

NJEFA

building futures



NJEFA Financing Activity and Challenges Confronting Higher Education

June 26, 2009

Roger L. Anderson

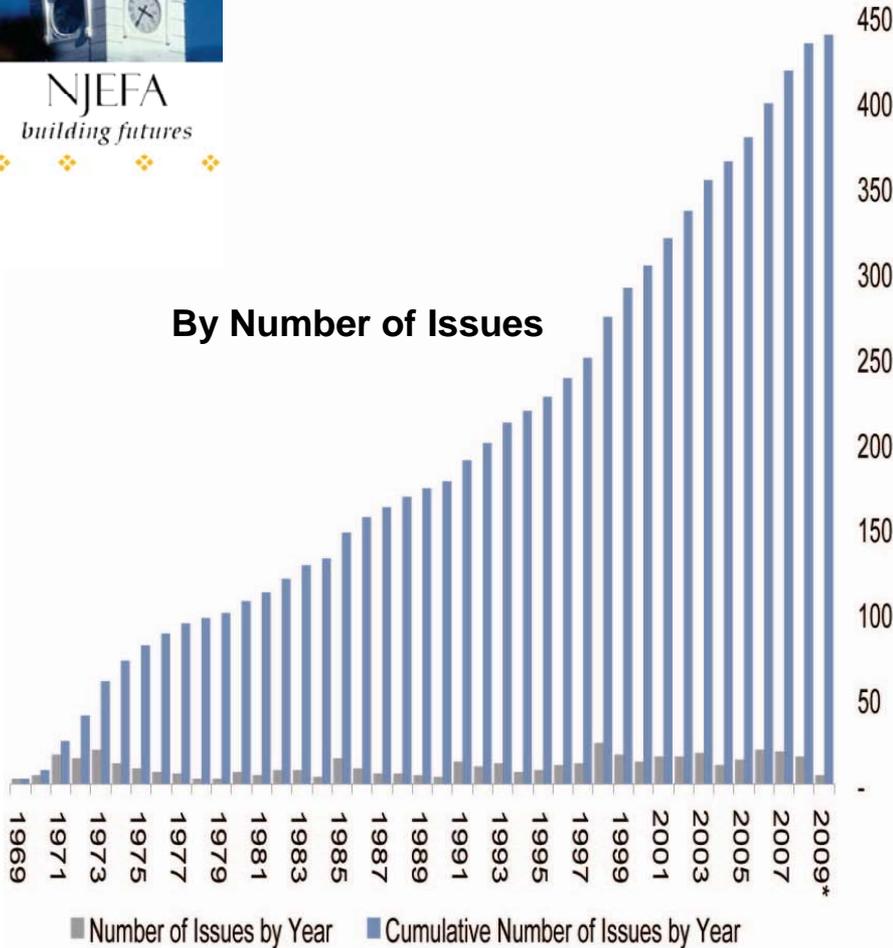
Executive Director



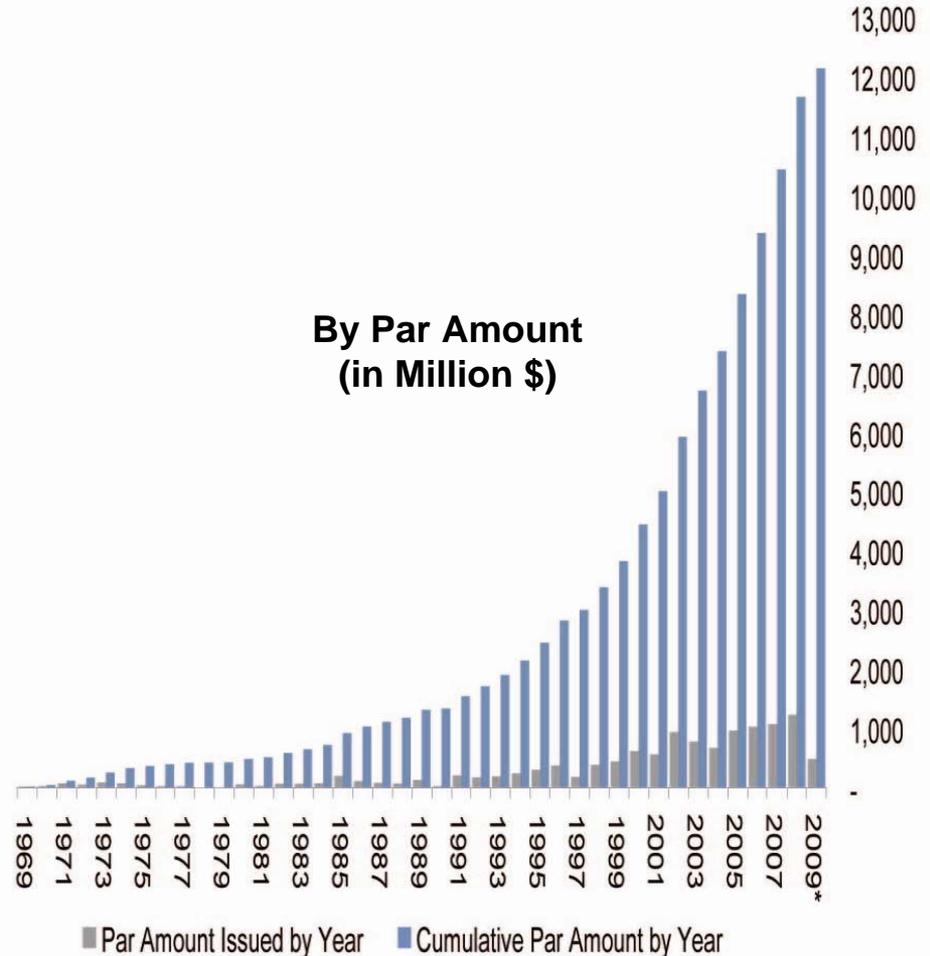
NJEDA
building futures

NJEDA Issuance Overview

By Number of Issues

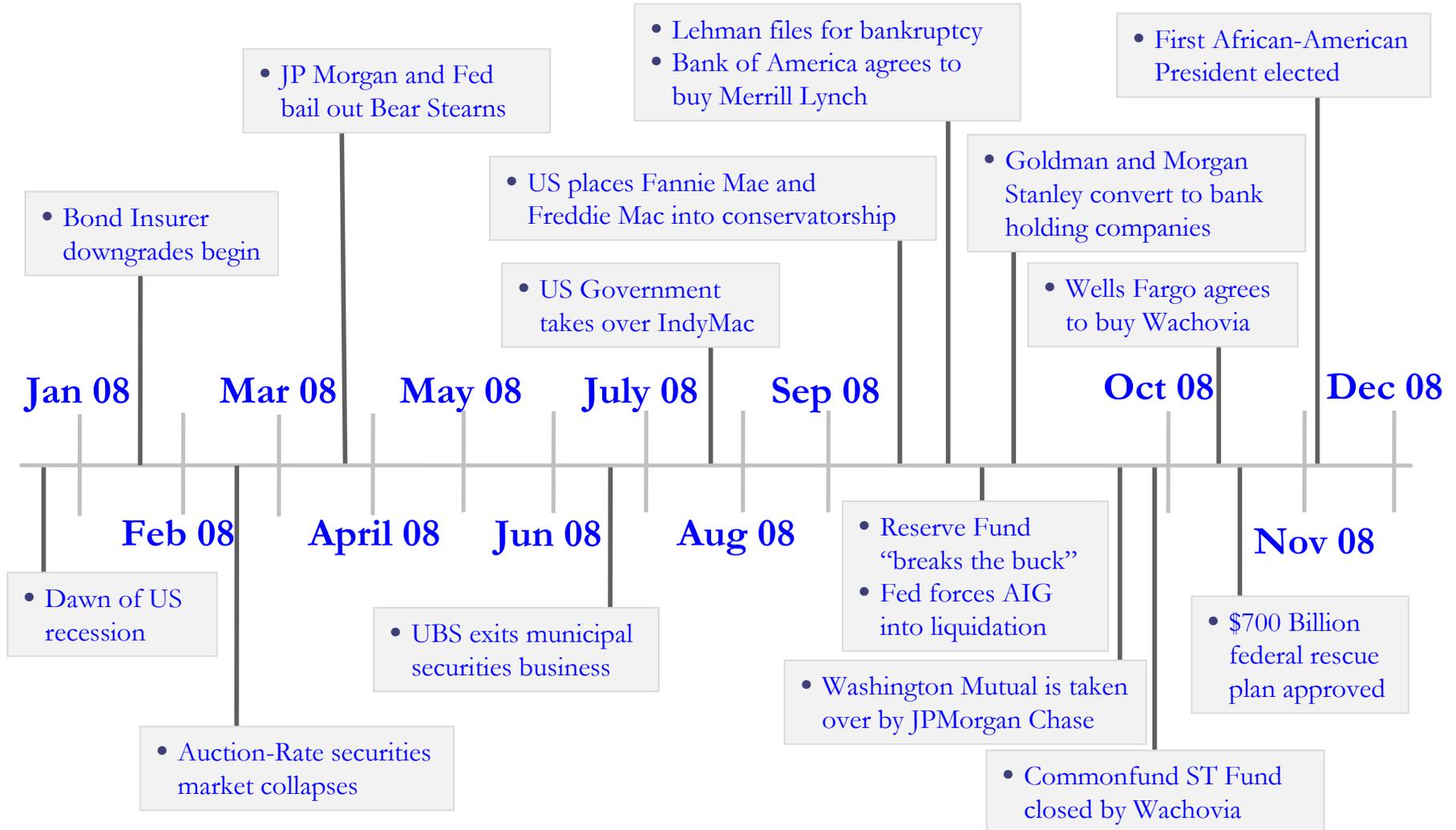


By Par Amount (in Million \$)



* Includes par amount priced to date in 2009

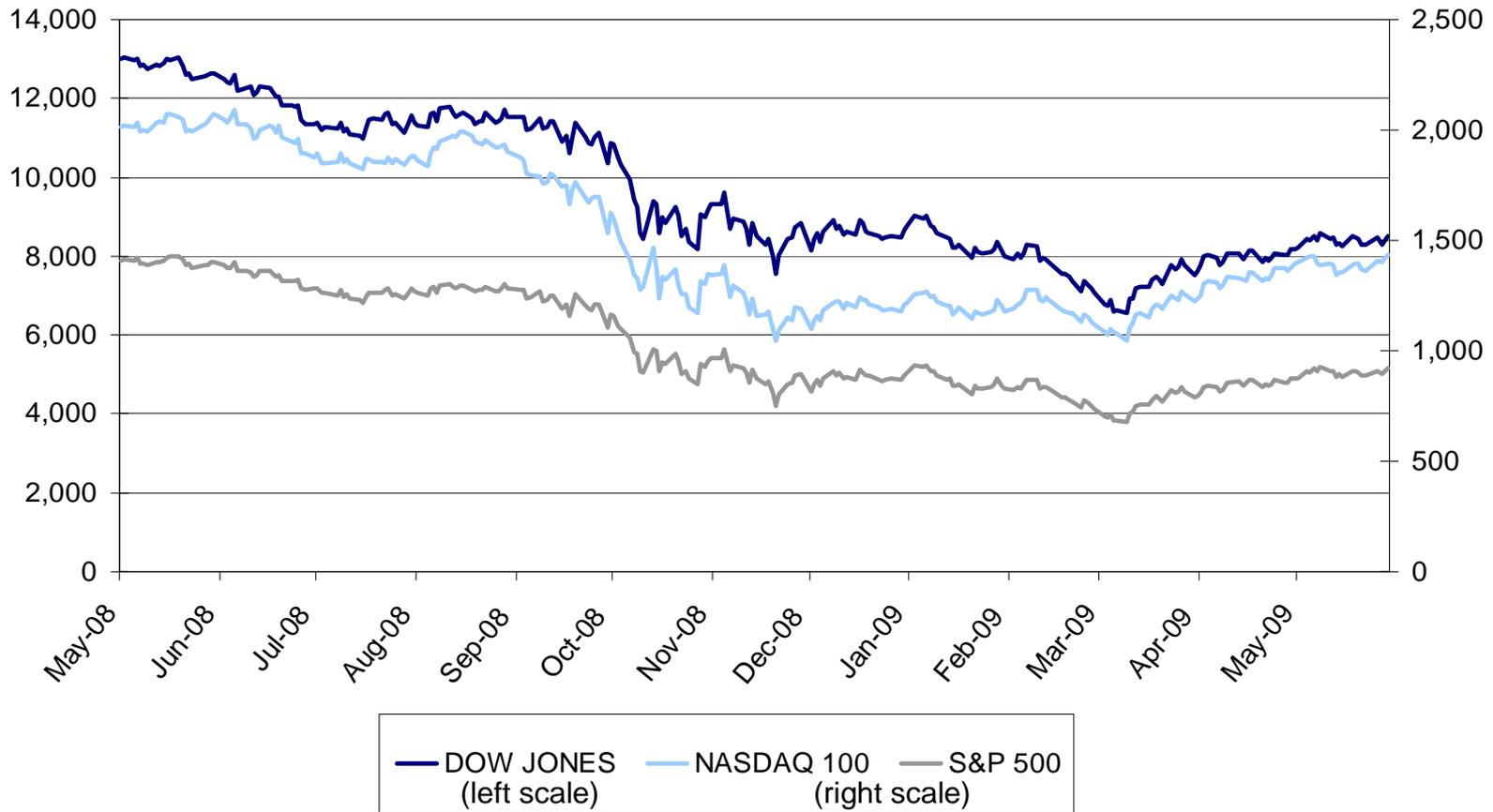
2008 Timeline





NJEDA
building futures

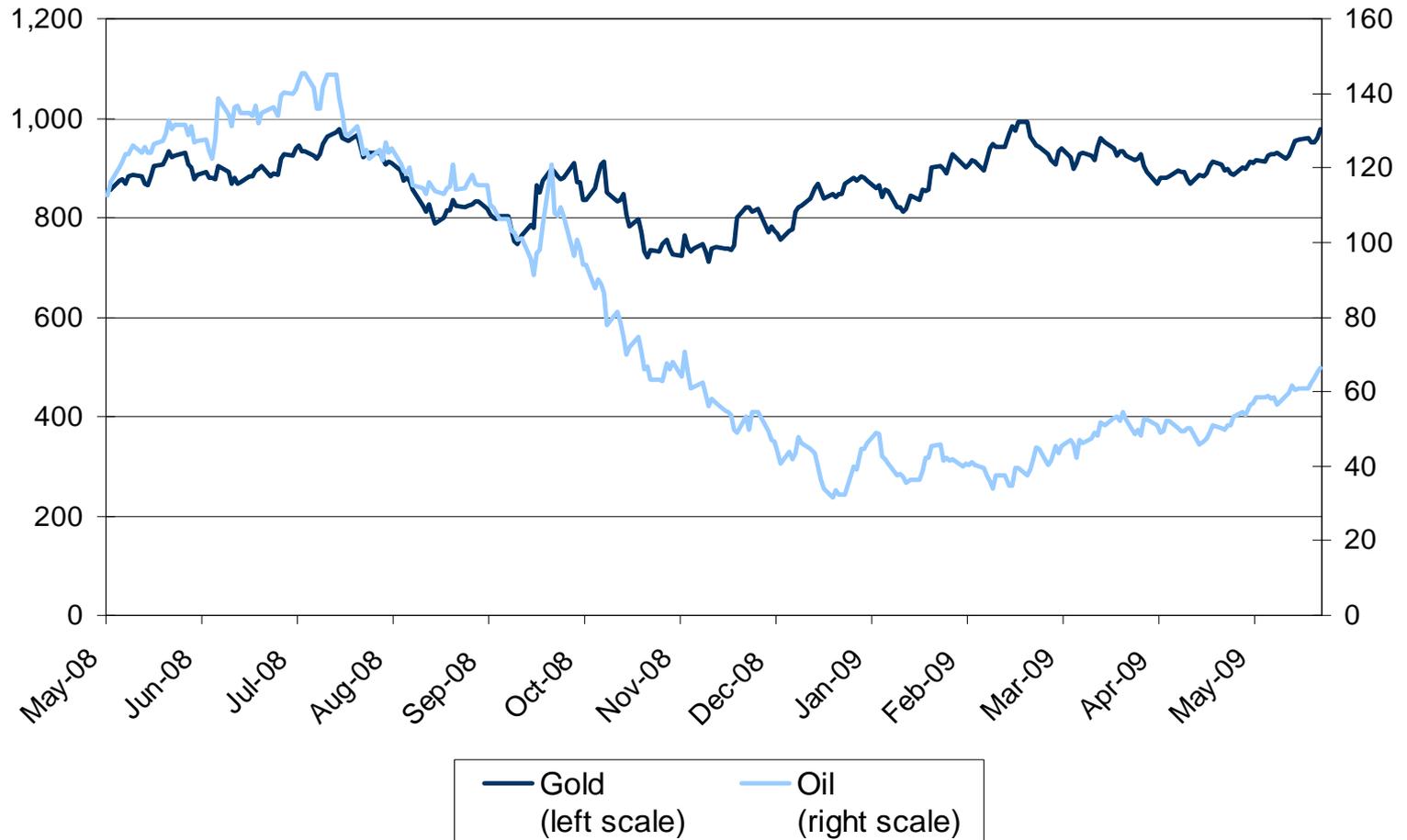
Total Market Disruption



Total Market Disruption



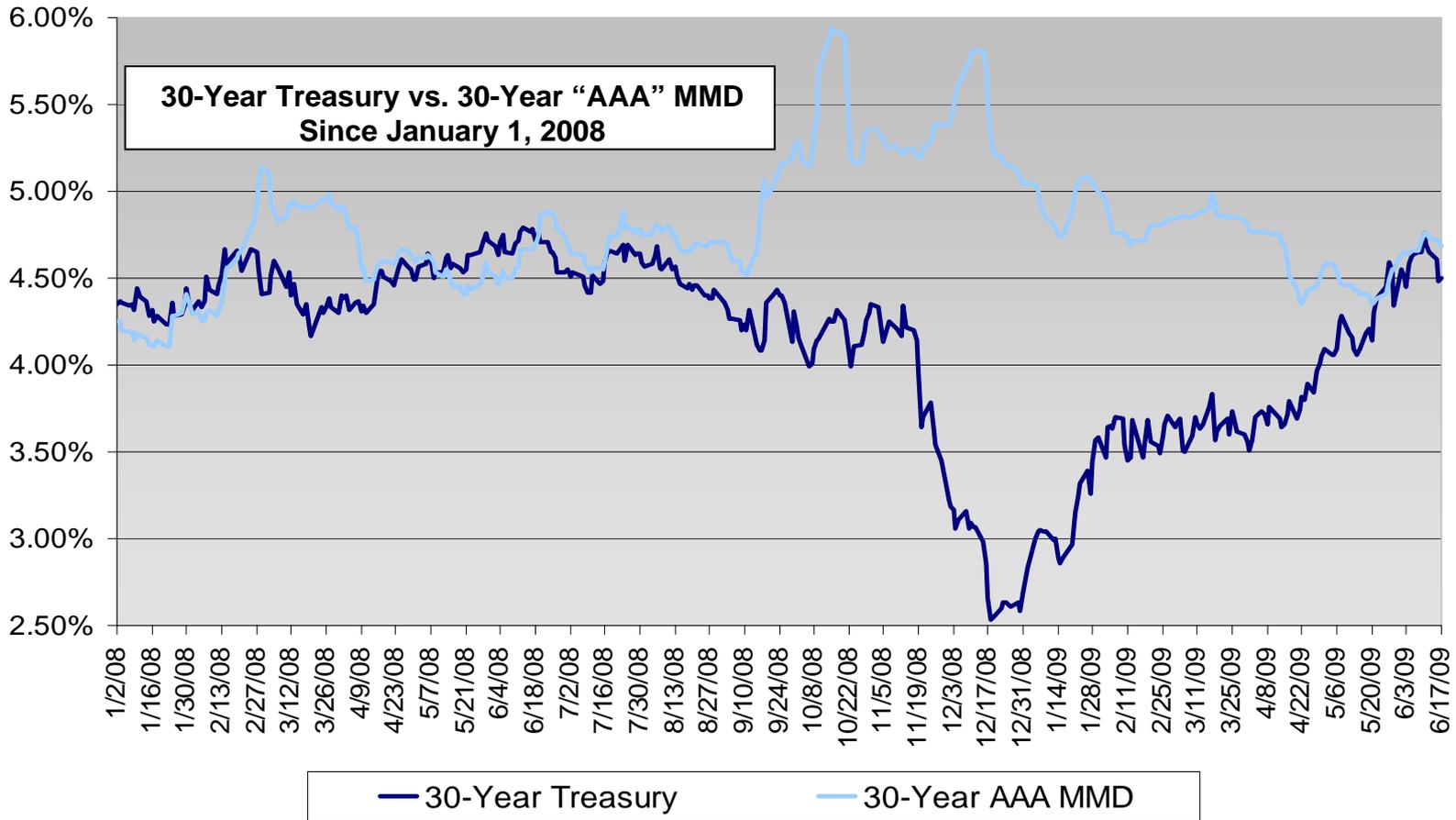
NJEDA
building futures
◆ ◆ ◆ ◆



Long-Term Interest Rate Comparison



NJEDA
building futures



ARS/VRDB Transactions



NJEDA
building futures
◆ ◆ ◆ ◆



Total > \$800 million



NJFEA
building futures

Process

- Fall 2007 - monitored ARS and VRDB markets; provided updates to affected clients
- Began search for alternatives once it looked like bond insurers would be downgraded
- February 4th and 29th - issued RFPs for letters of credit to more than 50 banks and other institutions
- Received proposals from 7 banks - enough to cover almost all exposure
- February 27th – adopted global restructuring resolution authorizing staff to restructure affected transactions as approved by affected institutions
- Reached out to new insurers

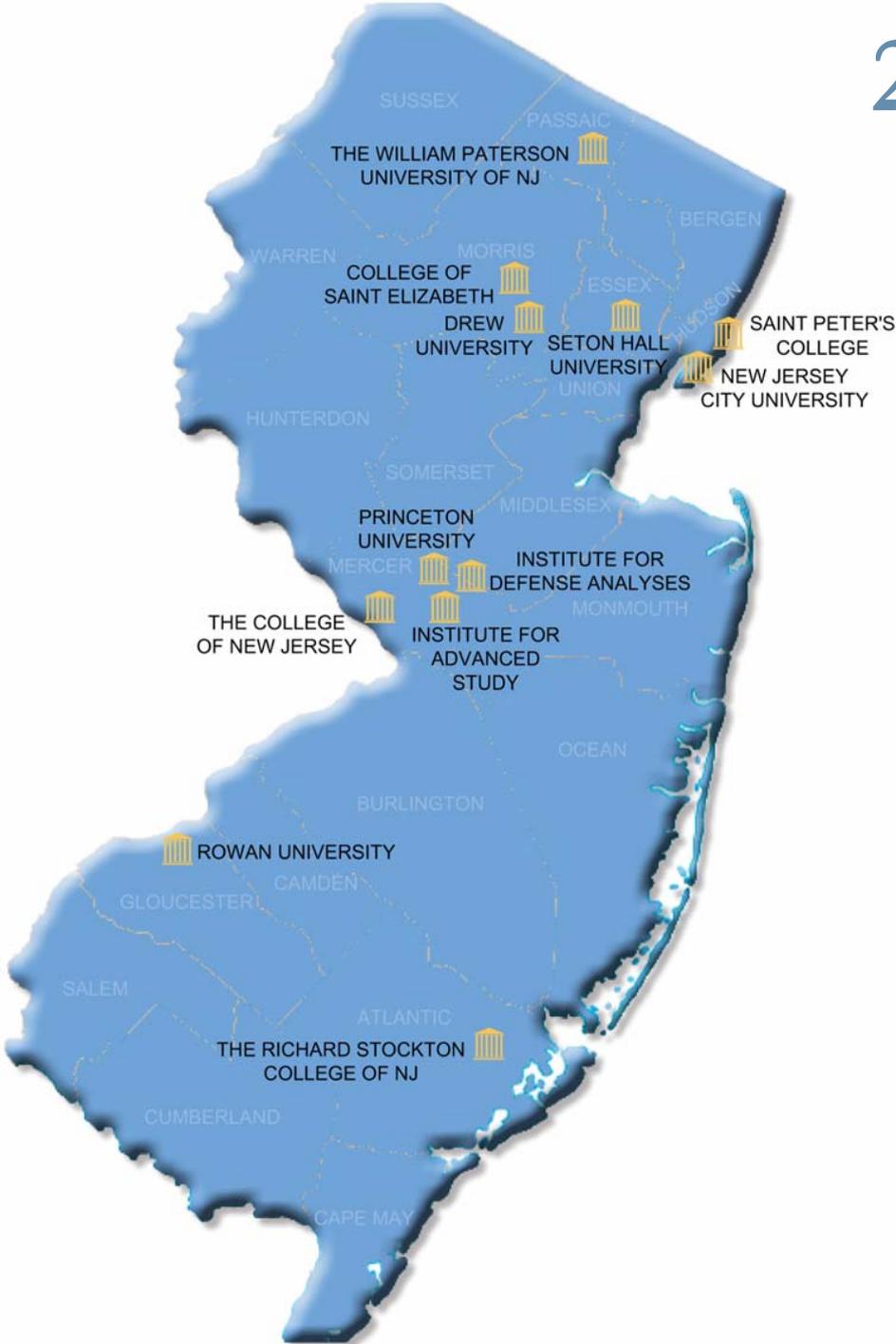


Results

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

2008 Transactions



Public Institutions

- New Jersey City University, \$74,620,000
(2 transactions)
- Rowan University, \$35,205,000
- The College of New Jersey, \$287,790,000
- The Richard Stockton College of New Jersey, \$136,910,000
- The William Paterson University of New Jersey, \$88,670,000

Private Institutions

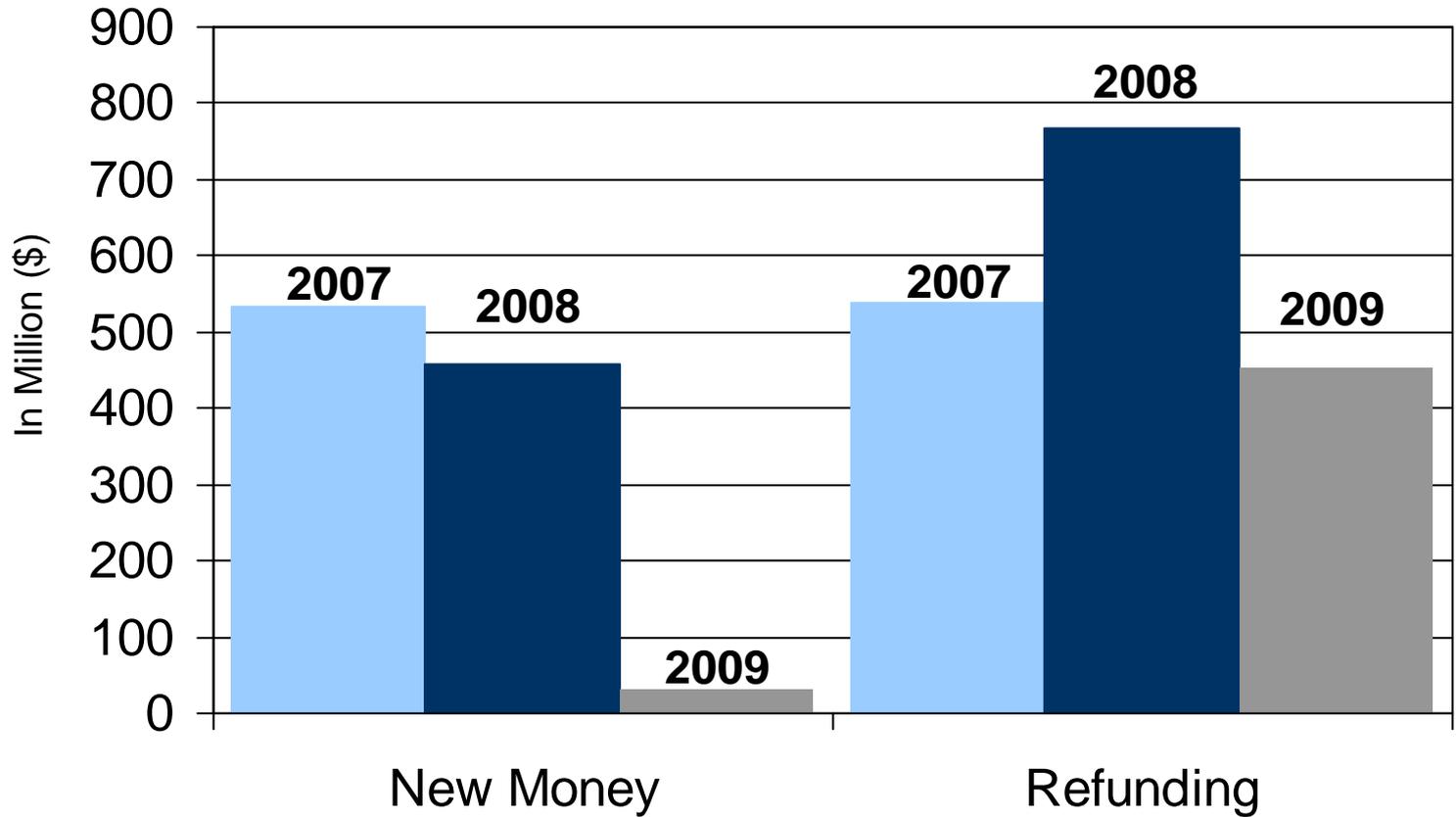
- Drew University, \$22,765,000
(2 transactions)
- College of Saint Elizabeth, \$24,090,000
- Institute for Advanced Study, \$11,255,000
- Institute for Defense Analyses, \$15,015,000
- Princeton University, \$458,805,000
(2 transactions)
- Saint Peter's College, \$8,728,462
(2 transactions)
- Seton Hall University, \$74,100,000
(2 transactions)



NJEDA
building futures

NJEDA

New Financing & Refunding Transactions

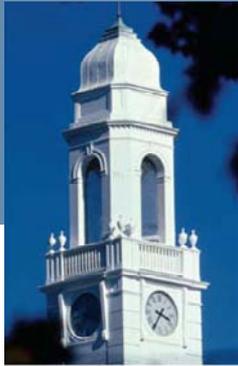


The William Paterson University of New Jersey



Science Hall





Drew University

NJEFA
building futures



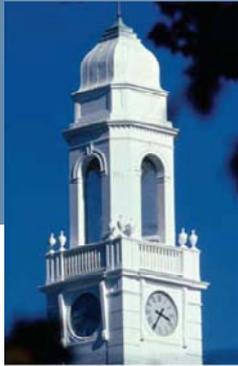


Saint Peter's College

NJEFA
building futures



The Richard Stockton College of New Jersey

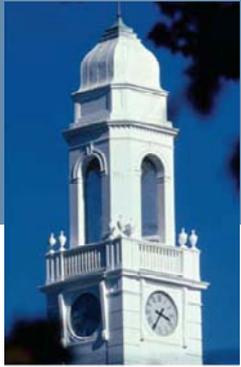


NJEFA
building futures



Campus Center





Princeton University

Sherrerd Hall



NJEFA
building futures





Princeton University

Creative and Performing Arts



NJEFA
building futures



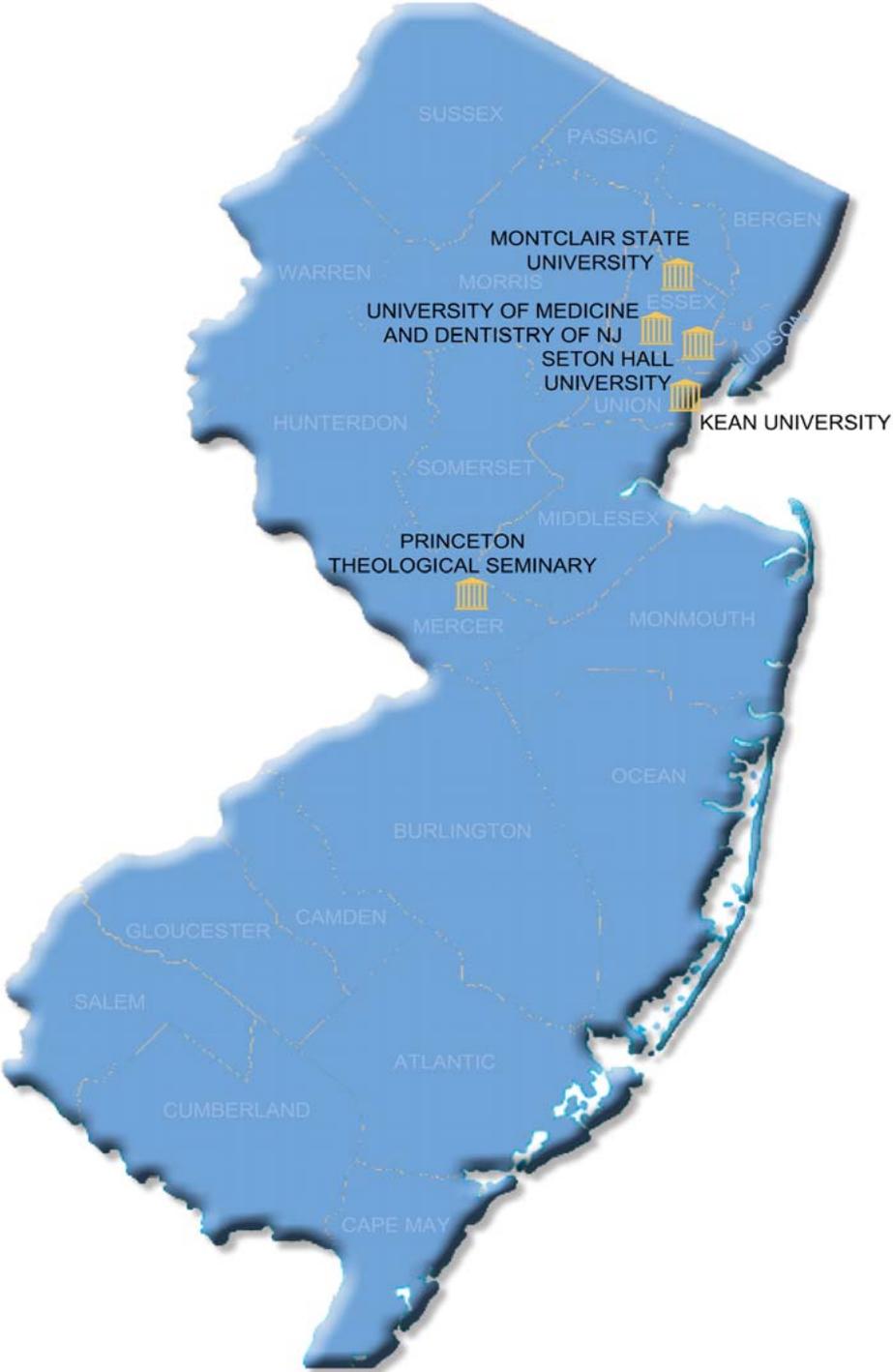
NJEFA
building futures



Princeton University

Firestone Library





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



NJEFA
building futures
◆ ◆ ◆ ◆

Forward Calendar

Seton Hall University 3Q 2009

\$8 million – refunding of certain existing indebtedness

Fairleigh Dickinson University 4Q 2009

\$20 million – library renovation and addition and other capital improvements

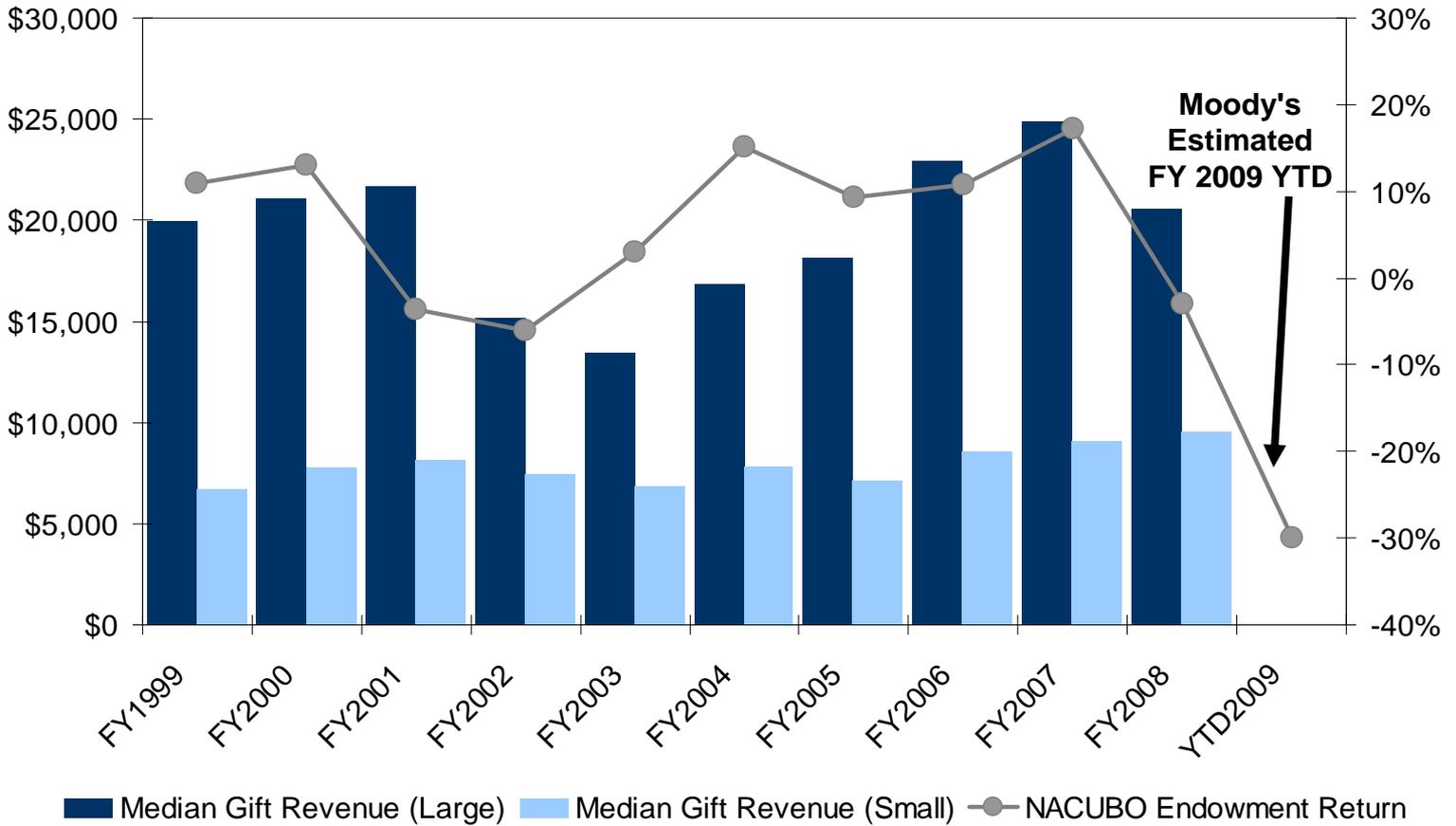
Passaic County Community College 4Q 2009

\$12 million – new academic building

Endowment and Gift Performance



NJFEA
building futures

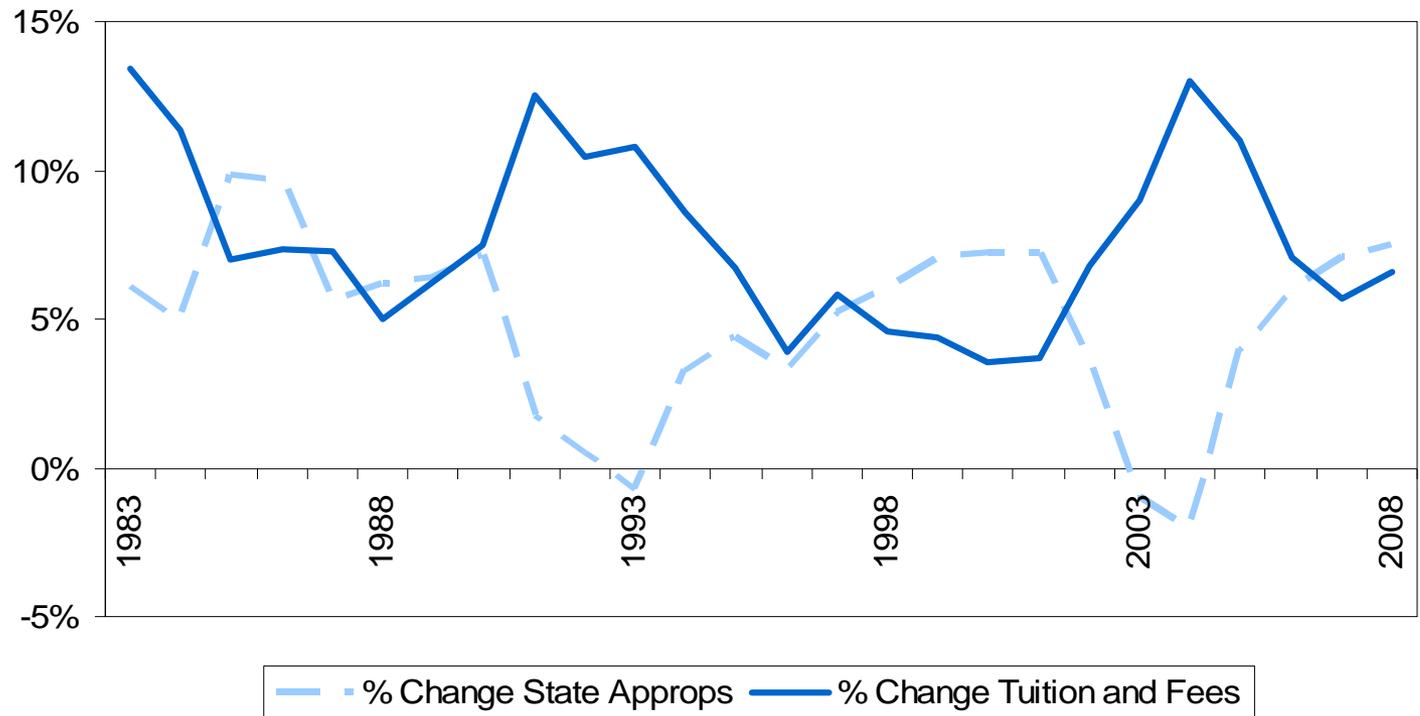


* Moody's rated institutions



NJEDA
building futures

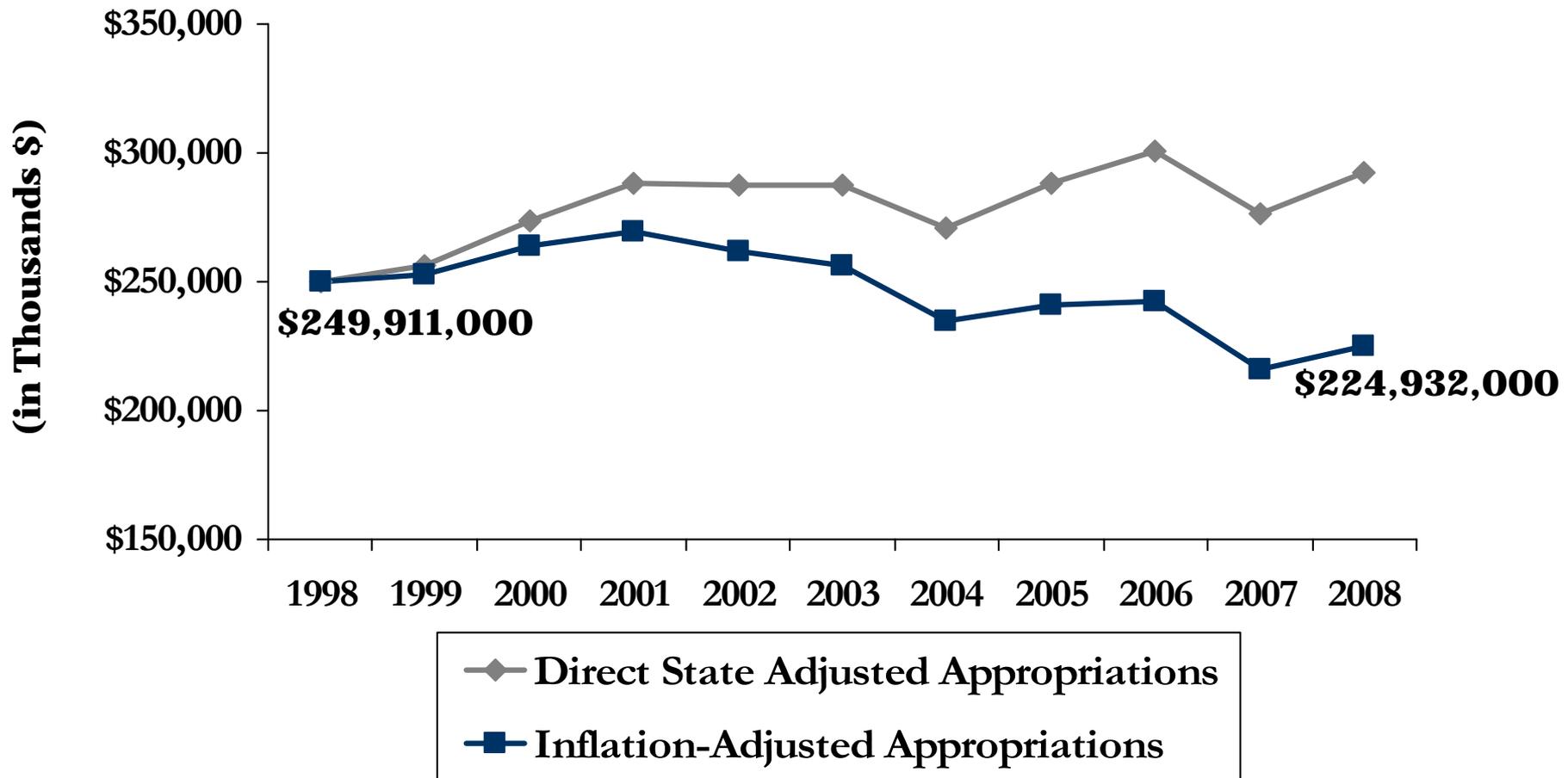
Tuition Increases Compared to Changes in State Appropriations

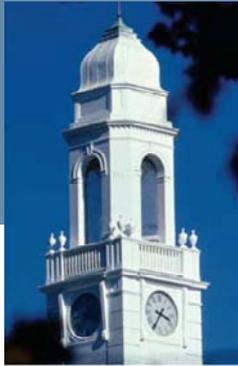


* Moody's rated institutions

State Support is Declining

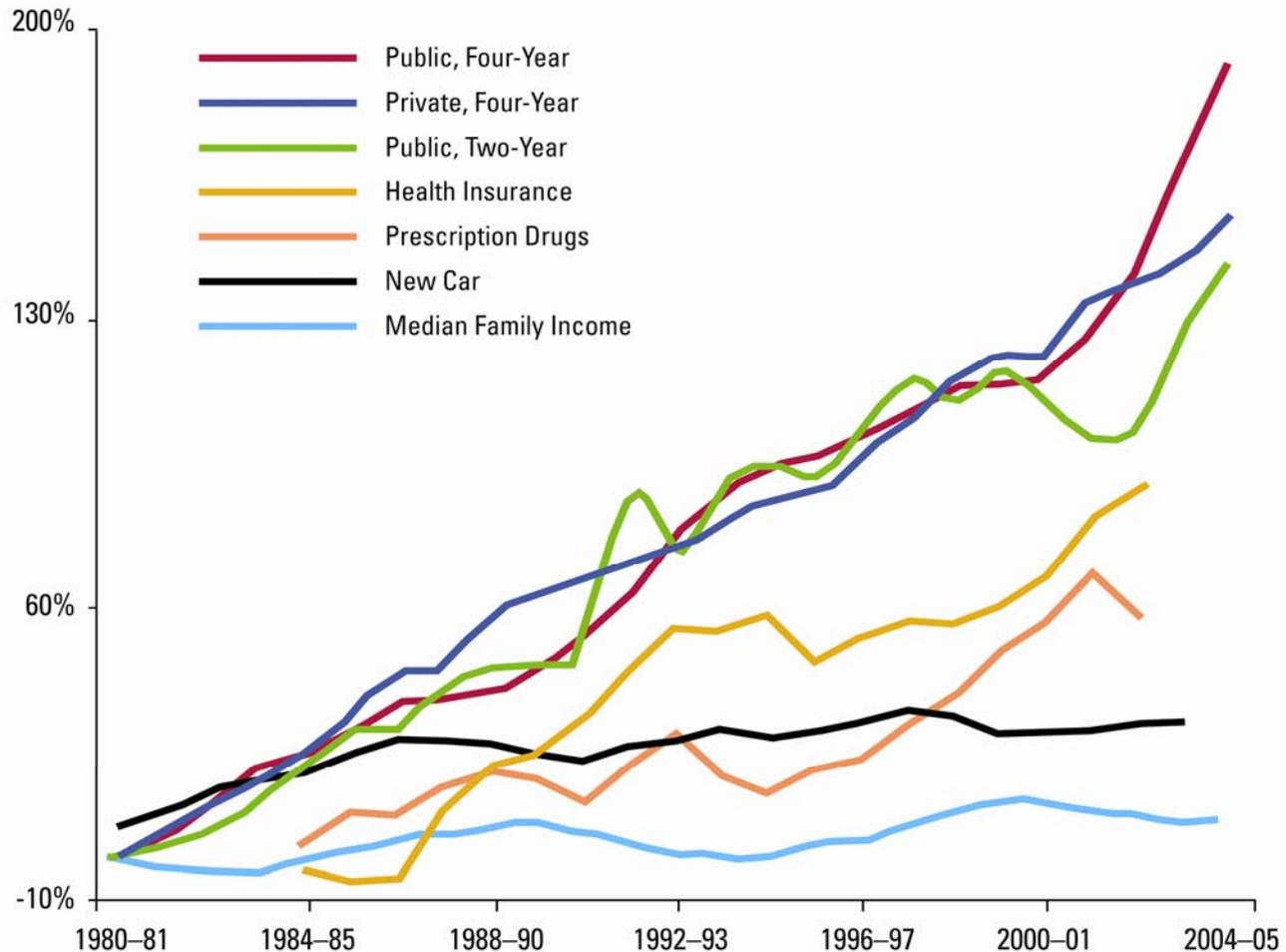
Adjusted for CPI





NJEDA
building futures
◆ ◆ ◆ ◆

The Price of College is Going Up

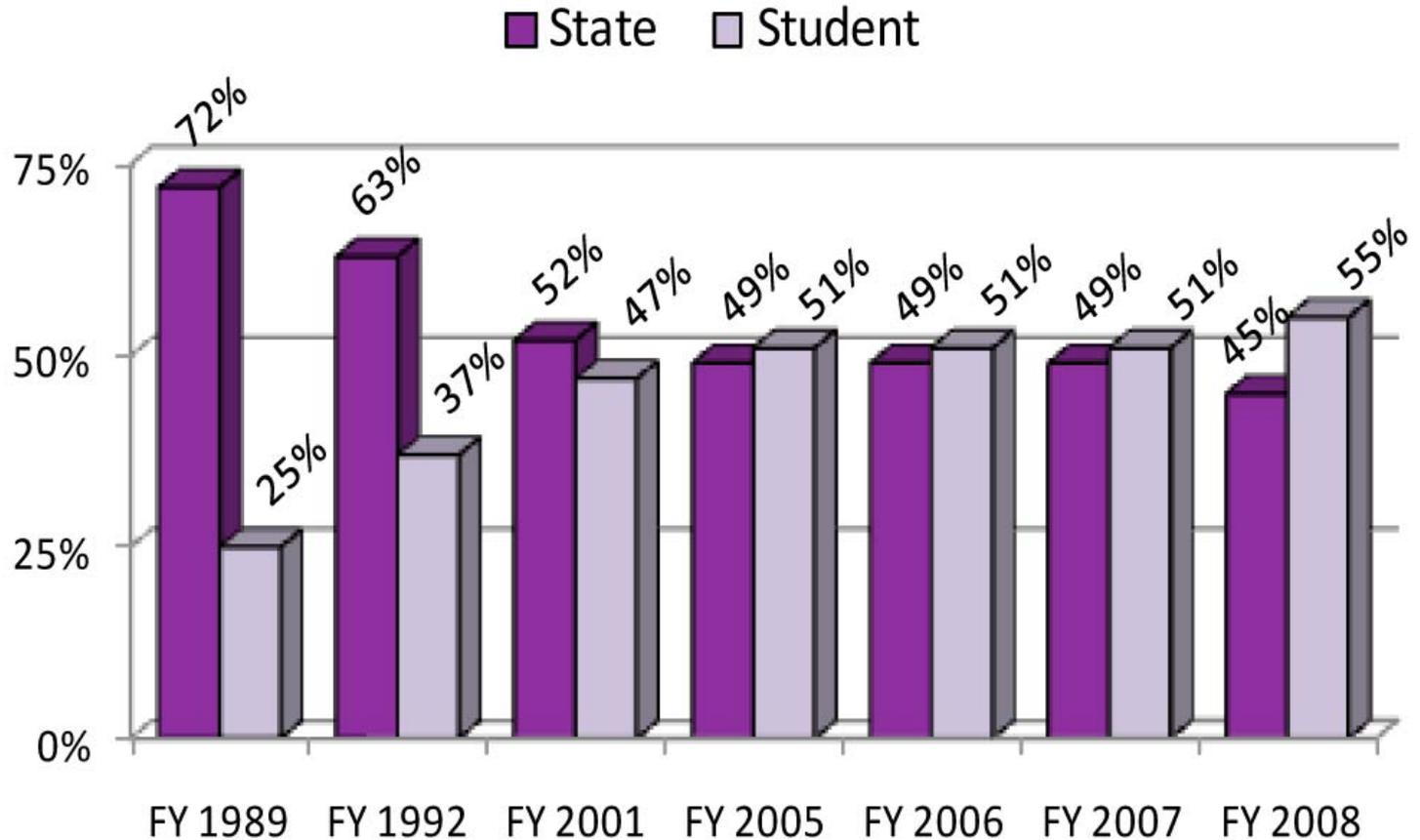


Sources: Jobs for the Future; U.S. Bureau of Labor Statistics; The College Board; Data were analyzed by the National Center for Higher Education Management Systems and the Delta Project on Postsecondary Costs for Making Opportunity Affordable, an initiative supported by Lumina Foundation for Education

Shifting the Burden of Investment



NJEFA
building futures
◆ ◆ ◆ ◆



Moody's US Higher Education Outlook - 2009



NJEFA
building futures

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

The Broader Economy



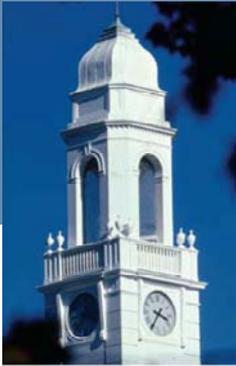
NJEFA
building futures

“As in prior periods of economic weakness, most colleges and universities enjoy relatively inelastic student market demand and have thus far sustained good pricing ability.”

MOODY’S INVESTORS SERVICE

U.S. Higher Education Outlook: Six-Month Update

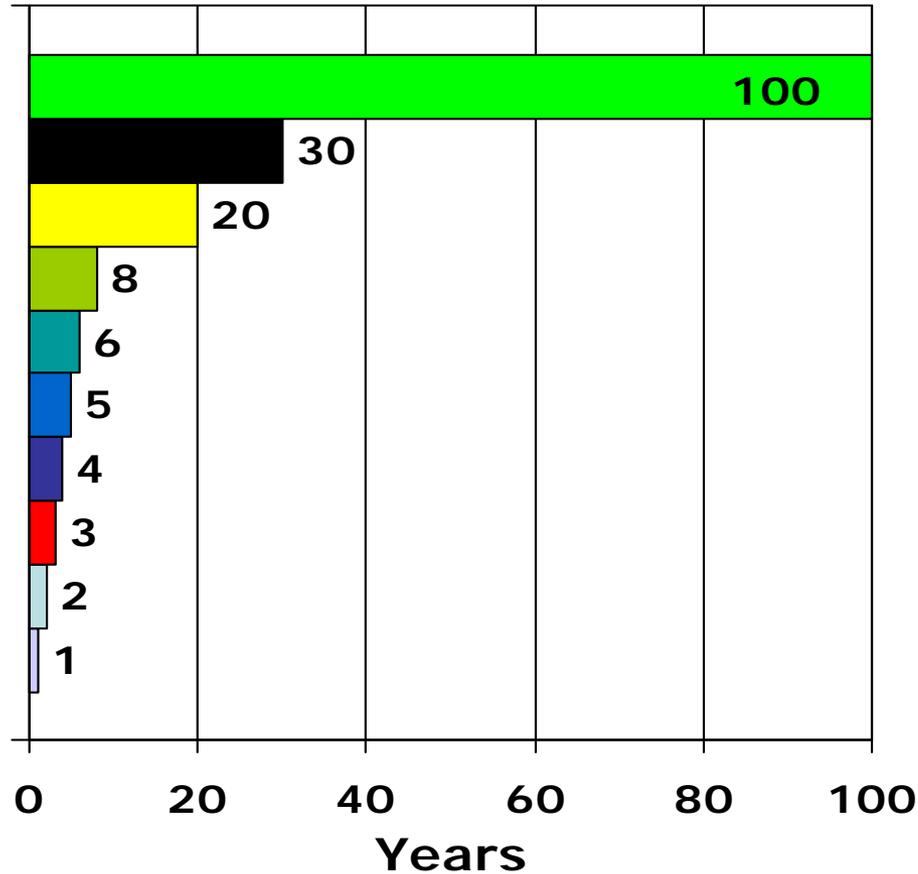
July 2008



NJEDA
building futures

Differing Time Horizons

Planning
Horizon



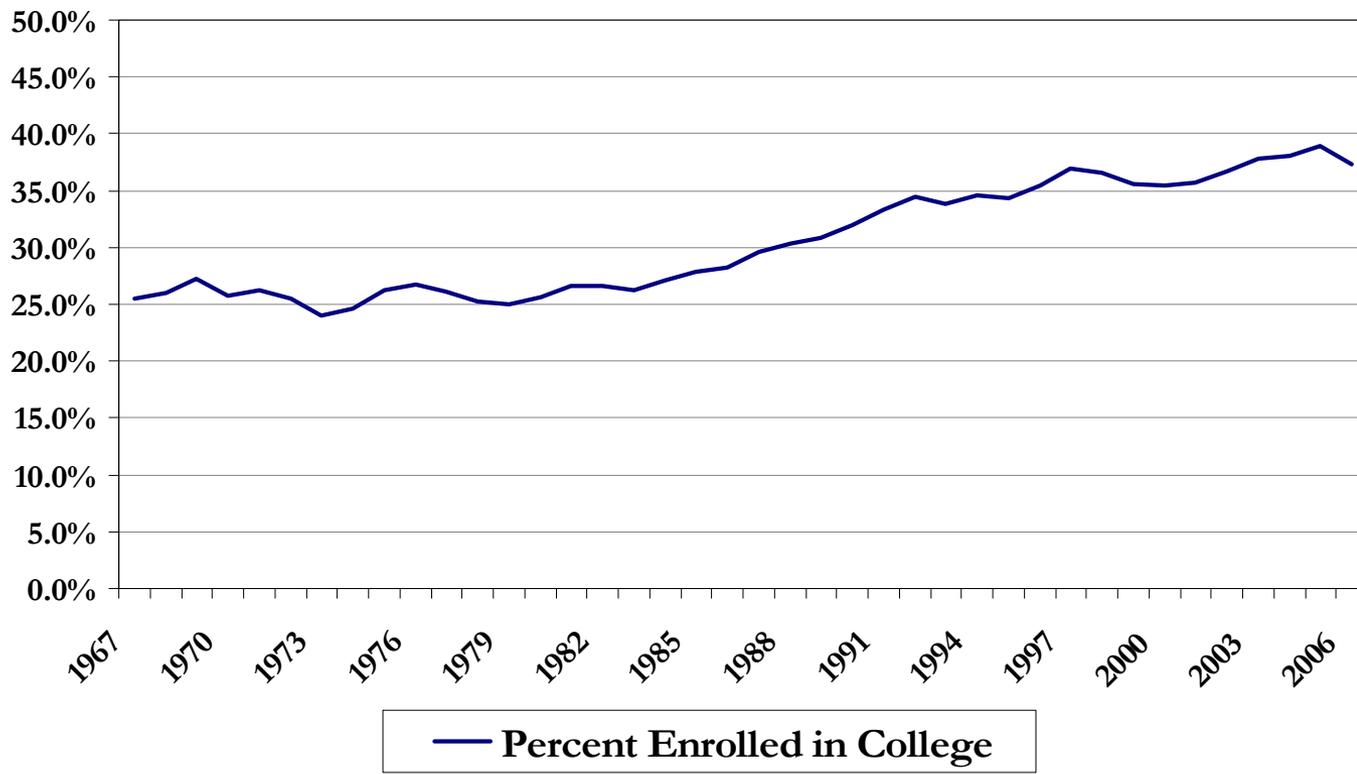
- University Board
- Supreme Court Justice
- University President
- US President
- US Senator
- Corporate Board
- Governor
- Corporate CEO
- US Representative
- Corporate CFO

College Participation



NJEFA
building futures

U.S. population of 18-24 year olds

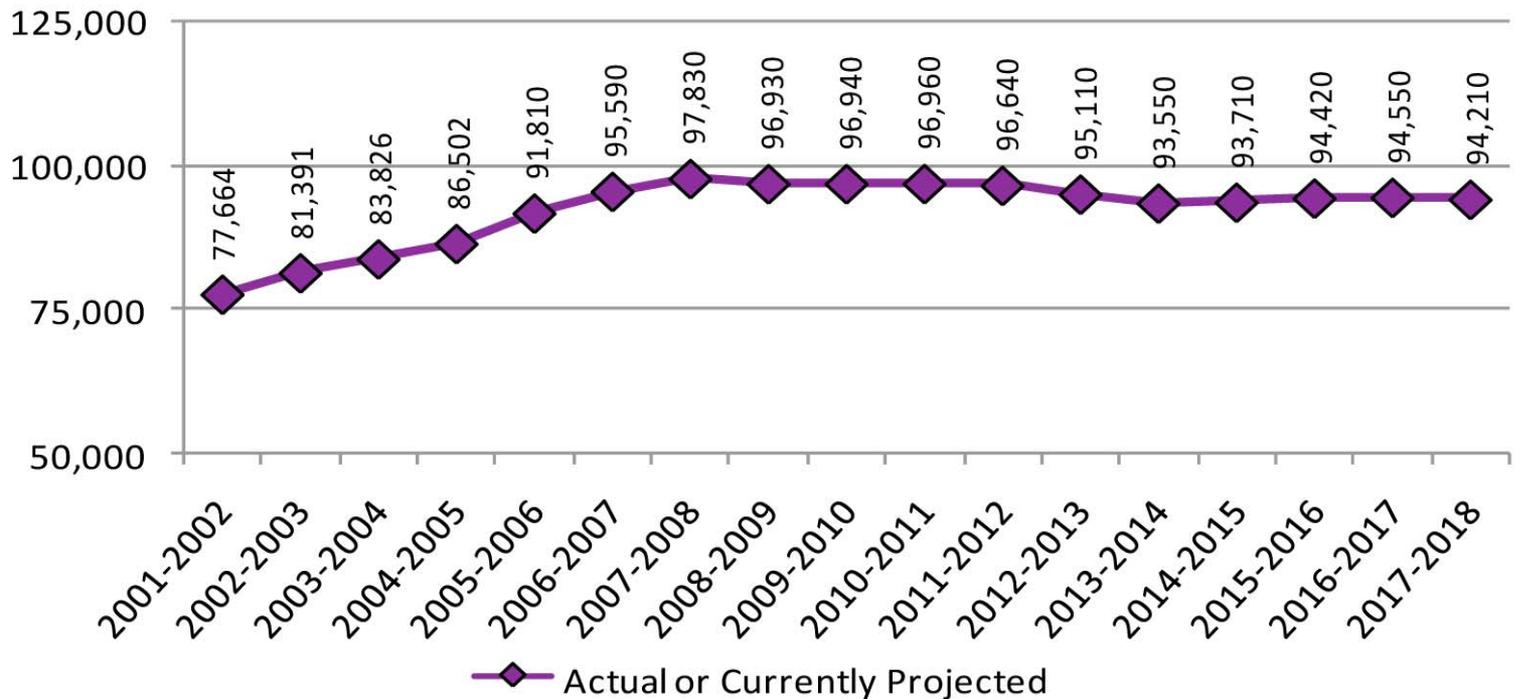


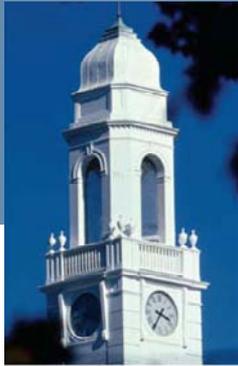


NJEFA
building futures

Steady Demand for College

Actual and Projected NJ High School Graduates



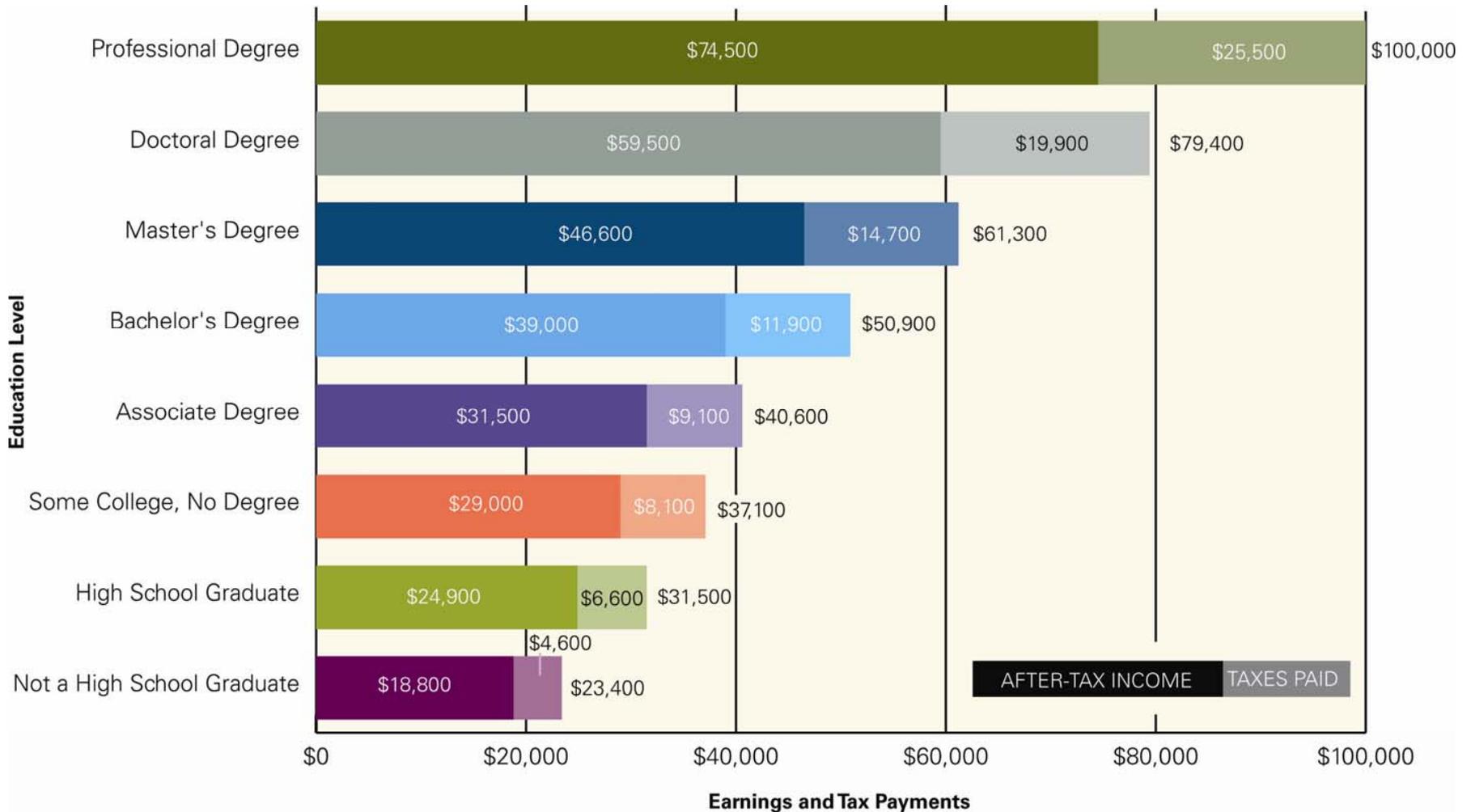


NJEDA
building futures

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



NJEFA
building futures



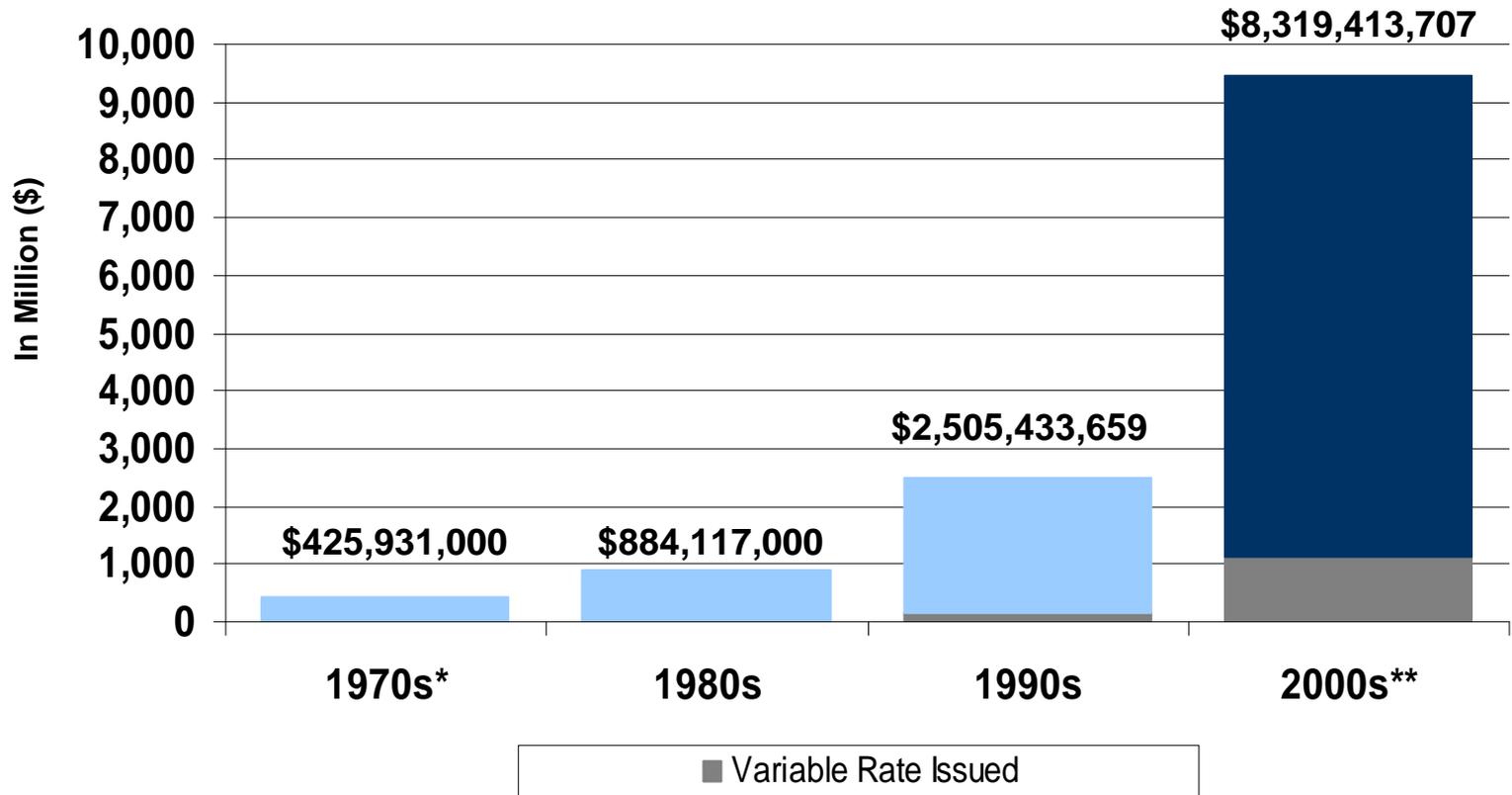
Capacity – New Jersey Trails States with Similar Populations

	<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 Financings by Decade vs. Last 9 1/2 years



NJEFA
building futures



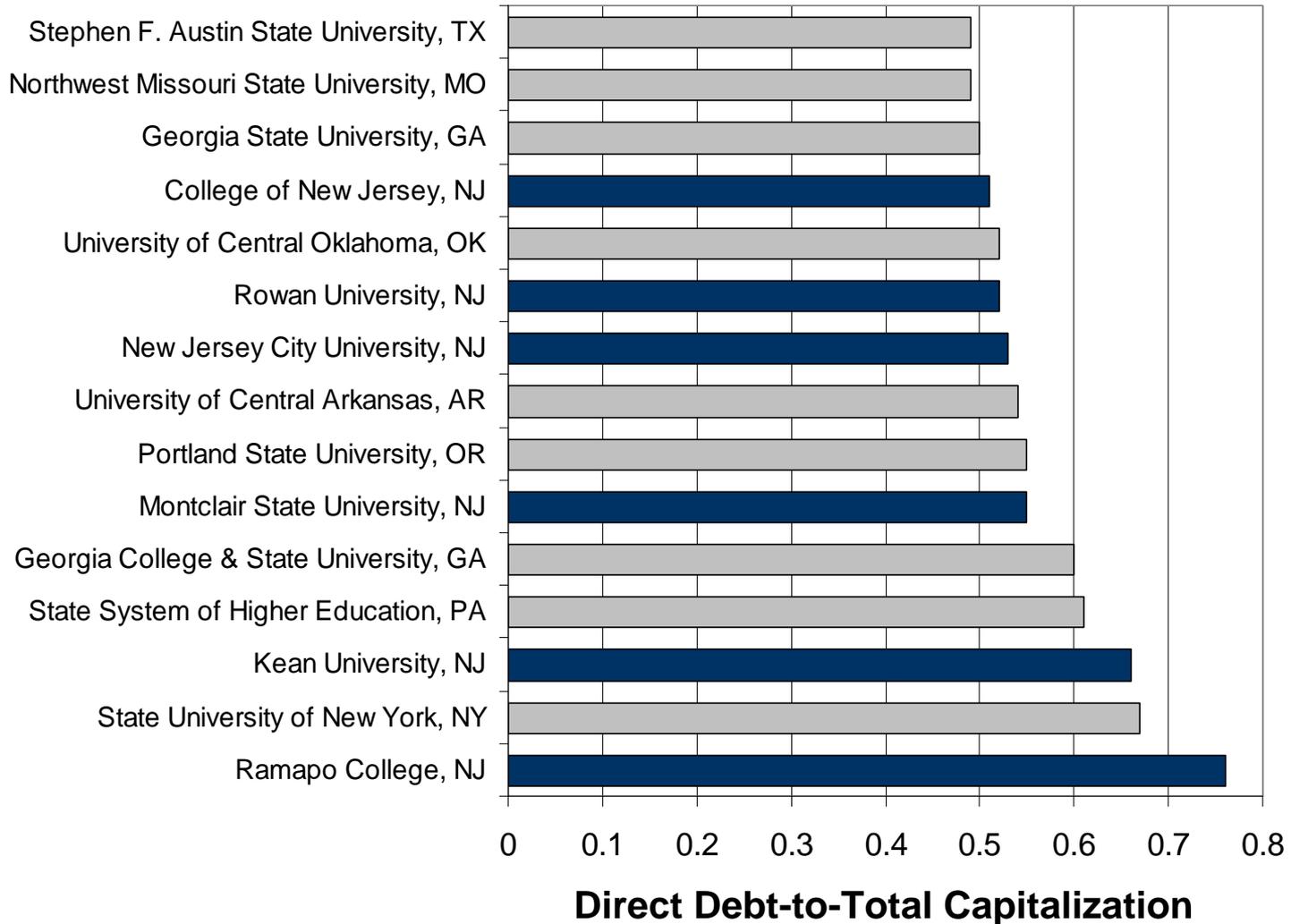
* Includes par amount financed in 1969

** Includes par amount financed to date

Top 15 Most Leveraged Moody's Rated Public Universities



NJEFA
building futures





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	3,033	4,902	2,926	4,514	2,925
Primary Selectivity (%)	62	54	59	56	62	58
Expendable Resources to Direct Debt	1.67	1.72	2.22	1.88	2.44	1.66
Expendable Resources to Operations	.72	1.15	.98	1.3	.93	1.17
Annual Operating Margin (%)	4.7	4.5	5.6	4.1	1.9	3.4

* 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)	7,549	16,962	7,138	13,665	6,896	13,711
Primary Selectivity (%)	52.6	69.8	53.1	70.9	53.2	72.7
Expendable Resources to Direct Debt	.4	1	.4	1	.4	.9
Expendable Resources to Operations	.38	.48	.41	.46	.37	.41
Annual Operating Margin (%)	3	2	4.2	1.9	3.4	1.7

* Moody's rated institutions

Source: Moody's Investors Service



NJEFA
building futures

Higher Education is Our Future

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

GOVERNOR JON S. CORZINE

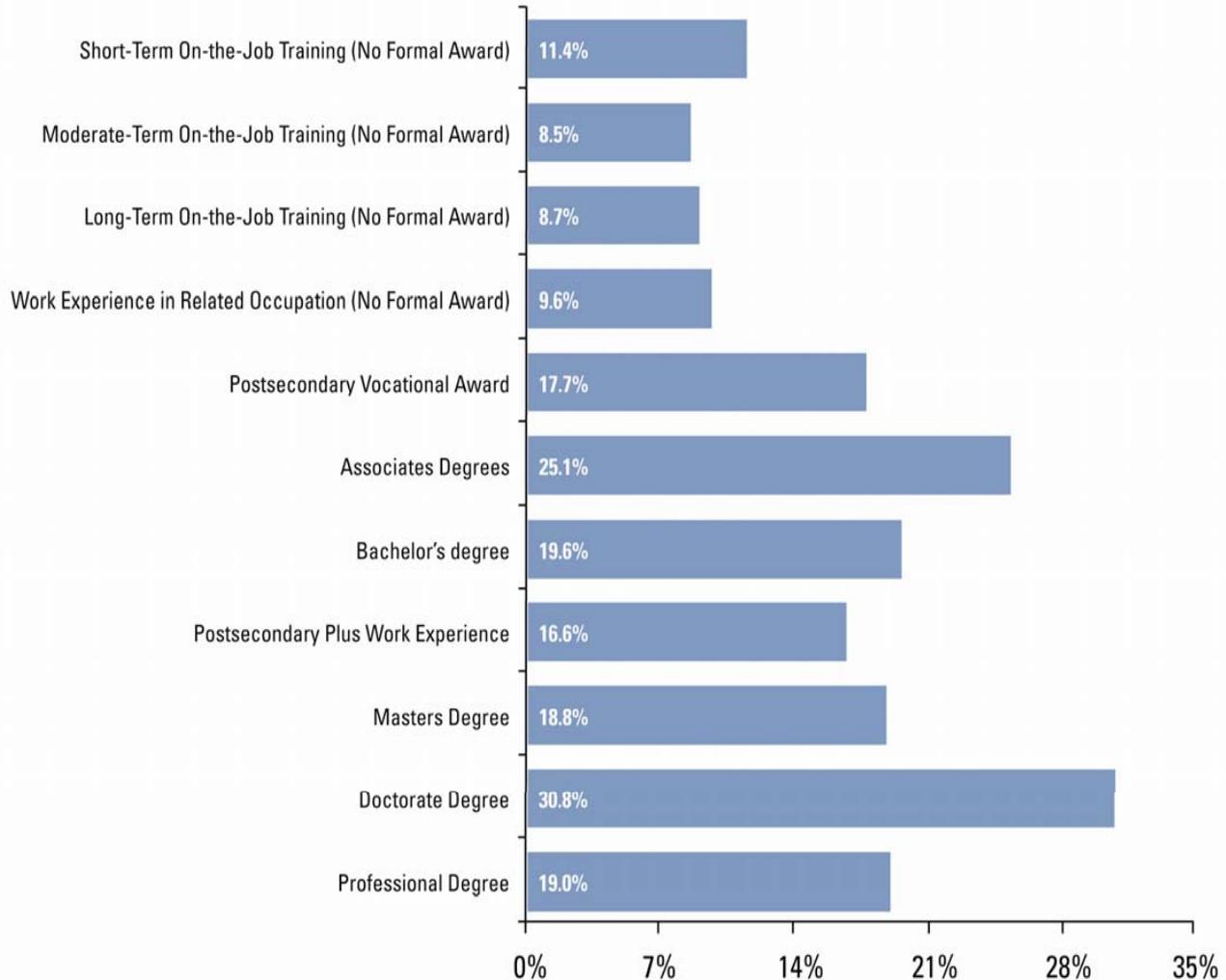
Economic Growth Strategy for the State of New Jersey

2007

Changing Workforce Needs



NJEDA
building futures

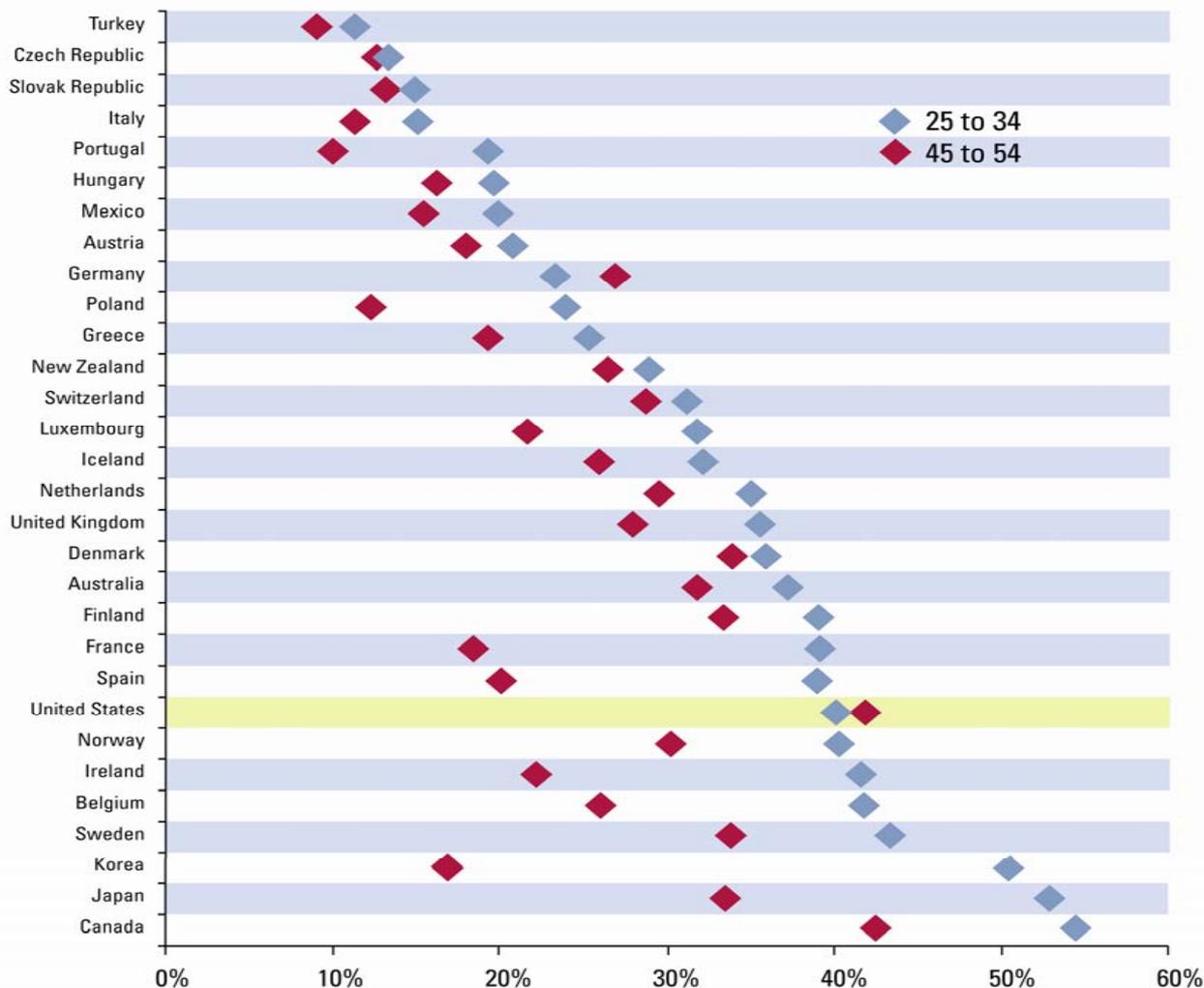


Sources: Jobs for the Future; U.S. Bureau of Labor Statistics; Data were analyzed by the National Center for Higher Education Management Systems and the Delta Project on Postsecondary Costs for Making Opportunity Affordable, an initiative supported by Lumina Foundation for Education (2007)

Differences in College Attainment



NJEFA
building futures



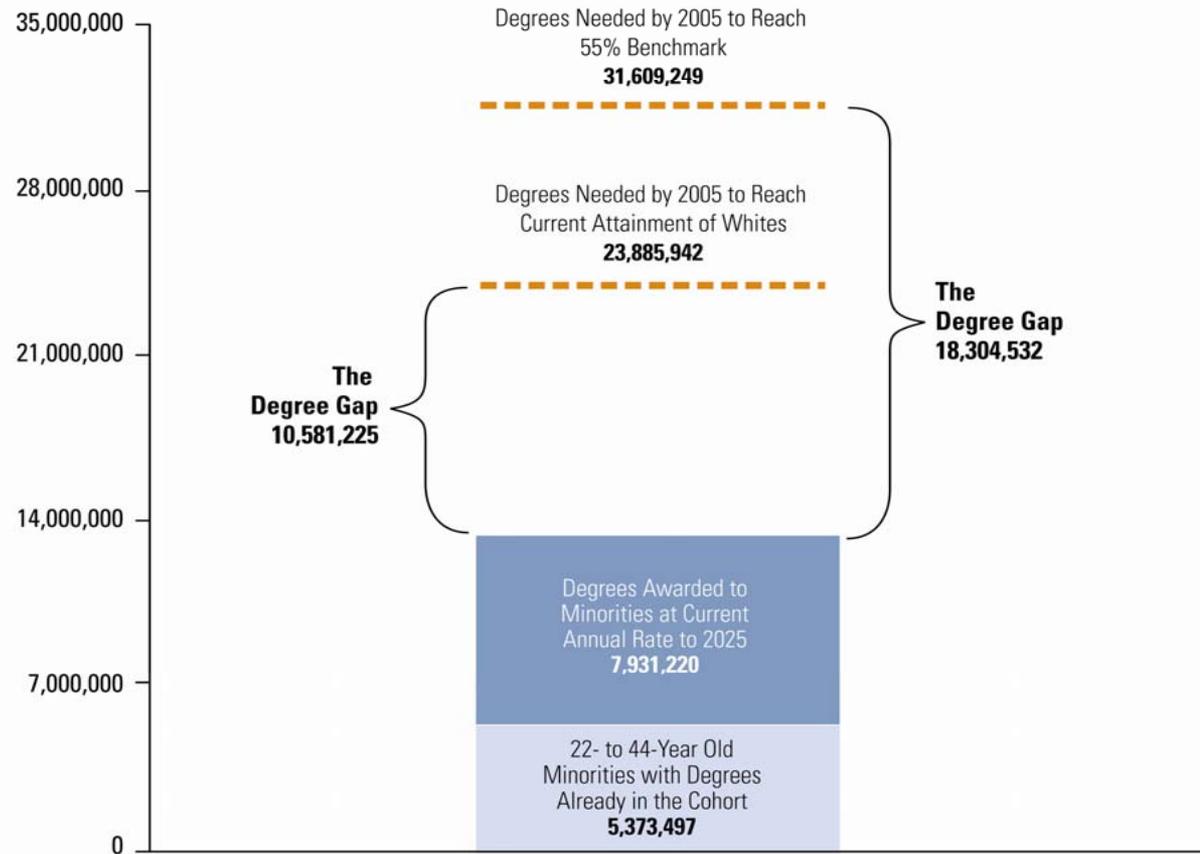
Sources: Jobs for the Future, Organisation of Economic Co-operation and Development (OECD), Education at a Glance 2006; Data were analyzed by the National Center for Higher Education Management Systems and the Delta Project on Postsecondary Costs for Making Opportunity Affordable, an initiative supported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



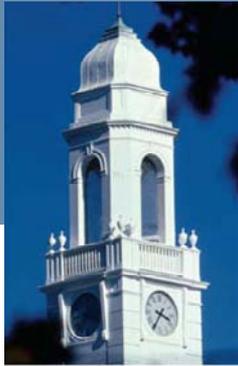
NJEDA
building futures

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



NJEFA
building futures

“The acceptance of higher education as a personal benefit rather than a public good...and the shift of the cost burden to individuals have made it increasingly difficult for low-income students to advance beyond high school. In the long run, the nation as a whole will suffer from the lack of new talent that could have been discovered and nurtured in affordable, accessible, high-quality public schools, colleges, and universities.”

**Rising Above the Gathering Storm: Energizing and Employing America for a
Brighter Economic Future**

National Academy of Sciences, National Academy of Engineering, and Institute of
Medicine of the National Academies, 2007



NJEFA
building futures

“I ask every American to commit to at least one year or more of higher education or career training....That's why we will provide the support necessary for all young Americans to complete college and meet a new goal: By 2020, America will once again have the highest proportion of college graduates in the world.”

Address to the Joint Congress of the United States of America

President Barack Obama

February 24, 2009



NJEDA
building futures
◆ ◆ ◆ ◆

“We live in a technological age where every study shows that the more knowledge you have as a worker and the more knowledge workers you have as an economy, the faster your incomes will rise. Therefore, the centerpiece of our stimulus, the core driving principle, should be to stimulate everything that makes us smarter and attracts more smart people to our shores. That is the best way to create good jobs.”

“The Open-Door Bailout”

Thomas L. Freidman

The New York Times, February 11, 2009



NJEDA

building futures



“[A] serious public emergency exists affecting and threatening the welfare, comfort, health, safety and prosperity of the people of the state . . . resulting from the fact that financial resources are lacking with which to construct required dormitory and other educational facilities at public and private institutions of higher education; that it is essential that this and future generations of youth be given the fullest opportunity to learn and to develop their intellectual and mental capacities . . . and that it is the purpose of this [Act] to provide a measure of assistance . . . to enable institutions of higher education in the State to provide the facilities which are sorely needed to accomplish the purposes of this [Act], all to the public benefit and good.”

NJEDA Statute

New Jersey Statutes Annotated Title 18A Education

Chapter 72A



NJEFA

building futures



Thank You