ANALYSIS OF THE NEW JERSEY

FISCAL YEAR 2003 - 2004 BUDGET

HIGHER EDUCATIONAL SERVICES

PREPARED BY
OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE
APRIL 2003
This report was prepared by the Education Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Osomo A. Thomas.

Questions or comments may be directed to the OLS Education Section (609 984-6843) or the Legislative Budget and Finance Office (609 292-8030).
Higher Educational Services

Budget Pages........ D-361 to D-404; D-440 to D-443

Fiscal Summary ($000)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>State Budgeted*</td>
<td>$1,323,333</td>
<td>$1,387,933</td>
<td>$1,307,387</td>
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<td>Federal Funds</td>
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<td>21,935</td>
<td>24,876</td>
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<td>Other</td>
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<td>3,732</td>
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<td>Grand Total</td>
<td>$1,350,724</td>
<td>$1,413,600</td>
<td>$1,336,794</td>
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* Data do not include funding for State College and University Employee Benefits from Interdepartmental Accounts.

Personnel Summary - Positions By Funding Source

<table>
<thead>
<tr>
<th></th>
<th>Actual FY 2002</th>
<th>Revised FY 2003</th>
<th>Funded FY 2004</th>
<th>Percent Change 2003-04</th>
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<tbody>
<tr>
<td>State</td>
<td>50</td>
<td>48</td>
<td>41</td>
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<tr>
<td>Federal</td>
<td>169</td>
<td>157</td>
<td>156</td>
<td>(0.6)%</td>
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<tr>
<td>Other</td>
<td>15</td>
<td>12</td>
<td>12</td>
<td>0.0%</td>
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<tr>
<td>Colleges &amp; Univ's.**</td>
<td>19,705</td>
<td>19,705</td>
<td>19,705</td>
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</tr>
<tr>
<td>Total Positions</td>
<td>19,939</td>
<td>19,922</td>
<td>19,914</td>
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</tr>
</tbody>
</table>

FY 2002 (as of December) and revised FY 2003 (as of September) personnel data reflect actual payroll counts. FY 2004 data reflect the number of positions funded.

**Position data is displayed as "State-funded" positions for the three years.

Introduction

Under the "Higher Education Restructuring Act of 1994," P.L. 1994, c.48, the Department and 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 to 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 Higher Education Student Assistance Authority
Introduction (cont'd)

(HESAA) was established pursuant to N.J.S.18A:71A-1 et seq. and is responsible for the coordination of various student financial aid programs, including Tuition Aid Grants (TAG). The enabling legislation consolidated three former entities, the Higher Education Assistance Authority, the Office of Student Assistance and the Student Assistance Board which were all formerly in, but not of, the Department of Treasury. Funding for the independent colleges and universities as well as State aid for the county colleges is allocated to the Department of Treasury.

Key Points

Higher Educational Services - Department of State

- The overall FY 2004 budget recommendation for Higher Educational Services totals $1.31 billion, a 6.8 percent decrease from the FY 2003 adjusted appropriation of $1.41 billion.

- **Colleges and Universities:** Direct operating aid for senior public institutions of higher education is recommended at $767.4 million, a $101.3 million (11.7 percent) decrease from the FY 2003 adjusted appropriation of $868.7 million. Under the Governor's FY 2003 deficit reduction plan, the actual operating aid that the senior public colleges will receive in FY 2003 will be $834 million, $34.8 million less than the FY 2003 adjusted appropriation. Adjusting for this change in resources, FY 2004 direct operating aid would be $66.5 million (8 percent) less than FY 2003 aid.

- In addition to operating aid, the FY 2004 budget recommends $548 million to cover fringe benefits for employees of the State colleges and universities. College and university fringe benefit recoveries remitted to the State will total $88 million, for net State funding of $460 million, $65 million (17 percent) above the current year.

- The overall level of funding support for State colleges and universities -- operating aid plus fringe benefit costs, net of State revenue from fringe benefit recoveries -- totals $1.2 billion, a decrease of $35.9 million (2.8%) below the FY 2003 adjusted funding level of $1.3 billion.

- As is the case in FY 2003, no salary program funding or pay-as-you-go capital funding is recommended in FY 2004.

- **Commission on Higher Education:** The total recommended FY 2004 State appropriation of $42 million for the Commission on Higher Education, which includes the operational costs of the commission, funding for the Educational Opportunity Fund and other grant programs, is a decrease of $3.6 million or 8 percent from the FY 2003 adjusted appropriation of $45.6 million. The decrease is partially a result of a 51.4 percent reduction ($588,000) from the FY 2003 adjusted appropriation of $1.1 million to support the operational costs of the commission.

- The Governor does not recommend funding in FY 2004 for the Teacher Preparation Grant Program which had a FY 2003 adjusted appropriated of $3 million. The program is a competitive grant program designed to increase the number of highly effective teachers prepared to teach math, science, special education, preschool, and literacy in urban schools.
Key Points (cont’d)

- **Higher Education Student Assistance Authority (HESAA):** The budget recommends level funding of $2.3 million in operating aid for HESAA for FY 2004. The recommended appropriation for Tuition Aid Grants (TAG) will increase by $5.8 million (3.4 percent) from $169.9 million in FY 2003 to $175.7 million in FY 2004. The budget indicates that the increase will provide an additional 2,000 awards in the 2003-2004 academic year. The Governor’s recommendation includes language (page D-369) that requires the public institutions to provide the neediest TAG recipients (those receiving the maximum TAG award) with an institutional grant equal to the difference between the in-state undergraduate 2002-2003 tuition rate and the institution’s actual in-state undergraduate 2000-2001 tuition rate. The language will maintain, for these students with the highest need, the existing one-year lag between award amounts and current year tuition. However the public institutions will be required to increase the amount of their institutional grants over current year levels in order to maintain the one-year lag. Many other students will not see the size of their award increase despite a projected rise in tuition and related cost, because the Governor’s FY 2004 recommended budget includes language (page D-369) that provides that TAG will not provide any dollar award increases over the current award levels; therefore their awards will be based on 2000-2001 award levels rather than 2002-2003 levels. TAG funding at the 2000-2001 tuition levels actually represent a three-year lag behind actual tuition rates as opposed to the current two-year lag for those students.

- **Funding for the Outstanding Scholars Recruitment Program which provides merit scholarships to students based on a combination of class rank and SAT scores,** will decrease by $3.4 million (27.9 percent) from $12.3 million in FY 2003 to $8.9 million in FY 2004. At the recommended funding level, no scholarships will be awarded to the incoming freshman cohort; however, those already in the program will continue to receive support.

- **The Coordinated Garden State Scholarship Programs,** which include the Garden State Scholarship, Edward J. Bloustein Distinguished Scholars, and the Urban Scholars Programs, is reduced to $7.1 million in FY 2004, a 6.6 percent ($500,000) reduction from the FY 2003 adjusted appropriation of $7.6 million. Scholarship awards would be reduced by equal amounts at this funding level, with the incoming freshman cohort remaining eligible for assistance.

**Higher Educational Services - Department of Treasury**

- **Aid to Independents:** The Governor’s budget recommends $20 million for direct operating aid to independent colleges and universities in FY 2004, a $4.5 million decrease (18.3 percent) from the FY 2003 adjusted appropriation of $24.5 million. Under the Governor’s FY 2003 deficit reduction plan, the actual operating aid that the independent colleges will receive in FY 2003 will be $23.5 million, $1 million less than the FY 2003 adjusted appropriation. Adjusting for this change in resources, FY 2004 operating aid would be $3.5 million (15 percent) less than FY 2003 aid, and would further equal 63 percent of the amount needed to fully fund the "Independent College and University Assistance Act," P.L.1979, c.132.

- **Aid to County Colleges:** The FY 2004 proposed budget recommends total funding of $152.6 million in operational aid for the county colleges, with the General Fund providing
Key Points (cont’d)

$147.6 million and the Supplemental Workforce Fund for Basic Skills (SWF) providing $5 million. This funding level is a reduction of $8 million (5 percent) from the FY 2003 original funding level of $160.6 million, of which the General Fund provided $140.6 million and the SWF $20 million. The FY 2004 General Fund appropriation for county college operating aid is thus $7 million (5 percent) above the FY 2003 appropriation.

Under the Governor’s FY 2003 deficit reduction plan, the actual operating aid that the county colleges will receive in FY 2003 will be reduced by $6.7 million to $153.9 million, with the savings accruing to the General Fund.

- The Governor recommends funding of $9.9 million in FY 2004 for the post retirement medical benefits of certain county college employees. This represents a $3.1 million (45 percent) increase over the FY 2003 adjusted appropriation of $6.8 million.

- The budget recommends a $7.4 million (42.4 percent) increase from $17.5 million in FY 2003 to $24.9 million in FY 2004 for projected county college debt service payments for capital projects under P.L. 1971, c.12.

Miscellaneous Higher Education Programs

- The Higher Education Equipment Leasing Fund finances the purchase of equipment at public and independent institutions of higher education. The fund was established under the "Higher Education Equipment Leasing Fund Act," P.L.1993, c.136, and is financed through bonds issued by the New Jersey Educational Facilities Authority. The State pays 75 percent of the debt service on the bonds and the institution pays 25 percent. The FY 2004 budget recommends a 36.1 percent increase for debt service payments under the program, from $13.4 million in FY 2003 to $18.2 million in FY 2004.

- The Higher Education Capital Improvement Fund provides grants to public and independent institutions of higher education for the renewal, renovation, improvement, expansion, construction and reconstruction of facilities and technology infrastructure. The fund was established under the “Higher Education Capital Improvement Fund Act,” P.L.1999, c.217, and is financed through bonds issued by the New Jersey Educational Facilities Authority. The State pays two-thirds of the debt service for public institutions and one-half of the debt service for independent institutions. The FY 2004 recommended appropriation of $22.9 million for debt service is a $5.7 million (32.9 percent) increase over the $17.2 million FY 2003 adjusted appropriation.

- The Higher Education Incentive Endowment Fund provides State matching funds against endowment contributions made to two-year and four-year public institutions of higher education and independent institutions of higher education that receive direct State aid. This fund was established under legislation enacted in September of 1999, "The Higher Education Incentive Funding Act," P.L.1999, c.226. In FY 2003, this program was appropriated $2.5 million; however the Governor does not recommend funding for this program in the FY 2004 budget.
Program Description and Overview

Under the "Higher Education Restructuring Act of 1994," 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 (EOF).

Furthermore, the "Higher Education Student Assistance Authority Law," N.J.S. 18A:71A-1 et seq., consolidated the functions of the Office of Student Assistance (OSA), the Student Assistance Board (SAB), and the Higher Education Assistance Authority (HEAA) into a new authority, the Higher Education Student Assistance Authority and placed it in, but not of, the Department of State. This new authority is responsible for the administration of various State and federal student assistance grant, loan, savings and scholarship programs. These programs are also budgeted in the Department of State under Higher Educational Services.

The New Jersey Educational Facilities Authority (EFA) is allocated in, but not of, the Department of Treasury. Funding for the independent colleges and universities as well as State aid to the county colleges is also allocated to the Department of Treasury.

As a result of the recent amendments contained in the "Higher Education Student Assistance Authority Law," N.J.S. 18A:71A-1 et seq., the membership of the Commission on Higher Education was increased from nine to 11 members as follows: six public members appointed by the Governor with the advice and consent of the Senate, including two public members to be appointed by the Governor, one based upon the recommendation of the President of the Senate, and one based upon the recommendation of the Speaker of the General Assembly; the chairperson of the New Jersey Presidents' Council; and two new members, the chairperson of the Board of the Higher Education Student Assistance Authority and a faculty member. In addition the Governor appoints two student members from a public or independent institution of higher education in the State who serve for a one-year term as voting members.

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, the Minority Faculty Advancement Program, and various other 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 "Higher Education Equipment Leasing Fund Act," P.L. 1993, c.136, the "Higher Education Facilities Trust Fund Act", P.L. 1993, c.375, the Higher Education Technology Infrastructure Fund Act," P.L. 1997, c.238 and the Higher Education Capital Improvement Act," P.L. 1999, c.217. In FY 2004, recommended Direct State Services funding for the Commission on Higher Education is $557,000, a 51.4 percent or $588,000 decrease from the FY 2003 adjusted appropriation of $1.1 million. This funding level will support a staff of 12, compared to 22 employed by the commission in March 2003.

The Educational Opportunity Fund Program (EOF) 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 are provided to institutions of higher education to fund tutoring, counseling and remedial services for EOF students; the Martin Luther King Physician-
Program Description and Overview (cont’d)

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. Administrative and grant funding of $35.5 million is continued for the Educational Opportunity Fund Program (EOF) in FY 2004.

The Higher Education Student Assistance Authority is the lead State agency, in coordination with the commission, for determining policy on student assistance issues and is responsible for furthering access to postsecondary education through the administration of all State and federal student assistance grant, loan, savings and scholarship programs. Under the "Higher Education Student Assistance Authority Law," N.J.S. 18A:71A-1 et seq., the Office of Student Assistance, the Student Assistance Board, and the Higher Education Assistance Authority were abolished and the functions, powers and duties of these entities were transferred to the Higher Education Student Assistance Authority. The authority is governed by an 18 member board consisting of the State Treasurer; the chairperson of the Commission on Higher Education; the chairperson of the Board of Directors of the Educational Opportunity Fund Program; five representatives from eligible institutions including one from Rutgers, the State University, one from either the New Jersey Institute of Technology or the University of Medicine and Dentistry of New Jersey, one from the county colleges, one from the State colleges, and one from the independent institutions; two students from different collegiate institutional sectors; seven public members, including one who represents a lender party to a participation agreement with the authority; and the executive director of the authority who shall be a non-voting member of the board. For FY 2004, recommended Grants-In-Aid funding for the Higher Education Student Assistance Authority is $193.9 million, a 1 percent or $1.8 million increase over the FY 2003 adjusted appropriation of $192.1 million.

For FY 2004, funding of $767.4 million is recommended in general operating support for the four-year public college and university system, a decrease of $101.3 million or 11.7 percent from the FY 2003 adjusted appropriation of approximately $868.7 million. The Governor is not recommending supplementary salary funding in FY 2004; however, the recommended budget would fund employee fringe benefits at the public colleges and universities at a net funding level of $460 million.

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.

In addition, the EFA is authorized to enter into lease agreements with public and independent institutions to finance the purchase of higher education equipment. The Higher Education Equipment Leasing Fund established within the EFA pursuant to the “Higher Education Equipment Leasing Fund Act,” P.L. 1993, c. 136, finances the purchase of equipment through the sale of bonds issued by the authority in an outstanding principal 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,
Program Description and Overview (Cont'd)

communications, laboratory and instructional equipment. In FY 2004, the Governor is recommending $18.2 million to cover projected debt service payment on bonds issued under the Higher Education Equipment Leasing Fund Program.

The EFA is also authorized to issue bonds in an outstanding principal amount of $220 million to provide grants to public and independent institutions of higher education for the cost of the construction, reconstruction, development, extension, and improvement of instructional, laboratory, communication, and research facilities pursuant to the "Higher Educational Facilities Trust Fund Act", P.L. 1993, c. 375. The trust fund established under that act 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 pursuant to the "Higher Education Technology Infrastructure Fund Act," P.L. 1997, c. 238. That act authorized the EFA to issue bonds in an outstanding principal amount of $55 million, $50 million of which would be allocated to allow public and independent 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 $55 million authorization is for non-matching public library grants for Statewide library technology initiatives through the New Jersey State Library.

Under the "Higher Education Capital Improvement Fund Act," P.L. 1999, c.217, the Higher Education Capital Improvement Fund was established within the EFA to provide grants for deferred maintenance projects at the institutions to renovate and repair existing instructional, laboratory, communication, research and administrative facilities. The EFA is authorized to issue bonds in an outstanding principal amount of $550 million for deposit into the fund. The public institutions are responsible for the payment of one-third of the debt service on bonds sold for their benefit and the independent colleges and universities are required to pay one-half of the debt service on bonds sold for their benefit. Debt service funding of $22.9 million is included in the FY 2004 recommended budget for this program, a $5.7 million increase over the FY 2003 adjusted appropriation of $17.2 million.

A total of $370 million has been provided to higher education institutions over the past eight years for the upgrade of facilities and equipment. This amount includes $50 million from the Higher Education Technology Infrastructure Fund, the $100 million Higher Education Equipment Leasing Fund, and the $220 million Higher Education Facilities Trust Fund. Debt service funding of $45.6 million is recommended in Grants-In-Aid for these initiatives in the Department of Treasury. In addition, $550 million has been made available through the Higher Education Capital Improvement Fund for deferred maintenance projects at public and independent institutions of higher education and, as indicated above, $22.9 million is included in the FY 2004 recommended budget for anticipated debt service funding.

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 provision of the "County College Capital Projects Fund Act," P.L. 1997, c. 360. That act authorized the EFA to issue bonds pursuant to P.L. 1971, c.12. The FY 2004 budget recommendation for projected debt service payments under this program is $24.9 million, a $7.4 million increase from the FY 2003 appropriation of $17.5 million. This program will be funded through the Property Tax Relief Fund.
Program Description and Overview (cont’d)

Summary of FY 2004 Recommended Budget

The total FY 2004 recommended appropriation from all sources of approximately $1.34 billion for higher education institutions and programs represents a decrease of $76.8 million or 6.4 percent when compared to the FY 2003 adjusted appropriation of $1.41 billion. In addition, funding from the Supplemental Workforce Fund for Basic Skills for county college operating aid would decrease by $15 million in FY 2004.

A decrease of $3.6 million in funding is recommended for the Commission on Higher Education, from $10.1 million in FY 2003 to $6.5 million in FY 2004. The recommended decrease includes a 51.4 percent, or $588,000 reduction of funding for operational costs of the commission and the elimination of $3 million to fund the Teacher Preparation Program, which provides one-time grants to help colleges and universities expand the teacher preparation programs at their institutions.

Level funding of $35.1 million is recommended for grants awarded under the Educational Opportunity Fund Programs.

Total General Fund support for the 19 county colleges is recommended to increase from $181.3 million in FY 2003 to $200.3 million in FY 2004, a $9.1 million increase. Offsetting this increase is a $15 million decline in funding from the Supplemental Workforce Fund for Basic Skills. The aid for operational costs is recommended to decrease from $160.6 million in FY 2003 to $152.6 million in FY 2004, a $8 million reduction. Offsetting that amount is an increase of $7.4 million or 42.4 percent for anticipated county college debt service payments for capital projects under P.L. 1971, c.12.

Direct operating aid for senior public institutions is recommended at $767.4 million, a $101.3 million decrease from the FY 2003 adjusted appropriation of $868.7 million. The Governor’s recommendation is an overall 11.7 percent reduction in operating aid to the colleges and universities. State funding for fringe benefits are recommended to increase by $65 million or 16.6% above the FY 2003 amount.

Other Grants-In-Aid funding (excluding the senior public institutions) is recommended as follows:

- A $5.8 million increase for the Tuition Aid Grant Program from $169.9 million in FY 2003 to $175.6 million in FY 2004. Over 53,400 students participate in this program. The recommended funding increase will provide an additional 2,000 awards in the 2003-2004 academic year. The FY 2004 budget requires the public institutions of higher education to provide the neediest TAG recipients (those receiving the maximum TAG award) with an institutional grant equal to the difference between the in-state undergraduate 2002-2003 tuition rate and the institution's actual in-state undergraduate 2000-2001 tuition rate. This institutional grant will close the gap for the neediest students between the TAG award level and the prior year tuition. However, many other students will not see the size of their award increase despite a projected rise in tuition and related costs, because the Governor’s FY 2004 recommended budget also provides that TAG will not provide any dollar award increases over the current award levels; therefore FY 2004 TAG awards will be based on 2000-2001 tuition rates rather than 2002-2003 tuition rates. TAG awards based on 2000-2001 tuition rates actually represent a three-year lag behind 2003-2004 tuition rates as opposed to the current two-year lag for those students.
Program Description and Overview (cont’d)

- A net decrease of $5.6 million for the Statewide Program-Support to Independent Institutions from $26.7 to $21.1 million. The decrease is attributable to the elimination of funding for several scholarly chairs and professorships representing a $750,000 decrease from the FY 2003 amount; and a $490,000 reduction in funding for the Institute for Advanced Studies, Institute for Medical Research, the Institute for Law and Mental Health and the Marine Sciences Consortium collectively; and

- A net increase of $9 million for Miscellaneous Higher Education Programs, including the elimination of $2.5 million for the Higher Education Incentive Endowment Fund. Offsetting that amount is increased funding of $10.5 million for the State’s share of anticipated debt service payments for bonds issued to finance the Higher Education Capital Improvement Fund and Equipment Leasing Fund. In addition the Governor recommended an increase of $1.2 million for debt service payments under the Dormitory Safety Trust Fund.

Federal funding for the Higher Education Student Assistance Authority is recommended to increase in FY 2004 by 12.6 percent to $22.1 million from $19.7 million in FY 2003. The additional funding will pay for salary and operational costs associated with the administration of federal programs such as New Jersey Gear Up and the Leveraging Education Assistance Partnership.

Other funds are anticipated to increase by $799,000 to approximately $4.5 million in FY 2004. The increase will fund additional operating costs incurred by the Higher Education Student Assistance Authority to administer the New Jersey Loans to Assist State Students (NJCLASS) Program’s growing portfolio.

The Administration’s plan to address FY 2003 revenue shortfalls includes withholding operating aid from all colleges and universities. Aid to the senior public colleges and universities would be reduced by $34.8 million; independent colleges and universities would have aid cut by $1 million; and aid to county colleges would be cut by $6.7 million.
Higher Education Student Assistance Authority (HESAA)

James E. McGreevey
Governor

Elizabeth Wong*
Executive Director

Finance & Procurement Division
Eugene Hutchins
Chief Financial Officer

Accounting
Robert Clark
Controller

Budgets & Financial Analysis
Gary Blatt
Associate Director

Secondary Market Services
Xavier Miranda
Director

Audits & Quality Assurance
Kenneth Jones**
Director

Gov't Relations, Legal Affairs, Board & PR
Candice Hendricks
Director

Human Resources
Donna Potocki
Director

Facility Services
Linda Maden
Director

Operations Division
Francine Andre
Chief Operating Officer/
Chief Information Officer

Information Services
Joe Schmidt
Director, Applications Development/Support

Student Loans
Tera Gervasio
Director

Grants & Scholarships
Sherry Fox
Acting Director

Client Services
John Iacovelli
Director

Financial Aid Services
Gisele Joachim
Director

Office of Research & Policy Analysis
Vacant
Director

*Appointed by Governor.
**Reporting to the Executive Director and the Authority Board.
### Fiscal and Personnel Summary

**AGENCY FUNDING BY SOURCE OF FUNDS ($000)**

#### Higher Educational Services FY 2003-2004

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<tr>
<td>Direct State Services</td>
<td>$4,171</td>
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<td><strong>Sub-Total</strong></td>
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<tr>
<td>Grants-In-Aid</td>
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<tr>
<td>State Aid</td>
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<td>17,462</td>
<td>24,862</td>
<td>15.8%</td>
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<tr>
<td><strong>Sub-Total</strong></td>
<td>$21,474</td>
<td>$17,462</td>
<td>$24,862</td>
<td>15.8%</td>
<td>42.4%</td>
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<tr>
<td><strong>Casino Revenue Fund</strong></td>
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</tr>
<tr>
<td><strong>Casino Control Fund</strong></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>State Total</strong></td>
<td>$1,323,333</td>
<td>$1,387,933</td>
<td>$1,307,387</td>
<td>(1.2)%</td>
<td>(5.8)%</td>
</tr>
<tr>
<td><strong>Federal Funds</strong></td>
<td>$20,453</td>
<td>$21,935</td>
<td>$24,876</td>
<td>21.6%</td>
<td>13.4%</td>
</tr>
<tr>
<td><strong>Other Funds</strong></td>
<td>$6,938</td>
<td>$3,732</td>
<td>$4,531</td>
<td>(34.7)%</td>
<td>21.4%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>$1,350,724</td>
<td>$1,413,600</td>
<td>$1,336,794</td>
<td>(1.0)%</td>
<td>(5.4)%</td>
</tr>
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</table>

*** Data do not include funding for State College and University Employee Benefits from Interdepartmental Accounts.**

#### PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

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<tbody>
<tr>
<td>State</td>
<td>50</td>
<td>48</td>
<td>41</td>
<td>(18.0)%</td>
<td>(14.6)%</td>
</tr>
<tr>
<td>Federal</td>
<td>169</td>
<td>157</td>
<td>156</td>
<td>(7.7)%</td>
<td>(0.6)%</td>
</tr>
<tr>
<td>All Other</td>
<td>15</td>
<td>12</td>
<td>12</td>
<td>(20.0)%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Colleges &amp; Univ's*</td>
<td>19,705</td>
<td>19,705</td>
<td>19,705</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total Positions</strong></td>
<td>19,939</td>
<td>19,922</td>
<td>19,914</td>
<td>(0.1)%</td>
<td>(0.0)%</td>
</tr>
</tbody>
</table>

**AFFIRMATIVE ACTION DATA**

**Total Minority Percent**

- Commission on Higher Ed.: 40.0% (40.0% - 45.0%)
- Higher Ed. Student Assistance: 26.4% (32.0% - 33.0%)

**FY 2002 (as of December) and revised FY 2003 (as of September) personnel data reflect actual payroll counts. FY 2004 data reflect the number of positions funded.**
Higher Educational Services

### Significant Changes/New Programs ($000)

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<tbody>
<tr>
<td>Higher Educational Services:</td>
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<td></td>
</tr>
<tr>
<td>Statewide Planning and Coordination of Education</td>
<td>$1,145</td>
<td>$557</td>
<td>($588)</td>
<td>(51.4)%</td>
<td>D-363</td>
</tr>
</tbody>
</table>

Funding for the Commission on Higher Education is recommended to decrease by $588,000 (51.4 percent) from $1.1 million in FY 2003 to $557,000 in FY 2004. The commission, established by the "Higher Education Restructuring Act of 1994" provides coordination, planning, policy development, and advocacy for the State's higher education system in collaboration with the New Jersey Presidents' Council and institutional boards of trustees. The FY 2004 budget will support only 12 positions, compared to 22 staff employed at present.

Teacher Preparation $3,000 $0 ($3,000) (100.0)% D-364

The Teacher Preparation Program focuses on four primary goals: moving the education of teachers to the top of institutional agendas with a focus on the role of arts and science faculty; increasing the State's capacity to produce highly effective teachers; improving teacher preparation and professional development; and expanding collaborative efforts with preschool through grade 12 schools in areas such as curriculum development, mentoring and professional development. The FY 2003 appropriation provides $3 million to support one-time grants to help colleges and universities expand the teacher preparation programs at their institutions. Funding for this program is not recommended in FY 2004.

Student Assistance Programs:

Tuition Aid Grants $169,856 $175,657 $5,801 3.4% D-368

Funding for the Tuition Aid Grant Program (TAG) is recommended to increase by $5.8 million (3.4 percent) from $169.9 million to $175.6 million. The recommended budget indicates that the increase will provide an additional 2,000 awards in the 2003-2004 academic year. The Governor's recommendation requires the public institutions to provide the neediest TAG recipients (those receiving the maximum TAG award) with an institutional grant equal to the difference between the in-state undergraduate 2002-2003 tuition rate and the institution's actual in-state undergraduate 2000-2001 tuition rate. The institutional grant will close the gap for the neediest students between the TAG award level and the prior year tuition. However, many other students will not see the size of their award increase despite a projected rise in tuition and related costs, because the Governor's FY 2004 recommended budget also provides that TAG will not provide any dollar award increases over the current award levels; therefore FY 2004 TAG awards will be based on 2000-2001 tuition rates rather than 2002-2003 tuition rates. TAG awards based on 2000-2001 tuition rates actually represent a three-year lag behind 2003-2004 tuition rates as opposed to the current two-year lag for those students.
## Significant Changes/New Programs ($000) (Cont’d)

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<tr>
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</thead>
<tbody>
<tr>
<td>Coordinated Garden State Scholarships</td>
<td>$7,562</td>
<td>$7,062</td>
<td>($500)</td>
<td>(6.6)%</td>
<td>D-368</td>
</tr>
</tbody>
</table>

The Coordinated Garden State Scholarship Programs, which include the Garden State Scholarship, Edward J. Bloustein Distinguished Scholars, and the Urban Scholars Programs, are reduced to $7.1 million in FY 2004, a 6.6 percent ($500,000) reduction from the FY 2003 adjusted appropriation of $7.6 million. The Coordinated Garden State Scholarship Programs established under the "Garden State Scholarship Act of 1977, N.J.S.18A:71B-11 et seq., are awarded to high-achieving students at participating New Jersey institutions of higher education. Awards range up to $1,000 and are renewable annually based on continued good academic standing. In FY 2004, awards will be capped at $950 as a result of the recommended funding reduction.

| Outstanding Scholar Recruitment Program            | $12,337              | $8,901         | ($3,436)      | (27.9)%        | D-368       |

Grants-in-Aid funding for the Outstanding Scholar Recruitment Program is recommended to decrease in FY 2004 by $3.4 million for a total appropriation of $8.9 million, a 27.9 percent decrease from the $12.3 million FY 2003 adjusted appropriation. The Outstanding Scholar Recruitment Program provides public and independent institutions of higher education with campus-based funding to recruit high achieving New Jersey students as measured by class rank and SAT scores. In FY 2003, the program provided merit scholarships for four student cohorts, representing over 4,700 students. The FY 2004 appropriation will fund an estimated 3,391 students, a decrease of 1,309 students, signifying that scholarships will not be awarded to an incoming freshman cohort but will continue to support students already in the program.

| State Support for Four-Year State Colleges and Universities | $868,755               | $767,420       | ($101,335)    | (11.7)%        | D-370 to D-404 |

Direct operating aid for senior public institutions of higher education is recommended at $767.4 million, a $101.3 million decrease from the FY 2003 adjusted appropriation, of which $34.8 million is scheduled to be withheld and lapsed at the end of FY 2003. In addition, $460 million is recommended for fringe benefits for these institutions; however, no salary program funding is recommended.
### Significant Changes/New Programs ($000) (Cont'd)

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</thead>
<tbody>
<tr>
<td>Rutgers, The State University</td>
<td>$305,842</td>
<td>$274,372</td>
<td>($31,470)</td>
<td>(10.3)%</td>
<td>D-371 to D-373</td>
</tr>
<tr>
<td>Agricultural Experiment Station</td>
<td>$25,739</td>
<td>$22,836</td>
<td>($2,903)</td>
<td>(11.3)%</td>
<td>D-374 to D-375</td>
</tr>
<tr>
<td>University of Medicine and Dentistry of New Jersey</td>
<td>$197,025</td>
<td>$171,355</td>
<td>($25,670)</td>
<td>(13.0)%</td>
<td>D-375 to D-378</td>
</tr>
<tr>
<td>New Jersey Institute of Technology</td>
<td>$52,384</td>
<td>$45,736</td>
<td>($6,648)</td>
<td>(12.7)%</td>
<td>D-379 to D-381</td>
</tr>
<tr>
<td>Thomas A. Edison State College</td>
<td>$5,966</td>
<td>$5,237</td>
<td>($729)</td>
<td>(12.2)%</td>
<td>D-382 to D-383</td>
</tr>
<tr>
<td>Rowan University</td>
<td>$38,951</td>
<td>$34,246</td>
<td>($4,705)</td>
<td>(12.1)%</td>
<td>D-383 to D-385</td>
</tr>
<tr>
<td>New Jersey City University</td>
<td>$32,421</td>
<td>$28,535</td>
<td>($3,886)</td>
<td>(12.0)%</td>
<td>D-386 to D-388</td>
</tr>
<tr>
<td>Kean University</td>
<td>$40,187</td>
<td>$35,387</td>
<td>($4,800)</td>
<td>(11.9)%</td>
<td>D-389 to D-391</td>
</tr>
<tr>
<td>William Paterson University of New Jersey</td>
<td>$41,103</td>
<td>$36,145</td>
<td>($4,958)</td>
<td>(12.1)%</td>
<td>D-391 to D-394</td>
</tr>
</tbody>
</table>

The following is a listing of the total recommended appropriation for the support of the individual senior public institutions.
### Significant Changes/New Programs ($000) (Cont’d)

<table>
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</thead>
<tbody>
<tr>
<td>Montclair State University</td>
<td>$46,306</td>
<td>$40,709</td>
<td>($5,597)</td>
<td>(12.1)%</td>
<td>D-394 to D-396</td>
</tr>
<tr>
<td>The College of New Jersey</td>
<td>$37,920</td>
<td>$33,388</td>
<td>($4,532)</td>
<td>(12.0)%</td>
<td>D-397 to D-399</td>
</tr>
<tr>
<td>Ramapo College of New Jersey</td>
<td>$20,265</td>
<td>$17,790</td>
<td>($2,475)</td>
<td>(12.2)%</td>
<td>D-399 to D-401</td>
</tr>
<tr>
<td>The Richard Stockton College of New Jersey</td>
<td>$24,646</td>
<td>$21,684</td>
<td>($2,962)</td>
<td>(12.0)%</td>
<td>D-402 to D-404</td>
</tr>
</tbody>
</table>

**Higher Education Administration:**

| Grants-In-Aid-Direct Operating Aid              | $24,485              | $20,000         | ($4,485)      | (18.3)%        | D-440 to D-440 |
| Scholarly Chairs and Other Support to Independent Institutions | $2,212              | $1,147          | ($1,065)      | (48.1)%        | D-440 to D-441 |
| Overall Support to Independent Institutions    | $26,697              | $21,147         | ($5,550)      | (20.8)%        | D-440 to D-441 |

Direct operating aid to Independent Colleges and Universities is recommended at $20 million in FY 2004, a $4.5 million decrease from the FY 2003 adjusted appropriation of $24.5 million, of which $1 million is scheduled to be withheld and lapsed at the end of FY 2003. There are 14 independent institutions in New Jersey that are receiving funds under this program based on the number of New Jersey students attending the particular institution. In addition, the budget recommends elimination of funding for several scholarly chairs and professorships representing a $675,000 decrease from the FY 2003 amount; and a $390,000 reduction in funding for the Institute for Advanced Studies, Institute for Medical Research, and the Institute for Law and Mental Health at Seton Hall University.
Significant Changes/New Programs ($000) (Cont’d)

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<tbody>
<tr>
<td>Miscellaneous Higher Education Programs:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Higher Education Incentive Endowment Fund</td>
<td>$2,500</td>
<td>$0</td>
<td>($2,500)</td>
<td>(100.0)%</td>
<td>D-441</td>
</tr>
</tbody>
</table>

The Governor recommends discontinuation of the Higher Education Incentive Endowment Fund which provided $2.5 million in State matching funds in FY 2003 against endowment contributions made to two-year and four-year public institutions of higher education and independent institutions of higher education that receive direct State aid, or to the institutions’ related foundations. This fund was established under legislation enacted in September 1999, "The Higher Education Incentive Funding Act," P.L. 1999, c.226.

Higher Education Capital Improvement Program-Debt Service | $17,211 | $22,878 | $5,667 | 32.9% | D-441 |

An appropriation of $22.9 million is recommended to fund the State's share of the estimated debt service cost of bonds issued pursuant to the "Higher Education Capital Improvement Fund Act," P.L. 1999, c.217, a $5.7 million or 32.9 percent increase from the FY 2003 appropriation of $17.2 million. The "Higher Education Capital Improvement Fund Act" authorized the New Jersey Educational Facilities Authority (EFA) to issue bonds in the amount of $550 million to fund deferred maintenance projects at the four-year public and independent institutions of higher education and to renovate and repair existing facilities and technology infrastructure. Under the program the State pays two-thirds of the debt service costs on bonds issued by EFA to fund projects at public colleges, and one-half of the debt service on bonds issued to fund projects at independent institutions.

Equipment Leasing Fund-Debt Service | $13,354 | $18,179 | $4,825 | 36.1% | D-441 |

The appropriation to fund the State's share of debt service costs for bonds issued under the "Higher Education Equipment Leasing Fund Act," P.L. 1993, c.136, is recommended to increase by $4.8 million to $18.2 million in FY 2004 from $13.4 million in FY 2003. The "Higher Education Equipment Leasing Fund Act" authorized the New Jersey Educational Facilities Authority (EFA) to issue bonds in an outstanding principal amount of $100 million to support the purchase of scientific, engineering, technical, computer, communication and institutional equipment at higher education institutions. The State pays 75 percent of the debt service costs and the institution pays 25 percent.
Higher Educational Services

Significant Changes/New Programs ($000) (Cont’d)

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</thead>
<tbody>
<tr>
<td>Dormitory Safety Trust Fund-Debt Service</td>
<td>$8,806</td>
<td>$9,976</td>
<td>$1,170</td>
<td>13.3%</td>
<td>D-442</td>
</tr>
</tbody>
</table>

The FY 2004 budget includes $10 million for projected debt service payments under the “Dormitory Safety Trust Fund Act,” P.L. 2000, c.56, a $1.2 million or 13.3 percent increase from the FY 2003 appropriation of $8.8 million. The “Dormitory Safety Trust Fund Act” authorized the New Jersey Educational Facilities Authority to issue $90 million in bonds to finance loans to eligible public and private secondary schools, military schools and boarding schools and public and independent institutions of higher education to install fire suppression systems in dormitories located at the school or institution.

| Henry John Raimondo Chair in Urban Public Policy Research at the New Jersey City University | $75 | $0 | ($75) | (100.0)% | D-442 |

The Governor's budget does not recommend continuation of $75,000 to fund the Henry John Raimondo Chair in Urban Public Policy Research at the New Jersey City University. The Henry John Raimondo Chair in Urban Public Policy Research was established pursuant to P.L. 2000, c.41 at New Jersey City University to support research, teaching, lectures and policy analysis on public policy issues of critical importance to the economic revitalization of urban New Jersey.

| Marine Sciences Consortium                             | $526 | $426 | ($100) | (19.0)% | D-442 |

The Marine Sciences Consortium helps residents of the State make informed decisions about their region’s coastal heritage by contributing leading research in the field of marine and environmental science and awarding scientists and researchers competitive grants. The FY 2004 budget recommends a $100,000 (19 percent) reduction in funding for this initiative, from $526,000 in FY 2003 to $426,000 in FY 2004.

State Aid:

| County College Operational Costs                       | $140,562 | $147,562 | $7,000 | 5.0% | D-442 |

The FY 2004 recommended State aid appropriation for the operational costs of the county colleges is $147.6 million, a $7 million increase from the FY 2003 amount of $140.6 million, of which $6.7 million is scheduled to be withheld and lapsed at the end of FY 2003. This funding is augmented by appropriations from the Supplemental Workforce Fund for Basic Skills, which provides $20
### Significant Changes/New Programs ($000) (Cont'd)

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<tbody>
<tr>
<td>Higher Educational Services FY 2003-2004</td>
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</tr>
<tr>
<td>County College Capital Projects (Chapter 12)</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Debt Service</td>
<td>$17,462</td>
<td>$24,862</td>
<td>$7,400</td>
<td>42.4%</td>
<td>D-442</td>
</tr>
<tr>
<td>Post Retirement Medical Other Than TPAF</td>
<td>$6,802</td>
<td>$9,538</td>
<td>$2,736</td>
<td>40.2%</td>
<td>D-442</td>
</tr>
<tr>
<td>Federal Funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Assistance Programs</td>
<td>$19,671</td>
<td>$22,146</td>
<td>$2,475</td>
<td>12.6%</td>
<td>D-369</td>
</tr>
<tr>
<td>Other Funds</td>
<td>$3,732</td>
<td>$4,531</td>
<td>$799</td>
<td>21.4%</td>
<td>D-369</td>
</tr>
</tbody>
</table>

million in FY 2003 and would provide $5 million in FY 2004. In the aggregate, county college aid will decrease 5 percent in FY 2004, from $160.6 million to $152.6 million. The county college system is composed of 19 institutions that provide access to higher education for a broad range of New Jersey residents.

The budget recommends a $7.4 million (42.4 percent) increase from $17.5 million in FY 2003 to $24.9 million in FY 2004 for projected debt service payments for capital projects under P.L. 1971, c.12, to be funded through the Property Tax Relief Fund.

The Governor proposes a 40.2 percent or $2.7 million increase from $6.8 million in FY 2003 to $9.5 million in FY 2004 for post retirement medical benefits to certain retired county college employees.

Federal funds for the Student Assistance Programs administered by the Higher Education Student Assistance Authority are anticipated to increase by $2.5 million or 12.6 percent from $19.7 million in FY 2003 to $22.1 million in FY 2004. The budget recommends $2.5 million for Leveraging Educational Assistance Partnership (LEAP), which provides federal matching funds to supplement the Tuition Aid Grant Program.

Special revenue funds are anticipated to increase by $799,000 from $3.7 million in FY 2003 to $4.5 million in FY 2004. The increase will fund additional operating costs incurred by the Higher Education Student Assistance Authority to administer the New Jersey Loans to Assist State Students (NJCLASS) Program's growing portfolio, which is projected to grow to 67,618 borrowers, an increase of 29.8 percent.
Language Provisions

2003 Appropriations Handbook

p. B-143

An amount not to exceed $20,000 of the Teacher Preparation account is available for transfer to Direct State Services for the administrative costs of this program, as determined by the Director of the Division of Budget and Accounting.

2004 Budget Recommendations

No comparable language.

Explanation

In FY 2002, the Teacher Preparation Program was created to help colleges and universities improve and expand teacher education programs. Although $20,000 was appropriated to fund the administrative expenses associated with reviewing proposals and other related activities in FY 2003, no appropriation is recommended to fund these expenses in FY 2004 since there will be no new proposals submitted by institutions of higher education for Teacher Preparation Programs.

2003 Appropriations Handbook

p. B-144

Notwithstanding the provisions of any law to the contrary, the Higher Education Student Assistance Authority shall provide to all qualified applicants for full-time Tuition Aid Grants increases to maximum award values that fund, at a minimum, an equal percentage of tuition up to the maximum allowable under the Tuition Aid Grant statute. All other award increases at each institution shall not exceed the percentage increase provided for the maximum award at that institution. Reappropriated balances shall be held as a contingency for unanticipated increases in the number of applicants qualifying for full-time Tuition Aid Grant awards or to fund shifts in the distribution of awards that result in an increase in total program costs.

2004 Budget Recommendations

p. D-369

Notwithstanding the provisions of any law to the contrary, the sums provided hereinabove for the Tuition Aid Grant program shall provide dollar awards not exceeding those levels provided by the Higher Education Student Assistance Authority in fiscal year 2003. Reappropriated balances shall be held as a contingency for unanticipated increases in the number of applicants qualifying for full-time Tuition Aid Grant awards or to fund shifts in the distribution of awards that result in an increase in total program costs.

Explanation

The FY 2003 budget language authorized the increases that are made annually in Tuition Aid Grant (TAG) award amounts. However, despite the FY 2003 budget language, increases were not made to TAG awards for the 2002-2003 academic year; rather public institutions of higher institutions
Language Provisions (cont'd)

were required to provide an institutional grant to the neediest students receiving TAG awards to compensate for the lack of an increase. The FY 2004 budget language caps TAG awards at FY 2003 award levels. Since FY 2003 award levels were based on 2000-2001 tuition rates, FY 2004 TAG award levels represent a three-year lag behind 2003-2004 tuition rates.

2003 Appropriations Handbook
p. B-145
Each public institution participating in the Tuition Aid Grant program shall provide institutional grants to students eligible for the maximum Tuition Aid Grant (TAG) award for that institution in an amount not less than the difference between the maximum 2002–03 TAG award for the institution and the institution’s actual 2001–2002 tuition rate.

2004 Budget Recommendations
p. D-369
Each public institution participating in the Tuition Aid Grant program shall provide institutional grants to students eligible for the maximum Tuition Aid Grant (TAG) award for that institution in an amount not less than the difference between the in-state undergraduate 2002–03 tuition rate for the institution and the institution’s actual in-state undergraduate 2000–2001 tuition rate.

Explanation
Under the Tuition Aid Grant Program, (TAG) awards are based on the prior year’s tuition costs. However, TAG awards for FY 2003 were based on 2000-2001 tuition rates which represented a two-year lag between the TAG award and actual tuition rates. The FY 2003 budget language required public institutions of higher education to maintain the one-year lag for students receiving maximum TAG awards by providing institutional grants to pay the difference between 2000-2001 tuition rates and 2001-2002 tuition rates. Since there will be no award increases in FY 2004, the budget language is modified to maintain, for students receiving the maximum TAG award, the current one-year lag by requiring public institutions to award institutional grants to pay the difference between 2002-2003 tuition rates and 2000-2001 tuition rates.
Language Provisions (cont’d)

2003 Appropriations Handbook

p. B-145

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, to the Outstanding Scholar Recruitment Program, and to the Miss New Jersey Educational Scholarship Program, N.J.S. 18A:71B–25 et seq., subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The FY 2003 language authorized the transfer of funds as might be necessary from funds available for Student Assistant Programs to the Coordinated Garden State Scholarship Programs, Outstanding Scholars Recruitment Program, and Miss New Jersey Educational Scholarship Program. The authorizing language provided a source of contingency funds as a safeguard against unanticipated increases in the number of students that qualified to participate in the programs. This language is not recommended, since no new scholarships are to be awarded under these programs in FY 2004.

2003 Appropriations Handbook

p. B-146

The grant appropriation herein above for Smart Gun Technology Development is conditioned upon the New Jersey Institute of Technology entering into a contract with the State of New Jersey whereby the State shares in any financial proceeds derived from the development, patenting, marketing, sale or other disposition of Smart Gun Technology.

Explanation

In FY 2003, the New Jersey Institute of Technology was appropriated $500,000 for a project to conduct a detailed assessment of current and emerging technologies that have the potential to be utilized in the manufacture of a “smart gun.” The FY 2003 language provided that the State would share in any financial proceeds derived from the project. However, since no appropriation is recommended in FY 2004, the language is deleted.
Language Provisions (cont'd)

2003 Appropriations Handbook

p. B-148

Of the sums hereinabove appropriated for Montclair State University, there is $975,000 for the New Jersey State School of Conservation. This account shall be considered a special purpose appropriation for accounting and reporting purposes.

2004 Budget Recommendations

p. D-396

Of the sums hereinabove appropriated for Montclair State University, there is $1,050,000 for the New Jersey State School of Conservation. This account shall be considered a special purpose appropriation for accounting and reporting purposes.

Explanation

The New Jersey School of Conservation (NJSOC) is the Environmental Education Field Campus of Montclair State University. The programs of NJSOC are designed to provide students with a greater understanding and appreciation of Earth's life support systems and the impact human actions are having on those systems. The environmental education programs offered by the school provide students with field experiences in the environmental sciences, humanities, outdoor pursuits, and the social sciences. The FY 2004 budget language requires the university to spend $1,050,000 for the School of Conservation, a $75,000 increase over the FY 2003 amount.

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2003 Appropriations Handbook

p. B-166

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 50,807 for fiscal year 2002.

2004 Budget Recommendations

p. D-443

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 52,523 for fiscal year 2003.

Explanation

This language sets the enrollment level by which the amount of State aid provided to the 14 independent colleges and universities is calculated. If the independent sector is appropriated $20 million in direct aid in FY 2004, as recommended by the Governor, that amount would represent 63 percent of the amount needed to fully fund the "Independent College and University Assistance Act," P.L. 1979, c.132.
Language Provisions (cont’d)

2003 Appropriations Handbook 2004 Budget Recommendations

p. B-166

The unexpended balances as of June 30, 2002 in the Higher Education Incentive Grant Fund and Higher Education Incentive Endowment Fund accounts are appropriated subject to the approval of the Director of the Division of Budget and Accounting.

**Explanation**

The Higher Education Incentive Grant Fund and Higher Education Incentive Endowment Fund were established to provide State matching funds against contributions to four-year and two-year public institutions of higher education, and independent institutions of higher education that receive direct State aid. At the close of FY 2002, the unexpended balances in the accounts were appropriated; however, according to Office of Management and Budget, similar language is not included in the FY 2004 budget because these accounts will have no unexpended balances at the close of FY 2003.

2003 Appropriations Handbook 2004 Budget Recommendations

p. B-166

In addition to the amount hereinabove appropriated for Operational Costs, there is appropriated $20,000,000 from the Supplemental Workforce Fund for Basic Skills for the same purpose.

**Explanation**

The New Jersey Supplemental Workforce Fund for Basic Skills (P.L. 2001, c.152) provides for the redirection of a portion of employer contributions that would have otherwise gone to the Unemployment Insurance Trust Fund. The primary goal of the Basic Skills Program is to promote adult literacy in the workplace by providing basic skills training for unemployed and employed workers. The language authorizes the use of $5 million from the fund in FY 2004 to offset the cost of basic skills education at the State’s 19 community colleges, a decrease of $15 million compared to FY 2003.
**Language Provisions (cont’d)**

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<th>2003 Appropriations Handbook</th>
<th>2004 Budget Recommendations</th>
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<tr>
<td>p. D-443</td>
<td>Such additional sums as may be required for Employer Contributions -- Alternate Benefit Program, Teachers’ Pension and Annuity Fund -- Post Retirement Medical and Post Retirement Medical Other Than TPAF are appropriated, as the Director of the Division of Budget and Accounting shall determine.</td>
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**Explanation**

The FY 2004 budget language would allow the Director of the Division of Budget and Accounting to appropriate additional funds from surplus to fully fund these benefits programs, in the event that the amount appropriated (based on cost projections) fall short of actual costs. This language is consistent with language included in other sections of the budget where like appropriations are provided.

<table>
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<th>2003 Appropriations Handbook</th>
<th>2004 Budget Recommendations</th>
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<td>p. B-166</td>
<td>No comparable language.</td>
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In addition to the amounts hereinabove appropriated for the County College Capital Projects (Chapter 12) account, the unexpended balances as of June 30, 2002 are appropriated for the same purpose.

**Explanation**

Under the chapter 12 bond program, counties or eligible authorities issue bonds for new construction, acquisition, expansion, or capital improvement or replacement at county colleges, and the State pays 50 percent of the debt service associated with the bonds. The budget language is not recommended for FY 2004 in anticipation that, according to Office of Management and Budget, all balances in the account will either be spent or will lapse to the General Fund in FY 2003.
Discussion Points

1. State support for senior public colleges and universities is being decreased in both FY 2003 and FY 2004. As part of the plan to address FY 2003 budget problems, $34.8 million in direct operating aid is being withheld and is scheduled to lapse at the close of the year. The Governor’s budget recommends $767.4 million in direct operating aid for FY 2004, which is $101.3 million less than the FY 2003 adjusted appropriation, $66.2 million less than the actual amount that will be distributed in FY 2003, and $157.5 million (17 percent) below the FY 2002 original appropriation (adjusted for salary program).

• Question: Please provide information regarding how the level of State aid will affect programs, services and enrollment at the public institutions of higher education in FY 2003 and FY 2004.

• Question: What is the potential impact of the recommended FY 2004 funding level on tuition and fee increases at the four-year public colleges and universities for the 2003-2004 academic year? Please provide the percentage increases projected by each institution to date.

2. Funding for the Tuition Aid Grant Program (TAG) will increase by $5.8 million (3.4 percent) from $169.9 million in FY 2003 to $175.7 million in FY 2004. The budget indicates that the increase will provide an additional 2,000 awards in the 2003-2004 academic year. The Governor’s recommendation includes language (p. D-369) that requires the public institutions to provide the neediest TAG recipients (those receiving the maximum TAG award) with an institutional grant equal to the difference between the in-state undergraduate 2002-2003 tuition rate and the institution’s actual in-state undergraduate 2000-2001 tuition rate. The language will maintain, for these students with the highest need, the existing one-year lag between award amounts and current year tuition. However the public institutions will be required to increase the amount of their institutional grants over current year levels in order to maintain the one-year lag. Many other students will not see the size of their award increase despite a projected rise in tuition and related costs, because the Governor’s FY 2004 recommended budget includes language (p. D-369) that provides that TAG will not provide any dollar award increases over the current award levels; therefore their awards will be based on 2000-2001 tuition rates rather than 2002-2003 tuition rates. TAG award levels based on 2000-2001 tuition rates actually represent a three-year lag behind 2003-2004 tuition rates as opposed to the current two-year lag for those students.

• Question: Please discuss the reasons why it was determined advantageous to provide TAG grants to an additional 2,000 students if grant levels for all recipients will be held constant and remain funded at 2000-2001 tuition levels (3-year lag)? How many students receive the maximum TAG award and will be covered by the language in the budget requiring an increased institutional payment? How many students will see their grants remain constant or nearly so? Please provide data showing the percentage of tuition that the TAG awards have funded in recent years for the average award recipient.

• Question: What was the cost to institutions of higher education to provide institutional grants to fund a one-year lag for the neediest TAG recipients as required in the FY 2003 budget? What is the estimated institutional cost to fund a two-year lag for the neediest TAG recipients, as recommended in the FY 2004 budget? What is the estimated cost to the State to fund all TAG award recipients based on 2002-2003 tuition levels?
Discussion Points (Cont’d)

3. In December 2001, the "New Jersey Prepaid Higher Education Expense Program Act," P.L. 2001, c.262, was approved to provide a mechanism through which the cost of tuition may be paid in advance of enrollment at a public institution of higher education at a rate lower than the cost at the time of actual enrollment. This program is to be administered by the Prepaid Higher Education Expense Board also established under that law. As of this date the program has not been implemented.

- **Question:** Why has the Prepaid Higher Education Expense Program not been implemented?

- **Question:** What is the timetable for the implementation of the program?

4. The New Jersey Better Educational Savings Trust Program (NJBEST), established pursuant to N.J.S. 18A:71B-35 et seq. was created to assist families in financing the cost of a college education through the establishment of trust accounts into which an individual makes contributions on behalf of a designated beneficiary. The law establishing the NJBEST Program provides that if the investment manager of the program is the Division of Investment in the Department of the Treasury, then the State promises (though does not legally guarantee) that investors will not lose any principal invested in the program - the so-called "moral obligation" clause. If the investment manager is a private entity the moral obligation clause is not applicable. From the program's commencement the investment manager for the program had been the Division of Investment. In February 2003, the Higher Education Student Assistance Authority (HESAA) announced that it had selected Franklin Templeton Investments, a private entity, to be the new investment manager. According to a recent press report, NJBEST will now offer more aggressive investment options, but the program will continue to allow current participants the option of leaving their funds under State management.

- **Question:** Have NJBEST investors been advised of the fact that the program's "moral obligation" clause will no longer be applicable if they elect to have their account managed by Franklin Templeton Investments? What information will current investors receive to allow an informed choice between State and private investment management? Who will prepare and disseminate that information?

- **Question:** What is the total number of NJBEST accounts?

- **Question:** Please provide a breakdown, by age, of current beneficiaries of NJBEST Program accounts.

5. The Outstanding Scholars Recruitment Program (OSRP) provides public and independent institutions of higher education with campus-based funding to recruit high achieving New Jersey students as measured by class rank and SAT scores. The maximum OSRP award is $7,500 for students with SAT scores above 1,500 and a class rank in the top 5 percent. The award amount decreases to $2,500 for students with SAT scores between 1,350 and 1,390 and class ranks between the 85th and 89th percentiles. This program serves as a retention mechanism for New Jersey's brightest students. It is a matching grant program where the State pays up to 70% of the award at public institutions and 40% at independent institutions. In FY 2003, 4,725 students received merit scholarships under the program which includes four cohorts of students. The FY 2004 budget recommendation will decrease by $3.4 million (27.9 percent), from $12.3 million in FY 2003 to $8.9 million in FY 2004. The proposed reduction reflects the fact that scholarships will not be awarded to an incoming freshman cohort; however the FY 2004 recommendation will continue to provide support to those already in the program.
Discussion Points (Cont'd)

- **Question:** Please provide the number of the students who received full scholarships and students who received partial scholarships under the OSRP in FY 2003 and what institutions they attended. Please also provide the number of students offered full and partial OSRP scholarships who declined enrollment.

- **Question:** Will the public and independent institutions fund scholarships in the 2003-2004 academic year for incoming freshmen students who are eligible for and would have been awarded a scholarship under the OSRP?

- **Question:** How has the elimination of OSRP funding for freshmen students affected recruiting efforts to attract eligible New Jersey high school graduates to public and independent institutions within the State? What measures have institutions developed as a substitute for State OSRP funds to attract high-achieving students?

6. The Commission on Health Science, Education and Training, established by Governor McGreevey through Executive Order No. 14 (March 6, 2002) submitted a report on October 14, 2002 recommending the restructuring of Rutgers, the University of Medicine and Dentistry and the New Jersey Institute of Technology into a single research university system with three distinct and autonomous campuses in Newark, New Brunswick/Piscataway and Camden. After receiving the report, the Governor issued Executive Order 42 (2002) establishing a 21-member Review, Planning and Implementation Steering Committee, charged with creating a comprehensive plan for the restructuring effort, and advising the Governor concerning the prioritization of the implementation of specific restructuring strategies. The steering committee, which includes among its members the Chair of the Commission on Higher Education, the presidents of the three universities to be restructured and three other college or university presidents, was directed to outline a proposed work plan for the preparation of an assessment and implementation plan within thirty days of its first meeting. The committee was also directed to deliver an "assessment and implementation interim report" to the Governor, for the various stages of implementation, for those actions, specific milestones and responsibilities.

- **Question:** Please summarize the key elements of the work plan prepared by the steering committee, including a list of any subcommittees created to address issues of strategic and system-wide implications, as authorized by the executive order. When does the work plan call for the delivery of the "assessment and implementation interim report" to the Governor? If that interim report has been completed, please summarize the implementation actions, and milestones it contains, and please specify when and by whom the fiscal impact of restructuring will be evaluated. Also, does the report identify any specific legislative actions needed to accomplish restructuring? What are those actions and when are they planned to occur?

7. The FY 2004 Joint Budget Policy Statement by the New Jersey Commission on Higher Education and the New Jersey President’s Council stresses the importance of the competitiveness of the State’s colleges and universities. Competitiveness has many dimensions, one of which is price. A recent report by the National Center for Public Policy and Higher Education, "College Affordability in Jeopardy" (as reported in the press) cited New Jersey’s public colleges as having raised tuition an average of 13 percent between the 2001-2002 and the 2002-2003 school year, the 10th highest increase in the nation.

- **Question:** What evidence can the State’s public colleges and universities cite, in data concerning applications for admission, offers and acceptances of admission, and student
Discussion Points (Cont'd)

retention rates, that recent tuition hikes may have reduced competitiveness? Please discuss the above data in terms of the secondary and post-secondary academic achievement levels, and the resident status (in-state v. out-of-state) of applicants and students.

8. The FY 2004 budget would reduce operational funding for the Commission on Higher Education by approximately 50%, and support only 12 positions, compared to the current staff complement of 22 (pay period 6). Funding for grant programs that the commission is responsible for administering would decrease by $3 million (33 per cent) through the elimination of the Teacher Preparation Program, but six of seven current grant programs would remain at FY 2003 funding levels.

- Question: Which current functions and activities of the commission would be continued and which discontinued at the recommended FY 2004 funding level? What percentage of staff time and resources are consumed by the administration of grant programs recommended for funding in FY 2004? To what extent would the projected increase in federal funds for the GEAR UP offset the reduction in State administrative funding? How would the reduction in State funding affect the commission's ability to provide coordination, planning and policy development services; and to effectively administer grant programs?

9. In its FY 2004 Budget Policy Statement, the New Jersey Commission on Higher Education notes that growing demands on colleges and universities, increasing operational costs, and the recent significant loss of State aid and salary program shortfalls justify a minimum increase of 3.5 percent over the original FY 2002 appropriation for the senior public institutions. However, the Governor's budget recommended no salary program funding for the colleges and universities in FY 2003 and recommends no funding in FY 2004, even though the State negotiates the contracts for certain State college employees. The most recent year of recommended funding for the salary program for certain employees of senior public institutions was in FY 2002, when $29.5 million was appropriated, but $14.8 million of that amount was reverted to the General Fund to address the budget deficit.

- Question: If one of the Statewide goals is to keep tuition and fee increases at minimal levels by increasing diversified institutional revenue sources, how is it anticipated that the institutions will meet employee contract costs?

- Question: What effect will the lack of aid for the salary program have on 2003-2004 tuition and fee levels at the four-year public colleges and universities?

10. The "New Jersey World Trade Center Scholarship Program Act," P.L. 2001, c.442, was established to provide the spouses and children of victims who were New Jersey residents on September 11, 2001 and who died as a direct result of the terrorist attack with scholarships for the costs of their undergraduate education at any college or university in this State or any other state. The law creates, within the Higher Education Student Assistance Authority, the New Jersey World Trade Center Scholarship Fund and an eleven member board charged with establishing the criteria to determine eligibility for and the amount of scholarships, administering the funds and soliciting private donations to the fund. The law appropriated an initial $250,000 for deposit into the fund.
On April 9, 2002, the Governor issued an executive order requiring that tuition at State colleges be waived for the children and spouses of the victims of the September 11th terrorist attacks.

- Question: Please provide information regarding the number of students affected by the Governor’s executive order waiving tuition at State colleges and the institutions in which they are enrolled.

- Question: Has the eleven member board as required under statute been appointed? If not why, in light of the fact that the law was passed in September of 2001? What is the timetable for full implementation of the New Jersey World Trade Center Scholarship Program Act?

- Question: What is the status of any private contributions made to the fund?

- Question: Have any actions been taken to assist the children and spouses of the victims who are enrolled in independent institutions of higher education in this State or enrolled in institutions of higher education in any other state as is required under the "New Jersey World Trade Center Scholarship Program Act?"
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Individuals wishing information and committee schedules on the FY 2004 budget are encouraged to contact:

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