

New Jersey Presidents' Council
FY2018
Budget Statement

As part of a joint effort to develop an analysis of funding needs for higher education in New Jersey, the New Jersey Presidents' Council (NJPC) and the Office of the Secretary of Higher Education jointly financed the preparation of a report by the National Center for Higher Education Management Systems (NCHEMS) which identified several issues deserving of New Jersey's priority attention. In preparing recommendations it was noted that enhanced funding was necessary in multiple areas, as discussed below and, accordingly, initiatives to address these needs should be made not by reallocation of funds, but rather addressed by targeting these needs from enhanced support requested by this Statement.

The issues with the highest priority noted by NCHEMS, as further supported by the Presidents' Council include:

- The inequities in allocation of state resources to the public four-year institutions, especially the comprehensive universities;
- The underfunding of the state's public two-year institutions;
- The fact that state support for research universities is low in comparison to other states;
- The institutions' heavy reliance on tuition revenue to support general operations and the failure of the state's need-based financial aid program to grow fast enough to ensure that higher education in New Jersey is affordable;
- The absence of a policy framework that can inform decisions about investments in new capital assets and the maintenance of existing assets.

The NCHEMS report responds, in part, to the seminal work of former Governor Kean entitled, *"The Report of the Governor's Task Force on Higher Education"* (The Kean Report, 2010) completed at the request of Governor Christie, as well as discussions during annual legislative budget hearings.

The report has significantly added information about the funding of New Jersey higher education, including:

- (1) Documenting all New Jersey state funding support for higher education; and
- (2) Analyzing select states and benchmark the New Jersey findings against these states.

It is well recognized that the financing of all institutions, both public and private, are heavily dependent upon their respective ability to obtain funds from a variety of sources: student tuition and fees, state-local-federal governments, private sources, endowment income, sales and services. The state's disinvestment in higher education during the past decade has been significant. The NCHEMS report reiterated the findings from the earlier report, *"New Jersey's Cost Shift: How Higher Education Cuts, Undermine The Future Middle Class"* (2014):

“New Jersey’s overall funding for higher education has declined precipitously since its pre-Great Recession peak in 2006. Funding per student has fallen even more dramatically, since enrollments have risen significantly even as total funding fell. Though state funding for higher education has historically risen and fallen in tune with the business cycle, the post-Great Recession decline appears to be a worrisome departure from the historical pattern.”

New Jersey’s declining state financial support for its public colleges and universities has translated into higher tuition and fees, making college costs increasingly dependent on a larger share of family income, loans, grants and other sources. As documented in the NCHEMS report:

- Over the past two decades, average yearly tuition and fees at public four-year institutions in New Jersey have risen.
- Tuition prices at both four- and two-year institutions have been higher than the national average, a gap which has widened significantly over the past decade in particular.
- Even though New Jersey’s production of graduates from four-year schools is higher than the national average, it is still too low to meet the future demands of the state’s labor market, which will increasingly require a postsecondary credential.

While the long-term outlook for state funding for higher education in New Jersey remains challenging, the next investment in our state’s higher education institutions needs to: 1) recognize that the funding guidelines are a model of addition, not subtraction, from existing institutional funding levels; 2) reward institutions as recommended by NCHEMS “... for excelling at their very different missions and contributing to state priorities that align with these different missions;” and state funding needs to address the following, beginning in FY 2018.

1. Operating Support for Higher Education is considered a top priority in the development of the State’s budget. Nationally and globally, higher education continues to be recognized as the indispensable key to creating sustainable communities and meeting the economic challenges of the 21st century. If the State invests, the dividends will be enormous. New Jersey’s colleges and universities rely on state support to varying degrees. The State investment primarily supports 3 research institutions, 8 senior public institutions, and, in partnership with county governments, provides support for 19 community colleges. The State also provides fiscal support to 14 independent colleges and universities with a public mission.

2. Expand Funding to Support the Student Financial Aid Programs that benefit New Jersey’s neediest families. Both the Educational Opportunity Fund (EOF) and Tuition Aid Grants (TAG) are vital programs that enable low- and middle-income students to receive a life transforming higher education. TAG funding over the past decade has increased, however, EOF funding has not kept pace with needed student support. In addition, we ask that the awarding of student TAG is reviewed to insure fairness across all sectors.

3. Increase State Authorized FTE (Full Time Equivalent) that impacts every level of our higher education system. We are requesting the restoration of State Authorized FTE to our previously requested level of FY 2009. Restoration of State authorized FTE positions will enable postsecondary education in our state to effectively serve a growing student enrollment and provide New Jersey businesses and industries with employees and a workforce desperately needed, now and in the years to come.

4. Create a Revolving Capital Fund – A significant help to our institutions was the support of taxpayers and voter approval for the Building Our Future Bond Act. We believe the next step for continuous improvement is a revolving fund designated as the "Higher Education Capital Revolving Fund." The fund should not be subject to fiscal year limitations and would consist of monies received pursuant to the Governor and Legislature demonstrating an extension of the voters' commitment to enhancing the physical infrastructure, acquisition of land and buildings, new construction, building renovation, landscape and property improvements, and machinery and equipment for our institutions of higher education.

The New Jersey Presidents' Council (NJPC) budget statement incorporates our collective priorities with a specific focus on higher education finance in New Jersey. We embrace the responsibility to provide postsecondary options that are aligned with and prepare the workforce and talent for identified industrial and commercial clusters, including Bio/Pharmaceuticals and Life Sciences; Transportation; Logistics and Distribution; Financial Services; Advanced Manufacturing; Health Care; Technology; and Leisure, Hospitality, and Retail. We are united in our efforts to work collaboratively with the Secretary of Higher Education, the New Jersey Department of Labor and Workforce Development, Choose New Jersey, the Innovation Council, and employer organizations such as the New Jersey Business and Industry Association, New Jersey Chamber of Commerce to continue, and the Commerce and Industry Association of New Jersey to identify best practices, and examine efforts that have occurred in other states to align higher education programs with workforce needs in order to achieve increased prosperity: economic expansion, job growth, new business development and ultimately higher tax revenue.

The New Jersey Presidents Council is fully committed to improving graduation rates at member institutions, preparing our economy's workforce, producing an engaged citizenry, and improving overall outcomes through increased collaborations, enhanced self-monitoring and robust public reporting. Over the last several years, the Council has strengthened accountability standards for review of academic program development, and notable collaborations include participation in educating high school seniors, K-12 Common Core development, coordinating with the Secretary of Higher Education to explore funding guideline options; executing and matching State bonds for capital construction; reducing student costs by means of tuition averaging through the community college transfer system; reducing networking and technology infrastructure costs through the creation of NJEDge; reducing the cost of library services through the creation of VALE; and, as a result of the success of the State's Building Our Futures capital construction program and a successor program, reducing overreliance on

institutional tuition increases as a means to fund maintenance and modernization of facilities and technology essential to preparing New Jersey students for the challenges of the future.

State and local governments recognize that economic prosperity and the quality of life of its citizenry is dependent on the education of its workforce. For New Jersey, its higher education institutions must have the necessary resources as per funding guidelines in order to align with its key industrial sectors as well as educate its citizens to become engaged members of society. Its higher education institutions must be supported to:

1. **Stem the outmigration of its prospective workforce.** Since 1998, approximately 35 percent of all recent New Jersey high school graduates did not attend college within 12 months of graduation. Of our state's recent high school graduates who attended a four-year institution within 12 months of graduation, about 56 percent did so outside of New Jersey, taking billions of dollars in higher education related expenditures with them. Additionally, the number of students residing in other states but enrolling in New Jersey colleges and universities is quite small. This is creating a workforce deficiency that hampers our state economy and will worsen in the years to come.
2. **Recognizing the Diversity and Evolution of Institutional Missions -** New Jersey offers a higher education system that has grown and developed to meet the changing needs of the state and nation, providing a range of options for post-secondary education and embracing educational goals that include academic excellence; learning diverse perspectives from people of diverse races, ethnicities, and cultures; commitment to community service; and personal and moral growth. New Jersey's higher education system should serve and are committed to serving the maximum possible number of high school graduates seeking a college education and to grow the nontraditional student population.

The NJPC asks that the well documented decades-long decline of funding for New Jersey higher education be reversed as per the 2010 Kean Report and more recently the NCHEMS report. As the NCHEMS report concludes, State budget and policy decisions have shifted costs to students and families through declining state support, necessitating that students and their families now pay—or borrow—much more than they can afford in hopes of attaining a higher education, a trend which will have grave consequences for New Jersey's future economy.

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