

Good Policy Counts as Much as Good Funding

Darryl G. Greer, Executive Director/CEO

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When voicing the need for responsible state investment in higher education, policy principles are at least as important as increased dollars. For the nine state colleges and universities, New Jersey's principal baccalaureate resource, these policy principles are paramount in considering the FY 2008 state budget.

Fund State Mandates. The state should fund the salary increases it negotiates with employee unions. The state colleges and universities greatly value their talented faculty and staff, but the state often passes the cost of their raises on to the institutions. Passing along this I.O.U. helps drive college costs beyond the rate of inflation. We estimate that the prospective state negotiated contracts could cost the state colleges and universities \$18-20 million in FY 2008, alone; much more counting other public universities.

Likewise, to help keep college affordable, the state should fulfill promises of student aid that are yet to be adequately funded. A prominent example is the new NJ STARS II program to help high achieving community college students transfer to four-year colleges. Under the current budget, STARS II leaves a gap of about \$1 million to be covered, somehow, but the state colleges. Such unfunded mandates play havoc with institutional budgets and hamper efforts to hold down cost increases to students and their families.

With these mandates fully funded, higher education spending and college costs would be much more transparent for students, families and policymakers.

Make Basic Support Predictable. Up 4% one year, down 8% the next, and up 4% the year after; with no capital funding for facilities. This is no way to provide fiscal stability to institutions or to those who pay tuition. It also obscures the true pattern of state investment.

The promise of stable, predictable, long-range state investment in educational and facilities funding would make college more affordable and allow more certainty in projecting tuition increases.

Make Student Aid More Rational. New Jersey student aid programs are a success story. Yet, the state should think carefully before investing in new programs, or curtailing existing ones. One example is the Outstanding Scholar Recruitment Program, designed to reverse the brain drain by keeping talented students here. New Jersey is the number one exporter of college bound students. The Washington, DC-based Institute for Higher Education Policy (IHEP) concluded in a 2004 study for the New Jersey Higher Education Student Assistance Authority, that the program ought to be continued, made statutory, expanded, and better publicized. The current budget proposal phases out the program.

Fund Ongoing and Long-Term Facilities Needs. The state should answer the call to fund higher education facilities needs. With needs for all New Jersey institutions conservatively estimated at \$6 billion, and no state capital appropriations for years, New Jersey is losing its competitiveness among states. At risk is losing more students to out-of-state institutions with the lab, classrooms, and equipment they need. Students who stay are asked to pay for facilities costs and debt through higher tuition.

One way to fund facilities is through a general obligation bond issue for higher education. There has not been one since 1988. Another helpful step would be a separate annual appropriation (typical in most states) to public institutions for facilities. If the state cannot afford such steps, it must do all it can to help institutions manage these costs in innovative ways, by changing regulations governing construction to allow for private partnerships.

Reconsider Endowment Incentives. State officials are making it clearer than ever that they expect our institutions to raise more funds from the private sector. In this context, it makes sense for New Jersey to reinstate its Incentive Endowment Program, which matches state dollars with major private donations. When the state shows it is willing to invest strategically in institutions, donors are more likely to do likewise.

Don't Penalize Institutions for Enrolling Some Out-of-State Students. New Jersey has a questionable, new policy proposal that exacts a fiscal penalty on institutions which serve out-of-state students but which

do not charge them 100% of Trenton's estimate of per-student education cost. The policy does double-edged harm. It risks that public institutions in other states will treat New Jersey students likewise, thus costing families more. It also makes our schools less attractive to students out-of-state who can enrich and diversify our colleges, and who may settle and begin careers in the Garden State.

If there were tens of thousands of out-of-state students at New Jersey public universities, displacement of state residents would be a valid concern. However, typically about 95% of the undergraduates at New Jersey state colleges and universities are New Jersey residents.

Help Institutions Become More Efficient. Two examples follow: Let colleges handle their own workers' compensation claims. Provide more flexibility in contracting and for facilities construction. It is proper to hold institutions accountable for efficiency standards. Let them explain how they can best do this, working with business and labor. Don't tie their hands.

As the budget for FY 2008 is discussed and shaped in Trenton over the coming months, we look forward to working with the governor, the legislature and others on policy that will make college opportunity a reality for New Jerseyans.