

New Jersey Commission on Higher Education Fiscal 2010 Budget Policy Statement

INTRODUCTION

During these challenging economic times, investments in higher education are necessary to support our state's economy and continue the quality of life for our citizens. The New Jersey Commission on Higher Education is pleased to provide budget policy recommendations for fiscal 2010 to enhance that investment. Our recommendations are consistent with New Jersey's long-range plan for higher education, *A Blueprint for Excellence*, which is focused on the inextricable link between educational opportunity and the economy.

Our institutions of higher learning have the ability to improve our state's economic competitiveness by preparing new graduates, retooling dislocated workers, and conducting research and development. Colleges and universities provide workers with the necessary skills to increase human productivity, which in turn contributes to overall increases in economic growth. New jobs in a churning economy favor highly skilled workers, and skill requirements for existing jobs are increasing. Furthermore, university research and development cultivates technology and innovation that drives business improvement and growth.

Recognizing the state's ongoing fiscal constraints, the Commission recommends targeted increases for higher education that will yield positive returns to our students, citizens, and state. These increases are focused on improving access and providing affordable, high-quality educational opportunities for students and enhancing the economy.

RECOMMENDATIONS FOR FISCAL 2010

Support for Student Financial Aid

New Jersey has long been committed to higher education access, affordability, and choice for students. The state is consistently among the leaders in the nation in providing need-based student financial assistance and academic and counseling assistance to students who may have not had the same secondary educational opportunities as their peers.

Support for Disadvantaged Students: The primary student assistance programs, Tuition Aid Grants (TAG) and the Educational Opportunity Fund (EOF), should continue to be a priority. For fiscal 2010, the Commission recommends that the state maintain the one-year lag in TAG award values for students demonstrating the highest need and begin efforts to move other eligible students closer to the one-year lag level. In September, 2008 the maximum grant for a state college is \$6,036 while tuition and fees at our colleges this year range from \$8,725 to \$12,308. At Rutgers, the maximum grant is \$7,922 while tuition and fees are \$11,540. At county colleges, the maximum award is \$2,238 while tuitions range from \$2,895 to \$4,018. At independent colleges, the maximum grant is \$10,236 while tuition and fees range from \$20,080 to \$36,470. An estimated 61,154 students will receive full-time TAG awards. The current three-year lag often presents an insurmountable hurdle to deserving students facing up to a 50% gap between

the TAG award and current tuition and fees. The economic downturn has created a growing demand for higher education assistance so a provision for an increased number of awards is also encouraged.

EOF serves approximately 12,400 students, but the state support funding for the critical academic support for these students has lagged behind the amount need to support campus programs for many years. In the absence of consistent state support, the colleges and universities are exceeding the statutory 50% match requirement. During fiscal 2009, the state colleges and universities are providing a 65% match, the independent colleges and universities 61%, the public research universities 60%, and the county colleges 58% of the costs of supporting campus EOF services for EOF students.

Since summer 2002, fiscal constraints have resulted in a decrease of 718 students served by the EOF Summer Program, which is so critical to the transition to college. For fiscal 2010, the Commission encourages consideration of an increase in EOF Article IV grants for institutions to provide adequate support services for all EOF students. Consideration of increased support for Article III is also recommended to enhance the quality and increase the number of students served in the EOF Summer Program and to help ensure affordability.

NJ STARS: The Commission supports the proposed changes by the NJ STARS Task Force, which would increase the eligibility requirements and reduce the financial burden to the senior public colleges.

Support for Colleges and Universities

State operating support and student tuition and fees are the two primary sources of revenue for New Jersey's colleges and universities. Operating aid reductions in previous budgets have had demonstrable impacts on these institutions as well as on our students. In fiscal 2010, we recommend the adoption of a multi-year strategy to sustain predictable operating budgets to allow the colleges to deliver high-quality programs and services and minimize increased costs for students into the future.

Senior Public Colleges and Universities: In November 2006 the Commission adopted *Policy Recommendations for Operating Support of Senior Public Colleges and Universities in New Jersey*. We continue to encourage the consideration of dual funding components of base support and targeted incentive funds to support these state institutions, which provide extensive educational opportunities and services for the state and its citizens. The targeted incentive funds should be driven by current state needs and initiatives, such as accelerated degree completion, tech transfer and commercialization, and increasing graduates in high demand areas such as mathematics and the sciences.

The Commission recommends increased base operating support for the 12 senior public institutions to help fund contractual salary increases and other inflationary costs and to provide competitive educational programs for New Jersey's students. Base operating support is also critically important for the competitiveness of the three public research universities in the area of research and development. In order to provide the state-of-the-art facilities and recruit and retain

the talented faculty to be competitive for national research awards, it is imperative that there be a stable and predictable operating base.

Continued state support of fringe benefits for employees at these institutions is equally important. State funding of these mandated annual costs means that costs are not passed on to student tuition and fees, and the colleges are able to use the operating support to maintain and enhance academic quality, programs, and services.

The second component of the recent recommendations calls for incentive funds for targeted state priorities. While budget constraints may preclude initiation of this component in fiscal 2010, a pilot effort could be established with a relatively small set-aside to address a critical state need such as a labor market shortage or to accelerate growth in a scientific field.

Community Colleges: New Jersey's community colleges rely on state, county, and student support, ideally with a one-third share of operating costs from each. These 19 institutions play a dual role in meeting the growing demand for higher education and addressing workforce needs. For many students, they provide a cost-effective launch to baccalaureate degrees, as well as access to associates degrees and industry recognized credentials for more immediate help in the workforce. During this economic downturn, our community colleges have experienced enrollment growth in all of their programs. Increased state operating support is necessary for the community colleges to help fund contractual salary and benefit increases and other inflationary costs. The Commission recommends that the state provide additional operating support for community colleges in fiscal 2010, with a goal of a one-third state share of the cost of attending in the near future. As the state moves toward that goal, counties should strive for at least a one-third share as well, thereby minimizing the need for tuition increases for many of our neediest citizens.

Independent Colleges and Universities: The state's 14 independent colleges and universities, with a public mission, serve over one-quarter of the students attending four-year colleges in the state. Over 75 percent of the students at these colleges are New Jersey residents. The state support provided to the independent institutions helps to hold down the cost to New Jersey students and enhance the quality and capacity of the educational programs. For fiscal 2010, the Commission recommends that the state initiate a multi-year plan to reach the level of funding called for in the Independent College and University Assistance Act.

Capital Investment: In November 2007, the Commission adopted *Long-Term Capital Planning and Support Recommendations for New Jersey Higher Education*. For fiscal 2010, we recommend the state explore finding mechanisms to address the capital needs of our colleges, including the deferred maintenance needs. More importantly, the Commission urges the state to undertake comprehensive planning aimed at focusing on the role of higher education for the state's residents and economy and recommends that the state explore, through the Commission, an analysis of the state's existing higher education programs and facilities to (1) ascertain current capacity; (2) the need for additional program offerings in areas of importance to the state's economy and the fulfillment of our residents' career opportunities; (3) the avoidance of unnecessary duplication in program capacity among institutions; and (4) long-term, multi-year funding mechanisms to achieve such results.

We look forward to working with the administration in the future to develop a statewide capital plan for higher education and mechanisms to support initial and ongoing investments in capital construction and renovation.

CLOSING

As the state struggles with competing demands and fiscal constraints, it remains important for higher education to continue to find more efficient ways to provide the best service to students, businesses, and the state. Colleges have and will continue to look for ways to operate more efficiently. While the colleges are often seen as having the option of raising revenue through tuition increases, it is increasingly clear that future tuition increases will create insurmountable hurdles for many New Jersey families. In short, we are pricing more students out of college every year.

The areas for which we have recommended increased state support do not represent all of higher education's areas of need, but they are the most critical areas given limited resources and state needs. It is also important, of course, to strive to maintain state support levels for programs that serve special populations in need of targeted services.

Recognizing the direct impact of the structural budget issues on spending, we again remind you of the critical importance of our colleges and universities to the economy and urge you to only make reductions to the higher education budget a last resort. Colleges will continue to work to operate more efficiently, and the Commission will do all that it can to support new ways of cost effective collaboration and the pursuit of external funding. Thank you for your consideration. We look forward to working with you during this budget period.