

Testimony before the Assembly Higher Education Committee
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March 9, 2009

Good morning Chairman Diegnan and members of the Committee. I am happy to come before you today to discuss the impact of the American Recovery and Reinvestment Act on higher education.

Obviously our colleges are disappointed that the money proposed in both the House (\$6 billion) and the Senate (\$3 billion) bills for higher education renovation and modernization was removed in conference. Now there is an allowable use of funds in the state stabilization fund for those purposes, but clearly that fund will be used to balance the FY09 and FY10 higher education budget for increases in need-based aid and on-going operating aid demands.

There are several pieces of the bill that directly impact students and their families.

Increasing the maximum Pell grant by \$500. This will mean an additional \$146,133,075 in Pell funds in 2009 for New Jersey's neediest students. Students may qualify for up to the \$5,350 maximum grant based on their financial need and the cost of attendance at their college. Students of any age are eligible as long as they are income-eligible and have not earned their BA/BS degree. Over 120,000 New Jersey students used Pell grants in 2007-2008 to help make college more affordable.

American Opportunity Tax Credit. A new "American Opportunity Tax Credit" is created for the next two years, replacing the existing Hope Scholarship tax credit of \$1,800. The maximum tax credit is \$2,500, and it covers 100% of a student's first \$2,000 of eligible expenses and 25% of the next \$2,000. The legislation phases-out, based on income, starting at \$80,000 for single filers and \$160,000 for joint filers. The credit is 40% refundable. Under refundability, if a filer's eligibility for the credit exceeds his/her tax liability, the excess is sent to the filer by the U.S. Treasury. The credit extends eligible expenses to include "course materials"; under Hope, only tuition and fees were eligible expenses. By creating a new \$2,500 partially refundable tax credit for four years of college, this plan could give 3.8 million families nationwide – and 77,000 families in New Jersey – another way to help ease the financial burden of attending college.

An additional \$200 million in Work-Study Funds. Work Study allows need-eligible students the chance to work on campus or in approved off-campus worksites and get a set hourly wage determined by the campus. It provides funds but also helps students build their resume, and allows many to connect with community-based organizations where they spend much more time than their allotted work hours. New Jersey colleges will

receive an estimated \$3.9 million additional dollars in work study grant money. In 2008-09 our colleges received \$19.5 million so this represents about a 20% increase.

Approximately \$1.32 billion in state stabilization funds. These funds are targeted to K-12 local districts, higher education, and public safety. They are designed to fill in budget shortfalls in the FY09, FY10 and FY11 budgets to prevent cutbacks. Since New Jersey appropriated nearly \$2.2 billion to higher education, a portion of stabilization funds could be used to maintain that effort.

While these areas are dedicated funds for higher education, there are many additional opportunities for our colleges.

Many local school districts will see a large short-term increase in their Title I and IDEA funds. Colleges are already partnering with LEAs to provide teachers with high quality professional development. These funds could expand and accelerate those efforts.

There is an additional \$3.95 billion nationally for job training. Already the Department of Labor has held meetings with colleges to look at opportunities to use the ARRA money to create and expand the job training opportunities for our laid off workers.

There is a huge investment in research. \$1 billion in additional money for NASA; \$3 billion in additional money for the National Science Foundation; \$2 billion additional money at the Department of Energy; and \$10 billion additional money for the National Institute for Health. These are competitive dollars, and our colleges and universities have to be ready to respond to requests for proposals when they are released. We all need to look for ways to help our colleges connect with potential partners who would increase our competitive edge at every federal agency.

Chairman Diegnan has asked that we work to develop a template to assist New Jersey citizens understand how to access ARRA funds. I think that is a terrific idea. While some of these dollars will flow directly to the state, many more will sit unused unless citizens do what needs to be done to get the money. In the case of our student aid, the most important message to send is that all students should complete the federal FAFSA form. Without that form, no grant or scholarship aid can be awarded.

I thank the Committee for the opportunity to speak with you, and I look forward to your questions.