MAKING COLLEGE AFFORDABLE

WORKING GROUP

March 25, 2020

OVERVIEW

The state plan for higher education, **Where Opportunity Meets Innovation**, emphasizes the importance of affordability in ensuring that "every New Jerseyan, regardless of life circumstances, has the opportunity to obtain a high-quality credential that prepares them for life after college." This is described in more detail in the plan within a vision for a student bill of rights. The third element in this vision states that "every student in New Jersey should have access to an affordable route to a college degree with predictable tuition and fees, and support to help with non-tuition expenses."

In furtherance of making this vision a reality, the **Making College Affordable Working Group** was charged with examining potential new state funding models and exploring approaches to more meaningful collaboration among institutions to meaningfully reduce higher education prices for students and families. This group was charged with:

1. Identifying best practices and creating a guide for dealing with non-tuition[1] costs faced by students;
2. Creating a reasonable and measurable **affordability benchmark** for all students, and working to ensure institutional pricing schemes align with this benchmark; and
3. Proposing a **completion-oriented funding model** that prioritizes service to traditionally underserved populations.

The group met four times in person and one time via webinar to discuss the charges. These meetings occurred between June and October and lasted for two hours each. Two chairs were appointed by Governor Phil Murphy to lead the working group, and they met regularly with OSHE and HESAA staff in between meetings to further the work of the group.

NON-TUITION COSTS

In identifying best practices for dealing with non-tuition costs, the group recognized that non-tuition costs include a variety of expenses which may collectively or independently create material hardships for students. Non-tuition costs are often referred to as "indirect costs" and include textbooks, supplies, food, housing, child care, health care, and transportation. The specific challenges facing students in dealing with non-tuition costs are referenced in greater detail within the state plan on p. 20. The outcome of this charge is a guide to help institutions in developing programs that help students with non-tuition costs.

The group determined that in addition to the guide provided as a deliverable here, the state as a whole would benefit from a statewide consortium focused squarely on textbook affordability. Solving the issue of textbook affordability requires action on behalf of faculty, administrators, and ultimately, students. Many institutions are already developing unique approaches to textbook affordability, and a collaborative approach would allow these best practices to be shared more broadly across the state.

AFFORDABILITY BENCHMARK

The group's work on the second charge, to create reasonable and measurable affordability benchmarks was informed by the approaches already underway within several institutions across the state. Rutgers-Newark,

[1] "tuition" used here refers to "tuition and fees"

Rutgers-Camden, New Jersey City University, and William Paterson University each currently have programs designed to provide students with clear, predictable, and affordable pricing models, which are the hallmark of affordability guarantees. These approaches informed the development of the guide for other institutions to use in developing similar approaches that is the second deliverable of the working group.

In discussing the second charge, the group found that the term “affordability benchmark” was confusing, and discussed that “predictable pricing guarantee” was a more understandable phrase to use in promoting the concept through this guide.

COMPLETION-ORIENTED AND EQUITY-FOCUSED FUNDING

The last charge of the working group —to propose a completion-oriented, equity-focused funding model—was informed by the funding rationale outlined in Governor Murphy’s FY20 budget proposal. The FY2020 funding rationale had three elements—overall completion, completion among underrepresented minority students, and service of low-income students. The group met in consultation with Scott Boelscher, a consultant provided by Lumina Strategy Labs to review funding models used by other states and to discuss potential changes to the proposed FY20 model. The result of this charge is a set of model options for amending the FY20 funding rationale based on this review. These options will be shared with the presidents of the senior public institutions in the state for further consideration.

The collective work of the group resulted in a set of actionable deliverables that can be used by institutions to strengthen affordability initiatives as well as a clear path forward to improve the state’s funding rationale for public colleges.

MEMBERS OF THE MAKING COLLEGE AFFORDABLE WORKING GROUP

Nancy Cantor, Ph.D.
Chancellor,
Rutgers University-Newark
Chair

Ali Houshmand, Ph.D.
President,
Rowan University
Chair

Stephen Bolyai
Senior Vice President for Administration and Finance,
William Paterson University

Eric Brophy
Executive Director,
Educational Facilities Authority

Christine Buteas
Chief Government Affairs Officer,
New Jersey Business and Industry Association

Chris Capuano, Ph.D.
President,
Fairleigh Dickinson University

Michael Cioce, Ph.D.
President,
Rowan College at Burlington County

Susan Cole, Ph.D.
President,
Montclair State University

John Gunkel, Ph.D.
Vice Chancellor for Academic Programs and Strategic Partnerships,
Rutgers University-Newark

Tim Haresign, Ph.D.
Associate Professor of Biology,
Stockton University & Vice President,
American Federation of Teachers New Jersey

Barbara Harmon-Francis
Educational Opportunity Fund Director,
Ramapo College of New Jersey

Richard J. Helldobler, Ph.D.
President,
William Paterson University

Chanie Jacobowitz
Vice President for Government Affairs and Compliance,
Beth Medrash Gohova

David Josephson
Executive Director of Budget and Planning,
Montclair State University

Robert Kelchen, Ph.D.
Associate Professor,
Seton Hall University

Michael Klein, Ph.D.
Public Policy Fellow,
Rockefeller Institute of Government, SUNY

Kevin Luing
Chairman,
Berkeley College & Board Member,
New Jersey Chamber of Commerce

Jonathan Meer
Vice President of University Advancement,
Monmouth University

Cynthia Montalvo
Executive Director of Student Financial Services,
Felician University

Erika Martinez
Student,
Rutgers University-Newark

Maralyn Mason, Ph.D.
Educational Opportunity Fund Director,
Stockton University

Courtney McAnuff, Ph.D.
Vice Chancellor for Enrollment Management,
Rutgers University-New Brunswick

Jeanette Quinn
Student,
Stockton University

Bill Rodgers
Chief Economist,
Heldrich Center at Rutgers University

R. David Rousseau
Vice President,
Association of Independent Colleges and Universities of New Jersey

Reva Rutherford
Student,
Rutgers University-New Brunswick

Marlene Sousa
Director of Financial Reporting and Budgets,
Union County College

David Stout, Ph.D.
President,
Brookdale Community College

Christopher Stringer
Vice President and Chief Financial Officer,
Thomas Edison State University

Asia Taj
Associate Director of Financial Aid,
New Jersey Institute of Technology

Cyrus Vasquez
Student,
Hudson County Community College

Jianping Wang, Ph.D.
President,
Mercer County Community College

Richard Wellbrock, Ph.D.
Member,
Governor's Higher Education Council

Thank you to the New Jersey Higher Education Student Assistance Authority for providing additional support to this Working Group.

Disclaimer:

The views expressed in this document belong to the Working Group and do not necessarily reflect the official policy of the State of New Jersey. The content provided is intended to serve as a resource to help develop strategies to increase support for students at New Jersey's colleges and is provided in good faith. Due to time constraints, the Working Group notes the information may not be comprehensive and readers should take into account context for how the deliverable is used as well as further research that may be available after publication.

TABLE OF CONTENTS

MAKING COLLEGE AFFORDABLE

MAKING COLLEGE AFFORDABLE

WORKING GROUP DELIVERABLE

The Making College Affordable Working Group was charged with examining potential new state funding models and exploring approaches to more meaningful collaboration among institutions to meaningfully reduce higher education prices for students and families. Specifically, the group focused on:

- **Identifying best practices and creating a guide for dealing with non-tuition costs faced by students.**
- **Creating a reasonable and measurable affordability benchmark for all students, and working to ensure institutional pricing schemes align with this benchmark.**
- **Proposing a completion-oriented funding model that prioritizes service to traditionally-underserved populations.**

March 25, 2020

Guide for Institutions in Supporting Students' Basic Needs

Increasingly, students are facing material hardships in having their basic needs met. The state plan details the importance of defining affordability to explicitly include a recognition of and assistance with non-tuition costs. The vision for a student bill of rights encompasses this idea clearly in the statement on p.19 of the plan that "Every student in New Jersey should have access to an affordable route to a college degree with predictable tuition and fees, and support to help with non-tuition expenses." The plan goes on to suggest on p.31 that "every institution in the state should survey the material hardships of students to better understand the impact of non-tuition costs. This information should then be incorporated into comprehensive plans to help fill existing financial gaps and address student needs."

The working group met and discussed existing institutional best practices to developing comprehensive plans of this nature, focusing specifically on costs such as textbooks, child care, rent, transportation, food, and other supplies.

This guide is designed as a resource for institutions regarding the steps they should undertake to ensure students' basic needs are met through the development of a comprehensive plan.

1. **Engage leadership.** These efforts will be most successful if the college president and key institutional leaders are bought in and sending the message that this is a priority.

2. **Get the right people around the table.** These issues implicate a variety of offices across campuses, all of whom should be engaged in developing solutions. Faculty have the most day-to-day interaction with students, but often do not know where to direct students when they are approached with issues of financial and cost support. Connecting them with the people who administer support services and campus programs can help students become aware of and locate already existing services.

3. **Survey students.** Material hardships surveys can help institutions determine the extent of the challenges faced by students and identify where students struggle the most. They can also help institutions to ascertain student awareness of on-campus resources, utilization rates of these services, and can identify potential barriers to students in accessing them.

4. **Ensure students are receiving aid and benefits for which they are already eligible.** Students may be eligible for existing state and federal benefits such as SNAP, TANF, or child care. Connecting students with these existing benefits is an important step. When possible, these benefits should be "opt-out," especially for low-income populations, as many students are unaware of aid for which they might be eligible. Additionally, institutions should make sure to work with students to inform them of any necessary paperwork or criteria to receive these benefits and should assist students in reviewing and completing these steps. Institutions should consider partnering with organizations such as Seedco, Single Stop, and The Benefit Bank, which work on benefits screening and filing assistance for low-income populations.
5. **Review existing resources for supporting students with non-tuition costs.** Before creating new supports and resources for students, institutions should review already

existing supports and should use techniques such as service blueprinting, process flow charting, and student journey mapping.[1] These review processes can help institutions determine utilization rates of services, potential duplication of resources or opportunities to bundle resources, and what data could be used or would be needed to evaluate program effectiveness.

6. **Create a resource directory for campus faculty and staff.** Sometimes a faculty member, coach, or advisor may be on the front lines of interacting with a student who displays a material hardship. These individuals should know where to turn on campus or within the broader community to connect the student with the appropriate help.

7. **Leverage institutional and external partnerships.** Within their campuses, institutions should connect with internal partners that can provide support for students. For example, culinary and nutrition programs can use food pantry items to provide cooking workshops, and accounting and business programs can provide tax and financial literacy assistance.[2] Institutions can also find external partners within the community or nationally which can provide support and should bring them onto campus to directly connect with students, faculty, and staff.

8. **Develop a plan for direct outreach.** How will you reach out to students to make them aware of the institutional resources that are available? Institutions should communicate with students to inform them of the resources available to them and should educate them on the value of certain services. Institutions should also look to "destigmatize" the utilization of support services, which is often a major barrier for students who need assistance. Included in direct outreach should be messaging encouraging a campus culture where students of all backgrounds feel comfortable taking advantage of the resources offered to them on their campus.

9. **Consider new resources to meet gaps identified.** Once the institutional team has met, has buy in, surveys the student body, and implements plans to connect students to resources that are already available, it may become evident that there are ways the institution may create and develop new resources to meet students' basic needs. These could include food pantries, clothing closets, or an emergency aid program.

10. **Examine textbook affordability specifically.** Textbooks and other course materials are a necessary component of student learning yet one of the most pernicious examples of a hidden cost. While students may be able to technically register for classes and enroll if the term bill is met, textbooks are an 'indirect expense' with a direct relationship to student's ability to complete coursework. Many institutions are developing new approaches to making course materials more affordable, and these approaches must be developed collaboratively with faculty. Books and other instructional materials are set at the institutional level, making the levers of control and opportunities of options for managing

[1] Lumina Foundation, *Beyond Financial Aid*, page 9.
[2] Ibid., page 10.

these costs more nuanced within the college's purview when compared to other areas of material hardship. These factors necessitate separate textbook affordability plans, which institutions are already required to adopt and submit to the Secretary per P.L. 2019, c.77.

Resources for Further Information:

Beyond Financial Aid, Lumina Foundation. https://www.luminafoundation.org/beyond-financial-aid

Guide to Assessing Basic Needs Insecurity in Higher Education, The Hope Center for College, Community, and Justice. https://hope4college.com/wp-content/uploads/2018/12/Basic-Needs-Insecurity-College-StudentsDec18repost.pdf

Study of Student Basic Needs, The California State University. https://www2.calstate.edu/impact-of-the-csu/student-success/basic-needs-initiative/Documents/BasicNeedsStudy_phaseII_withAccessibilityComments.pdf

Student Support Services at Community Colleges: A Strategy for Increasing Student Persistence and Attainment, Institute for Higher Education Policy. https://www2.ed.gov/PDFDocs/college-completion/04-student-support-services-at-community-colleges.pdf

Increasing College Opportunity for Low-Income Students. The Executive Office of the President. https://obamawhitehouse.archives.gov/sites/default/files/docs/increasing_college_opportunity_for_low-income_students_report.pdf

Hunger on Campus: The Challenge of Food Insecurity for College Students. Students Against Hunger. https://studentsagainsthunger.org/wp-content/uploads/2016/10/Hunger_On_Campus.pdf

Exploring the Topic of Indirect Costs to Today's Higher Education Students. Robert Kelchen. https://www.acenet.edu/Documents/Quick-Hits-Indirect-Costs.pdf

Landscape Analysis of Emergency Aid Programs. NASPA. https://www.naspa.org/images/uploads/main/Emergency_Aid_Report.pdf

MAKING COLLEGE AFFORDABLE

WORKING GROUP DELIVERABLE

The Making College Affordable Working Group was charged with examining potential new state funding models and exploring approaches to more meaningful collaboration among institutions to meaningfully reduce higher education prices for students and families. Specifically, the group focused on:

- Identifying best practices and creating a guide for dealing with non-tuition costs faced by students.
- Creating a reasonable and measurable affordability benchmark for all students, and working to ensure institutional pricing schemes align with this benchmark.
- Proposing a completion-oriented funding model that prioritizes service to traditionally-underserved populations.

March 25, 2020

Institutional Workbook: Developing Affordable & Predictable Pricing Guarantees for Students

Affordable and predictable pricing guarantees make the net costs of college more transparent for prospective and continuing students by publicly making a clear promise of an affordable net price (e.g., guaranteeing that a clearly set amount of costs are covered for a defined subset of students). This guarantee will allow students to understand the total cost of their education before they apply and/or enroll at an institution. Pricing guarantees encompass “college promise” and tuition-free programs, but are not limited to them, as they can help students across the income spectrum and need not be limited to tuition-and-fee expenses.

Pricing guarantees can improve access for underrepresented students by mitigating the deterrent effect of published tuition prices that all too often cause “sticker shock,” leading students and their families to erroneously conclude that they cannot afford postsecondary education. They can also help students across the income spectrum. Institutions of higher education across the country have publicly committed to different types of predictable pricing compacts, including programs in New Jersey at Rutgers-Camden, Rutgers-Newark, New Jersey City University, William Paterson University, and the state’s Community College Opportunity Grant program, which provides tuition-free college for certain students at all 18 county colleges statewide.

Though each guarantee model varies, any institution must conduct certain analytical steps before implementing such a public promise to students.

This document is intended to guide institutions interested in developing pricing guarantees think through a program that would be suited to their institutional needs and unique mission.

A model worksheet that institutions can use in completing the steps outlined below is included as an attachment.

Questions/Steps for Institutions:

(1) **Population.** First determine: What is the subset of students to whom you plan to provide this kind of commitment? Those in a certain income range? Geographic location? Program of study? How many students do you aim to serve, and what is their share of your overall undergraduate population?

(2) **Who already has free tuition & fees?** Within the defined population to be offered the promise, how many students are already attending your college for no net tuition and fees after accounting for federal, state, institutional, and other grants and scholarships (not including loans or a family’s EFC)? What percentage of the population who would be covered by the pricing guarantee is already attending for free? Do you believe that most of these students understood prior to applying to your institution that they might be able to attend your institution with no cost for tuition and fees?

(3) **Costs for existing student population.** How many current students within the target population have some unmet need of tuition and fees that is not fully covered by grants and scholarships? What would be the cost to cover those gaps for current students within the target population who do not already receive free tuition and fees through existing aid?

(4) **Cost impact of new students.** How many additional students fitting the program parameters do you project would attend the institution in response to a publicized price guarantee, and how many of them do you expect to have unmet need? What would be the cost to cover the unmet need for these new students?

(5) **Total Program Cost.** Calculate the sum of a) the cost of covering unmet need gaps for current students who are eligible for the price guarantee, b) the projected incremental cost of covering any gaps for new students who would qualify under the program parameters, and c) marketing expenses to be dedicated to publicizing the college promise.

(6) **How does the Total Program Cost compare to your institution's existing financial aid resources?** To implement and sustain the pricing guarantee, what would be the required level of resources needed to make this kind of commitment, and how does this compare as a dollar amount and as a percentage of current total financial aid awards?

The benefit of developing such a program is not only the immediate affordability relief for existing students or students who were already inclined to attend an institution, but also the access it creates for price-sensitive students who may have determined that college was not for them due to the costs. As such, a targeted messaging campaign to reach out to those additional students is needed.

Worksheet for Institutions of Higher Education				
Modeling an Affordable & Predictable Pricing Guarantee Program				
		Sample data	**Your Institution**	**Notes**
Line 1	Total Undergraduate Enrollment	*10,000*		From most recent completed academic year. All data below should be a subset of the population defined on Line 1.
Line 2	Undergraduate Tuition & Mandatory Fees (T+F)	*$15,000*		Annual Published Tuition and Mandatory Fees for Full-Time undergraduate students
Line 3	Total number of students in the group to be offered a price guarantee	*4,000*		Will the guaranteed price be offered to students below a certain income threshold? Will it be conditioned on other criteria (geography, program of study, full-time enrollment, etc.)? Will there be guaranteed price tiers, e.g., a guaranteed price of $0 tuition and fees for some students (Line 4) and a guaranteed price greater than $0 for other students (Line 8)?
Line 4	Number of students to be offered a price guarantee of $0 T+F	*2,000*		From the program parameters defined in Line 3, how many students will your institution promise a guaranteed price of $0 tuition and mandatory fees? *The sample models a $0 T+F price guarantee to 2,000 students with Adjusted Gross incomes below $60,000.*
Line 5	Students with $0 direct costs	*1,000*		Subset of students on Line 4 whose existing federal, state, and institutional grants and scholarship awards **already** fully covered tuition and mandatory fees (e.g., students with a $0 net price for T+F). Do not include family contribution, loans, or work-study earnings in calculating net price.

Line 6	Students on Line 2 not already paying $0 T+F	*1,000*		Subset of students on Line 4 whose existing federal, state, and institutional grants and scholarship awards did **not fully cover** tuition and mandatory fees (e.g., students with a net price > $0).
Line 7	Total T+F charged to students on Line 6	*$2,000,000*		After all existing federal, state, and institutional grants and scholarships, remaining balance of T+F for students on Line 6 (to be financed out-of-pocket or through student loans). *The sample models 1,000 students on Line 6 with an average net price of $2,000 for T+F, leaving a $2 million gap that would have to be filled to bring these students' net price of T+F down to the promised level of $0.*
Line 8	Number of students to be offered a **next-tier** price guarantee	*2,000*		Use lines 8-11 if your program will offer tiers of pricing guarantees of T+F that exceed $0 (e.g., a promise that students within certain thresholds will pay a guaranteed net price for T+F of no more than $X,000 per year). If your program will have multiple tiers above $0 T+F, repeat the analysis in Lines 8-11 for each tier. *The sample models a tiered pricing guarantee of $4,000 T+F per year to students with Adjusted Gross Incomes between $60,000 and $80,000.*
Line 9	Number of students on Line 8 with direct costs > $0 but less than or equal to the next-tier guarantee(s)	*1,000*		Subset of students on Line 8 whose federal, state, and institutional grants and scholarship awards **already** covered a sufficient portion of T+F so that these students had a net price for T+F equal to or below the next-tier pricing guarantee(s) (e.g., students whose net price for T+F is below the level(s) defined on Line 8). Do not include family contribution, loans, or work-study earnings in calculating net price.
Line 10	Number of students on Line 8 with direct costs exceeding the next-tier guarantee(s)	*1,000*		Subset of students on Line 8 whose federal, state, and institutional grants and scholarship awards **did not fully cover** the pricing guarantee(s) defined on Line 8.

Line 11	Total T+F charged to students on Line 10	*$1,500,000*		After applying all existing federal, state, and institutional grants and scholarship awards, the remaining balance of T+F for students on Line 10 up to the guaranteed pricing level(s) (to be financed out-of-pocket or through student loans). *The sample models 1,000 students on Line 10 with an average net price of $5,500 for T+F, so that these students have an average gap of $1,500 between their individual net price and the tiered guarantee level of $4,000 is $1,500. Thus, $1.5 million in cumulative gaps would have to be filled to bring these students' net price of T+F down to the promised level of $4,000.*
Line 12	**Total costs**	***$3,500,000***		Sum of Line 7 and Line 11 = additional costs of establishing a pricing guarantee

MAKING COLLEGE AFFORDABLE

WORKING GROUP DELIVERABLE

The Making College Affordable Working Group was charged with examining potential new state funding models and exploring approaches to more meaningful collaboration among institutions to meaningfully reduce higher education prices for students and families. Specifically, the group focused on:

- **Identifying best practices and creating a guide for dealing with non-tuition costs faced by students.**
- **Creating a reasonable and measurable affordability benchmark for all students, and working to ensure institutional pricing schemes align with this benchmark.**
- **Proposing a completion-oriented funding model that prioritizes service to traditionally-underserved populations.**

March 25, 2020

Making College Affordable Working Group Background

On March 26, 2019, Governor Murphy signed Executive Order No. 61, establishing the Task Force on New Jersey's Plan for Higher Education. The Task Force was divided into five working groups, including the Making College Affordable Working Group, tasked with developing strategies to increase support for students at New Jersey colleges and universities and to help achieve the statewide goal of 65 percent of working-age New Jerseyans with a high-quality credential or degree by 2025.

Working Group Charge

The Making College Affordable Working Group was charged with examining potential new state funding models and exploring approaches to more meaningful collaboration among institutions to reduce higher education prices for students and families. Three areas of focus were identified:

1. Identifying best practices and creating a guide for dealing with non-tuition costs faced by students,

2. Creating a reasonable and measurable affordability benchmark for all students, and working to ensure institutional pricing schemes align with this benchmark, and

3. Proposing a completion-oriented funding model that prioritizes service to traditionally under-served populations.

This report addresses focus area three. It proposes options for an equity-focused and completion-oriented funding model for the senior public institutions and identifies additional decision points and next steps needed to complete a funding model.

The state plan notes that "college affordability is inextricably linked to the funding the state provides in terms of operational aid to colleges and direct aid to students….In order for New Jersey to more rationally fund public colleges, the state should explore the creation of a funding methodology that takes into account an institution's size, mission, and outcomes (p.30)." The state's lack of a funding model for senior public institutions (i.e. "public 4-year colleges"), along with uneven growth among these institutions has also led to funding amounts for institutions that are not clearly linked to state priorities or equitable across institutions. The options outlined by the working group allude to an approach whereby the totality of institutional funding shifts over time toward the new approach, though the group's options do not speak to the exact timeline by which this should occur nor the overall funding amounts that should be allocated to higher education.

Working Group Structure

Governor Murphy designated Dr. Nancy Cantor (Chancellor, Rutgers University Newark) and Dr. Ali Houshmand (President, Rowan University) as co-chairpersons of the working group. The Office of the Secretary of Higher Education (OSHE) issued a request for applicants for the working group. The Secretary's office selected thirty members for the working group representing a broad array of higher education stakeholders. See Appendix A for a complete list of working group members.

The working group met in Trenton on May 7th, June 18th, via webinar on July 8th, and on October 17th to discuss the funding model charge.

Summary of FY 2020 Operating Aid Funding Model

The FY 2020 funding model proposed by Governor Murphy and enacted in the FY 2020 Appropriations Act was used as the starting point for the working group's discussions on designing a funding rationale for FY 2021 and beyond. The FY 2020 funding model distributed $35 million in operating aid, including $15 million of existing (base) operating aid, based on each senior public institution's share of three outcomes produced:

1. The total number of degrees awarded in the most recently available fiscal year,

2. The total number of degrees awarded to members of under-represented racial/ethnic minority groups in the most recently available fiscal year, and

3. The number of Pell grant recipients enrolled in the most recently available fiscal year.

The FY 2020 model was intended to align state funding with state priorities (e.g., improving completion and closing equity gaps), take the first step in establishing a rational funding mechanism for senior public institutions, and move towards a higher education system based more on student equity.

As a condition of the FY 2020 funding that is allocated via this model, the Appropriations Act signed by the Governor requires institutions to commit to the principles of the state plan for higher education, provide a Financial Aid Shopping Sheet to all undergraduate students, participate in good faith in conversations led by the Secretary of Higher Education to shape future iterations of the funding rationale tied to state priorities, and share program-level spending information with OSHE to inform future iterations of the funding rationale.

Summary of Working Group Guiding Principles

At the June 18th and July 8th meetings, the working group discussed the FY 2020 funding model, reviewed best practices for aligning state funding with outcomes, and discussed other states' outcomes-based funding models. Following these discussions, the working group established a set of principles to guide the development of the funding model.

1. The model should align with the goals of increasing educational attainment and promoting the success of underrepresented students.

2. The model should be relatively easy to understand and communicate.

3. The model should only include metrics with a history of trusted data.

4. The model should be designed to be sustained over time.

5. The model should consider the different missions of the universities.

6. The model structure, including metrics, should be relatively consistent, year over year.

7. The model should reflect stakeholder input.

Additionally, the working group reached several other general points of agreement. These include:

- All new operating aid should be allocated by the model.
- The model can best address affordability issues by providing incentives to institutions to help students make progress and graduate in a timely manner.
- The model should not initially reallocate a large share of existing base funding.
- The model should prioritize simplicity by using a small number of outcome metrics.
- Plans should be developed to phase-in and review the model after implementation.

In addition, it was generally agreed that the FY 2020 model should be modified by substituting Pell grant eligibility as a better proxy for low income students than Pell recipients. Three other possible modifications were discussed: (1) including adult students as a priority population; (2) including transfer students as a priority population; and (3) using student progression or the number of students earning 30/60/90 cumulative credit hours during the most recent academic year. Options reflecting the possible inclusion of these additional metrics are included in this document.

Operating Aid Funding Model Recommendations

This report proposes two funding model options. The options were informed by the charge of the working group, the guiding principles, and other general points of agreement reached by the working group. The recommendations are aligned with the *Where Opportunity Meets Innovation* state plan for higher education and the state's educational attainment goal in that they prioritize credential completion and the success of underrepresented students. The working group decided to prioritize simplicity by limiting the number of metrics and the complexity of definitions and weightings, as the funding model will initially only allocate a small portion of state operating aid. It is recommended that principles around the share of funding allocated, review of the model, phase-in of the model, and support to institutions be applied to whichever of the two options is selected.

<u>Share of Funding</u>: Both recommendations assume the models will allocate at least five percent of current operating aid and all new operating aid to senior public institutions of higher education. With each new fiscal year, the amount of money allocated by the model should be increased either by a larger base percentage or by new funding being added to the model.

<u>Model Review</u>: The working group, in meeting about changes to the model, did not account for program cost between institutions as we discussed that the level of nuanced and data required for such a change may not be necessary if dealing with a relatively smaller proportion of overall funding. The group did acknowledge that these are important components to consider in a funding model and the MOU for FY20 funds requests information on program costs for this purpose. The group recommends that the model should undergo a new review once the model has been in place for several years or once a certain percentage of total institutional funding is being distributed through the model, at which point addressing for program costs will be a consideration using actual cost data from NJ institutions.

The components and structure of the model adopted from this report and utilized in FY 2021 should remain stable for four fiscal years (until FY 2024) or until the total amount of funding allocated by the model, whether from the base or from new appropriations, equals approximately 15% of the FY 2020 total institutional appropriation. Since the total grants-in-aid appropriation for FY 2020 for the senior public universities was $734.530 million[1], the adopted model will be reviewed in the Fiscal Year where the total amount of funding allocated by the model is greater than $110 million or in Fiscal Year 2024, whichever comes first.

The evaluation and review process may focus on institutions' responses to the model, changes in outcomes, funding volatility, funding inequities, and effects on academic quality and student access. Additionally, the model should be monitored on an annual basis for unintended consequences.

Phase-in: A stop-loss provision will be utilized to promote stability and to ensure no institution is severely negatively impacted by the funding rationale in a single year.[2] In FY 2021, no institution will be able to lose more than 2% of their FY 2020 total operating aid appropriation. The stop-loss will increase to 3% in FY 2022, 4% in FY 2023, and 5% in FY 2024, after which the funding model and stop-loss provision will be reviewed.

Institution Support: Support for institutions should be provided during model implementation. Examples of support may include providing analysis of institution specific outcomes and funding data, communicating the rationale and methodology behind the model with institution stakeholders, and sharing best practices for increasing the outcomes in the model.

Funding Model Recommendation: Options 1 and 2

Options 1 and 2 consist of three components (Enrollment, Progression, and Completion) and are very similar to the FY 2020 allocation methodology. The metrics are similar and funds are distributed using the same methodology. Funds associated with each component are distributed based on each institution's share of outcomes produced. For example, if an institution generates 15 percent of total degrees awarded, the institution will receive 15 percent of the funding associated with the Completion component. Options 1 and 2 differ from each other in how degrees are weighted in the Completion component. A three-year average of data will be used for each component to add stability to the model.
Table 1 shows the three components, definitions, and component weightings.

[1] This was calculated by taking each institution's Institutional Support amount in the FY 2020 enacted Appropriations Act, and subtracting the Total Income Deductions to get the Total Grants-in-Aid Appropriation.
[2] This stop-loss will be calculated on the backend of the model. If the model calculations recommend any institution loses more funding in a single fiscal year than allowed through the stop-loss provision, the loss for that institution will be adjusted to the max stop-loss while equalizing funding across institutions to ensure the total funding amount is allocated.

Table 1: Funding Model Components Overview

Component	Metrics Included and Equity Premium	Share of Performance Model
Enrollment	• Total Number of Enrolled Students (3-Year Average of Data)[3] – Headcount • Includes equity premiums	20%
Progression	• Momentum Points – 30/60/90 Cumulative Credit Hours Accumulated (3-Year Average) • *Each credit hour benchmark category accounts for 10% of the performance pool* • Includes equity premiums	30%
Completion	• Total Number of Degrees (3-Year Average, Weighted by Degree Type • Includes equity premiums	50%
Equity Premium (definitions below): *For each of the above categories, If a student is identified as an under-represented minority student, an adult student,[4] or a Pell-eligible student, there will be a premium added of 25% to the outcome earned by that student, such that the outcome is counted as 1.25 outcomes. Any outcome earned by a student not matching any of these three equity metrics will be counted as 1.0 outcomes. For outcomes earned by students matching more than one of these equity metrics, the premium shall be summed by 25%, such that outcomes earned by students matching two of these metrics will be counted as 1.5 outcomes and outcomes earned by students matching all three will be counted as 1.75 outcomes.*		

Equity premiums are applied to outcomes earned by the following populations:

- **Under-Represented Minority (URM):** domestic students/graduates categorized as African-American/Black, Hispanic/Latino, and Native American.
- **Transfer Student *and/or* Adult Student:**[5] Any student who has transferred from a New Jersey county college / Any student/graduate who is 25 years or older at the year of the data collection
- **Pell-Eligible Student:** Students eligible for a Pell grant at any point during their academic career.[6]

[3] Currently, a three-year average of this data is not able to be calculated but will be used once available.
[4] For the purposes of the completion category, only adult students completing undergraduate degrees shall be included as matching the adult student equity metric.
[5] Previously, this equity metric measured adult students, but was changed to transfer students to reflect the thoughts of the working group at the 11/18/19 meeting.
[6] This data was determined based on an annual credit hour attempted figure from the 12 Month Enrollment SURE file to determine full-time, 3/4 time, half-time, and less than half-time students and associated EFC thresholds for each, using provided HESAA tables.

The metrics and structure of options 1 and 2 are identical. The options differ in the weighting of degrees in the Completion component. Option 1 places equal weighting on all completions, regardless of degree type. Option 2 (Table 2) places a higher weighting on graduate degrees for the four public research institutions, consistent with the argument graduate education is generally more expensive than undergraduate education, but we should not overly emphasize the importance of graduate education at institutions whose mission is to primarily serve an undergraduate population. These weightings are meant to show relative weighting between options, and may not reflect final values. The group is open to discussion on the final amounts for these values.

Table 2 (Option 1): Example Relative Degree Weightings

Degree Type	Degree Weight
Bachelor's	1.00
Master's	1.00
Doctoral	1.00
Professional	1.00

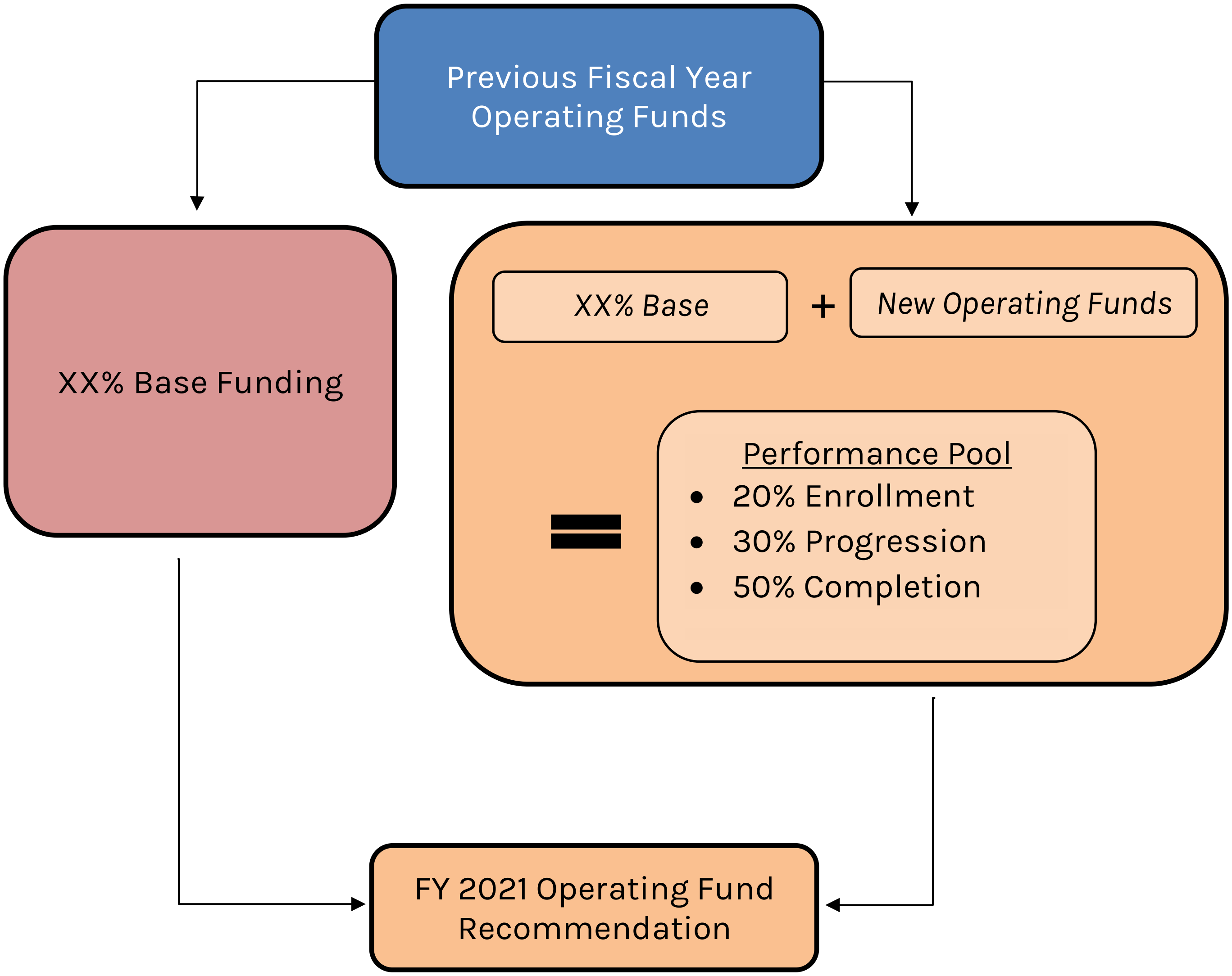
Table 3 (Option 2): Example Relative Degree Weightings

Degree Type	Weight for Public Research Institutions*	Weight for Other Public Institutions
Bachelor's	1.00	1.00
Master's	1.25	1.00
Doctoral	1.50	1.00
Professional	1.50	1.00

**Includes Montclair State University, New Jersey Institute of Technology, Rowan University, and Rutgers (including Rutgers New Brunswick, Newark, Camden, and Biomedical Health Sciences.*

Figure 1 provides a visual representation of the operation of options 1 and 2, assuming some percentage of the total institutional base funding will be allocated through the funding model, though the totality of institutional funding will not be affected, similar to FY2020. Funds associated with each component are distributed based on each institution's share of outcomes produced. The funding amounts for each component will be summed and added to each institution's remaining base funding to generate the FY 2021 recommendation.

Figure 1: Operation of Funding Model Recommendation Options 1 and 2 (*example percentages*)



Decision Points

1. Which model option should be adopted for FY2021 – **Option 1**, which applies equal weighting for completion regardless of degree type; or **Option 2**, which incentivizes graduate degree completion for the four public research institution while applying equal weighting for completion for the other four-year public institutions?
2. Should **adult students** be included as an equity population? Or should **transfer students** be included instead? Should both or neither populations be included?
3. Should there be another consideration for rewarding **time to degree**, beyond or instead of rewarding progression and/or completion?

Next Steps

Next steps for the model development include:

1. Present model options to the working group for discussion and approval of these models to share with the senior public institution presidents.
2. Have the senior public institution presidents discuss and provide input on a recommended approach for the model to share with the Governor's office and legislature.
3. Have OSHE develop a technical guide for understanding the selected model's methodology and metric definitions and facilitate continued conversations with institutions explaining the process and data behind the model.