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M E M O R A N D U M

TO: Members, Board of Trustees

FROM: George A. Pruitt  
President

SUBJECT: Report of the President

I hope this finds you well and fully recuperated from the holiday season. I thought it useful to provide you with a written report in advance of the Board meeting for the purpose of providing background information for some of the materials we will discuss when we meet.

I. State Fiscal Crisis and Its Effect on Edison

The current fiscal crisis was created by a projected shortfall of approximately \$150 million in state revenues. In the fall, the Governor indicated pursuant to his constitutional obligation that the current state budget would have to be reduced by this amount or the legislature would have to generate sufficient increased revenues so as to end the fiscal year with a balanced state budget. The Governor indicated that the \$150 million state reductions would come from a \$90 million cut in state aid and a \$60 million cut in direct state services. At the end of a special legislative session during the closing hours of December, the legislature enacted a tax package which called for the restoration of the \$90 million in direct state aid but mandated a \$30 million cut in state services.

Prior to the legislative action, higher education's participation in the \$60 million original reduction was approximately \$13.5 million. Edison's share of this amount was \$40,000. Following the enactment of the tax bill in December, higher education's prorated share has been speculated to be approximately \$7 million of which Edison would be required to cut \$20,000. These figures are speculative in that at this moment neither Edison nor the Department of Higher Education has received definitive instructions from state government as to the amount, if any, that higher education would be forced to give up in meeting the required \$30 million figure.

Prior to the legislature's action in December, higher education in a segment-wide consensus had concluded that the least offensive choice among a terrible set of options was a salary reduction to meet the anticipated original budget cuts.

It was felt that the other alternatives, i.e., devastating reductions in non-salary operating budgets, furloughs, and/or layoffs, would do violence to the educational process and severely cripple higher education's ability to honor its commitment to its students in the delivery of quality education. It was also understood that a salary reduction would have severe, negative consequences on the enthusiasm and morale of the educators in the State.

Part of the rationale for this approach comes from the fact that the legislature did not provide an appropriation sufficient to fund the negotiated salary increases and that salary reductions would bring salary increases made during the year in conformity with the appropriated dollars for said increases. The salary reductions were to have gone into effect January 1, 1983. This action has been tabled in light of the legislative action taken in December.

The current circumstances would suggest that there is little support for salary rollbacks or furloughs to meet any future budget reductions. In all probability, should higher education in the coming days or weeks be confronted with mandated budget cuts, said cuts would be taken from nonsalary operating accounts, if at all possible. There are also legal and technical problems associated with furloughs or layoffs that would make this approach extremely difficult and/or impractical to implement.

The implications for Edison, should we have to cut our budget by \$20,000 or any significant figure, would be very difficult to manage. As you know, the great majority of our budget is committed to personnel and salary support. Twenty thousand dollars represents approximately 14% of our nonsalary state appropriation for the remainder of the fiscal year. Our fixed costs, such as telephone, postage, and computer services, are such that it would be extremely difficult to absorb a reduction of this magnitude at this time. This problem is compounded by the current and projected shortfall in income being generated by the College in its 440 Account.

Mr. Bernard will explain more about this condition in his report to the Finance Committee and to the Board. The Department of Higher Education has been fully informed of these circumstances and is sympathetic and understanding of our condition. Neither they nor I, at this point, have any information as to what flexibility may be exercised when and if the decision for specific cuts is made.

## II. Commission to Study the Future of the State Colleges

The Commission to Study the Future of the State Colleges will meet at Edison on Friday, February 4. I will be presenting testimony to this Commission on behalf of Edison at 9:30 a.m. If you find it possible to come to the College in advance of our meeting which will be held in the afternoon, it will give you the opportunity to meet the Commission members and observe a process that I believe will be important to the future of our College.

## III. Briefings and External Relations

I have completed the first round in my internal briefings and orientation with the College staff. My initial impression that we are staffed with a team of

competent and committed professionals has been vindicated. While there are a series of organizational, procedural, and process issues that require attention to enhance our effectiveness, we are well equipped with the "person power" to accomplish the task that needs be done.

I have met and continue to actively seek out those external to this College whose understanding and support is important to our collective future. In that regard, I have met or am scheduled to meet with the following persons:

Legislators

- + Sen. Wayne Dumont (R24) -- Education Committee; Natural Resources; Capitol Budget and Planning Chair
- + Sen. Walter Foran (R23) -- Senior Member, Appropriations; Minority Budget Officer; Law Revision & Legislative Services
- + Sen. Carmen Orechio (D30) -- Senate President; Judiciary, National Resources; Rules & Order, Ways & Means; Law 7 Revisions Chair
- + Sen. Gerald Stockman (D15) -- Legislative Oversight, Chair; Law, Public Safety
- + Assemblywoman Mildred Barry Garvin (D27) -- Education Committee Chair; Higher Education Vice Chair
- Assemblyman Willie Brown (D29) -- Assistant Majority Leader; Appropriations; Rules and Order; Intergovernmental Relations
- Sen. Donald DiFrancesco (R22) -- Minority Leader; Rules & Order
- + Sen. Matthew Feldman (D37) -- President Pro Tempore; Appropriations; Education-Chair; Law Revision & Legislative Services
- + Assemblyman Byron M. Baer (D37) -- Appropriations; Commerce & Industry Co-Chair
- + Assemblyman D. Bennet Mazur (D37) -- Commerce & Industry Committee Co-Chair
- + Assemblyman John Rocco (R6) -- Education & Higher Education
- Assemblywoman Barbara Kalik (D7) -- Appropriations; State Government, Civil Service Chair
- + Assemblyman Dean Gallo (R26) -- Minority Leader
- + Assemblywoman Leanna Brown (R26) -- President, Assn. for Elected Women Officials
- Sen. Wyona Lipman (D29) -- Appropriations; State Government, Fed., Interstate, etc. Affairs Chair; Legislative Oversight
- + Assemblyman Karl Weidel (R23) -- Appropriations; Assistant Minority Leader
- Assemblyman Alan Karcher (D19) -- Speaker of the Assembly
- Assemblyman Joseph Doria (D31) -- Chairman, Assembly Higher Education Committee
- Assemblyman John Watson (D15) -- Appropriations Committee
- Assemblywoman Catherine Costa (D7) -- Appropriations Committee; Energy & Natural Resources Committee
- Assemblyman Gerald Naples (D15)

Dick Coffee, Executive Director of the Assembly

*Carey Edwards,*

Mayors

*Chief Counsel to the Governor*

Tom Cook, Mayor of East Orange  
Kenneth Gibson, Mayor of Newark  
Arthur Holland, Mayor of Trenton

Others

Commissioner Borden Putnam, NJ Dept. of Labor & Industry  
Joe Narducci, Vice President, National State Bank

Others (cont.)

John Galuchie & Edward Meara, III, Mercer County Chamber of Commerce  
President Apetz, Sussex County College  
Dr. Edith Francis, Superintendent, Ewing Township Schools  
John Hanley, President, Mercer County Community College  
Major Gen. Robert H. Forman, Commander, USATC, Ft. Dix  
Major Gen. L. F. Skibbie, Commanding General, Ft. Monmouth  
Capt. Robert M. Kraft, Commanding Officer, Lakehurst Naval Air Engineering Center  
Col. Carl B. Johnson, Base Commander, McGuire AFB  
Military Counselors from N.J. Bases

IV. Task Force on the Cost-Effectiveness of the Edison Model

As I reported to you at our last meeting, I have a concern that while our current model for the delivery of educational services is educationally sound, I do not believe it to be appropriately cost-effective, given the current and future economic environment in which we are operating. Towards this end, I have appointed and charged a Task Force to examine the entire set of issues related to this topic. Attached is a copy of my memorandum creating this group which spells out our collective expectation and timeframes of the work to be done.

V. The Thomas Edison Foundation

Final regulations have now been promulgated for the reorganization of the College's Foundation. I have requested that our staff, with the advice of counsel, review the current bylaws of the Foundation and prepare necessary changes so as to have these bylaws conform with the requirements of recent legislation affecting state college foundations. Attached to this report is a copy of the Foundation's most recent audit statement.

I view as a matter of urgency the recruitment of distinguished individuals of means to serve as a board for the College's foundation. Our ability to attract philanthropic and unrestricted support from the private sector is directly related to the kind of person we are able to attract in reconstituting the Foundation's Board. I will touch on this subject as it relates to the Board of Trustees later in this report.

I have had several meetings with the leadership of the College's Alumni Association and have been gratified by the expressions of loyalty expressed by this group. Our staff will be working with the Alumni Association towards preparing a series of recommendations for that group to organize and conduct itself as an appropriate and effective advocacy group for the College and its programs. We will be discussing such issues as definition of alumni; governance models; relationships between the alumni, the College, and the Foundation; and the alumni's role in fundraising and other advocacy activities. It is my view that the leadership of our current Alumni Association fully understands and is willing to cooperate with an appropriate delineation of prerogatives between the College and its alumni.

VI. Reorganization of the Division of Community Affairs

As an "external degree" institution, Edison State College has to have as a major priority the development and implementation of strong and supportive

relationships with its various external constituencies. While this view has been long expressed, we have not been appropriately organized for this responsibility in order to be well managed and accountable.

Towards this end, all of the major external relations of the College have now been centralized in the Division of Community Affairs under the leadership of Dr. Hansen. The counselors have been reconfigured so as to fix responsibility and accountability for establishing programmatic relationships. Under the Office of Community Programs, the new assignments will be divided between Corporate Services and Learning Services. This division will allow for more support in outreach to business, industry, organized labor, the military, state agencies, and local government within New Jersey -- a population which we were designed and created to serve. When combined with the development function and the public relations function, I clearly expect the Community Affairs Division to spearhead activities that will increase: enrollment, the diversity of our students, private sector support, and long sought-for appreciation of our unique function within the halls of state government.

We are further creating an Office of Career Development and Placement to assist our students in the pursuit of career paths and employment opportunities. All of these changes are being made with existing personnel and without foresaking the excellent counseling for which Edison has come to be known.

#### VII. The National Education Corporation, etc.

This Board has had before it for some time the question of the appropriateness of various institutional relationships between the College and those who would broker its services. The specific issue of our relationship with NEC provides an opportunity to establish some basic principles as to how such relationships should be evaluated. The basic principle is one of control. NEC is a perfectly reputable proprietary provider of education and training through a national network of schools and institutions.

The initial proposal called for the offering of a unified program, with the instruction offered by NEC and the credits and degrees offered by Edison State College. The problem with this arrangement is twofold. First, it suggests a "pipeline" relationship by which students enter through NEC and exit through Edison State College with an implied presumption of our credits being awarded for their training. The second problem is that the agreement suggested an implied agency relationship in which NEC could be presumed in some ways, especially in marketing, to formally represent the College.

In my view, both areas are inappropriate. I hasten to add that nothing in my remarks should be construed so as to cast dispersions on the quality of instruction offered through NEC. The fundamental principle to be preserved, however, is that the College not "franchise" itself so as to lose complete and absolute control over the awarding of its credits and degrees. Moreover, it is equally important that the College not engage in relationships that invite the perception that it is delegating its evaluation and degree-granting authority to any organization not specifically a part of Edison State College.

We have suggested to NEC and received preliminary agreement that a more appropriate arrangement calls for NEC to advise its students that Edison is prepared and eager to evaluate through our normal processes the competencies that these students have acquired and award whatever credit appropriate, just as we would for any student. We have further suggested and offered our willingness to assist in the training of NEC counselors and advisors so that they may be well informed as to the services, programs, and processes available at the College. It is my hope that our mutual respect for our separate and distinct roles can result in meaningful cooperation between our two institutions and access to this College on the part of their students, while preserving the actual and perceptual separation and autonomy which is so important.

There is a fundamental difference between this and the proposed Nigerian project where Edison's programs would be delivered by Edison staff. The major concern for efforts such as the Nigerian project centers around prioritizing commitments between in-state and out-of-state functions. I believe this concern is partially addressed in the reorganization of Community Affairs which expresses in concrete and operational terms our principle and priority commitment to serving the State of New Jersey. If, as I fully intend, the appropriate balance of activity and priorities is maintained, nothing should prohibit the availability of what we do well to interested individuals and organizations external to the State.

#### VIII. The Nursing Program

As you know, subsequent to the approval of this Board, the Department of Higher Education has forwarded to the Governor the recommendation for funding of our baccalaureate program in nursing. I believe this program to be of sufficient importance that private resources be sought out to implement the program while at the same time pressing forward for state support.

To this end, with the timely and excellent assistance of Trustee Rita Novitt, a proposal has been submitted to Johnson & Johnson Associated Industries Fund for funding of this program. We will be exploring with other foundations the appropriateness of other proposal submissions in support of this activity. I am heartened to learn that there exists among some legislators sufficient interest on our behalf that I have reason to believe there will be legislative support during the next session to achieve funding for this degree.

#### IX. Organization of the Board of Trustees

I would like to suggest that the Board of Trustees consider, without action at this meeting, reviewing structurally our Board of Trustees in light of the operating divisions of the College and to consider a plan of reorganization along the following lines:

That the Board establish three standing committees

- A. Committee on Academic Affairs: to review and make recommendations to the Board on such matters as new programs, degree requirements, and other academic policies that may from time to time arise.

- B. Committee on Finance and Administration: to consider those issues related to the responsible management of College resources. It is further suggested that this Committee assume the functions of the Personnel Committee.
- C. Committee on Community Affairs and College Relations: for the purpose of relating to the external relations and issues for which the College will be actively pursuing. This Committee would examine issues such as: collaborative relationships with other institutions including providers and consumers of what we do, the alumni, the Foundation, and those several constituencies described in the reorganization of the Division of Community Affairs. I would suggest that the Chairperson of this Committee serve as the member of the Board of Trustees on the Board of Directors of the College's Foundation.

These Committees would parallel the three operating divisions of the College, and the Vice President for each area would be responsible to me for providing the staff support associated with these Committees.

I fully understand that the structure and organization of the Board is uniquely a prerogative of the Board, and my suggestions are nothing more than advice as to how I view a structure that would enhance the Board and the Administration in responsibly carrying out its respective functions.

I am sure that this is a matter you will want to take under advisement for a response at some later date.

Take care. I look forward to seeing each of you on February 4. I hope this finds you well.

GAP:bws

Attachments