

Senate Budget and Appropriations Committee
Testimony of Michael Avaltroni, President, Fairleigh Dickinson University
on behalf of Independent Colleges and Universities of New Jersey
May 2, 2023

Thank you, Senator Sarlo, and members of the Senate Budget Committee for allowing me to present this testimony on behalf of the state's independent colleges and universities. I am Michael Avaltroni, President of Fairleigh Dickinson University (FDU). Although I have only been in this role since January 1st, I have spent twenty years in administrative leadership at FDU and thus can provide insight into the issues and challenges facing independent colleges and universities.

I understand that last year, Saint Peter's University President Cornacchia began his Assembly Committee testimony with reference to the Peacocks Cinderella NCAA tournament that sadly ended in the final 8. This year, as you know, our FDU (can't remember your mascot) pulled off one of the major March Madness upsets of all-time when we defeated Purdue, the overall number one seed in the tournament and thus busted most of the brackets in the country. I would also note that Princeton University, a number fifteen seed, defeated Arizona, a number two seed. For those of you who try your hand at NCAA brackets next year I would suggest that if there is a NJ independent college in the tournament do not write them off, or at least put two brackets in so you are not out by the first weekend. As a small independent college or university, the exposure that FDU received during that three-day period could not be achieved with any "paid media" investment that we could have generated.

As you know, the non-profit independent sector is very diverse with one of the highest ranked institutions in the world to an institution with less than 1,000 students, and many different institutions in between. These institutions, however, are all committed to providing access to students in New Jersey and around the nation and the world and providing the workforce that the State needs to grow and prosper both economically and socially.

FDU remains the state's largest non-profit independent university with enrollment of 11,500 in our two New Jersey campuses – Metropolitan Campus (Teaneck and Hackensack) and Florham Campus (Florham Park and Madison). We also have two international campuses in Vancouver and Wroxton, England.

We are proud of our diversity and our federal designation as a Minority Serving Institution (MSI) and proud that there are five of our other independent institutions that have this distinction. FDU has a long history of providing access and opportunity for underserved populations and we have been continually honored for such programs. For example, we also are recognized as a Fulbright Hispanic Serving Institution Leader, and *Excelencia* in Education, a nonprofit devoted to accelerating Latino student success, honored FDU as a national collegiate example of excellence for the advancement of Latino students in the classroom and the workplace.

BACKGROUND ON NEW JERSEY NON – PROFIT PUBLIC MISSION INDEPENDENT COLLEGES AND UNIVERSITIES

New Jersey’s fourteen non-profit public mission independent colleges and universities collectively educate approximately 63,000 in-state and out-of-state undergraduate and graduate students and serve approximately 21% of the four-year undergraduate students in the state and 32% of its graduate students. Our colleges and universities are critical in slowing the ‘outmigration’ of talented New Jersey students by offering more choices to stay in the state. Our colleges and universities provide opportunities for students to find the best academic and social blend to enhance individual learning right here in New Jersey.

Our colleges and universities are fully committed to providing an accessible and affordable education to all New Jersey students. Our demographic diversity, which matches the demographics of the public institutions and our state, reflects our success in achieving these goals.

The overall income, ethnic, racial, and first-generation diversity of our students mirrors and frequently exceeds the overall diversity at the public institutions, reflecting our state’s diversity. Many of our independent institutions are among the most diverse in the state with six designated as Minority Serving Institutions. While overall minority enrollment at our member institutions is 35%, undergraduate minority enrollment is even greater at 40%.

The more than \$1 billion in institutional aid that our institutions provide to our students when combined with federal and state financial aid helps make the opportunity of enrolling at one of our institutions more affordable for many low- and middle-income families. This institutional aid which is necessary for our institutions to be competitive comes at a cost of lost revenue. A very small portion of this aid we provide is “funded” – meaning it is offset by revenue from endowments or other scholarship funds.

As the state has tried to provide aid to help students, so has FDU. During the pandemic for example, we froze tuition rates for two consecutive years, meaning students paid the same rate for three straight years. And in 2021 we took the bold step of reducing the base full-time undergraduate tuition rate for all new students by 22-25 percent on our New Jersey campuses. And that is combined with significant amounts of institutional aid. We are doing all that we can to help students afford a high-quality private education.

The independent sector provides graduates in the key areas of the growing state economy as well as producing much needed educators, nurses and other health care professionals and administrators. A substantial majority of our students remain in the state as taxpayers, thereby further justifying every dollar that the state invests in their education.

Our colleges and universities provide choices to meet the needs of the students – smaller institutions with smaller class sizes and more personal contact, at campus locations in some areas of the state where there are no other four-year institutions and, in some instances, cultural options for the student.

In fact, our colleges and universities include the only small colleges options available in the state. Eleven of our campuses have an undergraduate enrollment that is smaller than the smallest state

institution, eight are less than half that size, and seven are one-third that size. This smaller size results in a faculty-to-student ratio that is 25% less than the public institutions. We all know that some students require a smaller institution to excel. That is especially important for a significant number of our students during this post-COVID environment that places added stresses on so many of them, including minority, low to middle income and first-generation students.

As to the contributions to the New Jersey economy and communities, our campuses directly employ more than 20,000 people with thousands more working for contractors such as food service, bookstores, and the like across all counties of the State while generating more than \$4 billion of economic activity.

We care deeply about our communities where our campuses are located and strive to be “part of the community” in a variety of ways including opening some campus facilities to the community and providing voluntary contributions to community groups. I encourage each of you to consider visiting our campuses and their towns and cities they serve and support.

New Jersey’s economic engine needs a robust research and innovation ecosystem. With three research institutions and other institutions involved in research and STEM education, our sector is an important component of the research and innovation economy that is so vital to our state. In addition to groundbreaking research, we also confer a larger percentage of science and technology degrees as compared to our overall proportion of higher education enrollment.

CHALLENGES FACING INDEPENDENT COLLEGES AND UNIVERSITIES

New Jersey’s independent colleges and universities, like independent institutions throughout the nation, face many challenges as do many public institutions.

Many of these challenges were facing independent colleges and universities prior to COVID, however COVID and the resulting economic consequences for the nation and world brought about new challenges as well.

Smaller liberal arts independent colleges have been facing challenges for many years due to the reduced number of high school graduates - - which increases competition among these institutions resulting in aggressive price competition among both in-state and out-of-state colleges and universities that directly and adversely impacts the ability of many schools to meet the cost of providing essential educational opportunities and options.

Student enrollment among the current fourteen ICUNJ members has decreased from 65,130 in the Fall 2016 to 62,475 in the Fall 2022, a decrease of 4.1%. During this period four institutions have an increase in enrollment ranging from 2.6% to 40.8% while the other ten have decreases ranging from -2.1% to -42.2%. The overall numbers however are skewed by Princeton and Stevens and if they are removed from these totals the decrease in enrollment from 2016 is nearly 12%. For comparative purposes the decrease at the public four-year colleges was only 4%.

Even moderate reductions in enrollment have a greater impact on independent colleges and universities since we are primarily funded by student tuition and fees and housing and meal plan revenue. Excluding Princeton, nearly 85% of the nearly \$1.5 billion in revenues collected in the

2018-2019 academic year by the other thirteen institutions were generated by student related revenue from tuition and fees and housing and meal plan revenue.

Excluding Princeton, none of the state's independent institutions have large endowments that some erroneously assume are the norm for independent institutions. Only two have endowments of over \$250 million and four of the remaining thirteen institutions have endowments of below \$20 million while another has slightly less than \$25 million. The remaining institutions range from \$40 million to \$141 million.

Enrollment during this period was impacted by many factors including a lower number of potential students due to demographics and of course the impact of COVID. The reduced enrollment in the Fall of 2020 has a ripple effect since many of these students never enrolled in college in 2021 or 2022 and thus are not now completing their second or third years. Statistics have shown that lower income and first-generation students (those that generally benefit most from attending our smaller schools) were impacted to a greater extent and a disproportionate number of them have not move on to continue their education.

Data shows that the impact of a smaller pool of college aged students will peak in the next five or so years and that overall enrollment will continue to decline.

The current strong job market and the national discussion on whether a college degree is necessary or "worth the investment" is also likely to impact enrollment in the future. A student that can make \$25 per-hour in a warehouse may make the short-term decision that college is not worth the financial and time investment. In addition, more and more employers, both public and private, are considering eliminating degree requirements.

"Free public college" programs such as CCOG, GSG and individual campus "promise programs" will also likely have some impact on our already challenged enrollment. These programs are designed to attract students to public institutions, which in some cases may not be the best educational and/or cultural fit for the student. In addition, the recently announced program that certain SUNY institutions will cap out-of-state tuition for New Jersey residents at the Rutgers in-state level may make some of these out-of-state institutions more attractive. This is again another example of how other states in our region have developed programs to enable their colleges and universities to successfully "poach" our New Jersey students. At some point, New Jersey needs to develop some measures to keep more students in state and attract more students from out of state. These measures could include expanding GSG independent institutions that agree to the same requirements placed on public institutions.

A new challenge that has recently arisen, and one that higher education institutions have not been impacted by for a generation, is the high inflation rate that is impacting the costs of goods and services purchased by the colleges. High inflation rates put pressure on current and future salary demands of faculty and staff.

As with all higher education institutions, employee related salary and benefit costs represent the vast majority of costs on each campus. Overall costs associated with students such as instruction,

academic support, and student services account for two-thirds of the costs and if auxiliary expenses related to housing and food services are included it reaches three-quarters of the costs.

The days of flat salaries or low increases are likely behind us for at least a few years. In addition, the competition to retain and recruit qualified staff drives up costs as well and some institutions cannot compete and thus have significant positions not filled.

Insider Higher Education recently reported on the College and University Professional Association for Human Resources survey where “57.2% of respondents were somewhat likely (22.3%), likely (12.5%) or very likely (22.4%) to seek work elsewhere within the next year.” Survey findings indicate that 76% of respondents are seeking new work opportunities because they want increased pay, 43%, 32% are seeking flexible work schedules, and another 30% want a promotion or additional work responsibilities.

Colleges are under enormous pressure to keep tuition increases to levels below the inflation rate and cost drivers since many of the lower- and middle-income families we serve are impacted by inflation in their daily lives.

Over the past decade, student mental health has become a major issue and cost driver on campuses and post COVID even more so. All institutions are putting more resources into mental health programs and policies, yet all face a critical shortage of qualified professionals that impacts the overall mental health system, as the supply of these needed counselors and experts increasingly fails to meet the growing demand for them.

Fairleigh Dickinson University and other independent colleges are working hard to meet these needs. For example, FDU’s Center for Empathy Research and Training (CERT) provides proven empathy training methods and applied psychological research to engage and teach individuals and groups to become proactive change agents for societal transformation by preventing, mitigating, and resolving aggressive behavior in the global communities where we teach, work, and live. In addition, Mental Health First Aid (MHFA) is being offered to provide the skills to help someone experiencing a mental health crisis and to provide early intervention and support to prevent a crisis from occurring. Thus far, over 150 professionals at FDU have been trained in MHFA and over 400 students who will be future health care providers. Finally, FDU recently announced the launch of our Transforming College Campuses (TCC) program thanks to a generous gift to the university. TCC supports FDU undergraduate students by: (1) connects graduate students as student support liaisons with first-year undergraduate students to provide a holistic support structure for the first 2 years, (2) fostering a campus-wide culture of mental health and wellness through campus events on each NJ campus, and (3) establishment of a drop-in center on each NJ campus so that students have a one-stop location to address questions and concerns that range from academic, social, financial, mental health, and any other issues. TCC, in conjunction with CERT and MHFA opportunities even greater opportunity to demonstrate a model of support on a college campus, while simultaneously impacting our New Jersey communities.

We thank the Governor and the Legislature for the \$16 million in grants provided in the FY 2023 budget and awaiting the final approval of our plans to spend these funds. The FY 2023 budget

also provided \$10 million in funding to establish a state-wide telehealth network. In addition, there is funding in other areas of the budget that will help to strengthen the underlying mental health infrastructure in the state. There is much more to be done to increase the number of practitioners and our institutions hope to be part of that solution.

COVID has resulted in costs, processes and procedures that will remain in place to some extent and there will be continuing costs.

Most institutions still are not at the pre-COVID occupancy levels for residence halls. The debt service and operating costs of these facilities are the same regardless of 95% occupancy or 75% occupancy. The lower number of students in residence halls also has an impact on revenue generated from meal plans.

Unfunded federal and state mandates also put pressure on institutions, especially smaller institutions with limited staff. These smaller institutions most likely cannot hire additional staff so the workload is put on existing staff and thus some tasks they had been doing will now not be completed.

Compounding each of these challenges has been the impact of the reduced state operating aid to independent colleges and universities over the last 20 years. At the beginning of this century (FY 2001) aid to independent institutions was \$25.2 million. At the end of the Corzine Administration (FY 2010) funding was down to \$16.5 million and then in FY 2011 the entire aid was eliminated in the Christie Administration's first budget. No aid was provided in FY 2011 through FY2013 and then \$1 million (shared by fourteen institutions) was provided from FY 2014 to FY 2019 except for \$1.5 million in FY 2016. Since FY 2017 funding has increased to \$2 million in FY 2020, \$3 million in FY 2021, \$7 million in FY 2022, \$10.5 million in FY 2023 and a proposed \$12.5 million in FY 2024. These increases are appreciated but still fall short of restoring to previous levels and meeting the statutory funding level of approximately \$23 million.

Even with all these challenges, collectively New Jersey's independent colleges and universities are meeting the challenges and adapting to the new reality.

FY 2024 BUDGET REQUESTS

Looking ahead to the proposed FY 2024 budget by Governor Murphy, we would like to focus on three funding areas: 1) operating aid, 2) Tuition Assistance Grants (TAG), and the 3) Educational Opportunity Fund. We would also like to focus on the potential expansion of the Garden State Guarantee program to assist students who choose to attend an independent institution to continue their education as well as the need for capital funding to allow our institutions to make the needed investments in our campus facilities.

Increase Operating Aid Provided Under the Independent College and University Assistance Act (ICUAA) from proposed \$11.5 million to \$15.5 million

We thank the Governor and the Legislature for providing the \$10.5 million in operating aid under the Independent College and University Assistance Act in FY 2023. Since FY 2020 the Governor

and the Legislature have increased the operating aid from \$2 million to the proposed \$12.5 million in FY 2024.

We request that the Legislature support the \$2 million increase that the Governor has proposed, and we would also request that you consider an additional increase of \$4 million for a total line-item appropriation of \$15.5 million. With the additional \$1 million language appropriation, the total of \$16.5 million would restore aid to the FY 2010 level but still well below the full funding level of \$23 million.

This increased funding would provide funding to offset cost drivers including unprecedented inflation, offset enrollment declines, statutory and regulatory mandates and provide enhanced student services such as mental health services.

Over the past decade, our institutions have needed to increase counseling and mental health services to meet the demands of students. Studies and surveys have shown that the COVID pandemic has increased the importance of this issue on our campuses.

Investment in career services is also an increased cost in an area that students and parents expect us to provide, as well they should.

The increased funding may also be used to deal with the significant deferred maintenance projects and thus create jobs and economic activity to make needed upgrades.

Our institutions are also ready to use a portion of additional increases in funding to provide even more financial aid to our students thus allowing, even more, to attend with no cost when state, federal and institutional aid is being considered.

The proposed FY 2024 \$12.5 million in operating aid represents the only sector-wide aid for the nonprofit independent colleges and universities that is not student financial aid. For comparative purposes, the public four-year colleges and universities receive over \$2 billion in direct operating aid and support for fringe benefits.

Authorize Use of Unexpended Tuition Aid Grants (TAG) to Provide Awards for Summer 2024 Courses and Provide Additional Funding to Allow TAG Awards to be Increased by 3% to 4%

We thank the Administration and the Legislature for your continued support of the Tuition Aid Grant (TAG) program, and we also thank you for the recently enacted law to align out State TAG program with the federal Pell Grant program to provide TAG awards to students for courses taken during the "Summer 2023" term. This expansion will result in faster completion and less cost and debt for students and their families.

The Tuition Aid Grant Program was established in New Jersey to provide access for low- and middle-income families to send their children to a college, chosen by the student, in New Jersey. It is a student-focused program, not an institutional program. The program has been considered a great success and is a model for the rest of the nation.

Choice is essential for students because the size of the institution, campus culture, geographic location and other factors all have an impact on student success and achievement.

In the 2021-2022 academic year, approximately 11,000 students attending our nonprofit independent colleges and universities received nearly \$112 million in TAG awards that allowed them to choose the institution that best fits their educational needs.

First, we request that the Legislature authorize the use of unexpended TAG funds from FY 2022 and FY 2023 to provide TAG awards for the Summer 2024 sessions. Since the law enacting the Summer TAG program for the Summer 2023 sessions was enacted after the Governor proposed the FY 2024 Budget there was no accounting for this expansion. For this program to be successful, students need to have assurances that the support will be there in the future as they decide their course loads for the Fall 2023 and Spring 2024 semesters. Knowing that they will have the ability to receive TAG grants in the Summer 2024 sessions may impact their decisions for the Fall and Spring semesters.

The Legislature DOES NOT have to add any additional funding for FY 2024 to allow these TAG grants to be available in the Summer 2024 sessions since due to underutilization in the TAG program in FY 2022 and FY 2023 (and likely in FY 2024), HESAA has sufficient funds to cover the cost of these grants.

Second, we support the Governor's proposal to provide a 5% increase in awards for the poorest students (cell 1) that receive TAG awards. We would however request that the Legislature provide an additional \$6 million to \$8 million increase to provide a 3% to 4% increase for all other awards.

Increase Funding for the Educational Opportunity Fund (EOF) Grants and Campus Support Services

The Educational Opportunity Fund (EOF) programs have a proven record of supporting students from educationally and economically disadvantaged backgrounds. We all agree that this program provides the greatest benefit to students not only through grants but, equally important, support services.

We would request that you increase the level funding that the Governor has proposed by \$2 million to \$4 million.

We would recommend that \$2 million of this increase be used for grants to EOF eligible students. This funding would support not only increases for current eligible students but also expand the number of students served.

We also request that you provide a similar \$2 million increase in the student support services portion of the EOF program, which provides services such as counseling, tutoring and developmental coursework that are essential to their success. It will be even more important this year since many of these students have had their last years of high school disrupted by the pandemic and may need even more support services during the summer and their first year.

Nearly 1,900 EOF students chose to attend ICUNJ institutions with aid totaling approximately \$4.7 million in the 2020-2021 academic year, an average of \$2,500 per student. Institutions also received nearly \$3.4 million in funding for support services.

The return on the investment in the EOF program is well documented in assisting students to become successful in their studies and their future careers.

Garden State Guarantee

When the Garden State Guarantee Program (GSG) was initially proposed, our institutions have raised concerns that at times students and parents may choose the “free” option over the option that may be best for their educational and social development needs. As noted, before, our fourteen members strive to keep the cost to students and their families as low as possible.

Now that GSG is a reality at the four-year public institutions, we request that the Governor and Legislature consider expanding it to independent colleges and universities like the New York State program that also includes independent institutions. Grants like those provided to students attending public institutions should be provided to students attending independent institutions IF the institution provides a “no-cost” option like the provisions of GSG. With the shifting of the funding for the program from institutional operating aid to a HESAA based program like TAG the extension to students attending independent institutions would be much easier to administer.

We believe that allowing the money to follow the student will allow students and their families to make the best decision for themselves on continuing their education.

Capital Funding for Infrastructure Needs

One of the key challenges facing schools in today’s highly and increasingly competitive environment is the need to enhance their infrastructure. Colleges and universities across the country are compelled to build or renovate existing facilities, as part of what has been referred to as the ‘arms race’, for better dorms, cafes, classrooms, and athletic facilities than their competition. For example, a new rock-climbing wall in the student center or a ‘state of the art’ fitness center can be the shiny objects that attracts a potential student. Rightly or wrongly, many high school students, and their parents, focus on these structures and enhancements in making school choices. Our schools are not immune from this reality.

Institutions fund their infrastructure needs through a variety of sources – 1) capital campaign fundraising and donor support; 2) tuition and fee revenue; and 3) state programs.

Most of the infrastructure funding for independent colleges and universities are funded through capital campaigns and donor support as well as tuition and fee revenue. Due to the pressure to keep tuition and fees affordable and competitive, our institutions are compelled to focus on targeted capital campaigns and thus other campus needs such as ongoing maintenance are often less of a priority since donors prefer new construction.

New Jersey has provided limited financial support for capital at independent colleges and universities and historically the allocation does not even remotely represent the proportion of the sector’s students as compared to other sectors. For example, for the programs from the bond issue

and related EFA grant programs, independent colleges and universities have received 8% to 10% of the available funding. For those programs two- and four-year colleges are eligible for the percentage of students attending independent institutions is historically 15% to 18% and for those that are limited to only four-year institutions the percentage is in the 20% to 22% range.

One president once noted that “Public College A built a building with state bond funds, while his institution could barely replace windows.”

We are extremely disappointed in the most recent capital funding recommended by the Secretary of Higher Education. Independent colleges and universities are recommended to receive only \$25 million of the \$393 million total, this represents only slightly above 6% of the total recommended. As noted above this is significantly below the proportion of students attending our institutions and is even below the historical allocations.

We would request that you urge the Governor and Treasurer to authorize the Secretary of Higher Education to allocate some of the \$200 million in additional bonding authority for EFA which would allow the funding of additional projects.

We would also request that funding from remaining federal funds as well as state funds from the Debt Defeasance and Avoidance Fund be allocated for higher education capital on a competitive basis and that the independent colleges and universities receive a fair share.

CONCLUSION

I thank you in advance for the consideration of our funding requests for the FY 2024 budget.

Maintaining the future financial stability and viability of independent higher education institutions in New Jersey provides thirteen more options for students to stay in the state; especially those from lower- and middle-income families that may need to commute to campus because they cannot afford the added cost of residence halls and dining.

An independent higher education sector also provides the jobs that the state needs to keep our K-12 school system #1 in the country, staff our health care institutions and provide other jobs that we need to keep the economy moving forward.

The cost to the state to increase capacity at public institutions if a number of independent institutions no longer were operating would be substantial. In FY 2021, the state provided \$12,600 per student (operating aid and special appropriations, fringe support, student aid) at public four-year institutions while providing only \$2,700 per student at independent institutions (operating aid, special appropriations, student aid). While our institutions recognize the value of supporting the state’s public institutions and are not proposing reductions in that support, we do believe that an increased investment is necessary for our institutions to continue to serve the students and state in both the short and long term.

On behalf of FDU and the other independent colleges and universities I invite you to visit our campuses and hear directly from the students that you help support. We also offer our campuses for events you may wish, and we also have faculty that can provide research and insight on state policy areas that you and your colleagues may be dealing with.