



Promoting Excellence for All

NEW JERSEY COMMISSION ON HIGHER EDUCATION

**FISCAL 2007
BUDGET POLICY STATEMENT**

**Submitted to
The Honorable Richard J. Codey, Acting Governor
and the New Jersey Legislature**

November 2005

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New Jersey Commission on Higher Education Fiscal 2007 Budget Policy Statement

INTRODUCTION

The New Jersey Commission on Higher Education is pleased to provide the Fiscal 2007 Budget Policy Statement, which is based on the 2005 update of New Jersey's long-range plan for higher education, *A Blueprint for Excellence*. Recognizing the state's ongoing fiscal constraints, this statement summarizes the funding areas recommended in the plan, but underscores the two highest funding priorities for the coming year: **institutional operating support** and **student assistance**.

Developed with broad-based input around the critical needs of the state, *A Blueprint for Excellence* focuses on the strong link between educational opportunity and economic development. It has become increasingly clear in the knowledge-based economy that investment in higher education is simultaneously an investment in economic development. Support for higher education in New Jersey is an investment that pays high returns to state government and the citizens living here.

HIGHER EDUCATION: THE INVESTMENT PAYOFF

Significant private economic and social benefits accrue to each individual who obtains an associate, bachelor's, or graduate degree, and public economic and social benefits accrue to the states in which they live. To illustrate how the investment of state dollars pays off, the matrix below groups the individual and public benefits of higher education.

The Array of Higher Education Benefits

	Public	Private
Economic	Increased Tax Revenues	Higher Salaries and Benefits
	Greater Productivity	Employment
	Increased Consumption	Higher Savings Levels
	Increased Workforce Flexibility	Improved Working Conditions
	Decreased Reliance on Government Financial Support	Personal/Professional Mobility
Social	Reduced Crime Rates	Improved Health/Life Expectancy
	Increased Charitable Giving/ Community Service	Improved Quality of Life for Offspring
	Increased Quality of Civic Life	Better Consumer Decision Making
	Social Cohesion/Appreciation of Diversity	Increased Personal Status
	Improved Ability to Adapt to and Use Technology	More Hobbies, Leisure Activities

SOURCE: Institute for Higher Education Policy. 1998. *Reaping the Benefits: Defining the Public and Private Value of Going to College*. Washington, DC: Institute for Higher Education Policy.

A 2005 report prepared by the Institute for Higher Education Policy entitled *The Investment Payoff: A 50-State Analysis of the Public and Private Benefits of Higher Education* looks in depth at several of the measurable indicators from the above matrix to quantify benefits for each of the 50 states. Key examples for New Jersey are noted below:

- In 2003, total personal income for population age 25 and older was \$24,725 higher for those with a bachelor's degree than for those with a high school diploma and \$55,536 higher for those with an advanced degree.
- The percentage of the population age 25 or over who reported ever volunteering through an organization was 19 percent higher for those with a bachelor's degree or higher than for those with a high school diploma.
- Voting rates for the population age 25 or over were approximately 18 percent higher for those with a bachelor's degree than for those with a high school diploma; the difference was 24 percent for those with an advanced degree.

The most notable public benefit from higher education, however, is its ability to fuel a state's economic competitiveness by preparing the workforce and advancing research. Colleges and universities equip workers with the necessary skills to increase human productivity, which in turn contributes to overall increases in economic growth. New jobs in the knowledge economy strongly favor high-skill workers, and skill requirements in existing jobs are increasing. Furthermore, university research and development cultivates technology and innovation that drives business improvement and growth.

RECOMMENDATIONS FOR FISCAL 2007 BUDGET POLICY STATEMENT

Enhanced investment in higher education is a wise and strategic investment, even in times of fiscal constraint, given higher education's significant effect on the economy. The following funding increases are recommended, with a primary focus on operating support and student assistance – the two areas that are fundamentally tied to achieving economic benefits.

Support for Colleges and Universities

State operating support and student tuition and fees are the two primary sources of revenue for colleges and universities. Consistent with the long-range plan update, targeted operating aid increases are recommended to help deliver high-quality programs and services to more students and minimize increased costs for students.

Senior Public Colleges and Universities: The plan calls for the development of a new funding methodology that provides sufficient and reasonably predictable state operating support for these institutions. The Senior Public Operating Aid Task Force began meeting in July 2005, and it is expected to recommend a new funding methodology by early 2006. In the interim, the Commission recommends that fiscal 2007 funding fully cover core cost increases and thereby minimize increased costs for students. Specifically, increased state support is recommended to cover negotiated salary increases and fringe benefits, as well as an inflationary increase of 3.5 percent on the remainder of the base budget.

Community Colleges: An increase in state support of \$15.0 million is recommended to reach the goal of achieving a one-third state share by 2014. Movement toward that goal also requires that each county maintain at least its current level of support.

Independent Colleges and Universities: An increase of \$3.0 million is recommended to move toward the plan's goal of fully funding the Independent College and University Assistance Act by 2010.

Capital: As called for in the *Blueprint*, the Higher Education Capital Planning Task Force began meeting in June 2005 to develop long-term public policy to guide state support for higher education capital needs in New Jersey. The group will report to the Commission on Higher Education in winter 2005, including recommendations regarding funding assistance for major capital needs at the 45 institutions eligible for state support and for regular capital maintenance and renewal at the senior public institutions. There have been no direct appropriations for maintenance and renewal since fiscal 1999. For fiscal 2007, the Commission recommends state support equaling 1.0 percent of the replacement value of the facilities at the senior public institutions, which is currently estimated to be \$44.2 million. Annual state support to assist in maintaining these state assets is essential to minimize student cost increases.

Support for Student Financial Aid

Guided by three principles – access, affordability, and choice – New Jersey is consistently among the leaders in the nation in providing need-based student financial assistance, and merit aid has expanded during the past decade. The state ranks first in the nation in the college-going rate of low-income students, and the majority of those students attend college in New Jersey. With a strong commitment to equal opportunity, New Jersey ranks second in the nation in estimated need-based undergraduate grant dollars per full-time undergraduate student and fourth in the nation in estimated undergraduate grant dollars per full-time-equivalent student.

Tuition Aid Grants (TAG): It is recommended that fiscal 2007 TAG grants for the lowest-income students be funded at no less than the previous year's tuition levels. In addition, state funding should be increased to adjust other award cells proportionately to reduce the current three-year lag between tuition levels and award values to a one-year lag. The Commission also recommends implementation of the statutory language regarding TAG for students at independent colleges and universities (that is, up to 50 percent of the institution's weighted average tuition).

Educational Opportunity Fund (EOF): The highest priority need for the EOF program in fiscal 2007 is increased funding for the academic support component. As operational costs rise and additional students are served, human resources must grow proportionately to maintain the student support services that undergird this program's success. The Commission and the EOF Board of Directors recommend an additional \$2.0 million for Article IV to address the basic foundational support needs of every campus program. These funds would be focused on those programs that are in the greatest need, and a portion of the funds would be used to recognize and promote outstanding program outcomes, in accordance with the long-range plan recommendations for EOF.

A \$750,000 Article III increase is also recommended for student grants. These funds would give campus programs the flexibility to increase enrollment by approximately 4 percent above the fiscal 2006 allocations, to increase the maximum student award levels by \$50 (\$25 per semester), or to use a combination of adding more students and providing a smaller grant increase.

Other Fiscal 2007 Funding Recommendations

In addition to the primary needs for institutional operating aid and student financial assistance, two other programs identified in *A Blueprint for Excellence* are summarized below for consideration in the fiscal 2007 budget.

College Bound Grant Program: The Commission proposes an additional \$2.0 million for the College Bound Grant Program, which assists disadvantaged students in grades 6-12 complete secondary school and successfully pursue a postsecondary education in the sciences, mathematics, or technology. The recommended increase would enable College Bound, which is administered by the Commission, to serve an estimated six new programs in Abbott Districts where there are none and expand the number of Abbott District students served from 2,100 to over 3,200. With a significantly lower cost per student than that of similar programs, the state's investment in College Bound is effective and efficient. Expansion of this program, which has had level funding of \$2.9 million for 14 years, is a critical component in closing the achievement gap, reducing remediation, and building a pipeline for high-demand workforce areas.

Underserved Areas: Based on a 2004 working group's proposed framework, the Commission proposes an appropriation of \$3.0 million for one-time incentive grants to increase access to baccalaureate and graduate degree programs in underserved areas of the state. The incentive grants would be directed to degree programs related to high-demand workforce needs as defined in fall 2004 by the Commission in collaboration with the Department of Labor and Workforce Development. Grants would be competitive, and the funds could be used over one to three years for programs that meet a defined need, use "seed money" efficiently, and develop collaborative partnerships both within and outside the higher education community.

Summary Statement

The Commission on Higher Education recognizes that state government continues to be faced with extremely difficult fiscal decisions. We respectfully encourage all due consideration be given to the overall impact of higher educational attainment on the state's future economy and quality of life as those decisions are made. Colleges and universities in New Jersey are the key to educational opportunity and economic development.