

**New Jersey Presidents' Council**  
**FY 2008 Statement of Need**  
**12/11/06**

There is a critical link between any state's economic and social well-being and the quality, capacity, and accessibility of its higher education institutions. In New Jersey, state support for higher education for at least the last decade has not allowed the institutions to provide the educational opportunities deserved by the people of New Jersey. As a result, the institutions have not been able to address the critical needs of the state as fully or rapidly as would have been desired. In addition, there does not currently exist a long-term funding structure to provide policy makers a context for their annual judgments about the extent to which the state's current investment in higher education is yielding concomitant benefits to the state.

Within that difficult context, the Presidents' Council sets forth this FY 2008 statement of need which addresses: first, operating support; second, capital needs; third, student financial support; fourth, support for important collaborative initiatives; and fifth, a joint effort by state policy makers and the state's institutions of higher education to be explicit about their obligations to, and expectations of, each other.

**I. Operating Appropriations**

**A. Senior Public Institutions**

The current context:

*"There has been no clear funding policy or methodology for the public research universities or the state colleges and universities since the 1980's, resulting generally in across-the-board annual increases or decreases for all twelve senior public institutions without regard to enrollment, programmatic need, or other considerations.*

*"It is understandable that predictability of state operating appropriations for all sectors is affected by the state's overall fiscal condition in a given year. But state funding predictability and adequacy have been lacking even in the best of fiscal climates, which is apparent in comparing the percent change of the higher education budget over time with that of the state budget and New Jersey's gross state product. This lack of adequate and predictable funding impedes efficient and effective management of institutions and predictability of student tuition and fees." (NJ Commission on Higher Education, A Blueprint for Excellence, 2005 Update, pp. 27-28.)*

Because of the special and inter-dependent relationship between the senior public institutions and the state, in accordance with statute, the specific FY 2008 budget request of each of the senior public institutions has been submitted separately to the Treasurer through the Office of Management and Budget in conformance with the parameters and format required by that Office. Each of those individual requests reflects the particular and differing needs of each of the senior public institutions, and the Presidents' Council refers policy-makers to those documents.

Consistent with the principles set forth in the recently developed CHE “Policy Recommendations for Operating Support of Senior Public Colleges and Universities,” the Presidents’ Council, on behalf of these institutions, recognizes the need for an increase to their operating support in an amount equal to a minimum of a 3% increase over their FY 2006 operating support, that is, a \$125.6 million increase to their \$854 million FY 2007 appropriation, as well as the need for full funding of any increases in salaries or fringe benefits pursuant to state negotiations of collective bargaining agreements.

## **B. County Colleges**

### The current context:

*“New Jersey statutes set forth a state operating support level for the community colleges, but state support has never met the statutory level, and there is often little predictability regarding increased support from one year to the next. While the statute calls for the state to support 43 to 50 percent of community college operating costs, the state has been focused recently on trying to get county, student, and state levels each to one-third.” (NJ Commission on Higher Education, A Blueprint for Excellence, 2005 Update, p.30.)*

The statement of need for the county colleges is based on the principle that the costs of these institutions should be shared equally by the state, the counties, and the students. While the county colleges understand that it is not practical to achieve this goal in the near-term due to the fiscal condition of the state, it is reasonable for the state to fund one-third of the additional costs attributable to recent enrollment growth at these colleges. The cost of this growth is defined as the estimated FY2008 cost per FTE (\$7,255) multiplied by an estimation of the FTEs that will have been added between FY2006 and FY 2008 (6,592). This approach provides some parity to community colleges. They are faced with the same fixed cost pressures for salary and fringe benefit increases as are the senior public institutions. The only way for the state to help with these costs is through increased operating aid. On behalf of these institutions, the Presidents’ Council recognizes the need for an increase of \$16,000,000 to the \$155,806,000 FY2007 appropriation for operating support and for the Supplemental Work Fund. The county colleges estimate that, were they to receive that increase, state support would constitute 26% of their estimated total operating support for FY2008, county support would constitute 26% and student support would constitute 48%.

## **C. Independent Colleges and Universities**

### The current context:

*“The Independent College and University Assistance Act was passed in 1972 and amended in 1979. The act provides state support to independent colleges and universities that serve a public mission. The statutory funding is tied to the number of full-time-equivalent New Jersey undergraduates enrolled during the prebudget year at eligible independent institutions multiplied by 25 percent of direct per-student support in the state colleges and universities during the prebudget year.” (NJ Commission on Higher Education, A Blueprint for Excellence, 2005 Update, p.31.)*

The statement of need for the independent colleges and universities is based on the plan set forth in the CHE’s *A Blueprint for Excellence* that calls for full funding of the provisions of the Independent

College and University Assistance Act by FY 2009. On behalf of these institutions, the Presidents' Council recognizes the need for a minimum of a \$4.5 million increase to their \$19.5 million FY 2007 appropriation. Such an increase would constitute funding of the provisions of that Act at a level of approximately 80%, an improvement over the 63.8% funding level in FY 2007, and progress toward full funding.

## **II. Capital Support**

The current context:

*“New Jersey’s capital bond programs have not kept pace with the need to preserve existing campuses or to expand to meet growing demands. The state has passed on, by default, a very large share of the responsibility for facilities to the institutions and their students. The senior public colleges and universities, which have increasingly relied on their own debt for facility investment, are now among the most leveraged public institutions in the nation, according to bond rating agencies. The resulting debt service generally falls to students through tuition and fees.*

*“The community colleges benefit from a 1971 statute (known as ‘Chapter 12’), in addition to periodic state bond programs. Chapter 12 provides a revolving fund for construction and renewal, with debt service shared by the state and the county. Similar and more recent statutes, meant to be a continuing source of support for construction and renovation in all sectors, have not been refunded to provide ongoing capital assistance.” (NJ Commission on Higher Education, A Blueprint for Excellence, 2005 Update, p.32)*

In October 2006, the Presidents' Council approved the “Long-Term Policy Recommendations for Capital Support of Higher Education in New Jersey” developed by the Commission on Higher Education. Component II of that proposal addresses long term financing of capital construction. Last year, the public and independent universities and colleges of New Jersey joined together to develop a unified facilities bond proposal (Proposal for Capital Bond Projects, November, 2005). The proposal was designed to expand college opportunity for New Jerseyans, to enhance economic prosperity, to build a more robust New Jersey workforce, to produce new knowledge through research, and to attract businesses and top students to New Jersey. This bond proposal is entirely consistent with the CHE policy, and the Presidents' Council therefore recognizes the need for the Legislature to enact legislation to provide for a \$2.705 billion higher education facilities bond for voter approval in November 2007 or some alternative plan to address the capital needs of the state's institutions.

Also, consistent with the CHE policy recommendations, the Presidents' Council recognizes the need for \$65.5 million for the senior public institutions in FY '08 to assist with critical deferred maintenance, an amount equal to 1.0% of the replacement value of those campuses. There have been no appropriations for campus maintenance and renewal since 1999. The senior public institutions pledge to match such an appropriation with an additional .5% from their operating budgets.

## **III. Student Financial Support**

The current context:

*“Guided by these three principles [access, affordability, and choice], New Jersey is consistently among the leaders in the nation in providing need-based student financial assistance and has expanded merit-based aid during the past decade....*

*“The enrollment of students of color and other traditionally underrepresented students continues to increase in New Jersey. Overall demographics suggest that future undergraduate student populations will require substantially increased levels of financial assistance and support to ensure improved levels of persistence. Net costs for students to attend college in New Jersey, and across the nation, have increased rapidly and are threatening postsecondary opportunity for low- and middle-income students.” (NJ Commission on Higher Education, A Blueprint for Excellence, 2005 Update, p.23)*

The Presidents’ Council supports the Higher Education Student Assistance Authority (HESAA) budget request for \$26.7 million that would fund Tuition Aid Grant (TAG) increases in the two neediest cells to a one-year lag in the first cell and a two-year lag in the second cell; maintain the three-year tuition lag in the other award cells; provide for 1,375 additional TAG awards; maintain Part-Time TAG for county college students; increase funding for NJSTARS and NJSTARS II; fund the Outstanding Scholar Recruitment Program to support all four cohorts, and restore the Veterinary Medicine Education Program.

In regard to the most recently created program, the STARS II program, the grant provided to the senior public institutions which was intended to cover the cost of tuition and fees for these transfer students (\$2,000 a term) is insufficient for the purpose, and the state’s senior public institutions were left to subsidize these scholarships by approximately \$650,000 in FY ‘07. The Presidents’ Council therefore requests that the program be amended either to provide adequate funds for its implementation or to limit the benefit provided by the program to the available funds. The grant for each student would need to be increased from \$2,000 per semester to \$4,500 per semester in order to cover the actual cost of the program, and, therefore, assuming that 170 students participate in the STARS II program in FY 2008, the required appropriation for full funding would be \$1,530,000, or an increase of \$850,000 over the current program.

In addition, the Educational Opportunity Fund (EOF) provides both campus-based programmatic support (Article IV) and student-based financial support (Article III). The Presidents’ Council endorses the EOF Board request to increase EOF funding by \$3 million.

#### **IV. Collaborative and Special Initiatives**

Through the Presidents’ Council and the Commission on Higher Education, New Jersey’s institutions of higher education have developed several major collaborative initiatives that have provided important benefits to the state with a high degree of efficiency. These initiatives represent exactly the type of inter-institutional collaboration to enhance quality and efficiency that has been called for by the Legislature and the Governor.

NJEDge.Net has created a powerful technology infrastructure that, with significant cost savings, provides broadband capacity to all of the state’s institutions, as well as back up security in case of national emergencies and the ability to support services to the K-12 sector, state agencies, and other

New Jersey non-profits. The Presidents' Council recognizes the need for restitution of the modest support provided by the state to this critical initiative, specifically \$350,000.

Similarly, NJTransfer has provided a significant benefit to the state's students as they move from one to another of the state's institutions. The Presidents' Council recognizes the need for restitution of the modest support provided by the state for this important program, specifically \$390,000.

Several years ago, the State of New Jersey approved the Higher Education Incentive Funding Act (N.J.S.A. 19A:62-29), an Act that created a match, over 10 years, for gifts larger than \$ 1 million received by the senior publics (lesser amounts and a smaller match were designated for the community colleges and the public mission independents, respectively). In recent years, this Act has received \$3 million in funding, an amount substantially less than what would be required for a full match, but sufficient to ensure that the spirit of the Act was kept alive. For FY 07, no funding was given, disappointing donors who contributed large sums in the expectation that their gifts would be matched.

The Presidents' Council recognizes the need for restitution of at least \$3 million to permit the partial match of recent years to be resumed.

## **V. Accountability**

The Governor, the Legislature, and the people of New Jersey have a right to expect that the state's investment in higher education will yield results that are in accord with priorities that the state establishes for these institutions. However, in order for the institutions to demonstrate their accomplishments in regard to such priorities they must first be articulated, and hopefully supported, by the state.

Priority areas for the institutions might touch upon any number of aspects of higher education, of which the following are just some examples:

- Enrollment at various degree levels
- Capacity in specific program areas
- Numbers of graduates
- Quality of programs
- Extent of funding from non-state sources
- Graduation and retention rates
- Diversity of student population
- Proportion of instruction provided by full time faculty
- Collaborative initiatives
- Cost to students
- Research accomplishments and technology transfer
- Community service

Without clarity of purpose and intentionality in the appropriations process, judgments about how well the institutions are returning value for the investment being made by the state will vary

depending on each individual's sense of the priorities, instead of being measured against policies that have been articulated for the state.

Similarly, in the area of efficiency, it is not possible to make sound judgments about whether or not institutions are using resources efficiently if there is no common understanding about what it should cost to educate a student at various degree levels, in various fields of study, and at varying levels of quality. That information can only be derived by examining, within the context of national standards and best practices, the investment of the state and the accomplishments of the institutions in regard to priority objectives such as those listed above. The rich diversity of the state's institutions can together address the full range of the state's needs, and the alignment of the state's critical needs with the performance of the institutions and the state's investment should be a shared goal of policy makers and higher education.

The Presidents' Council expresses its willingness to be engaged in the establishment of clear expectations and priorities for the state's institutions of higher education and for the state's support of these institutions. The institutions stand ready to focus on state priorities, and they seek the state's commitment to provide the funds reasonably necessary to their efforts.

## **STATEMENT OF NEED**

1. Operating Support, Student Financial Support, Deferred Maintenance, and Collaborative Initiatives

|                                    |                             |
|------------------------------------|-----------------------------|
| Senior Public Operating Support    | \$125,585,000               |
| County College Operating Support   | \$ 16,000,000               |
| Independent Operating Support      | \$ 4,500,000                |
| Senior Public Deferred Maintenance | \$ 65,545,000               |
| Student Financial Support          | \$ 29,700,000               |
| NJ Stars II                        | \$ 850,000                  |
| Collaborative Initiatives          | \$ 3,740,000                |
| <b>TOTAL FY '08 INCREASES</b>      | <b><u>\$245,920,000</u></b> |

2. Full support for any cost increases that arise pursuant to the state's negotiation of collective bargaining agreements, as well as for benefits.

3. Enactment of legislation to provide for a \$2.705 billion higher education facilities bond or an alternative plan to meet the capital needs of the state's institutions.

4. A joint effort by government and the higher education community to establish clear priorities and expectations for institutional performance and state support within the context of national standards.