



Building futures

NJEFA

Viewpoint

Construction Projects Build Hope for the Future



By Rochelle Hendricks
Secretary of Higher
Education

As Governor Christie and I enjoyed visits to some of the impressive and massive construction projects taking place on college campuses throughout New Jersey, I experienced pride in what was underway and pondered the transformational change all this activity can bring to our State.

At NJIT, we saw an \$86 million project that includes a Center for Innovation and Discovery. At Rowan University, in a bipartisan event attended by Senate President Sweeney and university benefactor Henry Rowan, we saw ground broken for a \$45.9 million addition to the engineering school. We saw construction getting underway at Rutgers, at the County College of Morris, at Ramapo, at The College of New Jersey and at Stevens Institute of Technology.

The significant new projects will put thousands of people to work, support increased enrollment demands, and help to meet the State's workforce needs and keep our economy moving forward. Our competitive edge will be enhanced with state of the art facilities. Labs are being

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NJEFA to Host Workshop: Higher Education Finance

The NJEFA will host a Higher Education Finance Workshop at Drew University's Ehinger Center on December 10th for college and university presidents and vice presidents of finance and administration, controllers and others involved in the administration of bond transactions, facilities managers and institutional general counsels.



The half-day program will provide attendees with an opportunity to hear conventional lender and institutional perspectives about recent developments in direct purchase and bank loan financings—a growing trend in college and university facilities transactions. The agenda will also feature a panel of legal experts and

Authority representatives to provide an update on the IRS's post issuance compliance activities with an emphasis on IRS audits and the current IRS viewpoint on post-issuance compliance practices. Topping off the program will be a panel discussion on strategies for managing deferred maintenance, which will include university representatives and a leading industry firm that has worked with New Jersey institutions.

Stay tuned for more information in the coming weeks, or visit our website www.njefa.com. ■

Continuing Our Commitment

By Derek Hansel, Executive Director, NJEFA



“Building Futures”— two words that for more than a decade have represented NJEFA’s commitment to New Jersey’s colleges and universities and the students that attend these remarkable institutions.

Continuing our commitment, work is well underway on the implementation of the State’s capital construction grant programs that Secretary Hendricks refers to in our cover column this month. We are finalizing grant agreements, have distributed tax and due diligence questionnaires to all participating institutions and hosted a web-conference for Q and A opportunities on the questionnaires.

As our work proceeds, NJEFA remains focused—not only on the ‘what’ of higher education construction—new classrooms, upgraded laboratories and equipment, ADA compliance—but also on the ‘why’. It is the ‘why’ that is really at the heart of our mission. Namely, to help provide opportunity for students to fulfill their potential and prepare for the 21st century job market; to help improve access for all students, especially historically underrepresented populations; and to enhance the economic competitiveness of New Jersey.

In our collaboration on the grant programs with the Office of the Secretary for Higher Education, NJEFA will be assisting 46 institutions in addressing very real capital needs that will help with the ‘what and why’ of higher education construction. Many of these projects will bring new or expanded facilities to fruition that support STEM disciplines. One such project is the Central King Building (CKB) at the New Jersey Institute of Technology, which will receive grant funds to transform a 210,000 sf facility into a state-of-the-art STEM teaching and learning hub.

The CKB Project is one example of many that supports targeted economic growth throughout the State. According to

the Institute, it is projected that the State will need to fill 269,000 STEM-related jobs by 2018, and historically, NJIT has provided more than a quarter of New Jersey’s engineers. The CKB project and others like it will help support increased enrollment demand and provide facilities that will enhance education and academic support. This in turn will help meet the future workforce demands of the State.

While on a recent tour of NJIT’s Albert Dorman Honors College, I had the pleasure of speaking with a number of students working in the College’s business incubator. Participating on cross disciplinary teams, these students were not only studying disciplines on the cutting edge of science and technology, such as utilizing stem cell therapies to grow human tissue and body parts—but they were simultaneously working to identify new markets and set up companies to launch their discoveries.

Seeing the enthusiasm and excitement of these young adults about their own studies and futures is a reminder of our larger mission. As Mike Klein states on page four, “To meet strong enrollment demand and the needs of a rebounding economy, state-of-the-art academic facilities are paramount for teaching and research.” The capital facilities grant programs will help usher in a new era of expansion and improvement in New Jersey higher education. We know, however, that the need for capital facilities support doesn’t end there—it is an ongoing need that requires sustained commitment.

NJEFA continues to help its clients develop strategies to meet capital needs beyond those that are being met by the State’s grant programs. In our last newsletter we highlighted a new mixed-use facility we have helped finance at Bloomfield College. This year we have also helped Caldwell College and Seton Hall University with important financings to improve facilities and reduce cost, and we are currently working with The College of New Jersey and Montclair State University, among others, to help finance additional important capital needs.

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NJEFA Financing Calendar

INSTITUTION	PROJECT/PURPOSE	PAR AMOUNT	CLOSING DATE
Bloomfield College	80,000 sf residence hall in downtown Bloomfield	\$32,267,000	5/13/2013
Caldwell College	Current refunding and improvements to College buildings	\$20,000,000	6/18/2013
Seton Hall University	Current refunding and renovations to campus facilities	\$41,910,000	7/10/2013
The College of New Jersey	New STEM facility and reno. of existing academic buildings	\$50,000,000	Dec. 2013*
Montclair State University	New academic buildings and various capital improvements	\$160,000,000	Jan. 2014*

**anticipated closing*

2013 Year to Date Market Review

By Anthony P. Inverso, Senior Managing Director, Phoenix Advisors, LLC



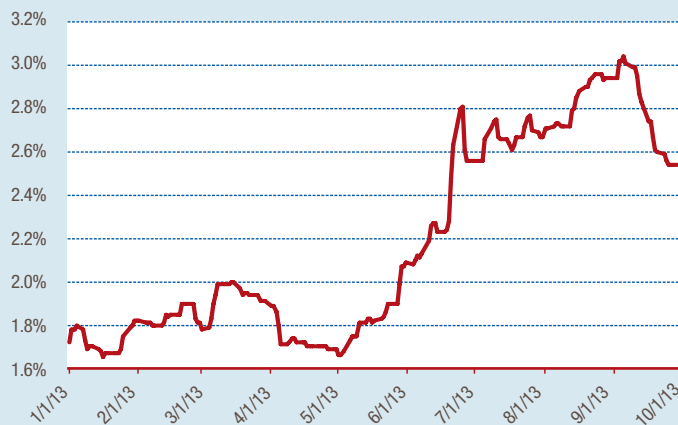
For the first three quarters of 2013, the municipal bond market can be characterized as lacking direction. Economic factors, such as improvements to consumer confidence, the housing market and unemployment, hinted at higher interest

rates earlier this year. But these alone have not provided sufficient guidance for the bond market.

A federal government shut down, concerns over the elimination of tax exemption, bankruptcy fears, a potential federal default, and unclear Federal Reserve policy have clouded the picture.

The first four months of the year provided a relatively smooth ride for the municipal market. Refundings were abundant and issuance was brisk, accounting for half of all bonds sold for the year. From there, it was a different story. With the release of a 23% decline in jobless claims, interest rates steadily ascended throughout May on implications of an improving economy. This upward trajectory was affirmed in June when Federal Reserve Chairman, Ben Bernanke, alluded to a change in policy, as early as September of this year, which would end a long period of quantitative easing. His suggestion clearly spooked the bond markets, leading to a spike in the 10-Year

10-Year "AAA" Municipal Bond Interest Rate (Since Jan. 1 2013)



Treasury of 35 basis points in one week and a similar jump of 40 basis points in the municipal market's 10-year "AAA" index rate. The 10-Year Treasury soon followed with a single day jump of 20 basis points on July 5th due to better than anticipated employment numbers. Compounding the already

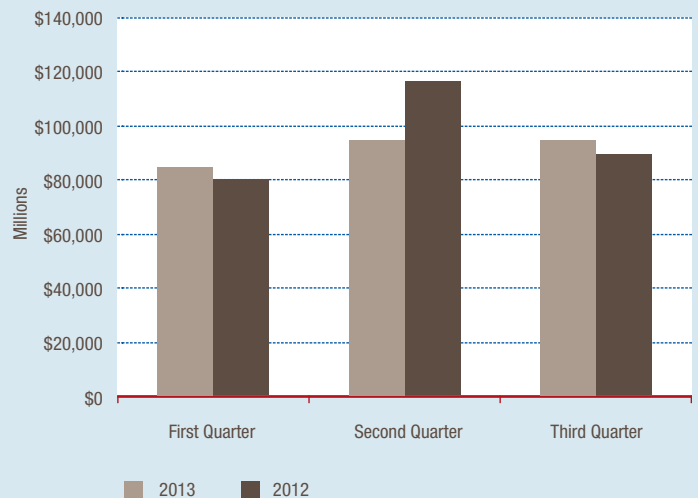
volatile municipal market was the City of Detroit's filing for bankruptcy on July 19th which contributed to an additional 40 basis point ascent in municipal interest rates over the summer and a widening of the municipal/treasury ratio. Strength in the housing market, lower unemployment, and a rise in consumer confidence contributed to the cautionary tone in the bond markets and the seeming reality that higher rates were finally upon us.

As summer concluded, the threat of a military conflict in Syria grabbed the headlines and overshadowed the major economic issues already complicating the jittery markets. Among them were an anticipated Federal Reserve policy change in mid-September, a looming vote on the nation's debt ceiling, a recovering housing market, and a labor market that "appeared" to be improving. Together, these factors seemed to indicate a further increase in interest rates. But, leading up to the Federal Reserve's September meeting, weaker than anticipated economic news drove rates lower. Then, the Federal Reserve surprised the markets by maintaining its tapering strategy, further driving down rates by the end of September to a level 50 basis points lower than the highs experienced only a month earlier. Reaction to the Federal Reserve's maintenance of the status quo has breathed new life into the bond market which should lead to more volume as the fourth quarter begins.

Looking back at issuance over the first three quarters, the steep incline of rates in May and June certainly slowed the pace of refunding issues, which accounted for only 43% of issuance so far this year, compared to 54% for the same period last year. Overall issuance is down 12% for the year, with the largest

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2013 Bonds Issued by Quarter



Building 21st Century Facilities Amid Solid Enrollment Demand

By Michael W. Klein, JD, PhD Executive Director/CEO, New Jersey Association of State Colleges and Universities

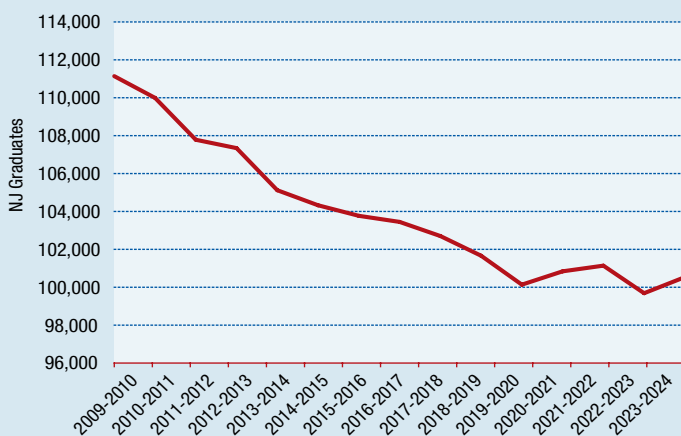


With parents and students seeking affordable higher education options, and significant growth expected in workforce demand for additional bachelor's degree holders, the state colleges and universities are playing a pivotal role in solidifying New Jersey's future.

New Jersey's nine state colleges and universities, which award about 45% of all bachelor's degrees conferred in New Jersey, are continuing to experience robust enrollment demand. For example, applications for first-time, full-time enrollment at these institutions increased 40% over the past seven years (Fall 2005 - Fall 2012). In addition, fall 2013 applications increased significantly at many of the institutions, and a recent College Board report shows an overall 3.2% increase over 2012 in scores sent by New Jersey SAT test takers to our NJASCU-member institutions. At Thomas Edison State College, entirely composed of part-time students, enrollment in the college's flexible degree programs continues to grow.

Nationally, in recent years, there has been a decline in the number of high school graduates, but a gradual rebound is predicted, beginning in 2015. The Western Interstate Commission for Higher Education (WICHE), which closely follows demographics driving college demand, cites the graduating class of 2011 as the peak year for high school graduate production, capping a 17-year growth period. For New Jersey, although WICHE predicts a gradual decline in the annual number of high school graduates over the next ten years, in 2023 the state will still be producing about 20,000 more graduates per year than it did 15 years ago, in 1998.

Production of New Jersey High School Graduates (public and private) (2009–2024)



Source: Western Interstate Commission for Higher Education

Meanwhile, workforce demand for bachelor's degree holders over the next five years is on the upswing. New Jersey's workforce, by 2018, is expected to require the nation's second highest proportion of bachelor's degree holders, according to projections by the Georgetown University Center on Education and the Workforce.

To meet strong enrollment demand and the needs of a rebounding economy, state-of-the-art academic facilities are paramount for teaching and research.

Technologically advanced facilities, including classrooms, labs, and research spaces are being constructed with funds from the Building Our Future Bond Act and the recently renewed NJEFA-administered bond programs. Many of the facilities will house technology that will enable students to learn from simulated situations in areas including nursing, biology and finance. The new academic construction, renovation of existing buildings, and installation of new equipment, will help institutions to give New Jersey students the tools and study space that they truly deserve. Impressive new facilities will also help recruit additional faculty talent and garner the attention of capable students beyond our borders who are weighing the merits of going to college in the Garden State.

“To meet strong enrollment demand and the needs of a rebounding economy, state-of-the-art academic facilities are paramount for teaching and research.”

The returns on our state's investment in higher education are sure to satisfy our “investors”—the citizens and students of New Jersey. Students will be better prepared for the professions and the high-tech workforce; our labs will produce scientific discoveries and inventions; and, partnerships with business, industry, government and the nonprofit sector will continue to grow.

The New Jersey Educational Facilities Authority has been an indispensable partner in this effort over several decades. The state colleges and universities look forward to many more years of collaboration with NJEFA to finance and construct our facilities. ■

built. Chemistry buildings are going up. Computer science, engineering, art and media studies classrooms are being upgraded. And, so many more diverse, vital projects are in the works.

Thanks to bipartisan action and voter approval, we can celebrate the 176 projects at 46 institutions that signal a new day for New Jersey higher education. Our institutions have done well to date and are now positioned to do dramatically better, to foster innovation and entrepreneurship, to conduct cutting-edge research, to attract and retain the best talent, and to improve the quality of life locally, regionally and statewide.

We are expecting great things from our colleges and universities. Even as critics and cynics are lining up to challenge the value of higher education, as families worry about access and affordability, and policymakers seek transparency and accountability, New Jersey is ready with a renewed energy and vision to take on the emerging dynamics of a complex and rapidly changing educational and economic landscape.

What's next?

We know that there is still much to do as we work toward our goal to make a difference in the lives of the 440,000 students who attend college in New Jersey every year. Each campus has developed its own mission and a long-range plan for success. Each campus is striving for improvement, and each higher education leader has a long wish list of projects for future enhancement and expansion.

While we encourage and support efforts to fulfill distinct institutional plans, we will consistently promote the importance of a public agenda, and how each institution has an essential role to play in the well-being of our State. We can better prosper if we work together to serve New Jersey's needs. As chair of the Governor's Council on Innovation, I know we can create an innovation ecosystem that establishes a firm link between the needs of industry and the ideas of the

tremendously talented people who are already working and enrolled in our colleges and universities.

I look forward to helping institutions share information not only with each other but with industries that might provide jobs in the future. No institution stands alone. We are stronger when we build common ground and seize the opportunities that can only be achieved through effective collaboration.

We have a great story to tell, but too few people have heard it. That will change as we construct hope for the future.

The ultimate transformation, the ultimate hope is what a world-class education will mean for our citizens. The Christie Administration and Legislative leadership have worked together to have world-class colleges and universities, producing the next generation of leaders and workers who can compete in the global marketplace. Even in these financially difficult times, this Administration is committed to helping ensure that postsecondary education is accessible to our citizens. The Governor's budget has an overall state aid increase of \$65 million to colleges and universities, and \$353 million in student financial assistance for the neediest students. We are committed to a stronger NJ - a stronger NJ which begins with its people, their talents, skills and abilities.

Walking with Governor Christie in the past few weeks, seeing the magnificent and imaginative projects coming to life, I was reminded that the new buildings do not represent the end product. They are only the beginning of what we can achieve.

In this welcome wave of new construction funding, we have been given a great gift by the taxpayers of this State. By working together, emphasizing our strengths, marketing our talent and promoting our ideas, we can make the most of this moment in time. Our citizens expect the best from us...and we cannot disappoint them. We are constructing now, building hope for the future. ■

2013 Year to Date Market Review

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declines in June, August and September, reflecting interest rate spikes. Fixed rate debt has once again dominated variable rate in the overall market, accounting for over 90% of issuance. Issuers continued to bring almost all bonds to market without bond insurance. Insured issues accounted for only 9% of new issues this year, down dramatically from the 50% seen in the years before the sub-prime mortgage crisis. In the higher education sector, bond issuance totaled \$25 billion over the first nine months of this year, down 2% from 2012.

As we move into the last quarter of 2013, many questions remain for the municipal market. Will rates "finally" rise? From where will the bond market get its guidance? What are the implications of the Federal Government impasse? These and other concerns certainly point to a volatile year end. Hang on tight! ■



NJFEA Staff Announcements

Lisa Walker

Accountant

In early October, NJFEA welcomed new staff member, Lisa Walker. Lisa joins the Authority as an Accountant. She will be involved in all aspects of bond fund administration, including processing of bond fund requisitions for college and university trustee accountants, as well as general accounting. Lisa comes to the Authority with excellent accounting experience. Most recently she worked at Deloitte and prior to that, Lisa was with Merrill Lynch and BlackRock.

Lisa is a graduate of Rider University with a B.S. in Accounting. ■

Denise Carroll

Accountant

In September, the Authority said goodbye to Accountant, Denise Carroll. Denise began her tenure with the Authority in 2007. She was a dedicated and valued member of the Accounting staff and we all wish her well in her future pursuits. ■

Continuing Our Commitment

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All of the projects that the NJFEA has the opportunity to work on touch real students and impact real lives. They provide high quality academic living spaces and allow for students to learn with the best equipment and in modern, safe and comfortable spaces. They foster collaboration between academia and industry,

promoting New Jersey's ability to be an innovation hub and creator of high quality, high-pay jobs.

NJFEA looks forward to continuing its commitment to help our colleges and universities build futures for generations of students to come and for all of us in this great State. ■

Chris Christie

Governor

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2013/2014 Board Calendar

July 23, 2013

September 24, 2013

* November 7, 2013

** November 19, 2013

December 12, 2013

January 28, 2014

March 25, 2014

May 20, 2014

Meeting dates subject to change.

* *Special Meeting*

** *Rescheduled*