

## Viewpoint

### A record to celebrate

By Kevin J. Collins, Esq.  
Commission on Higher Education

College and university campuses across New Jersey have undergone a tremendous amount of change over the last few decades. They have grown to serve more students than ever before and have expanded and modernized facilities on a scale that has transformed our institutions into centers of academic quality and diversity that rival the best in the world.

As a Trustee Emeritus of Rutgers University, former Chair of its governing boards and a Member and former Chair of the Commission on Higher Education (CHE), I've had a tremendous opportunity to help shape the landscape of higher education in New Jersey and participate in the public debate about its future. As impressive as the physical plant transformations are, more remarkable is that campus expansion and upgrades have occurred despite decades of limited or no State resources for capital needs.

Credit for this renaissance of improvements on our campuses goes to the vision and courage of our institutions that have been willing to make difficult choices in order to invest in their facilities in pursuit of excellence and opportunity for more students. Credit also goes to the NJFEFA. Its financial services as a public fiduciary, in particular providing access to the tax-exempt capital markets for low-cost borrowing, have enabled campus capital projects to come to fruition.

In 2006, NJFEFA reached an important milestone – its 40th Anniversary – and its

*Continued on page 4*

## NJFEFA celebrates 40th anniversary and honors first Executive Director



*Edward Bambach and his wife, Doris, are pictured at left with current Executive Director Roger L. Anderson and Chair Vivian Altman at NJFEFA's 40th anniversary celebration.*

In December, NJFEFA celebrated its 40th anniversary and honored Edward J. Bambach, its first and longest serving Executive Director. Current Executive Director Roger Anderson kicked off the ceremony by expressing appreciation for the accomplishments of his predecessors and extolling Bambach's vision and leadership, which dedicated EFA to client service – a tradition the Authority is proud to continue.

Anderson recalled the Authority's first bond anticipation notes were sold in 1969 to provide Montclair State College with \$5 million for a new student union; \$9.4 million for a dorm and dining hall at Trenton State College; and \$4 million for a student union at Rider College. Since then, Anderson said, "Our clients' commitment to providing the best possible learning environments for their students has led us to complete 397 transactions totaling \$9.3 billion." He noted that the Authority issued more than \$1 billion in 2006, the first time in its history.

Assistant Counsel Sonia Frontera read a letter from Governor Corzine congratulating the Authority and thanking Bambach for his years of service. In a personal note to Bambach, the Governor said, "You have served with dignity, class, honor and New Jersey has been fortunate to benefit from the dedication of a leader like you."

Frank Mertz, former Authority member, former Chair of the Commission on Higher Education and President Emeritus of Fairleigh Dickinson University, delivered keynote remarks that recalled the Authority's early history. John Nelson from Moody's gave a presentation that looked at higher education finance and credit trends over the last 40 years. Nelson added that, although higher education enjoys significant credit strengths, including increasing demand for higher education, challenges are building. He also noted that the cost of a college education keeps outpacing the Consumer Price Index.

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#### 2007 BOARD CALENDAR

DATE	LOCATION
April 25:	Seton Hall University
May 23:	NJEFA
June 27:	NJEFA
July 25:	NJEFA
August 22:	NJEFA
September 26:	Rider University
October 24:	NJEFA
November 28:	NJEFA
December 26:	NJEFA

# Wake-up calls for higher education

By Roger L. Anderson, NJEFA Executive Director

As shown on page 5, last year NJEFA set a record by issuing more than \$1 billion in debt, and this year is on track to exceed last year's volume. Kevin Collins, on page 1, describes our 40-year record of helping higher education institutions create the facilities to provide world-class educations to growing numbers of students. We are proud of our accomplishments, but the institutions' growth has come at a cost.

As Kevin points out, "Institutions have increased their debt to pay for facilities construction, which has contributed to rising tuition and fees." In addition, as Darryl Greer states on page 4, for decades funding for higher education capital facilities has not been high on the list of State budget priorities, leading our State's colleges to "unparalleled facilities, debt levels and student costs that are the second highest nationally."

The National Center for Public Policy and Higher Education's *Measuring Up 2006* evaluated higher education nationally, by state, and internationally.

New Jersey did fairly well in the state-by-state analysis. We have one of the lowest high school drop-out rates in the country at 5%, and our graduates are well prepared for college. Our State also enjoys significant economic and societal benefits from an educated population. About 1/3 of adults in NJ hold a bachelor's degree or higher, the 10th highest rate in the country, and *Measuring Up* estimated that total personal income in NJ is 14% higher due to the high percentage of people who have attended college.

Unfortunately, NJ got a "D" in affordability, because the share of family income needed to pay college costs is large compared to those in other states, despite the fact that NJ is among the top states in providing need-based financial aid. Declining affordability has exacerbated the gap in participation rates between whites and non-whites, and

between the wealthy and the poor.

These disparities could, if not addressed, "limit the State's access to an educated, competitive workforce and weaken its economy over time."

The Progressive Policy Institute ranks New Jersey high in receiving benefits from the new, knowledge economy, but a recent Rutgers study questions whether our State is starting to lose its New Economy advantage.

NJ is not alone. The report highlights the alarming reality that, over the last 2 decades, college tuition and fees have increased 375% nationally, while the median family income has increased by just 125%.

*Measuring Up 2006* also said that US leadership in higher education is slipping. We've dropped to 7th place among OECD countries in educational attainment of younger adults, and our progress in college participation has stalled since the early 90's. High school graduation rates have declined. We rank 5th in the percentage of 18 to 24 year olds that enroll in college and 16th in the proportion of students who complete college or certificate programs. As our progress has slowed, many other countries like China and India have begun to make huge gains in educating their populations.

*Measuring Up 2006* challenges our country and our State to take a hard look at our commitment to higher education. The Progressive Policy Institute identifies world-class education as one of the key factors driving economic growth. Similarly, the premise of *Measuring Up* is that a college education is essential for the success of both



**Roger L. Anderson**

Performance Areas	NJ Grade
Preparation	A
Participation	A-
Completion	B
Benefits	A
Affordability	D
Learning	I

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# Past performance is not an indicator of future results

By Noreen White



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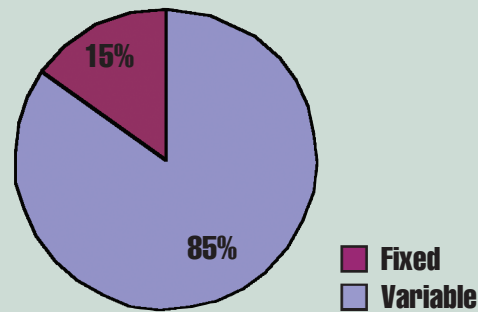
As we begin 2007, the question arises as to whether the record breaking issuance in New Jersey will continue this year for higher education institutions. With this question, I am reminded of the tag line on mutual funds warning potential investors that "past performance is not indicative of future results." So what does 2007 have in store for us?

To begin with, short term rates have risen while the long end of the yield curve remains relatively flat. This is illustrated in the chart below which shows rates in February 2006 versus February 2007 for short and long term tax-exempt indices and for US Treasuries. The concern over the last year has been inflation and the Federal Reserve raised rates through August 2006, when it did its last rate hike. Since then the Federal Reserve has been patiently analyzing economic data to determine its next move. In mid-February,

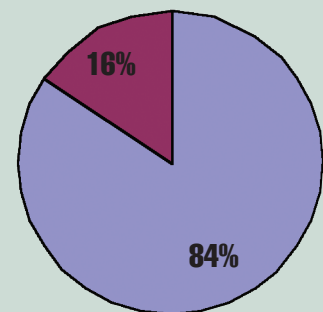
	Feb. 23 2006	Feb. 23 2007
Variable Rate Index	3.06%	3.64%
Revenue Bond Index	5.04%	4.48%
6-Month Treasury	4.71%	5.16%
5-Year Treasury	4.61%	4.72%
10-Year Treasury	4.55%	4.73%
30-Year Treasury	4.50%	4.83%

Federal Reserve Chairman Ben S. Bernake's congressional testimony reflected sentiments that the economy was "not too hot and not too cold", leading Fed watchers to the conclusion that the Fed discount rate will remain at 5.25%.

**2005 National Higher Education Issues  
Fixed versus Variable Rates**



**2006 National Higher Education Issues  
Fixed versus Variable Rates**



However, unemployment and housing data released after the Chairman's remarks once again raised the specter of inflation. To combat this enemy of the economy, experts believe that the Fed may raise rates at a future meeting this year.

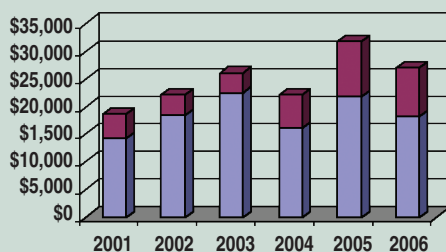
The inversion of the yield curve will certainly have an impact on the financing decisions made by higher education institutions. One of the results of this market environment is that the benefits associated with variable rate debt are diminished and the decision on how to fund new capital projects becomes more complex. It is possible that we will see new money issuances move from variable rate instruments to fixed rate vehicles to take advantage of attractive long term interest rates. Why borrow at 3.50% for one year when you can borrow at just over 4% for 30 years? With respect to refunding transactions, the volume in both New Jersey and on a national basis remained relatively constant from 2005 through 2006. As one investment banker lamented, "I think we have refunded everything we can."

Colleges and universities saw their volume of debt decrease in 2006 from the

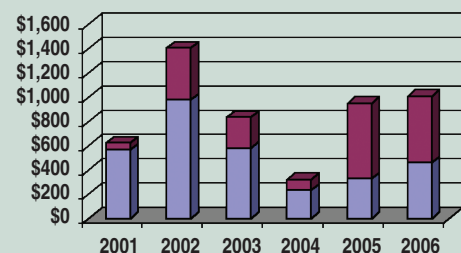
record breaking year of 2005, based on data from Thomson Financial Services. For 2006, higher education institutions issued in excess of \$27 billion of long-term bonds compared with \$29 billion for 2005, \$22 billion for 2004 and \$26 billion for 2003. Similar to the national market, refunding transactions decreased 11% for the higher education market. The percentage of financings done on a variable rate basis was stable in 2006 compared to 2005.

And what of New Jersey? The financings of higher education institutions at home did not mirror the national trends as New Jersey colleges and universities issued a record breaking \$1.03 billion in debt. Incredibly, 50% of this issuance occurred in the 4th quarter of 2006. The majority of financings (55%) were for refunding transactions. New Jersey continues to have significant demands for new investment in its higher education facilities. The ability to fund these projects in a rising interest rate environment coupled with the desire to keep tuition affordable will be a challenge. So what does the future hold? The certainty that the past can never predict the future.

**2006 National Higher Education Issues**



**2006 New Jersey Higher Education Issues**





— *In my opinion* —**Let's do what is right for a better New Jersey**

By Darryl G. Greer, Ph.D., Director/CEO, NJ Association of State Colleges &amp; Universities

**Darryl G. Greer**

Today more than ever before college is viewed as the pathway of opportunity to achieve the American Dream.

Colleges and universities are not mere founts of information.

They are places of human growth and self-discovery. They transform lives and gird today's students for dramatic change in a high-tech, global society. They are places where students develop more self-esteem and become more confident learners and leaders.

There are, unfortunately, not enough college places in New Jersey to match demand. One reason: an unprecedented number of high school graduates, set to peak around 2009 and remain at a new plateau. Another key reason is that, while New Jersey leads the nation in producing college-bound students, we rank 50th in four-year public college/university seats per high school graduate. As a result, New Jersey leads the nation in net-outmigration of college-bound

students: nearly 30,000 each year.

Over the past decade, our nine member institutions have collectively increased overall enrollment by 17%, full-time undergraduate enrollment by 28% and on-campus residency by 38%. Still, they don't have nearly enough room for as many qualified students as apply.

Our historical lack of capacity doesn't mean citizens oppose college opportunity. Indeed, the state invests heavily in the Tuition Aid Grant (TAG) program, one of the nation's most generous need-based aid programs. When asked in polls about whether all New Jerseyans should have a shot at college, regardless of income, nine out of ten residents agree.

However, struggling for decades with budget balancing woes, our state has missed many opportunities to boost public university facilities funding. This has led to unparalleled facilities debt levels and student costs that are the second highest nationally.

Meanwhile, other factors hamper higher education opportunity, for example:


- Nationwide, a growing number of tomorrow's college students will come from families of limited means, the U.S.

Dept. of Education reports;

- The gap between low-income and high-income student participation in college persists; and
- Shifts in federal student aid toward loans and away from grants makes managing the cost of college more daunting for those with fewer resources.

Budget woes or not, it is time to reinvest in college facilities and college operations to keep public college education affordable. In so doing, we reinforce the idea that we are all pulling together to make sure the least wealthy can achieve the promise of college in New Jersey.

Investing in state colleges and universities is the right thing to do. It will complement our productivity and economic competitiveness. It will broaden the pathway between our many excellent school systems and diverse sectors of the workforce seeking well-educated, well-rounded professionals. It will unlock the Garden State's potential to prosper.

Let's do what is right for New Jersey. Invest in the future by investing in higher education. 

**A record,**  
continued from page 1

record of service to our industry is cause to celebrate. In 40 years, the Authority has completed over \$9.3 billion in financings. In just over the last 20 years, it has provided financing for \$5.2 billion in new capital projects and today, virtually every college campus in New Jersey has been the beneficiary of NJEFA's financial services.

NJEFA's achievements and the success of our colleges and universities however, have come at a cost. Institutions have increased their debt to pay for facilities construction which has contributed to rising tuition and fees that burden students and limit opportunity.


The CHE has recognized the long-

term effects of the State's financial neglect of the capital needs of our industry. In response, the CHE has recently adopted updates to its long-range capital plan that call for increased state support for new capital needs and deferred maintenance based on priorities that meet New Jersey's educational and economic development needs. In addition, Governor Corzine's proposed budget for fiscal year 2008 increases support for higher education overall by 2.3% over last year's deep funding cuts.

Although these are steps in the right direction, it will take decades for our industry to catch up, particularly as student populations continue to grow and physical plant needs increase. It is time to focus the debate about the future of higher education in New Jersey on realizing long-term stable

sources of funding capital needs at our institutions. The future of higher education will depend on it.

We all share a common expectation of success for our industry because our colleges and universities have risen to meet the challenges of growing student populations, increasing competition and declining government support. NJEFA has been a key partner in providing creative ways to help them finance their missions in the midst of these challenges. Congratulations to the NJEFA for providing 40 years of such a valuable service to our industry.

Every dollar invested in New Jersey higher education by our citizens and their legislative representatives exponentially benefits our State and its future generations. 



## NJEFA FINANCINGS IN 2006

INSTITUTION	PROJECT	CLOSING	AMOUNT
<b>PRIVATE</b>			
Princeton University	Capital improvements	6.01.06	\$74,290,000
Seton Hall University	Refunding	6.01.06	\$20,750,000
Fairleigh Dickinson University	Refunding	6.29.06	\$16,652,544
Felician College	Refunding	6.30.06	\$11,445,000
Institute for Advanced Study	Refunding	7.19.06	\$29,600,000
Caldwell College	Refunding; residence hall	7.20.06	\$21,400,000
Princeton University	Refunding	8.10.06	\$93,285,000
Centenary College	Refinancing of a bank loan	10.16.06	\$9,154,113
College of Saint Elizabeth	Performing arts center; capital improvements	12.21.06	\$15,000,000
<b>PUBLIC</b>			
New Jersey City University	Refunding	2.16.06	\$5,950,000
Ramapo College of New Jersey	Academic building; Phase IX Housing, parking garage; completion of Sustainability Education Center; infrastructure improvements; renovation of athletic fields	3.30.06	\$49,085,000
Montclair State University	Student recreation center; parking structure; addition and renovation of Chapin Hall; renovation of Finley Hall, Mallory Hall and Panzer Gymnasium; refunding	7.06.06	\$108,060,000
The Richard Stockton College of New Jersey	Housing V Phase I and surface parking; energy conservation projects; land acquisitions; Holocaust Resource Center and Alton Auditorium renovations; electrical upgrades	9.28.06	\$50,365,000
Rowan University	Apartment complex; academic building; property acquisition; utility infrastructure; deferred maintenance; improvements to roadways, paths and parking lots; deferred maintenance; renovation of buildings; refunding	11.16.06	\$89,405,000
Ramapo College of New Jersey	Refunding	11.28.06	\$106,820,000
Montclair State University	Refunding	12.14.06	\$154,110,000
<b>STATE BACKED</b>			
Higher Education Capital Improvement Fund	Refunding	10.26.06	\$155,460,000
<b>GRAND TOTAL</b>			<b>\$1,010,831,657</b>

## NJEFA FINANCINGS IN 2007

INSTITUTION	PROJECT	CLOSING	AMOUNT
<b>PRIVATE</b>			
Centenary College	Refunding of a bank loan; capital improvements	3.15.07	\$4,784,617
Institute for Advanced Study	Academic building; networking and utility upgrades; renovations to academic buildings	3.15.07	\$20,000,000
Drew University	Student housing facility; renovations to existing housing facilities; capital improvements; capital equipment	4.11.07	\$29,135,000
<b>PUBLIC</b>			
Montclair State University	Refunding	4.4.07	\$6,150,000
New Jersey City University	Refunding	4.4.07	\$17,910,000
Rowan University	Refunding	4.5.07	\$121,355,000
Kean University	Residence halls; multi-level parking deck; refunding	4.13.07	\$274,035,000
<b>GRAND TOTAL</b>			<b>\$473,369,617</b>





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## Celebration, continued from page 1

As affordability is increasingly called into question, pressure to control tuition will grow.

The day's program concluded with special recognitions of Bambach by Authority Chair Vivian Altman and Robert Baccon, Assistant Director of the Pennsylvania Higher Educational Facilities Authority.

Altman noted that, during Bambach's tenure, he oversaw our founding years, led us through the early period of constitutional clarification and completed 200 transactions totaling more than \$1.7 billion in financings that resulted in over 100 campus facilities of every type and function. Altman thanked Bambach for his vision, leadership and dedication to client service.

Bob Baccon delivered congratulations from the National Association of Higher Education Facilities Authorities, an organization that Bambach helped to found. ✂



*Rendering of Housing IV project at The Richard Stockton College of New Jersey financed with NJEFA bonds in 2006.*

## Wake-up, continued from page 2

the individual and society. The report foresees both a greater demand for, and value in, a college education and focuses on the barriers to people getting that education.

The good news is that addressing the

concerns raised in the report should increase the resources for higher education and ultimately expand the opportunities for more people to get the college educations that are essential for their and our prosperity. ✂