

New Jersey Commission on Higher Education Fiscal 2011 Budget Policy Statement

INTRODUCTION

Higher education is an integral part of New Jersey's economy, contributing today to our state's recovery from extremely challenging economic times and building its economic and cultural future. The New Jersey Commission on Higher Education is pleased to provide budget policy recommendations for fiscal 2011 for investments in this vital educational sector. 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 improve our state's economic competitiveness by preparing new graduates, retooling dislocated workers, and conducting research and development. New Jersey and the United States are at a critical juncture in establishing what our economy will look like in the new century. The rapidly changing economy of our state and nation require workers with skills at the collegiate level to adapt to new technologies, promote innovation, and learn and grow throughout their careers. Furthermore, university research and development contributes to opening new avenues for business improvement and growth.

In fiscal 2010, the state faced the impact of the worst financial crisis since the Great Depression. Use of federal stimulus funds in 2010 made it possible to maintain support for higher education at close to the previous year's investment. Recognizing that fiscal constraints to the state are severe and ongoing, the Commission recommends targeted increases in state funding for higher education in the absence of the federal support that cushioned the impact of economic conditions in the 2010 budget. Students in New Jersey have reacted to the downturn in the economy by enrolling in our colleges and universities in record numbers. The recommendations for fiscal 2011 are designed to ensure that the state's students receive the education they need and deserve to compete in the world economy.

RECOMMENDATIONS FOR FISCAL 2011

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 priorities. For fiscal 2011, 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. The economic downturn has created a growing demand for higher education assistance so a provision for an increased number of awards is also

encouraged. Approximately one third of all full-time New Jersey college students receive TAG awards.

EOF serves approximately 12,400 students, but the state funding for the critical academic support for these students has lagged behind the amount needed to support campus programs for many years. In the absence of consistent state support, the colleges and universities have been exceeding the statutory 50% match requirement through expenditure of their own limited funds.

Since summer 2002, fiscal constraints have also resulted in a decrease in the number of students served by the EOF Summer Program, which is so critical to the transition to college. For fiscal 2011, the Commission encourages consideration of an increase in EOF Article IV grants for institutions to provide adequate support services such as academic counseling and tutoring for all EOF students. Consideration of increased support for Article III student financial aid grants is also recommended to enhance the quality and increase the number of students served in the EOF Summer Program and to help ensure affordability.

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. Last year, federal stimulus funding and a cap on tuition and fees helped protect quality and affordability at public institutions. As the state and national economies begin their recovery, we recommend discussion and 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*, which included dual funding components of base support and targeted incentive funds to support these public institutions, which provide extensive educational opportunities and services for the state and its citizens. Recognizing the current fiscal condition of the state, the Commission is recommending increases only in base funding for 2011 and discussion of what incentive funding might be considered in the future as the New Jersey economy recovers.

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 that are necessary to compete 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.

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 associate degrees and industry recognized credentials for more immediate help in the workforce. During this economic downturn, our community colleges have experienced record enrollment; full-time enrollment rose over 12% in 2009-2010. Increased state operating support is necessary for the community colleges to serve these students. The Commission recommends that the state provide additional operating support for community colleges in fiscal 2011, with a goal of a one-third state share of the cost of operation. 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 2011, 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*. The Commission recommends that a mechanism for fiscal support of facilities maintenance and development be designed and implemented in fiscal 2011 to protect previous investments in higher education facilities and address the needs of the future. The Commission supports the concept of shared responsibility between institutions and the state in the development and maintenance of facilities. The recently enacted legislation expanding the opportunity for public/private partnerships at the state colleges and universities in developing facilities is a positive step, but private investment is likely to be concentrated in revenue-producing facilities and cannot meet the academic and maintenance needs of higher education. We look forward to working with the administration to develop a statewide capital plan for higher education and mechanisms to support initial and ongoing investments in capital construction and renovation.

The Commission also 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) determine the need for additional program offerings in areas of importance to the state's economy and the fulfillment of our residents' career goals; (3) avoid unnecessary duplication in program capacity among institutions; and (4) set long-term, multi-year funding mechanisms to achieve such results.

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 and fee 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. Thank you for your consideration. We look forward to working with you during this budget period.