



Welcome to TCNJ



**The Board of Trustees
FY21 Financial Plan Updates &
FY22 Budget Planning Assumptions
February 9, 2021**



FY21 Budget Plan

FY21 Priorities	<ul style="list-style-type: none">• Prioritize the safety of community members• Maintain long-term financial health without compromising access and affordability• Favor investments in the core mission: instruction, degree completion and direct student support• Invest strategically to achieve these priorities
Resources: Tuition & Fees, Enrollment, Housing & State Support	<ul style="list-style-type: none">• Tuition held flat plus reduction in certain fees (Capital fee =12.5%, Student Activity fee =100%, Student Center fee = 50% and Parking fee = 50%)• The budget assumes a 3% overall decrease in enrollment over the previous fiscal year• Reduction in New Jersey State fringe benefits appropriations (\$4.7 million or 13.3%)• Significant reduction in room occupancy due to remote modality and social distancing requirements – (300 and 2,100 beds budgeted for fall 2020 and spring 2021, respectively)
Expense Management & COVID-19 health allocation	<ul style="list-style-type: none">• \$12.2 million in personnel expense reduction – 12 days of furloughs for all employees, hiring freeze plus holding a number of vacant positions• \$7.5 million in non-salary expense reduction – employee travel, fuel & utilities, maintenance costs, computer hardware and software, consultants and athletics travel and equipment• \$3.3 million in capital funding deferral for asset renewal projects• \$0.73 million in revenue enhancement -Foundation support through gift fee and endowment spending rate• Earmarked over \$2.5 million for COVID-19 related expenses
Liquidity & Strategic Debt Restructuring	<ul style="list-style-type: none">• Debt restructuring to reduce annual debt burden by almost \$19M in FY21 (a total of ~\$88M over 5 years)• Adequate level of spendable cash and investments further enhanced by strategic debt restructuring• Liquidity and budget flexibility to respond to the economic uncertainty from COVID-19• \$10 million - established a new debt service liquidity reserves for at least 50% of debt service savings

FY21 Budget Plan

Original budget deficit: \$9,684,000

Remote Budget Plan

(adopted August 2020):

Close budget deficit with draw on **reserves** consistent with Board policy

Control Levers	Deficit reduction
Draw on reserves (COVID 19 health allocation)	\$1,500,000
Draw on reserves (Strategic investments + operations)	8,251,000
<i>Reductions from reserves</i>	\$9,751,000

FY21 August adopted budget surplus after reserve draw: \$67,000

Revised Budget Plan

(as of Sept 25, 2020):

Close budget deficit with additional NJ State support, which enables no draw on **reserves** and increased allocation for COVID-related expenses

Net Adjustments to Approved Budget	Amounts
Additional State Appropriations Revenue	+\$15,957,000
Additional Tuition Revenue – fall continuing students	+\$1,021,000
Increase COVID 19 health allocation - Expense	-700,000
<i>Additional Resources less Expense</i>	\$16,278,000
Reduction in Reserves Draw	-\$9,751,000
Reduction in Federal Stabilization Aid – (CRF grant)	-2,202,000
Additional Expense Management – no longer needed	-\$2,862,000
Room Revenue Shortfall	-\$1,052,000
FY21 Revised budget surplus	\$411,000

FY21 Flex Budget Plan

(as of January 31, 2021):

Step 1. Apply assumptions about spring 2021 revenues to calculate scope of budget impact

Step 2. Adjust projected expenses consistent with budget priorities and the latest information to reflect full scope of budget impact

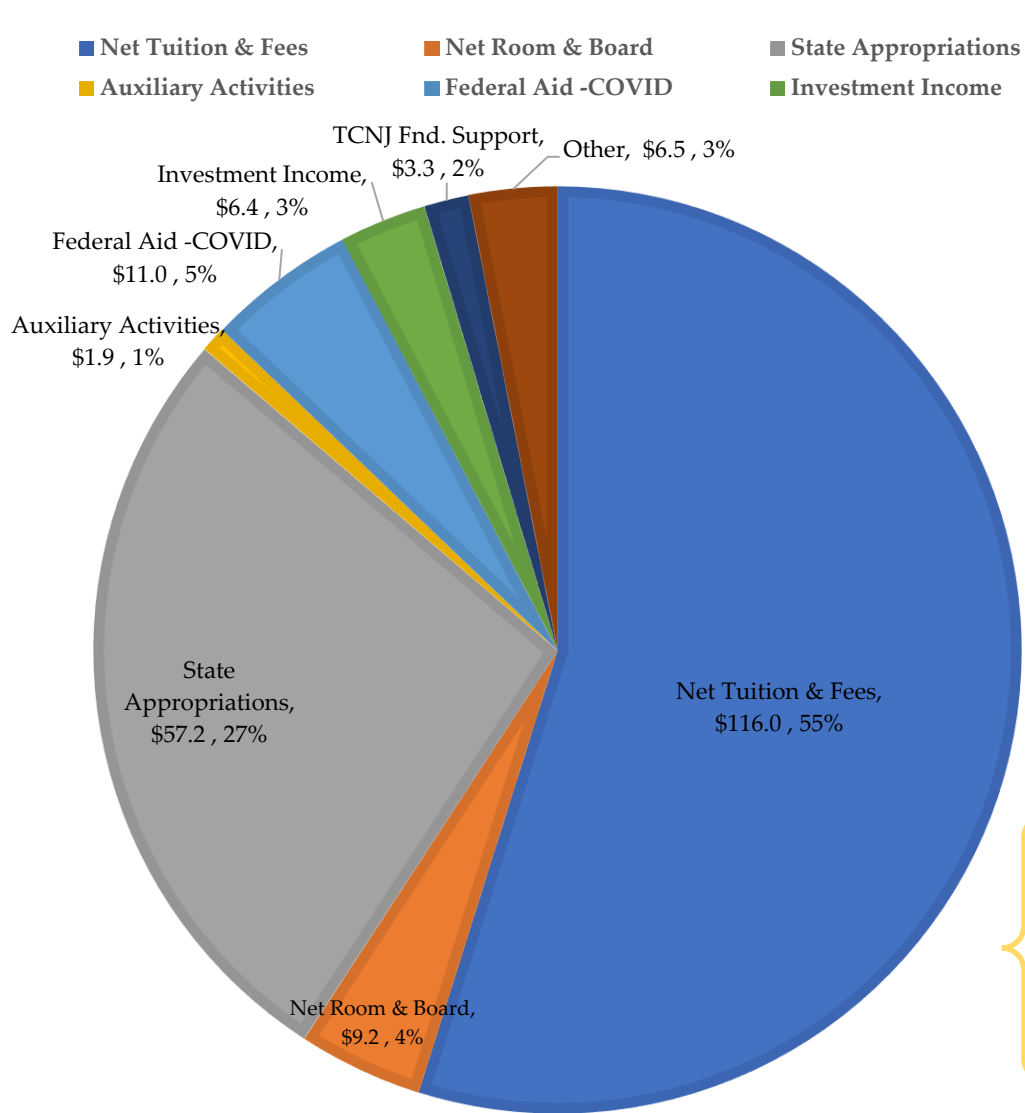
Step 3. Close budget deficit with draw on **reserves** consistent with Board policy

Revised Budget Surplus @ 9/25/20: \$411,000

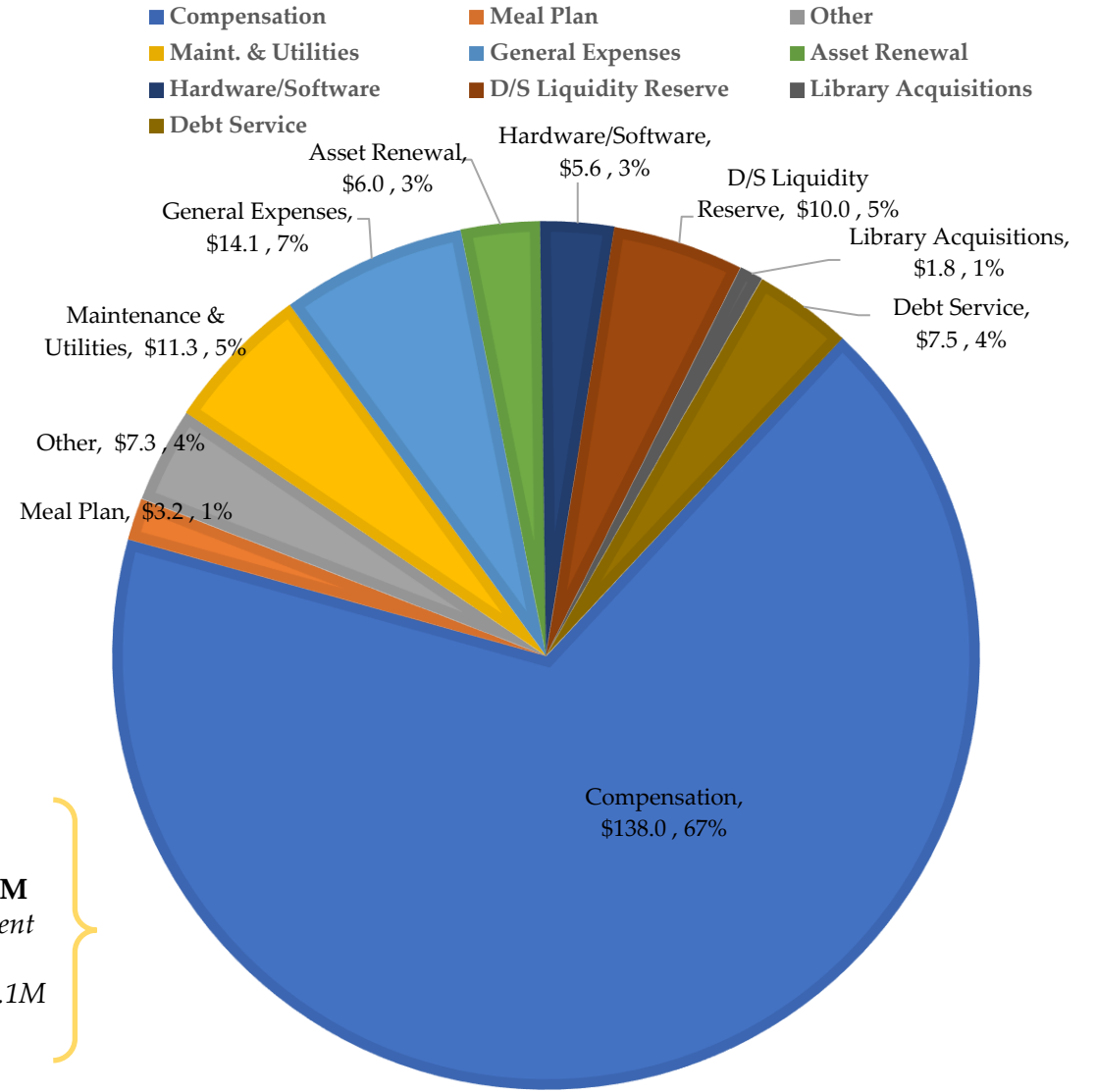
Revenue impact since 9/25/20	Revenue Gain (Loss)
Room demand (Spring 21= 1,192 students vs 2,100 beds)	(\$6,198,000)
Spring tuition & fees (UG below budget = 56 FTE)	(381,000)
Spring Tuition & Fees (Graduate above budget)	198,000
Winter tuition revenue (above budget)	568,000
Federal Stabilization Aid (CRF Grant #II)	1,906,000
Auxiliary Activities – commissions & rental income	(1,828,000)
COVID Relief 2021 - \$7.2M (student grants = \$2.5M)	4,786,000
<i>Net Revenue Decline</i>	(\$949,000)
Expense & Transfer impact since 9/25/20	Increase (decrease)
COVID-19 (Testing, PPE, Cleaning Services, etc.)	\$2,556,000
Additional non-salary savings – preliminary estimates	(650,000)
Scholarships & Waivers Savings	(2,161,000)
Reserves Transfer	(1,000,000)
<i>Net Impact</i>	(\$1,255,000)

FY21 Projected Budget Surplus @ 1/31/21: \$717,000

FY21 Flex Budget Plan – Overview (\$ in millions)



FY21 Revenues = \$211.5M



FY21 Expenditures = \$204.7M

Invest \$6.1M
❖ Net Investment Earnings to Reserves, \$6.1M

Δ = \$0.7M Surplus

FY21 Key Budget Updates @ 1/31/21:

- Net tuition and fees on target due to additional fall, winter and graduate revenues coupled with \$2.6M in projected savings from scholarships & waivers.
- Federal stabilization aid increased by \$4.8 million due to the institutional portion in COVID-19 relief act of 2021.
- Restoration of New Jersey State appropriations to Pre-COVID-19 levels, however, there was a reduction of \$4.7M or 14.3% in the fringe benefits appropriations.
- Significant decline in room and board revenue due to the lack of demand for spring 2021 housing.
- Facilities rental and food service commission revenue will be below budget due to pandemic restrictions and meal plan revenue decline.
- Due to the stock market performance, investment appreciation currently exceeds the budget by \$4M and will be transferred to reserves at year-end if realized.
- A decrease in COVID-19 testing allocation to \$1.5 million based on current estimates.
- Additional non-salary savings may be realized to minimize any draw on reserves.

	FY21 Remote Budget As of 8/04/20	FY21 Revised Budget As of 9/30/20	FY21 HyFlex Budget As of 1/31/21	Actual & Encumbrances @ January 31, 2021	Budget Balance	Balance Percentage
Net Tuition & Fees	111,795,262	112,816,262	116,045,797	120,998,562	(4,952,765)	-4.3%
Room & Board, net	19,617,187	18,565,187	9,192,803	8,562,131	630,672	6.9%
Auxiliary Revenue	3,764,076	3,764,076	1,936,076	876,056	1,060,020	54.8%
Federal Stabilization Aid -(COVID-19)	6,500,000	4,298,429	10,990,099	6,204,429	4,785,670	43.5%
Other Revenues	6,598,538	6,598,538	6,468,538	4,793,427	1,675,111	25.9%
Fringe Benefits Appropriation	33,227,867	33,227,867	28,484,001	13,293,632	15,190,369	53.3%
Base State Appropriation	12,751,000	28,708,000	28,708,000	14,382,468	14,325,532	49.9%
Foundation Support to College	3,341,000	3,341,000	3,341,000	86,760	3,254,240	97.4%
Operating Revenues	197,594,930	211,319,359	205,166,314	169,197,465	35,968,849	17.5%
Investment Income & Appreciation	6,374,190	6,374,190	6,374,190	10,408,701	(4,034,511)	-63.3%
Nonoperating Revenues	6,374,190	6,374,190	6,374,190	10,408,701	(4,034,511)	-63.3%
Total Revenue	203,969,120	217,693,549	211,540,504	179,606,166	31,934,338	15.1%
Salary & Fringe Benefits	142,713,129	142,713,129	138,021,909	76,848,481	61,173,428	44.3%
Contract Food Service	5,940,846	5,940,846	3,246,846	718,793	2,528,053	77.9%
Maintenance and Utilities	9,717,346	9,717,346	11,312,809	6,887,740	4,425,069	39.1%
General Operating Expenses	10,571,311	13,433,311	14,078,677	5,545,026	8,533,651	60.6%
Library Acquisitions	1,818,746	1,818,746	1,818,746	1,567,879	250,867	13.8%
IT Hardware & Software	5,499,095	5,499,095	5,547,595	4,596,338	951,257	17.1%
Other Expenses	7,546,942	8,246,942	7,265,405	4,540,648	2,724,757	37.5%
Debt Service	9,137,646	7,461,804	7,461,804	4,154,664	3,307,140	44.3%
Total Expenses	192,945,061	194,831,219	188,753,791	104,859,569	83,894,222	44.4%
Asset Renewal Funding	6,000,000	6,000,000	6,000,000	-	6,000,000	100.0%
Investment Income Transfer net of fees	6,123,636	6,123,636	6,123,636	-	6,123,636	100.0%
Transfer to (from) Reserves	(9,751,000)	409,497	(1,000,000)	-	(1,000,000)	100.0%
Debt Service Liquidity Reserve	8,600,000	10,000,000	10,000,000	-	10,000,000	100.0%
Other Transfers, net	(15,851)	(82,035)	946,370	295,593	650,777	68.8%
Total Transfers	10,956,785	22,451,098	22,070,006	295,593	21,774,413	
Surplus (Deficit)	67,274	411,232	716,707	74,451,004		

Revised State Appropriations

State Appropriations (Amounts in thousands)					
		FY21 Revised Projection	FY21 Original Budget	FY20 Actuals	FY19 Actuals
State appropriations (include OBA)	\$	28,708	12,751	23,357	27,177
Fringe benefits		28,484	33,228	26,993	27,174
Gross State support	\$	57,192	45,979	50,350	54,351

-- FY21 New Jersey State Operating Support - \$28.71 million

- **\$3.01 million** in supplemental funding for three months (July through September);
- **\$19.93 million** for the balance of FY2021 (October through June);
- **\$1.13 million** in Outcomes-Based Allocation funding;
- **\$4.63 million** in additional funding requested by NJASCU and included in final state budget

\$15.96 million above the FY21 base appropriations approved in the original budget

-- FY21 New Jersey Fringe benefits appropriation - \$33.2 million in the original budget per OMB

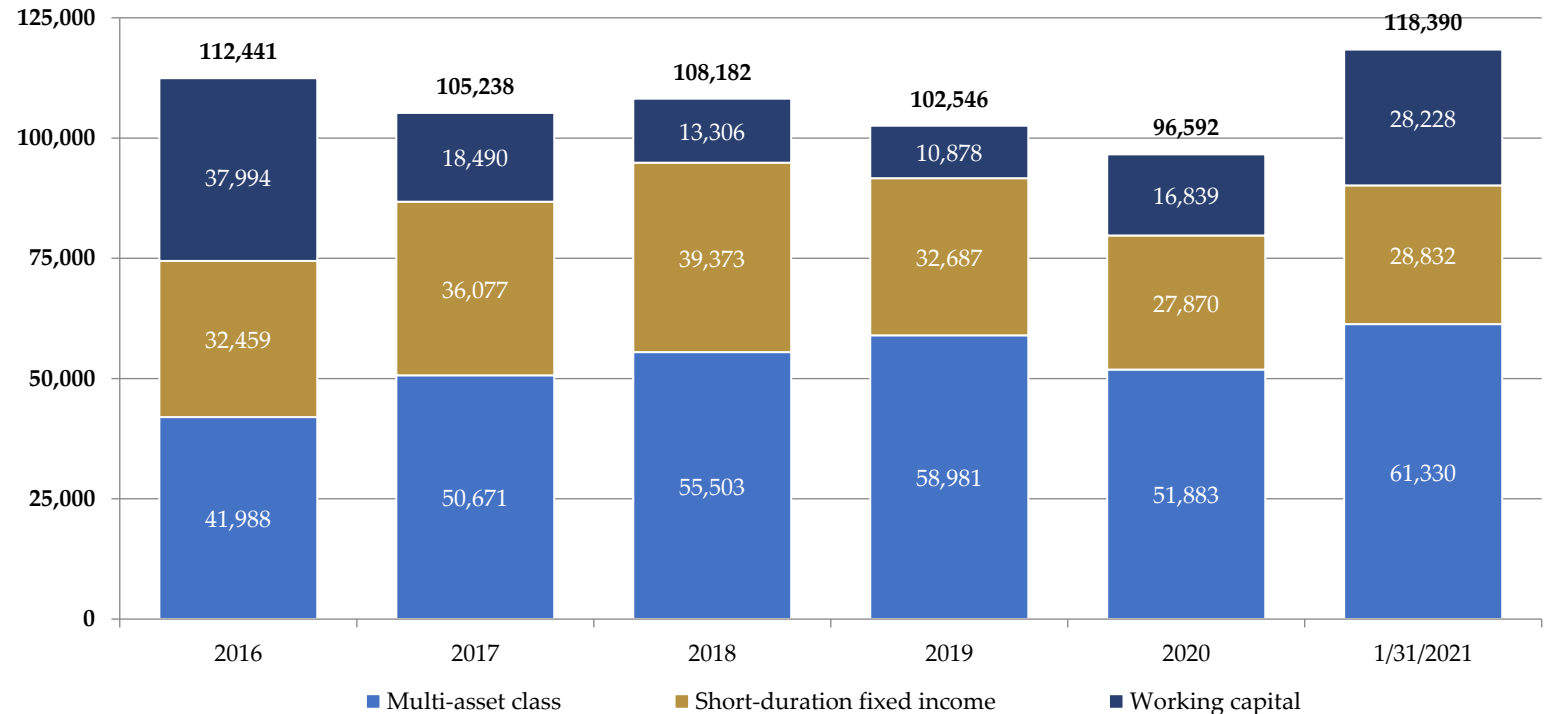
-- Reduction in the State's supplemental budget to \$28.5 million (\$4.7M or 14.3% decline) per OMB

Cash and Investments Overview

Liquidity Summary

- Total cash and investments as of January 31, 2021 was **\$118.4 million**, consisting of \$28.2 million in working capital, \$28.8 million in short-duration fixed income, and \$61.3 million in the multi-asset class management portfolio.
- As of 1/31/21, the investment portfolio was up **\$10.4 million**, compared to the budgeted projection of **\$6.4 million**, due to significant market appreciation.
- The diversified, or multi-asset class, component of the portfolio had **\$9.4 million** of the net appreciation.
- The Short-Duration Fixed Income portfolio generated a return of **\$0.96 million** year-to-date; working capital was up a meager **\$15 thousand**.

Cash and Investments
FY 2016 – FY 2021 (as of 1/31/2021)
(\$000s)



Short Duration Fixed Income Portfolio

- This segment of the portfolio is allocated largely towards U.S. government securities, which include U.S. Treasury and federal agency notes and bonds.
- The remainder of the portfolio has been invested in high quality credit investments, including corporate notes, commercial paper, and municipal bonds.

Multi-Asset Class Management Portfolio

- The multi-asset class portfolio has been allocated with a 70.0% equity and 30.0% fixed income approach since its inception.
- The portfolio was slightly overweight in equities while the fixed income segment was underweight against the backdrop of the low absolute yield and the Federal Reserve signaling that rates will likely remain low through the end of 2022.

TCNJ's Fiscal Challenges for FY22 and Beyond

Balancing FY21 Budget

- ❖ Tuition freeze & fees reduction
- ❖ Significant reduction in budgeted revenues compared to prior fiscal years
- ❖ Undergraduate enrollment decline from prior year
- ❖ Housing occupancy decline significantly
- ❖ NJ State Appropriation-restoration to Pre-COVID-19 levels
- ❖ Federal Stabilization Aid – various COVID-19 relief grants
- ❖ Expense management including compensation (furloughs and vacancies)
- ❖ Reserves funding to offset budget deficit

Challenges & Uncertainties

- ❖ Unknown incidence and impact of the pandemic's "second wave" and virus variants;
- ❖ Uncertain future enrollment levels and housing occupancy;
- ❖ Constraints on tuition and fees pricing to maintain access and affordability;
- ❖ Binding implementation of salary program increases negotiated by the state, including COLA deferrals;
- ❖ Uncertain level of State support, given negative financial impact of the pandemic on the State's economy and outcomes-based metrics that may disfavor TCNJ's strengths

FY22 Budget Planning Assumptions

- ❖ Fiscal impacts of the pandemic (revenue and expenditure) will extend beyond FY22
- ❖ Overall enrollment will decline by 3% decline compared to FY21;
- ❖ Room occupancy will decline by 10% compared to pre-COVID budgeted levels;
- ❖ Demand for institutional scholarships will increase;
- ❖ Non-discretionary expenditures, including utilities and maintenance contracts will increase ;
- ❖ The college will reduce expenditures and diversify revenues before use of reserves to offset operating budget deficits;
- ❖ The college will set aside debt reserves to ensure payback of future debt commitments
- ❖ The college will invest based on priorities of the new Strategic Framework

BUDGET DEVELOPMENT PRINCIPLES



Maintain

Maintain student affordability



Enhance

Enhance diversity and inclusion



Identify

Identify areas for revenue enhancement and expense management (cost savings)



Align

Align resource allocation with institutional priorities

The Committee on Strategic Planning and Priorities (CSPP) established four budget priorities to guide FY21 budget preparation. These will continue to operate in FY22.

- ❖ Prioritize the safety of community members
- ❖ Maintain long-term financial health without compromising access and affordability
- ❖ Favor investments in the core mission: instruction, degree completion and direct student support
- ❖ Invest strategically to achieve these priorities

Scenario Frameworks - Drivers

Key Drivers	FY22 On-Campus	FY22 Flex
Enrollment Incoming Class	1,460 FTE (OS =100 and IS =1,360)	5% or 73 FTE down from target
Enrollment Provisional	60 Headcount	Up to 100 to make enrollment target
Enrollment Transfer	A goal of 240 (flat vs fall 2020)	A goal of 240 (flat vs fall 2020)
Graduate Enrollment	436 FTE (flat vs Fall 2020)	436 FTE (flat vs Fall 2020)
Total Enrollment	6,810 FTE (3% or 191 FTE decline over Fall 2020 ~\$3.2 million)	5% or 350 decline in FTE
Housing Occupancy	85% occupancy (3,215 of 3,771 beds)	Single occupancy = 2,500 beds (66% of total beds)
Negotiated Compensation Agreements + NU merit	~\$7.3 million in STEP, Merit, COLA & COLA deferrals	~\$7.3 million in STEP, Merit, COLA & COLA deferrals
NJ State Appropriation	Flat funding (FY21 levels including outcomes-based funding and Garden State Guarantee)	10% reduction: ~\$3 million

Scenario Frameworks - Levers

Key Levers	FY22 On-Campus	FY22 Flex
Tuition & Fees	2 - 2.5% increase	1- 1.5% tuition increase; no increase in fees; new payment options
Capital GSF Fee	2.5 – 3.5 % increase	1.5 – 2% increase
Room Charges	2% increase	1 -1.5% increase
Institutional Aid	~\$2 million increase	~\$2 million increase
Position management	Hold xx vacant positions = \$3.5 million	Strategic hiring freeze and hold xx vacant positions = \$4.5 million
Expense Management	Retain 50% of FY21 non-salary expense reduction = \$3.75 million	Maintain FY21 non-salary expense reduction - \$7.5 million
Strategic Investment	TBD	TBD
Asset Renewal Investment	\$12 million allocation (increase above prior years)	\$12 million allocation (increase above prior years)
Debt Liquidity Reserves	\$13 million from debt service savings	\$13 million from debt service savings

Enrollment Planning Assumptions

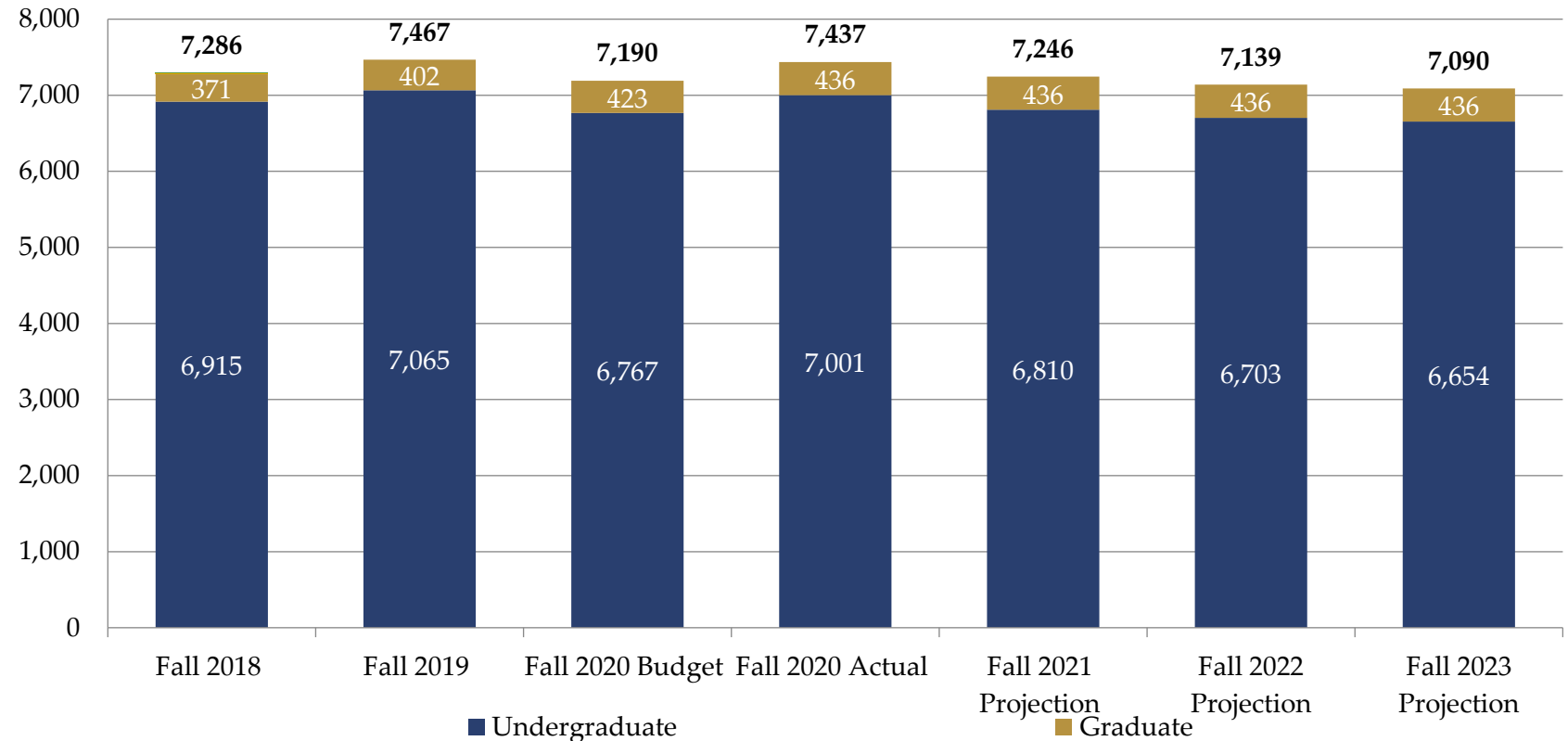
Enrollment Trends (FTE) Fall 2018 – Fall 2023

Undergraduate Fall 2021

- Undergraduate FTE projected to decline by 191 or 3% over the fall 2020 actual;
- First-year FTE enrollment projected at 1,460 consisting of 1,360 *in-state* and 100 *out-of-state*;
- Provisional students will be budgeted at 60 vs. 49 enrolled in fall 2020;
- Transfer students goal is 240 vs. 255 *enrolled in Fall 2020*;

Graduate – Fall 2021

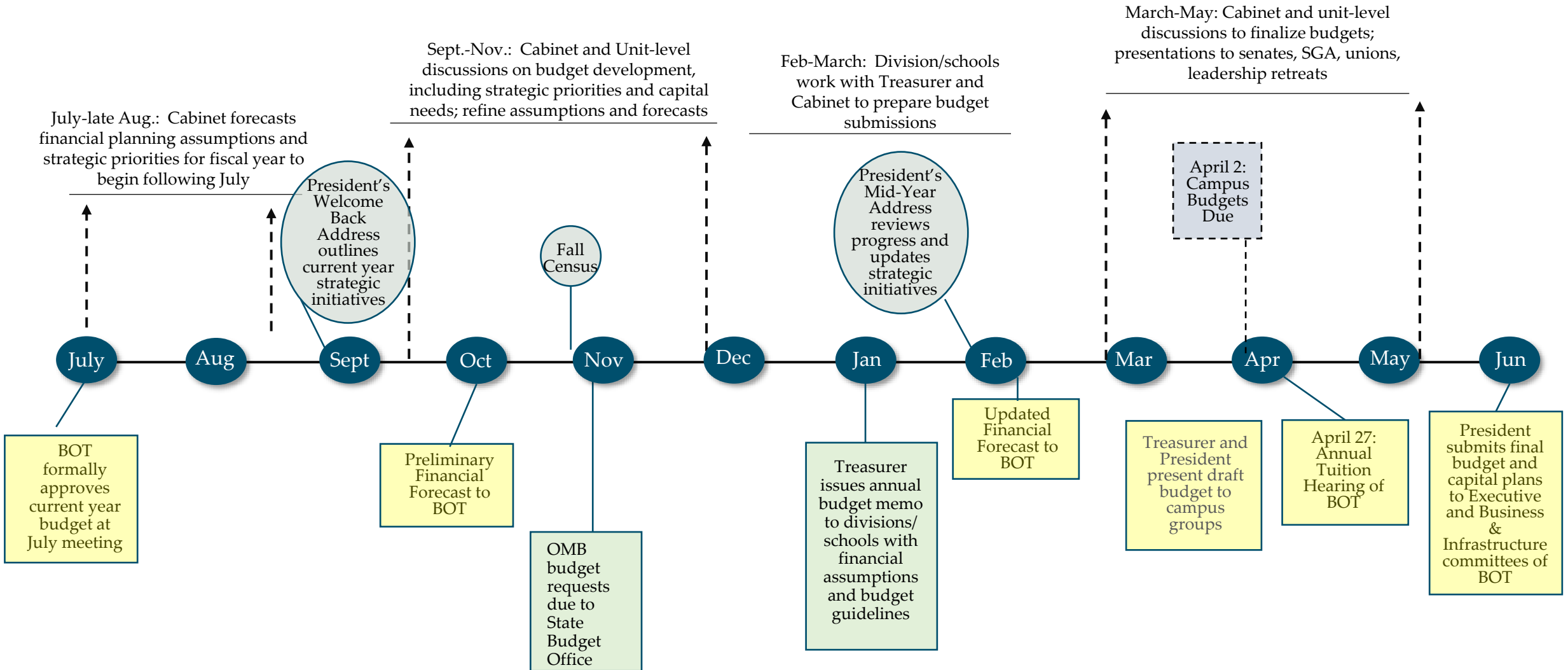
- Fall 2021 enrollment is projected to remain consistent with Fall 2020;
- The MBA program experienced a modest growth in fall 2020.



FY2020 Enrollment

- Returning students budgeted at 5,106 FTE (*5,269 were enrolled*), exceeding the goal by 164 FTE or 3%;
- First-year FTE enrollment goal of 1,585 (*1,428 enrolled*), 10% below goal and 70 granted deferred admission;
- Entering Provisional students budgeted at 105 (*49 enrolled*), below target by 53%;
- Transfer student goal of 240 (*255 enrolled*) exceeding target by 6%;
- Graduate enrollments exceeded the goal by 13 FTE, primarily due demand within the MBA program (53 vs 32 students in Fall 2019).

FY22 Budget Timeline



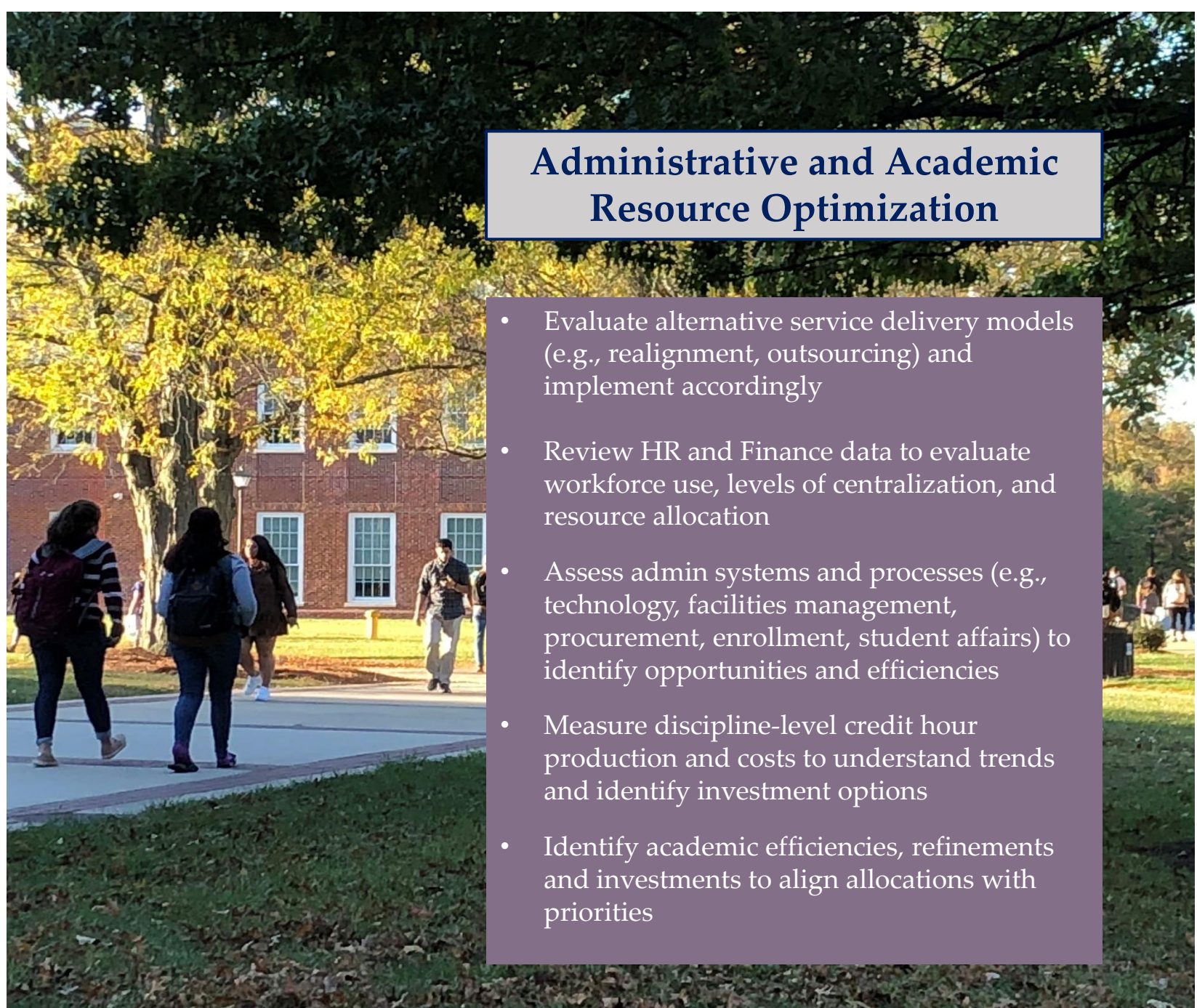
Achieving Long-term Financial Sustainability

TCNJ Board Guidance:

Achieve long-term financial sustainability; transform for long-term success

TCNJ Action:

Conduct an administrative and academic resource optimization study in spring 21; apply findings for FY22 and out years



Administrative and Academic Resource Optimization

- Evaluate alternative service delivery models (e.g., realignment, outsourcing) and implement accordingly
- Review HR and Finance data to evaluate workforce use, levels of centralization, and resource allocation
- Assess admin systems and processes (e.g., technology, facilities management, procurement, enrollment, student affairs) to identify opportunities and efficiencies
- Measure discipline-level credit hour production and costs to understand trends and identify investment options
- Identify academic efficiencies, refinements and investments to align allocations with priorities