



Middle States Commission on Higher Education
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PERIODIC REVIEW REPORT

FISCAL ANALYSIS

2007

NAME OF INSTITUTION NEW JERSEY INSTITUTE OF TECHNOLOGY, NJ

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This summary financial analysis is prepared in connection with a Periodic Review Report (PRR) issued by the New Jersey Institute of Technology (NJIT) in June 2007. As reported, NJIT has evolved into a significant public research university, with annual research expenditures of \$77 million.

Financial Statements are prepared in accordance with Governmental Accounting Standards and were audited by KPMG in 2005 and 2006. Detailed Management's Discussion and Analysis support the statements. NJIT is supported by a Foundation, with assets consolidated in the University's financial statements.

Financial Resources

At June 30, 2006, the following key financial figures were reported in the statements:

Net Assets:	\$ 187 million
Endowment Investments:	61 million
Net Invested in Plant	91 million
Unrestricted Financial Resources, Net of Investment in Plant:	42 million (<i>\$37 million specifically earmarked</i>)
Debt:	\$ 172 million

As reported by Moody's, NJIT has modest balance sheet resources relative to debt, and leverage levels are high, though consistent with other public institutions in the state.

As a public institution, NJIT is dependent on state appropriations. Approximately 35%, or \$71 million of operating expenses were funded through the state appropriations in 2006. State funding in 2006 was only 4.5% higher than amounts received four years earlier in 2002. In 2006 and the last several years, another \$5 million was required from nonoperating revenues such as gifts.

Particularly given the expected continued difficulties with the state budget, NJIT should be encouraged to continue to expand its fundraising opportunities and endowment. In this regard, NJIT established and reported the following financial goals in a report issued in September 2006

- Increasing unrestricted gift revenue, and the percentage of alumni donors from 16% to 21%
- Launching and completing 2 focused capital campaigns in the next three years.
- Launching the quiet phase of a comprehensive capital campaign in three years.
- Doubling externally sponsored research and development in five years

NJIT's financial projections through 2011 anticipate increases in enrollments, fundraising and investment income, and after a drop in 2007 increases in state appropriations of approximately 5% per year. Additional fundraising, or expenditure reductions, will be required to fund shortfalls in state appropriations.

Enrollment

In the fall 2006, NJIT enrolled 8,209 students. The University had experienced an enrollment decline from 2002-2005, largely at the undergraduate level. Factors attributed to the decline included 9/11, the dot-com bubble, declines in international students, and precipitous declines in students interested in computer science. In response, the University created an Enrollment Task Force in the fall 2003 to examine all related factors, including, on the positive side a six-year graduation rate which had increased from 37% to 57% during the last eight years. The committee has now become a permanent group which regularly examines enrollment issues. NJIT's current plan is to enroll 1500 more students by 2012, with growth evenly divided between undergraduate and graduate students. The plan will require expansion of the facilities.

Federal, State, and Other Grants and Contracts

As reported in the PPR, federal grants and contracts have grown by approximately 30%, and state grants have declined by 14%.

State Appropriations

NJIT has faced significant budget restrictions due to budget difficulties in the State of New Jersey. Base state funding has decreased over the last five years. It is not clear whether NJIT's projections for the next five years are likely to be fully funded by the state.

Endowment

As reported in the financial statements as of June 30, 2006, NJIT's endowment investments were \$60.6 million, with a prudent spending rate of approximately 4.41% for 2006. Endowment investment growth for 2006 was 7.1%.

Credit Rating

The University enjoys underlying credit rating from Moody's of A2 and Standard and Poor's of A. Moodys issued its last report in May 2007. The rating applies to \$144 million of rated debt obligations, and the agency maintains a stable outlook.

The following highlights were provided by Moody's:

Strengths

- Stable market position, with healthy student demand;
- Stable matriculation levels, averaging 43% over the past five years;
- Despite recent weakening in selectivity from 55% in 2002 to 69%, remains a relatively selective institution, with increase in freshman class to 798 in 2006, from 661 in 2002;
- Diversified revenue stream, with low percentage of operating revenue derived from net tuition and fees (28%); and
- Consistent operating cash flow.

Challenges

- Modest balance sheet resources relative to debt;
- High leverage levels, though consistent with other public institutions in the State;
- Future state budgetary challenges expected to remain difficult; and
- While no new debt is anticipated, enrollment plans may necessitate additional debt.

NJIT appears to be financially well managed.