



**New Jersey Commission on Higher Education
New Jersey Presidents' Council
FY 2009 Joint Budget Policy Statement**

Introduction

An investment in higher education is an investment in New Jersey's future economic strength and sustained quality of life. Within that context, the New Jersey Commission on Higher Education (CHE) and the New Jersey Presidents' Council (NJPC) respectfully submit this joint budget policy statement for fiscal year 2009. The recommendations below are guided by New Jersey's long-range plan for higher education, *A Blueprint for Excellence*, which is based on the indisputable link between educational opportunity and the economy.

The greatest advantages accruing to state investments in higher education are the fostering of an educated, informed, and engaged citizenry and the enhancement of New Jersey's economic competitiveness through the preparation of a high quality workforce, the advancement of research, and the fostering of innovation and new uses of technology that drive business improvement and growth.

Within the difficult context of the state's ongoing financial constraints, the Commission on Higher Education and the Presidents' Council set forth this carefully moderated FY 2009 budget request, with recommendations that touch upon the highest priority needs that will have the greatest impact on the quality of educational opportunity available to the people of New Jersey. The dollar amounts were calculated by the NJPC. Further, in order to support an environment of multi-year planning, which will benefit both the institutions and governmental policy makers, where possible the following recommended budget adjustments have been extended out for three fiscal years, FY 2009 through FY 2011. The requests for the out-lying years, like the request for FY 2009, are focused on the highest priorities, and assume a continuing condition of constraint in the state's finances.

I. Operating Appropriations

A. Senior Public Institutions

The current context:

"There has been no clear funding policy or methodology for the public research universities or the state colleges and universities since the 1980's, resulting generally in across-the-board annual increases or decreases for all twelve senior public institutions without regard to enrollment, programmatic need, or other considerations.

"It is understandable that predictability of state operating appropriations for all sectors is affected by the state's overall fiscal condition in a given year. But state funding predictability and adequacy have been lacking even in the best of fiscal climates, which is apparent in

comparing the percent change of the higher education budget over time with that of the state budget and New Jersey's gross state product. This lack of adequate and predictable funding impedes efficient and effective management of institutions and predictability of student tuition and fees." (NJ Commission on Higher Education, A Blueprint for Excellence, 2005 Update, pp. 27-28)

Because of the special and inter-dependent relationship between the senior public institutions and the state, in accordance with statute, the specific FY 2009 budget request of each of the senior public institutions has been submitted separately to the Treasurer through the Office of Management and Budget in conformance with the parameters and format required by that Office. Each of those twelve individual requests reflects the particular and differing needs and priorities of each of the senior public institutions, as distinct from this document which reflects the consensus priorities of the CHE and the 50 member institutions of the NJPC.

Consistent with the principles set forth in the recently developed CHE "Policy Recommendations for Operating Support of Senior Public Colleges and Universities," the CHE and the NJPC recommend an FY 2009 increase to the operating support for the senior public institutions in an amount equal to a minimum of a 3% increase over their FY 2008 operating support, that is, a \$27.1 million increase to their \$902 million FY 2008 appropriation. In addition, the CHE and the NJPC request \$58.5 million to cover approximately eighty percent of the cost of salary increases pursuant to state negotiated collective bargaining agreements. Such an increase will at least hold the institutions level against the effects of inflation and some of the real new costs of salary increases and is critical to preserving access for an increasing number of students, the competitiveness of research initiatives, maintaining adequate facilities, and recruiting and retaining talented faculty. Similarly structured increases are requested for FY 2010 and FY 2011 as follows: for FY 2010, a \$29.6 million increase in operating support and \$61.4 million for salary increases; for FY 2011, a \$32.3 increase in operating support and \$64.5 million for salary increases.

Continued state support of fringe benefits for employees at these institutions is equally important. The state has historically funded this significant and growing expenditure. Loss of state support for these required annual costs would constitute a huge cut to the funds available for educational programs and services and have a direct impact on tuition and fees.

B. Community Colleges

The current context:

"New Jersey statutes set forth a state operating support level for the community colleges, but state support has never met the statutory level, and there is often little predictability regarding increased support from one year to the next. While the statute calls for the state to support 43 to 50 percent of community college operating costs, the state has been focused recently on trying to get county, student, and state levels each to one-third." (NJ Commission on Higher Education, A Blueprint for Excellence, 2005 Update, p.30)

The statement of need for the community colleges is based on the principle that the costs of these institutions should be shared equally by the state, the counties, and the students. These 19 institutions help meet the increasing demand for higher education and address workforce needs, offering associate's degrees and industry-recognized credentials for more immediate advancement in the workplace. State operating support is necessary for the community colleges to help fund contractual salary and benefit increases and other inflationary costs. The recommended operating increase for the community colleges is based on the reasonable principle that the state should fund one-third of the additional costs attributable to recent enrollment growth. The cost of this enrollment growth can be defined as the

estimated FY 2009 cost per FTE (\$7473) multiplied by the estimated additional FTEs that will be enrolled by FY 2009 (7,080). Therefore, the CHE and the NJPC recommend an increase of \$17,500,000 to the \$163,437,000 FY 2008 appropriation for operating support. The community colleges estimate that, were they to receive that increase, state support would constitute 26% of their estimated total operating support for FY 2009, county support would constitute 26%, and student support would constitute 48%. The CHE and the NJPC further recommend an increase of \$17,500,000 in FY 2010 and again in FY 2011. The effect of such increases would be, by 2011, to increase state support to 28% of the community colleges total operating budget and to reduce student support of the budget to 46%.

As the state moves toward the goal of providing one-third of the cost of attending a community college, the CHE and the NJPC recommend that the counties also strive to provide their one-third share as well, thereby minimizing the hardship of spiraling tuition increases for many of the state's needy students.

C. Independent Colleges and Universities

The current context:

"The Independent College and University Assistance Act was passed in 1972 and amended in 1979. The act provides state support to independent colleges and universities that serve a public mission. The statutory funding is tied to the number of full-time-equivalent New Jersey undergraduates enrolled during the prebudget year at eligible independent institutions multiplied by 25 percent of direct per-student support in the state colleges and universities during the prebudget year." (NJ Commission on Higher Education, A Blueprint for Excellence, 2005 Update, p.31)

New Jersey's 14 public mission independent colleges and universities provide an important educational service to the state, enrolling approximately 17% of the state's postsecondary students and granting approximately 25% of all degrees awarded. Approximately 77% of their students are New Jersey residents. The budget request for the independent colleges and universities is based on the plan set forth in the CHE's *A Blueprint for Excellence* that calls for full funding of the provisions of the Independent College and University Assistance Act. In order to achieve full funding of the Act, the CHE and the NJPC request an increase in FY 2009 of \$1 million to their FY 2008 appropriation of \$20.4 million, followed by a \$4.5 million increase in FY 2010 and in FY 2011.

II. Capital Support

The current context:

"New Jersey's capital bond programs have not kept pace with the need to preserve existing campuses or to expand to meet growing demands. The state has passed on, by default, a very large share of the responsibility for facilities to the institutions and their students. The senior public colleges and universities, which have increasingly relied on their own debt for facility investment, are now among the most leveraged public institutions in the nation, according to bond rating agencies. The resulting debt service generally falls to students through tuition and fees.

"The community colleges benefit from a 1971 statute (known as 'Chapter 12'), in addition to periodic state bond programs. Chapter 12 provides a revolving fund for construction and renewal, with debt service shared by the state and the county. Similar and more recent statutes, meant to be a continuing source of support for construction and renovation in all sectors, have not been refunded to provide ongoing capital assistance." (NJ Commission on Higher Education, A Blueprint for Excellence, 2005 Update, p.32)

In November 2007, the CHE adopted *Long-Term Capital Planning and Support Recommendations for New Jersey Higher Education*. Consistent with those recommendations, the CHE and the NJPC request \$68 million for the senior public institutions in FY 2009 to assist with critical deferred maintenance, an amount equal to 1.0% of the replacement value of those campuses. This amount represents only 12% of the \$576 million in critical preservation, compliance, renovation, rehabilitation and infrastructure requirements identified by the senior public institutions for fiscal year 2009, which were included in the New Jersey Commission on Capital Budgeting and Planning's Fiscal Year 2008 Capital Improvement Plan. There have been no appropriations for campus maintenance and renewal since 1999. The senior public institutions pledge to match such an appropriation with an additional .5% from their operating budgets.

In regard to long-term capital construction needs, in 2005, the NJPC developed a \$2.705 billion Proposal for Capital Bond Projects, designed to expand college opportunity for New Jerseyans, to enhance economic prosperity, to build a more robust New Jersey workforce, to produce new knowledge through research, and to attract businesses and top students to New Jersey. In the absence of action on that proposal, the CHE and the NJPC recognize the need for some alternative plan to address the capital needs of all of the state's institutions and request the committed engagement of state government in the development of an alternative plan and mechanisms to support initial and ongoing investments in capital construction and renovation.

III. Student Financial Support

The current context:

"Guided by these three principles [access, affordability, and choice], New Jersey is consistently among the leaders in the nation in providing need-based student financial assistance and has expanded merit-based aid during the past decade...."

"The enrollment of students of color and other traditionally underrepresented students continues to increase in New Jersey. Overall demographics suggest that future undergraduate student populations will require substantially increased levels of financial assistance and support to ensure improved levels of persistence. Net costs for students to attend college in New Jersey, and across the nation, have increased rapidly and are threatening postsecondary opportunity for low- and middle-income students." (NJ Commission on Higher Education, A Blueprint for Excellence, 2005 Update, p.23)

The CHE and the NJPC support the Higher Education Student Assistance Authority (HESAA) budget request for \$30.4 million that would fund Tuition Aid Grant (TAG) increases in the two neediest cells to a one-year lag in the first cell and a two-year lag in the second cell; maintain the three-year tuition lag in the other award cells; provide for 913 additional TAG awards; increase funding to maintain the Part-Time TAG program for community college students and reflect increases in full-time TAG awards; increase funding for NJSTARS and NJSTARS II; and increase funding to restore Distinguished and Urban Scholar annual awards to \$1,000.

In regard to the recently enacted STARS II program, the grant provided to the senior public institutions which was intended to cover the cost of tuition and fees for these transfer students is insufficient for the purpose, and the state's senior public institutions were left to subsidize these scholarships by approximately \$3 million in FY 2008. The CHE and the NJPC therefore request that the program be amended either to limit the grant to the student to the amount of funds actually provided to the senior institutions or to provide adequate funds to the senior institutions for implementation as currently defined. In order to accomplish the latter alternative, the grant for each student would need to be increased at least to \$5,000 per semester in FY 2009 in order to cover the actual cost of the program,

and, therefore, assuming that 1,000 students participate in the STARS II program in FY 2009, the required appropriation for full funding would be \$5 million. If actual enrollment in the program exceeds 1,000 students, the amount required would obviously increase. For the longer term, the CHE and the NJPC recommend that the state's merit programs be revamped.

The Educational Opportunity Fund (EOF) provides both campus-based programmatic support (Article IV) and student-based financial support (Article III) to approximately 12,300 students, but the academic support funding for these students has been flat for many years. Additionally, fiscal constraints have resulted in a five-year decline of more than 900 students served by the EOF Summer Program, which is a critical component of transition to college. The CHE and the NJPC, therefore, endorse the EOF Board's request to increase EOF funding by \$3.9 million.

IV. Special Initiatives

NJTransfer: In 2007, the state adopted law mandating the implementation of a comprehensive statewide transfer agreement between the community colleges and the senior public institutions. NJTransfer plays an important role in supporting the purposes of the law through the maintenance of an extensive database of course equivalencies to guide students and advisors through the transfer process. In FY 2007, the state provided \$350,000 for the maintenance of NJTransfer; in FY 2008, the state reduced its support to only \$93,000. By comparison, the state of Pennsylvania recently engaged an independent contractor to develop and implement a similar service in response to its transfer legislation. The Pennsylvania system will cost in excess of \$600,000 over 15 months, with annual ongoing costs estimated at a minimum of \$200,000. The CHE and the NJPC therefore request an increase of \$257,000 in FY 2009 to support NJTransfer, New Jersey's home-grown and efficient transfer support service.

Incentive Funding: Several years ago, the State of New Jersey approved the Higher Education Incentive Funding Act (N.J.S.A. 19A:62-29), an Act that created a match, over 10 years, for gifts larger than \$1 million received by the senior publics (lesser amounts and a smaller match were designated for the community colleges and the public mission independents, respectively). In recent years, this Act has received \$3 million in funding, an amount substantially less than what would be required for a full match, but sufficient to ensure that the spirit of the Act was kept alive. For FY 2008, no funding was given, disappointing donors who contributed large sums in the expectation that their gifts would be matched. The CHE and the NJPC request appropriation of least \$5 million to permit the partial match of recent years to be resumed.

V. Accountability

The Governor, the Legislature, and the people of New Jersey have a right to expect that the state's investment in higher education will yield results that are in accord with priorities that the state establishes for these institutions. However, in order for the institutions to demonstrate their accomplishments in regard to such priorities they must first be articulated, and hopefully supported, by the state.

Priority areas for the institutions might touch upon any number of aspects of higher education, of which the following are just some examples:

- Enrollment at various degree levels
- Capacity in specific program areas
- Numbers of graduates
- Quality of programs

- Extent of funding from non-state sources
- Graduation and retention rates
- Diversity of student population
- Proportion of instruction provided by full-time faculty
- Collaborative initiatives
- Cost to students
- Research accomplishments and technology transfer
- Community service

Without clarity of purpose and intentionality in the appropriations process, judgments about how well the institutions are returning value for the investment being made by the state will vary depending on each individual's sense of the priorities, instead of being measured against policies that have been articulated for the state.

Similarly, in the area of efficiency, it is not possible to make sound judgments about whether or not institutions are using resources efficiently if there is no common understanding about what it should cost to educate a student at various degree levels, in various fields of study, and at varying levels of quality. That information can only be derived by examining, within the context of national standards and best practices, the investment of the state and the accomplishments of the institutions in regard to priority objectives such as those listed above. The rich diversity of the state's institutions can together address the full range of the state's needs, and the alignment of the state's critical needs with the performance of the institutions and the state's investment should be a shared goal of policy makers and higher education.

The CHE and the NJPC express their willingness to be engaged in the establishment of clear expectations and priorities for the state's institutions of higher education and for the state's support of these institutions. The institutions stand ready to focus on state priorities, and they seek the state's commitment to provide the funds reasonably necessary to their efforts.

SUMMARY FY 2009 BUDGET REQUEST

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Senior Public Operating Support	\$ 27,100,000	\$29,600,000	\$32,300,000
State-Negotiated Salary Increases (80%)	\$ 58,500,000	\$61,400,000	\$64,500,000
County College Operating Support	\$ 17,500,000	\$17,500,000	\$17,500,000
Independent Operating Support	\$ 1,000,000	\$ 4,500,000	\$ 4,500,000
Senior Public Deferred Maintenance	\$ 68,000,000		
Student Financial Support	\$ 34,300,000		
NJ Stars II	\$ 5,000,000		
Special Initiatives	\$ 5,257,000		
TOTAL FY 2009 INCREASES	\$216,657,000		