



November 2014

Building futures

NJEFA

Viewpoint

Construction Projects Build Hope for the Future



By Roger B. Jacobs, Esq.
NJEFA Chairman

New Jersey colleges and universities are undergoing tremendous growth and modernization, made possible in part through New Jersey's higher education capital grant programs that are administered by the Office of the Secretary of Higher Education and the Authority.

This past summer I had the opportunity to see some of the grant projects approved during the Spring 2013 Cycle that are underway on campuses across the State and that will no doubt be a catalyst for academic opportunity for decades to come. One such visit took me to Montclair State University (MSU), where I had the pleasure of meeting with University President, Dr. Susan Cole, to talk about MSU's grant projects and to hear her thoughts on a range of topics from state capital and operating support, to the rising cost of education and the future of higher education in New Jersey.

MSU was approved for approximately \$94 million in grant funding from the Building Our Future Bond program and the Authority's higher education grant

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Building Our Future

By Dr. Steven M. Rose
President, Passaic County Community College
Chair, New Jersey Presidents' Council



Every fall college campuses come alive as students arrive to begin, or continue, their academic pursuits. Fall 2014 is particularly exciting. Students throughout New Jersey found new facilities under construction, old facilities being renovated, and technology infrastructures enhanced.



STEM students at PCCC

The passage of the Building Our Futures Bond Act in November 2012 is going to be transformative for higher education in New Jersey and be a stimulus in our State for decades to come.

For example, at Passaic County Community College (PCCC), we will be breaking

ground for "The Center for STEM Innovation" funded through the Higher Education Facilities Trust Fund Program. PCCC's main campus in Paterson is a mix of modern facilities and some that are over a century old. Many of these older facilities, while having character and charm, are not particularly conducive to classroom teaching. As recently as twenty years ago the typical college classroom included a podium at the front of the room for the professor and tablet desks for students. Now, the typical classroom needs to be large enough to accommodate students working in groups, multimedia technology, and be equipped with student workstations enabling students to bring their own devices.

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2014 Authority Financing Activity Robust

By Derek Hansel, Executive Director, NJEFA



The Authority's financing activity in 2014 has been robust as project financings for New Jersey's colleges and universities, both stand-alone and state supported, have totaled nearly \$1 billion in combined par value.

Of that amount, 88% or \$858 million has helped our institutions to finance new capital projects, which includes more than \$505 million bonds for new projects issued under the Authority's four state-supported higher education capital grant programs; ELF, HETI, CIF and HEFT.

The closing of these four state-supported financings in 2014 represents an important milestone in the process initiated by Governor Christie's Administration and the Legislature more than two years ago with the passage of the Building Our Future Bond Act and the reauthorization of the Authority's grant programs, and will allow institutions to proceed with important academic projects. Already this year, we have distributed more than \$64 million across the four programs and the pace of funding is increasing as college construction projects progress and institutions requisition the Authority for reimbursement through the programs.

Under the Building Our Futures Bond Act, while the State of New Jersey is the issuer of bonds under this program, a Memorandum of Understanding between the Office of the Secretary of Higher Education and the Authority has laid the framework for the Authority to assist in administration of this program as well. The first \$100 million issuance of bonds by the State to fund grants under this program occurred in May

2013. The State is currently in the process of selling a second large tranche, making more grant funds available to institutions for their projects. To date, the Authority and the Secretary's Office have distributed approximately \$100 million in grant funds for projects under this program and with the State's upcoming issuance, we look forward to working expeditiously to distribute these funds to colleges as needed.

As I meet with college representatives from institutions across the state, I'm excited to see the many wonderful projects under development with their promise of so much academic opportunity for New Jersey's students. Some of the articles in this edition of Building Futures showcase grant-funded projects underway on some of our campuses. As President Rose from Passaic County Community College states in his article on page 1, these projects, "[A]re going to be transformative for higher education in New Jersey and be a stimulus in our State for decades to come."

"I'm excited to see the many wonderful projects under development with their promise of so much academic opportunity for New Jersey's students."

I'd like to take this opportunity to express my appreciation to NJEFA's Members for their efforts in working with staff to manage the complexities of these programs and to provide the support to staff necessary to implement them on behalf of our clients. I am also grateful to all of our staff – current and former – who have worked so hard in a variety of ways in order to implement and administer these programs. I also

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NJEFA Financing Calendar

INSTITUTION	PROJECT/PURPOSE	PAR AMOUNT	CLOSING DATE
Princeton University	Various construction and renovation	\$200,000,000	1/15/2014
Fairleigh Dickinson University	Refunding	\$51,925,000	1/16/2014
Various	Higher Education Equipment Leasing Fund (ELF)	\$89,340,000	1/30/2014
Various	Higher Education Technology Infrastructure Fund (HETI)	\$38,110,000	1/30/2014
Montclair State University	New academic buildings and various capital improvements	\$189,365,000	4/3/2014
Various	Higher Education Capital Improvement Fund (CIF)	\$203,310,000	4/29/2014
Various	Higher Education Facilities Trust Fund (HEFT)	\$199,855,000	9/24/2014
Thomas Edison State College	Construct a 35,000 square foot nursing education center	\$7,000,000	10/31/2014

SEC Steps Up Enforcement Activity; Announces Settlement Terms Through MCDC

By Katherine A. Newell, Esq., Director of Risk Management, NJEFA



Recently, the SEC stepped up its enforcement activity relating to continuing disclosure for municipal bonds, including those issued on behalf of colleges and universities.

On March 10, 2014, the SEC announced the “Municipalities Continuing Disclosure Cooperation Initiative” (“MCDC”) offering “favorable settlement terms” to obligated issuers and borrowers and to underwriters which “self-report” to the SEC possible material misstatements in an official statement about compliance with prior continuing disclosure undertakings during the five years prior to the date of the official statement. The deadline for underwriters to self-report was September 10, 2014. The settlement terms offered to underwriters include fines capped at \$500,000 for the largest underwriters regardless of the number of violations they report. The cap provided underwriters with a significant incentive to “self-report” all instances of nondisclosure of errors in continuing disclosure that could possibly be “material.” Municipal market participants understand that the incentive was effective and underwriters, in fact, reported significant numbers of violations.

The deadline for obligated issuers and borrowers to report was extended from September 10, 2014 to December 1, 2014. For obligated issuers and borrowers, the SEC will recommend settlement through a cease and desist proceeding with no financial penalty. The reporting entity must establish compliance policies and procedures, comply with prior and existing continuing disclosure obligations, cooperate with subsequent SEC investigations, disclose the terms of the settlement in official statements for five years and provide a compliance certificate to the SEC regarding these actions one year from the date on which the cease and desist proceeding is instituted. Only issuers or borrowers are eligible for MCDC; individual officials of these entities are not.

In the case of NJEFA’s bonds, the borrowing institution is the “obligated person” that is eligible to “self-report” possible material misstatements about its compliance with continuing disclosure in official statements for issues in 2009 through 2014. To gather the information necessary to decide how to proceed in connection with MCDC, it is necessary for institutions to:

1) review the statements made in an official statement regarding the institution’s compliance with continuing disclosure obligations during the previous five years; 2) research the filings made during the applicable five-year period to determine whether all necessary annual and event disclosures have been filed, and if filed, on a timely basis (beginning in 2009, filings are to be posted on the MSRB’s Electronic Municipal Market Access (EMMA) website; for years before 2009, filings were to be posted on Bloomberg and other Nationally Recognized Municipal Securities Repositories); and 3) learn whether the firm that underwrote the bonds “reported” the issue.

After gathering this information, the institution then needs to determine whether there is a misstatement about continuing disclosure in the official statement and if so, whether it is material. The SEC has not offered any guidance about what is considered material. While an underwriter may have reported an issue, the institution may not agree that there are any material misstatements about continuing disclosure compliance in the official statement. In addition, the SEC has indicated that it may not provide an issuer or borrower that does not “self-report” with the settlement terms available under MCDC and that penalties for errors could include monetary fees. Because of the difficult questions presented, an institution may want to retain counsel to assist in deciding how to proceed in connection with MCDC.

NJEFA has researched the continuing disclosure history of institutions that are obligated on NJEFA bonds issued during and after 2009 and has discussed MCDC with the respective underwriters. NJEFA will be happy to provide this information to obligated institutions and assist in obtaining additional information such as that available in articles and webcasts about MCDC. If you have any questions about MCDC please call Katherine Newell, NJEFA’s Director of Risk Management, at 609-987-0880.

In addition to her duties at the NJEFA, Ms. Newell is an appointee of the U.S. Treasury Department currently serving a 3-year term on the Advisory Committee to the Internal Revenue Service on Tax-Exempt and Governmental Entities and was elected Chair of the Advisory Committee in June, 2013. She is also a member of the Debt Committee of the Government Finance Officers Association, and as a GFOA member, she participated with the National Association of Bond Lawyers in the development of the GFOA-NABL Post-Issuance Compliance Checklist. ■

Innovation at New Jersey's Community Colleges

By Dr. Lawrence A. Nespoli, President, New Jersey Council of County Colleges



New Jersey's 19 community colleges serve over 400,000 students annually in college credit, non-credit and workforce development programs, making them the largest providers of higher education in the state.

Thanks to bonds managed by the New Jersey Educational Facilities Authority (EFA), community colleges are able to renovate their campuses and upgrade technology to meet the needs of the thousands of students they serve. Whether these needs have to do with continuing on to attend a four-year college or university or receiving training to enter the workforce, New Jersey's community colleges offer programs designed to help a variety of students meet a variety of needs.

One unique and growing initiative is the New Jersey Community College Consortium for Workforce and Economic Development. New Jersey's 19 community colleges created the Workforce Consortium in 2004 to better meet the training needs of businesses large and small throughout the state. Through the combined power of the Consortium, any business in any part of the state can access thousands of training programs at New Jersey's 19 community colleges. Over the past 10 years, the Consortium's member institutions have provided customized training to more than 100,000 employees at over 5,000 New Jersey businesses and other organizations.

Community colleges continue to offer training to meet local needs as well. At Raritan Valley Community College (RVCC), an \$8 million Higher Education Facilities Trust Fund (HEFT) grant will provide for the construction of a new Workforce Training Center dedicated to programs in automotive technology, advanced manufacturing, entrepreneurship, and many more classes aimed at preparing students to join the workforce.



RVCC's new Workforce Training Center

New and renovated buildings and technologically updated classrooms will also better prepare students looking to move on to four-year colleges and universities to work towards earning bachelor's degrees. At Hudson County Community College, grants totaling over \$12 million will provide for the construction of a new Science Center featuring classrooms, laboratories and offices. A similar project is also planned at the County College of Morris, where a grant for over \$1 million will allow for the renovation of biology, chemistry and physics laboratories.

The work being done at New Jersey's 19 community colleges demonstrates a renewed commitment to student success. Earlier this year, the Kresge Foundation awarded a \$500,000 grant to New Jersey's 19 community colleges to expand the New Jersey Center for Student Success – a statewide collaboration of the 19 community colleges aimed at increasing community college student completion. New Jersey's Center for Student Success, established in October 2012, works on behalf of the state's 19 community colleges to more effectively assist students in achieving college completion. Grants from the Fund for New Jersey, the PSE&G Foundation and the State Street Foundation have helped to launch and sustain the Center. In addition the New Jersey Education Association has funded the New Jersey Community College Completion Challenge (NJC4) in October 2013, a statewide student-led effort to raise awareness about the importance of earning college credentials. And the New Jersey Secretary of Higher Education provided a \$620,000 grant in spring 2014 for College Readiness Now, a summer program that helped high school juniors and seniors achieve college-readiness before enrolling at community colleges.

In addition, outstanding high school graduates concerned with the cost of attending college can earn full tuition scholarships through the New Jersey Student Tuition Assistance Rewards Scholarship (NJ STARS). NJ STARS is a scholarship program exclusively for New Jersey residents that covers tuition at New Jersey's 19 community colleges. Students who rank in the top 15 percent of their high school class at the end of either junior or senior year may be eligible for the program.

New Jersey's community colleges continue to demonstrate their commitment to providing an excellent education designed to help students prepare to further their educations or enter the workforce, and the bonds managed by the New Jersey EFA help to guarantee that community colleges throughout the state will be able to meet the needs of their students. ■

programs. This infusion of capital support from the State will provide new facilities and vast improvements across MSU's campus. It will also help to increase capacity so that the University can serve more students; a primary goal of the Building Our Future Bond program when approved by Governor Christie and New Jersey's voters in 2012.

Indeed, Dr. Cole indicated that the grant programs will not only help improve access at MSU, but across the entire system as well. One of MSU's projects receiving funding is a new 107,500 sf building for a new Center for Environmental and Life Sciences, which will provide instructional and research space and expand the University's science research infrastructure by 50 percent. This will help to address the current acute shortage in science fields where the University has high quality



MSU's Center for Environmental and Life Sciences

programs with heavy student demand. It will also have a direct impact on keeping more high-potential science students from leaving New Jersey to pursue their education in fields critical to the state's economy.

In our discussion, Dr. Cole expressed her hope to expand MSU to 25,000 students in the not too distant future. In order to serve those students, she acknowledged that the University will need to refurbish existing buildings and continue capital expansion. The University has already built hundreds of thousand of square feet of academic, administrative and student life spaces, including dorms, and now has more than 5,000 students in residence.

As my early memory of MSU is that of a State Teacher's College, I was curious to know how much of the curriculum today is devoted to teacher education. Dr. Cole said that out of a student body of over 19,000, there are about 2,000 students learning to be teachers. The University now is in many, many fields and the biggest areas of concentration are the life sciences, including chemistry and biology, humanities, and social science; some of the disciplines whose students will benefit from the new Center for Environmental Life Sciences and other projects receiving grant funding.

I look forward to more campus visits in the future. Particularly, as grant projects take shape across the State and provide opportunity for our students and hope for our future. ■

Building Our Future

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This project will renovate a three-story, 15,000 square foot building from the 1930's that formerly served as an office for Public Service Electric and Gas. It will include a new Engineering Laboratory, 14 new classrooms and interactive learning spaces, updated laboratories, and a student lounge. The facility will house programs in Computer Information Systems, Engineering, and Health Information Technology. By bringing these STEM programs together under one roof, the College will encourage collaboration among faculty and students and help students make connections across STEM disciplines. This important asset will guarantee that PCCC's diverse and underrepresented student population will gain access to high quality STEM facilities and instructional support. This is necessary to ensure student success in further education and productive employment. Consistent with the College's vision for improving STEM education and student success, the project will further promote the use of hands-on, project-based, and collaborative learning experiences. The College expects that all students will benefit from this capital investment, not just STEM

majors. This is just an example of the many innovative projects that will benefit students and the New Jersey economy for years to come.

On November 6, 2012, New Jersey's voters overwhelmingly demonstrated their support for higher education with the passage of the Building Our Futures Bond Act. On campuses throughout the State, these facilities will provide some of the critical infrastructure for our colleges and universities to build capacity in high-demand fields and support development of New Jersey's workforce. As the new Chair of the New Jersey Presidents' Council, I am proud to work with such outstanding institutions. The Presidents' Council provides coordination among institutions of higher education to assure effective cooperation among institutions to meet the needs of New Jersey citizens and employers. The Presidents' Council is committed to helping build strong institutions of higher education that are essential to the future prosperity of our State. ■

Continuing Our Commitment

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highly value the partnership that we have developed with the Secretary and her office – I’m hopeful that this is merely the first of many great things that we will be able to work on together.

Going forward, the Authority will continue working with the institutions and the Secretary’s office to ensure that grant funds continue to move expeditiously upon requisition. We

will continue our efforts with institutions on the individual financings that they may need to pursue. Finally, we will continue to work on behalf of New Jersey’s colleges and universities to identify areas in which this Authority can be more helpful to our clients in addressing their capital financing requirements. ■

NJEFA Staff Announcements

Steve Nelson *Project Manager*

Congratulations to Steve Nelson who became NJEFA’s Project Manager in March, a position that carries primary responsibility for statewide debt issuance by public and private colleges and universities in New Jersey and the issuance of state-supported debt for higher education. Prior to joining the Authority, Steve served as an investment banker for several institutions serving higher education and not-for-profit issuers across the nation. Steve has a BA in Political Science from Williams College and an MBA in Finance from Columbia Business School. ■

NJEFA supports local Trenton area soup kitchen food drive



Chris Christie *Governor*



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2014/2015 Board Calendar

July 15, 2014

* August 13, 2014

September 23, 2014

* October 15, 2014

November 18, 2014

January 27, 2015

March 24, 2015

April 28, 2015

May 19, 2015

* *Special Meeting*
Meeting dates
subject to change.