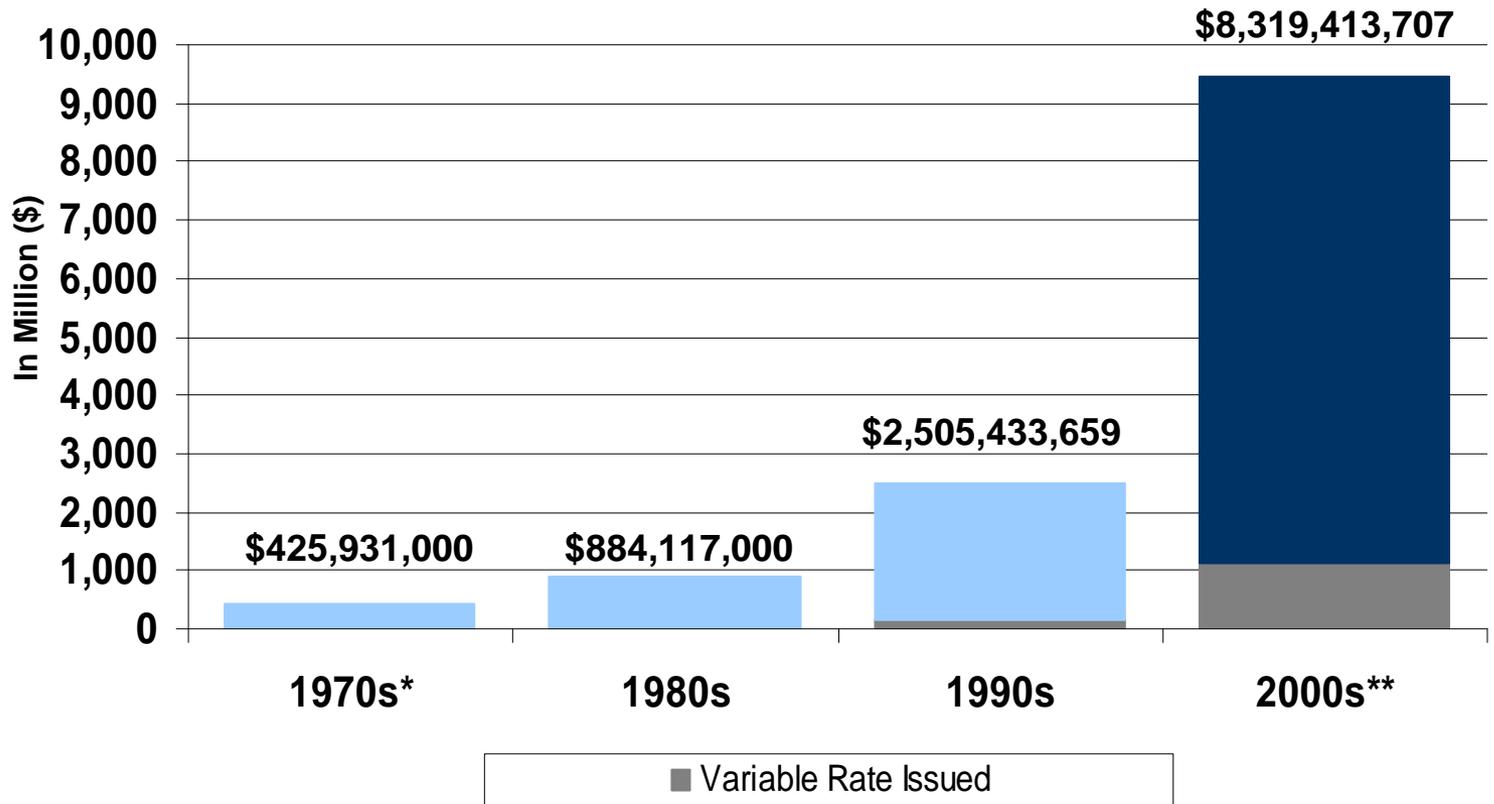


NJEFA Issuance Overview



* Includes transactions issued to date in 2009

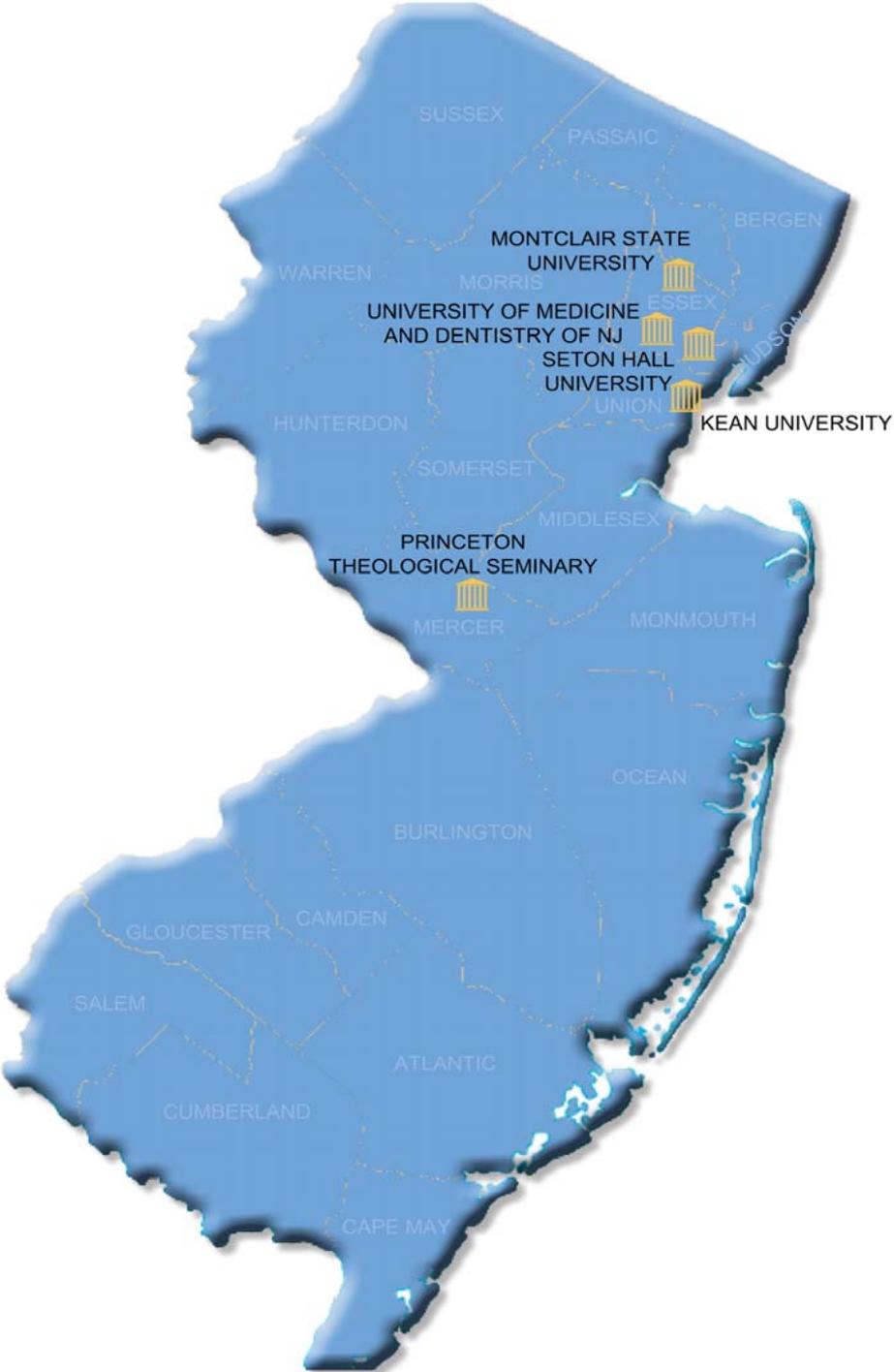
NJEFA Financings by Decade



* Includes par amount financed in 1969

** Includes par amount financed to date

2009 Transactions



Public Institutions

- Montclair State University, \$27,545,000
- University of Medicine and Dentistry of NJ, \$258,075,000
- Kean University, \$179,380,000

Private Institutions

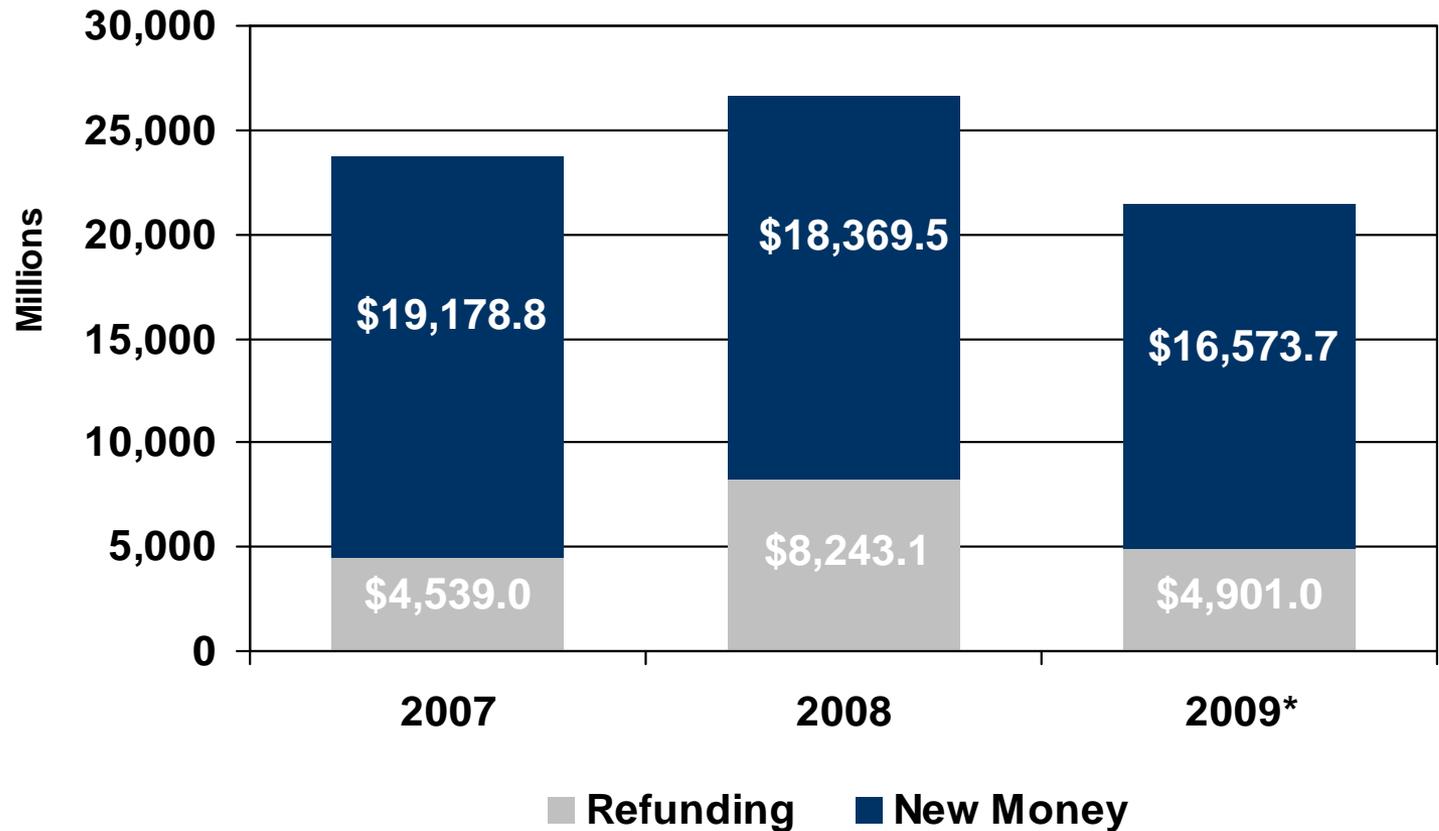
- Princeton Theological Seminary, \$14,435,000
- Seton Hall University, \$3,371,289

Montclair State University

Clove Road Residence

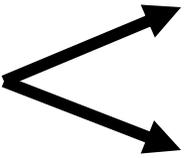


National Higher Education



* Through October 5, 2009

ARS/VRDB Transactions

9 clients  14 series of ARS
3 series of insured
VRDBs

Total > \$800 million



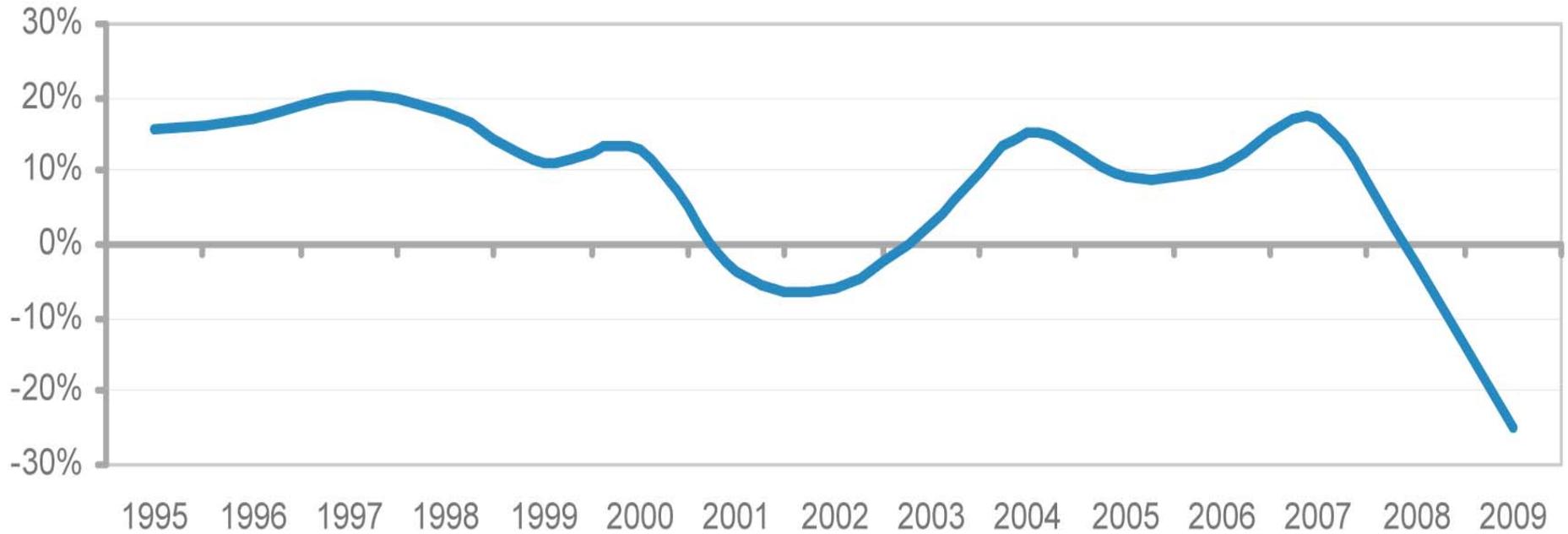


Results

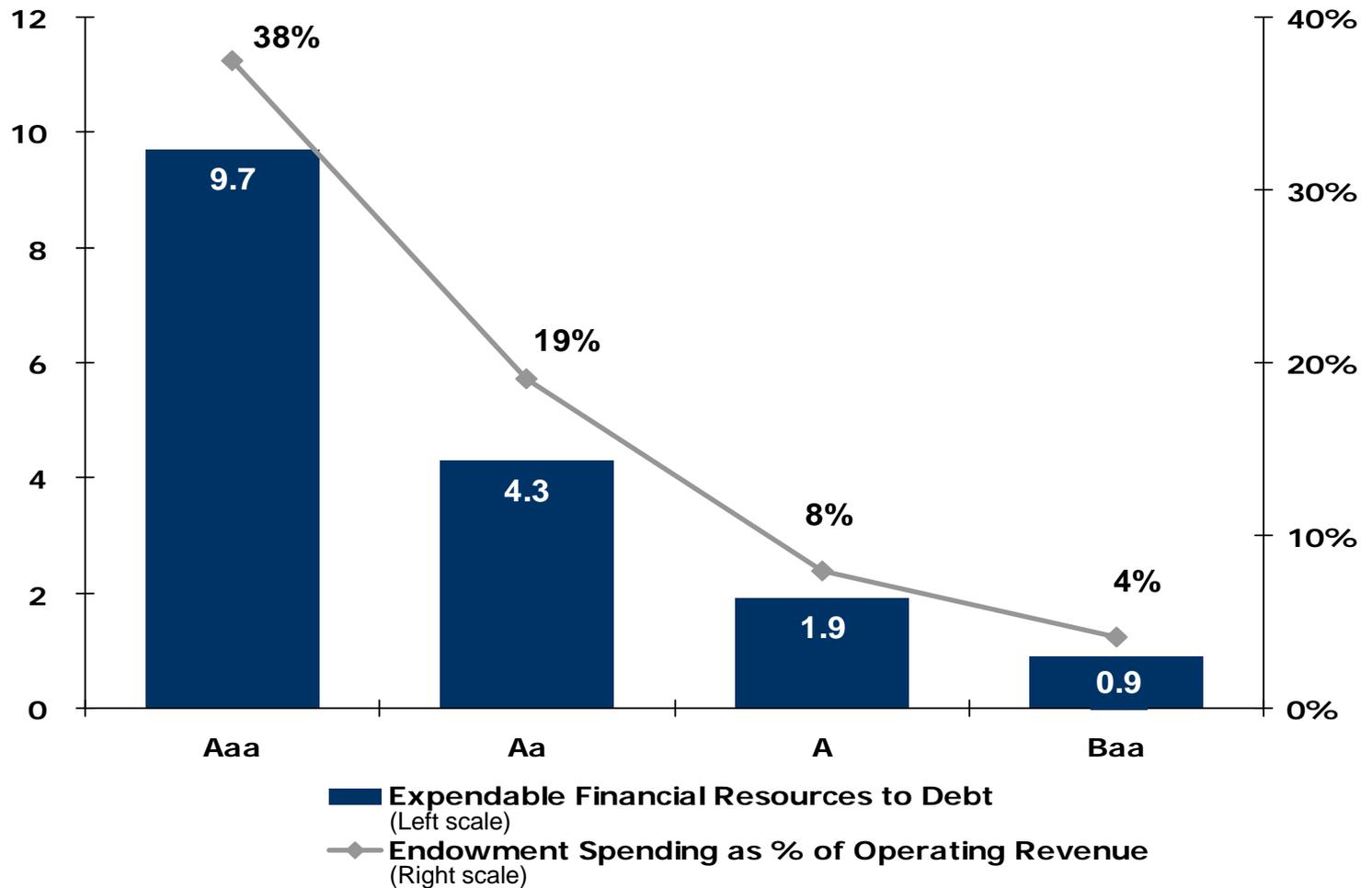
9 Restructurings Closed

- 6 selected fixed-rate refundings
- 1 wrapped existing VRDBs with a LOC
- 1 did a letter of credit refunding
- 1 combination put bond and fixed rate bonds refunding

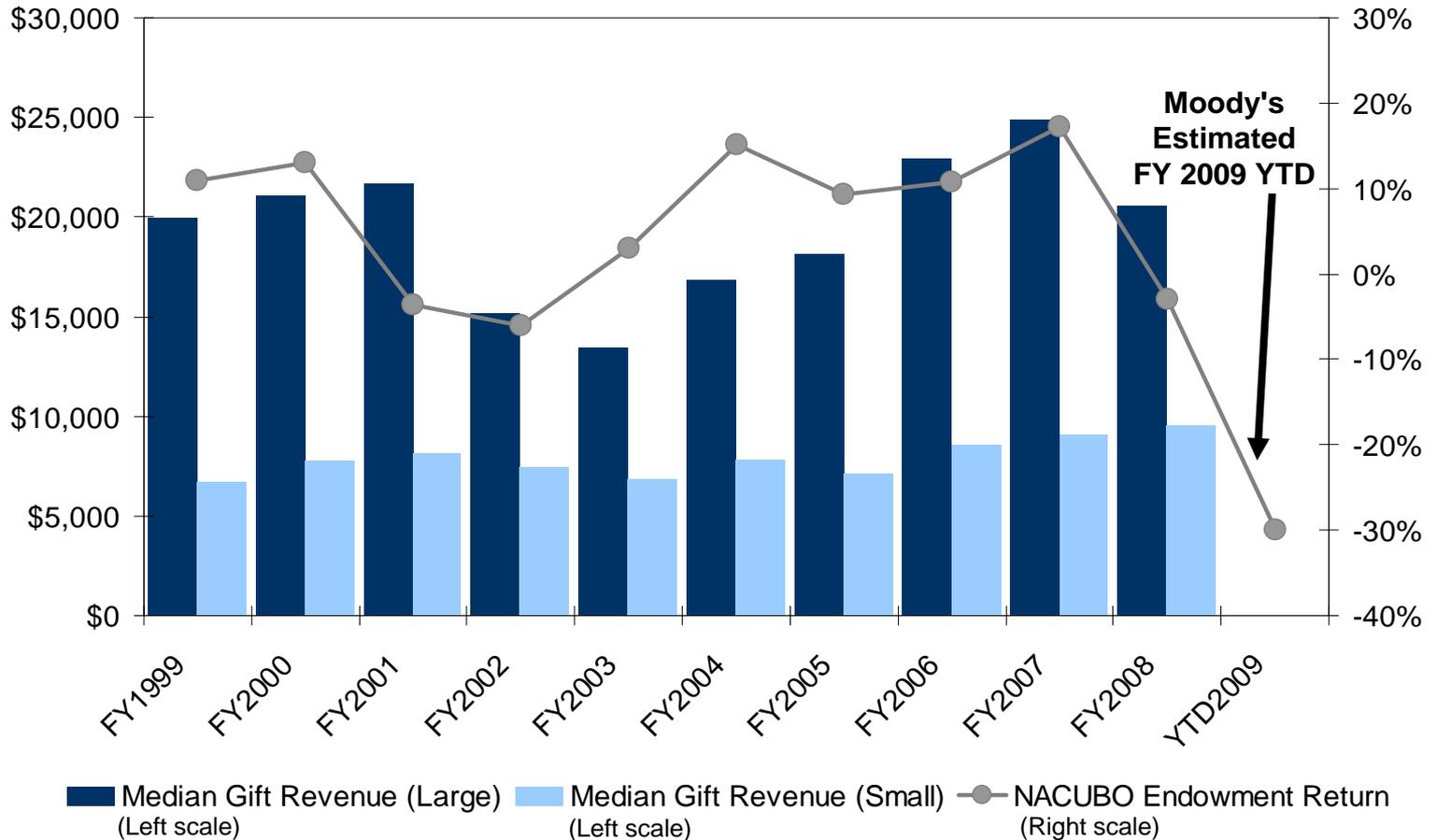
Annual Endowment Investment Returns %



Largest Endowments Most Immediately Affected

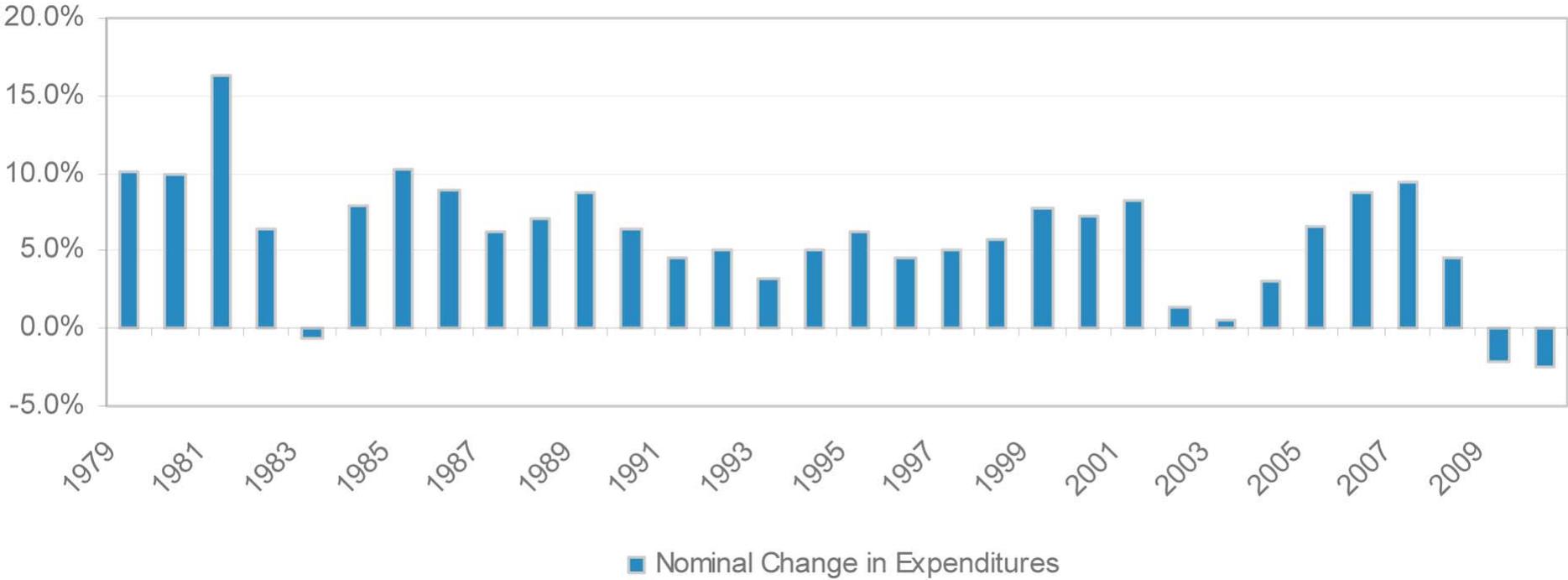


Endowment and Gift Performance



* Moody's rated institutions

State Expenditures Fall Nationally





American Recovery and Reinvestment Act

- State Fiscal Stabilization Fund
 - NJ's share - \$1.3 billion to restore state aid to school districts and public colleges and universities
- College Affordability Spending - \$31 billion
 - Pell Grant program - \$17 billion
 - Federal Work-Study program - \$200 million
 - American Opportunity Tax Credit - \$13.8 billion
- Research Funding Through Federal Agencies - \$16 billion
 - National Institutes of Health - \$10 billion
 - National Science Foundation - \$3 billion
 - Energy Department - \$2 billion
- Build America Bonds



“In a global economy where the most valuable skill you can sell is your knowledge, a good education is no longer just a pathway to opportunity – it is a pre-requisite.”

Address to the Joint Session of Congress of the United States of America
President Barack Obama
February 24, 2009



Long-Term Challenges

- ✓ Excellence
- ✓ Capacity
- ✓ Affordability



“When the nation and the world emerge from this recession, the competitive knowledge-based global economy will continue to demand more college-educated workers.”

“The Challenge to States: Preserving College Access and Affordability in a Time of Crisis”

The National Center for Public Policy and Higher Education

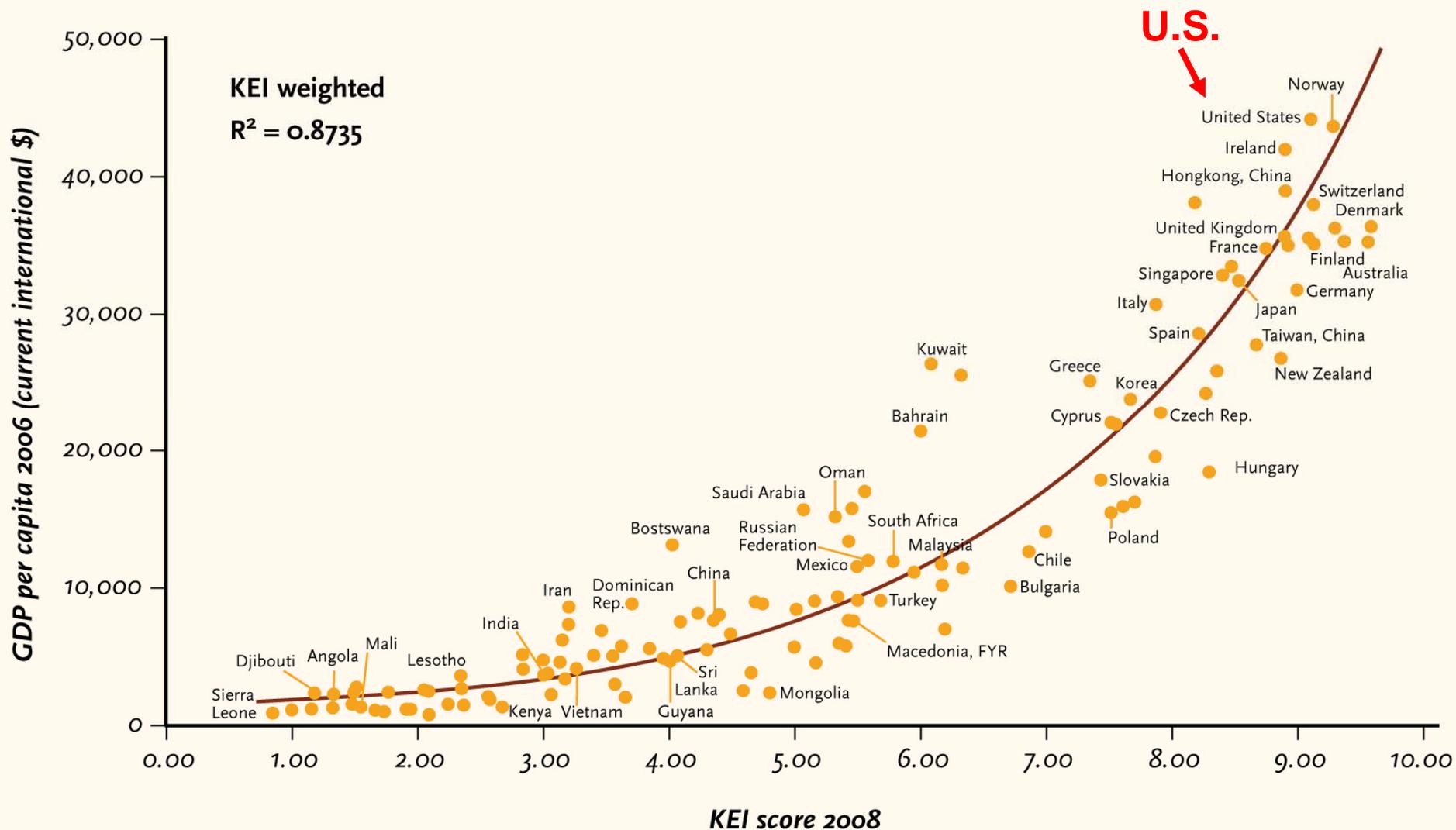
March 2009



4 Pillars of the Knowledge Economy

<i>Pillar</i>	<i>Indicator</i>
Economic and institutional regime	<ul style="list-style-type: none">• Tariff and non-tariff barriers• Regulatory quality• Rule of law
Education and skill of population	<ul style="list-style-type: none">• Adult literacy rate• Gross secondary enrollment rate• Gross tertiary enrollment rate
Information infrastructure	<ul style="list-style-type: none">• Telephones per 1,000 people• Computers per 1,000 people• Internet users per 1,000 people
Innovation system	<ul style="list-style-type: none">• Royalty payments and receipts, US\$ per person• Technical journal articles per million people• Patents granted to nationals by the U.S. Patent and Trademark Office per million people

Current Economic Performance





NJ Economic Growth Strategy

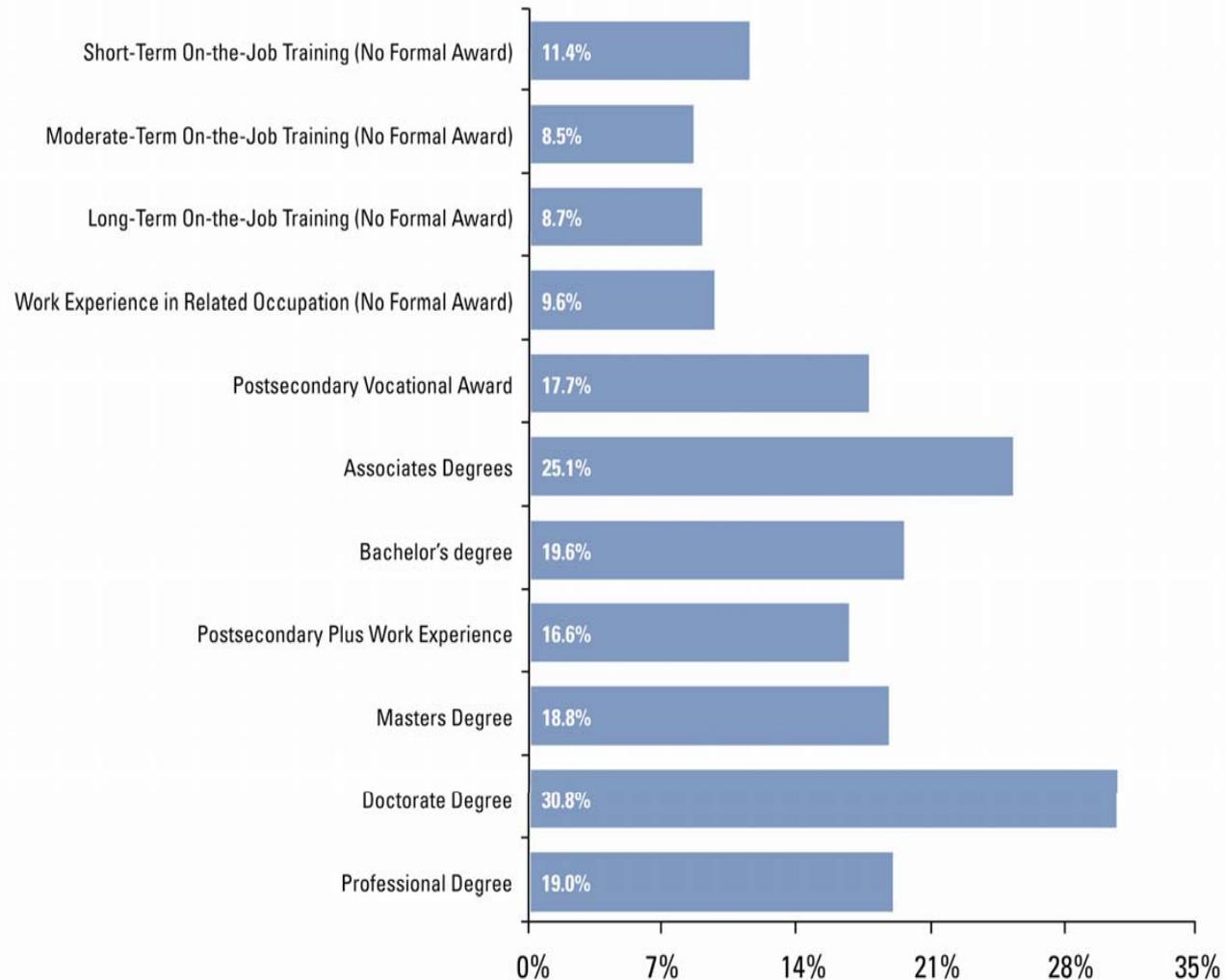
“[T]he state’s universities and colleges . . .
require state-of-the-art equipment,
buildings, libraries and distance-learning
capacity.”

GOVERNOR JON S. CORZINE

Economic Growth Strategy for the State of New Jersey

2007

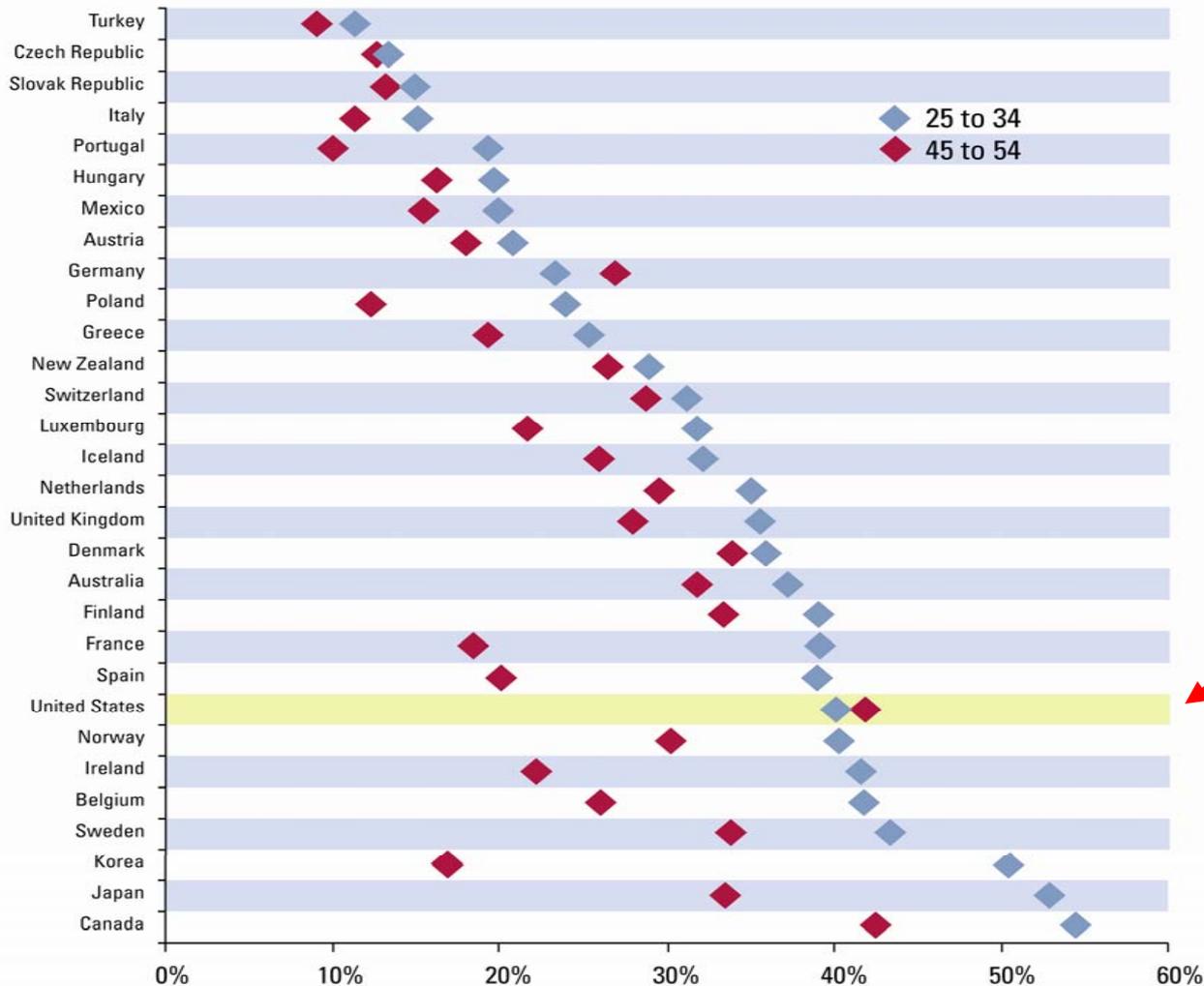
Changing Workforce Needs



Sources: Jobs for the Future; U.S. Bureau of Labor Statistics; Data were analyzed by the National Center for Higher Education Management Systems and the Delta Project on Postsecondary Costs for Making Opportunity Affordable, an initiative supported by Lumina Foundation for Education (2007)



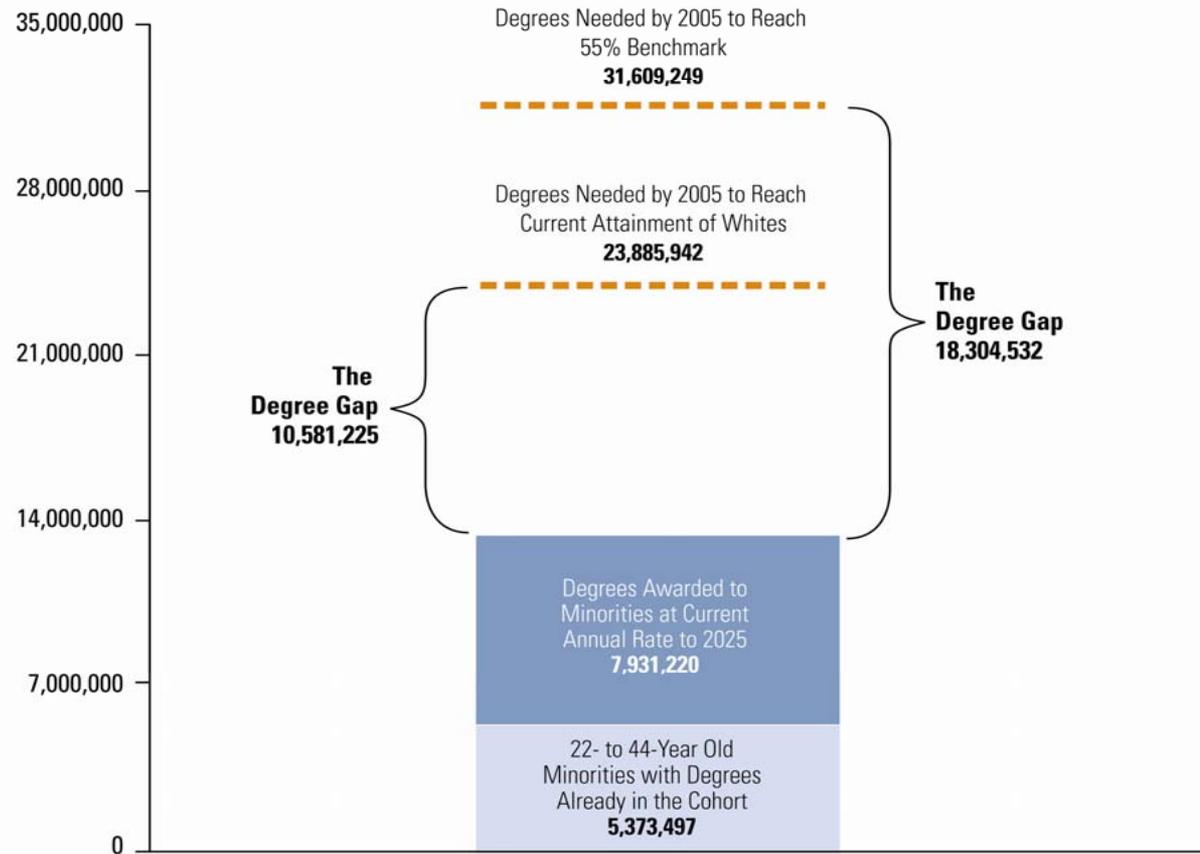
Differences in College Attainment



Sources: Jobs for the Future, Organisation of Economic Co-operation and Development (OECD), Education at a Glance 2006; Data were analyzed by the National Center for Higher Education Management Systems and the Delta Project on Postsecondary Costs for Making Opportunity Affordable, an initiative supported by Lumina Foundation for Education

The Degree Gap

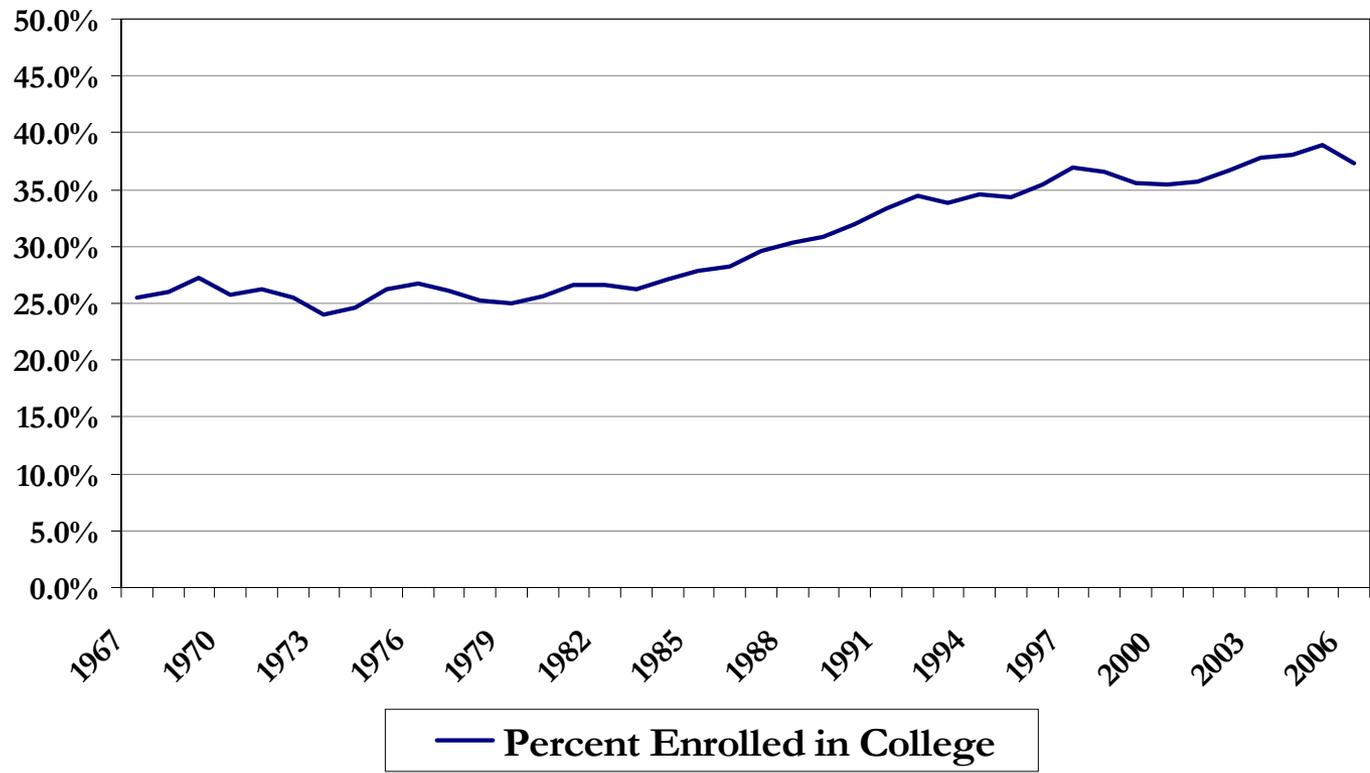
Minorities = African Americans, Hispanics/Latinos, and Native Americans



Sources: Jobs for the Future; U.S. Census Bureau 2005 ACS, Population Projections, NCES, IPEDS Completions Survey; Data were analyzed by the National Center for Higher Education Management Systems and the Delta Project on Postsecondary Costs for Making Opportunity Affordable, an initiative supported by Lumina Foundation for Education

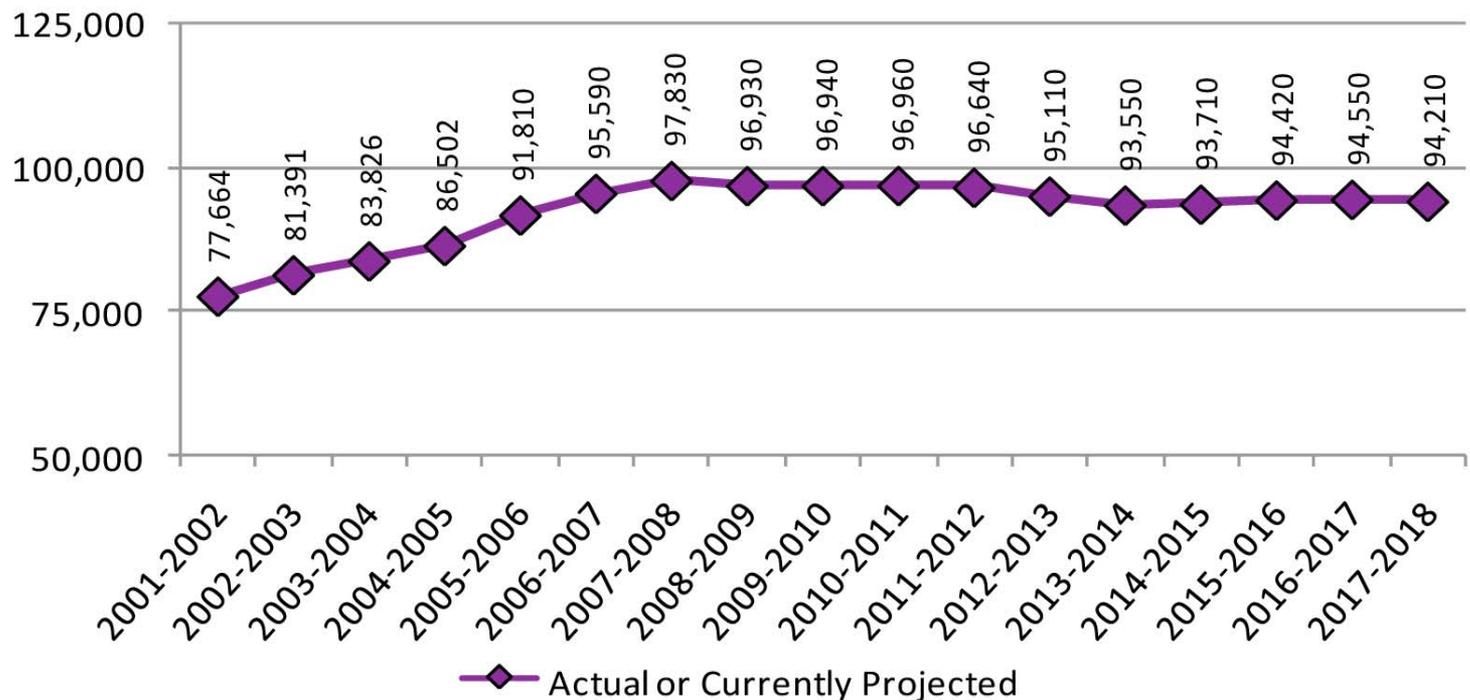
College Participation

U.S. population of 18-24 year olds



Steady Demand for College

Actual and Projected NJ High School Graduates

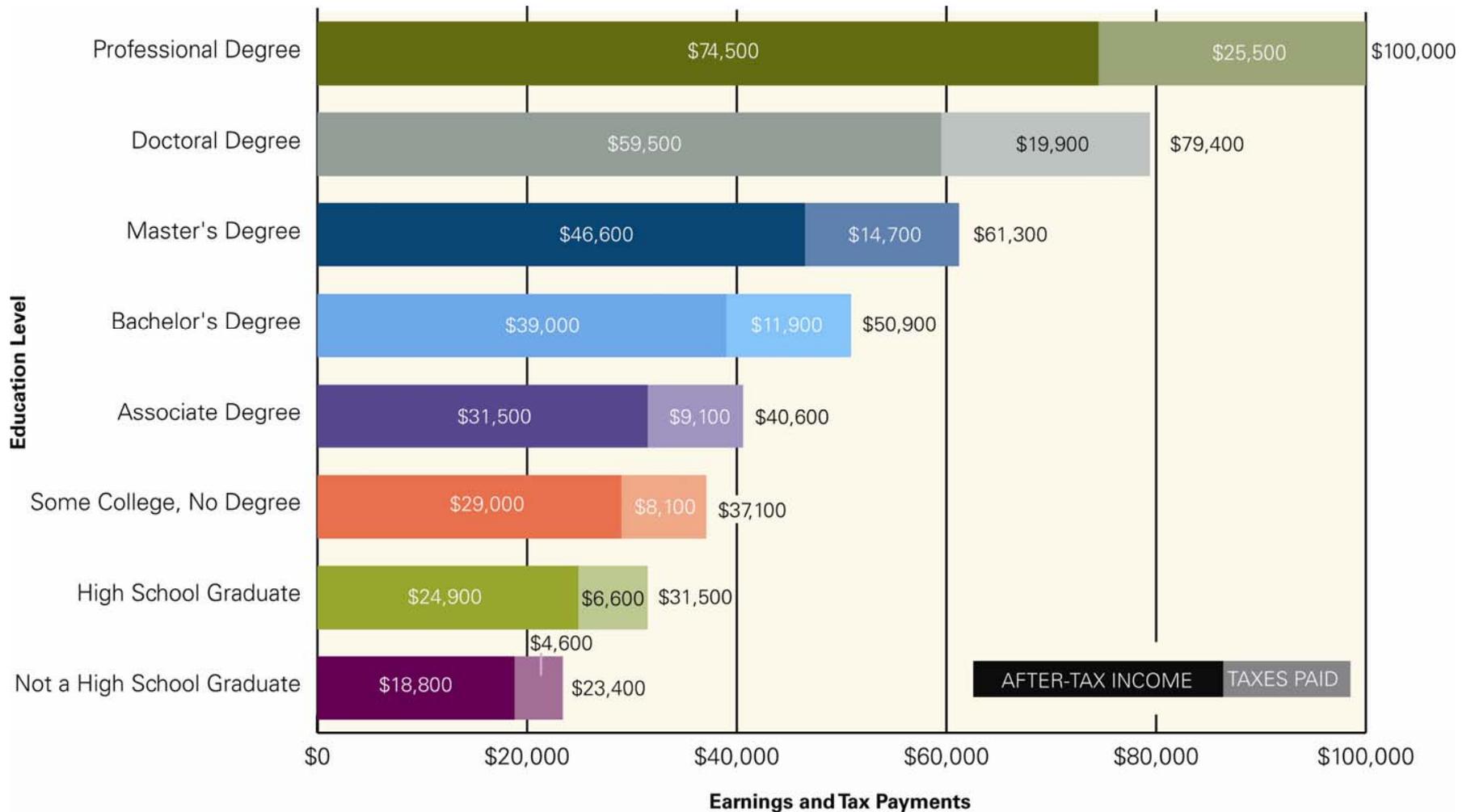




NJ Enrollment: Degrees Conferred 2000-2008

	Total Enrollments	Total Degrees/ Certificates
2000	335,930	52,579
2001	346,277	53,205
2002	361,757	55,866
2003	372,696	58,277
2004	379,447	61,428
2005	379,686	64,007
2006	385,612	65,105
2007	398,169	66,364
2008	410,193	69,357
Cumulative Increase	74,263 (22.11%)	16,778 (31.91%)

Education, Earnings and Tax Payments





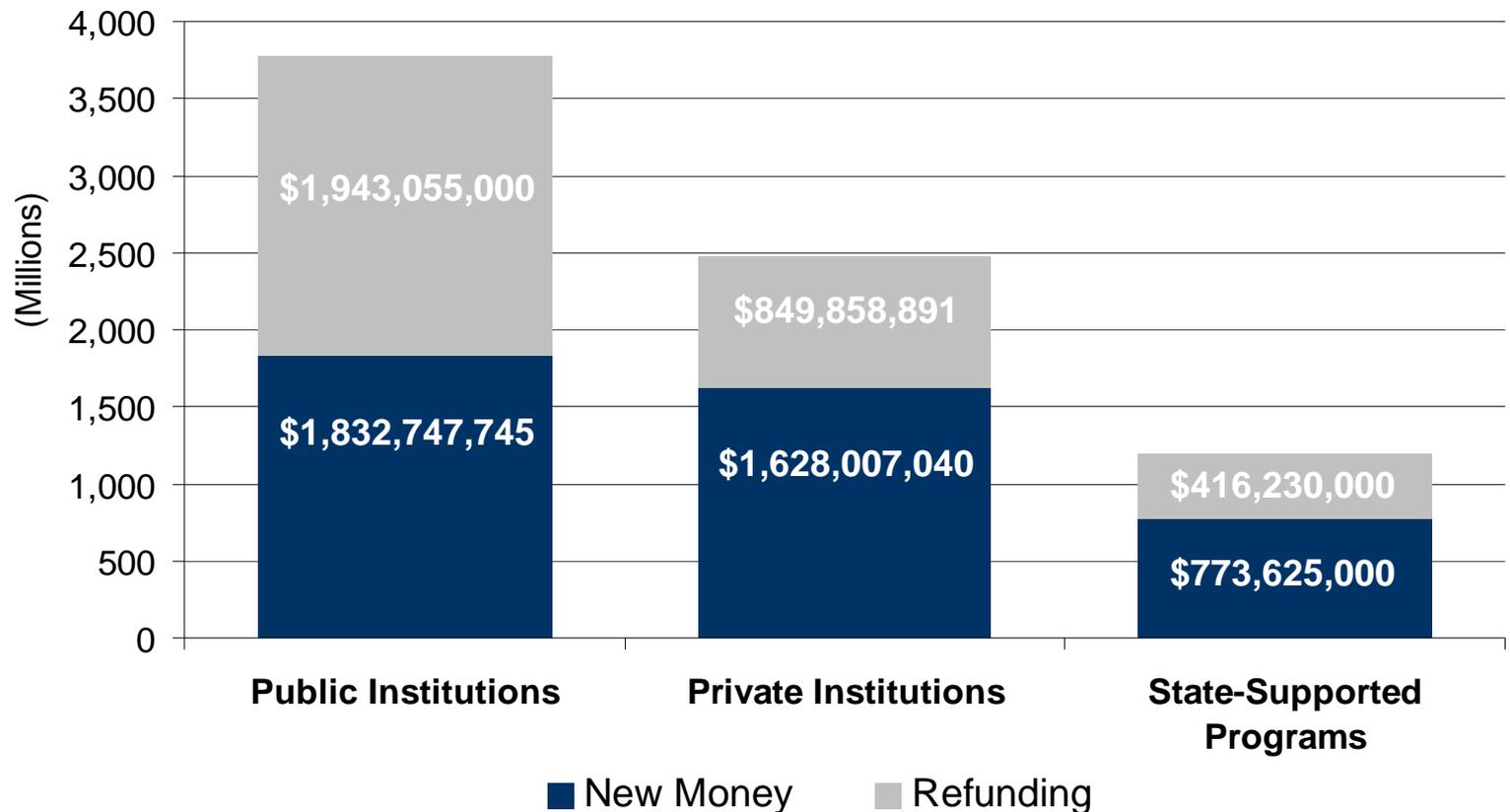
Responding to Demand

Capacity – New Jersey Trails States with Similar Populations

	<u>Population</u>	<u>Four-Year Public Enrollment</u>	<u>Enrollment per 1,000 pop.</u>
Indiana	6,345,289	207,109	32.6
Michigan	10,071,822	289,257	28.7
Virginia	7,712,091	197,247	25.6
Georgia	9,544,750	208,784	21.9
North Carolina	9,061,032	202,381	22.3
New Jersey	8,685,920	154,289	17.8

NJEFA Financing Expansion

2000-2009





New Jersey

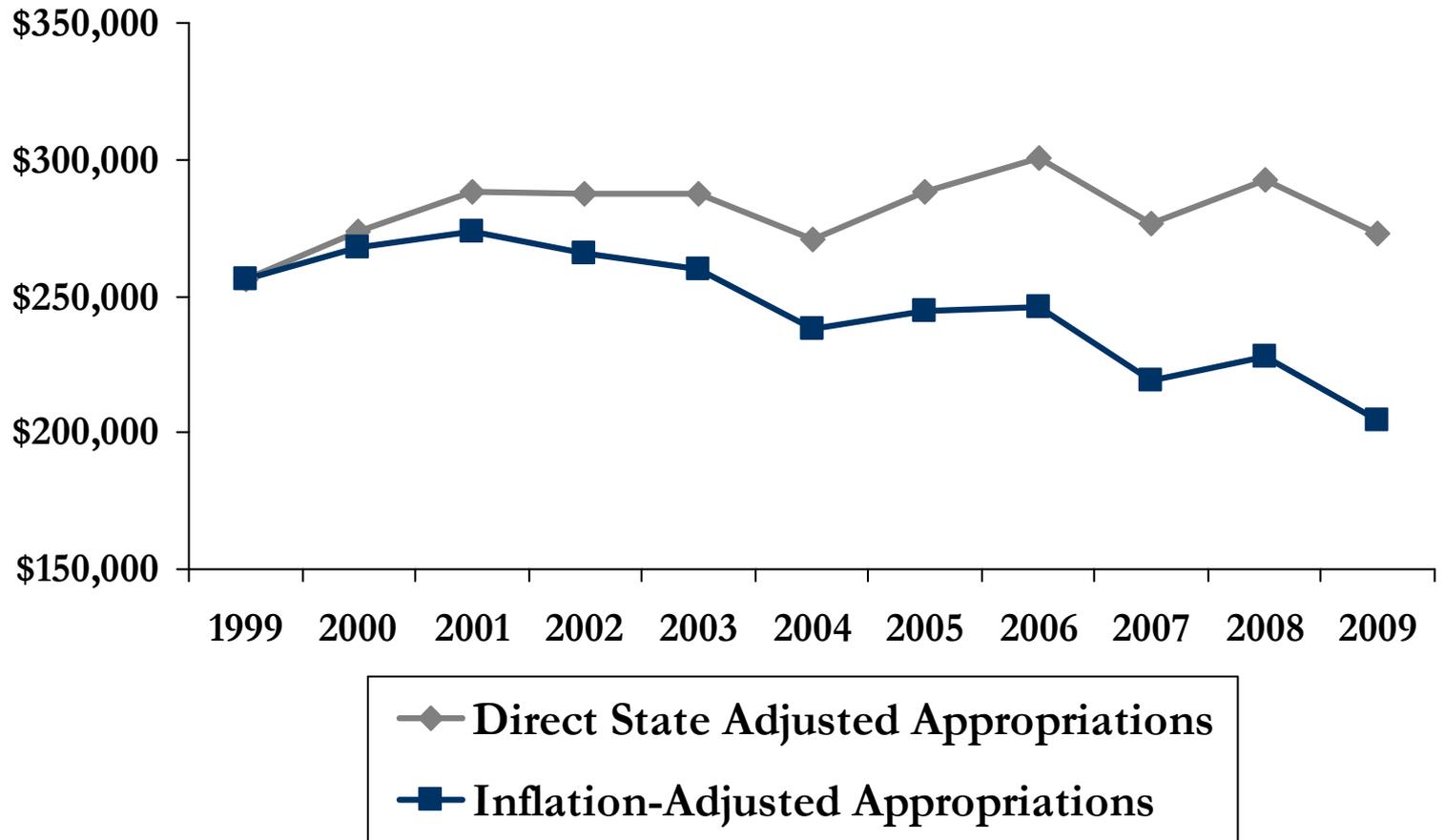
Higher Education Spending

- FY 2011 - ?
- FY 2010* – \$1,978.9 billion (1% cut)
- FY 2009 – \$1,998 billion (2.9% cut)

* FY 2010 excludes one-time federal stimulus funding of \$73.68 million.

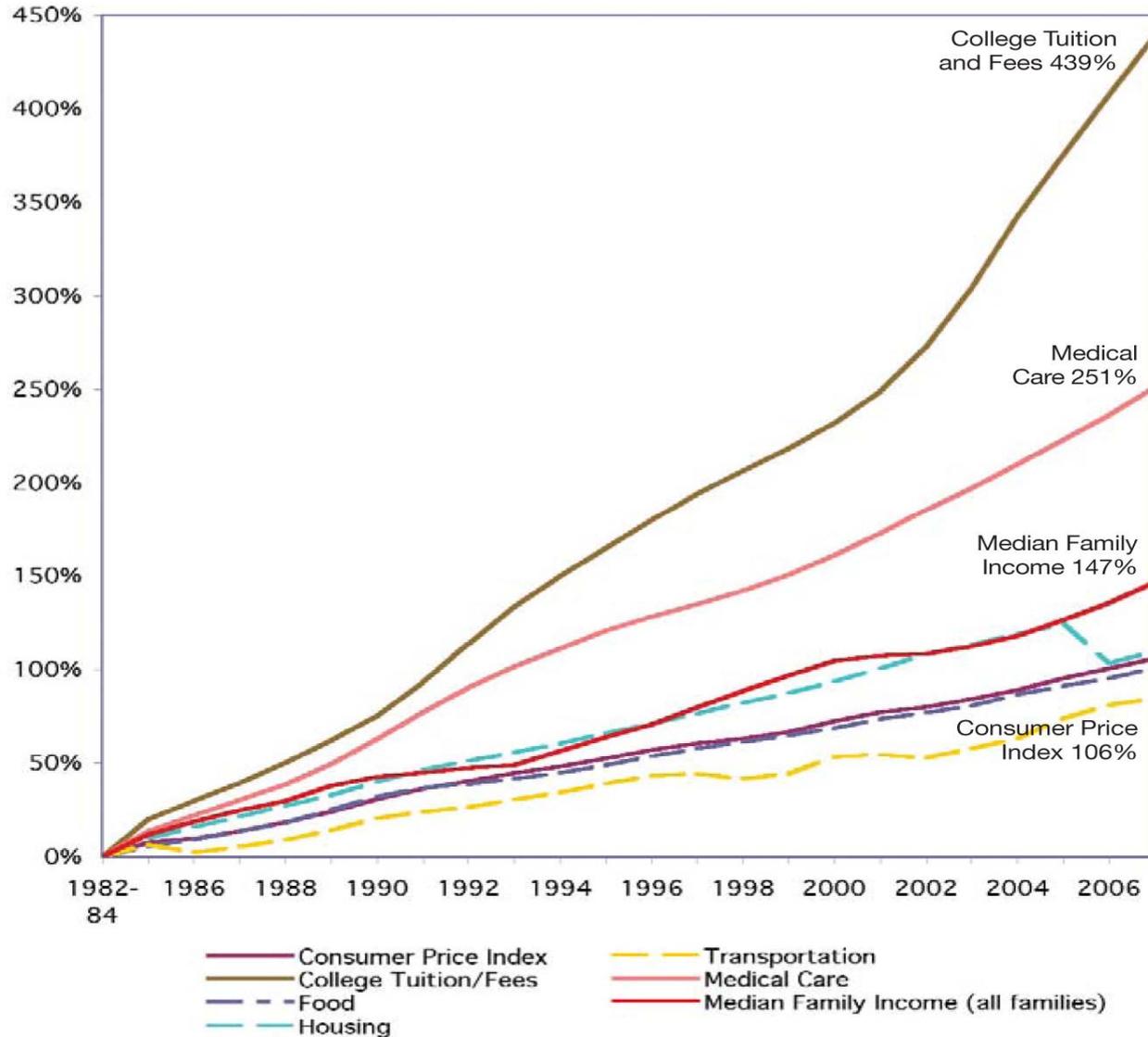
State Support is Declining

Adjusted for CPI



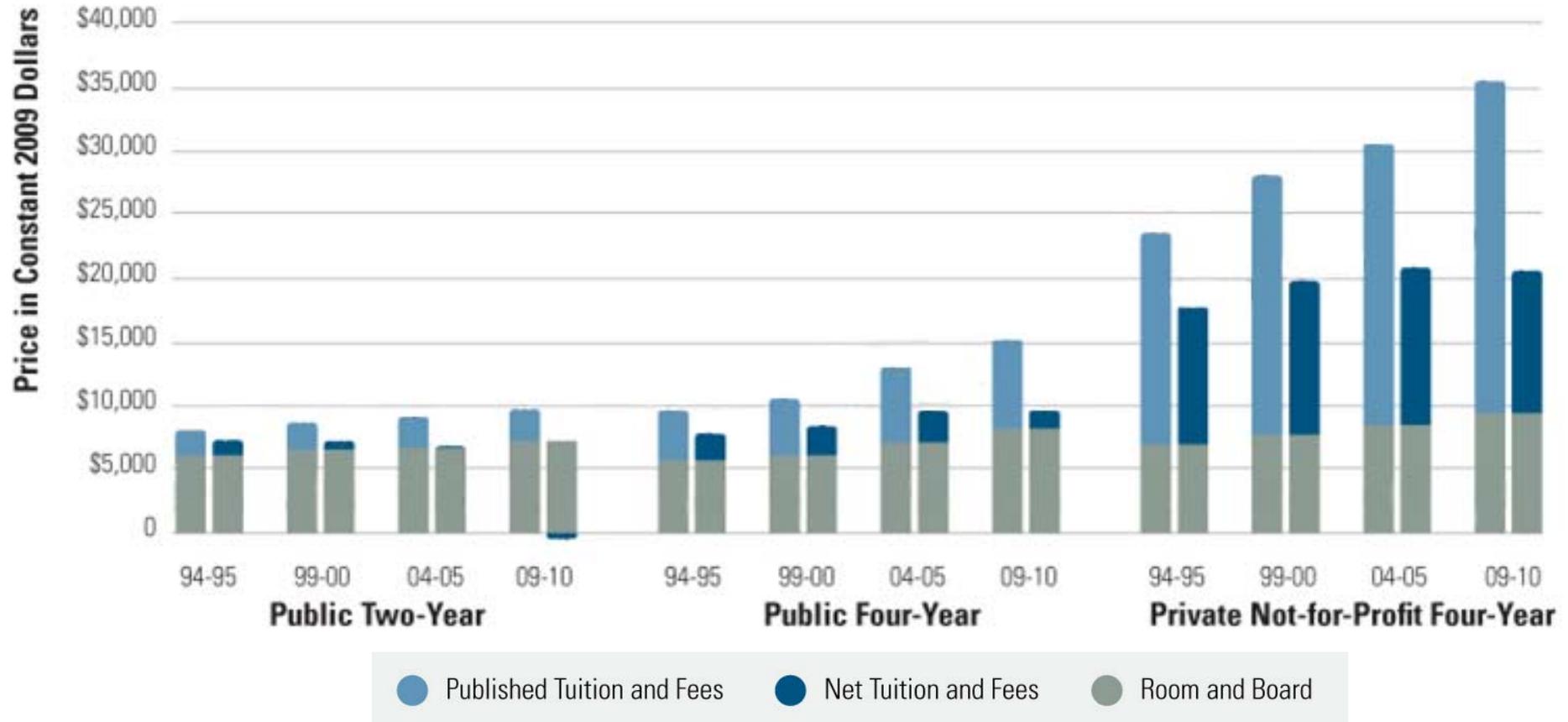
Source: New Jersey Association of State Colleges and Universities; Governor's Budget Recommendations; US Department of Labor's CPI Detailed Report

% Growth Rate in Current Dollar Price Since 1982-84



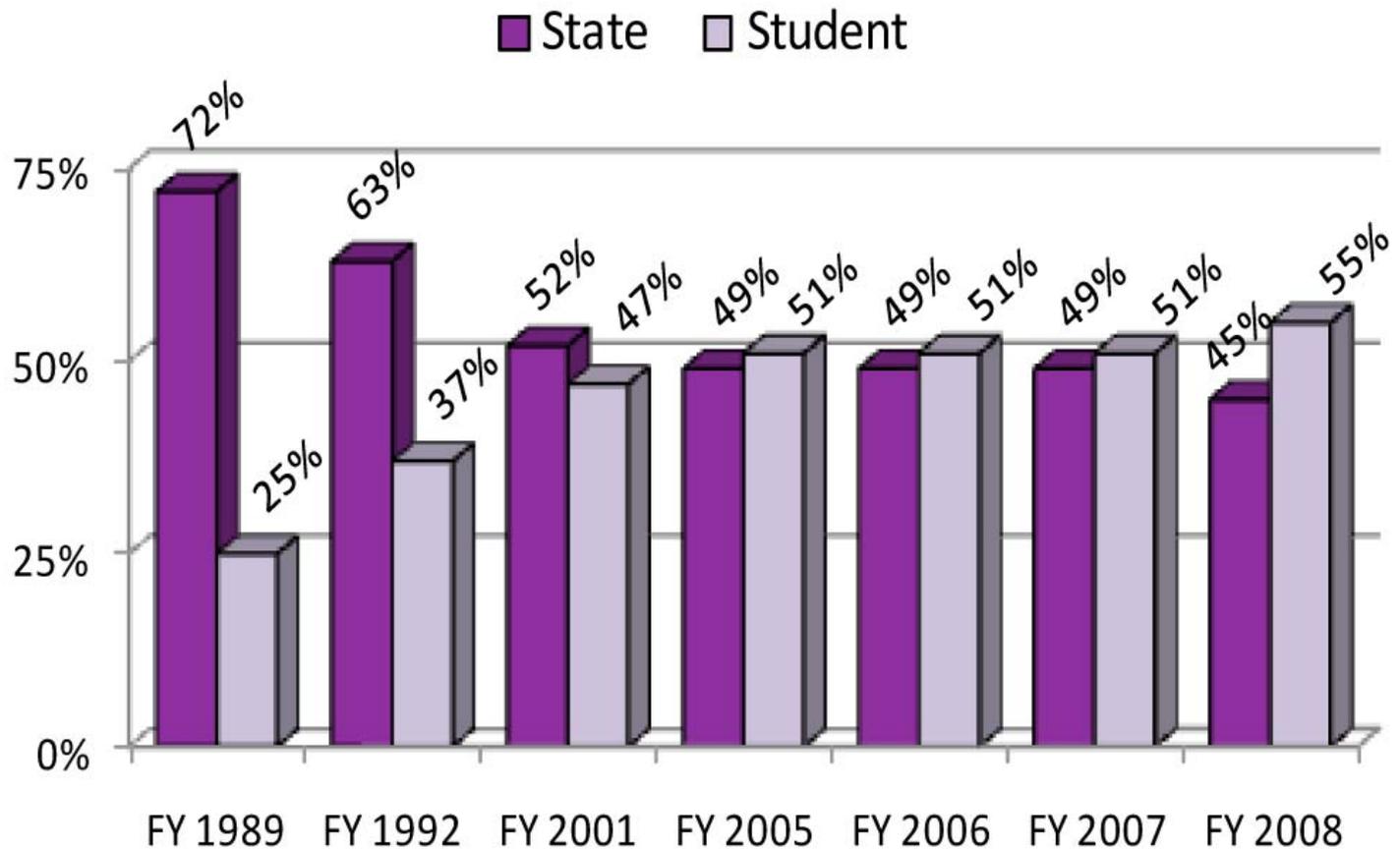
Source: The National Center for Public Policy and Higher Education

Affordability



Note: Net tuition and fees are calculated by subtracting estimated average grant aid plus tax benefits per full-time student in the sector from the published price. Aggregate aid amounts are from *Trends in Student Aid 2009*. Division of total aid across sectors and between full-time and part-time students is based on the *NPSAS*, 1993 through 2008.

Shifting the Burden of Investment



Private Institutions

	2008		2007		2006	
	NJ Privates	All Privates	NJ Privates	All Privates	NJ Privates	All Privates
Median FTE Enrollment (number may be estimated)	5,103	3,035	4,902	2,971	4,514	2,966
Primary Selectivity (%)	62	54	59	55	62	58
Expendable Resources to Direct Debt	1.67	1.72	2.22	1.88	2.44	1.66
Expendable Resources to Operations	.72	1.16	.98	1.3	.93	1.17
Annual Operating Margin (%)	4.7	4.5	5.6	4.1	1.9	3.5

* Moody's rated institutions

Source: Moody's Investors Service

Public Institutions

	2008		2007		2006	
	NJ Publics	All Publics	NJ Publics	All Publics	NJ Publics	All Publics
Median FTE Enrollment (number may be estimated)	7,156	13,962	7,138	13,593	6,896	13,565
Primary Selectivity (%)	52.9	69.4	53.1	70.9	53.2	72.7
Expendable Resources to Direct Debt	.4	.9	.4	1	.4	.9
Expendable Resources to Operations	.44	.44	.41	.47	.37	.41
Annual Operating Margin (%)	3.3	1.7	4.2	1.9	3.4	1.8

* Moody's rated institutions

Source: Moody's Investors Service



Moody's US Higher Education Outlook - 2009

Critical Risk Factors

- Increased pressure on tuition and financial aid
- Impact of investment losses on operations and philanthropy
- Illiquidity of balance sheets
- Volatility of debt markets and debt structures



Short Term Pressures Ease

- Management action helps soften credit/financial impact
 - Generally increased media attention
- Budget reductions
 - Base budgets, furloughs, layoffs, early retirement packages
 - Capital spending cuts and delays
 - May see more, longer-term restructurings and reallocation of resources



Short Term Pressures Ease

- S&P 500 rises over 40% from March lows
- 30yr swap rates rise from 2.96% in January to 4.15% on October 21st
- Spread between muni and treasury rates shrink

Leading to...

- Improved liquidity from increased values of liquid portfolios
- Swap collateral posting less common as rates rise



Forward Calendar - 2009

Seton Hall University

4Q 2009

\$8 million – (direct placement) refunding

Princeton Theological Seminary

4Q 2009

\$50 million – new library and academic building



Forward Calendar - 2010

Princeton University

\$250 million – various capital projects

The College of New Jersey

\$40 million – new academic building

Passaic County Community College

\$10 - 12 million – new academic building



“We need to educate our way to a better economy....The nation that out teaches us today will out compete us tomorrow.”

SECRETARY ARNE DUNCAN

U.S. Department of Education

National Science Teachers Association Conference, March 2009



“The nations, states, and communities that are most successful in developing human talent, particularly college-level knowledge and skills, will enjoy significant advantages.”

“MEASURING UP 2006”

The National Center for Public Policy and Higher Education



“I ask every American to commit to at least one year or more of higher education or career training.... By 2020, America will once again have the highest proportion of college graduates in the world.”

Address to the Joint Session of Congress of the United States of America

President Barack Obama

February 24, 2009



Thank You

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