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April 2015

Enclosed is a copy of *Strategic Priorities for New Jersey Higher Education*, a report prepared by the Governor's Higher Education Council containing recommendations for consideration by the Governor and the Secretary of Higher Education. We have sent you our recommendations because of your important role in higher education. We hope the report will generate conversation among varied constituencies and ultimately a shared call to action to better serve the higher education needs of all in the State.

New Jersey's higher education institutions are independent and decentralized. Each institution has its own strategic plan and priorities. The Council has visited most of the State's higher education institutions and engaged in conversation with college and university leadership about their plans and priorities. From these conversations, as well as reviews of higher education developments across the country and discussions with national experts, we have prepared this report. It contains our recommendations for a common set of priorities which all institutions can support even as they pursue their own institutional goals.

Whether or not you share our views, we hope you appreciate that our motivation throughout has been that of citizens seeking the best for higher education in New Jersey, its students, and its taxpayers.

Comments on the Report are welcomed, and may be sent to jmccgold7@gmail.com or Marlene.lebak@oshe.nj.gov. An electronic copy of this report can be found at <http://www.state.nj.gov/highereducation/document/pdf2015Report.pdf>

More information about the Council can be found at <http://www.nj.gov/highereducation/> by clicking on the button denominated "Governor's Higher Education Council" on the right side of the page.

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**STRATEGIC PRIORITIES
FOR NEW JERSEY HIGHER EDUCATION**

2015

Governor's Council on Higher Education

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INTRODUCTION

The Governor's Council on Higher Education ("GHEC") was established by Executive Order No. 26 with support from the Legislature and both political parties, in response to the 2010 Report of the Task Force on Higher Education Chaired by former Governor Tom Kean. Since then, the GHEC has met with knowledgeable observers of higher education both in and outside New Jersey. We have met monthly with key leaders in higher education at more than 40 colleges and universities across the state. The GHEC has also responded to questions posed by the Governor and by the Secretary of Higher Education.

Higher Education is a subject which commands major attention on a national basis and continues to generate broad discussion in both the public and private sectors. In this report, the GHEC focuses on those recommendations which should be the priorities for higher education in New Jersey.

There is universal agreement that an excellent higher education system is key to New Jersey's future – to its economy, to the jobs of today and tomorrow for our students, and to the quality of New Jersey culture. There is general agreement that our colleges and universities are good – they have performed well, in trying economic times, with steadily decreasing state support. There is, however, a consensus that our post-secondary education needs to move "from good to great." Indeed, it must do so if we are to supply New Jersey's increasingly information-based economy with the educated workers it requires, if we are to compete successfully with competitor states and nations already moving forward in higher education, if we are not to leave segments of our society behind, and if we are to have schools that match the quality and aspirations of our people.

We have examined many subjects in our review of the higher education landscape to determine what the most important higher education priorities should be for New Jersey going forward. Almost all of the subjects we have examined would be priority goals in an ideal world. However, not everything can be a priority. The essence of strategy is making choices where resources are not infinite. Therefore, some laudable goals do not find their way into our recommendations. Rather, we present here one overarching Goal and five key Recommendations.

An emphasis on numbers of graduates, on jobs, and on the economy, has to be accompanied by its essential counterpart, that the education attained must be quality education. Not only must our graduates have achieved their degrees, but these degrees must truly represent education rigorous enough to justify their diplomas, preparing them for the jobs they want and need. As well, not every degree must be vocationally focused on the jobs of a new economy. We need citizens who are historians, musicians, creative thinkers, maybe even inventors of wholly new industries. Perhaps most important, job holders of the future must be proficient at adjusting to the rapid business changes likely to be the norm of the future. They must have lively and adaptable minds, ready to be retrained when change requires. In short, they must have a quality education of the mind.

There are more subtle but nonetheless important goals to be achieved here. A well-educated citizenry makes for a better society. Civic-minded graduates lead to better leaders and better government. These graduates will change our culture for the better in many ways. Some, like Abraham Lincoln, can become great leaders without formal education. But for most of us higher

education hones the mind's analytical skills, teaches ethical behaviors, and lights up energies and talents we did not know we had. There is no question that the overall social impact of higher education is positive in many ways.

It should be clearly recognized that the bedrock of a strong system of higher education is an effective system of preparatory education, in K-12 and even earlier. There is much to be done in this area, in New Jersey and nationally, but that subject is largely beyond our purpose here, except as it affects the need for remediation at the college level.

There are bright spots in New Jersey higher education. Overall, our schools are good. Some are great. But some, as well, are not as good as they could be and should be. Thus far our colleges and universities have largely been able to achieve growth and quality on very tight budgets. Recently, the governor and legislature showed political courage in proposing, and the voters voted "yes" on, the first higher education capital bond referendum in 25 years. The very difficult problem of too many high school seniors graduating without being college-ready may be showing some early signs of being seriously addressed. A new and important position, Secretary of Higher Education, has been created, though it must be empowered to provide greater state leadership and guidance while maintaining the autonomy of individual leadership at our colleges and universities. Medical education has been reorganized and appears to be off to a meaningful start.

Nevertheless, for the future of our state, for critical job creation, for our students and their parents, there is much to be done to make New Jersey higher education as exemplary as its citizens deserve.

We thank the many who helped us with our work, too many to name here. We do specifically acknowledge three people for their advice and support: Dennis Jones of NCHEMS; Anthony Carnevale of Georgetown University; and Secretary of Higher Education Rochelle Hendricks, with whom we have had a good and collaborative relationship throughout. All recommendations and opinions in the report are entirely our own.

What follows is our best judgment of the strategic priorities in higher education New Jersey should focus on to achieve these important higher education goals. We first set forth an Executive Summary, followed by our Report.

Governor's Council on Higher Education

John L. McGoldrick, Chair

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EXECUTIVE SUMMARY

HIGHER EDUCATION IN NEW JERSEY: GOAL AND RECOMMENDATIONS

Established pursuant to Executive Order No. 26, as a result of the Report of the Governor's Task Force on Higher Education, the Governor's Higher Education Council has concluded that the following Goal and Recommendations for Higher Education are of the greatest strategic importance for the State and its citizens. This Goal is "65% degree or certificate attainment by the year 2025." Our five recommendations support this goal.

OVERALL GOAL – 65% DEGREE ATTAINMENT – 65% of New Jersey Adults Attain a Post-Secondary Degree or Certificate by 2025 – a Goal of “65 in 25”

There is wide agreement that New Jersey will increasingly be a "knowledge economy," one where its workers will need to attain quality college degrees or post-secondary certificates to obtain good jobs. Today in New Jersey the percent of those in the age group 25-64 who have attained a Bachelor's Degree, an Associate's Degree, or a post-secondary employment Certificate is 45%, but will need to be 65% by 2025 to meet the demands of the State's economy. Reaching a 65% attainment rate by 2025 is a challenging but achievable task. It represents an increase of over 600,000 graduates above the present trajectory. Most states already have programs in place targeting college attainment, New Jersey does not. It is critical to our state's economy, to our society, and to our students' futures to dramatically increase the numbers of New Jersey adults with post-secondary credentials to meet this 65% attainment goal.

RECOMMENDATIONS – We recommend the following actions be taken as soon as reasonably possible:

RECOMMENDATION 1 – Expand Higher Education Access by Increasing Completion Rates, Capacity, and Affordability

Higher education must become more available to more students, in many ways, from online courses to later life learning. Available "seats" must be increased, both real and virtual. More efficient and quality education of students must increase the numbers of graduates and reduce the time to obtain a degree. Among examples of initiatives to accomplish this are establishing institutional incentives to increase graduation rates, and eliminating unnecessary credit requirements through thoughtful competency testing. Older and returning students, as well as low-income students, must be attracted and accommodated. Creative ways must be found to alleviate tuition and debt burdens.

RECOMMENDATION 2 – Increase Financial Support of Higher Education

New Jersey has for many decades failed to invest adequately in public higher education. It is imperative that this counterproductive trend be reversed. This is not solely about money. It is also about efficient and wise deployment of resources, with incentives established by the State. Unwise regulation should be eliminated, incentives for increased efficiency should be adopted, public-private partnerships should be encouraged, and state aid should be sensibly allocated among the institutions. The support for capital needs accomplished through the 2012 Bond Referendum is laudable, but going forward ways to provide sustained capital funding must also be found. We recognize our state's budget is tight and our taxes are high, but some start, some declaration that change is coming, must be made.

RECOMMENDATION 3 – Expand Community College Education

Expanding the opportunity for more people to earn an Associate's Degree is a promising way to help achieve the overall scale of 65% degree attainment we need. Our community colleges are an often unrecognized asset, and could trigger significantly enhanced returns if used more effectively. New Jersey's economy has especially high Bachelor's Degree needs, but the community colleges could be a major resource by establishing more creative relationships with our state colleges and universities. With a new vision, increased financial support, less need for remediation, and uncompromising quality standards, our community college system can be an important element in building higher college attainment rates.

RECOMMENDATION 4 – Reduce Need for Remediation

Our K-12 system must produce a greater number of college-ready students. Many high school students graduate inadequately prepared for college and require remediation courses. These courses are a great burden on the higher education system, and a great disservice to our students. Although solutions may not be easy, K-12 must do better. Joint college/high school programs to help achieve college-readiness may be one effective way to advance this objective.

RECOMMENDATION 5 – Strengthen Links Between Employers and Colleges

Close interaction between colleges and employers can go a long way toward making sure graduates are "job ready," with a quality, post-secondary education that also matches employers' needs. Accordingly, links between higher education and employers should be strengthened.

* * *

The “65 in 25” attainment Goal and these five Recommendations are major undertakings. New Jersey has a good higher education system now, but it must be better, on the road to great. Many other states and countries are pulling ahead, and to compete effectively in national and increasingly global markets for talent we must take action now.

This is not simply a matter of numbers – 65% attainment, numbers of graduates, more money, more STEM courses, more jobs filled, etc. We must also ensure there is *quality* to match quantity. Among other things, our higher education must produce more high quality K-12 teachers. Quality cannot just be occupationally oriented. Our graduates must have studied literature as well as chemistry, history as well as biology, if they are to have the curiosity and flexibility of mind that will let them adapt successfully to a world increasingly characterized by constant change.

We fully recognize that this attainment Goal and these Recommendations will require some new investments. New Jersey cannot continue to under-invest in public higher education. According to many independent sources, the National Center for Higher Education Management Systems (“NCHEMS”) among them, public higher education support is an excellent investment given its high returns to the economy and to society, and it is an investment New Jersey must make. We know as well how tight the state’s budget is, and that the tax burden on our citizens is the second greatest in the nation. However, if we do not act now to start making needed higher education investments, the great financial returns from these investments will only be pushed still further into the future, making our economic situation worse at the very time competitor states will be reaping the economic benefits we lose by inaction. Most important, New Jersey must make a clear start now, even if a relatively modest one, to begin a trajectory toward a better future, and to make a statement that New Jersey understands the critical importance of higher education, even as we deal with a current stretched state financial situation that has been decades in the making.

Some may say this goal and these recommendations are aspirational. However, they can be achieved. Other states and nations are hard at work on them. With human and economic stakes this high, inaction is unacceptable.

Success in all this will be in the details and in the execution, not in grand phases. The ultimate passing grade will be results that work.

REPORT

PRIORITIES FOR NEW JERSEY HIGHER EDUCATION

OVERALL GOAL: 65% of New Jersey Adults Attain a Post-Secondary Degree or Certificate by 2025- "65 in 25"

The State of New Jersey has a long history of quality higher education. Over the years, increasing numbers of citizens have taken advantage of the opportunity to obtain public higher education. Today in New Jersey 45% of working age adults 25 to 64 years old hold a higher education degree or certificate according to 2011 Census data. While this is above the national average of 39% the importance to the State and to its citizens of methodically and seriously addressing the need to increase the percentage of degree and certificate holders to 65% by 2025 cannot be overstated. Meeting the Goal will provide benefits to the State and to the people of the State that are not only economic but also social and cultural.

This report primarily addresses public higher education in New Jersey, but it should be recognized that private higher education in our state has long played a major role, and still does. This is as true with respect to attainment as it is with higher education broadly.

While this Report does not specifically address Rutgers, our State University is of course a cornerstone of our public higher education. However, now is not the time for an appraisal or critique of Rutgers because: (1) Rutgers has just embarked on a major transformation; (2) Its new leadership team has only recently begun its work in earnest; (3) It has recently completed a major strategic review yielding a Strategic Plan that is just beginning to be implemented; (4) It has just joined the Big Ten; and (5) Its consideration of its governance structure is underway.

Given the nature of its economy – an information economy with focus in the health, technology, bio-pharmaceutical and finance fields – New Jersey requires many additional citizens to hold post-secondary degrees and certificates if it is to prosper. In fact, studies on education and workforce development by some respected institutions, such as the Georgetown Center on Education and the Workforce, suggest numbers even greater than 65% and sooner than 2025. To meet these needs, and to retain, attract and create jobs which will expand the economy, it is of vital importance to the State to have a strong and large supply of well-educated citizens.

If New Jersey's current annual rate of increase in degrees granted continues to 2025, about 52% of working adults will then have a degree or certificate. This is considerably short of the 65% goal we have recommended to meet the needs of the 2025 economy. To reach the Goal, according to NCHEMS, New Jersey will have to produce over 600,000 post-secondary degrees and certificates above its current rate, in the period from 2014 to 2025.

How will New Jersey's pool of post-secondary education students be expanded? Current and projected demographics suggest several sources. Among them are:

- Increase college attendance and completion overall and among fast-growing population groups such as low-income and first generation students and students of color
- Increase access to higher education in the rural counties
- Increase the percentage of students who pursue post-secondary education directly from high school, currently 71%
- Increase the first-time higher education participation rates of older adults, currently less than 1%
- Reduce the number of working adults who started college but did not obtain a degree

In 2011 nearly 871,000 New Jersey adults had some college but no degree and surely many of them can be encouraged to complete their degrees. Recently, for example, Connecticut announced it will provide three free courses to its adults with some college but no degree, to encourage these adults to return, part-time or full-time, to complete their degrees.

Higher education is not only important to the economy, it is also important to the people of the State, as can be seen from the consequences of the 2008 recession on job loss and job growth. After 2008 those individuals without post-secondary degrees suffered far more frequent and longer job loss than those who had degrees. In fact the economy continued to create jobs throughout the recession, albeit slowly, for those with bachelor's degrees.

In addition to bolstering the economy of the State and the financial wellbeing of its people, higher education attainment also fosters social and cultural awareness in its graduates, strengthening the fabric of a democratic society and increasing the general quality of life of those who have benefitted from higher education. It also provides the tools necessary to lead a successful life in an increasingly complicated and changing world. In short, New Jersey must meet the challenge of expanding higher education to ensure a bright future for the State and its people.

The 65% degree attainment goal we recommend for New Jersey is not a new idea on the national scene. In recent years some version of this Goal has been adopted by many states. New Jersey has fallen behind in recognizing the need and, more importantly, in taking action to expand higher education and training. If no action is taken it will not be long before New Jersey's economy and its citizens are overtaken by states already engaged in improving their futures through higher education.

Many will have ideas about how to attain the Goal we propose. We put forth here five recommendations for increasing the number of post-secondary educated citizens. The State, its higher education institutions and educators, elected officials, employers and all citizens must work together to generate additional ideas and implement actions to reach this Goal.

RECOMMENDATION 1 – Expand Higher Education Access by Increasing Completion Rates, Capacity and Affordability

Completion Rates

One important contribution to the 65% goal is to increase the rate of high-quality degree completion or attainment. By this, we mean the percent of full-time students in a four year institution who receive a bachelor’s degree each year, the percent of full-time students enrolled in a community college who receive an associate’s degree in each year, and the percent of students enrolled in a post-secondary certificate program who receive a certificate each year.

The Table below shows that there is great room for improvement in student success at earning a degree, particularly at our research universities and community colleges.

New Jersey Public Institutions 2011-2012 Awarded Degrees Per 100 Full-Time Undergraduate Students*		
	% Awarded	National Ranking
Research Universities	20.6	33rd
State Colleges and Universities	25.3	2 nd
Community Colleges	15.8	36th
<i>*Source: NCHEMS (May differ somewhat from other measures)</i>		

A serious effort must be made to focus on the reasons why students drop out before completion. Degree attainment targets and specific plans for how these targets will be met while maintaining high quality standards, along with timetables and metrics, must be determined by the individual institutions, in consultation with the Secretary of Higher Education.

It does not serve the State to invest in students who do not complete their degrees. And it certainly does not serve the families of the State to have so many students enter an institution of higher learning, incur substantial expense and student loans and then drop out before obtaining a degree. Not all students who enter college will finish college, and even some college brings value, but the rates of degrees granted by our higher education institutions must be improved to place New Jersey in the forefront in the challenge to educate its citizenry and expand its economy.

Capacity

Higher education capacity in New Jersey must be expanded if the State is to meet the goal that 65% of working age adults having a higher education degree or certificate by 2025. In 2013 there were 108,160 full-time students enrolled in baccalaureate degree programs and 36,580 enrolled part-time. There were 86,600 students enrolled full-time in community colleges and 80,100 enrolled part-time. The total enrollment in higher education institutions was 311,440. To increase the number of graduates by 600,000 over the next ten years would seemingly require expanded capacity.

If it is determined that the State's public higher education institutions are in fact at full capacity, then expansion is required. Depending on the size of the need, the expansion of existing campuses and perhaps building of new campuses may be called for to increase the number of seats. However, to expand capacity does not only mean adding new buildings and new campuses, a costly and lengthy process. Capacity also can be increased quickly and at low cost by several means. For example, capacity can be expanded by more efficient use of the existing facilities through expanded hours of use in evenings, weekends and during the summer and other vacations. Capacity can also be expanded through increased use of on-line learning and hybrid programs. It can also be achieved through the use of existing public facilities such as public high schools during evenings and weekends, as many community colleges are currently doing. Other ways can likely be found to increase capacity quickly and at lower cost.

In order to measure progress in expanding capacity through non-capital intensive projects, the Secretary of Higher Education and the Presidents of each public higher education institution should set individual targets by institution to increase capacity in the aggregate to reach the Goal. State aid should be allocated in part based on success in meeting these goals.

As for capital expansion, an audit of existing seats at each public institution should be conducted by the Secretary to determine need and location of additional seats. A target number of seats should be established with a plan containing interim targets and metrics to arrive at that number by 2025 through both capital and non-capital expansion. Geographic location of targeted capacity expansion should be determined by the Secretary based upon where students live who will be filling the additional degree attainment needs of the State, such as those who are low income, or first generation, or fast-growing populations, or adult learners or those returning to school to complete degrees, with reference also to currently less well-served regions of the state.

Affordability

New Jersey public higher education is known as "high tuition/high aid," and in fact it is. In the 2010-2011 period New Jersey research universities ranked third highest among all the states in the cost of state tuition and fees. The public colleges and universities ranked eighth highest. Community college tuition and fees were lower and ranked thirty-third. While New Jersey institutions except community colleges rank very high in tuition costs, they also rank very high in student aid. Data available from 2011-2012 rank New Jersey first among all the states in need-based undergraduate grant dollars per full-time undergraduate. Despite the first place ranking in need-based aid, in 2012 New Jersey families with students in public higher education institutions provided 55% of the institution's revenue while the average U.S. family provided only 47%. In order to slow the cycle of tuition increases which will put higher education out of reach for middle- and low-income students, it is critical that higher education institutions find new ways to increase productivity through innovation and efficiencies.

There are innovative ways each of our schools can devise to improve affordability without sacrificing educational quality. One of these is to increase the rate of degree completion so students spend fewer years in college and enter the workforce sooner.

Another way to improve affordability is to give students course credit, based on mastery of a subject, not on hours spent in the classroom. By reducing the numbers of courses a student is required to take for a particular course of study, time to degree attainment is accelerated, cost to student is reduced, and the likelihood of degree completion is enhanced. Thomas Edison State College is an example of a state institution undertaking to implement this program, particularly for adult learners who are either first-time students or returning to school to complete degrees.

Affordability can also be improved by partnering secondary schools with community colleges and community colleges with baccalaureate granting institutions so that students can begin earning associate degree or bachelor degree credits while still in high school or community college. Consequently, these students would then be able to graduate in a shorter period of time with an associate's degree or a bachelor's degree and at less cost to the student and the State. Some institutions in New Jersey are already using this partnering approach. Such programs should be encouraged and expanded and institutions that implement them should be rewarded in state aid allocation.

Another approach to improving affordability while retaining quality education is the use of on-line learning. Pure on-line courses or mixed on-line/classroom courses are a way to reduce costs for students and alleviate student scheduling problems. They also have the potential to afford access to required courses that are sometimes over-enrolled, causing students to spend an additional semester or two to complete a degree while they wait to enroll in required courses. On-line learning is evolving rapidly and it can be costly to implement, but New Jersey's higher education leaders should work collaboratively to move all of the State's institutions forward in on-line learning while preserving quality and where possible maintaining teacher-student and student-student interaction.

RECOMMENDATION 2 – Increase Financial Support of Higher Education

More money alone does not guarantee excellence in higher education. However, sufficient money, properly deployed, is essential to quality higher education. New Jersey lags behind other states in this important area. We must catch up.

State financial support comes in four primary forms: (1) direct state aid, where New Jersey's rank among competitor states is too low; (2) indirect state aid (primarily health and pension support for employees), where New Jersey's rank is average; (3) capital needs, where New Jersey's rank has been poor but has recently taken a turn for the better; and (4) student tuition aid, where New Jersey ranks highly in state scholarship and loan aid to students. (Despite New Jersey's relatively high rank in tuition aid, students here and elsewhere still face heavy debt loads when they graduate.)

New Jersey Governors and Legislatures have faced difficult economic times at least since the economic downturn began in 2008. Increasing higher education spending during this time has been difficult, with creating jobs in the short term a competing priority. However, the State must now establish a trajectory toward a priority goal of significantly greater operating support for higher education.

There has been some confusion about operating funding of higher education in New Jersey. Among various claims, some finger-pointing, and genuine complexity about the numbers and what they mean, some things stand out clearly. First, by any measure, over at least the last 20-30 years state operating aid to public higher education has declined steadily and substantially.¹ This has been true under both political parties and in varied economic circumstances. New Jersey has fallen in its ranking on operating support both relatively and absolutely among the states generally, and specifically among the most comparable states.² Second, despite some claims, New Jersey is not among the worst in operating funding, nor certainly is it among the best. It is somewhere in the middle, not a good place for a state with an increasingly information-based economy. Third, competitor states are doing better at producing graduates prepared to take on jobs in a science-based and information-based economy. Without action, this gap will only widen over time. It is certainly fair to ask where more money for increased higher education

operating funding can come from in a state whose finances are under considerable pressure and whose taxes are second-highest in the nation. (The Tax Foundation ranks New Jersey as the second highest in taxation.) There are no easy solutions. Nevertheless, for the health of New Jersey's economy and for the good of its students and all our citizens, some start on a trajectory toward more adequately financed higher education must be made now.

Capital Support

The recently passed higher education capital funding bond referendum is an excellent first step (the first such bond in 25 years) toward adequate state support for the capital needs of public higher education.

The Governor and Legislature should be given praise both for deciding to try to gain approval of a capital bond, and for succeeding. The outcome was far from certain when the decision to seek a bond was made, and many then argued it would not succeed at the polls, with political cost for all. This was an act of political courage not seen for many years in New Jersey higher education.

¹ The difference between "direct" and "indirect" operating aid has often confused discussion and muddled thought. "Direct" operating aid consists of funds transferred by the state directly to a school to use as it deems wise for any educational purpose. "Indirect" operating aid consists of state funds paid directly to third-party providers of services such as health benefits and pension obligations that must be provided to employees. Both types of aid represent substantial amounts. Those who wish to argue that the state is more generous include both forms of aid in "operating" support; those who wish to argue the state is more penurious include only the "direct" form of aid. This is a false distinction for purposes of measuring the overall amount of state aid since both types of aid (even with strings attached) represent real value to the schools. Here, we include both kinds of aid when we discuss operating support. (For some purposes, the distinction is important. For example, whether health benefits and pension provisions should be centralized at the state level or left to the schools to manage is a reasoned dispute. Similarly, the state appears to have failed, under both parties, to pay all reasonable costs of these types as a device to balance budgets, and perhaps to obscure budget cuts. These questions, though important, are separate from the quantum of state aid, with which we are primarily concerned here.)

² Having reviewed various sources with respect to where New Jersey ranks among the states, we commissioned a review of the data by NCHEMS, a respected independent organization specializing in higher education. As a part of the review we also determined what an appropriate peer group of comparator states should be based on various factors, including wealth, geographical and economic similarity, percent of students attending college, and other factors. The peer group we have chosen is comprised of: PA, NY, DE, CN, MD, MA, VA, IL, MN, CO, and WA.

All that said, it seems clear that the long-deferred and increasing capital needs of our schools were not completely addressed in the bond, and must continue to be thoughtfully addressed. Now is the time to establish as a priority an action plan for sustaining capital support on a regular basis. Many states make regular capital allotments to higher education through an annual budgeting process. Periodic bonding, every few years, is another alternative, although it is subject to the vagaries of politics and referenda. Our Governors and Legislators can surely match the better capital funding record of our competitor states, as they have demonstrated in the recent capital bond referendum. But the will to act must be found now, before the financial needs and the political headwinds build again.

As an ongoing state higher education priority, a policy of regular capital funding allotments should be adopted.³

Allocation of State Aid

New Jersey's method of allocating state operating aid to the various schools is antiquated and irrational. It badly needs to be reformed.

By statute, state financial support for the community colleges is required to come one-third from the county, one-third from students through tuition and fees, and one-third from the State. However, the State has never paid its full share, thus leaving the shortfall to be borne primarily by the students through higher tuition, and to some degree by the counties. This is unacceptable and needs to be changed. In addition it should be noted that community colleges receive no indirect state funding, such as for health or pension costs.

State aid to the four-year non-research colleges and universities has for decades been allocated based on what percentage of the total amount of aid each of the schools received in the prior year. In other words, each school gets the same percentage it got the prior year no matter what changes have occurred over the decades that this arbitrarily automatic allocation system has been employed. This has gone on for so long that no one appears to know how the original percentages were set many years ago. In any case, these percentages appear to make no sense today. This method of budgeting unfairly leaves per-student support widely different from one school to another without any apparent rationale for the difference, and clearly needs to be re-examined and changed.

Many states allocate aid based upon some principled basis, involving considerations such as efficiency, responsiveness to state-established higher education strategic goals, and numbers of students enrolled, among others. In the interest of fairness to students, to parents, and to schools, and to promote management efficiency, a new and principled allocation method is needed now, one that takes into account institutional missions and outcomes. It is no answer to say that shifting to a better, more rational system may be difficult to do. It may well be difficult, and it may require some kind of transitional phase-in period, but the current system must be changed.

³ We are of course aware that the amount of need for additional capital funding, as well as for operating funding, must always represent a balance between higher education needs and taxpayer needs. The schools themselves, appropriately strong advocates for the value of higher education, will rarely argue for less public expenditure on higher education. So when we argue here for increased funding, it is not because the schools seek it, but rather because our independent review convinces us that increased state support is good for New Jersey as a whole.

RECOMMENDATION 3 – Expand Community College Education

Expanding the opportunity for more people to earn an associate's degree or certificate is a promising way to help achieve the overall Goal of 65% degree attainment we need. Our community colleges are an often unrecognized asset, and could trigger significantly enhanced returns if used more effectively. Observers of the future of higher education in America are increasingly concluding that expansion in the community college sector will be a necessary feature of post-secondary education going forward.

To achieve the 65% attainment Goal in 2025, the number of high school graduates receiving higher education of some sort will of course have to expand. A significant number of the jobs to be created in the next decade will not require baccalaureate degrees. Community colleges offer two-year associate's degrees as well as certificate programs. This, combined with the limited number of seats at baccalaureate institutions, and lower costs to students at community colleges, suggests that capacity at community colleges will need to increase.

Increasing the number of community college students may also have the effect of expanding the enrollment of baccalaureate institutions, since some portion of those graduated with associate degrees from the community colleges will complete their work toward a degree at the baccalaureate institutions, reducing their time spent there. This would require enough high quality preparation for transfer at the community colleges, as well as seamless transfers, something that deserves attention.

Expanding community colleges would require even greater emphasis on our K-12 system producing college-ready students, since the community colleges currently must enroll more students needing remediation than other sectors.

New Jersey should set as a priority a rapid examination of the community colleges' potential, with a focus on whether they should be expanded and how, and perhaps pilot programs to test effectiveness. Speed in all this is of the essence.

RECOMMENDATION 4 – Reduce Need for Student Remediation

Our K-12 system must produce a greater percentage of college-ready high school graduates, and where possible our colleges must help in making that happen.

The need for remediation courses for our college students is a serious and continuing problem both in New Jersey and the rest of the country. While solid statistics are hard to find, it appears that large numbers of entering students are not prepared for college. One study by the New Jersey High School Redesign Steering Committee reports that 40% of students attending New Jersey Public Colleges and Universities need remediation, and approximately 70% of entering freshmen at New Jersey community colleges need remediation.

After enrolling, many students learn that they must take remedial courses which do not earn college credits. The result is that many students become frustrated with the need for remedial courses and drop out. Additionally, having to pay for those courses, which do not count toward graduation, significantly increases costs and causes many to withdraw.

It is essential that providers of K-12 education work to reduce the need for remediation, and at the same time the colleges must improve the success of remediation. Recognizing this concern,

the community colleges have proposed a number of methods to deal with the problem, including a strong alignment between college requirements and the K-12 curriculum, stressing the value of rigorous standards, developing methodologies for underserved students and veterans, and providing support to help working parents and other students complete their education. Accomplishing these proposals will require additional financial support for the community colleges.

The state colleges and universities have also recognized the problem and must continue to focus attention on it to insure that there are assets available to provide effective support to those students who need remediation. These programs entail more financial resources so that colleges can provide more financial aid for students who are taking remedial programs, as well as providing additional tutoring support for those students who may be marginal but are in for-credit courses. The State must not – as so often has been the case in the past – create “unfunded mandates” by directing actions it does not pay for. The remedial programs must be carefully developed, properly funded, and monitored to ensure they are effective.

Speed of remediation is also important. Ideally, completion of remediation should occur before or very early in a student’s career. This facilitates a student’s quickly becoming a part of the college mainstream, alleviating feelings of second-class citizenship, or even dropping out, that may otherwise occur. Some New Jersey colleges appear to be addressing this aspect of remediation well, such as through no-tuition remediation programs in the summer before matriculation.

RECOMMENDATION 5 – Strengthen Links Between Employers and Colleges

The evidence is strong that New Jersey has become an “information economy,” a trend that will only continue and increase in coming decades. Increasingly, jobs in our state will require skills in the fields of information technology, science, medicine, statistics, mathematics, and engineering, among others. If New Jersey is to compete in the jobs marketplace with other competitor states and nations we must ensure that educational change keeps pace with economic change.

The trend toward an information economy does not, of course, mean that all jobs will require full-fledged scientific professional degrees or certification, but it does mean that many more jobs will require at least grounding in the STEM fields (Science, Technology, Engineering and Mathematics), a familiarity that will allow employees easily to apply such tools to workplace demands.⁴ Important basic STEM training must come at the K-12 level, but higher education must also play a key role. Importantly, the specific kinds of education and training our economy increasingly requires should guide college curricula, if a college degree is to be a path to good jobs that it should be.⁵

⁴ Some nations have successfully provided economically significant STEM education at the pre-college or on-the-job-levels. Germany’s “apprentice” system appears to be one example. But this has not yet been demonstrated in the United States, at least at any significant scale.

⁵ As important as STEM-readiness of our graduates is, it is important not to convert our colleges into only trade schools with employment the sole goal. If we are to remain a leader in innovation, academic education must foster free-thinking, non-regimented, entrepreneurial, and creative minds.

To be successful at all this, many argue persuasively that business and the schools must have closer linkages. Who better knows what skills are necessary to be hired in an information economy than those who hire? Who knows best how to teach the disciplines that will inculcate

those necessary skills than those who teach? Yet it is apparently true, with some recent important exceptions, that there has been insufficient communication between the schools and business on this subject. We encourage increased communication of this sort.

We recommend that the State take its existing efforts in this area to new levels by adopting as a priority the establishment of college/business task forces to identify concrete steps toward better post-secondary preparation for the jobs of the present and the future, together with an action plan, involving pilots if appropriate, with aggressive timelines and specific metrics. We understand some promising initiatives of this sort, such as the Innovation Council, have begun, and we encourage them. To succeed we think they must be action-oriented, results-oriented and characterized by a sense of urgency, with able and high-ranking officials from business, from the academy, and from government, all actively and personally involved.

Graduates better trained and equipped for New Jersey's jobs of the future are the goal. Success will benefit our colleges and universities, our economy, our students seeking jobs and their families, the repayment of educational loans, and importantly the businesses which are a primary "consumer" of a better prepared workforce.

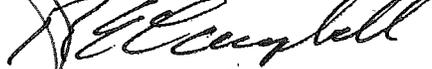
Respectfully submitted,

Governor's Council on Higher Education

John L. McGoldrick, Chair



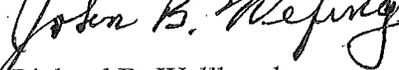
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Comments on this Report are welcomed, and may be sent to jmgold7@gmail.com or Marlene.lebak@oshe.nj.gov. An electronic copy of this report can be found at <http://www.state.nj.us/highereducation/documents/pdf/2015Report.pdf>.

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