

NEW JERSEY COMMISSION ON HIGHER EDUCATION

**FISCAL 2006
BUDGET POLICY STATEMENT**

**Submitted to
The Honorable James E. McGreevey, Governor**

November 1, 2004

New Jersey Commission on Higher Education

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New Jersey Commission on Higher Education Fiscal 2006 Budget Policy Statement

Introduction

The New Jersey Commission on Higher Education is pleased to provide the Fiscal 2006 Budget Policy Statement, which is based on *A Blueprint for Excellence*, New Jersey's long-range plan for higher education. Recognizing the state's fiscal constraints, this statement summarizes all of the funding areas recommended in the plan for fiscal 2006, but underscores the two highest funding priorities for the coming year: institutional operating support and student assistance.

The quality and capacity of higher education in New Jersey has a powerful influence on the well-being of the entire state. Even at this time of severe fiscal constraints, perhaps especially at this time, educational opportunity and economic development are inseparable, and the future of the state is dependent on both. Strong, diverse higher education institutions educate the people who will lead and run the businesses and industries in our state, and the institutions' research and workforce development initiatives stimulate and enhance the state's economy.

Investment in the Public Agenda: Educational Opportunity and Economic Development

A Blueprint for Excellence is not about the needs of colleges and universities; it reflects the perspectives of various stakeholders. Developed with broad-based input around the critical needs of the state, the plan focuses on two major public agenda goals for higher education:

- Improve access and outcomes for students from preschool to graduate school
- Enhance the economy through research and workforce development

These two goals are critical to the future well-being of New Jersey, and higher education is inextricably linked to achieving each of them. They are the overarching themes of the long-range plan and the focus of the recommendations in this budget policy statement.

New Jersey is facing unprecedented demand for access to higher education for several reasons. Recent projections indicate an increase of 10,000 high school graduates between 2004 and 2010. As a result of the knowledge-based economy, the portion of those high school graduates who go on to college will increase steadily. There is also a growing need to serve more nontraditional students (those who are not recent high school graduates) who seek higher education opportunities to meet workforce demands.

As New Jersey's public and private colleges and universities take steps to increase their capacity to serve more students and to improve student outcomes, state support for the institutions and for student assistance programs is essential. Recent data indicate that while the state is a leader in

need-based aid per student, the share of income needed to pay for college expenses after financial aid at public four-year institutions has increased from 24 percent of income to 34 percent over the past decade.

It is critical that the state and institutions work together to enhance the economy by ensuring that higher education is affordable, particularly to groups that have been traditionally underserved. State census data indicate that there is a correlation between educational attainment levels within a city, county, or region and important indicators that affect economic prosperity and quality of life. Two counties at varying ends of the spectrum regarding educational attainment rates exemplify the impact of higher education.

	<u>County A</u>	<u>County B</u>
-Percent of 25 and older with baccalaureate or more	46.5	11.7
Percent employed as managers/professionals	50.3	24.8
-Median family income	\$90,605	\$45,403
-Percent of families living in poverty	2.3	11.3
-Mortality rate per 100,000	731.8	1,029.7
-Crime rate per 1,000	17.9	51.5

The cost of not having an educated populace and skilled workforce is too great to ignore. While everyone does not need a college degree, the state has a shortage of well-prepared, skilled workers with appropriate credentials to support the pharmaceuticals, biotechnology, telecommunications, and other knowledge-based industries that drive the state's economy. Educators face the difficult task of preparing individuals of all ages and backgrounds to participate successfully in society and the new economy. And this charge falls primarily to higher education.

RECOMMENDATIONS FOR FISCAL 2006 BUDGET POLICY STATEMENT

New Jersey is faced with significant fiscal constraints, and yet we must find a way to address the growing demand for higher education to maintain and improve the state's economy and quality of life. We are committed to working with state policy makers to ensure that high-quality educational programs are available to meet student and state needs. Consistent with *A Blueprint for Excellence* and focused on the public agenda for higher education, the Commission provides specific recommendations below for the fiscal 2006 budget, with a focus on the two fundamental higher education priorities:

- Increased institutional operating support for each sector to maintain and enhance programs and increase capacity to serve more students
- Increased funding for student assistance through TAG and EOF to ensure access to economically and educationally disadvantaged residents who will play a key role in the economy of the state

Institutional Operating Support

State funding for institutional operating support and student tuition and fees are the two primary sources of revenue for colleges and universities. Consistent with the long-range plan, targeted operating aid increases are recommended to assist in minimizing increased costs for students.

Community Colleges: An increase of \$21 million is recommended to maintain the plan's goal of achieving a one-third state share by 2010. Movement toward that goal also requires that each county maintain at least its current level of support.

Independent Colleges and Universities: An increase of \$3.24 million is recommended to maintain the plan's goal of fully funding the Independent College and University Act by 2010.

Senior Public Colleges and Universities: The plan calls for the development of a new funding methodology for these institutions, but discussions are ongoing, and we expect to adopt a proposed methodology next year. In the interim, sufficient state support is recommended to cover core cost increases and thereby minimize additional costs for students. Specifically, increased state support is recommended to cover negotiated salary increases, fringe benefits, and an inflationary increase of 3.5 percent on the remainder of the budget.

Student Financial Aid

New Jersey has a longstanding commitment to financial aid programs that enable students from all backgrounds to have access to and the ability to afford a high-quality higher education. New Jersey ranks second in the nation in the estimated need-based undergraduate dollars per full-time undergraduate student, and fourth in the nation in the estimated undergraduate grant dollars per full-time equivalent student. When considering the number of awards provided through all undergraduate and graduate state programs, New Jersey is providing aid to more than one-third of its full-time students, which places it 14th in the nation.

Tuition Aid Grants (TAG). It is recommended that fiscal 2006 TAG grants for the lowest-income students be funded at no less than previous year tuition levels and that other award cells be adjusted proportionately.

Educational Opportunity Fund (EOF). Funding for EOF is essential to maintain one of the nation's premier state programs to enhance higher education access and opportunity. EOF's success in retaining and graduating students is directly related to many of the other goals in the long-range plan regarding student outcomes and workforce demands. The sum of \$2.5 million, which represents the remainder of what was called for this year, is recommended for Article IV, support services, the key funding priority for EOF. It is also recommended that \$1 million be provided for Article III: \$800,000 to increase the number of student grants by 250 for the academic year grants and the summer program and \$200,000 for inflationary costs to run the existing summer program.

Other Fiscal 2006 Funding Recommendations

As stated previously, institutional operating aid and student financial assistance are the areas of greatest need in fiscal 2006. However, the other areas of need identified in *A Blueprint for Excellence* for funding consideration in fiscal 2006 are also related to the public agenda goals for higher education and are summarized below.

Capital. *A Blueprint for Excellence* addresses capital funding from three perspectives: (1) to plan for a major bond issue or other funding source, (2) to develop an annual capital program for regular renewal and replacement of facilities at the three public research universities and nine state colleges and universities, and (3) to develop a long-term plan for capital needs. A task force is to be established in fall 2004 to develop long-term capital recommendations for the entire system. In the interim, consistent with last year's recommendation, \$36.3 million (1.0 percent of current replacement value) is requested for renewal and renovation at the senior public institutions.

College Bound Grant Program: Based on the long-range plan, an additional \$2 million is recommended for the College Bound Grant Program, which assists disadvantaged students in grades 6-12 complete secondary school and successfully pursue a postsecondary education in the sciences, mathematics, or technology. The recommended increase would enable College Bound to serve an estimated six new programs in Abbott Districts where there are none and expand the number of Abbott District students served from 2100 to over 3200. Expansion of this program, which has had level funding for 13 years, is a critical component in closing the achievement gap, reducing remediation, and building a pipeline for high-demand workforce areas.

Underserved Areas: Consistent with *A Blueprint for Excellence* and based on a working group's proposed framework, a fiscal 2006 appropriation of \$3 million is recommended for incentive grants to increase access to baccalaureate and graduate degree programs in underserved areas of the state. The incentive grants would be directed to degree programs related to high-demand workforce needs as defined in fall 2004 by the Commission in collaboration with the Department of Labor and Workforce Development. Grants would be competitive, and the funds could be used over one to three years to support programs that meet a defined need, use "seed money" efficiently, and develop collaborative partnerships both within and outside of the higher education community.

Customized Training: The plan recommends consideration of targeted support in fiscal 2006, through the state's Workforce Development Partnership, for programs that provide a pipeline to meet workforce needs in areas with longstanding shortages. This program falls within the Department of Labor and Workforce Development, and the Commission will support that agency's recommendation in this regard.

Teacher Education Grant Programs: The assessment of the teacher education grant programs shows very positive results; additional targeted funds in this area should be considered. Consistent with the long-range plan, the Commission is working with the Department of Education on several related issues, including the need for incentives for exemplary

partnerships and professional development schools. Additional funding of \$3 million is recommended. The specific focus of the grants will be determined in spring 2005 based on ongoing collaborative analysis and discussion.

SUMMARY

Even in the face of significant fiscal constraints, prudent state appropriations for higher education are a wise investment, rather than an expense. Each of the previous budget recommendations addresses areas that are central to higher education's capacity to improve student access and achievement and support the state's economy. Within the context of overall needs, the two fundamental areas for increased investment in fiscal 2006 are: (1) institutional operating aid, and (2) student financial assistance programs. Widespread access to high-quality higher education opportunities depends on sufficient state support in both areas. The five recommended increases in specific areas represent efforts to address several targeted state needs.

The Commission on Higher Education recognizes that state government is faced with extremely difficult fiscal decisions. We respectfully encourage that all due consideration be given to the overall impact of educational attainment on the state's future economy and quality of life as those decisions are made. Colleges and universities in New Jersey are the key to educational opportunity and economic development.