



POLICY RECOMMENDATIONS FOR OPERATING SUPPORT OF SENIOR PUBLIC COLLEGES AND UNIVERSITIES IN NEW JERSEY

Introduction

New Jersey's Long-Range Plan for Higher Education, *A Blueprint for Excellence*, calls for state funding policies and methodologies to guide the allocation of sufficient and predictable state operating support for colleges and universities in New Jersey. It further recommends that such policies support the state's vision to achieve greater levels of excellence and opportunity in higher education. The achievement of that vision is integral to New Jersey's future economic and social prosperity.

The state currently has operating aid policies and methodologies for the community colleges and the independent colleges with a public mission, which provide funding-level targets and distribution guidance. There are no generally accepted state funding policies, however, for the public research universities and state colleges and universities (senior public institutions). Yet, of all the higher education institutions in New Jersey, the senior publics rely to the greatest extent on direct state operating aid.

Proposed General Funding Principles and Policies

Responsibility for fulfilling individual institutional missions and state goals lies with the state's senior public colleges and universities, within a coordinated plan for higher education. At the same time, dependable state financial support for these institutions is essential to achieving specific state priorities and maintaining diverse institutional missions.

The following recommendations pertain to state funding principles and policies for the senior public institutions for operating aid only; they do not address capital support or student financial aid. The proposed state policies for operating support are based on four guiding principles.

Guiding Principles

- State support should be linked to New Jersey's broad goals for access, affordability, and excellence in higher education.
- Funding policies should recognize diverse institutional missions.
- The state should maintain a commitment to sufficient and predictable base funding.
- State operating support should be responsive to changing demands and circumstances through incentive funding for targeted state priorities.

Proposed Operating Support Policies

Consistent with the guiding principles, it is recommended that New Jersey's funding policy for the senior public institutions have a dual focus: base operating support and incentive funds for targeted state priorities. Ongoing base funding support provides a stable foundation for operations. At the same time, higher education is critical to the state's competitiveness in the global economy, and targeted state support is necessary to capitalize on specific areas that are critical to New Jersey's future.

As budgets are developed each year, and particularly as targeted state initiatives are framed, the higher education community should provide coordinated, collaborative advice to the Governor and Legislature through the Commission on Higher Education and Presidents' Council to assist in making informed decisions.

Dual Components

(I.) A base allocation for each institution should be determined. (II.) Additional allocations should be made in response to targeted state priorities.

Component I. - Base operating support.

A base state allocation for operations will be determined for each institution, and that base will be increased each year by state salary program support (with a clearly defined, agreed upon definition) and by state support for a portion of the non-salary inflationary costs.

Outside of the base allocation, each institution will receive state support to cover fringe benefit increases each year.

An institution's base allocation will also increase as a result of targeted incentive funds described below, some of which will be included in the base in subsequent years.

Component II. - Incentive funds for targeted state priorities.

Incentive funds set aside for targeted state priorities such as enrollment growth, improvement in graduation rates, economic development, academic excellence to advance New Jersey's national competitiveness, and expansion of research and development, will be allocated to institutions.

Depending on the nature of a particular state priority, funds may be provided as one-time seed grants or they may be partially or totally built into base budgets in succeeding years, with links to accountability for outcomes. For example, the state may target grant funds for a particular state economic development goal, providing funds to initiate a project or program that requires initial expenditures to get started. Or funds may be targeted to support long-term objectives such as improved graduation rates, and support may be built into the base.

The method of distribution or contracting for incentive funds will be determined based on the particular targeted priority program. The Commission, working with state leaders and college presidents, will establish accountability targets and measure progress toward achieving state goals and objectives within the context of available state dollars.

Specific details for these dual components will be developed collaboratively to ensure appropriate levels of funding for each institution and a phase-in of the new funding policy/methodology.

The base operating support and the targeted incentive funds are both important to New Jersey and its future. Even in times of difficult fiscal constraints, effort should be made to at least maintain and as possible increase funding for each of the dual components.