Campus Update
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The College of New Jersey
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Good afternoon. Usually when we get together in such meetings I spend most of my time relating the great successes of the campus and congratulating and thanking those who have contributed to our shared success. I will do some of that today, but mostly I will try to provide information about the current budget situation for the College and our plans to address what might be coming up for next fiscal year.

Despite all the gloomy news, particularly the lack of financial support from the state, TCNJ continues to do extraordinary things.

Next year's class promises to be a wonderful addition to our community. TCNJ admitted 47 more early-decision applicants for fall 2010 than it did for fall 2009, an increase of more than 16 percent. These students have very strong academic profiles: 1250 SAT/top 13 percent of class, almost identical to the profile of last year. With regard to the total class, we are seeing a huge growth in interest in TCNJ: applications as of February 22 were 9900, up 7% over last year, the largest number of applications in the College's history. Applications from underrepresented groups are also up: Black applicants are up 16%; Latino applicants have increased by 17%; Asian applicants are up 20%; and the number of Puerto Rican applicants has risen by 4%. The profile of the generally admitted students is again extraordinary: 1320 SAT and top 9% of their high school class. While we are planning to be able to house more of our students on campus, we are not planning to increase the overall enrollment of the student body.

We have received another series of great third party validations that support our argument for special status:

- The Princeton Review ranked us as one of the nation's "Best Value" public colleges. TCNJ is the only public institution in the state to make the list.
- Kiplinger's Personal Finance ranked TCNJ #23 among public colleges for best value for in-state students and #5 for out of state students—in both cases up a spot from last year.
- In U.S. News and World Report we were again the top public in the North and were included in a new ranking as an institution particularly dedicated to undergraduate education.
- We also maintained our Barron's ranking as one of only 5 public institutions and only 75 public and private institutions in the nation to be considered "most competitive."

This past semester we opened the new Art and Interactive Multimedia building and began planning for the education building and a possible Campus Town project. In early January we sold bonds to build the education building. Because some of these bonds were taxable Build America Bonds (part of the American Recovery and Reinvestment Act of 2009) TCNJ will be able to save $3.5 million over the life of the bond. And because order demand exceeded supply on the day of sale, the interest rate pricing for the bonds was adjusted more favorably for TCNJ. Like our students and their families, financial investors know a good investment when they see it.

From the state view, I take some comfort and see some hope in a number of the recommendations included in at least two of the transition reports that have been forwarded to Governor Christie for his consideration. While the Education Report focused mostly on the K-12 system, there were a series of recommendations on governance and regulatory relief that would be beneficial for TCNJ. The Economic Development Report included a series of recommendations regarding the relationship between higher education and the economic health of the state that were gratifying and promising. We have already developed and begun to implement a strategy with the administration and the legislature to assure that those particular recommendations that support TCNJ's mission come to fruition.

But the situation in the State of New Jersey is grim—as problematic financially as I have ever seen. As you have read in the newspapers, the governor is projecting a budget deficit for this year of $2.2 billion. In order to meet the constitutional requirement of delivering a balanced budget, Governor Christie last month declared a financial emergency through executive order and froze funds for 375 programs. While the largest hit was the $475 million being frozen for K-12 districts, part of the governor's proposed cut was some $62 million in funding for higher education. Unlike the cuts to K-12, the cut to higher education was an across-the-board cut of just over 6.3% from each institution's appropriation; this translates into just over $2 million for TCNJ. This cut is in the current budget and thus we must identify appropriate cuts within this current year's budget (which ends June 30, 2010).

Not to belabor the obvious, but when these cuts were announced, we were in the midst of a semester, so our choices of action were limited. We could not choose to cancel or consolidate classes currently in session or close programs currently serving students and the public. As a consequence, we will identify resources that we had set aside to address some challenges that we knew were coming our way next year: specifically, we will use a portion of the resources we had planned to use to meet the additional salary obligations of FY11 to address this mid-year cut. As you remember the state renegotiations of union contracts deferred a payment from this year into next, thus resulting in the payment of two increments within next year's budget cycle. We had targeted the salary savings realized from the state mandated furloughs of our employees to pay this salary challenge.

Let me make something clear—TCNJ will cover any obligations required as a consequence of state negotiated changes in compensation for our unit employees and will do everything it can to deliver on what all our employees expect. It's just that we will now have to identify some other source for covering such obligations rather than depending on the money we had been counting on.

In addition to the challenges that have been placed on the college by the drop in state funding, it's also important to keep in mind the kind of surprises that happen in any given year—and this year, it's the very difficult winter we are experiencing. There will likely be an increase in the cost for fuel and utilities, a huge increase in planned expenditure for snow removal, and a likely increase in the cost for emergency projects caused by damage to the physical plant.

And now, we get to the real challenge before us—not this fiscal year, but next. How do we pay for these salary obligations, additional costs associated with increases in utilities and inflation, and maintain institutional momentum?

I believe that it is useful to put this challenge in context. First, there is the context of what we have been doing at TCNJ over the last 8 years with regard to budget challenges and, second, there is a national context.

We have seen the support for higher education (across the New Jersey state campuses, not just TCNJ), drop precipitously over the last decade. Specifically for TCNJ, that support has dropped from 56% of general operations in 1998 to 30% of general operations for this year (including the recent cut).

During that time, at TCNJ we have made permanent expenditure reductions in graduate assistant waivers, non salary departmental allocations, and administrative staff (as much as $3 million: $2 million in 2002-2003 and an additional $1 million in 2007). We have saved a great deal by reorganizing and reordering our staff obligations, but we have instituted no layoffs. We have held some faculty positions open in years past, but have not cut any faculty lines. This year, in fact, we held no faculty positions open (as an aside, this could have a negative result on our ability to meet the "turnover" savings that we usually include in our budget planning). We have directed more institutional resources for need-based financial support for undergraduate students. We have benefited from our efforts to control energy costs through our cogeneration plant, the purchase of natural gas futures, and campus-wide energy conservation initiatives, including expanding our energy savings program with the summer Friday closure initiative. In some years, we have made temporary reductions in information technology as well as maintenance and renovation projects. There have been times when these temporary reductions have created a new base, thus resulting in a long-term savings.

However, in many instances these savings and expenditure reductions have been offset by increases in non-discretionary expenditures such as unfunded state mandates, system maintenance contracts, and workman's compensation.

At the same time we have made expenditure cuts, reallocations to priorities, and instituted savings initiatives, we have approached the use of reserves in a disciplined and responsible fashion. In addition to the payment of debt service on our bonds, we have used our capital reserve to fund investments in asset renewal, major renovations of existing buildings and infrastructure improvements—expenditures which, if ignored, would result in a much higher cost in the future. (Capital reserves are funded by dedicated fees and have no impact on operating budgets). In addition to capital reserves, we maintain operating reserves to preserve balances for unanticipated emergencies. However, we also use these reserves to fund non-recurring major operating needs such as IT system implementations (e.g., Student Administration System, PAWS); major academic equipment which is no longer funded by the state (this is in addition to the budget for faculty start-up equipment which is included in the operating budget itself); planning costs for strategic initiatives (e.g., the capital campaign, and positioning the institution) and for the past four years, our obligations to the Fall 2006 OSRP freshman class when the state cut funding after commitments were made. Our prudent and conservative management of resources has been cited as a positive key driver in the recent bond ratings from Fitch, Moody's and Standard and Poors.

The furloughs imposed last year were never part of our budget plans, and while we were forced to implement them, we saved the resources from these salary cuts by setting aside that money to use for the purpose originally intended—paying our faculty and staff for the deferred payments

required by the renegotiated contract in FY11. However, as I have already indicated, that plan has been compromised by the FY 2010 appropriation cut that was recently imposed.

There is no doubt that New Jersey started at a lower level of state support for higher education than some of our sister states, but every state in the nation is struggling in this financial downturn, and many states are turning to funding for higher education as a likely candidate for cuts. Last spring, the Association of Governing Boards conducted a survey of public members of the association: 14 states had sustained 3 consecutive budget reductions in just 18 months (a cut of the 2008 budget for 2009, a mid year cut in 2009 and a projected cut for 2010). Just an overview of recent news across the states: the Kentucky and Missouri institutions of higher education have recently been informed to expect large cuts for next year; the Virginia schools are fighting to retain their income from auxiliary enterprises; academic programs at the Pennsylvania universities and colleges are being reviewed for consolidation and/or elimination based on enrollment targets; the University of Iowa recently released a report that proposed the restructuring and or elimination of 14 graduate programs; the Nevada chancellor has just announced that state budget cuts will result in program elimination and lay offs of faculty and staff. And then, of course, there's California!

Our private colleagues are suffering as well—most because of drops in endowment and private giving—but the impact is the same. Brandeis just announced the projected loss of some 2 dozen faculty positions, the phase out of a series of graduate programs, and the cutting back of a number of undergraduate offerings. Even after 139 employees accepted early retirement last year, Brown University has announced that to meet a $30 million gap, it will increase tuition and enrollment as well as eliminate jobs. The dramatic impact at Princeton, Yale, and Harvard of the recession has been headline news in the Chronicle of Higher Education, The New York Times, the Boston Globe, and the Wall Street Journal.

At the very same time that there is continuing and growing demand for higher education in the years to come, it is not likely that states will be able to increase state funding for higher education because state revenues across the nation are not projected to recover in the near term. Even though the State Fiscal Stabilization Fund portion of the federal government's American Recovery and Reinvestment Act of 2009 was a welcome relief, it only represented about 7.4% of state funding for higher education in 2006 and furthermore this money was to be spread over 3 years. In addition, of course, at some point even this money will end. The incongruity of growing expectations for higher education opportunity with the drop in state resources sets up a depth of anxiety and skepticism in the public that requires constant attention.

While it might seem contradictory, the less money available from the state, the greater the demand from legislatures and governmental leaders about accountability to the public interest. These demands have resulted in dangerous impingement on institutional autonomy as well as costly bureaucracy and over-regulation. This is a trend across the nation, including the additional reporting requirements included in the reauthorization of the Higher Education Act (there are a great number of new and some redundant, requirements). There is no doubt that our attention to assessment of the academic transformation and learning outcomes in general will stand us in good stead. The fact that we were the first institution in the state to sign up for the Voluntary System of Accountability announced us to the public as an institution committed to accountability and transparency. It was the right thing to do and it reveals our institutional character. We will have to continue to challenge ourselves in how we deliver as well as what we

deliver, how we use our physical plant, how we manage the issue of increasing over-regulation, and how well we manage overhead costs not directly related to the student and academic experience.

We must be aware of two particularly problematic aspects of this new trend: first, these new reporting requirements are very costly, and second, the consequence of such thoughtless oversight could result in a threat to the distinctive mission of TCNJ. With regard to the first, we will have to incorporate these new costs in budget planning. With regard to the second, we must spend at least as much time advocating for preservation of institutional autonomy and good institutional governance as for additional resources. Indeed, loss of ground over the last 4 years in the honoring of New Jersey's autonomy statute governing the state colleges and universities has been deeply troubling, and if allowed to continue would undermine TCNJ's progress and threaten our future. I will continue to work very hard to reverse that direction. I hope I can count on you to join me.

I mention this broader context to underline the breadth of these trends and the recognition that there is no nirvana out there somewhere. Furthermore, there are no better models already in existence that we should follow (though there is a very good series of articles in the week's Chronicle of Higher Education regarding the "new" liberal arts that might be instructive). Instead, we will need to develop our own plan of action, a plan of action that draws from the past but is not bound by the past, a plan of action that takes guidance from what is happening at other colleges and universities that we consider our aspirant peers but does not simply photocopy their plans. One thing I know for sure: using the same old tried and true ways of the past will not work.

While we must continue to advocate for more resources from the state, the fact is that there is no money at the state level. As I have already said, advocating for institutional autonomy, the right and responsibility to chart our own future, is not only more important than advocacy for a single infusion of money, it is more likely to be successful at this historical juncture. While we must continue to work hard at attracting more private donations, supporters are also suffering from the economic downturn and do not have the disposable income they had in the past. Therefore, we must do everything in our power to maintain our reputation as a well run, financially stable institution, even in the face of state cuts.

While we will use reserves as we have in the past for narrowly defined purpose, we must continue to be disciplined about such usage. A drop in bond ratings would jeopardize our position and reputation as a well-managed and financially sound state institution, could discourage individual "high end" private donors, and could result in more costly borrowing when we move ahead on our facilities master plan (though we have no immediate plans for selling additional bonds) . While we will likely have to increase tuition and fees, we simply cannot balance the budget on the backs of our students and their families. They also are struggling in this economy.

Many of our sister institutions are addressing a portion of the budget challenge by growth in the student body, but we have concluded that such an uncontrolled growth in enrollment would undermine the foundation of our mission. We will, however, consider a change in the mix of undergraduates (e.g., increasing the number of out of state students and the number of residential students). In addition, while we might consider graduate enrollment as a possibility, we must do

so with the mission as our guide. We assert in our mission that we are primarily an undergraduate, residential community with only targeted graduate programs.

So what should be our next steps? Yesterday, I met with the leadership of the faculty and staff senates, the Student Government Association, the co-chair of the Committee on Planning and Priorities (CPP) as well as the presidents of the campus unions. While we do not know the exact parameters of the budget impact for TCNJ for next year, it has been clear that early planning has benefitted us in the past. There is absolutely no reason whatsoever to wait until March 16 to hear the Governor's budget address and certainly no reason to wait until the budget is passed by the legislature by July 1, 2010 to act. We must intensify our planning now.

Our actions in the past have been guided by the principles developed and modified by the Committee on Planning and Priorities and endorsed by the Board of Trustees. These strategies have been extremely effective and have preserved the institution. I do not, however, believe that they will be adequate to address the challenge of FY11.

I am confident that we will need to prepare ourselves to make some difficult decisions, difficult decisions that will be disappointing and painful but are necessary for us to preserve our future and assure our control of our destiny.

The Governance Structure and Processes document of 2005 describes the administration as "primarily responsible" for the "development of institutional priorities," but also charges the Committee on Planning and Priorities with periodic responsibility to "examine internal and external challenges and opportunities and define strategies for achieving the College mission and enhancing the College's future effectiveness." According to the Program Closure document approved by governance and the Board of Trustees in 2005, the CPP set up the criteria for non-academic program closure and CPP along with the Committee on Academic Planning set up the criteria for academic program closure. Because CPP is charged with planning responsibilities and was also instrumental in developing the approved criteria for program closure, I believe that this is the proper institutional locus within the Governance Process for providing input on the principles for such difficult decisions. While I believe that this is within the published charge of the committee, I also believe that requesting consideration of such by Steering is a wise first step. I would want to call on CPP to take up its role in planning, keeping in mind, first and foremost, the principles of budgetary prioritization that have guided us in budget decisions in the past. I would wish to seek input from CPP on the principles for prioritization in order to "preserve the integrity and excellence of the educational programs and services through which the College realizes its mission," the second principle of the budget prioritization document.

I am sure that many of these difficult decisions will not result in immediate budget relief. That's just not the nature of an institution of higher education, but they will result in long-term budget health. We must approach this discussion as a community, guided by our mission and with the goal not merely of "cutting" expenses but with the goal of releasing resources to invest in priorities that we know will assure our future.

As I have said many times, we are so fortunate to have a clear sense of who we are and what is our special mission. I do not want to minimize how demoralizing this situation is for all of us, but I do want to underline my confidence in our ability to work together to provide an institutional solution in these trying times. I am confident that we will not thrive unless we

approach this with a collective commitment to the institution rather than simply to our individual program/initiative. I am equally confident that we cannot depend on that kind of commitment without the shared value of trust and respect. Everybody is essential here.

TCNJ is not buildings and is not programs, it is people, people with different perspectives and priorities. In the end, there must be resolution of different perspectives and a single direction chosen. That direction should be one informed by a broad range of input, but not simply the result of survey data, majority rule, or volume of dissent. The whole is greater than its parts, but not greater than the people who make up our community. In other words, I will not be driven by some abstract ideal, unmodified by a human face.

As I have shown in the past, I will do everything in my power to preserve jobs and pay. I much prefer budget management by holding positions open, cancelling searches, and reorganizing services and offices. I do not want to minimize the impact of any such decisions on faculty, staff, or administrators who, as a consequence, are forced to assume more or different responsibilities, but I do believe it is better than losing a job. I will exhaust these kinds of possibilities before other actions are taken but unlike in the past, I believe that such possibilities will be exhausted this year before we finish our budget planning.

These are difficult financial times for our state and our nation; difficult times for our students, faculty, staff, and administrators. But if there is a community that can not merely endure, but prevail in such challenge it is The College of New Jersey community. I know it and I thank you for making that so.