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ABSTRACT

As the new millennium begins, the Commission on Higher Education urges the Governor and Legislature to enhance New Jersey's commitment to higher education and build on college and university strengths to meet the challenges of the future. The state's increasing investment to support college and university operations and facilities, student assistance programs, and programs to meet special needs is essential. Recognizing the desire to enhance quality, coupled with natural limitations on available resources, the plan calls on institutions to review, refine, and focus their programmatic missions. It encourages them to identify their strongest programs and make them competitive with peer institutions that are among the best in the region, the nation, or the world. Towards that end, the Commission recommends supplemental funding in Fiscal Year 2001 to assist institutions that are moving toward excellence in areas related to targeted state priorities. An investment in excellence is an opportunity to move New Jersey higher education into the upper echelon nationally, which will reverberate favorably on the state's competitive position. The foundational needs fall into five categories: operational support, capital support, student assistance, special academic programs, and systemwide support, which are individually addressed in this budget policy statement. (VWC)

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New Jersey Commission on Higher Education

FISCAL YEAR 2001

BUDGET POLICY STATEMENT

Submitted to

The Honorable Christine Todd Whitman, Governor

and the New Jersey Legislature

Adopted October 22, 1999

An Investment in Excellence

Operational Support

Capital Support

Student Assistance

Special Academic Programs

Systemwide Support

Conclusion

An Investment in Excellence

The decade of the 1990s spawned more demanding workforce needs, a growing necessity for lifelong learning, and a strong global economy. The results of these changes have significantly heightened the important role of higher education. New Jersey colleges and universities are integral to the overall economic and societal vitality of the state. As the new millennium begins, the Commission on Higher Education urges the Governor and Legislature to enhance New Jersey's commitment to higher education and build on college and university strengths to meet the challenges of the future.

The state's increasing investment to support college and university operations and facilities, student assistance programs, and programs to meet special needs is essential. It supports the basic conditions that are necessary to maintain an effective, affordable, and accessible higher education system. However, New Jersey's Plan for Higher Education: 1999 Update stresses the need to go further to meet the demands of today's global, information economy. It sets a strategic course to make higher education in New Jersey competitive with the best in the world, a condition that is increasingly necessary to the state's overall prosperity.

Recognizing the desire to enhance quality, coupled with natural limitations on available resources, the plan calls on institutions to review, and where necessary, refine and focus their programmatic missions. It encourages them to identify their strongest programs and make them competitive with peer institutions that are among the best in the region, the nation, or the world. Toward that end, the Commission recommends supplemental

funding in FY 2001 to assist institutions that are moving toward excellence in areas related to targeted state priorities. Such supplemental funding will address state needs, but more important, it will advance the underlying purpose of excellence in higher education, which is to improve the learning experience for students.

The Commission firmly believes that New Jersey must start now to push its higher education institutions farther along the path to excellence, and the colleges and universities have significant areas of strength on which to build. An investment in excellence is an opportunity to move New Jersey higher education into the upper echelon nationally, which will reverberate favorably on the state's competitive position.

The basic conditions that form the necessary foundation to establish and sustain excellence require ongoing support, and in some instances, increased support in FY 2001. The foundational needs fall into five categories: operational support, capital support, student assistance, special academic programs, and systemwide support.

Operational Support

The administration's continuing commitment to increased operating aid for community colleges is necessary to assist in rectifying the long-standing imbalance in the student and government funding partnership. This addresses a Commission goal that is directly related to access and affordability. As a result of \$12 million increases in the first two years of this multi-year commitment, tuition was held level at many institutions, and

average tuition increases plummeted. Ongoing institutional efforts to control costs are essential, and maintenance of effort by county governments is equally important.

During the past decade costs have grown more rapidly than inflation at the senior public institutions, largely as a result of salary increases. State support has not kept pace. The Commission asks that the state increase funding for these institutions to fulfill incremental and negotiated salary increases and to avoid placing an even greater burden on students. Rectifying the existing imbalance in the funding partnership between state government and students at these institutions will require the state to increase its share of operating expenses, while institutions carefully control costs and set funding priorities.

FY 2000 marks the first year in which one percent of the funding increase for public institutions links to performance indicators. Providing additional funding based on performance benchmarks in areas critical to the state and its citizens fosters accountability and encourages excellence in those areas. The Commission recommends continuation of this program at the one percent level in FY 2001. Prior to the end of the current year, staff will collaborate with the institutions to review and improve the indicators.

The Independent College and University Assistance Act provides operating aid on the basis of New Jersey residents served by the 14 institutions with a public mission. While the overall appropriation for these institutions has increased over the past few years, funding still falls short of the level envisioned in the act. The Commission recommends

an additional increase in 2001 to move toward restoration of the partnership with this sector, which serves more than 20,000 undergraduate New Jersey students.

Capital Support

Capital funding for colleges and universities is essential to excellence in higher education. New Jersey has adopted several measures during the last decade to address facility and technology infrastructure needs. Most recently, the state established the Higher Education Capital Improvement Fund, which provides \$550 million focused primarily on addressing deferred maintenance. These new funds for four-year colleges, coupled with recent increases in the Chapter 12 debt service program for community colleges, will enable significant strides in preserving and renewing campuses. Further, the 1997 Higher Education Technology Infrastructure Fund has greatly enhanced interconnectivity and student access to state-of-the-art technology.

However, a 1999 report, New Jersey's Capital Investment in Higher Education, estimated a need for \$3.2 billion for facilities over the next seven years. The Commission, in consultation with the Presidents' Council, will develop a long-term strategic plan to address facility needs identified in that report.

To address short-term needs, the Commission recommends renewal of the Equipment Leasing Fund. The state will complete payments for the initial \$100 million leasing fund bonds in FY 2001, and the fund can be renewed in full in the spring. This fund was established to provide an ongoing financial mechanism for equipment purchases at our

institutions. The past decade required colleges and universities to improve their research capacity and ability to prepare students effectively to fill existing jobs in a sophisticated technological world. Continuing state assistance is necessary to ensure that colleges and universities upgrade equipment to meet current and emerging needs without relying only on student financing. The FY 2001 budget should include sufficient funds to cover the renewal of the Equipment Leasing Fund. This recommendation does not necessarily entail an increase in funds for higher education. As payments are completed for the 1994 bonds, the line item should be continued to support new bonds, which are likely to require a similar level of debt service.

A final and ongoing capital request concerns the need for an annual appropriation to assist the senior public institutions with capital maintenance. Over the years funds for this purpose have been sporadic. The result is significant deferred maintenance on the campuses. The new bond issue targets deferred capital maintenance projects and requires institutions to pay one-third of the debt service for the life of the bonds. Funds to cover ongoing maintenance are essential to avoid further deferred maintenance backlogs.

Student Assistance

New Jersey proudly ranks among the most generous states in the nation in providing student financial assistance. More than \$200 million was appropriated in the fiscal year 2000 budget, primarily for need-based aid. Currently, more than one-third of full-time students attending New Jersey's senior public and independent institutions and one-fourth of full-time students at the community colleges receive Tuition Aid Grants (TAG). The

state should continue its commitment to need-based aid, providing the TAG program for full-time students at maximum current year levels, and extending TAG to the most economically disadvantaged part-time students, without limiting funds for those who attend full time.

The state's Educational Opportunity Fund (EOF) provides academic support linked to financial assistance for students from educationally and economically disadvantaged backgrounds. EOF student awards should be increased in FY 2001 in order to preserve affordability. While costs continue to increase beyond the rate of inflation for most students, awards have not been increased since FY 1996. Funding for campus programs should also be increased.

Special Academic Programs

The growing number of students with special requirements exerts pressure for programs to assist them. For example, the number of students whose native language is not English has increased by 25 percent since 1994. At some New Jersey community colleges, these students now constitute the majority of all learners. Meanwhile, funding for the Education of Language Minority Students (ELMS) grant program has remained constant since 1991. Doubling the appropriation for ELMS is an appropriate, cost-effective response to the increasing number of language minority students on New Jersey campuses.

Similarly, since its establishment in the mid-1980s, the allocation for the Special Needs Grant Program has not been increased despite the burgeoning population of students with

learning disabilities and the rising cost of related services. The Commission recommends additional funding for the existing cost-effective regional centers that serve these students.

Continued state funding for the College Bound program will be complemented over the next five years by the \$10 million new federal GEAR-UP grant received by the Commission in August. These funds support pre-college academic programs to address educational needs and aspirations of disadvantaged students. Continued funding is also recommended for the Minority Academic Career program, which was recently transferred from the Higher Education Student Assistance Authority to the Commission. A thorough evaluation of that program may result in revised funding recommendations in future years.

Systemwide Support

There are two areas in which the Commission recommends additional funding to support systemwide needs.

First, improved student transfer and articulation must be addressed in New Jersey, and the Presidents' Council has agreed upon principles to guide institutions. However, the higher education system is striving to implement transfer and articulation policies that are essential for a seamless transition for students from two-year to four-year colleges.

Though not an easy task given the thousands of courses delivered at diverse institutions, it is essential to eliminate delays in degree completion and the unnecessarily duplicative

instruction that occurs when credits do not transfer. A computerized transfer and articulation system known as ARTSYS will facilitate implementation of the transfer and articulation principles that the presidents have established. Rutgers University is currently pilot testing this system with New Jersey community colleges, and ARTSYS has already proven effective on a broader scale in another state. The Commission recommends state funding to implement ARTSYS systemwide.

Second, the statewide higher education telecommunications network backbone is expected to become operational within the next six months. The backbone, which grew out of funding from the Technology Infrastructure Fund, is critical to generating high-speed connectivity essential for students and faculty engaged in teaching, learning, and research. The Commission recommends ongoing state assistance for the oversight and maintenance of the network backbone beginning in FY 2001.

Conclusion

Higher education plays an increasingly significant role in the future prosperity of the state and its citizens. Meeting the challenges of the 21st century will require diligence, commitment, and investment. The state must promote excellence and ensure higher education's ability to meet the reasonable expectations of New Jersey citizens for access to high-quality, affordable higher education. Governing boards and institutions must build upon their strengths and be responsible stewards of state resources. Further, students must work to maximize the benefits they receive for the sake of future contributions to the state economy and society.



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