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NEW JERSEY COMMISSION ON HIGHER EDUCATION

**FISCAL YEAR 2002
BUDGET POLICY STATEMENT**

Submitted to
The Honorable Christine Todd Whitman, Governor
And the New Jersey Legislature

October 2000

[NJ Home Page](#) [Higher Education](#) [Commission Home Page](#)

INTRODUCTION

The new economy that propels New Jersey and the nation at the dawn of the 21st century offers unprecedented opportunities, but capitalizing on those opportunities requires diligence and strategic investment. With the economy indisputably driven by knowledge, information, and technology, New Jersey's colleges and universities play a pivotal role in ensuring the state's economic prosperity and equitable opportunities for all of its citizens. In addition to developing the workforce and advancing research and development, higher education instills the civil and social values that will guide the next generation of leaders.

Widespread efforts to address educational needs from preschool to graduate school and beyond are already underway in the state. Two notable examples are the comprehensive efforts to meet the needs of children in the state's most disadvantaged school districts and the multifaceted program to address high-tech workforce and research and development needs. The state has made strategic, incremental investments in higher education over the past several years, increasing appropriations for student assistance, institutional operating aid, capital aid for physical plant and technology infrastructure, and support for targeted programs. Those investments are reaping dividends in the form of increased access to affordable higher education opportunities, improved educational programs, enhanced facilities and technology infrastructure, increased academic research capacity, and a well-prepared workforce and citizenry.

Given the key role higher education plays in preparing future citizens and leaders and sustaining the economy and well-being of the state, the return on investment in colleges and universities is high. The Commission on Higher Education encourages the state to make an increased commitment to higher education that will boldly address the challenges and opportunities of the

future and allow New Jersey to play a leadership role in sustaining America's preeminence in the global economy. Recommendations are contained within this Budget Policy Statement. In addition, it is accompanied by a more detailed document that provides supporting data and rationale, demonstrating that higher education institutions are integral to enhancing the state's abundant human, geographical, commercial, and industrial assets and to passing our civilization on to the next generation.

GENERAL OPERATING SUPPORT

The dynamic economy and global marketplace have significantly increased the demand for higher education and training at New Jersey's colleges and universities. As a result, the institutions are expanding their capacity, enhancing flexibility and responsiveness, and strengthening parity among all ethnic groups in respect to enrollment, academic performance, and graduation rates. The operating support from state and local governments provides the very foundation on which New Jersey's 31 public institutions exist and meet increasing demands; the state also provides financial support to the 14 independent institutions with a public mission.

Community Colleges: New Jersey's ongoing commitment to increase funding for its 19 community colleges is consistent with the state's long-range plan for higher education, which calls for a balanced funding partnership, with approximately one-third of operating revenues coming from the state, one-third from the counties, and one-third from students. While all students benefit from a balanced partnership, the greatest impact is on the state's most disadvantaged, low-income students. For them, access to higher education is particularly dependent on reasonable tuition and fee levels, which better enable students to complete their degrees expeditiously and to move into the workforce or to a four-year college.

As a result of annual state funding increases since FY 1999, average tuition increases at the two-year colleges have been minimal, and several institutions have frozen tuition. The state's share of operating costs increased from 24.8 percent in FY 1998 to 28 percent in FY 2000. The additional funding provided in the current year and in FY 2002 will continue to increase the state share. Support from counties varies considerably, with some paying well above one-third and some paying much less. However, the average percentage share for counties has decreased. While increased state funding is working to move the state toward a one-third share, achieving the desired partnership requires a commitment from all county governments to move toward a share of at least one-third of operating expenses as well.

Senior Public Institutions: Like the community colleges, the 12 senior public institutions play a major role in preparing residents for active citizenship and assuring New Jersey's economic well-being; their ability to meet the challenges of the future is tied directly to state support. To help keep baccalaureate education affordable, the state's long-range plan for higher education calls for

a two-thirds state share of operating expenses at the senior public institutions, with the remaining one-third supported by students. The institutions have been responsive to the long-range plan's call for diligence in holding down costs, enhancing instructional productivity, and collaborating with their peers, as well as in raising external funds to assist in meeting some nonrecurring costs.

Preliminary figures for FY 2000 indicate the state's share of operating expenses was approximately 57 percent. Given increasing demands for higher education, New Jersey's commitment to access and affordability, and the economy's escalating dependence on knowledge and technology, it is time to take a bold step and significantly increase the state's share of operating costs for the senior public institutions. The state's investment in the community colleges has provided substantial benefits, and a similar investment in the four-year institutions is warranted. Specifically, the Commission recommends a 4 percent increase in operating aid and full support of salary program increases resulting from negotiated cost-of-living increases and contractual increments. Together, the increases for operating expenses and the salary program will amount to approximately 10 percent of the state's FY 2001 appropriation.

This additional funding will move the state closer to the desired two-thirds share of state support, reduce the need for tuition increases, and have a significant impact on the continued affordability, adequate capacity, and overall quality of the public four-year institutions. Restraint in tuition increases in this sector also will enhance access to higher education opportunities for citizens, reduce time to degree completion, and expedite entrance into the workforce.

Independent Institutions: In order to help maintain a strong sector of independent institutions that offers both access and choice, New Jersey's Independent College and University Assistance Act (ICUAA) provides state funding to the 14 independent institutions with a public mission. This support recognizes that 75 percent of the students at the independent colleges and universities are New Jersey residents. Like the public two- and four-year colleges, the independent institutions help fuel the economy and advance quality of life by preparing responsible citizens, leaders, and a labor force to meet the challenges of the future. The Commission recommends an increase of \$3 million in FY 2002 to move toward full funding of the ICUAA, as called for in the long-range plan for higher education.

EQUITABLE ACCESS AND STUDENT SUPPORT

New Jersey is one of the most diverse states in the nation, and it has a longstanding commitment to state student assistance programs that keep higher education affordable and open the doors of knowledge and opportunity to all who can benefit. The state is ranked second in the nation in the percentage of full-time undergraduates receiving need-based grant aid and in need-based dollars per student; it is sixth in financial aid of any kind as a percentage of total state higher education

funding.

Tuition Aid Grant program (TAG): The state's primary need-based aid is provided through TAG, which significantly reduces tuition costs for nearly one-third of all undergraduates attending public and independent colleges and universities in New Jersey. In FY 2002, increasing TAG to maximum current year tuition levels for full-time students will help ensure access and affordability and continue the state's longstanding commitment to need-based aid. In recent years, support has escalated for the idea of extending TAG to economically disadvantaged part-time students as well, without limiting funds for those who attend full-time. After discussing a recent study, the Higher Education Student Assistance Authority adopted a recommendation to establish a TAG program for part-time students. The Commission supports the Authority's recommended program and an appropriation of \$9.8 to \$11.0 million to support the part-time TAG program.

Educational Opportunity Fund (EOF): New Jersey's Educational Opportunity Fund enhances access to higher education for roughly 12,400 disadvantaged students each year with a unique combination of supplemental aid and student support services. Given the state's changing demographic profile and the challenges posed by our global, high-tech economy, EOF's continued success in helping students overcome financial and academic obstacles is critical.

The Commission recommends an increase of \$1.5 million in Article IV funding for campus-based EOF student services. This is clearly a priority for FY 2002, recognizing that greater support for counseling, tutoring, academic, career exploration, prefreshman, and other EOF support services has a major impact on long-term student success. These programs have great potential to narrow the gap between transfer and graduation rates for low-income minority students and those who do not face educational or economic disadvantages. At the same time, while Article III academic year grants to students increased in FY 2001 (by \$100 per student at public institutions and \$200 for those at independent institutions), those students and families who face extraordinary costs relative to their incomes would benefit greatly from another increase in the Article III grants.

College Bound: New Jersey's College Bound Grant Program is highly effective in helping sixth-through twelfth-grade students in 15 Abbott school districts complete high school and pursue college-level studies in math, science, and technology. The Commission recommends a \$2.1 million increase to improve services and expand programs to additional Abbott districts and students. This increased investment will enable College Bound to add up to six campus-based programs and expand the number of students served from 2,100 to approximately 3,300. It also will enable the programs to purchase the computer hardware and software needed to support high-quality precollege exposure and enrichment in math, science, and technology. In addition to these immediate benefits, increased support for College Bound also will enable the campus-based

programs to leverage funding from other sources, such as the \$10 million federal GEAR UP grant the Commission won last year.

CAPITAL AND RELATED SUPPORT

Establishing and preserving a safe and adequate physical plant are critical to educating the populace, recruiting and retaining students, fostering research and development, and enhancing the overall quality of higher education. To meet the challenge of maintaining modern facilities and providing students with access to world-class instruction and technology, New Jersey currently supports six bond programs targeted to capital needs in higher education: Chapter 12 for community colleges, the Higher Education Facilities Trust Fund, the Equipment Leasing Fund, the Technology Infrastructure Fund, the Capital Improvement Fund to address deferred maintenance and renewal at the four-year institutions, and the newly created Dormitory Safety Trust Fund.

In addition, the state's support for ongoing capital renewal at the senior public colleges and universities protects state assets and is critical to providing safe, secure, and appropriate facilities. Each of the senior public institutions that is eligible for such aid submits detailed data regarding renewal needs, and the Commission urges that those needs be given due consideration. As a general principle, the Commission recommends that the state appropriate annually no less than 1 percent of the replacement value of the physical plants to assist these institutions and ensure preparedness to meet the challenges of the 21st century.

INVESTMENT IN EXCELLENCE

High-Tech Workforce Excellence Grants: Recognizing that knowledge is the principal engine of economic growth and societal well-being, many states have recently made significantly increased investments for excellence in higher education. Last year, New Jersey invested \$15 million in the High-Tech Workforce Excellence Grant program. As a result, nine outstanding high-tech education projects received funds to create a pipeline of graduates to meet future workforce needs. At the same time, the top-quality technology-related programs will help to create, attract, and retain high-tech companies and jobs in New Jersey. The nine programs, ranging from sophisticated engineering and biomedical programs to improved training for math and science teachers, demonstrate the synergy that exists between higher education and New Jersey's high-tech workforce. An appropriation for a second round of grants in FY 2002 will further develop outstanding high-tech academic programs that are essential to meet the demands of New Jersey's highly competitive marketplace.

Teacher Preparation and Development: As states across the nation and the federal government place teacher quality at the top of the agenda, colleges and universities face an enormous

challenge and responsibility. They must educate more teachers and ensure that teachers are prepared to effectively undertake their role as educators in a new economy that depends more than ever on knowledge and its application.

There is a significant demand for new teachers in New Jersey. There will be moderate enrollment increases, along with large-scale retirements and continuing resignations. In addition, New Jersey faces the need for large numbers of new teachers for three- and four-year-olds to meet the state's Supreme Court mandate growing out of the *Abbott v. Burke* decision. In fact, the effort to improve the quality of education in the state's most disadvantaged school districts will require more and better-prepared teachers in all grades in the Abbott districts. Like other states, New Jersey also faces pressures to decrease class sizes in the early grades.

A number of initiatives are already underway in New Jersey to improve teacher quality. The state must, nevertheless, make additional efforts to expand the capacity of colleges and universities to prepare high-quality teachers; expand the recruitment and retention of minority teachers; address the critical shortages in special education, preschool education, mathematics, and science; recruit and retain effective teachers in urban and rural areas; and raise the overall desirability of teaching as a profession. The Commission has been working with the Department of Education and college and university representatives to develop the following series of related initiatives to comprehensively address these teacher quality and shortage issues.

Much of the responsibility for improving the quality of the educators in our nation's schools depends heavily upon the strength and effectiveness of teacher preparation and development programs. Therefore, \$10 million is recommended for a special teacher preparation and development initiative that assists the colleges and universities with teacher preparation programs to construct a comprehensive approach to change, with a focus on four primary goals:

- 1) Moving the education of teachers to the top of institutional agendas and articulating the centrality of teacher preparation to the roles and missions of institutions, with a focus on the role of arts and sciences faculty;
- 2) Increasing the state's capacity to produce highly effective teachers to fulfill ever-growing demands and shortages;
- 3) Improving teacher preparation and professional development in a manner that links knowledge and performance expectations for teachers with the content standards for P-12 students; and
- 4) Expanding collaborative efforts with P-12 schools in areas such as curriculum development, mentoring, induction, and professional development.

This initiative will strike at the very core of teacher quality by assisting the institutions in their move toward comprehensive program improvement and increased capacity to prepare highly effective educators. The Commission is developing specific criteria for distribution and use of the

funds in consultation with the Department of Education and the institutions, and the Department will assist in reviewing institutional plans for use of the funds.

The Department is developing, in consultation with the Commission, two related initiatives. The first is a targeted effort to recruit highly qualified teacher candidates of color, as well as highly skilled candidates for science, mathematics, preschool, and special education to teach in disadvantaged school districts. The second is the establishment of Professional Development Academies at the state's six primary teacher education colleges and universities to provide programs to enhance the quality and retention of current teachers.

These targeted efforts to improve the capacity and quality of teacher preparation and professional development programs have the potential to significantly advance school reform efforts. They will positively impact schools statewide and play a particularly important role in the effort to provide parity in the state's Abbott school districts. High-quality educators are among the state's most precious resources, and the investment in these initiatives will reap significant returns.

RESEARCH AND ECONOMIC DEVELOPMENT

Research and development is critical to the nation's economic competitiveness in the 21st century, and academic research plays a major role. It is instrumental in creating new businesses and jobs, spawning new industries, advancing medicine and health care, and improving productivity in the state. In fact, relatively small state investments in university research infrastructure have produced highly leveraged returns in external support dollars. Between 1987 and 1997, the state's universities collectively increased their research expenditures by well over one-fourth, spending approximately \$369 million in 1997. However, New Jersey institutions continue to be below the national average in research funding from the federal government, and they lag in industry support as well.

In FY 2001 the state appropriated \$10 million to increase university research capacity and provide matching state dollars for federal grants. The Commission recommends continuing this strategic investment to increase federal and corporate dollars flowing to New Jersey's research universities.

CONCLUSION

Clearly, the 21st century holds both daunting challenges and exceptional promise for the state and the nation. Increasing state spending in FY 2002 for operating aid, student assistance and support programs, and campus infrastructure and high-tech equipment will directly benefit New Jersey's economy and its quality of life. At the same time, new commitments to improve teacher preparation and professional development and expand our high-tech workforce will create a

pipeline of individuals with the skills and knowledge to lead our state into an increasingly complex and competitive future. Continued support is also necessary for the other ongoing state-supported programs that help keep higher education accessible, affordable, and of high quality for all New Jerseyans. Together they will ensure the state's economic prosperity and equitable opportunities for all of its citizens.

For more information, see the FY 2002 Budget Policy Statement supporting document:
[Higher Education: Meeting Challenges of the Future](#) .

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