



New Jersey Commission on Higher Education Fiscal 2008 Budget Policy Statement

INTRODUCTION

An investment in higher education is an investment in our state, our economy, and our quality of life. The New Jersey Commission on Higher Education is pleased to provide budget policy recommendations for fiscal 2008 to enhance that investment. 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.

The most notable public benefit from higher education is its ability to fuel a state's economic competitiveness by preparing the workforce and advancing research. Colleges and universities equip workers with the necessary skills to increase human productivity, which in turn contributes to overall increases in economic growth. New jobs in the knowledge economy strongly favor highly skilled workers, and skill requirements for existing jobs are increasing. Furthermore, university research and development cultivates technology and innovation that drives business improvement and growth.

Recognizing the state's ongoing fiscal constraints, the Commission recommends targeted increases for higher education that will yield positive returns to our students, citizens, and state. These increases are focused on providing affordable, high-quality educational opportunities for students and enhancing the economy.

RECOMMENDATIONS FOR FISCAL 2008

Support for Colleges and Universities

State operating support and student tuition and fees are the two primary sources of revenue for most colleges and universities. Targeted operating aid increases are recommended for fiscal 2008 to help deliver high-quality programs and services and minimize increased costs for students.

Senior Public Colleges and Universities: In November, the Commission adopted *Policy Recommendations for Operating Support of Senior Public Colleges and Universities in New Jersey*. While specific details have not yet been developed for the implementation and phasing-

in of these recommendations, we encourage policymakers to consider the dual funding components of base support and targeted incentive funds to support these state institutions, which provide extensive educational opportunities and services for the state and its citizens.

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 more 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 the faculty talent to be competitive for national research awards, it is imperative that there be a stable operating base.

Continued state support of fringe benefits for employees at these institutions is equally important. The state has historically covered this significant and growing expenditure. Loss of state support for these required annual costs would require institutions to cover them with student tuition and fees and base operating aid, diminishing funds available to maintain and enhance academic quality, programs, and services.

The second component of the recent recommendations calls for incentive funds for targeted state priorities. While budget constraints may preclude initiation of this component in fiscal 2008, a pilot effort could be established with a relatively small set-aside to address a critical state need.

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: as a cost effective launch to a bachelors degree and as institutions offering associates degrees and industry recognized credentials for more immediate help in the workforce. Increased state operating support is necessary for the community colleges to help fund contractual salary and benefit increases and other inflationary costs. The Commission recommends that the state provide additional operating support for community colleges in fiscal 2008, moving closer to a one-third state share. 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.

Independent Colleges and Universities: The 14 independent colleges and universities serve over one-quarter of the students attending four-year colleges in the state. And 77 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 to enhance the quality and capacity of the educational programs. For fiscal 2008, the Commission recommends that the state initiate a multiyear plan to reach the level of funding called for in the Independent College and University Assistance Act.

Capital: In November, the Commission adopted *Long-Term Capital Planning and Support Recommendations for New Jersey Higher Education*. For fiscal 2008, we recommend the state begin providing some level of assistance to the senior public institutions to address the significant deferred maintenance needs and ensure safe and healthy campus environments.

We look forward to working with policymakers in the future to develop a statewide capital plan for higher education and mechanisms to support initial and ongoing investments in capital construction and renovation.

Support for Student Financial Aid

New Jersey has long been guided by a desire for 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 merit aid has expanded during the past decade.

Support for Disadvantaged Students: The primary student assistance programs, Tuition Aid Grants (TAG) and the Educational Opportunity Fund (EOF), should continue to be a priority. For fiscal 2008, 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. With the growing demand for higher education access, particularly from low-income and other disadvantaged families, a provision for an increased number of awards is also encouraged.

EOF serves approximately 12,300 students, but the funding for the critical academic support for these students has been flat for several years. In addition, fiscal constraints have resulted in a decrease over four years of 870 students served by the EOF Summer Program, which is so critical to the transition to college. For fiscal 2008, the Commission encourages consideration of an increase in EOF Article IV grants for institutions to provide adequate support services for all EOF students. Consideration of increased support for Article III is also recommended to enhance the quality and increase the number of students served in the EOF Summer Program.

Merit Aid: The Commission recommends revamping the merit programs. NJ STARS has shown potential as a way to attract academically talented students to the community colleges and this fall sent the first group of recipients to senior colleges. As word of the program spreads, it is expected that the number of participants will grow and require additional funds to meet the financial needs of the program as these students attend four-year colleges.

The Commission also recommends a new look at the Outstanding Scholar Recruitment Program. While the funds should be continued for existing students, we recommend that the merit program be targeted to state needs in the future and that scholarship amounts be tied to financial need. While all scholar candidates would receive aid, those scholars with demonstrated financial need would receive additional aid. Attracting and retaining the most accomplished academically talented students is not only good for the college, but we would argue that all the students at that college benefit from the inclusion of that talent.

Endowment Incentive Fund

As the institutions deal with budget constraints, the need to increase external fundraising is a top priority. Building the endowments at all of our colleges is critical if we are to build research capacity, attract the best scholars, develop stable funding sources, or respond to emerging needs.

A small investment in such a fund would leverage considerable dollars for higher education and make participating institutions more resilient in the future.

Closing

As the state struggles with competing demands and budget constraints, it will remain important for higher education to continue to find more efficient ways to provide the best service to students. The state process is being mirrored on campuses, and university departments are handling reductions as the state officials are planning for additional cuts this year. While the colleges are often seen as having the option of raising revenue through tuition 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 in which we have recommended increased state support do not represent all of the areas of need, but they are the most critical areas given limited resources and state needs. It is also important, of course, to strive to maintain state support levels for programs that serve special populations in need of targeted services.

Recognizing the direct impact of the structural budget issues on spending, we urge you to make further reductions to the higher education budget a last resort. Colleges will continue to work to operate more efficiently, and the Commission will do all that it can to support new ways of cost effective collaboration and the pursuit of external funding. Thank you for your consideration. We look forward to working with you during this budget period.