



NEW JERSEY

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Lawmakers Discuss Initiative to Make Higher Education More Affordable for Students and Ensure the State is Closing the Racial Equity Gap in Postsecondary Education

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[Lawmakers Setting Out to Fix Major Flaws in the Way New Jersey Funds Higher Education](http://www.NJSpotlight.com) – www.NJSpotlight.com, October 16, 2018.

The below article was taken from original reporting plus an *NJSpotlight* article referenced above.

Lawmakers from the NJ State Assembly and Senate committees on Higher Education met in a joint session in Trenton on Tuesday, October 16, 2018, to discuss an initiative to make higher education more affordable for students and ensure the state is working toward closing the racial equity gap in postsecondary education. As acknowledged by NJ Association of State Colleges and Universities for many years, New Jersey colleges and universities have long been running on a flawed state funding system that fails to incentivize student achievement and funds the public institutions in an inequitable way. The solution, according to New Jersey's higher education leaders is a new strategic funding plan tied to student outcomes.

“For a long time, we haven’t been funding higher education very well here in the state and every institution has had to go off on their own. Some are doing well, others are not doing well, and in the end our students suffer,” Assemblywoman and Committee Chair Mila Jasey (D-Essex) said. “I believe we are going to get a strategic plan that looks at the entire landscape and begins to address some of these issues like access, equity, attainment, completion and also cost.”

New Jersey already has a longstanding goal of “65 by ‘25” – meaning 65 percent of working New Jerseyans to attain a postsecondary degree or certification by 2025 – but lacks a meaningful roadmap and the appropriate resources to get there from the current count of 50.2 percent of workers with such a degree.

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Indeed, state funding of New Jersey state colleges and universities is based exclusively on how much funding they've received in the past and that amount has decreased more than 28 percent over the past 12 years. More dramatically stated, the NJ State appropriations to NJ public colleges and universities per full-time equivalent student has decreased by 40.1 percent between FY1991 and FY2016. During this same period enrollment has increased by 63.2 percent.

Exacerbating the problem, students are coming out with more debt. According to the New Jersey Association of State Colleges and Universities, average in-state tuition among New Jersey's senior public four-year institutions for the academic year 2016-2017 was \$13,560 and the average cumulative student loan (borrowed by graduates) was \$28,245.

The state funds higher education through direct operating aid to the four- and two-year colleges, and through tuition-aid grants to students, which ultimately passes through to the colleges. Money is also available through other programs like the Education Opportunity Fund which provides financial support and services like counseling and tutoring to low-income students.

But experts testified at the October 16th hearing that the key to achieving that "65 by '25" goal is to expand it to stretch around universities of different sizes and resources and also ensure schools are supporting students of all backgrounds.



NJ Secretary of Higher Education Zakiya Ellis Smith

According to the Secretary of Higher Education Zakiya Smith-Ellis the answer to building a more equitable and successful method of state funding is a policy called "Outcomes-Based Funding" or OBF. It's a relatively new approach that's gaining attention in higher education due to its success in states like Indiana and Tennessee.

OBF as a funding model is designed to be flexible and to align incentives with state priorities like getting more students to complete their degrees and reward institutions for admitting more under-served students. In a nutshell, OBF allows the state to say what it wants to see colleges achieve and then attach funding to those goals. Currently the way New Jersey funds colleges and universities is based solely on what they were allocated in the years past; the state raises or cuts funding in the same percentage "across the board," regardless of enrollment changes or student performance.

Martha Snyder, an education policy specialist with HCM Strategists who testified at the hearing, said that OBF works because it allows a state to set appropriate goals and then develop a funding formula that will best serve them. But, she adds, there is no "magic number" for how much that will cost the state.

“The funding model we recommend should allocate a significant portion of funding, enough to garner attention, shape priorities, influence actions, and also ensure that the model is sustained over time. If it’s only [dependent on] new money, and there isn’t any new money, then effectively there isn’t a funding policy,” Ms. Snyder said.

Thirty states have already signed on to OBF but are seeing mixed results, Ms. Snyder said. Five states have already fallen into the “no new money” trap in 2018. They had models in place. Snyder said, but no sustainable source of funding to support them.

Though each state has unique quirks and challenges, the experts who were testifying (the above mentioned plus Ms. Kate Shaw, executive director of Research for Action, an education policy-research organization), all appointed to Tennessee as a gold standard of OBF for New Jersey to look to.

Tennessee’s OBF model (or PBF model, for performance-based funding) was passed in 2010, giving researchers a lot of time to measure its success and failures. They deemed it an overwhelming success.

Eighty-five percent of Tennessee state funds are now allocated to institutions based on state priorities like degree completion, funding for at-risk students, and enrollment. But what’s unique about the southern state’s method – and one that strategists in New Jersey should examine closely – is its dedication to funding each college and university’s individual mission. Because two-year, four-year and research institutions have vastly different student populations and resources at their disposal, Tennessee allows each school to prioritize their own metrics like workforce training hours or job placement and gives premiums for success among minority students.

Tennessee is now embarking on its “Drive to 55” campaign, which shares a similar goal with New Jersey’s “65 by ’25.”

Ms. Snyder said New Jersey has a real opportunity to adopt something similar to the Tennessee method and surpass it as a national model for higher education funding.

One area that New Jersey really needs to focus on, according to Tiffany Jones, director of higher education policy at the Education Trust, is closing the racial equity gap.

According to Ms. Jones, New Jersey spends on average 12 percent more funding white students than students of color, placing the state in the top five nationally for inequitable spending on higher education.

This is a product, Ms. Jones said, of a nationally stratified system that concentrates students of color into less-resourced, less-selective community colleges and certificate programs while their white peers education in better K-12 schools go on to graduate from better-funded, four-year institutions.

Dr. Smith Ellis proposed counteracting this inequity under an OBF model by giving “bonuses” to schools that enroll and adequately educate minority or low-income students.

She noted, however, that such bonuses have been used to “game the system” in favor of lower-income white students while still failing to boost funding for black and Hispanic students. To prevent this, Jones said it will be necessary to build in language to any formula that explicitly accounts for students of color, not just students of lower economic class.

To get any of this done, Dr. Smith Ellis estimates the state will need six months to a year to begin gathering stakeholder input and devising a funding formula. Although many officials have tried over the years to reform New Jersey’s higher education funding system with no success, Smith Ellis said it’s crucial to keep trying.

A well-funded and equitable higher education system, she added, will keep millennials in the state, keep student debt at manageable levels, and inject much-needed life into the economy.

“We have a goal, we’re creating a plan and the next step is to align funding,” Dr. Smith Ellis said. And while the country is looking to states like Tennessee to lead the way in the next wave of higher education funding innovation, the Secretary of Higher Education said, “I hope next year, everyone is talking about New Jersey.”