

ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 1998 - 1999 BUDGET



DEPARTMENT OF STATE

PREPARED BY
OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE
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NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF STATE

Budget Pages..... D-257 to D-270; E-31 to E-61; F-16
to F-14; G-14 to G 18; J-4 to J-5

Fiscal Summary (\$000)

	Expended FY 1997	Adjusted. Appropriation FY 1998	Recommended FY 1999	Percent Change 1998-99
State Budgeted	\$1,067,305	\$1,142,369	\$1,169,232	2.4%
Federal Funds	744	972	935	(3.8)%
<u>Other</u>	<u>11,270</u>	<u>10,403</u>	<u>10,654</u>	<u>2.4%</u>
Grand Total	\$1,079,319	\$1,153,744	\$1,180,821	2.3%

Personnel Summary - Positions By Funding Source

	Actual FY 1997	Revised FY 1998	Funded FY 1999	Percent Change 1998-99
State	320	311	310	(0.3)%
Federal	39	36	40	11.1%
<u>Other*</u>	<u>25,027</u>	<u>25,423</u>	<u>94</u>	<u>(99.6)%</u>
Total Positions	25,386	25,770	444	(98.3)%

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

The Department of State carries out a diverse mission of artistic, cultural and historical development and preservation. It oversees the operation of the State Museum, the State Council on the Arts and the New Jersey Historical Commission. The latter agencies provide grants and technical assistance for a variety of artistic and scholarly endeavors throughout the State. For FY 1999, the Governor has recommended that the Department of State be reconfigured to better reflect its emphasis on cultural and historic programs. Accordingly, the Historic Trust previously budgeted in the Department of Environmental Protection, the Trenton Barracks and the War Memorial previously budgeted in the Department of Treasury, and the Division on Travel and Tourism and the Public Broadcasting Authority previously budgeted in the Department of Commerce and Economic Development are recommended to be transferred to the Department of State. As a result of this reconfiguration, the Office of the Public Defender, the Office of Administrative Law, the Division of Elections, and the Division of Commercial Recording are proposed to be transferred to

Introduction

other departments within State government. The Public Broadcasting Authority is designated as in, but not of, the Department of State for administrative purposes. Additionally, as a result of the abolishment of the Department and the Board of Higher Education in 1994, the Commission on Higher Education, the four year public colleges and universities, the Educational Opportunity Fund program, and several other miscellaneous programs are all budgeted in, but not of, the Department of State. Furthermore, in FY 1997 ongoing efforts to promote efficiencies within State government resulted in the transfer of the Division of the State Library to the Department of State. Under a contractual agreement, Thomas Edison State College administers the daily operations of the State Library. The State Library system includes the Library for the Blind and Handicapped and the Law Library.

Key Points

- ! The FY 1998 appropriation for the Department of State has been adjusted to reflect the transfer of the Office of Administrative Law, the Office of the Public Defender, the Division of Elections, and the Division of Commercial Recording to other agencies of State government. Concurrently, the Historic Trust, the Trenton Barracks and the War Memorial, the Division on Travel and Tourism, and the Public Broadcasting Authority have been transferred to the Department of State.
- ! State funding for the Department of State's core FY 1999 budget, consisting of the arts, historical resources, museum services, travel and tourism, and records management, excluding in, but not of agencies, represents a decrease of \$525,000 from \$25.9 million in FY 1998 to \$25.4 million in FY 1999. The reduction is mainly attributable to the elimination of one-time grants-in-aid funding appropriated for the relocation of the New Jersey Historical Society to its new headquarters in Newark. Continuation funding of \$343,000 is included in the total for the New Jersey Historical Commission.
- ! Direct State Services funding for the Public Broadcasting Authority is recommended to decrease by \$505,000 from \$4.2 million to \$3.7 million and reflects a continuing reduction of State support for the operations of the authority that was begun in FY 1990.
- ! Increased funding of \$100,000 from \$5.2 million to \$5.3 million is recommended for the Division on Travel and Tourism for increased advertising and promotion.
- ! Pay-as-you-go capital funding for the Public Broadcasting Authority is recommended to increase by \$121,000 to \$446,000 for preservation projects and renovations to transmission towers.
- ! Pay-as-you-go capital funding for the State Library represents a net decrease of \$351,000 from \$801,000 in FY 1998 to \$450,000 in FY 1999. The \$450,000 is recommended to replace the existing computerized research system used by the public and library staff.

Higher Educational Services

- ! 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

Key Points

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.

Program Description and Overview

For FY 1999, the Governor has proposed the reorganization of the Department of State to consolidate State arts, cultural and historical programs and services in one executive department. Changes under the reorganization that affect the Department of State include: (1) the transfer of the management of the Old Barracks and the War Memorial from the Department of Treasury to the Department of State; (2) the transfer of the powers, functions and duties of the New Jersey Historic Trust from the Department of Environmental Protection; (3) the transfer of the functions, powers and duties of the Office of Administrative Law, Office of the Public Defender and the Division of Commercial Recording from the Department of State to the Department of Treasury; (4) the transfer of the functions, powers and duties of the Division of Elections from the Department of State to the Department of Law and Public Safety; and (5) the transfer of the functions, powers and duties of the Address Confidentiality Program from the Department of State to the Department of Community Affairs. Although not mentioned in the reorganization plan, the Division on Travel and Tourism and the New Jersey Public Broadcasting Authority, designated as in, but not of, the department would also be transferred to the Department of State. The transfer of these two agencies will be addressed in the legislation that would eliminate the Department of Commerce and Economic Development.

Under the reorganization, the Department of State would continue the oversight of the New Jersey Historical Commission, the Division of the State Museum, the Division of State Library, the New Jersey Council on the Arts, and the Division of Archives and Records Management.

The following agencies are located in, but not of, the Department of State for administrative purposes:

- ! The New Jersey Public Broadcasting Authority, pending reorganization.
- ! The New Jersey State Library.
- ! The New Jersey Commission on Higher Education (CHE).
- ! The State colleges and universities.

The Department of State's recommended FY 1999 State appropriation is \$1.169 billion compared to the FY 1998 adjusted appropriation of \$1.142 billion, an increase of two percent. Of the FY 1999 recommended amount, a total of \$44.3 million is recommended for Cultural and Intellectual Development, a \$1.3 million decrease from FY 1998. This statewide program contains funding for the Arts Council, the State museum, the Historical Commission, the Public Broadcasting Authority, the State Library and the Division on Travel and Tourism. Funding for General Government Services which consists of the Secretary of State and Records Management is recommended at approximately \$1.5 million, the same level as in FY 1998. The balance of the recommended FY 1999 budget, \$1.123 billion, an increase of \$28.1 million over FY 1998, funds the senior higher educational institutions and the Educational Opportunity Fund.

Program Description and Overview

Higher Educational Services

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.

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.

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.

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.

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.

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	\$18,504	\$18,177	\$17,697	-4.4%	-2.6%
Grants - In - Aid	1,029,965	1,102,104	1,127,277	9.4%	2.3%
State Aid	13,985	15,112	15,112	8.1%	0.0%
Capital Construction	4,851	6,976	9,146	88.5%	31.1%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$1,067,305	\$1,142,369	\$1,169,232	9.6%	2.4%
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	\$1,067,305	\$1,142,369	\$1,169,232	9.6%	2.4%
Federal Funds	\$744	\$972	\$935	25.7%	-3.8%
Other Funds	\$11,270	\$10,403	\$10,654	-5.5%	2.4%
Grand Total	\$1,079,319	\$1,153,744	\$1,180,821	9.4%	2.3%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 1997	Revised FY 1998	Funded FY 1999	Percent Change	
				1997-99	1998-99
State	320	311	310	-3.1%	-0.3%
Federal	39	36	40	2.6%	11.1%
All Other*	25,027	25,423	94	-99.6%	-99.6%
Total Positions	25,386	25,770	444	-98.3%	-98.3%

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					
Office of the Secretary of State	34.1%	34.1%	34.1%	----	----
Cultural & Intel. Development Svcs.	14.4%	14.4%	14.4%	----	----
Commission On Higher Education	33.0%	29.0%	27.0%	----	----

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>
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Development of Historical Resources	\$881	\$806	(\$75)	(8.5)%	D-261
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The recommended reduction for this program class reflects the elimination of the additional funding that was added by the Legislature in FY 1998 for the Historic Trust, a special purpose appropriation included in this program class. The recommended amount covers administrative expenses not chargeable to the "Historic Preservation Fund" created pursuant to the "Green Acres, Clean Water, Farmland and Historic Preservation Bond Act of 1992," PL. 1992, c. 88, and the "Green Acres, Historic Preservation and Blue Acres Bond Act of 1995," PL. 1995, c. 204.

Public Broadcasting Services	\$4,227	\$3,722	(\$505)	(11.9)%	D-261
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Direct State Services funding for the Public Broadcasting Authority is recommended to decrease by \$505,000 from \$4.2 million to \$3.7 million and reflects a continuing reduction of State support for the operations of the authority that began in FY 1990. The reduction occurs in salaries and wages resulting in a decrease of nine funded positions; 150 in FY 1998 to 141 in FY 1999.

Travel and Tourism	\$5,196	\$5,296	\$100	1.9%	D-261
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The Division on Travel and Tourism provides promotional, informational, and educational programs that promote New Jersey as a national and international travel destination. Funding for the Division on Travel and Tourism is recommended to increase by \$100,000 and represents additional funding for increased promotion and advertising.

Capital Construction- Public Broadcasting Services	\$325	\$446	\$121	37.2%	G-18
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Pay-as-you-go capital funding for the Public Broadcasting Authority is recommended for preservation projects, renovations to transmission towers and to upgrade HVAC systems. Funding appropriated in FY 1998 provided funding for facility preservation projects.

Capital Construction- Division of the State Library	\$801	\$450	(\$351)	(43.8)%	G-18
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The pay-as-you-go capital funding appropriated in FY 1998 provided the balance needed, \$641,000, to complete the fire suppression system at the State Library and \$160,000 for technological improvements and equipment at the Library for the Blind and Handicapped. The \$450,000 recommended for FY 1999 will replace the existing computerized research system used by the public and library staff.

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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Other Funds

Public Broadcasting Services	\$8,325	\$8,501	\$176	2.1%	C-20 & D-262
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Other funds derived from corporate and federal underwriting grants and receipts from sales, leases and rentals are anticipated to increase by \$176,000 in FY 1999. Total off-budget funding of \$8.5 million is anticipated to supplement the operations of the Public Broadcasting Authority. This amount combined with direct State support of \$3.7 million will provide a total operating budget of \$12.2 million for FY 1999.

Grants-In-Aid

Development of Historical Resources	\$702	\$202	(\$500)	(71.2)%	E-31
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Funding for this program is recommended to decrease by \$505,000 and represents the elimination of one-time grants-in-aid funding appropriated for the relocation of the New Jersey Historical Society to its new headquarters in Newark.

Travel and Tourism	\$50	\$0	(\$50)	(100.0)%	E-31
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The recommended reduction represents the elimination of funding for the Trenton Convention Center, Visitor's Bureau. This amount was added to the Appropriations Act by the Legislature in FY 1998 and is not recommended for continuation.

Higher Educational Services

Statewide Planning and Coordination for Higher Education	\$5,050	\$4,500	(\$550)	(10.9)%	E-32
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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.

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>
Overall State Support for Four Year State Colleges and Universities	\$1,050,915	\$1,077,188	\$26,273	2.5%	E33 to E61

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
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

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>
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>
Capital Construction					
Public Higher Education Institutions- Preservation Projects	\$5,850	\$8,250	\$2,400	41.0%	G-14 to G-17

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. B-73

The amount hereinabove for the Historic Trust Administrative Costs account is appropriated from the "Historic Preservation Fund" established pursuant to the "Green Acres, Clean Water, Farmland and Historic Preservation Bond Act of 1992," P.L. 1992, c. 88 and the "Green Acres Historic Preservation and Blue Acres Bond Act of 1995," P.L. 1995, c. 204, together with an amount not to exceed \$209,000 subject to the approval of the Director of the Division of Budget and Accounting, for costs attributable to planning, administrative, organization, and operating expenses related to historic preservation projects.

1999 Budget Recommendations

p. D-262

This language is the same except that \$209,000 is changed to \$245,000.

Explanation

The recommended language increases the amount of funding available to the New Jersey Historic Trust from \$209,000 to \$245,000 for fringe benefit and indirect costs associated with the management of projects funded under the bond acts of 1992 and 1995. This amount, combined with the budgeted funding amount of \$463,000, would provide total administrative expenses of \$708,000 in FY 1999.

1998 Appropriations Handbook

p. B-21

The amounts hereinabove for the Travel and Tourism Advertising and Promotion account shall be allocated between the International Trade, Economic Development and Travel and Tourism programs at the discretion of the Commissioner of Commerce and Economic Development.

1999 Budget Recommendations

p. D-262

Such sums as are necessary for advertising and promotion shall be allocated from the Department of State's Travel and Tourism Advertising and Promotion accounts to the New Jersey Commerce and Economic Growth Commission for the International Trade and Economic Development programs, subject to the approval of the Director of the Division of Budget and Accounting.

Language Provisions

Explanation

The Governor's FY 1999 budget proposal recommends transferring the Travel and Tourism program from the Department of Commerce and Economic Development to the Department of State. However, certain funds within the Travel and Tourism budget currently support programs which the budget recommends transferring to the proposed New Jersey Commerce and Economic Growth Commission placed in the Department of Treasury. The recommended language would allow the continuation of funding from the Travel and Tourism Advertising and Promotion Account to support efforts by the International Trade and Economic Development programs. The Office of Management and Budget indicates that approximately \$315,000 has been utilized from Travel and Tourism for this purpose in prior fiscal years.

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.

Language Provisions

1998 Appropriations Handbook

1999 Budget Recommendations

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.

This language has been deleted in its entirety.

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

1999 Budget Recommendations

No comparable language.

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.

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

1999 Budget Recommendations

No comparable language.

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

1999 Budget Recommendations

p. B-193

p. E-39

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

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

Language Provisions

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.

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.

Language Provisions

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.

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.



Language Provisions

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 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.

Language Provisions

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.



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.



Language Provisions

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.

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.

Discussion Points

1. Direct State funding of \$227,000 is recommended for the Secretary of State's Office for FY 1999. However, the administrative expenses of the Secretary of State's Office are supported off-budget by a revolving fund known as the Secretary of State Fund (P.L. 1987, c. 435) which is supported by various fees.

! *Question: What is the estimated FY 1999 allotment from the Secretary of State Fund for the Secretary of State's Office and how are the funds to be distributed? (e.g. salaries, materials and supplies, etc.)*

2. As a result of the proposed organizational shifts, principally the Division of Commercial Recording, from the Department of State to the Department of Treasury, \$26.3 million in fees that would otherwise be displayed as Department of State revenues are displayed in the FY 1999 budget in the Department of Treasury. The majority, if not all, of the fees are set by statute and charge the Secretary of State to either collect or administer the collection of the various fees.

! *Question: Is it the intent that the collection of these fees will now be a responsibility of the Division of Revenue in the Department of the Treasury? If so, what statutory changes may be required to effectuate the change?*

3. The New Jersey Council on the Arts is recommended to receive \$429,000 for administrative expenses in FY 1999, the same amount as the current year. However, the Arts Council is authorized by footnote language (p. E-32) to use up to \$75,000 of its grant funds for administrative purposes, plus another \$125,000 for "the assessment and oversight of cultural projects, including administrative costs attendant to this function...."

! *Questions: What is the total amount spent by the Council on the Arts for administrative activities? How are the grant funds retained by the Council for "the assessment and oversight of cultural projects" spent?*

4. The Evaluation Data for the Arts Council (p. D-259) indicates that the number of grant applications received by the council is expected to increase from 553 in FY 1998 to 1,550 in FY 1999. Despite this 180 percent increase, the number of grants awarded is expected to only increase from 502 to 507. In addition, the data show no change over three years in the number of performances, attendance at those performances, or in the number of artists benefitted.

! *Questions: How do these activity indicators correlate with each other? Since the recommended budget for the Council on the Arts is the same in FY 1999 as in FY 1998, how will the council evaluate an additional 1,000 grant applications?*

5. The State Library requested a FY 1999 capital appropriation of approximately \$14.1 million through the Commission on Capital Budgeting and Planning. Of this amount, \$13.1 million is requested to renovate the State Library and replace outdated technological equipment. The plan for renovation and restoration includes: rewiring for automation, purchase of workstations, furniture replacement, space reconfiguration, a computer training room for State employees, and new shelving for the law and State documents collections. The commission recommended a FY 1999 capital appropriation of \$450,000 to replace the existing computerized research system for the public and staff.

Recent legislation created the "Higher Education Technology Infrastructure Fund" (P.L. 1997, c. 238), which authorized the Educational Facilities Authority to issue bonds in the amount of \$55 million. Of the total amount, a minimum of \$5 million was dedicated for non-matching

Discussion Points

public library grants or for statewide library technology initiatives through the New Jersey State Library. Prior to the creation of the infrastructure fund, the State Library developed "Libraries 2000" a technology plan to bring the State's public libraries into the 21st century through technological advancements. The plan set time lines for the implementation of the goals outlined in the technology plan.

! *Questions:* Has the State Library developed a plan for the use of technology infrastructure funds? If so, to what extent would the minimum of \$5.0 million dedicated for library purposes be available to fund a portion of the \$13.1 million request for complete library renovations? What progress has the State Library made to date in the implementation of the "Library 2000" goals? How much closer will the use of the Higher Education Technology Infrastructure funds bring libraries to reaching the "Libraries 2000" goals?

6. The State Library requested capital funding of \$479,000 for Computer System Replacement at the Library for the Blind indicating that a savings of \$115,000 can be realized over three years.

! *Questions:* How would the expenditure of these funds generate a savings?

Higher Educational Services

7. 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?

8. 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.

Discussion Points

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

9. 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?

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.

Background Paper: Higher Education Institutional Funding

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

Background Paper: Higher Education Institutional Funding

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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