



# Flunking Out:

## New Jersey's Support for Higher Education Falls Short

### UPDATE

March 2010

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## Introduction

The conclusion of New Jersey Policy Perspective's 2006 report *Flunking Out: New Jersey's Support for Higher Education Falls Short* says it all.

*New Jersey is being told by the state's leaders to live within its means. Whether dealing with the budget of a family or state that is always sound advice. But there must be more to the concept than simply saying "no" to spending money. Truly living within one's means involves an honest assessment of what is needed, real thought given to priorities, investing in the future—and then doing everything possible to make sure the resources are available.*

It would be nice to say that in every area where New Jersey fell short, the problems have been corrected. Sadly that's not the case. The major findings of the 2006 report are listed below.

- From 1983 to 2006, the share of the New Jersey state budget appropriated to higher education sank from almost 10 percent of all state spending to just over five percent.
- While tuition at public four-year colleges and universities cost the lowest income families 13 percent of their income in 1980, by 2000 the burden was 25 percent.
- Because their capacity was so limited, New Jersey's nine state colleges and universities rejected 75 percent of residents who applied in 2006.
- New Jersey's public higher education system educated almost 23,000 fewer students a year than states of comparable population.
- From 2000-01 to 2004-05, tuition and fees at public four-year colleges in New Jersey increased by 47 percent. Because of state caps on tuition increases, fees made up a higher percentage of student costs.
- As state funds for higher education institutions decline, student aid acted as a counterweight. In 2003-04, New Jersey provided an average of \$783 in financial aid per student, compared to a national average of \$372. Nearly 37 percent of full-time New Jersey undergraduates received student aid.

Today, the picture is basically unchanged. The state is doing no better at investing in higher education. Tuition and fees have continued to grow so that students and their families are being squeezed harder than ever. The picture would be worse if it weren't for economic stimulus funds from Washington. Given Governor Christie's insistence on balancing the state budget without new taxes even if the result is deep cuts, the situation is likely to get worse. When it comes to investing in its young people and its economic future, New Jersey still gets an F.

## **Higher Education Still Shortchanged**

### **State Financial Support**

Appropriations in the Fiscal Year 2010 budget for higher education were \$2.2 billion, about 3.6 percent higher than in the previous year. These state appropriations to higher education come from two state departments: the Department of State and the Department of the Treasury. Funding from the Department of State includes the operating aid to Rutgers, University of Medicine and Dentistry of New Jersey (UMDNJ) and New Jersey Institute of Technology (NJIT) and the nine state colleges and universities. The Department of State also funds the Commission on Higher Education, the Higher Education Student Assistance Authority [HESSA] and the various student aid programs run by those two agencies. The Department of the Treasury provides aid to private, independent colleges and to county colleges.

In 2006, approximately five percent of state budget resources were used for higher education. As a share of the total state budget, appropriations went up in FY 2009 and in FY 2010, to the highest level since 2001. In FY 2009, the \$2.1 billion appropriation was 6.4 percent of total state resources; in FY 2010, the \$2.2 billion appropriated was 7.6 percent of resources.<sup>1</sup> Although this seems like progress, it isn't. The share increased only because funding for higher education was essentially unchanged, while total state spending was declining.

Spending cuts in FY 2010, were avoided initially in part because just over \$70 million in federal funds were made available by the Obama administration's economic stimulus initiative, the American Recovery and Reinvestment Act of 2009 (ARRA). This legislation included grants known as the State Fiscal Stabilization Funds (SFSF) which were provided to help states and local governments lessen cuts in spending for education. The only conditions on the funds to higher education were that funds had to reduce increases in tuition and fees for in-state students; or they had to be used to repair or renovate college buildings used for instruction, research or housing. Since these funds were, however, expected to be available for one year only, it was suggested that they be used in such a way that they would not create an expanded or on-going need.

In the FY 2010 budget, the Corzine administration and the legislature chose to split the \$70.8 million in stimulus funds between student financial aid and operating funds to the colleges. Appropriations for Tuition Aid Grants (TAG) increased in FY 2010 by approximately \$34 million (from \$250.5 million in FY 2009 to \$283.2 million in FY 2010) and nearly \$40 million was provided as operating support to the state colleges and universities and the county colleges.<sup>2</sup>

Even with the federal stimulus funds, operating support to the state colleges and universities and the Agricultural Experiment Station at Rutgers still was less in FY 2010 than in FY 2009 with two exceptions: UMDNJ received an additional \$30.9 million as part of an intricate arrangement to provide funding for University Hospital and NJIT's appropriation was cut by 6.7 percent. NJIT's reduction was 1.7 percent greater than other institutions because the Corzine administration said it has been inappropriately subsidizing out-of-state students.

Because operating support from the state to the colleges and universities has not increased and operating costs have, state support as a share of college budgets has declined precipitously—from an average across all of the colleges and universities of 48 percent in 1990 to 15 percent in 2010 based on Governor Christie’s proposed budget cuts.

### **State Support as a Share of College Budgets**

Institution	1990	2000	2004	2009	2010	2010 Budget Cuts
Rutgers, The State University	43%	24%	21%	15.9%	15.1%	14.1%
Rutgers, Agricultural Experiment Station	49%	38%	34%	28.9%	27.8%	26.0%
UMDNJ	45%	22%	12%	14.9%	16.7%	15.7%
NJIT	49%	29%	24%	16.7%	15.7%	14.7%
State Colleges and Universities	58%	34%	24%	17.7%	16.8%	15.7%
Average state appropriation across sectors	48%	27%	19%	16.4%	16.3%	15.3%

Source: State budgets, various years

Note: This includes all nine state colleges and universities.

State support for higher education is being further eroded by mid-year budget cuts. The Christie administration claims the state has a combined total estimated funding shortage of \$1.3 billion and additional spending needs in FY 2010 that are expected to exceed \$2.2 billion.<sup>3</sup> His one-sided response, which includes no policy recommendations beyond spending cuts, has been to produce what the administration calls the *FY 2010 Budget Solutions As A Foundation For Reform*. This document lays out \$2 billion in spending cuts that are expected to take place before the end of this fiscal year on June 30<sup>th</sup>.

Nearly a third of the proposed cuts are expected to come from primary, secondary and higher education. Higher education is expected to absorb \$64.1 million in cuts and lapses, including \$62.1 million in across-the-board cuts to operating support for the state’s public colleges and universities. This 6.3 percent reduction in operating support will reduce state support for higher education in New Jersey to an all time low of 15.3 percent across all institutions (see the 2010 Budget Cuts column in the table above).

Paul Shelly, spokesman for the New Jersey Association of Colleges and Universities, notes that the \$62 million in college cuts cannot easily be made up because reserve funds have already been dedicated to construction or endowment maintenance.<sup>4</sup> Beyond the difficulty of making up for these cuts is the question of whether they violate the provisions of the federal stimulus act.

Two goals of the act were: first, to make sure states provided support to all levels of education and didn’t put all the stimulus funds in one place; second, to make sure states maintained support for public institutions for FYs 2009 through 2011 equal to state support in FY 2006.<sup>5</sup> Strict attention should be paid to whether the proposed cuts violate these goals.

Unlike most other states, New Jersey does not provide capital support to its higher education institutions.<sup>6</sup> County colleges receive modest funding for capital projects through the Chapter 12 program which pays for debt service on \$265 million dollars in bonds with a county match. The lack of capital funding means no public support for “space for instruction, up-to-date equipment and technology, to respond to the changing needs of evolving disciplines and programs, to

accommodate the intensive needs of complex research activities, to provide adequate core campus infrastructure, and to invest in the repair and maintenance necessary to the continued use of campus facilities. . .”<sup>7</sup> To meet these needs, even minimally, the state’s colleges and universities have had to borrow the funds. As a result, these institutions carry a level of debt that is among the highest in the country.

As state support has continued to decline, students and their families have been left to make up the difference. Less state aid to colleges and universities means higher tuition and higher tuition undercuts the colleges’ public service mission.

## Tuition and Tuition Assistance

Tuition for higher education has gone up substantially since the early 1990s. The FY 2010 state budget capped tuition at three percent to curtail the sharp increases in past years. According to a staff writer at the *Star-Ledger* who blogs about education, some of the highest increases in recent years have been at Rutgers University (8.5 percent), Rowan University (7.25 percent) and Montclair State (7.0 percent).<sup>8</sup>

### Tuition at Various Public Colleges in NJ

Institution	1991-92	2000-01	2004-5	2009-10
Rutgers (average)	\$3,860	\$6,333	\$8,564	\$11,886
NJIT	\$4,288	\$6,730	\$9,180	\$12,856
8 State Colleges and Universities (average)	\$2,625	\$5,069	\$7,630	\$10,682
In-State County Colleges (average)	\$1,403	\$2,448	\$2,771	\$3,701

Source: State of New Jersey, Commission on Higher Education, tuition data, various years.  
<http://www.state.nj.us/highereducation/statistics/Tuition2009.htm>.

As tuition and fees have grown, student assistance has also increased. The budget estimated that the increased TAG appropriation would support an estimated 57,578 awards in the 2009-2010 academic year, 3,463 more than the number provided in the 2008-09 academic year.<sup>9</sup> Unrelated to the federal stimulus funds, the FY 2010 budget also included a \$3.1 million, or 21 percent, increase (from \$14.7 million in FY 2009 to \$17.8 million in FY 2010) in the amount provided to the New Jersey Student Tuition Assistance Reward Scholarship (NJ STARS and NJ STARS II). It was estimated that approximately 5,077 students would benefit from this program which pays tuition and approved fees for eligible students at New Jersey’s 19 community colleges.<sup>10</sup>

Currently nearly one in three full-time New Jersey college students receives TAG. Maximum full-time awards range from \$2,510 for students at the county colleges to \$11,340 at the independent colleges and universities.<sup>11</sup> TAG has provided critical support to students, which has helped keep the state’s high tuition affordable to students.

## The Growing Need and Demand for Higher Education

New Jersey ranks 50<sup>th</sup> in the nation in the number of high school graduates it can accommodate in its public colleges. As a consequence, New Jersey educates significantly fewer students in its four-year public institutions than do states of comparable size: for example, about 46,000 fewer than North Carolina and about 52,000 fewer than Virginia.<sup>12</sup>

A slack economy sends unemployed and anxious workers back to school. As in other recessions, this downturn has prompted an increase in enrollments, especially at county colleges. From FY 2007 to FY 2009, total undergraduate enrollment at all of the undergraduate public institutions (the three public universities, the nine state colleges and the 19 community colleges) has grown by nearly 7 percent from 364,179 students to 389,135.<sup>13</sup> At some of the community colleges the increases have been double digit—specifically Ocean County College (21.7 percent), Burlington County College (17.5 percent), Raritan Valley Community College (16.0 percent), Hudson County Community College (14.6 percent) and Cumberland County College (12.6 percent).

The ability to expand to meet student needs varies. County colleges in particular have shown an extremely elastic capacity. In 2007, 75 percent of the county college faculty and 60 percent of the state colleges and universities faculty were part-time, percentages that have likely increased as a result of enrollment growth since 2007.<sup>14</sup> Part-time faculty have proved invaluable in this expansion effort.

Jacob C. Farbman, Director of Communications for the New Jersey Council of County Colleges, notes that between 2008 and 2009, enrollment at county colleges grew by more than 10,000, prompting colleges to “find innovative ways to deliver instruction.” More classes are now scheduled on weekends and evenings. Others take place in high schools after school hours. Online offerings are also at an all-time high. Today 17 of New Jersey’s 19 county colleges offer some courses online, with three (Bergen, Atlantic and Mercer) offering full online degrees.<sup>15</sup>

Strengthening New Jersey’s county colleges is important for the state’s economy. A 2008 report by The National Commission on Community Colleges notes that in a globalizing market, two-year colleges are “indispensable to the American future.” Referring to their unique status as ports of entry to higher education and to successful lives in the United States, the national commission characterized county colleges as “the Ellis Island of American higher education.”<sup>16</sup>

County colleges turn out viable workers. A new report, “*Graduated Success: Sustainable Economic Opportunity Through One- and Two-Year Credentials*,” shows that “43 percent of those who hold a certificate as their highest degree earn a median annual salary that is higher than that earned by someone holding an associates degree. Nearly a third (31 percent) of associates degree holders earn more than someone holding a bachelors degree.”<sup>17</sup>

## **FY 2010 and Beyond**

The budget cuts proposed by the Christie Administration will likely lead to tuition increases, a serious hardship as the state—and the nation—struggle with recession. The further erosion of state support will make it more difficult for the state’s colleges and universities to maintain their current programs and will curtail growth. The longer the state waits to invest in these institutions, the more expensive it will be to do it.

Education is vital for those entering the job market, for those in low-level jobs and for the unemployed. The higher tuition rates rise, the tougher it will be to get that education. Assembly Higher Education Committee Chair Pamela R. Lampitt (D-Camden) points out that, “No matter

how you approach it, these proposed higher education cuts will make it that much harder for New Jersey to recover from the economic recession both now and for years to come.”<sup>18</sup> The state’s future and economic vitality is a function of the quality of its workforce. Without a quality workforce, New Jersey will limit its ability to participate in the high tech economy.

*The Reports of the Education Subcommittee* of Governor-Elect Chris Christie’s transition team notes,

“There are no institutions of higher education in New Jersey that are over-funded. All are under-funded, some grossly under-funded, so more funding for operating support would be a positive thing, especially given NJ’s bottom-of-the-nation ranking in funding changes for higher education over the last several years. However, continued blind allocating out of funds without rational or intent is frankly irresponsible, especially in a period of constrained resources.”<sup>19</sup>

The conclusions of NJPP’s 2006 report are still pertinent four years later. Making college available and affordable delivers clear and concrete benefits to society. Many of New Jersey’s short comings in the past regarding affordability, access and capacity continue to threaten the state’s prosperity. Education is the key to the 21<sup>st</sup> Century. It’s time for New Jersey policymakers to recognize the vital role of education in today’s global economy.

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<sup>1</sup> Citizen’s Guide to the Budget, FY 2010, pp. 54-55.

<sup>2</sup> Ibid. pp. 54-55.

<sup>3</sup> Governor Chris Christie, Executive Order No. 14, February 11, 2010, p. 2.

<sup>4</sup> Claire Heininger and Lisa Fleisher, “Christie acts to save budget,” *Sunbeam*, Friday, February 12, 2010.

<sup>5</sup> Memo from Michel W. Klein to NJASCU college presidents. February 2010.

<sup>6</sup> Governor- Elect Chris Christie Transition: Reports of the Education Subcommittee, January 16, 2010, p. 20.

<sup>7</sup> Ibid.

<sup>8</sup> Kelly Heyboer, “Cap tuition at N.J. colleges, but don’t forget the fees,” July 6, 2009.

[http://blog.nj.com/njv\\_editorial\\_page/2009/07/cap\\_tuition\\_at\\_nj\\_colleges\\_but.html](http://blog.nj.com/njv_editorial_page/2009/07/cap_tuition_at_nj_colleges_but.html).

<sup>9</sup> Office of Legislative Services, Analysis of the New Jersey Budget, Higher Educational Services, Fiscal Year 2009-2010, April, 2009, p. 8.

<sup>10</sup> Ibid. p. 10.

<sup>11</sup> Higher Education Student Assistance Authority, “TAG Maximum Awards, Approximate Maximum Full-time TAG Awards - 2009 – 2010,” <http://www.hesaa.org/index.php?page=tag-maximum-awards>.

<sup>12</sup> Governor- Elect Chris Christie Transition: Reports of the Education Subcommittee, January 16, 2010, p. 19.

<sup>13</sup> 2007 and 2009 IPEDS 12-month Enrollment Survey.

<sup>14</sup> <http://www.state.nj.us/highereducation/statistics/FacultyRaceSex2007.htm>

<sup>15</sup> Interview with Jacob C. Farman, New Jersey Council on County Colleges.

<sup>16</sup> National Commission on Community Colleges, “Winning the Skills Race and Strengthening America’s Middle Class.” <http://professionals.collegeboard.com/policy-advocacy/access/community-college/commission>

<sup>17</sup> Jennifer Wheary and Viany Orozco, “Graduated Success: Sustainable Economic Opportunity Through One- and Two-Year Credentials,” February 4, 2010. [http://www.demos.org/responsible\\_global\\_engagement.cfm](http://www.demos.org/responsible_global_engagement.cfm).

<sup>18</sup> Assembly Democrats News Release, “Lampitt: Christie Higher Ed Cuts Will Increase Tuition Rates During Recession,” February 11, 2010.

<sup>19</sup> *Reports of the Education Subcommittee*, Governor-Elect Christ Christie Transition, January 16, 2010, p. 21.