INVEST in New Jersey

Invest in New Jersey: Make Higher Education Affordable Again

By Gordon MacInnes and Jorge Santos

Families Squeezed by Higher Costs, More Debt & Less State Support

State support for New Jersey’s public colleges and universities has not kept pace with a surge in enrollment as more men and women try to hone their skills for an economy that requires more education and training than ever before. A growing amount of college costs have been shifted to students and their families, with tuition rising much faster than household incomes and families increasingly borrowing huge sums to pay for higher education, if not being priced out of the market altogether.

Neighboring states like New York, Maryland, and Connecticut are investing noticeably more in their public colleges and universities. This means New Jersey is in danger of being left behind in the competition for high-paying jobs and businesses seeking well-educated workers.

The value of a college education in terms of better employment, earnings, wealth and family stability is enormous. Among all workers 25 and older, the median weekly wage was $815 in 2012, and the unemployment rate was 6.8 percent. For those with a bachelor’s degree, the median weekly wage was $1,066, nearly 31 percent higher, and the unemployment rate was 4.5 percent.1
A highly educated workforce is a clear driver of economic growth and a resource that firms look for when making location and expansion decisions. The evidence is overwhelming that a well-educated state population leads to “increased per capita income, tax revenues, public health and citizen engagement, as well as lower crime, smoking and obesity rates.”

Rather than cutting taxes, New Jersey policymakers should invest more in proven drivers of economic growth. This means making sure that our colleges and universities have the resources they need to educate and train a first-rate workforce, and that students and their families can afford an education beyond high school.

**Rising Demand**

The number of full-time undergraduates enrolled at New Jersey’s 31 public universities and state and community colleges has increased by 55.4 percent since 1996, while the state’s population grew by 11.3 percent.

Before the Great Recession, many middle-class families relied on borrowing against the growing value of their homes to help finance the rising costs of higher education. The recession not only dropped home values by 30 percent or more, it also made home equity loans harder to get. New Jersey families that thought Johnny or Susie would be heading for Lehigh or Colgate turned to more affordable Rutgers and other public colleges.

Indeed, enrollment in New Jersey’s public colleges is heavily influenced by changes in the economy. At the height of the 2001-2 recession, enrollment of first-year students at Rutgers New Brunswick hit 5,450, but dropped to around 4,700 by 2003 as New Jersey rocketed out of the recession. In 2007, the year that the most recent recession began, enrollment hit 5,500 and peaked at 6,075 in 2011, as the recovery remained painfully slow.

**Falling Support**

Despite the surge in enrollment, beginning in the mid-1990s New Jersey policymakers sent a clear message to the state’s residents, college students and public universities: higher education is no longer as important to us as it once was. In 1995, spending on higher education made up 8.4 percent of the budget; by 2012 its share was down to 6.1 percent, a 27.4 percent drop. State
operating support for Rutgers declined by 5.6 percent over those 17 years in dollars not adjusted for inflation; the decline is a staggering 85 percent when inflation is calculated.

The decline coincided with the passage of the Higher Education Restructuring Act, which replaced the Department of Higher Education with a smaller and weaker Commission on Higher Education. The Commission itself was abolished by the current administration and all its duties were transferred to the Secretary of Higher Education. The result has been diminished public attention to the value and needs of higher education, reduced financial support and heavy duplication of popular fields like business and nursing.

The table below shows the change in higher education spending from fiscal year 1995, when the Department of Higher Education proposed its last budget, and 2012, the most recent year for which confirmed data are available.

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<tbody>
<tr>
<td>Total State Budget</td>
<td>$15,365,404</td>
<td>$30,853,342</td>
<td>101.4%</td>
<td>$23,258,000</td>
<td></td>
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<tr>
<td>Higher Education Total</td>
<td>$1,294,504</td>
<td>$1,892,490</td>
<td>46.1%</td>
<td>$2,254,000</td>
<td></td>
</tr>
<tr>
<td>Student Aid</td>
<td>$124,127</td>
<td>$363,454</td>
<td>192.8%</td>
<td>$216,400</td>
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</tr>
<tr>
<td>Rutgers Operating Support</td>
<td>$278,054</td>
<td>$262,294</td>
<td>-5.6%</td>
<td>$485,000</td>
<td></td>
</tr>
<tr>
<td>State Colleges Operating Support</td>
<td>$238,529</td>
<td>$246,487</td>
<td>3.3%</td>
<td>$415,900</td>
<td></td>
</tr>
<tr>
<td>Community Colleges</td>
<td>$121,153</td>
<td>$194,817</td>
<td>60.8%</td>
<td>$211,000</td>
<td></td>
</tr>
<tr>
<td>K-12 Education Aid</td>
<td>$4,368,834</td>
<td>$11,017,740</td>
<td>152.2%</td>
<td>$6,613,137</td>
<td></td>
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<tr>
<td>Corrections</td>
<td>$683,468</td>
<td>$1,050,039</td>
<td>53.6%</td>
<td>$1,034,570</td>
<td></td>
</tr>
<tr>
<td>State Employee Salaries</td>
<td>$2,091,039</td>
<td>$3,218,009</td>
<td>53.8%</td>
<td>$3,165,000</td>
<td></td>
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Clearly, in 17 years, New Jersey has shifted its priorities away from higher education, particularly in operating support for four-year colleges and universities that goes to pay for libraries, faculty salaries and utilities, among other things.

While student aid, primarily Tuition Aid Grants (TAG), appears to exceed what would have been required to keep up with rising tuitions – and by a noticeable margin – these numbers do not take account of the dramatic increase in enrollment and an equally dramatic rise in tuition and other charges.

TAG was enacted to cover 100 percent of the cost of tuition at public colleges and 50 percent at private institutions, but by 2012, it was covering only about 80 percent at public institutions. And as public colleges have increasingly shifted more costs to fees to avoid legislative caps on tuition increases, TAG now falls far short of meeting students’ needs. Even when combined with federal Pell Grants, TAG covered only about half of the total costs of attendance by 2012. This explains
the explosion in student loans, which have replaced credit cards as the second biggest source of household debt after mortgages.

Since 2001, overall spending on TAG has risen by roughly a third – up to $294 million from $221 million in inflation-adjusted 2012 dollars. But at the same time, the average grant has declined in value, falling by 8.3 percent between 2004 and 2012 to less than $4,000.

This decrease could be due to many more applicants dividing up a slightly larger appropriation, more higher-income applicants receiving smaller grants, applicants attending lower-cost institutions, or some combination of factors. Whatever the case, it is not keeping up. For example, at Rutgers-New Brunswick, including room and board, the average TAG award covers only about 15 percent of the sticker price.

**Higher Costs and More Debt**

The erosion of state investments in higher education means that the bulk of the cost has been passed on to students and their families.

With the exception of a few prominent universities that have large endowments, most public colleges and universities have only two sources of income: taxpayers or tuition. As New Jersey has shifted funding away from higher education, public colleges pursued the only avenue open: increased tuition and fees.

Since 1995, the rise in tuition and fees in New Jersey has been persistent and dramatic.

<table>
<thead>
<tr>
<th>Institution(S)</th>
<th>1995-96</th>
<th>2011-12</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>The College of New Jersey is the most expensive state college; NJCU is the least</td>
<td>Tuition Fees</td>
<td>Tuition Fees</td>
<td>Price if 1995 Cost Adjusted for Inflation</td>
</tr>
<tr>
<td>Rutgers University</td>
<td>$3,786</td>
<td>$10,104</td>
<td>$12,755</td>
</tr>
<tr>
<td>NJIT</td>
<td>$4,380</td>
<td>$12,073</td>
<td>$13,073</td>
</tr>
<tr>
<td>State College Average</td>
<td>$2,552</td>
<td>$7,838</td>
<td>$12,077</td>
</tr>
<tr>
<td>The College of New Jersey</td>
<td>$3,238</td>
<td>$9,780</td>
<td>$13,887</td>
</tr>
<tr>
<td>NJCU</td>
<td>$2,370</td>
<td>$7,078</td>
<td>$10,021</td>
</tr>
<tr>
<td>County College Average</td>
<td>$1,769</td>
<td>$3,145</td>
<td>$4,028</td>
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Looking at these “sticker prices,” it is clear that tuition increases have far outpaced increases in the operating costs of colleges and universities, which have typically grown at twice the rate of inflation as measured by the broader consumer price index. At Rutgers, had tuition and fees risen
in line with higher costs, they would have reached $6,416 by 2012. In fact, Rutgers’ sticker price was double what was required to absorb inflation. State operating support for Rutgers declined by 5.6 percent over 17 years in dollars not adjusted for inflation; the decline is a staggering 85 percent when inflation is calculated, which helps explain the rapid rise in tuition and fees.

Tuition and fees at public institutions have raced ahead of the incomes of New Jersey families, many of whom have been priced out of the college market. Declining state support and increased costs are damaging the chances that students from poor and working class families can afford a college degree.

Even at the public four-year college with the lowest tuition and fees, New Jersey City University (NJCU), it has become increasingly difficult for many families to carry the load.

In fact, it is impossible for families earning between $15,000 and $42,000 a year to support a dependent attending NJCU without massive assistance. In just five years, the costs increased by 28.5 percent. Yet the incomes of the lowest-earning families increased only slightly more than 8 percent (not enough to cover the cost-of-living increases). The maximum Pell Grant edged up by 16 percent to $4,705, and the maximum TAG award was less than $6,700, which means that those families would have to rely increasingly on student loans. Many NJCU students lose their eligibility for TAG, which is limited to 10 semesters, since less than one in four graduate within five years. For those who leave before completing their degree, poor job and income prospects make it hard to repay college loans.
Even solidly middle-income families are in no strong position to afford sending a child to a public college. For a family earning $71,000 in 2012, the cost of attending NJCU would equal 38 percent of their total income, or $29,000. Families earning close to $111,000 would have to commit almost one quarter of their annual income, or $27,100. In the absence of heavy savings or winning the lottery, these families – most of whom would be ineligible for either TAG or Pell awards – would face a mountain of debt.

The bottom line is that even attendance at the least expensive public four-year college would create considerable financial stress for up to 80 percent of New Jersey families.

New Jersey families increasingly rely on student loans of all kinds to make up for the growing gap between college costs and scholarship aid. Between 2005 and 2009, for example, the gap between what an undergraduate education cost at Rutgers and the average student’s ability to pay increased 22.5 percent, hitting $16,625. At the same time, the average annual debt of undergraduates increased by 21.5 percent, to $12,000, almost a quarter of which was from private loans. Not only do private loans carry much higher interest rates than federal and state higher education loans, in the event of default, the borrower is unprotected in bankruptcy.

The financial stress is compounded by other troubling trends on campus. Rising enrollments mean courses are over-subscribed and therefore not available to all students, forcing many to delay taking them and making it difficult for those students to graduate in four or five years. More students must simultaneously study and work to afford college, meaning that work schedules can also interfere with course selection. And most public colleges have not maintained student counseling at sufficient levels to help students understand the consequences of changing majors or dropping out for financial reasons.

**The Higher Education Squeeze is Bad for New Jersey’s Economy**

New Jersey’s greatest asset is the quality of its workforce, and the declining investment in higher education threatens the state’s economic future.

When New Jersey is lucky enough to capture a new business from another state, the usual explanation for the move is the quality of New Jersey’s labor pool. The state is still home to a higher proportion of scientists, engineers and researchers than any other. Not too long ago, New Jersey was home to the primary research facilities for AT&T (the world-famous Bell Labs), RCA, Exxon Mobil, Merck, Warner-Lambert, Sanofi-Aventis, Roche, Ciba-Geigy and Schering-Plough. But there are troubling signs that the state is losing that edge. Roche and Sanofi, for instance, recently relocated to Boston, New York City and San Francisco, hardly low-tax havens.

New Jersey is home to Princeton and Rutgers, two globally recognized research universities, as well as the Stevens Institute of Technology. Yet these and other assets have been widely ignored by policymakers since the late 1980s. During Gov. Kean’s tenure, voters approved a $90 million bond issue (roughly $200 million in today’s dollars) to invest in a series of public-private partnerships for research and development in emerging fields like nanotechnology, industrial
ceramics and biogenetics. Scholars and researchers from around the world were attracted by the opportunities developed through the leadership of the state’s Commission on Science and Technology.

The Center for Advanced Biotechnology and Medicine (CABM) was one of the initiatives spawned by the commission. The state invested $8.8 million in the construction of a state-of-art laboratory facility and signed a 25-year charter that included a $3 million annual operating grant. CABM has attracted over $300 million in research grants, employs between 150 and 300 scientists and researchers, and has spun off several firms that continue to operate in Middlesex County.

The operating grant was halted during Gov. Whitman’s administration, and the latest news on the commission’s website is a July 2010 release that it was going out of business.

**Recommendations**

The best way to generate economic growth that produces well-paying jobs is to invest in strengthening New Jersey’s place as a center of innovation, research and science.

New Jersey’s leaders are currently considering a tax cut that, once fully phased in, would reduce state revenues by approximately $1.6 billion a year. By draining the state’s coffers once again, they would be missing out on important opportunities to alleviate the higher education squeeze, make college more affordable to all New Jerseyans and restore the state as a research and innovation leader.

Specifically, New Jersey could use some of the $1.6 billion to invest in a more promising economic future by:

- **Doubling TAG:** Increase funding for TAG by $125 million – approximately 41 percent – in fiscal year 2015. Increase it by another $200 million over the following two years and allow for future increases tied to inflation. This would give working and middle-class families a stronger chance to see their children attend college. **Cost: $325 million.**

- **Stabilizing Operating Budgets:** Invest $200 million in fiscal year 2015 to stabilize the operating budgets of research universities and state colleges. Increase this funding by another $100 million in both 2016 and 2017. **Cost: $400 million.**

- **Investing in Innovation:** Use a modest $25 million to establish a blue-ribbon commission – made up of leading scientists, entrepreneurs, business leaders, venture capitalists and others with proven experience in science, technology and commerce – to reignite New Jersey’s exploration of promising fields for research and development. This would include recruiting a small but distinguished staff that includes experts in software, biogenetics, nanotechnology and other fields. Then allot at least $100 million in the
second year to support the priorities identified by the new commission, to cover both building and operating costs. Expect this commitment to rise in future years to $150 million or so as new centers of public/private research and innovation are built and made operational. **Cost: $180 million.**

In other words, send the message across the nation and around the world that New Jersey is truly back as a capital of enterprise, research and opportunity by investing in the state’s greatest resource: its people.

**About the Authors**

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Endnotes