STATEMENT OF STOCKTON UNIVERSITY PRESIDENT
DR. HARVEY KESSELMAN
ASSEMBLY BUDGET COMMITTEE HEARING
May 8, 2017

Good morning Chairman Schaer and members of the Assembly Budget Committee. My name is Dr. Harvey Kesselman, and it is my genuine pleasure to touch upon the many wonderful things Stockton University is doing to enhance higher education and benefit the residents of New Jersey. None of this would be possible without the Legislature’s support, and I want to thank you for your consideration.

Since Stockton’s founding, our foremost commitment has been to provide a quality and affordable education. This past year, Stockton also committed to playing a role in the renaissance of Atlantic City. Stockton has been designated by the Secretary of Higher Education as an Anchor Institution, with the goal of promoting economic revitalization in Atlantic City. To this end, the University’s Atlantic City campus development is well underway, and includes a 60,000 sq. ft. academic building, a 533-bed ocean front student residence complex, and an 880 space parking garage with office tower that will be occupied by a corporate partner, South Jersey Gas. The Atlantic City campus will be operational in the Fall of 2018, and will bring much needed year-round economic diversification and activity. In addition to the construction related jobs, the 533 new student residents, along with the up to 1,700 per weekday academic visitors during the school year, will certainly benefit Atlantic City’s economy. By 2019, Stockton intends to increase enrollment by 700 students, for a total of over 9,000 full-time students. Stockton’s headcount has grown 20% since fall 2010, much higher than the average for other senior public colleges and universities. Without question, Stockton is doing its part to mitigate the State’s net out-migration of 30,000 college bound students each year. Notably, 99% of Stockton’s students are from New Jersey.

Once completed, the Atlantic City campus will increase Stockton’s enrollment capacity. However, since revenue from the Atlantic City campus operations is dedicated to construction costs and debt service, Stockton is facing a $5.5 million structural deficit due to operating costs including security, utilities, maintenance, technology, PILOT, and faculty that are essential to open. We ask that the Legislature take this into account when developing its funding for higher education.
Along with Stockton’s growth, I am extremely proud of Stockton’s strong performance in terms of student retention, graduation, and alumni placement. Despite its large population of first generation and economically disadvantaged students, 87% of Stockton’s Freshman return for their Sophomore year (compared to the state sector average of 84%).

Stockton’s overall 4-year graduation rate of 53% (compared to the state sector average of 38%), and 6-year graduation rate of 73% (compared to the state sector average of 63%) are critical to controlling student indebtedness. As for post-graduation, 88% of Stockton’s 2015 graduates were either employed or in graduate school within 6 months of graduation.

These accomplishments coincide with Stockton’s continued efforts to control costs. In FY 2017, Stockton cut operating costs by over $1 million, and will cut approximately $2 million from its FY2018 operating budget. Moreover, Stockton has kept its average annual tuition increase below 2% over the last 4 years.

Unfortunately, the absence of a higher education funding rationale continues to be a problematic and inequitable impediment to higher education initiatives. As a glaring example, Stockton is effectively penalized for increasing enrollment. Currently, the State’s support of public higher education through direct appropriations appears to be based solely on the amount of funding an institution received the previous year. There are no provisions to increase aid to recognize enrollment growth, improved retention and graduation rates, alumni success rates, new academic initiatives, and/or the cost of instruction by academic major. Instead, decades ago, the State altered its higher education funding rationale from dollars per FTE\(^1\) student to across-the-board percentage increases. This can be extremely unfair to New Jersey students and their families. Much goes into a family’s decision-making on which New Jersey institution their child should attend, but state support per FTE student should not be a factor.

Under today’s inequitable system of allocating the State’s higher education budget, the direct appropriation per FTE student varies significantly from institution to institution. In the proposed FY 18 budget, these numbers range from a low of $2,085 to a high of $5,685 per FTE student (Stockton is at $2,156 per FTE student). The State-wide sector average is $3,443 per FTE student. Stockton University is not the only higher education institution facing this dilemma. The second reason to implement a funding rationale is to provide a fair return on investment in education to all the residents of New Jersey. Today, the State invests approximately $250,000 per student for kindergarten through 12\(^{th}\) grade education. New Jersey’s return on its investment is greatly diminished when students leave the State for college and do not return after graduating. Further, we should not overlook the ancillary but significant benefits of increasing enrollment capacity, namely, the thousands of additional students who will remain in-State and reinvest their college tuition/housing/retail dollars back into New Jersey’s economy, while bolstering our highly educated and innovative workforce for generations to come.

\(^1\) As a working definition, an FTE of 1.0 is equivalent to a full-time student, while an FTE of 0.5 represents a student taking half of a full course load.
It is important to note that Stockton serves a region that lags behind the rest of the State in recovering from the global economic downturn. Atlantic County still has one of the highest foreclosure rates in the nation, and the region’s unemployment rate is considerably higher (11.5% for Cape May County/9.5% for Atlantic County/9.1% for Cumberland County/7.3% for Salem County) compared to the State average (5.6%). The inequitable direct State funding that Stockton receives further compounds the challenges for our students since, for example, Stockton uses over 68% of its annual direct appropriation towards student financial aid. To meet the needs of both the area we serve and the entire State, Stockton anticipates a net increase of 1,140 new full-time students over the several years— but doing so would take our direct appropriation down to $2,021 per FTE student if funding remains level. While recognizing that the decision to grow is unique to each institution, the level of direct State appropriation plays a material role. Some schools have to choose between growing enrollment or substantially increasing tuition to generate sufficient revenue to balance budgets. Others may choose not to grow to better leverage funding per FTE. Either way, the absence of a funding rationale weighs heavily on the future of public higher education in New Jersey.

The New Jersey Association of State Colleges and Universities has called for changes to the allocation of state aid, supporting a funding rationale that takes into account individual college’s missions and how well they fulfill their goals and objectives. The Governor’s Task Force on Higher Education, chaired by former Governor Thomas Kean, stated in its 2010 report, “There continue to be very substantial and unjustified differences in the levels of support provided by the state for the education of students from one institution to the next.” Over six years have passed, and the situation has not been addressed.

Stockton University urges the Legislature to establish a rational system for funding higher education so that students are no longer treated unfairly solely based on which college they choose to attend.

Implementing funding rationale will enable more New Jersey students to stay in their home state, advance their education, and contribute to the economy as members of an educated workforce. This makes sense for New Jersey and will result in immeasurable returns and benefits.

Respectfully,

Harvey Kesselman
President
Stockton University