

**New Jersey Educational Facilities  
Authority  
College of New Jersey; Public  
Coll/Univ - Unlimited Student Fees**

**Primary Credit Analyst:**

Steven Sather, Englewood 303.721.4962; [steven.sather@spglobal.com](mailto:steven.sather@spglobal.com)

**Secondary Contact:**

Ken W Rodgers, Augusta + 1 (212) 438 2087; [ken.rodgers@spglobal.com](mailto:ken.rodgers@spglobal.com)

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# New Jersey Educational Facilities Authority

## College of New Jersey; Public Coll/Univ - Unlimited Student Fees

Credit Profile		
<b>New Jersey Educational Facilities Authority, New Jersey</b>		
College of New Jersey, New Jersey		
New Jersey Educl Facs Auth (College of New Jersey) PCU-USF		
Long Term Rating	A/Negative	Outlook Revised

### Credit Highlights

- S&P Global Ratings revised its outlook to negative from stable and affirmed its 'A' long-term rating and underlying rating (SPUR) on various series of revenue bonds or revenue refunding bonds issued by New Jersey Educational Facilities Authority on behalf of The College of New Jersey (TCNJ).
- The negative outlook reflects our view of the projected continued operating pressure in fiscal 2024 and 2025 as the college works to implement operating expense control measures as well as the college's modest level of financial resources in comparison to total debt outstanding and total adjusted operating expenses.

### Security

TCNJ's revenue bonds are a general obligation payable from any legally available funds. Legally available funds include all funds of the college, including state appropriations that are not designated for a specific purpose. Although state appropriations are not specifically pledged to the bondholders, they are part of the pool of resources available for payment of debt service on the bonds. TCNJ's total debt outstanding as of the latest audited fiscal year ended June 30, 2023, was \$360.2 million, including \$1.6 million in foundation debt, \$2.1 million in Higher Education Capital Improvement Fund, \$4.6 million in leases outstanding, and \$351.9 million of fixed-rate bonds. We understand that TCNJ has no additional debt plans during the next two years.

### Credit overview

We assessed the college's enterprise risk profile as very strong, reflecting a relatively stable enrollment trend, with a modest increase in fall 2023; robust retention and graduation rates; impressive faculty, 88% of whom have terminal degrees in their specialty; and satisfactory management and governance. We assessed the college's financial risk profile as adequate, with conservative financial planning practices; dependence on student-generated revenue for almost two-thirds of total revenue; recurring adjusted operating deficits on a full-accrual basis, which are anticipated to continue through fiscal 2025; a high debt burden, based on maximum annual debt service (MADS); and a modest level of financial resources. Combined, these factors lead to an anchor of 'a-'. As our criteria indicate, the final rating can be within one notch of the anchor. In our opinion, the 'A' rating on the bonds better reflects the college's healthier student demand metrics, such as its favorable 62% acceptance rate, 90% retention rate, and 86% six-year graduation rate, compared with medians and peers.

The rating reflects our assessment of TCNJ's:

- Relatively stable enrollment trend, even throughout the pandemic, with a full-time-equivalent (FTE) enrollment of 7,368 for fall 2023;
- Increased first-year applications in fall 2023, though they remain below pre-pandemic levels; and
- Strong selectivity, retention, and graduation rates compared with those of comparable colleges and universities.

Offsetting factors, in our view, include TCNJ's:

- Operating deficits in the last few years, which are anticipated to continue through fiscal 2025;
- Modest levels of cash and investments totaling only 58.2% of total adjusted operating expenses and 49.5% of total debt outstanding; and
- High MADS debt burden of 9.0% of fiscal 2023 total adjusted operating expenses.

Established in 1855 as a "normal" (teaching) school, TCNJ is on a residential campus about five miles from Trenton, in Ewing. It is a midsize, comprehensive public college with a largely resident undergraduate student body. Only 60 of the total FTE students, or just under 1%, are international students. The college offers 50 undergraduate and 14 graduate degree programs in seven schools.

### **Environmental, social, and governance**

We analyzed TCNJ's environmental, social, and governance (ESG) credit factors pertaining to its market position, management and governance, and financial performance, and found them to be neutral in our credit rating analysis.

## **Outlook**

The negative outlook reflects our anticipation that the college will maintain enrollment at or near current levels, while working to achieve balanced operating performance by fiscal 2026 and maintaining financial resources at or near current levels.

### **Downside scenario**

An unexpected decline in TCNJ's enrollment, leading to greater-than-anticipated operating deficits either in size or duration; a deterioration of financial resource ratios an increase in debt; or a decline in state operating appropriation causing further budgetary stress could trigger a negative rating action.

### **Upside scenario**

A return to stable outlook would be predicated upon TCNJ's maintaining FTE enrollment at or near current levels, maintaining at least balanced operating performance on a full-accrual basis, and improving financial resources relative to operations and debt.

## Credit Opinion

### Enterprise Risk Profile--Very Strong

#### Market position and demand

The college has been focused on maintaining enrollment at or near current levels. Fall 2023 FTE enrollment increased by 0.5%, to 7,368, from 7,276 in fall 2022. The modest increase in FTE enrollment was the result of fairly stable undergraduate enrollment and a significant 4.5% increase in graduate FTE students. Approximately 94% of students are undergraduates, and the college has a very regional student draw, with 95% of its fall 2023 undergraduate students originating from New Jersey. Education officials in New Jersey project that the population of graduating high school seniors will remain flat during the next couple of years. In addition, there is a large outmigration of New Jersey graduating high school students to schools in other states. To counter these trends, the college has pursued innovative additions to its curriculum, streamlined and strengthened its admissions process, and maintained a high and favorable retention rate. It also ramped up its recruitment efforts in contiguous and select other states, including Connecticut, Massachusetts, New York, and California. Early indicators of the college's efforts are positive, demonstrated by a 13.3% increase in freshman applications. In addition, the college maintained a healthy selectivity rate of 62.1%, a graduation rate of 86.0%, and a retention rate of 95.0%, which we view as a credit positive. However, partially offsetting the positive demand metrics is a relatively modest matriculation rate of 21.3% in fall 2023, slightly weaker than 23.9% in fall 2022, although we note that freshman matriculants totaled 301 in fall 2023, a 31-student increase over the prior year.

#### Management and governance

The governing body of TCNJ normally has 15 gubernatorial members, plus two students (one voting on all matters except those precluded by state statute, plus a nonvoting alternate student trustee). However, at present only 10 gubernatorial trustees have been seated, with an additional three members expected soon and a full slate to be seated by year-end. Gubernatorial trustees typically serve no more than two consecutive full six-year terms.

In April 2024, the college welcomed its 17th president, Dr. Michael Bernstein, who served as the interim president during the past year. Dr. Bernstein's predecessor returned to the faculty as a professor of political science. Dr. Bernstein has implemented a more agile strategic plan for the next 24 months. The plan outlines aggressive expense control measures including reducing the amount of staff and faculty by between 100-150 by 2026, and not backfilling any personnel for a minimum of six months. In addition, the new strategic plan focuses on diversity and maintaining enrollment and other demand metrics at current levels.

TCNJ uses a multilayered approach to protect against cyber attacks. There are administrative controls and technical controls, including network firewalls, virtual private networks, antivirus software, and encryption, that reduce cyber risk. User awareness training and outreach are also key pillars of the information security program. We also understand that the college maintains a cyber insurance policy.

## Financial Risk Profile--Adequate

### Financial performance

For fiscal 2023, the college's net operating performance resulted in a deficit of \$9.6 million (3.1%), although performance was slightly stronger than in fiscal 2022, when the college reported a deficit of \$10.8 million (3.7%). In fiscal 2023, the college implanted cost control measures that resulted in total adjusted operating expense of \$306.2 million, only slightly higher than \$290.0 million in fiscal 2022. The modest increase in expenses combined with an increase in total adjusted operating revenue resulted in the slight improvement in total adjusted operating performance. The college continued the cost reduction measures through 2024 and anticipates that operating performance will improve through fiscal 2025 but will likely remain negative on a full-accrual basis; it expects to achieve balanced operations by 2026. The college reports that it will permanently reduce operating expenses by \$20 million-\$25 million by fiscal 2026, resulting in the break-even operating performance.

The college's revenue diversity, while not classified as concentrated per our criteria definition, is somewhat limited, in our view. Student-derived revenues (net tuition and auxiliary revenues) accounted for 63.0% of adjusted revenue in fiscal 2023, followed by state operating appropriation at 18.8%.

### Financial resources

TCNJ's and The College of New Jersey Foundation's cash and investments totaled \$178.2 million at fiscal year-end 2023, a 1.5% decline from fiscal 2022's \$181.1 million. In our view, the college's balance sheet has improved slightly compared with pre-pandemic levels, but certain metrics still lag historical levels. Cash and investments-to-debt are modest, at 49.5% for fiscal year-end 2023, a modest decline from 50.7% in fiscal 2022. Cash and investments compared with total adjusted operating expenses for fiscal 2023 is 58.2%, a slight decline from 64.5% in fiscal 2022. TCNJ's MADS burden is high at 9.0% of fiscal 2023 total adjusted operating expenses. We anticipate that the ratios in comparison to operating expenses will improve as the college reduces total adjusted operating expenses, but given the projected operating deficits, and because the college is not currently in an active fundraising campaign, we do not anticipate material growth in financial resources. As of June 30, 2023, the college's endowment had a market value of approximately \$56.8 million. In fiscal 2023, the endowment spend for the college was 5.2%. Most of the endowment is held at the foundation, and the spending policy is 4.5% of a three-year moving average.

The foundation, in its first-ever major capital campaign, raised \$47.6 million, exceeding its \$40 million goal over the period from fiscal 2013 to 2017; from fiscal 2018 through fiscal 2022, the foundation raised \$57.7 million, exceeding its goal by more than \$18 million. We understand that the foundation is not currently in an active fundraising campaign.

### Debt and contingent liabilities

The college has no swaps. Given the college's moderate financial resources-to-debt and high MADS debt burden of 9.0%, any issuance of additional debt could weigh heavily on the rating. TCNJ sets aside \$10 million per year in its debt reserve (\$50 million by 2025) to support increased debt payments forthcoming in fiscal 2026.

TCNJ has completed the Campus Town Project, which involved roughly \$120 million in a public-private partnership. The project was financed through private equity and from a traditional bank loan to a private developer, the PRC Group. The costs of planning, construction, and operation were borne by the PRC Group. The college did not subsidize

any portion of the debt service. The college reports that it is in the process of working with the project to develop a revenue share agreement, however, any agreement is in the development stages at the time of our analysis.

TCNJ participates in four retirement plans covering its employees. Three of these pension plans are cost-sharing, multiple-employer, defined-benefit pension plans administered by the state of New Jersey, and one is a defined-contribution pension plan, fully funded by definition. The three defined-benefit plans are the Public Employee's Retirement System, the Police and Firemen's Retirement System, and the Teacher's Pension and Annuity Fund. New Jersey, through separate appropriations, pays certain fringe benefits (including pension and health care benefits and Federal Insurance Contributions Act taxes) for current and retired college employees. Other postemployment benefits (OPEB) costs on behalf of college employees are part of the health care benefits cited. The total costs of all of these benefits are a component of the total appropriation the college receives from New Jersey and records in its financial statements. Total pension expense in fiscal 2023 was \$11.1 million and the net pension liability on the balance sheet was \$136.7 million.

In our view, given New Jersey's underfunded defined-benefit pension plans (47.1% as of fiscal 2023), pensions are potentially a long-term credit risk for New Jersey public colleges and universities if broader pension reform occurs and results in the state shifting funding responsibilities for pension and OPEB for all or a portion of these costs to the colleges and universities. However, it is our understanding that New Jersey continues to fund the majority of its public college and university pension costs.

### College of New Jersey--enterprise and financial statistics

	--Fiscal year ended June 30--				
	2024	2023	2022	2021	2020
<b>Enrollment and demand</b>					
Full-time-equivalent enrollment	7,368	7,256	7,276	7,424	7,465
Undergraduates as a % of total enrollment	94.2	95.1	93.7	94.1	93.9
First-year acceptance rate (%)	62.1	64.4	62.0	51.3	49.3
First-year matriculation rate (%)	21.3	23.9	22.9	21.1	23.6
First-year retention rate (%)	90.0	90.0	92.0	93.0	93.0
Six-year graduation rate (%)	86.0	86.0	87.0	86.0	86.0
<b>Income statement</b>					
Adjusted operating revenue (\$000s)	N.A.	296,619	279,131	240,271	267,017
Adjusted operating expense (\$000s)	N.A.	306,175	289,967	246,159	274,532
Net adjusted operating margin (%)	N.A.	(3.1)	(3.7)	(2.4)	(2.7)
Estimated operating gain/loss before depreciation (\$000s)	N.A.	23,157	20,391	23,275	20,499
Tuition discount (%)	N.A.	23.7	19.9	22.2	20.2
Student dependence (%)	N.A.	63.0	64.6	59.9	66.8
State appropriations to revenue (%)	N.A.	18.8	18.7	21.5	18.9
Research dependence (%)	N.A.	9.0	8.6	9.1	8.0
<b>Debt</b>					
Foundation debt (\$000s)	N.A.	1,603	1,415	1,457	1,515
Total debt with foundation (\$000s)	N.A.	360,231	357,354	359,259	322,755

## College of New Jersey--enterprise and financial statistics (cont.)

	--Fiscal year ended June 30--				
	2024	2023	2022	2021	2020
Current debt service burden (%)	N.A.	3.8	2.7	9.2	8.7
Current MADS burden (%)	N.A.	8.6	9.0	10.6	11.1
Average age of plant (years)	N.A.	13.3	13.0	13.2	12.7
<b>Financial resource ratios</b>					
Endowment market value (\$000s)	N.A.	56,830	53,704	60,122	42,150
Related foundation market value (\$000s)	N.A.	57,625	55,720	62,206	48,160
Cash and investments including foundation (\$000s)	N.A.	178,244	181,112	184,346	164,877
Cash and investments including foundation to operations (%)	N.A.	58.2	62.5	74.9	60.1
Cash and investments including foundation to debt (%)	N.A.	49.5	50.7	51.3	51.1

Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense plus financial aid expense. Net operating margin = 100\*(net adjusted operating income/adjusted operating expense). Student dependence = 100\*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. Current MADS burden = 100\*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Average age of plant = accumulated depreciation/depreciation and amortization expense. N.A.--Not available. MADS--Maximum annual debt service.

## Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

## Ratings Detail (As Of September 25, 2024)

**New Jersey Educational Facilities Authority, New Jersey**

College of New Jersey, New Jersey

New Jersey Educational Facilities Authority (College of New Jersey) rev rfdg bnds (College of New Jersey) ser 2015G due 07/01/2019-2031

Long Term Rating	AA/Stable	Current
Unenhanced Rating	A(SPUR)/Negative	Outlook Revised
New Jersey Educl Facs Auth (College of New Jersey) PCU-USF		
Unenhanced Rating	A(SPUR)/Negative	Outlook Revised
New Jersey Educl Facs Auth (College of New Jersey) PCU-USF		
Unenhanced Rating	A(SPUR)/Negative	Outlook Revised
New Jersey Educl Facs Auth (College of New Jersey) PCU-USF (AGM)		
Unenhanced Rating	A(SPUR)/Negative	Outlook Revised
New Jersey Educl Facs Auth (College of New Jersey) PCU_USF		
Long Term Rating	A/Negative	Outlook Revised
New Jersey Educl Facs Auth (College of New Jersey) PCU_USF (AGM) (SECMKT)		
Unenhanced Rating	A(SPUR)/Negative	Outlook Revised
New Jersey Educl Facs Auth (College of New Jersey) PCU_USF (BAM) (SECMKT)		
Unenhanced Rating	A(SPUR)/Negative	Outlook Revised
New Jersey Educl Facs Auth (College of New Jersey) PCU_USF (BAM) (SECMKT)		
Unenhanced Rating	A(SPUR)/Negative	Outlook Revised

**Ratings Detail (As Of September 25, 2024) (cont.)**

New Jersey Educl Facs Auth (College of New Jersey) PCU_USF (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	A(SPUR)/Negative	Outlook Revised
New Jersey Educl Facs Auth (College of New Jersey) PCU_USF (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	A(SPUR)/Negative	Outlook Revised
New Jersey Educl Facs Auth (College of New Jersey) PCU_USF (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	A(SPUR)/Negative	Outlook Revised
New Jersey Educl Facs Auth (College of New Jersey) PCU_USF (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	A(SPUR)/Negative	Outlook Revised
New Jersey Educl Facs Auth (College of New Jersey) PCU_USF (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	A(SPUR)/Negative	Outlook Revised
New Jersey Educl Facs Auth (College of New Jersey) PCU_USF (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	A(SPUR)/Negative	Outlook Revised

Many issues are enhanced by bond insurance.



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