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

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,

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[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.

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.

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

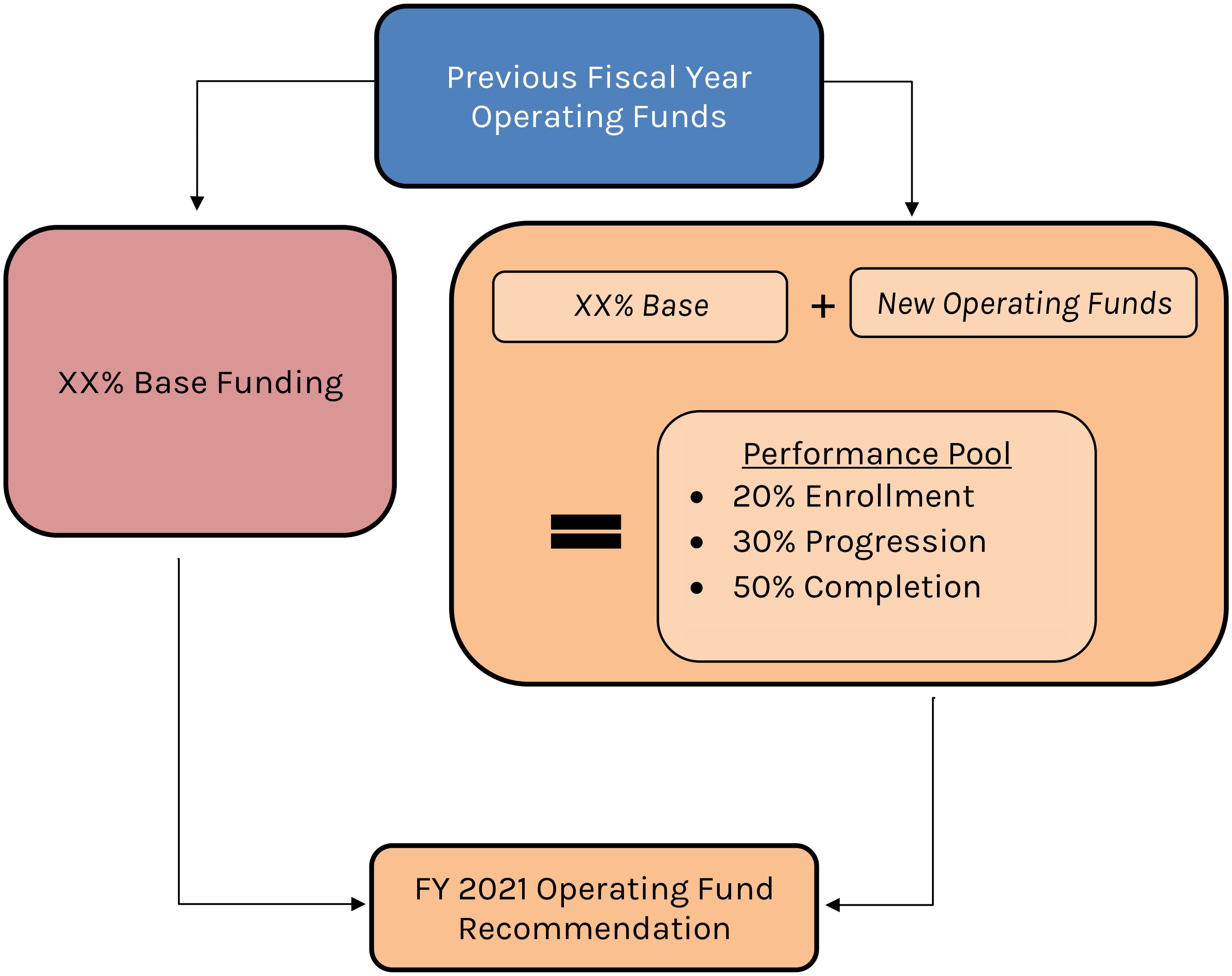
Table 3 (Option 2): Example Relative Degree Weightings

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.