



Twelve Critical Facts About the Condition of the State Colleges and Universities

Fact 1: New Jersey state colleges and universities rank nationally #3 in productivity for baccalaureate/master's institutions.

Fact 2: During the past decade, minority enrollment, full-time residential enrollment, and retention and graduation rates have improved despite declining state support.

Fact 3: Major gifts and grants to the state colleges and universities have improved significantly, with some of the largest in the institutions' history.

Fact 4: Higher education's share of total state budget has declined by almost one-half since FY 1983 to 5.4% from 9.8%.

Fact 5: With declining state investment, students' share of educational costs has risen to over 50%, from about 30%, since FY 1990.

Fact 6: The share of family disposable income needed to pay for college has risen to 15%, from 9%, since FY 1991.

Fact 7: Underfunding of state-negotiated contracts since FY 1997 amounts to \$145 million absorbed by the colleges/universities, or passed on to students in the form of higher tuition and fees.

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ASSOCIATION ON PROPOSED FY 2008 STATE BUDGET: Dollar Increases Welcome, But Policy Trends Uncertain

According to Darryl Greer, executive director of the New Jersey Association of State Colleges and Universities (ASCU), the Administration's FY 2008 spending plan for higher education is encouraging, given that it increases investment in the wake of deep cuts of last year, but can benefit from some refocused policy principles to fulfill a state vision for higher education opportunity and state prosperity.

ASCU's budget statement, issued March 29, applauds the average four percent increase proposed by the governor for its members this year, which replaces about one-half of direct appropriations cut in FY 2007. Thomas Edison, which would lose money under the proposed plan, is the exception.

Funding for salary mandates is most urgent need. It is anticipated that, when the collective bargaining process is completed by the state, the most urgent need of New Jersey's nine state colleges and universities will be funding to meet the costs of state-mandated salary increases, which remain unfunded in the governor's proposed budget. Responsible projections suggest that the new costs for unfunded FY 2008 salary obligations could be in the \$18-20 million range.

While appreciating the \$2 million included in the proposal for current year (FY07) salary mandates, there remains a shortfall of approximately \$5.5 million for the unfunded portion of the deferred obligations. ASCU is requesting that the Legislature consider providing a portion of that remainder.

"Positive reform of state budgeting must include a commitment to meet state contractual obligations rather than pass them on to colleges and students," says the ASCU Executive Director.

Other budget priorities cited by ASCU include:

■ Adequate funding of the NJ STARS II merit aid program to address an anticipated funding gap of \$850,000 for all senior public institutions, enough to match the average tuition and fees bill of \$9,000.

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Moody's: State-Imposed Tuition Caps Threaten Institutions' Financial Balance

According to a March report of Moody's Investors Service, "formal state regulation of public university tuition rates" hurts the credit quality of these institutions. The widely regarded global credit research bureau gives as the cause of this dynamic the "increasingly critical role of tuition as the revenue source that enables public universities to sustain fiscal balance while adjusting to state fiscal volatility."

It cautions bondholders that legislative caps on raising tuition, such as those enacted in the Garden State over the past several years, "could prevent institutions from being able to rationally react to unexpected cuts in state funding and could make achieving fiscal balance increasingly challenging during the normal swings in state support driven by economic cyclicity."

The report goes on to say that tuition controls by the state "would likely affect the ability of institutions to invest and compete with private universities." It notes that increases in tuition often support competitive faculty salaries, academic program enhancements, technology improvements and maintaining manageable class sizes.

Financial burden shift called "privatization." This opinion on tuition caps is presented in the context of a long-term trend Moody's calls "Higher Education Privatization," which includes both state funding disinvestment or volatility made worse by increasing expectations that institutions assume "responsibility for covering the costs of their buildings, both construction of new buildings and maintenance of existing facilities." The report presents data showing how tuition has risen "to fill the funding gap left by decreasing state support."

If Moody's is right, in New Jersey we find the perfect recipe for institutional financial insecurity: volatile state funding, large unfunded salary mandates, lack of any regular annual facilities funding, and no general obligation bond for higher education facilities since 1988, topped with legislatively mandated tuition limits.

While bond ratings for New Jersey institutions remain strong, they could suffer if the legislature persists in capping tuition increases, hurting student affordability in the long term by driving up debt costs. ■

TWELVE CRITICAL FACTS

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Fact 8: New Jersey has no capital budget for higher education facilities. No significant general obligation bond investment has been passed since 1988.

Fact 9: Tuition is among the highest in the nation (top 5) because of the absence of capital funding and the state's failure to pay for mandated costs, especially the entire cost of labor contracts.

Fact 10: New Jersey state colleges and universities have among the highest debt levels in the nation - yet high bond ratings - and bond agencies find the debt to be well managed. Bond raters' biggest concern is state regulation that could turn back the clock on responsible enrollment and financial policy set by boards of trustees.

Fact 11: Public confidence in New Jersey's ability to reform public service through regulation is waning. A 2005 scientific poll indicates that New Jerseyans trust citizen volunteer boards of trustees, by a 4 to 1 margin, over state government, to oversee new investment in higher education.

Fact 12: New Jersey ranks 45th in the nation in public college/university capacity (undergraduate seats) to serve its citizens, partially accounting for New Jersey ranking 1st nationally in net loss of college bound students (30,000 annually). ■

Trustee Seminar Focuses on New Context for Governance

ASCU's annual seminar for new trustees was held March 28, 2007 and featured special guests Richard Novak, Director of Public Sector Programs for the Center for Public Trusteeship and Governance, Association of Governing Boards of Universities and Colleges; Jane Oates, Executive Director of the NJ Commission on Higher Education and Senior Policy Advisor to the Governor; and Deputy Attorney General Barbara Kleva.

The meeting, which typically includes student trustees and some veteran trustees, focused on the responsibilities of trustees in a new context that includes scarcer resources coupled with greater expectations about good governance, accountability and transparency.

Novak, in his remarks, called for close attention to national concerns such as overall effectiveness and accountability issues including "Sarbanes-Oxley type" concerns such as ethics and conflict of interest policy. Novak stressed the need for periodic board self-assessment along the lines of public openness, overall board functioning, dispersion of board leadership, mentoring of new board members and board member willingness to give of themselves financially in light of the increased need for donations from the private sector and individuals.

He said that boards ought to look for a balance that includes the best of: citizen boards, which are often adept at listening to the community, and corporate boards, the best of which are skillful at delegating authority to senior executives and holding them accountable.

For a more extensive paper reflecting Mr. Novak's views, go to www.njascu.org/example_forums.htm.

Mr. Novak suggested that many coordinating boards (state-level higher education agencies) across the nation are struggling with their appropriate role in the context of greater expectations of institutions and limited state resources. He said that in New Jersey the current state coordination model seems to be working well with its blend of high institutional autonomy and dual agencies to provide statewide vision and advocacy (Commission on Higher Education and Presidents' Council).

Jane Oates discussed the governor's acknowledgment of the important role of higher education in serving the state,

and his high expectations that trustees will govern well and maintain the public trust. The governor, she said, is seeking to connect higher education with other state policy priorities, starting at the cabinet level, through her office.

Barbara Kleva briefed the participants on aspects of New Jersey's Open Public Meetings Act and other legal matters of interest. ■

DOLLAR INCREASES WELCOME

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- Full reinstatement of the Outstanding Scholar Recruitment Program, a merit aid program being phased out despite a positive external review of the program as being effective in helping the state to keep more of its most well-prepared and high achieving students.
- Eliminating policy that levies a financial penalty on New Jersey public colleges that don't charge out-of-state students 100% of what the state deems to be the cost of their education (which ASCU views as an invitation for other states to retaliate).

Beyond budget: the need for smart policy. Several of ASCU's major requests to the legislature are for things that don't require state spending and help with cost efficiency and cost accountability. They include:

- Leadership from elected officials, to get behind a broad vision for opportunity, such as the Commission on Higher Education's "Blueprint for Excellence."
- Enabling institutions, for the sake of cost-efficiency, to take direct control over certain state-related functions such as workers' compensation.
- Providing institutions options to better manage facilities costs through innovative arrangements that encourage private partnerships and investment.

Notes Greer, "At a time of limited resources for higher education and restrained investment, finding new cost control steps is of paramount importance if we are going to preserve access, affordability, quality and, as a state with a knowledge-based economy, competitiveness." ■



New Study of Public View of State Colleges/Universities

The Association will engage a top national opinion research firm, Penn, Schoen & Berland Associates, to conduct a study of how the New Jersey public views the state colleges and universities, including questions about college affordability, public trust, governance, and new state investment. The results, as with past ASCU polls, will be made public once the survey is completed.

The ASCU *2007 State College/University Sourcebook* is now available via the Association's website. This edition contains new information including, enrollment vs. funding trends; salary program shortfall numbers since FY 1997; and state higher education appropriations (not including fringe benefit payments) as a share of the state's overall budget since FY 1983. For how New Jersey compares to other states, see page 5 of the Sourcebook, "Measuring Up," which includes some new measures.



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- Rowan University
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- William Paterson University

Big State Issue: Loss of College-Bound High School Graduates

Illinois is experiencing the loss "of an alarming number of students to colleges and universities in neighboring states," according to an Illinois State University study released in March 2007, and reported in the *St. Louis Dispatch*. The article cited the net loss of 66,000 students over a 10-year period. The article pointed out research showing that "half of all students who leave their home state for higher education don't come back, and those who return are more likely to leave again." How does New Jersey compare to this state with a population of about 13 million? **New Jersey's net-loss from migrating college-bound high school graduates over the past decade is three times greater than that of Illinois. At about 200,000, this loss is, unfortunately, the greatest among the 50 states.** ■