

# New Jersey Presidents' Council

---

P.O. BOX 36 MOUNTAIN LAKES, NEW JERSEY 07046  
PHONE: (973) 334-2981 ■ FAX: (973) 334-2982 ■ E-MAIL: [asamay@optonline.net](mailto:asamay@optonline.net)

Senate Budget and Appropriations Committee Hearing  
Testimony by George Pruitt, Chair, New Jersey Presidents' Council  
Monday, May 8, 2006 – 1:30 p.m.

Senator Bryant and members of the Committee, my name is George Pruitt and I am President of Thomas Edison State College. I come before you today in my capacity as Chair of the New Jersey Presidents' Council. The Council represents 57 colleges and universities in New Jersey which are providing educational opportunity for approximately 400,000 of our citizens. With your permission, I would like to address three aspects of the higher education budget.

First, I'd like to offer some context, from our perspective, on the Governor's budget recommendation; second, I'd like to make some general comments on the topics of efficiency and administrative bloat; and, third, I'd like to offer our advice, recommendations, and a request that the New Jersey State Legislature provide relief to the public served by the higher education community.

Approximately four years ago, we sat in this room discussing the budget recommendations of a previous administration facing the worst budget crisis since the Depression. Those recommendations proposed the largest cuts to higher education in the history of the state. The cuts recommended at that time totaled approximately \$100 million. There is an old adage: "No matter how bad things are, they can always get worse." And now they have, dramatically.

The Governor's budget recommendation proposes further spending cuts in excess of \$300 million. I have provided for you a summary of the Governor's budget recommendations,

---

■ George A. Pruitt  
*Chair*  
President  
Thomas Edison State College

■ Edward J. Yaw  
*Vice Chair*  
President  
County College of Morris

■ Rosemary E. Jeffries, RSM  
*Secretary*  
President  
Georgian Court University

■ Richard L. McCormick  
*Treasurer*  
President  
Rutgers, The State University of NJ

and I would like to highlight some of its most significant features. Depending on the methodology used to calculate it, the budget recommends a cut that is between \$121 million and \$165 million in funding for fringe benefits and salaries covered by negotiated state contracts. Embedded in this figure is approximately \$80 million in fringe-benefit cuts that, until now, have always been totally supported by the state. Such a shift of responsibility for fringe benefits from the state to the students was first proposed by the Whitman administration and was rejected by the legislature. It was bad policy then, and it is bad policy now.

There is an additional cut of \$89.6 million in operating support for the twelve senior public institutions. These two items, alone, represent over \$200 million in cuts for New Jersey's twelve senior public institutions. The state's community colleges have been targeted for a \$16.3 million reduction, or a 10 percent overall cut in support for the institutions that are most broadly focused in implementing the state's opportunity agenda for our residents. There is a reduction of \$11.9 million for our independent colleges and universities, which represents a 50-percent cut in support to private institutions that support an important public mission. The \$4.3 million supporting the Outstanding Scholars program has been totally eliminated. This program has a proven track record in keeping our brightest students within the borders of our state. A million dollars has been eliminated for the administrative start-up of the New Jersey Stars program, and \$780,000 has been cut from New Jersey Transfer, a program vital to the almost 2,000 transfer and articulation programs between and among the county colleges and senior institutions.

We will also lose \$350,000 for the support of the NJEdge Net, which is the essential high-capacity technology backbone serving the entire higher education community. There are still other significant cuts outlined on the summary sheet I have provided. To put these cuts in some perspective, let me illustrate by using my own institution, which I know best. For Thomas

Edison State College, the proposed budget would, in absolute dollars, take our funding back to where it was in 1997, ten years ago. In 1997, we served approximately 8,000 students. In 2007, we will serve over 11,000. With some variation, this budget will take all of the senior public institutions, in absolute dollars, back to the 1990's, during a time when we have experienced double-digit increases in the percentage of enrollment growth.

The cuts proposed for the budget this time are three times as big as the traumatic cuts proposed four years ago. As you might expect, we have some recommendations and requests, but first I would like to speak to the issue of efficiency, productivity, and alleged administrative bloat, at the 12 senior public institutions. We often hear concerns raised about proliferation of administrative positions and efficiency of operations. We have heard this from members of the legislative staff, we have heard this from some of the unions representing our faculty, and indeed the Governor himself implied that he had such concerns, when, in his budget message, he suggested that we can achieve spending reductions if we increase efficiencies.

The fact of the matter is that our public colleges and universities are not administratively top-heavy. Growth in staffing has been in response to growth in enrollment and has been primarily in positions that teach and serve students. Independent audit reports indicate that the percentage of educational and general expenditures for "institutional support," is about 17 percent, which is consistent with our peers. And finally, I would like to call your attention to an important national study by the National Center for Higher Education Management Systems, funded by the PEW Charitable Trust, that brings good news to the people of our state, and to those of you who represent them, about our stewardship of their resources. The National Center, or "NCHEMS," is one of the most respected sources of higher education policy data in the country. The report, titled "A New Look at the Institutional Component of Higher Education

Finance: A Guide for Evaluating Performance Relative to Financial Resources,” evaluates public colleges and universities in the 50 states on the issue of how effective they are in producing graduates, given the amount of money with which they have to work. The report concluded that the nine New Jersey state colleges and universities, as a group, were the third most productive in the U.S., and New Jersey’s research universities ranked sixth in the country. The document I have provided you is the executive summary of this report. The full study is available on NCHEMS Web Site, should you be interested in looking at the details.

It is impossible to suffer funding cuts over the last decade, proliferate our administrative staff, and at the same time achieve the ratios reflected in our audits and be acknowledged by an important authority that our institutions are among the most efficient in the nation. Candidly, we are mindful of the challenges and difficulty that have been experienced at UMDNJ. We are also aware that some may generalize the challenges facing this important institution to the rest of our community. That would be unfair. The accountability and stewardship provided by our Boards of Trustees, appointed by the Governor, confirmed by the Senate, and comprising some of the most distinguished citizens in our state, has been conscientious, effective, and the results show it.

Finally, I would like to offer our recommendations and advice that we hope will result in a significant restoration of these proposed cuts. The priorities vary among the three great sectors of higher education. For the twelve senior publics, our first priority is maintaining the state support for fringe benefits and full funding of the negotiated salary increases. The state has traditionally had three obligations for supporting public higher education: capital facilities; state negotiated contracts; and fully funding fringe benefits. Prior to 1988, the academic facilities of public colleges were built exclusively with public dollars. In the 1988 bond proposal, for the first time, students were asked to pay directly for a portion of most facility obligations. For

almost the last twenty years, the entire burden of capital improvement and expansion has been shifted to our students.

From the beginning of collective bargaining, until about ten years ago, the state acknowledged its obligation to fully fund the contracts that it negotiated with our bargaining unit members, but it has slowly and continuously retreated from this responsibility. The only area left where the state is fulfilling its financial obligation is in the fringe benefit area. We earnestly hope and request that you maintain and defend this last area of state responsibility. We also need support regarding the \$80-plus-million funding of the salary program. This support is particularly important because these obligations compound over time. Unfunded negotiated contracts is the cut that keeps on cutting.

While the state does not directly control the cost structure of our county colleges, this important part of the higher education community is faced with the same fixed cost pressures as other public institutions. Negotiated salary contracts, fringe benefit cost increases, and rising energy costs, present fixed cost escalators that are difficult to control or restrain. The state should honor its commitment to fund a third of the operating support for these institutions. Not only do these colleges provide opportunities for our students to achieve degrees and certificates, they make a huge contribution in the areas of job training, continuing education, and professional development. We request a significant restoration of the \$16.3 million proposed reduction.

The Independent Colleges and Universities Aid Act, which has been in statute since 1979, calls for New Jersey's fourteen independent colleges to receive 25 cents for every dollar in direct operating funds provided to the state colleges and universities. In FY2006, the independent institutions received \$23.9 million, or approximately 20 cents for every dollar. The proposed FY2007 state budget calls for a reduction of 50% of current state aid, or just 10 cents for every

dollar provided to the state colleges. We urge that serious consideration be given to restoring these funds.

Those are the priorities driving our requests for each of the three sectors. We also ask for restoration of support for the following programs, whose benefits accrue to all of the sectors and which go far beyond their dollar value. We need to maintain and support the Outstanding Scholars recruitment program. It is a critical tool as we compete with other states to keep our brightest students here. We need to restore the funding for New Jersey Transfer, which allows our citizens to begin their post-secondary education in our important community college system and then have access to baccalaureate and post-graduate opportunities nationwide. We need to maintain the funding of NJEdge Net, for this allows the entire higher-education community to join together to create a shared technological infrastructure, and it dramatically reduces costs for telecommunications and data processing.

In summary, I would like to reemphasize three points. First, these are the largest cuts proposed in the history of the state that take us back to a level of state funding we had ten years ago. Secondly, these reductions are coming at a time when we are facing the largest demand for admission to our colleges since the Baby Boom. And, finally, our trustees have taken their responsibility for accountability seriously, and they have helped produce colleges and universities that are among the most efficient in the country.

Mr. Chairman, we know the state is in a fiscal crisis. We know that sacrifice is both necessary and inevitable under these conditions, and we of course are prepared to responsibly do our best. I would respectfully suggest, however, that we have already given greatly. The issue for us is less the effect on our institutions than our concern for our citizens and our state's future. While we are facing what is arguably the largest demand for higher education in our state's

history, we are being confronted with the largest disinvestment in our state's history. The effect will be to narrow the gateway to educational opportunity for the citizens of our state, and we hope that this is not allowed to happen.

Thank you for your attention. We are available for your questions.