



NEW JERSEY

# Association of State Colleges and Universities

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## **NJASCU Testimony on Senate Bill No. 2214**

### **Senate Higher Education Committee**

**May 23, 2016**

The state colleges and universities support the intent behind Senate Bill No. 2214. Our institutions provide their students with extensive information to make the cost of attendance as transparent as possible. Without significant amendments, however, we respectfully oppose the bill.

Under Section 1, we are concerned that the bill would set New Jersey apart from best practices and procedures recommended by the National Association of College and University Budget Officers (NACUBO). For example, the bill would require institutions to establish separate funds for each individual mandatory student fee, and to implement separate accounting procedures regarding student fees. As NACUBO explains in the attached section of its Financial Accounting and Reporting Manual, there are differences between designated fees and restricted fees, and they are treated differently in their accounting. With regard to restricted fees, NACUBO indicates that “there is no need to subsequently recognize or measure restricted fee revenue,” and fees are recorded “net of allowances and discounts.”

Section 2 of the bill would require colleges and universities to provide a financial aid “shopping sheet” to prospective students and their families. Again, while we support the intent of the legislation, we have concerns regarding its implementation.

First, much of the information which would be required by this bill is already provided by colleges and universities pursuant to the New Jersey College Student and Parent Consumer Information Act (P.L.2009, Ch.197). Under that law, the colleges and universities already provide informative data regarding access and cost including, but not limited to: overall four-year and six-year graduation rates; the student transfer rates; the cost of attending the institution for the current academic year; a description of the types of financial assistance offered directly by the institutions to both student athletes and non-athletes; the total projected cost for an incoming freshman to complete a degree in four years versus six years; the average loan indebtedness for four-year graduates who live on campus versus those who commute; and the average loan indebtedness for six-year graduates who live on campus versus those who commute. This information can be found on the New Jersey Higher Education website: <http://nj.gov/highereducation/ConsumerInfo.htm>.

We also have concerns about the feasibility of collecting or predicting some of the data required under the bill. For example, sections b(2), b(3) and b(4) require the colleges and universities to provide student eligibility per year for grants and scholarships, the net amount

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*The College of New Jersey  
Kean University  
Montclair State University*

*New Jersey City University  
Ramapo College of New Jersey  
Rowan University*

*Stockton University  
Thomas Edison State University  
William Paterson University*

the student will owe after factoring in those grants and scholarships, and the total amount per year of student eligibility for student loans and work study funds. It would be impossible for our schools to predict a particular student's eligibility for assistance for years into the future.

It is instructive to consider the federal version of the shopping sheet, which is attached for your convenience and referenced as a potential model in the bill and can be found online at <https://www.ifap.ed.gov/eannouncements/attachments/ShoppingSheetTemplate20152016.pdf>. The federal Shopping Sheet became available for use beginning in the 2013-2014 award year. In July 2012, the Obama Administration unveiled the 2013-2014 version of the Shopping Sheet. At the same time, Education Secretary Arne Duncan published an open letter to college and university presidents asking institutions to adopt the Shopping Sheet for use during the 2013-2014 school year. On December 13, 2013, the Department released the 2014-2015 edition of the Shopping Sheet.

As you will see, the sheet provides the estimated costs of attendance, calculations for grants and scholarships, and options to pay net costs which are specific to the prospective student for the upcoming academic year. With regard to the total borrowing and repayment amounts, the sheet provides only averages for students at the institution, and notes that every student's borrowing may be different.

The federal model is accepted in the higher education community as the national standard, and for that reason we respectfully request that S-2214 be amended to require only the information which is set forth on the federal shopping sheet. We also ask that the bill be harmonized with the already existing law, the New Jersey College Student and Parent Consumer Information Act (P.L.2009, Ch.197).

Thank you for considering our comments.

## **Fees charges to students**

**Source – Chapter 300, Public Institutions, NACUBO Financial Accounting and Reporting Manual**

### **¶361.3 Introduction**

In certain cases, an institution will explicitly represent to individuals remitting fees that the fees or a specific portion of the fees will be used only for a specific operating or non-operating purpose. The representation results in a restriction to use the resources raised only for the stipulated purposes. Examples include fees for athletics, transportation systems, student publications, student recreation, and allocation to student organizations.

Debt service on educational plant or renewals, replacements, or additions to capital assets also may result in the assessment of a special fee to students. For example, a bond covenant on an academic building may indicate that fees of \$25 for each student for each semester will be used to fund a building repair and replacement reserve.

### **¶361.4 Initial Recognition and Measurement**

As an exchange transaction, fees, including restricted fees, should be recognized on the accrual basis; that is, as the revenue is earned by the institution. When specific fees are assessed under binding external restrictions, they should be classified as restricted net position—expendable since they are not legally available for any other institutional purpose. (Generally, the resources raised by restricted fees would not be required to be retained in perpetuity. If they were, they would be classified as restricted net position-nonexpendable..

A restriction differs from a designation, which is an action of the governing board to use otherwise unrestricted resources for a particular purpose. When a portion of tuition and fees is allocated by the governing board for other purposes, the total amount billed is recorded as unrestricted fees. The allocated portion is then recorded as a transfer to the appropriate other fund, retaining its unrestricted net asset classification.

If cash raised by collecting restricted fees is invested, the investments may not qualify as cash equivalents, even if they are short-term, highly liquid investments. Paragraph 52 of GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust*

*Funds and Governmental Entities That Use Proprietary Fund Accounting* (SGAS 9), says that restricted cash should be included with unrestricted cash and cash equivalents for reporting cash flows, but that institutions may choose to treat restricted cash equivalents as investments. Paragraph 11 of SGAS 9 requires an institution to disclose its policy for determining which items are treated as cash equivalents.

### ¶361.5 Subsequent Recognition and Measurement

In most cases, there is no need to subsequently recognize or measure restricted fee revenue. However, if fees were billed and it is anticipated that some of the receivables will be uncollectible, provision must be made for bad debt estimates. Because fees should be recorded net of allowances and discounts, increases in allowances for bad debts are recorded as a reduction in the restricted fees revenue rather than an expense.

### ¶361.6 Derecognition

Once recognized, restricted fees are not derecognized unless the original entry was in error.

### ¶361.7 Illustrations

An institution charges a \$15 per semester per student transportation fee. The fee was approved by students via a referendum vote. The referendum indicated that the fees were being implemented to support an expansion of the campus bus system to better serve students and to support bus system operations. Of the amounts raised, the first \$70,000, or \$7 per semester per student is to be used for the purchase of new buses and other capital assets, and the remaining \$8 is to be used for bus operations. There are 1000 students billed in the first semester.

#### **Restricted Net Position—Expendable**

<i>Plant Funds</i>		
Student Accounts Receivable	7,000	
Revenues—Restricted Fees—		7,000
Nonoperating		
<i>Restricted Current Funds</i>		
Student Accounts Receivable	8,000	
Revenues—Restricted Fees		8,000

At a later date, some of the receivables are past due and it is anticipated that they may be uncollectible. The entry to recognize the allowance for doubtful accounts would be made as it would be for other receivables. (For more information, see ¶303.75.) Accounts in the amount of \$150 are reserved, in accordance with institutional procedures.

**Restricted Net Position--Expendable**

*Plant Funds*

Revenues—Restricted Fees--Nonoperating	70	
Allowance for Doubtful Accounts		70
<i>Restricted Current Funds</i>		
Revenues—Restricted Fees	80	
Allowance for Doubtful Accounts		80

## University of the United States (UUS)

Student Name, Identifier

Download

## Costs in the 2015-16 year

## Estimated Cost of Attendance

\$X,XXX / yr

Tuition and fees	\$	X,XXX
Housing and meals		X,XXX
Books and supplies		X,XXX
Transportation		X,XXX
Other education costs		X,XXX

## Grants and scholarships to pay for college

## Total Grants and Scholarships ("Gift" Aid; no repayment needed)

\$X,XXX / yr

Grants and scholarships from your school	\$	X,XXX
Federal Pell Grant		X,XXX
Grants from your state		X,XXX
Other scholarships you can use		X,XXX

## What will you pay for college

## Net Costs

(Cost of attendance minus total grants and scholarships)

\$X,XXX / yr

## Options to pay net costs

## Work options

Work-Study (Federal, state, or institutional) \$ X,XXX

## Loan Options\*

Federal Perkins Loan	\$	X,XXX
Federal Direct Subsidized Loan		X,XXX
Federal Direct Unsubsidized Loan		X,XXX

\*Recommended amounts shown here. You may be eligible for a different amount. Contact your financial aid office.

## Other options

## Family Contribution

(As calculated by the institution using information reported on the FAFSA or to your institution.)

\$X,XXX / yr

- Payment plan offered by the institution
- Military and/or National Service benefits
- Parent or Graduate PLUS Loans
- Non-Federal private education loan
- American Opportunity Tax Credit\*

\*Parents or students may qualify to receive up to \$2,500 by claiming the American Opportunity Tax Credit on their tax return during the following calendar year.

Customized information from UUS

## Graduation Rate

Percentage of full-time students who graduate within 6 years



100%

Low

Medium

High



## Loan Default Rate

Percentage of borrowers entering repayment and defaulting on their loan

100%

100%

This Institution

National

## Median Borrowing

Students who borrow at UUS typically take out \$X,XXX in Federal loans for their undergraduate study. The Federal loan payment over 10 years for this amount is approximately \$X,XXX per month. Your borrowing may be different.



## Repaying your loans

To learn about loan repayment choices and work out your Federal Loan monthly payment, go to:

<http://studentaid.ed.gov/repay-loans/understand/plans>

## For more information and next steps:

University of the United States (UUS)  
Financial Aid Office

123 Main Street  
Anytown, ST 12345  
Telephone: (123) 456-7890  
E-mail: [financialaid@uus.edu](mailto:financialaid@uus.edu)