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Preface

This is the second paper in a series of white papers sponsored by the Kean University Center for History, Politics and Policy (CHPP). This paper, authored by Dr. Jeffrey Toney and Ms. Corina Hernandez, explores the opportunities and challenges of the Building Our Future Bond Act to support higher education institutions across New Jersey.

On behalf of the University and the CHPP, we thank Dr. Toney and Ms. Hernandez for their contribution, and believe you will find this paper informative.

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Building Our Future Bond Act: Investing in New Jersey's Higher Education

Jeffrey Toney and Corina Hernandez

Problem

On November 6, 2012, New Jersey voters will take to the ballots and consider one of the most important referendums in the last quarter century - the \$750 million Building Our Future Bond Act to support the state's colleges and universities to construct and equip higher education facilities. Choosing the next President of the United States will be foremost on their minds; yet they will be asked to choose "Yes" or "No" to the following question:

Do you approve the "Building Our Future Bond Act"? This bond act authorizes the state to issue bonds in the aggregate principal of \$750 million to provide matching grants to New Jersey's colleges and universities. Money from the grants will be used to build, equip and expand higher education facilities for the purpose of increasing academic capacity.¹

After nearly 25 years of declining state funding for higher education institutions, the Governor convened a task force charged with identifying the financial needs of the state's colleges and universities.²

This white paper will explore the benefits, challenges, and costs, of the proposed Bond to New Jersey taxpayers.

Policy Solution

There is little doubt that public education needs reform and innovation, ranging from

Kindergarten through College. Consider this statement, from Governor Christie's website:³

"Governor Christie's Reform Agenda will move public education in New Jersey away from an antiquated, ineffective model that props up failing schools and toward a system that demands accountability, rewards highly effective teachers, utilizes performance measures and ensures each and every child receives the quality education they deserve."

¹ [http://ballotpedia.org/wiki/index.php/New_Jersey_State_College_Bond_Issue,_Public_Question_1_\(2012\)](http://ballotpedia.org/wiki/index.php/New_Jersey_State_College_Bond_Issue,_Public_Question_1_(2012))

² http://nj.gov/governor/news/reports/pdf/20101201_high_edu.pdf

³ <http://www.state.nj.us/governor/priorities/edu/>

The same assessment, some argue, can be applied to higher education. Is reform of higher education worth additional public investment, in the face of a range of priorities set by the Christie administration? Some question the value of a college degree altogether, citing tuition rates that outpace inflation that can leave graduates with a heavy debt burden. Others question whether our antiquated system will be able to prepare our students to meet the demands of a highly global and competitive market. One way for New Jersey to meet this challenge is through the enactment of a state bond that provides grants to colleges and universities.

Achieving a higher level of education results in better employment rates and in higher lifetime earnings. The Georgetown University's Center on Education and the Workforce recently reported that those holding a bachelor's degree earn 84 percent more during their lifetimes compared to workers with a high school diploma.⁴ Unemployment rates (August 2012) reported by the Bureau of Labor Statistics are at 12% for workers with less than a High School diploma, 9% for those with a High School diploma, 7% for those with some College education, and 4% for those with a Bachelor's degree or higher.⁵

Supporting higher education in a knowledge-based economy makes sense. Indeed, the

Governor's Task Force on Higher Education⁶ stated:

“New Jersey’s economy will continue to be driven by college graduates. By 2018, New Jersey will be second only to Massachusetts in the proportion of its jobs that require a bachelor’s degree. Most of these jobs will be in areas like healthcare, computer technology, business management and education.”

⁴ <http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/collegepayoff-release.pdf>

⁵ <http://www.bls.gov/news.release/empsit.t04.htm>

⁶ http://nj.gov/governor/news/reports/pdf/20101201_high_edu.pdf

Despite the clear need, only about one in three New Jerseyans hold a Bachelor's degree or higher at 35%, slightly higher than the national average of 28%.⁷ New Jersey's economy will benefit in the long term if more investments are made today to support higher education. Benefits of the Building Our Future Bond Act can be wide ranging, from enhancing recruitment to our Colleges and Universities to offering our students a better education to boosting our economy. The Bond act is designed so that the funds allocated to universities can only be used on academic and research facilities and 25% of the costs are borne by the recipient institutions. It is estimated that approving the Bond could result in:

- About 10,000 more jobs in construction across the campuses⁸
- \$715 M increase in annual state Gross Domestic Product⁹
- Increase in new state tax revenue
- 49 New Jersey institutions could benefit from the funding¹⁰
- Potential to attract additional investments and attract new corporations to the State
- Potential to reduce the out-migration (“brain drain”) of students leaving New Jersey to pursue a college degree, thereby increasing the quality of the workforce for companies within NJ to recruit and hire. Currently New Jersey loses approximately 30,000 first-year College students per year, while only taking in 4,000 students from other states.² Not only are we losing our students to other colleges and universities, this is also impacts potential tax revenues.

⁷ <http://quickfacts.census.gov/qfd/states/34000.html>

⁸ <http://www.rider.edu/vote>

⁹ http://www.dailytargum.com/opinion/columnists/matt_kuchtyak/investing-in-our-future/article_fac7414-12a0-11e2-9664-001a4bcf6878.html

¹⁰ <http://www.rider.edu/vote>

In other states, similar bonds were passed over the last two years. New York and Connecticut, for example, spent \$862 million and \$285 million on college capital funding, respectively. Elsewhere, the California measure, known as Proposition 47, was passed and will provide \$1.65 billion for campus projects, including \$496-million at the California State University System, \$408-million at the University of California system, and \$746-million at the state's community colleges.¹¹ In Virginia, voters endorsed \$846-million for campus facilities by a wide margin, with 72 percent of voters approving the measure, which also includes almost \$55-million for museums.¹² Alaska, North Carolina, New Mexico, and Oregon have also approved bond measures to finance college construction and other needs.

Implementation Challenges

In this paper, we would like to call attention to the implementation challenges associated with allocating funds to higher education institutions equitably, and creating a sustainable system of state funding for higher education that extends beyond a one-time infusion of funds.

How can this money be used? If state universities received this funding what could we use it for? What are the recommendations or institutional needs -- to build research labs, facilities, enhance technology, etc.? Is it fair or even appropriate that some private institutions could receive \$52 million of this bond?

¹¹ <http://www.universityofcalifornia.edu/news/prop47.html>

¹² <http://www.vcu.edu/bond/about.html>

Current Strategy

The current strategy is articulated by the Bill itself¹³:

“Bonds of the State of New Jersey are authorized to be issued in the aggregate principal amount of \$750,000,000 to be allocated as grants for the costs of projects as follows:

- a. \$300,000,000 for the public research universities;*
- b. \$247,500,000 for the State colleges and universities established pursuant to chapter 64 of Title 18A of the New Jersey Statutes;*
- c. \$150,000,000 for the county colleges; and*
- d. \$52,500,000 for the independent private institutions of higher education, other than an independent a private institution having a total endowment of more than \$1,000,000,000.”*

Not articulated in the Bill is a source for the revenue or how the \$750 million could be returned to the state. It is notable that while investors seeking to support New Jersey bonds can find many opportunities in Municipal bonds, with return rates as high as 6.25%, there are currently no available general obligation bonds at the state level.¹⁴ A clear requirement of the Bond referendum is that public institutions provide a match of 25% of their own funds and that private institutions provide a 50% match.

Despite these benefits, there are challenges and costs associated with the proposed Bond. How these funds will be distributed in an equitable manner has yet to be determined. In order to maximize the impact on our citizens and the state’s economy the following concerns and recommendations should be given consideration.

¹³ http://www.dailytargum.com/opinion/columnists/matt_kuchtyak/investing-in-our-future/article_fac7414-12a0-11e2-9664-001a4bcf6878.html

¹⁴ <http://newjersey.municipalbonds.com/bonds/issue/587844BY6>

Concerns

- A method for distribution of funds needs to be established. Distribution of funds according to the number of students at each institution or equally across eligible campuses is unlikely to result in the intended benefit of this Bond. Such an approach would effectively dilute the available funds to the point in which each recipient could enhance their academic facilities only incrementally.
- Funds must be dispersed in a way that prevents politicization and awards innovation.
- A measurable system should be in place in order to track how the money is being used and whether targeted outcomes are achieved.
- A sustainable system to continue funding has not been established.

Recommendations

- Develop a grants system, similar to Race to the Top, a call for proposals would be issued by the Governor's office or the Secretary of Higher Education, inviting creative ideas for use of the funds to support academic initiatives. Proposals would be scored by a variety of criteria, focused on projected outcomes that would benefit the state and its economy.
- Develop a community of *national* experts in higher education to evaluate the proposals submitted thereby circumventing political interference at the state level.
- Require colleges and universities that are recipients of the funding to develop a strategic plan with goals and objectives tied to measurable outcomes for how the funds will be utilized. For example, how will new academic facilities enhance teaching and learning? What method will be used to measure enhanced learning?
- Establish a loan pool whereby institutions of higher education can apply for continuous financing; this will also reduce the debt level at colleges and universities potentially driving down tuition costs.

Conclusion

If passed, the success of this Bond Act will be measured by clear outcomes, such as enhanced student learning resulting in better employment, increased representation of New Jersey high school students in our state's colleges and universities, more new jobs and increased revenue for the state. We believe that the best result can be achieved if this Bond Act rewards only highly

innovative and creative proposals, not the distribution of funds according to student headcount or political persuasion. There is evidence for public support. In a Rutgers-Eagleton poll released on October 5, 2012, 62% of those surveyed approved the Bond.¹⁵

Overall, the Building Our Future Bond is more than an investment into higher education; it is chance to change the patterns and statistics of New Jersey's economy. The bond will address issues that affect all New Jersey citizens such as employment rates, college graduates rates, and economic development projects. There are innovative ways to distribute the funds that could harvest multiple opportunities, such as those offered by the Race to the Top initiative by the federal Department of Education to support public K-12 education. As a state we cannot ignore the statistics that only one in three New Jerseyans have a bachelor's degree. Similar bonds in the various states prove that capital investment is needed to sustain institutions of higher education. Building Our Future Bond Act can and will enhance student involvement, create jobs, and contribute to the growth of the State of New Jersey, as long as it provides incentives for innovation, not incremental change.

¹⁵[http://ballotpedia.org/wiki/index.php/New_Jersey_State_College_Bond_Issue,_Public_Question_1_\(2012\)#cite_note-2](http://ballotpedia.org/wiki/index.php/New_Jersey_State_College_Bond_Issue,_Public_Question_1_(2012)#cite_note-2)