

**The College of New Jersey
Operating Budget Planning
Trustees Presentation
February 24, 2020**



FY21 Budget Planning Assumptions



Enrollment

- 7,088 UG FTE, up 25 from FY20
 - 9 out-of-state
 - 16 in-state
- Provisional headcount stable at 105
- Grad FTE growth to 431 up by 29 from FY20

State Appropriation

- \$27.7 million, **down \$1 million** from FY20 per OMB budget instructions.
- **Outcomes-based funding level - TBD**
- Fringe benefits flat at \$33.2 million and no change in 859 state-authorized positions (state pays fringe)

Tuition, Fees, Room and Board and Financial Aid

- 2.5% increase for UG, however, modification to the O/S freshman tuition/discount strategy is under consideration
- 2.5% increase for Graduate is being modeled plus discussions with Provost & Deans to change pricing structures
- Room rates up 2%; board charges up 3.5%
- Institutional scholarships & waivers up about **\$1.1 million** over FY20 budgeted allocation

Expenses & Transfers

- Salary program up \$3.8 million (includes projected salary increases for unions and non-unit merit allocation)
- **Salary turnover savings NOT budgeted. Vacant positions will be managed to offset ALL new positions requested.**
- Non-salary allocations based on the average spending for the past 3 years (FY2017 - FY2019) with some exceptions (i.e. Library, Software, food service). This could yield a reduction in expenses of **\$0.74 million** over the FY20 budget.
- Revenue enhancement target of \$0.75 million budgeted – **Revenue sources to be identified**
- Asset renewal and debt service are flat at \$10.3 million and \$26 million, respectively
- **\$1.5 million in strategic funding set aside for one or two priority projects that advance revenue diversification and/or external partnerships. Campus-wide input and ideas on strategic investments that will move the needle.**

Enrollment – Fiscal Year 2021 -2023 Projections



3-Year Growth Assumptions:

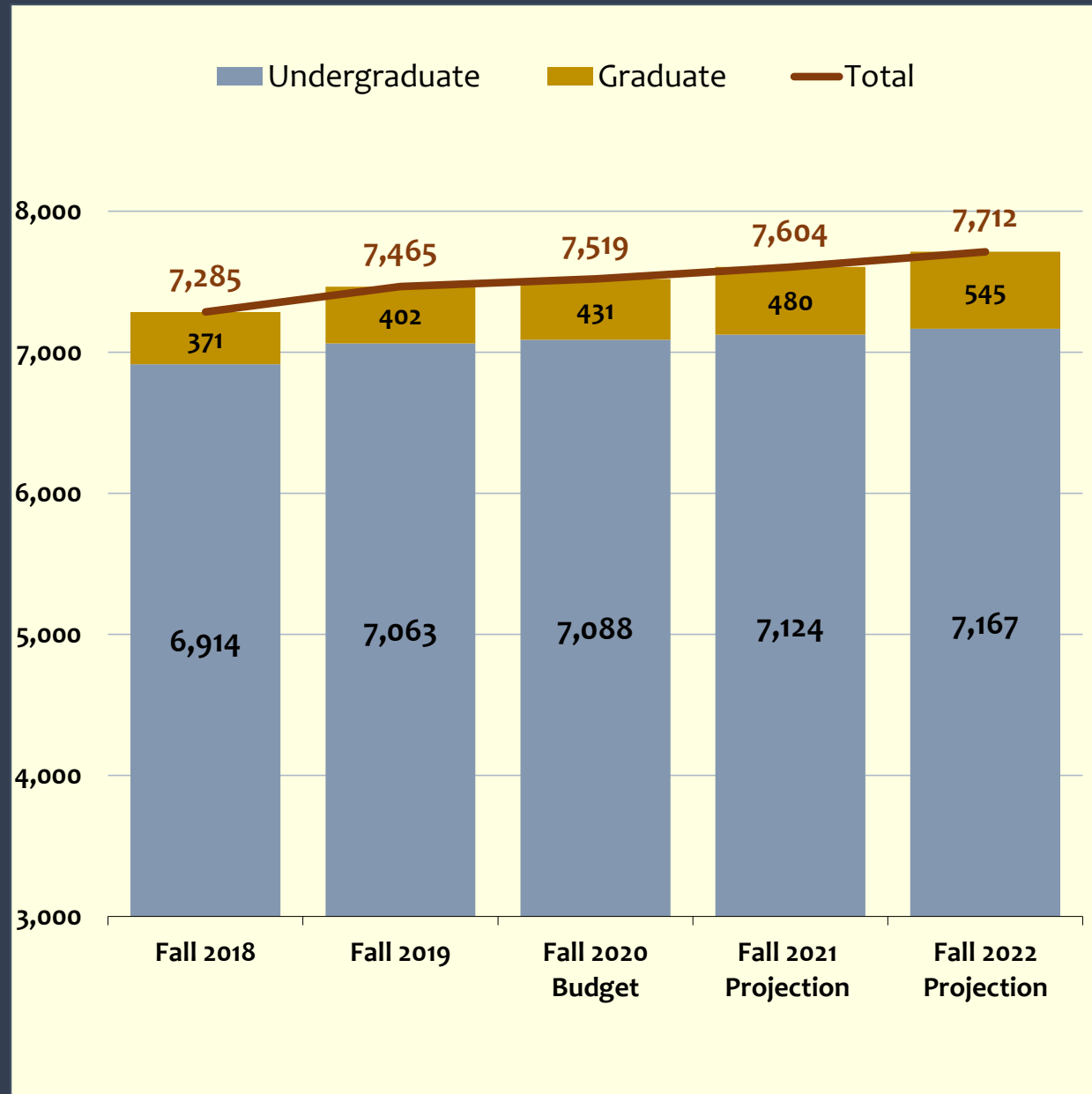
Growth in Transfers but not in the freshman =1.5%. Significant growth in Graduate =35.6%

Undergraduate FTE – FY2021

- Modest growth of 25 Undergraduate FTE projected over fall 2020;
- First-year FTE enrollment projected at 1,585 vs. 1,606 in fall 2019 consisting of 1,445 in-state and 140 out-of-state);
- Provisional students will be budgeted at 105 vs. 103 in fall 2019;
- Transfer students goal is 240 vs. 244 in Fall 2019;

Graduate Enrollment – FY2021

- Graduate enrollment negative trend reversed in FY20;
- Fall 2020 projected increase of 29 FTE over Fall 2019;
- The MBA program is projected to yield majority of the enrollment growth;



FY 2021 Budget Plan – State Support



| State Appropriations (Amounts in thousands) | | | | |
|--|----|-----------------|-------------|--------------|
| | | 2021 Projection | 2020 Budget | 2019 Actuals |
| State appropriations | \$ | 27,698 | 28,698 | 27,177 |
| Fringe benefits | | 33,227 | 33,227 | 27,174 |
| Gross State support | \$ | 60,925 | 61,925 | 54,351 |

-- State operating support decrease of **\$1.0 million**

- **\$1.0 million** reduction in base state appropriation per OMB budget submission instructions
- **\$xx million TBD** for outcomes-based allocation modification:
 1. Enrollment Metrics (20% of total rationale) with premium for FTE Enrollment, Underrepresented Minorities, adult students and Pell Recipients;
 2. Completion Metrics (80% of total rationale) with premium for number of degree completions, Pell recipient completers at 6-years, Underrepresented Minorities and adult students;

-- **Fringe benefits appropriation** of **\$33.2 million** for TCNJ's state-funded employees (859 total), per OMB budget submission instructions

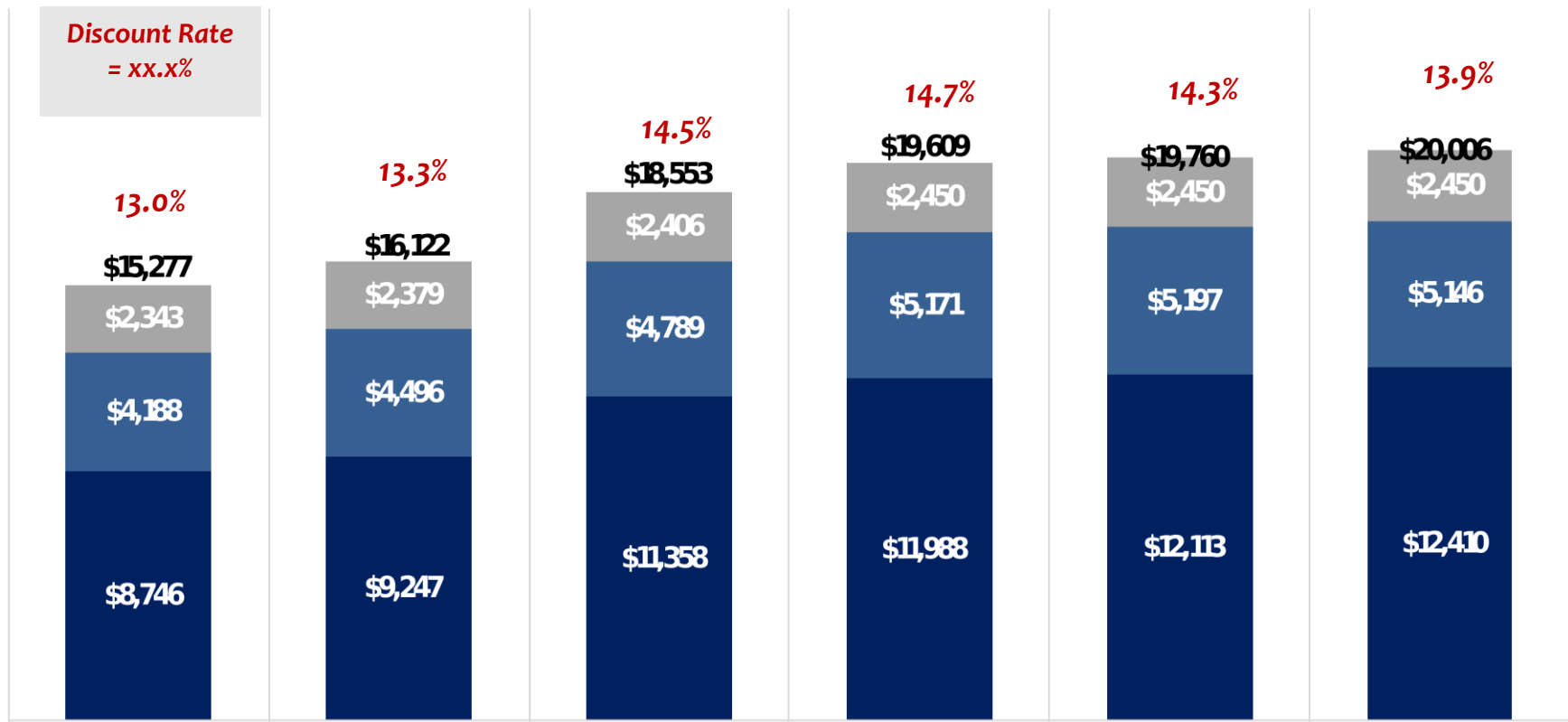
FY21 Budget Planning Assumptions

| Growth Assumptions | FY2019 Actuals | FY2020 Budget | FY2021 Budget | FY2022 Projection | FY2023 Projection |
|---|-------------------|------------------|------------------|----------------------|----------------------|
| Operating Budget | | | | | |
| Operating Revenues | 2.00% | 2.00% | 2.00% | 3.50% | 3.50% |
| Tuition & fees increase | 2.50% | 2.25% | 2.50% | 3.00% | 3.00% |
| Undergraduate Tuition discount | 13.3% | 14.5% | 14.7% | 14.3% | 13.9% |
| Operational Excellence - Cost Savings (\$ in 000's) | \$ - | \$ 1,000 | \$ 850 | \$ 650 | \$ 300 |
| Revenue Diversification Target (\$ in 000's) | \$ - | \$ 350 | \$ 750 | \$ 1,450 | \$ 1,850 |
| Maximum Capacity (including overflow) | 3,864 | 3,864 | 3,864 | 3,864 | 3,864 |
| Projected Occupancy | 96.0% | 97.0% | 97.0% | 97.0% | 97.0% |
| Room Rate Increases | 3.00% | 3.00% | 2.00% | 2.00% | 2.00% |
| Other Operating Expenses | 1.50% | 1.50% | 1.90% | 2.00% | 2.00% |
| Salaries Program | 3.20% | 3.50% | 3.50% | 3.50% | 3.50% |
| Debt Service Savings - bond refinancing (\$ in 000's) | \$ (4,070) | \$ (4,067) | \$ (4,045) | \$ - | \$ - |
| Nonoperating Revenues | | | | | |
| State of New Jersey appropriations | 0.00% | 5.60% | -3.5% | 0.00% | 0.00% |
| State of New Jersey fringe appropriation | 4.25% | 0.00% | 0.00% | 3.50% | 6.30% |
| Investment Income | 5.40% | 5.75% | 6.00% | 6.50% | 6.50% |
| Contract Food Service | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| Fall Enrollment Projections | | | | | |
| In-State Undergraduate FTE | 6,489 | 6,658 | 6,668 | 6,697 | 6,736 |
| Out-of-State Undergraduate FTE | 425 | 405 | 420 | 427 | 431 |
| Total Undergraduate FTE | 6,914 | 7,063 | 7,088 | 7,124 | 7,167 |
| In-State Graduate FTE | 363 | 393 | 423 | 470 | 535 |
| Out-of-State Graduate FTE | 8 | 9 | 8 | 10 | 10 |
| Total Graduate FTE | 371 | 402 | 431 | 480 | 545 |
| Total FTE | 7,285 | 7,465 | 7,519 | 7,604 | 7,712 |
| Undergraduate Enrollment Growth | | | 25 | 36 | 43 |
| Graduate Enrollment Growth | | | 29 | 49 | 65 |
| Total Enrollment Growth | | | 54 | 85 | 108 |

FY 2021 Budget Plan – Financial Aid

Institutional Scholarships & waivers (in thousands)

■ Merit-Based ■ Need-Based ■ Tuition Waivers ■ Total



FY 2021 Budget Plan -- Overview



\$194 million E&G budget

\$66 million Auxiliary budget

\$121 million Reserves (~7 months)

\$59 million Endowment

\$321 million debt load, various pots

\$26 million annual debt payment
(10% of operating budget)



FY21 Preliminary Bottom Line - \$ in 000's



SOURCES OF FUNDS

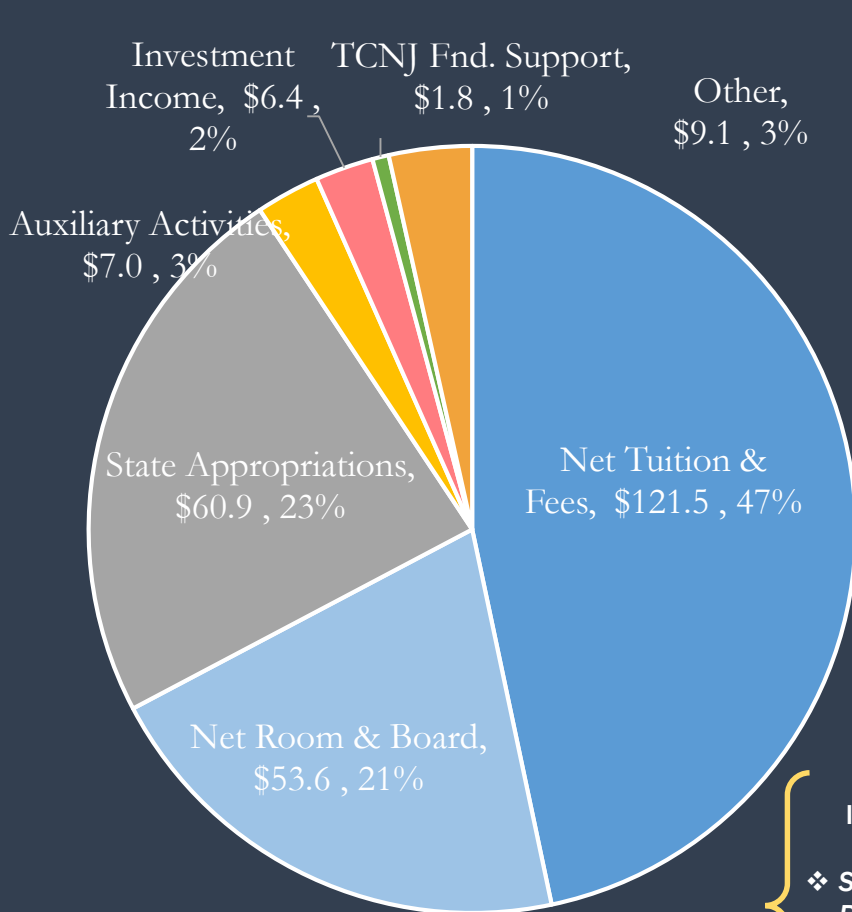
| | |
|--|------------------|
| Base Revenue Budget (net of Scholarships) | \$254,465 |
| College Operating Budget - E & G | 190,965 |
| Auxiliary - Housing, CES & BSC | 63,500 |
| Tuition Increase & Enrollment Growth | 4,136 |
| Institutional Scholarships increase | (1,056) |
| Net Room & Board Increase | 1,539 |
| Auxiliary Activities | 317 |
| Investment Income & Gains | 274 |
| Base State Appropriations | (1,000) |
| Revenue Diversification Initiative | 750 |
| Foundation Support | 197 |
| Other Revenues, net | 784 |
| TOTAL SOURCES | \$260,406 |

USES OF FUNDS

| | |
|--|------------------|
| Base Expenditures & Transfers | \$253,564 |
| Strategic Projects Allocation | (186) |
| Compensation (includes salary program) | 4,250 |
| Meal Plans | 655 |
| Net Transfers to Reserves | 3,592 |
| Non-salary Commitments, net | (536) |
| Maintenance & Utilities | (889) |
| Debt Service | (130) |
| Computer Hardware | (404) |
| Supplies & Other Expenses | (107) |
| Enterprise Funds Carryforward | 994 |
| TOTAL USES OF FUNDS | \$261,339 |

Preliminary
Budget
Surplus
(Deficit) of
(\$933)

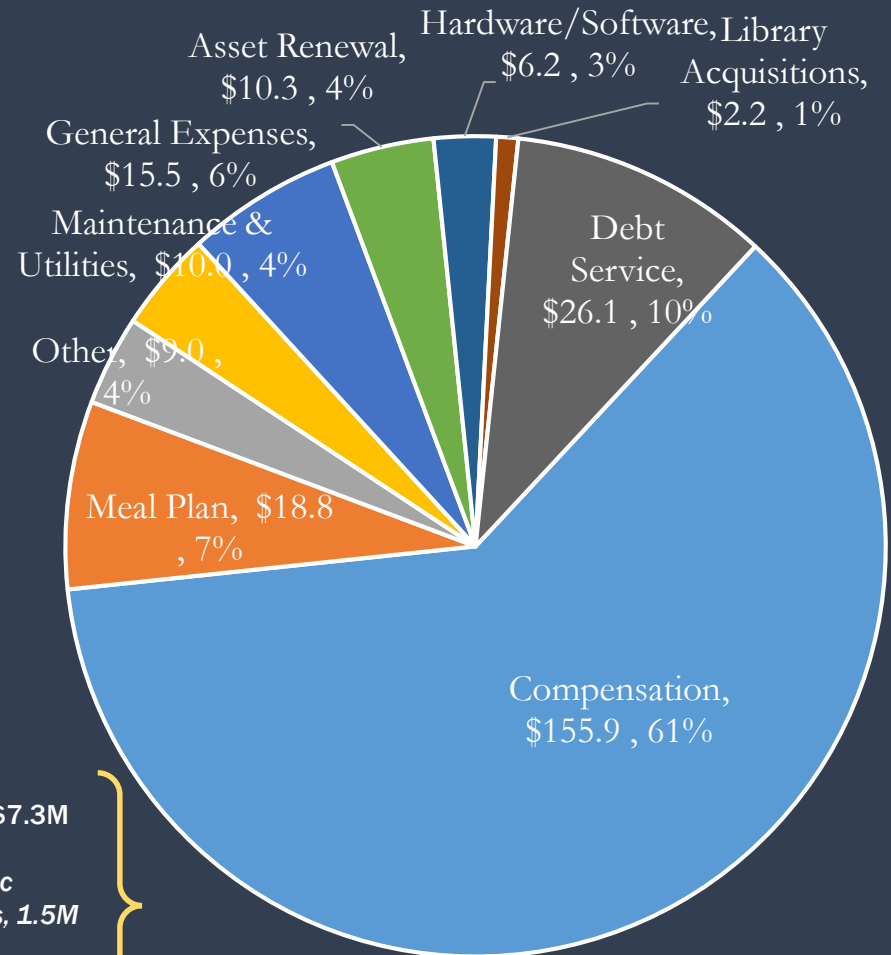
FY 2021 Budget Plan -- Overview



FY21 Revenues = \$260.4M



Δ = \$0.9M Deficit



FY21 Expenditures = \$254.0M

Multi-Year Budget Plans



| | FY2020 Revised Budget | FY2021 Budget Projection | FY2022 Budget Projection | FY2023 Budget Projection |
|---|-----------------------------|--------------------------------|--------------------------------|--------------------------------|
| Operating Financial Plan | | | | |
| Undergraduate tuition & fees | 127,178 | 130,824 | 135,563 | 140,355 |
| Graduate tuition & fees | 9,809 | 10,299 | 11,538 | 13,037 |
| Less tuition scholarship allowances | (18,553) | (19,609) | (19,760) | (20,006) |
| Net Student Tuition and Fees | 118,434 | 121,514 | 127,341 | 133,386 |
| State of New Jersey appropriations | 28,698 | 27,698 | 27,698 | 27,698 |
| State of New Jersey fringe benefits | 33,227 | 33,228 | 34,391 | 36,564 |
| Net student housing and board | 52,092 | 53,631 | 55,324 | 57,057 |
| Auxiliary activities | 6,708 | 7,025 | 7,187 | 7,439 |
| TCNJ Foundation Support | 1,611 | 1,808 | 1,871 | 1,936 |
| Other Revenues | 7,595 | 9,128 | 7,860 | 8,007 |
| Total Base Financial Plan | 248,365 | 254,032 | 261,672 | 272,087 |
| Investment Income & Appreciation | 6,100 | 6,374 | 6,797 | 7,035 |
| TOTAL FUNDING AVAILABLE | 254,465 | 260,406 | 268,469 | 279,122 |
| Compensation | 151,675 | 155,925 | 159,707 | 166,960 |
| Maintenance & Utilities | 10,843 | 9,954 | 10,153 | 10,356 |
| Supplies & General Expenses | 16,311 | 15,520 | 15,265 | 15,571 |
| Other Expenses | 6,579 | 7,259 | 7,523 | 7,718 |
| Computer Hardware & Software | 6,669 | 6,265 | 6,334 | 6,461 |
| Library Acquisitions | 2,219 | 2,223 | 2,249 | 2,289 |
| Contract Food Service | 18,147 | 18,802 | 19,178 | 19,562 |
| Debt Service (Principal & Interest) | 26,226 | 26,096 | 30,382 | 30,471 |
| Total Base Expenditure Plan | 238,669 | 242,044 | 250,791 | 259,388 |
| Operating Surplus before Transfers | 15,796 | 18,362 | 17,678 | 19,734 |
| Strategic Funds Allocation | 1,686 | 1,500 | 1,000 | 1,000 |
| Maintenance Projects | 1,700 | 1,700 | 1,734 | 1,769 |
| Asset Renewal Funding | 10,295 | 10,295 | 10,500 | 10,710 |
| Other Transfers (Enterprise Funds) | (3,170) | (2,176) | (2,686) | (2,740) |
| Net Transfers to Reserves | 4,384 | 7,976 | 8,390 | 8,578 |
| Total Transfers | 14,895 | 19,295 | 18,938 | 19,317 |
| Net Operating Surplus (Deficit) | 901 | (933) | (1,260) | 417 |

Budget Premises and Principles

- Be strategic, smart, prudent, compassionate and clear-eyed
 - Invite input; be transparent
 - Align choices with institutional priorities
 - Find saving through vacancies, efficiencies
 - Project new revenues conservatively
- Make choices for FY21 with future years in mind
 - Budget reflects strategy

Levers

Mission & Strategy

Institutional priorities

Enrollment size and mix

Tuition and fee rates

Room and board rates; housing options

Financial aid allocations

Quality and relevance of academic offerings

Employee headcount

Cost containment and efficiencies

Fundraising/development

Reserves

Partnerships

Grants

State appropriations/bargained compensation agreements*

* Only indirect control

Finance – 2020 Results as of January 31, 2020



| | FY2020 Revised Budget | FY2020 Actuals @ 01/31/20 | FY2020 Remaining Balance |
|---|-----------------------------|---------------------------------|--------------------------------|
| Operating Financial Plan | | | |
| Undergraduate tuition & fees | 127,178 | 124,163 | 3,015 |
| Graduate tuition & fees | 9,809 | 8,709 | 1,100 |
| Less tuition scholarship allowances | (18,553) | (18,054) | (499) |
| Net Student Tuition and Fees | 118,434 | 114,818 | 3,616 |
| State of New Jersey appropriations | 28,698 | 16,176 | 12,522 |
| State of New Jersey fringe benefits | 33,227 | 15,063 | 18,164 |
| Net student housing and board | 52,092 | 50,974 | 1,118 |
| Auxiliary activities | 6,708 | 3,655 | 3,053 |
| TCNJ Foundation Support | 1,611 | 115 | 1,496 |
| Other Revenues | 7,595 | 5,908 | 1,687 |
| Total Base Financial Plan | 248,365 | 206,709 | 41,656 |
| Investment Income & Appreciation | 6,100 | 5,069 | 1,031 |
| TOTAL FUNDING AVAILABLE | 254,465 | 211,778 | 42,687 |
| Compensation | 151,675 | 79,746 | 71,929 |
| Maintenance & Utilities | 10,843 | 5,362 | 5,481 |
| Supplies & General Expenses | 16,311 | 7,391 | 8,920 |
| Other Expenses | 6,579 | 4,203 | 2,376 |
| IT Hardware & Software | 6,669 | 2,822 | 3,847 |
| Library Acquisitions | 2,219 | 1,705 | 514 |
| Contract Food Service | 18,147 | 9,651 | 8,496 |
| Debt Service (Principal & Interest) | 26,226 | 13,348 | 12,878 |
| Total Base Expenditure Plan | 238,669 | 124,228 | 114,441 |
| Operating Surplus before Transfers | 15,796 | 87,550 | |
| Strategic Funds Allocation | 1,686 | - | 1,686 |
| Maintenance Projects | 1,700 | 330 | 1,370 |
| Asset Renewal Funding | 10,295 | 10,295 | - |
| F&A and Enterprise Carryforward | (3,170) | (2,821) | 349 |
| Net Reserves Transfers | 4,384 | 2,643 | 1,741 |
| Total Transfers | 14,895 | 10,447 | 5,146 |
| Net Operating Surplus (Deficit) | 901 | 77,103 | |

Revenues

- Overall revenues are in line with budget due to:
 - higher graduate enrollment and financial aid/scholarships slightly below the target;
 - New Jersey state appropriations are on track and the Governor authorized the \$1 million (from the lockbox) to be released as part of future monthly payments.
- Net student housing and board, plus auxiliary activities are in line with budget as of January 2020.
- Foundation support will be transferred before year-end.
- Other Revenues (e.g., program fees, NJASCU services) are on budget while investment income & appreciation will exceed target unless there is a major stock market correction.

Expenditures

- Overall expenditures slightly below budget due to:
 - Compensation – AFT union contract has not been ratified. Retroactive salary increases will be made once the contract is finalized.
 - Efficiencies in supplies, IT, general expenses continues
- Debt service payments are made twice per year (Dec. & June)

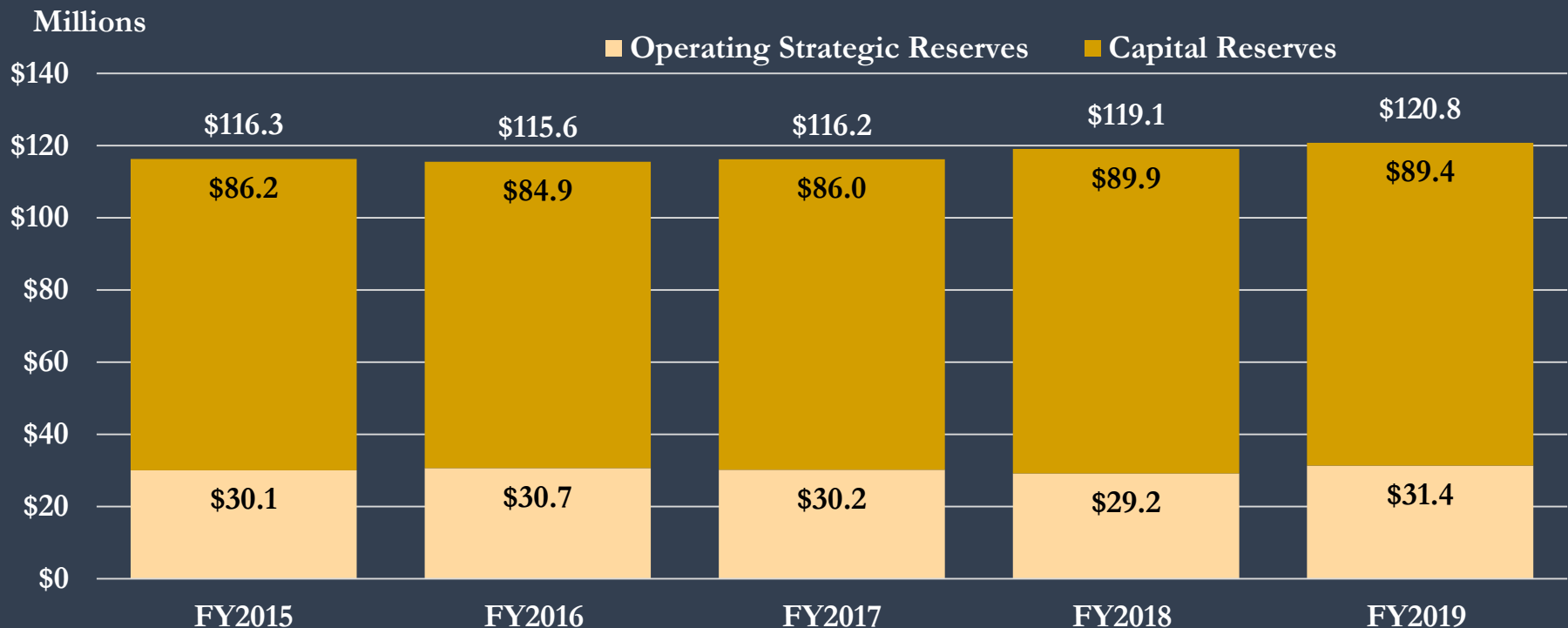
Transfers

- Asset Renewal transfer of \$10.3M was completed.

Institutional Reserves

Reserves used to supplement funding for capital projects (STEM building, Brower Student Center renovation, other asset renewal projects, matching funds)

At the end of FY2019, the total reserves were \$120.8 million, representing 62% or 7.2 months of the operating budget, exceeding the 50% minimum benchmark established by the Board of Trustees.



Cash and Investments



| Portfolio Segment | Investment Strategy | Balance 6/30/2019 | Balance 1/31/2020 | Balance 2/18/2020 |
|--------------------------|---|----------------------|----------------------|----------------------|
| Working Capital | Utilized for working capital expenditures, needed on a day-to-day basis; assets invested to safely meet daily liquidity with low risk | \$ 12,714,716 | \$ 38,686,535 | \$ 43,359,299 |
| Contingency Cash | Supplement to working capital, short-term funds needed over a longer period of 6-months to 1-year; assets invested to protect principal while safely enhancing earnings over cash | 32,687,345 | 29,456,311 | 29,213,551 |
| Core Cash | Operating Reserves, funds not needed within the next 1 to 10 years; assets invested in balanced, globally diversified funds to maximize earnings and given TCNJ's policy goals and risk tolerance | 58,981,435 | 63,074,677 | 64,787,065 |
| Total Cash & Investments | | \$ 104,383,496 | \$ 131,217,523 | \$ 137,359,915 |

As of January 31, 2020, the investment portfolio was up **\$4.9 million**, ahead of the budgeted projection of **\$6.1 million**.

- The diversified, or multi-asset class, component of the portfolio accounted for **\$4.1 million** of the appreciation
- The Short-Duration Fixed Income portfolio generated a return of **\$0.53 million** year-to-date; working capital was up **\$0.30 million**.
- The MACM segment continue to appreciate in February, adding another **\$1.7 million** as of 2/18.

Q&A; Discussion

