

ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 1998 - 1999 BUDGET



HIGHER EDUCATIONAL SERVICES

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

APRIL 1998

NEW JERSEY STATE LEGISLATURE

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HIGHER EDUCATIONAL SERVICES

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E-32 to E-60; E-62 to E-64; F-17; G-
14 to G-17

Fiscal Summary

	Expended FY 1997	Adjusted. Appropriation FY 1998	Recommended FY 1999	Percent Change 1998-99
State Budgeted	\$1,350,670	\$1,451,834	\$1,512,935	4.2%
Federal Funds	12,722	14,502	14,813	2.1%
<u>Other</u>	<u>1,246</u>	<u>1,275</u>	<u>1,679</u>	<u>31.7%</u>
Grand Total	\$1,364,638	\$1,467,611	\$1,529,427	4.2%

Personnel Summary - Positions By Funding Source

	Actual FY 1997	Revised FY 1998	Funded FY 1999	Percent Change 1998-99
State	50	48	51	6.3%
Federal	152	151	177	17.2%
<u>*Other</u>	<u>24,946</u>	<u>25,342</u>	<u>15</u>	<u>(99.9)%</u>
Total Positions	25,148	25,541	243	(99.0)%

FY 1997 and revised FY 1998 personnel data reflect actual payroll counts. FY 1999 data reflect the number of positions funded.
*Includes full-time positions in the senior public higher education institutions as reported by those institutions. The FY 1999 position count will be determined by the institutions and is not included in the summary.

Introduction

Under the "Higher Education Restructuring Act", PL. 1994, c.48, the Department and the Board of Higher Education were abolished and replaced by the Commission on Higher Education. As a result, the programs previously administered by the department were transferred among other executive departments; mainly the Departments of State and Treasury. The Commission was placed in, but not of, the Department of State to plan for, coordinate, and serve as the principal advocate of the State's higher education system. The higher educational services portion of the Department of State's budget includes funding for the commission, the operation of four-year public colleges and universities and the Educational Opportunity Fund Program. The Office of Student Assistance (OSA) and the Student Assistance Board (SAB) were placed in, but not of, the Department of Treasury and are responsible for the administration of various State and federal student assistance

Introduction

grant and scholarship programs. Funding for the independent colleges and universities as well as State Aid to the County Colleges is also allocated to that department. Also allocated in, but not of, the Department of Treasury are two State authorities: the Higher Education Assistance Authority (HEAA) and the Education Facilities Authority (EFA).

Key Points

- ! The total recommended net State appropriation for the State colleges and universities in FY 1999 is \$1.077 billion, a 2.5 percent increase over the \$1.051 billion FY 1998 adjusted appropriation. The funding is proposed to be provided to the institutions as a block grant and is included in the Grants-In-Aid section of the budget. Included in the totals for the first time are the employers share of fringe benefit costs that previously were budgeted in the Interdepartmental Accounts section of the budget. Funding of \$292.0 million has been allocated to the State colleges and universities as part of the adjustments to the FY 1998 budget information and is included in the base upon which the 2.5 percent increase in funding for FY 1999 was calculated (FY 1997 data reflects a similar adjustment).
- ! Of the total \$26.3 million increase, \$10.5 million represents performance based incentive funding that will reward institutions for meeting certain State policy goals. The Budget in Brief notes that the recommended FY 1999 amount represents full funding for the program but that implementation of the performance standards will begin in FY 2000.
- ! Due to the proposed block grant funding of college and university budgets, legislative initiatives recommended for continuation that are usually displayed as special purpose items in the individual college budgets are now displayed in newly proposed budget language for each institution.
- ! No salary program funding is recommended for the State colleges and universities in FY 1999.
- ! Beginning in FY 1999, the evaluation data of the State colleges and universities display the graduation rates, the in-State and out-of-state tuition charges for undergraduate students, and the fees, retention rates, and cost of attendance for each institution.
- ! Pay-as-you-go capital funding for the State colleges and universities is recommended to increase by \$2.4 million from \$5.9 million to \$8.3 million for preservation projects.
- ! Grants-In-Aid funding for the Commission on Higher Education represents a net decrease of \$550,000 from \$37.2 million to \$36.7 million and reflects the elimination of \$1.0 million in grants to institutions of higher education for improving Minority Graduation and Transfer Rates; and, new funding of \$450,000 proposed for Urban Revitalization Incentive Grants.
- ! State funds totaling \$141.7 million are recommended for the Tuition Aid Grant Program, an increase of \$4 million over FY 1998. The increased funding will support an additional 1,100 students and provide for an increase in the award amounts of up to five percent. Expenditures for the program are estimated at \$142.9 million in FY 1999, an increase of \$10.3 million over estimated FY 1998 expenditures. Total spending includes federal funds from the State Student Incentive Grant Fund program.

Key Points

- ! An increase of \$220,000 is recommended for Part-time TAG-for EOF students to fund an additional 234 students due to the expansion of the program to six additional institutions that do not currently participate in the program.
- ! Formula funding for Aid to Independent Colleges is recommended at the FY 1998 level of \$20.2 million.
- ! Funding for the Institute of Medical Research is recommended to decrease by \$263,000 from \$1.0 million to \$787,000.
- ! Debt service funding of \$7.0 million is recommended for the Higher Educational Technology Bond program and represents an increase of \$6.2 million for the first full year of debt service payments on the bonds.
- ! Funding for the Marine Sciences Consortium is recommended to decrease by \$126,000 from \$376,000 to \$250,000.
- ! Legislative initiatives added in FY 1998 totaling \$935,000 are not recommended for continuation in FY 1999.
- ! Increased funding of \$4.2 million from \$1.8 million to \$6 million, is recommended for the Outstanding Scholars Recruitment Program to fund a second cohort of students.
- ! Funding for the 19 county colleges is recommended to increase by \$19.7 million, from \$140.1 million to \$159.8 million. Of the recommended increase, \$12.0 million is recommended for the operational costs of the county colleges and includes performance based incentive funding, \$6.0 million will fund the State's matching share on the additional debt service payments on chapter 12 construction bonds to cover an increase in the bond ceiling for facilities construction and renovation at the county colleges pursuant to P.L. 1997, c. 360, and the remaining \$1.7 million will fund the State's share of increases associated with health benefits and pension fund contributions.
- ! Federal funding for the administration of student financial aid programs is recommended to increase by \$311,000 from \$14.5 million to \$14.8 million. Included in this amount is funding of \$655,000 for the State Student Incentive Grant Program which supplements funding for Tuition Aid Grant awards.
- ! Other funds which support the operational costs of the New Jersey College Loans to Assist State Students (NJCLASS) program are estimated to increase by \$404,000 from approximately \$1.3 million to approximately \$1.7 million due to a growth in loan application volume and repayments.

Program Description and Overview

Under the "Higher Education Restructuring Act", P.L. 1994, c.48, the Department and the Board of Higher Education were abolished and replaced by the Commission on Higher Education. The commission was placed in, but not of, the Department of State to plan for, coordinate, and serve as the principal advocate of the State's higher education system. The higher educational services portion of the Department of State's budget includes funding for the commission, the operation of four-year public colleges and universities, miscellaneous programs, and the Educational Opportunity Fund Program.

Moreover, the Office of Student Assistance (OSA) and the Student Assistance Board (SAB) were placed in, but not of, the Department of Treasury, and are responsible for the administration of various State and federal student assistance grant and scholarship programs. Funding for the independent colleges and universities as well as State aid to the county colleges is also allocated to the department. Also allocated in, but not of, the Department of Treasury are two State authorities: the Higher Education Assistance Authority (HEAA) and the Educational Facilities Authority (EFA).

The commission consists of 15 members, 14 public members appointed by the Governor and the Chair of the Presidents' Council, along with two non-voting student members and its executive director. The commission is responsible for the licensing of all degree granting institutions in the State and is responsible for the administration of the Educational Opportunity Fund and various program grant funds. The commission is the main approval authority for higher education capital projects funded under the "Jobs, Education and Competitiveness Bond Act of 1988", P.L.1988, c. 78, the education Equipment Leasing Fund, P.L. 1993, c.136, and the Higher Education Facilities Trust Fund, P.L. 1993, c.375. The Commission on Higher Education is recommended to receive \$924,000, the same level provided in FY 1998.

Administrative and grant funding for the Educational Opportunity Fund program (EOF) remains unchanged from the FY 1998 total funding level of \$32.6 million. The EOF program provides grants to educationally and economically disadvantaged students for undergraduate and graduate study at public and independent institutions of higher education in the State. EOF consists of four program components: Opportunity Program Grants (Article III) which provide grant awards for the non-tuition expenses of college attendance such as fees, books, and room and board; Supplementary Education Program Grants (Article IV) which provide tutoring, counseling and remedial services for EOF students; the Martin Luther King Physician-Dentist Scholarship Program which provides grants up to the cost of tuition to New Jersey resident medical and dental students enrolled at UMDNJ from disadvantaged or minority backgrounds; and the C. Clyde Ferguson Law Scholarship Program which provides grants up to the cost of tuition to New Jersey resident law students from disadvantaged or minority backgrounds. The latter grant is limited to students attending Rutgers School of Law in Newark and Camden, and Seton Hall University School of Law.

For FY 1999, the Governor has recommended that the funding for the senior colleges and universities be provided as block grants. Total block grant funding of \$1.077 billion is recommended for the general operating costs of the four year public college and university system, and represents an increase of \$26.3 million or 2.5% over the FY 1998 adjusted appropriation of \$1.051 billion. For the first time, funds for the employer's share of fringe benefit costs are included in the base budgets of the institutions.

Program Description and Overview

Pay-as-you-go capital funding totaling \$8.3 million, is recommended for FY 1999. This amount includes funding of \$750,000 for each of the senior public higher education institutions, excluding Thomas Edison State College.

The OSA administers the New Jersey Better Educational Savings Trust (NJBEST) a new college savings program that allows families to deduct the interest earned on college savings from their State income taxes, as long as the funds are spent in accordance with program provisions. Governance of the program is provided by the New Jersey Higher Education Assistance Authority. Funding of \$350,000 is recommended for FY 1999, the same level as in FY 1998.

The OSA administers State funded student assistance grant and scholarship programs. There are two public entities that oversee the activities of the OSA. The Student Assistance Board exercises oversight of State grant and scholarship programs while the Higher Education Assistance Authority oversees federal and State loan programs. The State offers a combination of merit and need based grant, scholarship and loan programs. Merit scholarship awards are based on class rank and test scores or grade point average while assistance provided under grant programs is based on financial need.

The HEAA oversees the State NJCLASS loan program and federally regulated programs that guarantee or insure loans made by banks, credit unions, or other qualified lenders to assist families and students in meeting the cost of college attendance. The HEAA administers various types of loans under the Federal Family Education Loan Program. These programs include the Subsidized and Unsubsidized Federal Stafford Loan, the Parent Loans for Undergraduate Students (PLUS), and Federal Consolidation Loans. The NJCLASS program implemented in 1991, supplements financial aid available for undergraduate and graduate students who attend accredited institutions of higher education within and outside of New Jersey. The program is funded from the proceeds of tax exempt bonds issued by the HEAA. Since the program's inception, NJCLASS has approved over 21,250 loans valued at \$105.2 million and projects a total loan volume of approximately 26,000 by FY 1999. The NJCLASS program is preparing to sell an additional \$30 million in bonds this spring to provide continued support for the program. There is no restriction on family income but the loans cannot exceed the cost of attendance minus all other financial aid received.

The Department of Treasury directly administers the Garden State Savings Program. This program assists persons trying to save for a college education by offering State and federal tax-free bonds for sale to the public. The bonds are issued in small denominations to allow a large number of New Jersey families to participate. If the bonds are redeemed at a New Jersey institution, an extra six percent is applied to the face value of the bond of which two percent is paid by the State and four percent by the institution. In addition, at least \$25,000 of Garden State Savings Bonds or accumulated bonds, interest, or supplemental payments are excluded from consideration when evaluating the financial needs of a student.

The Educational Facilities Authority (EFA) was established to provide a means for New Jersey public and independent colleges and universities to construct additional facilities through the financial resources of a public authority empowered to sell bonds, notes and other obligations. The EFA finances various types of projects for the institutions including the construction of academic and auxiliary service facilities, renovation and rehabilitation of existing facilities, and capital equipment and utilities related projects and other structures or facilities related or required or useful for the instruction of students or the conducting of research or the operation of a higher education institution.

Program Description and Overview

In addition, the EFA is authorized to enter into lease agreements with public and private institutions to finance the purchase of higher education equipment. The Equipment Leasing Fund, P.L. 1993, c. 136, created within the EFA, finances the purchase of equipment through the sale of bonds issued by the authority in an amount not to exceed \$100 million. Institutions are required to pay 25 percent of the debt service to finance the purchase of equipment at that institution. Authorized purchases include scientific, technical, computer, communications, laboratory and instructional equipment.

The EFA is also authorized to issue bonds in the amount of \$220 million to provide grants to public and private institutions of higher education for the cost of the construction, reconstruction, development, extension, and improvement of instructional, laboratory, communication, and research facilities under the Higher Educational Facilities Trust Fund, P.L. 1993, c. 375. The trust fund is financed by moneys received from the bond issuances plus an annual appropriation from the net proceeds of the State Lottery in an amount sufficient to pay the principal and interest on the bonds or notes.

The EFA is also authorized to issue bonds for the Higher Education Technology Infrastructure Fund Act, P.L. 1997, c. 238. The act authorized the EFA to issue bonds totaling \$55 million from the of which \$50 million would be for public and private institutions of higher education to develop technology infrastructure within and among the State's higher education institutions in order to provide access to information, educational opportunities, and workforce training effectively and efficiently. Institutions are required to provide a matching amount equivalent to the amount of funds provided. The remaining \$5 million of the total \$55 million authorization is for non-matching public library grants for Statewide library technology initiatives through the New Jersey State Library.

A total of \$370 million has been provided to higher education institutions over the past five years for the upgrade of facilities and equipment. This amount includes \$50 million from the Higher Education Technology Infrastructure Fund, the \$100 million Equipment Leasing Fund, and the \$220 million Higher Education Facilities Trust Fund. Debt service funding of \$47.3 million is recommended in grants-in-aid for these initiatives under the Department of Treasury.

The EFA is also authorized to issue bonds for facilities construction and renovations to fund the State and county share of county college capital projects pursuant to the "County College Capital Projects Fund Act," P.L. 1997, c. 360.

Summary of FY 1999 Recommended Budget

The total FY 1999 recommended appropriation of \$1.529 billion for higher education institutions and programs represents a net increase of approximately \$61.8 million or four percent when compared to the FY 1998 adjusted appropriation of \$1.468 billion.

General Fund appropriations are recommended to increase by approximately \$61.1 million from \$1.452 billion to \$1.513 billion or four percent.

The majority of the increase is attributable to increased funding of \$26.3 million for the State college and universities; and, State aid for the 19 county colleges which is recommended to increase by \$19.7 million, from \$140.1 million to \$159.8 million. Of the recommended increase for the county colleges, \$12.0 million is recommended for the operational costs of the county colleges and includes performance based incentive funding of approximately \$1.1 million.

Program Description and Overview

Student assistance programs are recommended to increase by \$4.2 million and includes an increase of \$4.0 million for the Tuition Aid Grant Program. The recommended FY 1999 appropriation for the Tuition Aid Grant program is \$141.7 million. The recommended increase would fund an additional 1,123 students and provide award increases of up to five percent. The TAG program is supplemented by federal funding of \$655,000 from the State Student Incentive Grant program (SSIG) and anticipated carryforward of \$4.4 million. The recommended amount combined with carryforward balances and increased federal funding is expected to provide grant awards for 50,674 students. Funding for the Part-time TAG for EOF students is recommended to increase by \$220,000 to \$620,000 due to the participation of six additional institutions that do not currently participate in the program and an additional 234 students.

Overall support to independent institutions is recommended to decrease by \$263,000 and is attributable to the phase-out of State support for the Corielle Institute of Medical Research. State aid appropriated to independent colleges and universities under the Independent College and University Assistance Act (P.L. 1979, c. 132) is recommended at the FY 1998 level of \$20.2 million. Under the act, direct funding is provided to 14 independent institutions based on 25% of the direct net State support per full-time equivalent student for the State college sector in the previous academic year and multiplying this number by the number of full-time resident undergraduate students enrolled in eligible independent institutions during the previous academic year. The recommended appropriation represents 74 percent of the amount needed to fully fund the act. The table below illustrates the percentage of State funding compared to the amount needed to fully fund the aid formula.

STATE AID TO INDEPENDENT COLLEGES AND UNIVERSITIES
(000's)

	State Appropriation	Full Formula Aid Funding	Dollar Difference	Percent of State Funding
FY1999	\$20,245	\$27,435	(\$7,190)	74%
FY1998	\$20,245	\$26,474	(\$6,229)	76%
FY1997	\$18,645	\$25,831	(\$7,186)	72%
FY1996	\$20,190	\$23,377	(\$3,187)	86%
FY1995	\$20,000	\$23,629	(\$3,629)	85%
FY1994	\$21,120	\$25,242	(\$4,122)	84%

Funding for Miscellaneous Higher Education Grants-In-Aid Programs represents a net increase of \$9.3 million as follows: additional funding of \$6.2 million for the first years' debt service payments related to the sale of \$55 million in bonds issued under the New Jersey Higher Education Technology Bond Fund; reduced funding of \$126,000 for the Marine Sciences Consortium; the elimination of \$935,000 added by the Legislature in FY 1998; and, an increase of \$4.2 million for the Outstanding Scholar Recruitment Program.

Federal funding is recommended to increase by approximately \$300,000 from \$14.5 million in FY 1998 to \$14.8 million. The increases primarily occur in the salary account for student loan administration where 177 federally funded positions are recommended. The staffing reflects positions that affect the operation and administration of student loan programs.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 1997	Adj. Approp. FY 1998	Recom. FY 1999	Percent Change	
				1997-99	1998-99
General Fund					
Direct State Services	\$3,460	\$3,854	\$3,854	11.4%	0.0%
Grants - In - Aid	1,216,799	1,302,068	1,341,059	10.2%	3.0%
State Aid	126,126	140,062	159,772	26.7%	14.1%
Capital Construction	4,285	5,850	8,250	92.5%	41.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$1,350,670	\$1,451,834	\$1,512,935	12.0%	4.2%
Property Tax Relief Fund					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	\$0	\$0	\$0	0.0%	0.0%
Casino Revenue Fund	\$0	\$0	\$0	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$1,350,670	\$1,451,834	\$1,512,935	12.0%	4.2%
Federal Funds	\$12,722	\$14,502	\$14,813	16.4%	2.1%
Other Funds	\$1,246	\$1,275	\$1,679	34.8%	31.7%
Grand Total	\$1,364,638	\$1,467,611	\$1,529,427	12.1%	4.2%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 1997	Revised FY 1998	Funded FY 1999	Percent Change	
				1997-99	1998-99
State	50	48	51	2.0%	6.3%
Federal	152	151	177	16.4%	17.2%
All Other*	24,946	25,342	15	-99.9%	-99.9%
Total Positions	25,148	25,541	243	-99.0%	-99.0%

FY 1997 and revised FY 1998 personnel data reflect actual payroll counts. FY 1999 data reflect the number of positions funded.

*Includes full-time positions in the senior public higher education institutions as reported by those institutions. The FY 1999 position count will be determined by the institutions and is not included in the summary.

AFFIRMATIVE ACTION DATA

Total Minority Percent					
Commission On Higher Education	33.0%	29.0%	27.0%	----	----
Office of Student Assistance	21.0%	26.0%	26.0%	----	----

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Statewide Planning and Coordination for Higher Education	\$5,050	\$4,500	(\$550)	(10.9)%	E-32

Funding for this program is recommended to decrease by a net \$550,000 and represents the elimination of \$1.0 million for competitive grants to higher education institutions to improve minority graduation rates; and, new funding of \$450,000 recommended for a new program--Urban Revitalization Incentive Grants which provides seed monies to various higher education institutions to increase their involvement in urban revitalization projects.

**Overall State Support
for Four Year State
Colleges and
Universities**

\$1,050,915	\$1,077,188	\$26,273	2.5%	E33 to E61
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Beginning in FY 1999, the Governor has proposed that funding for all institutions of higher education be in the form of block grants and that funds previously displayed by line items be consolidated and displayed as a single line item. State support for college and university operations is displayed in the Grants-In-Aid section of the budget. As a result of the proposed block grant funding for the colleges and universities, legislative initiatives recommended for continuation that are usually displayed as special purpose line items in the individual college budgets are now displayed in newly proposed budget language for each institution.

For FY 1999, total block grant funding of \$1.077 billion is recommended for the general operating costs of the four year public college and university system, an increase of \$26.3 million or 2.5% over the FY 1998 adjusted appropriation of \$1.051 billion. The recommended block grants include funds for the employer's share of fringe benefit costs. Funding of \$292.0 million previously budgeted in the Interdepartmental accounts for these costs have been allocated to the college and university budgets as part of the adjustments to the FY 1998 budget information and is included in the base upon which the 2.5 percent increase was calculated.

Of the recommended increase, \$10.5 million represents "...funding for increased institutional accountability as evidenced by key performance indicators." Performance-based incentive funding allotments will be made to higher education institutions that meet certain State policy goals. According to the Budget-In-Brief, each institution will receive its full share of the \$10.5 million in FY 1999. An allocation of the funds based on an evaluation of each institution's performance towards meeting the goals will begin in FY 2000.

Rutgers, The State University	\$366,362	\$375,521	\$9,159	2.5%	E-33 to E-35
Agricultural Experiment Station	\$28,278	\$28,985	\$707	2.5%	E-36 to E-37

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 1998</u>	<u>Recom. FY 1999</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
The University of Medicine and Dentistry	\$264,023	\$270,623	\$6,600	2.5%	E-37 to E-39
The New Jersey Institute of Technology	\$59,254	\$60,736	\$1,482	2.5%	E-40 to E-42
Thomas Edison State College	\$7,893	\$8,090	\$197	2.5%	E-42 to E-43
Rowan University	\$46,342	\$47,500	\$1,158	2.5%	E-44 to E-46
Jersey City State College	\$38,458	\$39,419	\$961	2.5%	E-46 to E-48
Kean University	\$43,736	\$44,830	\$1,094	2.5%	E-48 to E-50
William Paterson University of New Jersey	\$47,179	\$48,359	\$1,180	2.5%	E-50 to E-52
Montclair State University	\$55,079	\$56,456	\$1,377	2.5%	E-52 to E-54
The College of New Jersey	\$44,023	\$45,124	\$1,101	2.5%	E-55 to E-56
Ramapo College of New Jersey	\$23,812	\$24,408	\$596	2.5%	E-57 to E-58
Richard Stockton State College of New Jersey	\$26,476	\$27,137	\$661	2.5%	E-59 to E-60

The amounts listed above represent the recommended FY 1999 appropriation for each of the senior higher education institutions. An amount equal to one percent of each institution's FY 1998 adjusted appropriation is included in that institution's overall recommended increase and represents that institution's share of the \$10.5 million included in the FY 1999 recommendation for performance-based incentive funding.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Tuition Aid Grants	\$137,661	\$141,661	\$4,000	2.9%	E-62

The tuition aid grant program provides grant awards to resident undergraduates attending New Jersey public and private institutions of higher education up to the cost of tuition based on a family's ability to pay. The recommended FY 1999 appropriation for the Tuition Aid Grant program is \$141.7 million, an increase of \$4 million over the FY 1998 adjusted appropriation of \$137.7 million. The recommended increase would fund an additional 1,123 students and provide award increases of up to five percent. FY 1999 expenditures for the program are estimated at \$142.9 million, an increase of \$10.3 million over estimated FY 1998 expenditures of \$132.6 million. Total spending includes federal funds from the State Student Incentive Grant Fund program.

Part-time TAG for EOF	\$400	\$620	\$220	55.0%	E-63
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The Part-time TAG for EOF students program provides grant awards to EOF students counseled to reduce their course load from full-time to part-time. The recommended increase of \$220,000 is projected to support the participation of six additional institutions that do not currently participate in the program and an additional 234 students.

**Research Under Contract
with the Institute of
Medical Research,
Camden**

	\$1,050	\$787	(\$263)	(25.0)%	E-63
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The Corielle Institute for Medical Research in Camden is a leading provider of biomedical research in the areas of cancer, diabetes, and molecular genetics. According to the administration, the recommended reduction for the Institute represents the first year of a four year phase-out of State support.

**Higher Education
Technology
Infrastructure Bond-
Debt Service**

	\$820	\$7,002	\$6,182	753.9%	E-63
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Debt service funding of \$7.0 million is recommended for the Higher Educational Technology Infrastructure Bond program created pursuant to P.L. 1997, c. 238 and represents the first full year of debt service payments on the bonds. The act authorized the New Jersey Educational Facilities Authority to issue bonds totaling \$55 million, of which \$50 million would be for public and private institutions of higher education to develop technology infrastructure within and among the State's higher education institutions in order to provide access to information, educational opportunities, and workforce training effectively and efficiently. Institutions are required to provide a matching

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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amount equivalent to the amount of funds provided. The remaining \$5 million of the total \$55 million authorization is for non-matching public library grants for Statewide library technology initiatives through the New Jersey State Library.

Marine Sciences Consortium	\$376	\$250	(\$126)	(33.5)%	E-63
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The consortium consists of 31 in-State and out-of-state colleges and universities that conduct marine science research, education and outreach programs of interest to State citizens. Funding for the Marine Sciences Consortium is recommended to decrease by \$126,000 to \$250,000 in FY 1999 and reflects an agreement developed with the administration to become less reliant on State support.

Georgian Court College High Technology Center	\$100	\$0	(\$100)	(100.0)%	E-63
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Institutional Alliance/Seton Hall University and Sussex County Community College	\$150	\$0	(\$150)	(100.0)%	E-64
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Ocean County Community College-Camp Viking	\$40	\$0	(\$40)	(100.0)%	E-64
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Children's Learning Center-Brookdale Community College	\$70	\$0	(\$70)	(100.0)%	E-64
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Salem County Community College-Glass Blowing Lab	\$250	\$0	(\$250)	(100.0)%	E-64
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Health Law and Policy Institute of Seton Hall	\$150	\$0	(\$150)	(100.0)%	E-64
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New Jersey Coastal Monitoring Network	\$175	\$0	(\$175)	(100.0)%	E-64
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Total funding of \$935,000 provided for the above purposes was added by the Legislature in FY 1998 and is not recommended for continuation.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Outstanding Scholar Recruitment Program	\$1,800	\$6,000	\$4,200	233.3%	E-64

The Outstanding Scholar Recruitment Program is a pilot program that provides college scholarships to high achieving high school students based on their class rank and SAT scores who are attending public and private institutions of higher education in New Jersey. Total funding of \$6.0 million is recommended, an increase of \$4.2 million from the \$1.8 million appropriated in FY 1998 and will provide for a second cohort of students.

State Aid

Aid to County Colleges	\$140,062	\$159,772	\$19,710	14.1%	F-17
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Funding for the 19 county colleges is recommended to increase by \$19.7 million, from \$140.1 million to \$159.8 million. Of the recommended increase, \$12.0 million is recommended for the operational costs of the county colleges and includes performance based incentive funding of approximately \$1.1 million. The State's matching share of the additional debt service payments on chapter 12 construction bonds is recommended to increase by \$6.0 million to cover an increase in the bond ceiling for facilities construction and renovation from \$80 million to \$140 million pursuant to the "County College Capital Projects Fund Act," P.L. 1997, c. 360. The remaining \$1.7 million will fund the State's share of increases associated with debt service on pension obligation bonds, health benefits and pension fund contributions.

Federal Funds

Student Aid Administration	\$14,502	\$14,813	\$311	2.1%	D-295
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Federal funding for the administration of student financial aid programs is recommended to increase by \$311,000 from \$14.5 million to \$14.8 million. Included in this amount is funding of \$655,000 for the State Student Incentive Grant Program which supplements funding for Tuition Aid Grant awards.

Other Funds

Student Assistance Programs	\$1,275	\$1,679	\$404	31.7%	D-295
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The New Jersey College Loans to Assist State Students (NJCLASS) Program supplements financial aid available for undergraduate and graduate students who attend accredited institutions of higher education within and outside of New Jersey. The loans are funded from the proceeds of tax exempt

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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bonds issued by the Higher Education Assistance Authority. Receipts derived from loan application and administrative and service fees support the operational costs of the NJCLASS program. Program revenues are estimated to increase by \$404,000 from approximately \$1.3 million to approximately \$1.7 million due to a growth in loan application volume and repayments.

Capital Construction

Public Higher Education Institutions- Preservation Projects	\$5,850	\$8,250	\$2,400	41.0%	G-14 to G-17
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Funding for Preservation Projects at the State colleges and universities, excluding Thomas Edison State College, is recommended to increase by \$2.4 million and includes funding of \$750,000 for each of the senior institutions. The \$2.4 million recommended increase represents funding of \$750,000 each for Rutgers, NJIT and UMDNJ, which did not receive capital appropriations in FY 1998 and an additional \$150,000 for Ramapo College.

Language Provisions

1998 Appropriations Handbook

p. C-30

An amount not to exceed 5% of the total of Higher Education for Special Needs Students, Program for the Education of Language Minority Students, and [Improving Minority Graduation Rates] accounts is available for the administrative expenses of these programs.

1999 Budget Recommendations

p. E-33

An amount not to exceed 5% of the total of Higher Education for Special Needs Students, Program for the Education of Language Minority Students, and the Urban Revitalization Incentive Grants accounts is available for the administrative expenses of these programs.

Explanation

This language allows the Commission on Higher Education to use 5 percent of the appropriation from the new program--Urban Revitalization Incentive Grants for the program's administration. This language combined with the cost allowances for existing programs would provide a sum of \$275,000 above the commission's recommended appropriation of \$1.3 million for a total FY 1999 amount of approximately \$1.6 million. The reference to the Improving Minority Graduation Rates account is deleted because no funding is recommended for that program in FY 1999.

1998 Appropriations Handbook

p. C-30

The amount appropriated hereinabove for Senior Public Colleges and Universities-Base Appropriation Adjustment shall be allocated to the following institutions: Thomas A. Edison State College- \$145,000; Rowan University-\$894,000; Jersey City State College-\$765,000; Kean College of New Jersey-\$864,000; William Paterson College of New Jersey-\$964,000; Montclair State University-\$1,098,000; The College of New Jersey-\$893,000; Ramapo College of New Jersey-\$472,000; The Richard Stockton College of New Jersey-\$522,000; Rutgers, The State University-\$11,337,000; The New Jersey Agricultural Experiment Station-\$800,000; New Jersey Institute of Technology-\$1,246,000.

1999 Budget Recommendations

This language has been deleted in its entirety.

Language Provisions

Explanation

This language is no longer necessary. The \$20 million additional funding allocated by the budget language in FY 1998 is now part of the base budgets of the institutions in FY 1999.

1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

p. E-35

Of the sums hereinabove appropriated for Rutgers University, there is \$180,000 for the Masters in Government Accounting Program, \$105,000 for the Tomato Technology Transfer Program, \$60,000 for the Statewide Privatization (Contracting Out) Survey, Newark, \$95,000 for the Haskin Shellfish Research Laboratory, \$200,000 for the Camden Law School Clinical Legal Programs for the Poor, \$200,000 for the Newark Law School Clinical Legal Programs for the Poor, \$740,000 for the Civic-Square Project-Debt Service, and \$700,000 for In Lieu of Taxes to New Brunswick. These accounts shall be considered special purpose appropriations for accounting and reporting purposes.

Explanation

The Governor has proposed that higher education institutions be funded in the form of block grants which lump total funds from all sources into a single line item, making it difficult to identify special purpose appropriations. In order to identify special purpose items and legislative initiatives previously displayed as single line items, special budget language is recommended which identifies the programs and the amounts appropriated for each program.

Language Provisions

1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

p. E-37

Of the sums hereinabove appropriated for the New Jersey Agricultural Experiment Station, there is \$900,000 for Pari-mutuel Programs, \$243,000 for Blueberry and Cranberry Research, \$695,000 for the Snyder Farm Planning and Operation, and \$500,000 for Fruit Research. These accounts shall be considered special purpose appropriations for accounting and reporting purposes.

Explanation

The Governor has proposed that higher education institutions be funded in the form of block grants which lump total funds from all sources into a single line item, making it difficult to identify special purpose appropriations. In order to identify special purpose items and legislative initiatives previously displayed as single line items, special budget language is recommended which identifies the programs and the amounts appropriated for each program.

1998 Appropriations Handbook

p. B-193

The appropriations for the University are made to Support Units, Educational Units, University Hospital, and Community Mental Health Centers.

1999 Budget Recommendations

p. E-39

The appropriations for the University are made to Support Units, Educational Units, and University Hospital.

Explanation

This language change corrects the fact that funding for Community Mental Health Centers is not supported by University appropriations. The funding for Community Mental Health Centers is budgeted in the Department of Human Services.

Language Provisions

1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

p. E-39

Of the sums hereinabove appropriated for the University of Medicine and Dentistry of New Jersey, there is \$100,000 for the Inflammatory Bowel Disease Center, \$800,000 for Emergency Medical Service-Camden, \$1,797,000 for the Regional Health Education Center-Physical Plant, \$750,000 for the Violence Institute of N. J. at UMDNJ, \$525,000 for the Regional Health Education Center-Educational Units, and \$2,700,000 for Debt Service-School of Osteopathic Medicine Academic Center, Stratford. These accounts shall be considered special purpose appropriations for accounting and reporting purposes.

Explanation

The Governor has proposed that higher education institutions be funded in the form of block grants which lump total funds from all sources into a single line item, making it difficult to identify special purpose appropriations. In order to identify special purpose items and legislative initiatives previously displayed as single line items, special budget language is recommended which identifies the programs and the amounts appropriated for each program.

1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

p. E-42

Of the sums hereinabove appropriated for the New Jersey Institute of Technology, there is \$100,000 for the NJIT/Burlington County College Engineering Program. This account shall be considered a special purpose account appropriation for accounting and reporting purposes.

Language Provisions

Explanation

The Governor has proposed that higher education institutions be funded in the form of block grants which lump total funds from all sources into a single line item, making it difficult to identify special purpose appropriations. In order to identify special purpose items and legislative initiatives previously displayed as single line items, special budget language is recommended which identifies the programs and the amounts appropriated for each program.



1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

p. E-43

Of the sums hereinabove appropriated for Thomas A. Edison State College, there is \$250,000 for the New Jersey Inter-Campus Network. This account shall be considered a special purpose appropriation for accounting and reporting purposes.

Explanation

The Governor has proposed that higher education institutions be funded in the form of block grants which lump total funds from all sources into a single line item, making it difficult to identify special purpose appropriations. In order to identify special purpose items and legislative initiatives previously displayed as single line items, special budget language is recommended which identifies the programs and the amounts appropriated for each program.



1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

p. E-46

Of the sums hereinabove appropriated for Rowan University, there is \$500,000 for the School of Engineering and \$215,000 for the Camden Urban Center. These accounts shall be considered special purpose appropriations for accounting and reporting purposes.

Explanation

The Governor has proposed that higher education institutions be funded in the form of block grants which lump total funds from all sources into a single line item, making it difficult to identify special

Language Provisions

purpose appropriations. In order to identify special purpose items and legislative initiatives previously displayed as single line items, special budget language is recommended which identifies the programs and the amounts appropriated for each program.

1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

E-48

Of the sums hereinabove appropriated for Jersey City State College, there is \$1,078,000 for the A. Harry Moore Laboratory School, and \$145,000 for Tidelands Athletic Fields. These accounts shall be considered special purpose appropriations for accounting and reporting purposes.

Explanation

The Governor has proposed that higher education institutions be funded in the form of block grants which lump total funds from all sources into a single line item, making it difficult to identify special purpose appropriations. In order to identify special purpose items and legislative initiatives previously displayed as single line items, special budget language is recommended which identifies the programs and the amounts appropriated for each program.

1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

p. E-50

Of the sums hereinabove appropriated to Kean University, there is \$180,000 for Emerging Needs/Academic Initiatives. This account shall be considered a special purpose appropriation for accounting and reporting purposes.

Explanation

The Governor has proposed that higher education institutions be funded in the form of block grants which lump total funds from all sources into a single line item, making it difficult to identify special purpose appropriations. In order to identify special purpose items and legislative initiatives previously displayed as single line items, special budget language is recommended which identifies the programs and the amounts appropriated for each program.

Language Provisions

1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

p. E-52

Of the sums hereinabove appropriated for William Paterson University of New Jersey, there is \$100,000 for the New Jersey Project and \$65,000 for Outcomes Assessment. These accounts shall be considered special purpose appropriations for accounting and reporting purposes.

Explanation

The Governor has proposed that higher education institutions be funded in the form of block grants which lump total funds from all sources into a single line item, making it difficult to identify special purpose appropriations. In order to identify special purpose items and legislative initiatives previously displayed as single line items, special budget language is recommended which identifies the programs and the amounts appropriated for each program.

1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

p. E-54

Of the sums hereinabove appropriated for Montclair State University, there is \$1,432,000 for the New Jersey State School of Conservation. This account shall be considered a special purpose appropriation for accounting and reporting purposes.

Explanation

The Governor has proposed that higher education institutions be funded in the form of block grants which lump total funds from all sources into a single line item, making it difficult to identify special purpose appropriations. In order to identify special purpose items and legislative initiatives previously displayed as single line items, special budget language is recommended which identifies the programs and the amounts appropriated for each program.

Language Provisions

1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

p. E-58

Of the sums hereinabove appropriated for Ramapo College of New Jersey, there is \$200,000 for the Governor William T. Cahill Recognition Programs. This account shall be considered a special purpose appropriation for accounting and reporting purposes.

Explanation

The Governor has proposed that higher education institutions be funded in the form of block grants which lump total funds from all sources into a single line item, making it difficult to identify special purpose appropriations. In order to identify special purpose items and legislative initiatives previously displayed as single line items, special budget language is recommended which identifies the programs and the amounts appropriated for each program.

1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

p. D-295

At any time prior to the issuance and sale of bonds or other obligations by the New Jersey Higher Education Assistance Authority, the State Treasurer is authorized to transfer from any available moneys in any fund of the Treasury of the State to the credit of any fund of the Authority such sums as the State Treasurer deems necessary. Any sums so transferred shall be returned to the same fund of the Treasury of the State by the State Treasurer from the proceeds of the sale of the first issue of Authority bonds or other Authority obligations.

Explanation

This language authorizes the State Treasurer to transfer available funds from any other fund to the Higher Education Assistance Authority (HEAA) as a short term loan for the purpose of originating loans under the NJCLASS program when increases in loan volumes exceed the available capital raised through Authority bond issues. Upon the issuance of tax exempt bonds to support the NJCLASS program, the HEAA would reimburse the fund from which the loan was issued.

Language Provisions

1998 Appropriations Handbook

p. C-33

For the purpose of implementing the "Independent College and University Assistance Act," P.L. 1979, c. 132 (C.18A:72B-15 et seq.), the number of full-time equivalent students (FTE) at the eight State Colleges is 46,299 for FY 1997.

1999 Budget Recommendations

p. E-64

Notwithstanding the provisions of any law to the contrary, for the purpose of implementing the "Independent College and University Assistance Act," P.L. 1979, c. 132 (C.18A:72B-15 et seq.), "Direct per student support for the State college sector" shall not include funds appropriated for fringe benefit costs at the eight State Colleges. The number of full-time equivalent students (FTE) at the eight State Colleges is 46,537 for fiscal year 1998.

Explanation

This language sets the enrollment level by which the amount of State aid provided to the 14 independent colleges is calculated. Under the act, the aid is calculated based on 25% of the direct net State support per full-time equivalent student for the State college sector in the previous academic year and multiplying this number by the number of full-time resident undergraduate students enrolled in eligible independent institutions during the previous academic year. For FY 1999, the Governor has proposed that the public colleges be funded in the form of block grants to which fringe benefit costs have been added to the base budgets of the state colleges and universities, increasing the recommended amount of State support provided to public institutions in FY 1999. This language proposes that when calculating the amount of State aid for the independent college sector, the additional funding allocated for fringe benefit costs at the State colleges not be included in State aid to the independent sector. For FY 1999, the independent college and university sector is recommended to receive \$20,245,000, the same level as FY 1998. The recommended appropriation represents 74% of the amount needed to fully fund the assistance act.



Language Provisions

1998 Appropriations Handbook

No comparable language.

1999 Budget Recommendations

p. E-64

Notwithstanding the provisions of any law to the contrary, an amount not to exceed \$1,700,000 from the unexpended balance as of June 30, 1998, in the Higher Education Facilities Trust Fund-Debt Service account is appropriated to reimburse the Jobs, Education and Competitiveness Bond Fund for University Heights Science Park project, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This language was added in anticipation of the passage of legislation (S449 of 1998) which erroneously appropriated the balance of funds committed for other projects from the Jobs, Education and Competitiveness (JEC) Bond Act. In the event the legislation was approved, the recommended budget language authorized the borrowing of the project funds from the JEC bond fund balance and the reimbursement of the JEC bond fund from interest earnings on the Higher Education Facilities Trust Fund (HEFT). However, according to OMB, the language is no longer necessary because the bill was amended to change the fund source of the project.

1998 Appropriations Handbook

p. C-33

Notwithstanding the provisions of any law to the contrary, the sums provided hereinabove for Tuition Aid Grants shall provide awards to qualified applicants at a level not to exceed 3.5% above those levels provided by the Student Assistance Board in Fiscal Year 1997.

1999 Budget Recommendations

p. E-64

Notwithstanding the provisions of any law to the contrary, the Student Assistance Board shall provide to all qualified applicants increases to award values, not to exceed tuition, at a level that is fundable within the amount hereinabove provided for Tuition Aid Grants plus funding from the Part-time Tuition Aid Grants-EOF Students program and available federal State Student Incentive Grant funds. Award increases so provided shall not exceed the percentage increase provided for the maximum award. Reappropriated balances shall be held as a contingency for unanticipated increases in the number of applicants qualifying for Student Assistance Programs awards or to fund shifts in the distribution of awards that result in an increase in total program costs.

Language Provisions

Explanation

For FY 1999, the recommended funding for the Tuition Aid Grant Program is estimated to provide increases in TAG award levels of up to 5% and provide funding for an additional 1,100 students. The number of students eligible to participate in the TAG program is estimated to increase mainly due to a change in the definition of federal Income Protection Allowance (IPA) which is part of the federal needs analysis. The federal needs analysis which is also used by New Jersey determines eligibility for federal grants and loans. The change favorably affects the eligibility of students who are determined to be independent, hence the increase in awards for FY 1999. The recommended language sets a limit on the funds available to the Student Assistance Board (SAB) for setting TAG awards levels in FY 1999 after consideration of students determined eligible by IPA changes. According to the Office of Student Assistance, the change is projected to cost \$3.5 million. The language also authorizes the SAB to hold in reserve a contingency balance of 3% of the appropriation to guard against unanticipated increases in the number of students qualifying for participation in student assistance programs or to fund shifts in the distribution of awards that increase total program costs.

1998 Appropriations Handbook

C-33

From the sums provided for Student Assistance Programs, such amounts as may be necessary to fund merit scholarship awards shall be available for transfer to the Garden State Scholarships program, the Edward J. Bloustein Distinguished Scholars Program, and the Urban Scholarships program, subject to the approval of the Director of the Division of Budget and Accounting.

1999 Budget Recommendations

E-64

From the sums provided hereinabove for Student Assistance Programs, such amounts as may be necessary to fund merit scholarship awards shall be available for transfer to the Coordinated Garden State Scholarship Programs and to the Miss New Jersey Educational Scholarship Program (C.18A:71-102 et seq.), subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This budget language allows the Office of Student Assistance (OSA) to transfer funds from student aid programs such as TAG to make up any shortfall in funding experienced by the Coordinated Garden State Scholarship Programs, a new line item containing awards provided to high achieving students participating in the Garden State Scholars, Edward J. Bloustein Distinguished Scholars and Urban Scholars programs. In FY 1998, a new scholarship program the "Miss New Jersey Educational Scholarship Program," was approved but no funding was appropriated. This language also allows the OSA to use a portion of the funds appropriated for other student aid programs to fund this additional scholarship program.

Language Provisions

1998 Appropriations Handbook

D-14

In addition to the sum hereinabove appropriated to make payments under the State Treasurer's contracts authorized pursuant to section 6 of P.L. 1997, c. 114 (C.34:1B-7.50), there are appropriated such other sums as the Director of the Division of Budget and Accounting shall determine are required to pay all amounts due from the State pursuant to such contracts.

1999 Budget Recommendations

F-17

This language remains unchanged.

Explanation

This language was added to the FY 1998 Appropriations Act due to the passage of the "Pension Bond Financing Act of 1997," P.L. 1997, c. 114 which authorized the sale of \$2.8 billion in bonds by the Economic Development Authority to fund the unfunded accrued pension liability contribution the State owes under State retirement systems. This language authorizes the State Treasurer to provide any additional debt service amounts as needed on behalf of county college personnel participating in a State retirement system such as the Teachers' Pension and Annuity Fund. For FY 1999, the State's contribution for debt service funding on pension obligation bonds for county college personnel participating in a State retirement system is recommended at \$69,000.



Discussion Points

1. Funding of \$292.0 million is included in the base operating budgets of the State colleges and universities and represents the estimated allotment for the employer's share of fringe benefit costs. These funds were previously budgeted in the interdepartmental account. The Administration states that this proposal is consistent with the goals of functional autonomy and that by assuming full responsibility for their entire operating budgets, institutions will be encouraged to increase their efforts at costs savings and reap the benefits of efficiencies generated by this policy change.

! *Questions:* Does the Administration also plan to eventually shift the responsibility for salary and fringe benefits negotiations over to higher education institutions? From a State budget perspective, are there any efficiencies that are anticipated as a result of including fringe benefits costs in the base appropriation of higher education institutions? Have other states shifted the responsibility for fringe benefits management of college and university personnel over to their institutions of higher education? If so, what has been their experience? Why are the county colleges not included under this proposal, since the State also pays a share of certain county college employee fringe benefits?

2. Based on the Governor's proposal to shift responsibility for the payment of fringe benefits for college and university personnel over to the institutions, the representatives of the State colleges and universities contend that the management of fringe benefits should remain a function of the State because: 1) the institutions do not negotiate fringe benefits for the majority of college and university personnel and therefore have no control over the costs; 2) the colleges have limited experience with fringe benefits management; 3) there is insufficient time available to implement the new change for the coming year; 4) the shifting of the responsibility for the management of fringe benefit payment could increase costs for some of the colleges and universities.

! *Questions:* Please respond to the concerns expressed by the higher education community regarding the transfer of this responsibility.

3. Due to a recommended increase of \$12.0 million in operational support for the county college system, the county colleges have pledged that there will be no tuition increases in FY 1999. The State colleges and universities are recommended to receive an additional \$26.3 million in FY 1999. To date, the State colleges and universities have not indicated what tuition levels will be for the coming year and typically wait until after the budget is approved before announcing proposed tuition levels.

! *Questions:* Based on the FY 1999 recommendation for the State colleges and universities, can the institutions provide a preliminary estimate as to how much tuition is likely to increase?

Discussion Points

Higher Educational Services

4. The Outstanding Scholar Recruitment Program was created as a four year pilot program in FY 1997 to recruit and retain high achieving students for attendance at public and private colleges in the State. Participation in the program is limited to two classes of students. The first class of outstanding scholars was admitted into the program for the 1997-98 academic year. The second class will be admitted in 1998-99. To date the program has received two appropriations totaling \$3.6 million. The program is recommended to receive \$6.0 million in FY 1999 and will fund a new freshman class and the second year of students/sophomore class. According to information on the State financial information system, as of March 18, funding of \$761,000 remains unexpended and uncommitted and \$557,000 has been placed in reserve.

! *Questions:* Please provide information on the current number of participants, the participating institutions, and the award levels for each participating institution in FY 1998 and the projection for FY 1999. Please describe the criteria for determining a student's eligibility for the program. Of the number of students that apply or are recruited for the program, what percentage participate?

5. The Part-time TAG-EOF students program provides grant awards to EOF students counseled to reduce their course load from full-time to part-time. Funding of \$620,000 is recommended in FY 1999 and represents an increase of \$220,000 over the FY 1998 adjusted appropriation of \$400,000. The additional funding is projected to support the participation of six additional institutions in the program and an additional 234 students. In the current fiscal year, including amounts reappropriated from FY 1997, the total amount available is \$499,000. Evaluation data indicates that program expenditures in FY 1998 are projected to be \$445,000, providing funding for 596 students.

! *Questions:* How many students are currently receiving grants and what is the average award?

6. In FY 1998 the New Jersey Better Educational Savings Trust Program (P.L. 1997, c. 237) was enacted. This program helps families to finance the cost of a college education through the establishment of trust accounts into which an individual will be able to make contributions on behalf of a designated beneficiary. Interest earned on NJBEST savings is exempt from New Jersey State Income Tax, and federal income tax is deferred until the funds are withdrawn. The State provides a \$500 match on the savings accrued through the program if the program beneficiary attends an institution of higher education located in New Jersey. Funding of \$350,000 was provided in FY 1998 for the advertising, promotion and administrative expenses associated with the program. Continuation funding of \$350,000 is recommended in FY 1999.

! *Question:* What is the current status of this program? When will interested individuals be able to enroll in the program?

7. The Miss New Jersey Educational Scholarship Program (P.L. 1997, c. 118) provides the full cost of college tuition through a competitive scholarship award to a student who is designated annually by the Office of Student Assistance in consultation with the Miss New Jersey Pageant as demonstrating the civic, cultural or charitable qualities recognized by the pageant. The scholarship will fund either an initial bachelors degree or postgraduate degree at a New Jersey public institution of higher education. The act provides that the State shall annually appropriate to the Office of

Discussion Points

Student Assistance (OSA) a sum equal to the cost of tuition at the public institution enrolling a Miss New Jersey Scholarship recipient. No funding has been appropriated to implement the program. However, according to the OSA, for FY 1999 the program is proposed to be funded through a transfer from other student assistance programs until a reliable cost base can be established for the program.

! *Questions:* Have the guidelines for the administration of the program been developed? When does the OSA anticipate that the program will be implemented?

8. The recommended FY 1999 appropriation for the Tuition Aid Grant Program (TAG) is \$141.7 million, an increase of \$4 million over the FY 1998 adjusted appropriation of \$137.7 million. The recommended increase would fund an additional 1,123 students and provide award increases of up to five percent.

FY 1998 revised program expenditures have been reduced by \$10 million, from the original estimate of \$142.7 to \$132.6 million. OMB has indicated that \$4.4 million is anticipated to be reappropriated in FY 1999. Based on that information, the account should have unexpended balances in FY 1998 of about \$11.9 million. Supplementary budget information indicates that \$7.5 million is to lapse to surplus at the close of FY 1998, the same amount that lapsed to surplus at the end of FY 1997.

! *Questions:* Please discuss the factors that resulted in the estimated \$10 million reduction in FY 1998 program expenditures. As the \$141.7 million recommended for FY 1999 along with federal State Student Incentive Grant funding should fully provide for the total estimated spending for that year, please indicate why any reappropriated balances would be required.

Background Paper: Higher Education Institutional Funding

Budget Pages.... E-33 to E-61

Introduction

For FY 1999, State funding of \$1.077 billion is recommended for the general operating costs of the four year public college and university system. This represents an increase of \$26.3 million or 2.5% over the FY 1998 adjusted appropriation of \$1.051 billion. The FY 1999 budget display reflects the Administration's intent to provide "block grant" funding for the senior public institutions of higher education; the institutions have been relocated from the Direct State Services section of the budget, where they were formerly funded as though they were State agencies, and are now displayed in the Grants-In-Aid section of the budget as grant recipients. Moreover, there is only one line item of funding for each college called "General Institutional Operations," replacing such former categories as Salaries and Wages, Materials and Supplies and Services Other than Personal. This change reflects the fiscal reality of the enhanced autonomy provided to the higher education community in recent years, in that the bulk of their State-provided funds are freely interchangeable within each institution once received. Legislative oversight over grants made for specific purposes will be retained through accounting and reporting requirements dictated by budget language rather than by line-item appropriation.

Performance Based Funding

Of the recommended \$26.3 million increase, \$10.5 million is designated to provide base year funding for the phase-in of a new program -- Performance-Based Incentive Grants. According to the Administration, although the implementation of institutional performance standards will not begin until FY 2000, incentive funds were included in the FY 1999 block grant recommendation to allow the colleges and universities enough time to develop the outcomes and participate in the implementation process. The performance-based incentive grant program would reward higher education institutions for achieving certain State policy goals as evidenced by attainment of key performance levels.

The Administration has targeted four key performance measures, outlined below, by which institutions will be assessed for the purpose of distributing future incentive grant funds, beginning in FY 2000. Each institution will be measured by its own progress toward achieving performance objectives, and not against that of its peers.

- ! Improving graduation rates by graduating at least 65% of students within six years of entering the higher education system, while striving to ensure that the average time to complete a degree is no longer than five years;
- ! improving the transfer and articulation rates between two-year and four-year institutions by encouraging senior public institutions to accept community college transfer students as at least 10% of their new students;
- ! improving institutional efficiency and effectiveness by limiting the number of programs with extremely low enrollments through joint or collaborative efforts among institutions, and by assessing how well graduates are academically prepared; and,
- ! developing more diversified revenues by rewarding institutions that keep tuition and fee increases at minimal levels while increasing funding from non-student based sources.

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The University of Medicine and Dentistry and the county colleges will be assessed by a different set of performance measures due to the uniqueness of these institutions and the populations they serve.

The following table illustrates the distribution by institution of the recommended \$26.3 million overall funding increase, which is equivalent to 2.5% of the colleges' FY 1998 adjusted appropriation. Performance-based incentive funding is equivalent to 1% of the FY 1998 adjusted base appropriation, representing \$10.5 million of the \$26.3 million total increase.

	(\$ 000)	
	<u>Perf. Based Incent. Fnds</u>	<u>Total Inc.</u>
Rutgers University	\$3,664	\$9,159
Ag. Experiment Station	283	707
UMDNJ	2,640	6,600
NJIT	593	1,482
Thomas Edison St. Coll.	79	197
Rowan University	463	1,158
Jersey City St. Coll.	384	961
Kean University	437	1,094
Wm. Paterson University	472	1,180
Montclair St. University	551	1,377
College of New Jersey	440	1,101
Ramapo College	238	596
Richard Stockton College	265	661
TOTAL	\$10,509	\$26,273

Performance-based funding is defined as "special state funding tied directly to the achievements of public colleges and universities on specific performance indicators."¹ Although not a new concept, it has been adopted by relatively few states thus far.

There are currently ten states that have adopted performance-based incentive funding for higher education institutions (although Connecticut's program only funds performance on the single measure of enrolling minority students). Incentive funding for most states generally ranges up to 5% of an institution's operating budget. Tennessee has had the longest operating program of performance-based funding (1979) and Tennessee and Missouri are often cited as examples of successful program models. The experiences of the states with regard to performance funding has

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been inconclusive because most of the states implemented their programs in the 1990's and it is considered to be too early to assess the impact of these programs on advancing the established performance measures defined by the individual states. Furthermore, at least three states have either abandoned or are not currently funding their programs. Arkansas and Kentucky have abandoned their programs citing governance and political changes as the primary factors.² Due to the difficulties Texas has experienced in the planning and implementation stages of its program, it has not appropriated funding for the program's implementation and the future of the program is uncertain.

Fringe Benefits

As part of the shift to block grant funding for higher education, State funding for the employer's share of employee fringe benefit costs is included in the base budgets of the institutions for the first time in FY 1999. However, these amounts are subsumed within each college's overall grant allocation and are not specifically identified as to their purpose. Higher education fringe benefit costs (for the senior institutions) were previously budgeted and paid centrally from the Interdepartmental accounts on behalf of the colleges. Under the new plan, the colleges will be billed for their employees' fringe benefit costs for such items as pension contributions, Social Security taxes and the employer's share of health insurance coverage.

The Office of Management and Budget has indicated that \$350 million of the \$1.077 billion provided as direct aid to higher education institutions is on account of fringe benefit costs; although, again, there is no separate identity attached to these funds. Since the total increase in higher education funding from FY 1998 to FY 1999 is \$26.3 million, and \$10.5 million of that increase has been designated as initial funding toward performance-based incentives, it could be inferred that the rest of the increase (\$15.8 million) is on account of higher fringe benefit costs. While it would appear that the increase in aid is sufficient to cover those cost increases in FY 1999, the colleges have expressed concerns that in future years they will not receive enough State support through the block grant to fully fund these volatile cost items. They have also indicated a reluctance to replace the State as "managers" of fringe benefit programs.

Salary Increases

No funds are recommended in the Interdepartmental accounts for higher education salary increases in FY 1999 associated with contractual agreements. Some of these agreements were negotiated by the State for the state college sector. The senior public colleges have estimated their unfunded salary program needs at \$14.7 million in FY 1999. The research universities estimate their unfunded salary program needs at \$44 million.

Sources:

¹The Nelson A. Rockefeller Institute of Government. Performance Funding and Budgeting for Public Higher Education: Current Status and Future Prospects, January 1998.

²SHEEO/NCES Communication Network. Focus on Performance Measures. NETWORK NEWS, Vol. 17, No.1, February 1998.

Background Paper: Tuition Rates at Higher Education Institutions

Budget Pages....

E-33 to E-61

The table below illustrates the tuition rates charged, by sector, for full-time resident undergraduates attending public and private higher education institutions over a ten year period. The table also compares the percentage increase for the current year, and the past five and ten years. The tuition rates shown for the State colleges/universities, the county colleges and the independent institutions represent the average for those sectors. Four year public institutions have not released tuition rate information for FY 1999. However, the county colleges have pledged no tuition increase for FY 1999.

	Rutgers	NJIT	UMDNJ	State Colleges	County Colleges	Independs.*
FY 1988	2,130	2,364	8,250	1,392	940	7,182
FY 1989	2,280	2,600	8,660	1,508	990	7,977
FY 1990	2,576	2,920	9,093	1,663	1,080	8,926
FY 1991	2,856	3,360	10,457	1,886	1,200	9,526
FY 1992	3,114	3,628	11,053	2,092	1,308	10,255
FY 1993	3,254	3,790	11,550	2,229	1,367	10,983
FY 1994	3,417	3,998	12,128	2,311	1,436	11,612
FY 1995	3,641	4,188	12,795	2,422	1,622	12,137
FY 1996	3,786	4,380	13,295	2,552	1,753	12,706
FY 1997	4,028	4,638	14,492	2,780	1,831	13,408
FY 1998	4,262	4,958	14,927	3,063	1,909	14,111
% chg. 97- 98	6%	7%	3%	10%	4%	5%
5 yr. % chg.	31%	31%	29%	37%	40%	28%
10 yr. % chg.	100%	110%	81%	120%	103%	96%

Beginning in FY 1999, the evaluation data of the State colleges and universities display the in-State and out-of-state tuition charges for undergraduate students, the fees, and the estimated cost of attendance for each institution.

*Tuition rates for the independent colleges and universities represents the sector average and were provided by the New Jersey Association of Independent Colleges and Universities. The Association represents public mission colleges and excludes proprietary and religious institutions.

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Individuals wishing information and committee schedules on the FY 1999 budget are encouraged to contact:

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