

ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 1999 - 2000 BUDGET



HIGHER EDUCATIONAL SERVICES

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

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HIGHER EDUCATIONAL SERVICES

Budget Pages..... D-322 to D-354; D-378 to D-384;
E-14 to E-17

Fiscal Summary (\$000)

	Expended FY 1998	Adjusted. Appropriation FY 1999	Recommended FY 2000	Percent Change 1999-00
State Budgeted	\$1,130,058	\$1,219,957	\$1,273,338	4.4%
Federal Funds	17,759	14,828	15,808	6.6%
<u>Other</u>	<u>2,293</u>	<u>2,679</u>	<u>3,086</u>	<u>15.2%</u>
Grand Total	\$1,150,110	\$1,237,464	\$1,292,232	4.4%

Personnel Summary - Positions By Funding Source

	Actual FY 1998	Revised FY 1999	Funded FY 2000	Percent Change 1999-00
State	47	51	52	2.0%
Federal	157	159	177	11.3%
Other	10	7	15	114.3%
<u>Colleges & Univ's.*</u>	<u>19,628</u>	<u>19,628</u>	<u>19,628</u>	<u>0.0%</u>
Total Positions	19,842	19,845	19,872	0.1%

FY 1998 (as of December) and revised FY 1999 (as of September) personnel data reflect actual payroll counts. FY 2000 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," PL. 1994, c.48, the Department and the Board of Higher Education were abolished and replaced by the Commission on Higher Education. As a result, the programs previously administered by the department were transferred among other executive departments; mainly the Departments of State and Treasury. The commission was placed in, but not of, the Department of State to plan for, coordinate, and serve as the principal advocate of the State's higher education system. The higher educational services portion of the Department of State's budget includes funding for the commission, the operation of four-year public colleges and universities and the Educational Opportunity Fund Program. The Office of Student Assistance (OSA) and the Student Assistance Board (SAB) were placed in, but not of, the Department of Treasury and are responsible for the administration of various State and

Introduction (Cont'd)

federal student assistance grant and scholarship programs. Funding for the independent colleges and universities as well as State aid for the county colleges is also allocated to that department. Also allocated in, but not of, the Department of Treasury are two State authorities: the Higher Education Assistance Authority (HEAA) and the New Jersey Educational Facilities Authority (EFA).

Key Points

Higher Educational Services - - Department of State

- ! Total recommended funding of \$38.9 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 an increase of \$500,000 over the FY 1999 adjusted appropriation. The increase will fund a new program, the New Jersey Virtual University, an on-line catalogue that allows individuals to access distance learning opportunities offered by New Jersey colleges and universities through an index of credit and non-credit course offerings. According to OMB, the program funding is targeted toward faculty training and training in converting courses to distance learning.
- ! The total recommended net State appropriation, excluding State funded fringe benefits, for the operational costs of the four year public colleges and universities in FY 2000 is \$805.1 million. This represents a net increase of \$26.5 million or 3.4 percent over the FY 1999 adjusted appropriation of \$778.6 million. Funding of \$700,000 for legislative initiatives added to the budgets of the colleges and universities in FY 1999 is eliminated in FY 2000.
- ! Of the \$26.5 million recommended increase for the four year public colleges and universities, funding equal to one percent of each institution's FY 1999 adjusted net State appropriation, a system-wide total of \$7.5 million, has been set aside for the implementation of the Performance Incentive Funding Program. This new program rewards institutions of higher education for achieving certain State policy goals through the attainment of key performance levels.
- ! Fringe benefits totaling an estimated \$330 million are recommended in FY 2000 for the State funded positions at the four year public colleges and universities. Although the fringe benefit amounts are displayed in the institutional budgets of the colleges and universities, the State appropriation to those institutions is net of those costs. The funding for the employer's share of State funded fringe benefits is included in the Interdepartmental Account in the Department of Treasury.
- ! No salary program funding is recommended for the four year public State colleges and universities in FY 2000.
- ! No pay-as-you-go capital funding is recommended for the senior public higher education institutions in FY 2000. Funding of \$11.8 million was appropriated for this purpose in FY 1999.

Key Points (Cont'd)

Higher Educational Services - - Department of Treasury

- ! Funding for the Tuition Aid Grant Program (TAG) is recommended to increase by approximately \$7.8 million from \$141.7 million to \$149.5 million. According to the Office of Student Assistance, the recommendation will fund average TAG awards equal to approximately 95 percent of the actual FY 1998-99 tuition levels at public institutions and 47.5 percent of FY 1998-99 tuition levels at the independent institutions.
- ! Funding of \$20,000 is recommended under the Miss New Jersey Educational Scholarship Program for two students nominated to receive the scholarships. This new scholarship program was enacted during FY 1998 (P.L. 1997, c. 118) and provides one scholarship per year to a student designated by the Office of Student Assistance in consultation with the Miss New Jersey Pageant. The competitive scholarship provides the full cost of tuition for an initial bachelor's degree or postgraduate degree at a New Jersey public institution of higher education.
- ! Aid to Independent Colleges and Universities is recommended to increase by \$1.0 million from \$21.2 million to 22.2 million. The recommended appropriation represents 77 percent of the amount needed to fully fund aid to independent colleges pursuant to the formula established under P.L. 1979, c.132.
- ! Funding of \$400,000 is recommended for the Garden State Savings Bond Program in anticipation of the State's required two percent share on the initial group of bonds scheduled to be redeemed in FY 2000. The program was established by the Legislature in FY 1992 (P.L. 1991, c. 272) to assist persons saving for a college education by offering State and federal tax-free bonds for sale to the public. If the bonds are redeemed at a New Jersey institution, an extra six percent is added to the face value of the bonds of which two percent is paid by the State and four percent by the institution of attendance.
- ! The Governor announced a new \$550 million Capital Improvement Plan for the four year public and independent institutions. Legislation to enact the Governor's proposal is anticipated to be introduced. As outlined in the Budget-In-Brief, the senior public institutions will be eligible to receive two-thirds of the debt service costs incurred by a college for a particular project. Private institutions will be eligible to receive a one for one match. An appropriation of \$12.4 million is recommended to fund estimated first year debt service costs of the program.
- ! Funding for the Outstanding Scholar Recruitment Program is recommended to increase by \$3.2 million from \$6.0 million to \$9.2 million and will fund a third cohort of students. This program provides college scholarships to high achieving high school students as measured by class rank and SAT scores who attend public and private institutions of higher education in New Jersey.
- ! State aid for the county colleges is recommended to increase by \$14.5 million from \$159.8 million to \$174.3 million. Of the total increase, funding of \$12 million is recommended for the second installment of the Governor's initiative to increase support for the operational funding of the county colleges by \$12 million per year for four years. A portion of the increase in operating aid, equal to one percent (\$1.2 million) of FY 1999 county college operational costs will be earmarked for the implementation of the Performance Incentive Funding Program. This new program rewards institutions of higher education for achieving

Key Points (Cont'd)

certain State policy goals through the attainment of key performance levels. The balance of the increased funding is allocated for increased debt service costs of approximately \$1.7 million and increased funding of approximately \$800,000 for employee health benefits.

- ! Legislative initiatives totaling \$440,000 in grants-in-aid added to the FY 1999 budget are eliminated. Supplemental funding of \$125,000 provided in FY 1999 for renovations at Seton Hall University is also not recommended for continuation in FY 2000.
- ! Federal funds are anticipated to increase by \$980,000 from \$14.8 million to \$15.8 million and represents additional funding for increased administrative expenses to implement changes included in the reauthorization of the federal Higher Education Act.

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, a recently enacted law, the "Higher Education Student Assistance Authority Law," P.L. 1999, c. 46, 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 and scholarship programs. These programs were previously budgeted in the Department of Treasury.

The 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," P.L. 1999, c. 46, 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 non-voting student members from a public or independent institution of higher education in the State who serve for a one-year term as non-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, and the "Higher Education Facilities Trust Fund Act", P.L. 1993, c.375. For FY 2000, the recommended Direct State Services funding level for the Commission on Higher Education is \$934,000, the same as FY 1999.

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-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

Program Description and Overview (Cont'd)

limited to students attending Rutgers School of Law in Newark and Camden, and Seton Hall University School of Law. Administrative and grant funding of \$33.0 million is recommended for the Educational Opportunity Fund Program (EOF) in FY 2000 and remains unchanged from FY 1999.

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," P.L. 1999, c. 46, 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 newly created 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 2000, funding of \$805.1 million is recommended in general operating support for the four year public college and university system, an increase of \$26.5 million or 3 percent over the FY 1999 adjusted appropriation of approximately \$778.6 million. Of the recommended increase, \$7.5 million represents funding for increased accountability through the Performance Incentive Funding Program. This program, initiated in FY 1999, rewards public institutions of higher education for meeting certain State policy goals through the attainment of key performance levels. No salary program funding is recommended for the 12 State colleges and universities in FY 2000. The State has not provided funding for this purpose since FY 1997. For FY 2000, fringe benefits funding for college and university staff of \$330 million is recommended in the Department of Treasury, Interdepartmental Account.

No pay-as-you-go capital funding is recommended for the colleges and universities in FY 2000. The Governor has proposed a new Capital Improvement Program which would authorize the Educational Facilities Authority to issue bonds in the amount of \$550 million needed for deferred maintenance projects at the institutions to renovate and repair existing instructional, laboratory, communication, research and administrative facilities. According to the Budget in Brief, public institutions will be 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 a one for one match on the amount of bonds sold for their benefit. Debt service funding of \$12.3 million is included in the FY 2000 recommended budget in anticipation of the sale of bonds for this program. Senate Bill No. 1822 and Assembly Bill No. 3078 were recently introduced that would implement such a program.

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

Program Description and Overview (Cont'd)

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 amount not to exceed \$100 million. Institutions are required to pay 25 percent of the debt service to finance the purchase of equipment at that institution. Authorized purchases include scientific, technical, computer, communications, laboratory and instructional equipment.

The EFA is also authorized to issue bonds in the amount of \$220 million to provide grants to public and 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 totaling \$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 total \$55 million authorization is for non-matching public library grants for Statewide library technology initiatives through the New Jersey State Library.

A total of \$370 million has been provided to higher education institutions over the past five years for the upgrade of facilities and equipment. This amount includes \$50 million from the Higher Education Technology Infrastructure Fund, the \$100 million Higher Education Equipment Leasing Fund, and the \$220 million Higher Education Facilities Trust Fund. Debt service funding of \$46.7 million is recommended in grants-in-aid for these initiatives under the Department of Treasury.

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

Summary of FY 2000 Recommended Budget

The total FY 2000 recommended appropriation from all sources of approximately \$1.292 billion for higher education institutions and programs represents a net increase of approximately \$55 million or 4 percent when compared to the FY 1999 adjusted appropriation of \$1.237 billion.

General Fund appropriations are recommended to increase by approximately \$53.4 million from \$1.220 billion to \$1.273 billion or 4 percent.

The majority of the \$53.4 million increase is attributable to a net increase of \$26.5 million

Program Description and Overview (Cont'd)

for the State colleges and universities from \$778.6 million to \$805.1 million. The recommended increase includes \$7.5 million for performance based incentive funding.

Additional State aid of \$14.5 million is recommended for the 19 county colleges, from \$159.8 million to \$174.3 million. Of the recommended increase for the county colleges, \$12.0 million is recommended for the operational costs of the county colleges and includes performance based incentive funding of approximately \$1.2 million.

Other increases include \$500,000 for the Commission on Higher Education to implement a new program, the New Jersey Virtual University, an on-line catalogue that allows individuals to access distance learning opportunities offered by New Jersey colleges and universities through an index of credit and non-credit course offerings.

An additional \$23.6 million in other Grants-In-Aid funding (excluding the senior public institutions) is recommended as follows:

- \$7.8 million for the Tuition Aid Grant Program. The total amount recommended for TAG will fund 95 percent of current tuition levels for approximately 50,000 students at public institutions of higher education and 47.5 percent of the average tuition in the independent college sector;
- a net increase of \$575,000 for the Statewide Program-Support to Independent Institutions attributable to increased funding of \$1.0 million in formula aid to the independent college sector including the elimination of \$425,000 added by the Legislature in FY 1999;
- a net increase of \$15.2 million for Miscellaneous Higher Education Programs, including the elimination of \$140,000 added by the Legislature in FY 1999, and new funding of: \$400,000 for the State's share of bonds anticipated to be redeemed for educational purposes under the Garden State Savings Bond Program; \$12.4 million representing the State share of debt service funding pursuant to the establishment of the Capital Improvement Plan recommended for enactment by the Governor which authorizes the sale of \$550 million in bonds by the Education Facilities Authority for deferred maintenance projects at the public and independent colleges; and \$3.2 million in additional funding for high achieving high school students participating in the Outstanding Scholars Recruitment Program to fund an additional class of students.

Federal funding is recommended to increase by \$980,000 to \$15.8 million from \$14.8 million in FY 1999. The additional funding will pay for increased salary and data processing expenses in order to comply with changes under the reauthorization of the federal Higher Education Act.

Other funds are anticipated to increase by \$407,000 to approximately \$3.1 million in FY 2000 and represent increases in revenue collected through fees, loan repayments or investments. Of the increased revenue, funding of \$262,000 is anticipated to be spent for the administrative expenses of the NJCLASS Program.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 1998	Adj. Approp. FY 1999	Recom. FY 2000	Percent Change	
				1998-00	1999-00
General Fund					
Direct State Services	\$3,934	\$3,883	\$3,883	-1.3%	0.0%
Grants - In - Aid	983,009	1,044,525	1,095,131	11.4%	4.8%
State Aid	136,290	159,799	174,324	27.9%	9.1%
Capital Construction	6,825	11,750	0	-100.0%	-100.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$1,130,058	\$1,219,957	\$1,273,338	12.7%	4.4%
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	\$1,130,058	\$1,219,957	\$1,273,338	12.7%	4.4%
Federal Funds	\$17,759	\$14,828	\$15,808	-11.0%	6.6%
Other Funds	\$2,293	\$2,679	\$3,086	34.6%	15.2%
Grand Total	\$1,150,110	\$1,237,464	\$1,292,232	12.4%	4.4%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 1998	Revised FY 1999	Funded FY 2000	Percent Change	
				1998-00	1999-00
State	47	51	52	10.6%	2.0%
Federal	157	159	177	12.7%	11.3%
All Other	10	7	15	50.0%	114.3%
Colleges and Universities*	19,628	19,628	19,628	0.0%	0.0%
Total Positions	19,842	19,845	19,872	0.2%	0.1%

FY 1998 (as of December) and revised FY 1999 (as of September) personnel data reflect actual payroll counts. FY 2000 data reflect the number of positions funded.

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

AFFIRMATIVE ACTION DATA

Total Minority Percent					
Commission on Higher Education	29%	27%	27%	----	----
Office of Student Assistance	26%	27%	30%	----	----

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1999</u>	<u>Recomm.</u> <u>FY 2000</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Higher Educational Services	\$38,425	\$38,925	\$500	1.3%	D-324 to D-325

Total funding of \$38.9 million is recommended in FY 2000 for this Statewide program. This funding includes the operational costs of the commission, funding for the Educational Opportunity Fund and other grant programs, and represents an increase of \$500,000 over the FY 1999 adjusted appropriation. The increase will fund a new program, the New Jersey Virtual University, an on-line catalogue that allows individuals to access distance learning opportunities offered by New Jersey colleges and universities through an index of credit and non-credit course offerings. According to OMB, the program funding is targeted toward faculty training and training in converting courses to distance learning.

Overall State Support for Four Year State Colleges and Universities	\$778,578	\$805,105	\$26,527	3.4%	D-322 to D-354
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Total funding of \$805.1 million is recommended in FY 2000 for general operating support of the four year public college and university system, an increase of \$26.5 million or 3.4 percent over the FY 1999 adjusted appropriation of approximately \$778.6 million. Of the recommended increase, \$7.5 million represents funding for increased accountability through the Performance Incentive Funding Program. This program, initiated in FY 1999, rewards public institutions of higher education for meeting certain State policy goals through the attainment of key performance levels. Legislative initiatives totaling \$700,000, added to the budgets of the colleges and universities in FY 1999, are not continued in FY 2000. Those initiatives included the following: Transportation Policy Institute, \$200,000; Irrigation System and Food Safety-Upper Deerfield, \$255,000; Rutgers Cooperative Extension-Stock Assessment Study, \$50,000; Integrated Pest Management, \$50,000; Center for Pre-College programs, \$20,000; and, Gateway Institute for Regional Development, \$125,000. The amounts listed below represent the FY 2000 appropriation for each of the senior public higher education institutions.

Rutgers, The State University	\$278,618	\$288,162	\$9,544	3.4%	D-326 to D-328
Agricultural Experiment Station	\$24,210	\$24,690	\$480	2.0%	D-329 to D-330
University of Medicine and Dentistry of New Jersey	\$171,276	\$177,271	\$5,995	3.5%	D-330 to D-333

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 1999</u>	<u>Recomm. FY 2000</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
New Jersey Institute of Technology	\$48,043	\$49,704	\$1,661	3.5%	D-333 to D-335
Thomas Edison State College	\$5,861	\$6,067	\$206	3.5%	D-335 to D-337
Rowan University	\$34,988	\$36,213	\$1,225	3.5%	D-337 to D-339
New Jersey City University	\$29,511	\$30,544	\$1,033	3.5%	D-339 to D-341
Kean University	\$33,636	\$34,684	\$1,048	3.1%	D-342 to D-343
William Paterson University of New Jersey	\$37,156	\$38,457	\$1,301	3.5%	D-344 to D-346
Montclair State University	\$42,349	\$43,831	\$1,482	3.5%	D-346 to D-348
The College of New Jersey	\$34,432	\$35,637	\$1,205	3.5%	D-348 to D-350
Ramapo College of New Jersey	\$18,410	\$19,054	\$644	3.5%	D-350 to D-352
Richard Stockton College of New Jersey	\$20,088	\$20,791	\$703	3.5%	D-352 to D-354

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1999</u>	<u>Recomm.</u> <u>FY 2000</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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Department of Treasury- - Higher Educational Services**Student Assistance Programs:**

Tuition Aid Grants	\$141,661	\$149,456	\$7,795	5.5%	D-381
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Funding for the Tuition Aid Grant Program (TAG) is recommended to increase by approximately \$7.8 million from \$141.7 million to \$149.5 million. According to the Office of Student Assistance, the recommendation will fund average TAG awards equal to approximately 95 percent of the actual FY 1998-99 tuition levels at public institutions and 47.5 percent of the FY 1998-99 average tuition level at the independent institutions. Total expenditures for the TAG Program, including expenditures for the Part-time TAG for EOF students, is estimated at \$150.7 million for FY 2000, including federal funds of \$670,000 received under the State Student Incentive Grant Program, and will support approximately 50,000 students. Additional funding of \$4 million was provided in FY 1999 to support an anticipated increase of 1,100 students and to provide award increases of up to 5 percent.

**Miss New Jersey
Educational Scholarship
Program**

	\$0	\$20	\$20	—	D-381
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Funding of \$20,000 is recommended for the Miss New Jersey Educational Scholarship Program for two students nominated to receive the scholarships. This new scholarship program was enacted during FY 1998 (P.L. 1997, c. 118) and provides one scholarship per year to a student designated by the Office of Student Assistance, in consultation with the Miss New Jersey Pageant. The competitive scholarship provides the full cost of tuition for an initial bachelor's degree or postgraduate degree at a New Jersey public institution of higher education. Funding for the FY 1999 scholarship recipient was provided through balances in other student assistance programs pursuant to language included in the FY 1999 Appropriations Act.

**Support to Independent
Institutions**

	\$23,332	\$23,907	\$575	2.5%	D-381
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The FY 2000 recommendation for this Statewide program class represents a net increase of \$575,000 and includes increased funding of \$1.0 million for Aid to Independent Colleges and Universities pursuant to P.L. 1979, c. 132, from \$21.2 million to 22.2 million; and the elimination of \$425,000 in legislative initiatives added to the FY 1999 budget as follows: Acceleration in Computer Science for Minority Students-Monmouth University, \$5,000; Institute of Law and Mental Health of Seton Hall University, \$95,000; Health Law and Policy Institute of Seton Hall University, \$150,000; Renovations to Sister Joseph Residence Hall, Caldwell College, \$50,000; and, Renovation of McQuade Hall for the School of Diplomacy at Seton Hall University, \$125,000.

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 1999</u>	<u>Recomm. FY 2000</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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Miscellaneous Higher Education Programs:

Garden State Savings Bonds Incentive	\$0	\$400	\$400	—	D-382
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Funding of \$400,000 is recommended for the Garden State Savings Bond Program in anticipation of the State's required 2 percent share of the initial group of bonds scheduled to be redeemed in FY 2000. The program was established in 1992 pursuant to P.L. 1991, c. 272 to assist persons saving for a college education by offering State and federal tax-free bonds for sale to the public. If the bonds are redeemed at a New Jersey institution, an extra 6 percent is added to the face value of the bonds of which 2 percent is paid by the State and 4 percent by the institution of attendance.

Higher Education Capital Improvement Program-Debt Service	\$0	\$12,379	\$12,379	—	D-382
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An appropriation of \$12.4 million is recommended to fund the State's share of the estimated first year debt service cost of this new program. The Governor announced a \$550 million Capital Improvement Plan to authorize the Educational Facilities Authority 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. Senate Bill No. 1822 and Assembly Bill No. 3078 have been introduced that would establish such a program. As outlined in the Budget-In-Brief, the senior public institutions will be eligible to receive two-thirds of the debt service costs incurred by a college for a particular project and independent institutions will be eligible to receive a one for one match.

Higher Education Technology Bond-Debt Service	\$7,002	\$6,373	(\$629)	(9.0)%	D-382
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The recommended appropriation for debt service payments on the \$55 million Higher Education Technology Infrastructure Bond Program represents the scheduled principal and interest payments for FY 2000.

Chair in Educational Leadership, Rowan University	\$100	\$0	(\$100)	(100.0)%	D-382
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Funding for this program was added by the Legislature in FY 1999 and is not recommended in FY 2000.

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1999</u>	<u>Recomm.</u> <u>FY 2000</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Ocean County Community College- Camp Viking	\$40	\$0	(\$40)	(100.0)%	D-382

Funding for this purpose was added by the Legislature in FY 1999 and is not recommended in FY 2000. Camp Viking is a summer camp in Lakewood for low-income children.

Outstanding Scholar Recruitment Program	\$6,000	\$9,200	\$3,200	53.3%	D-383
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Funding for the Outstanding Scholar Recruitment Program is recommended to increase by \$3.2 million from \$6.0 million to \$9.2 million and will fund a third cohort of students. This program provides college scholarships to high achieving high school students as measured by class rank and SAT scores who attend public and private institutions of higher education in New Jersey.

State Aid:

County College Operational Costs	\$120,186	\$132,186	\$12,000	10.0%	D-383
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State aid for the operational costs of the county colleges is recommended to increase by \$12.0 million from \$120.2 million to \$132.2 million and represents the second installment of the program to increase support for the operational funding of the county colleges by \$12 million per year for a four-year period. A portion of the increase in operating aid, equal to one percent (\$1.2 million) of FY 1999 county college operational costs, will be earmarked for the implementation of the Performance Incentive Funding Program. This new program rewards institutions of higher education for achieving certain State policy goals through the attainment of key performance levels.

County College Debt Service	\$21,376	\$23,070	\$1,694	7.9%	D-383
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The State's recommended matching share for the additional debt service payments under the chapter 12 county construction bond program is recommended to increase by approximately \$1.7 million to cover an increase in facilities construction and renovation.

Capital Construction

Higher Education Four Year Public Institutions	\$11,750	\$0	(\$11,750)	(100.0)%	E-14 to E-18
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No capital funding is recommended for the four year public colleges and universities in FY 2000. Each of the four year public colleges and universities received funding of \$750,000 for pay-as-you-go capital funding in FY 1999. In addition to the \$750,000 base capital appropriation in FY 1999,

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1999</u>	<u>Recomm.</u> <u>FY 2000</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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the Legislature provided an additional \$3.5 million for athletic facilities construction at Rutgers, The State University.

Federal Funds

Student Assistance Programs	\$14,828	\$15,808	\$980	6.6%	D-383
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Federal funds are anticipated to increase by \$980,000 from \$14.8 million to \$15.8 million and represents additional funding for increased administrative expenses to implement changes included in the reauthorization of the federal Higher Education Act.

All Other Funds

Student Assistance Programs	\$2,679	\$3,086	\$407	15.2%	D-383
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Other funds are recommended to increase by \$407,000 to approximately \$3.1 million in FY 2000 and represent anticipated increases in revenue collected through fees, loan repayments or investments. Of the increased revenue, funding of \$262,000 is anticipated to be spent for the administrative expenses of the NJCLASS Program which is supported entirely by fees. The remaining increase is attributed to increased investment revenue of \$125,000 for a special revenue fund, Educational and Administrative Programs for Higher Educational Purposes; and \$20,000 in revenue is anticipated due to loan repayments under the Paul Douglas Teaching Scholarships Program.

Language Provisions

1999 Appropriations Handbook

p. C-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.

2000 Budget Recommendations

p. D-328

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, \$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, \$700,000 for In Lieu of Taxes to New Brunswick, and \$100,000 for the Bloustein School - Government Services Study. These accounts shall be considered special purpose appropriations for accounting and reporting purposes.

Explanation

The recommended change in the above language eliminates funding for the Statewide Privatization Survey in Newark because that project is expected to be completed during FY 1999. New language is recommended to fund a study on government consolidation which was one of the issues reviewed as part of the work of the Governor's Property Tax Commission.

1999 Appropriations Handbook

p. C-36

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, \$200,000 for Irrigation System and Equipment Repair and Replacement, Upper Deerfield, and \$55,00 for Food Safety Program, Upper Deerfield. These accounts shall be considered special purpose appropriation for accounting and reporting purposes.

2000 Budget Recommendations

D-330

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.

Language Provisions (Cont'd)

Explanation

The language on Irrigation System and Equipment Repair and Replacement and the Food Safety Programs is not recommended for FY 2000. Funding for these purposes was added by the Legislature in FY 1999.

1999 Appropriations Handbook

No comparable language.

2000 Budget Recommendations

p. D-337

Of the amount hereinabove for Institutional Support, \$57,000 shall be transferred to the State Capitol Joint Management Commission to pay for security services at the college.

Explanation

The Office of Management and Budget has assessed various State agencies for the cost of providing security services as part of their regular operating budget. This language requires Thomas Edison State College to transfer the designated amount for security services from its operational budget to the State Capitol Joint Management Commission.

1999 Appropriations Handbook

p. C-39

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.

2000 Budget Recommendations

p. D-348

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.

Explanation

The FY 2000 amount for the New Jersey State School of Conservation is recommended to be reduced from the FY 1999 amount by \$457,000 to \$975,000.

Language Provisions (Cont'd)

1999 Appropriations Handbook

p. C-42

For the purpose of implementing the "Independent College and University Assistance Act," P.L. 1979, c.132 (C.18A:72B-15 et seq.), the number of full-time equivalent students (FTE) at the eight state colleges is 46,537 for fiscal year 1998.

2000 Budget Recommendations

p. D-383

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 47,246 for fiscal year 1999.

Explanation

This language sets the enrollment level by which the amount of State aid provided to the 14 independent colleges and universities is calculated. For FY 2000, the independent sector is recommended to receive \$22.2 million in direct aid which represents 77% of the amount needed to fully fund the "Independent College and University Assistance Act."

1999 Appropriations Handbook

p. C-42

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

2000 Budget Recommendations

p. D-384

Notwithstanding the provisions of any law to the contrary, the Student Assistance Board shall provide to all qualified applicants 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. All awards provided must be fundable within the amount hereinabove provided for Tuition Aid Grants plus funding from the Part-time Tuition Aid Grants-EOF Students program and available federal State Student Incentive Grant funds. Reappropriated balances shall be held as a contingency for unanticipated increases in the number of applicants qualifying for Student Assistance Programs awards or to fund shifts in the distribution of awards that result in an increase in total program costs.

Language Provisions (Cont'd)

Explanation

The intent of the recommended language directs the Student Assistance Board to fund average Tuition Aid Grant (TAG) awards equal to approximately 95 percent of the actual FY 1998-99 tuition levels at public institutions and 47.5 percent of the FY 1998-99 average tuition level at the independent institutions. Funding provided in FY 1999 provided support for an anticipated increase of 1,100 students and increases in award values of up to 5 percent.



1999 Appropriations Handbook

2000 Budget Recommendations

p. C-43

The unexpended balance as of June 30, 1998, in the Institutional Alliance/Seton Hall University and Sussex County Community College accounts is appropriated for the same purpose. No comparable language.

Explanation

Funding of \$150,000 was added by the Legislature in FY 1998 for the Institutional Alliance between Seton Hall University (SHU) and Sussex County Community College (SCCC). This language authorized the carry forward of the \$22,500 in unexpended balances for this purpose into FY 1999. The funding provided for this program supported an articulation agreement that allowed students to obtain an associates degree from SCCC and earn a baccalaureate degree or do graduate work at a SHU site located in Sussex County.



Discussion Points

1. An amount of \$8.7 million is included in the FY 2000 operating budgets of the public two year and four year colleges and universities to implement the Performance Incentive Funding Program. This program rewards institutions of higher education for meeting certain State policy goals as evidenced by the attainment of key performance indicators. Each institution is to be measured by its own progress toward achieving performance objectives and not against that of its peers. The Governor outlined the Statewide goals upon which the funds would be allocated as improved graduation rates, improved transfer and articulation rates between the two year and four year sectors, improving institutional efficiency and effectiveness, and developing more diversified revenues from non-student based sources. Although the funding is allocated to the base budgets of the institutions, incentive funding will not be allocated until later in the fiscal year when data on the attainment of the performance indicators has been evaluated by the Commission on Higher Education.

! Question: Based on the goals by which each institution will be assessed, what are the benchmarks by which incentive funding will be allocated for each of the stated goals?

2. The total recommended net State appropriation, excluding State funded fringe benefits, for the operational costs of the four year public colleges and universities in FY 2000 is \$805.1 million. This amount represents a net increase of \$26.5 million or 3.4 percent over the FY 1999 adjusted appropriation of \$778.6 million.

! Question: What potential impact will the recommended funding level have on tuition and fee increases at the four year public colleges and universities for the 1999-00 academic year?

3. a. The Governor has proposed a new \$550 million Capital Improvement Program for the public and independent four year colleges. Legislation to implement the program is anticipated to be introduced in the Legislature this Spring. Based on descriptions to date, the program will be funded through the sale of bonds, probably by a State authority. The program requires public institutions to pay one-third of the debt service for the amount of bond proceeds made available to them. The independent sector is required to share on a dollar-for-dollar basis the debt service costs on the amount of bond proceeds made available to each institution. Due to this bonding initiative, no pay-as-you-go capital funding is recommended for FY 2000 for the four year public colleges and universities.

! Question: If one of the Statewide goals under the Performance Incentive Funding Program is to keep tuition and fee increases at minimal levels, will tuition and fees be impacted by the institutional matching requirement of the bond program? What potential funding sources do the institutions have available to meet the matching requirement? Are there institutions that may not be able to take advantage of the program due to insufficient institutional matching funds?

3. b. A \$12.4 million appropriation is recommended for the estimated first year State debt service costs of the Capital Improvement Program. As noted, legislation to implement the program is yet to be introduced in the Legislature.

Discussion Points (Cont'd)

- ! **Question:** What assumptions were made about the amount and timing of a bond sale to derive the \$12.4 million debt service estimate? Since the higher education institutions will be required to share in the debt service costs, should there be a General Fund revenue anticipation reflecting the college share, as there is for the Higher Education Equipment Leasing Fund (budget page C-11)?

3. c. As noted in the Budget in Brief (pg. 107) the proposed \$550 million Capital Improvement Program for higher education joins several other State bond or debt supported financing programs currently in place, including the \$220 million Higher Education Facilities Trust Fund (HEFT), the \$100 million Equipment Leasing Fund, the \$55 million Higher Education Technology Infrastructure Fund, and increased State aid support for the "Chapter 12" county college bond projects. The New Jersey Educational Facilities Authority (EFA) is the financing entity for HEFT, the Equipment Leasing Fund, and the Technology Infrastructure Fund. The State, through annual appropriations, pays the debt service on bonds issued by the EFA. The HEFT program is 100 percent State funded, while both the lease program and the technology grants require matching amounts of 25 percent and 50 percent, respectively, from the institutions. According to the Governor's Office, the new Capital Improvement Program will require a one-third match from public institutions and a 50 percent match from private institutions.

Unlike a general obligation bond issue, where the amount of debt authorized is a specified finite amount, the laws governing the three existing EFA programs set a limit on the maximum amount of bond principal that can be outstanding at any given time. This means that as the initial bond issues (for the amounts noted above) are retired, additional bonding capacity is created up to the limit of each program. For instance, by the close of FY 2000, more than \$43 million in principal of the November 1995 HEFT \$220 million bond issue will have been repaid to bondholders. By law, approval of the State Treasurer is required for the issuance of additional debt by the EFA.

- ! **Question:** Is it anticipated that the current equipment and capital assistance programs for higher education institutions will be refinanced to provide additional grant capacity, alongside the new \$550 million Capital Improvement Program? Or is it more likely that a program like HEFT, which requires no institutional match and is 100 percent State supported, will be allowed to phase out even though technically it is a renewable financing source?

4. The colleges and universities have not received salary program funds since FY 1997, even though the State negotiates the contracts for certain State college employee personnel. The bargaining representatives at the State colleges and universities are currently negotiating salary contracts with the Governor's Office of Employee Relations for the contract that begins in FY 2000.

- ! **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? Will outside funding sources be used to supplant State salary program funding? How have the institutions funded negotiated salary contracts since the State shifted responsibility for this expense?

Discussion Points (Cont'd)

5. In FY 1996, the Commission on Higher Education in its State master plan for higher education recommended a new funding arrangement for the county colleges. The new funding arrangement called for the State to provide one-third of the operational costs of the county college system with the counties and students each also paying a one-third share. In FY 1999, the Governor subsequently endorsed the proposal and recommended that funding for the county colleges be increased by \$12 million per year for four years. In FY 1999, the first installment of \$12 million was appropriated and \$12 million is recommended in FY 2000 for the second installment of increased State support. This funding increase is occurring during a period of declining enrollments at the county colleges. County college funding is allocated based on enrollments and categorical program support. Enrollments in the county college sector have been gradually declining after experiencing a sectorwide increase of approximately 20,000 students during the economic recession that occurred between approximately through 1993.

Current statute, N.J.S.A. 18A:64A-22, requires the State to contribute a minimum of 43 percent, but not to exceed 50 percent, of county college operational costs. State aid to the county colleges has never reached the 43 percent funding level.

! *Question:* What impact will declining enrollment levels have on the new cost sharing arrangement for county colleges? As a result of the increased State aid appropriated in FY 1999, students were held harmless from tuition increases; how do the county colleges anticipate using the increased aid in FY 2000? What impact is the additional State funding having on county contributions in support of the county colleges? Are the counties maintaining the percentage level of their funding to the colleges? Should the current statute governing county college funding be revised to reflect the adoption of this new funding methodology?

6. A \$400,000 appropriation is recommended (pg. D-382) for the Garden State Savings Bond Program. The program was established by the Legislature in FY 1992 (P.L. 1991, c. 272) to assist persons saving for a college education by offering small denomination tax-exempt bonds for sale to the public. The bonds were designated from a series of bonds issued by the State of New Jersey or by a State authority for capital purposes. In addition to the payment of interest and the repayment of principal, the law provides that if the Garden State bonds are redeemed at a New Jersey institution of higher education, an extra six percent is added to the face value of the bonds, of which two percent is paid by the State and four percent by the enrolling institution. The \$400,000 represents the State's two percent redemption premium on the initial group of bonds scheduled for redemption in FY 2000. This would suggest that the total value of Garden State bonds coming due is around \$20 million.

! *Question:* Is \$20 million the approximate value of Garden State Savings Bonds scheduled for redemption in FY 2000? Does the Department of Treasury or the Commission on Higher Education know that all of these bonds will be redeemed for payment of college expenses in New Jersey? What is the total amount of Garden State Savings Bonds outstanding and from which State bond issues were they designated? Are they still offered to the public? Since the State's share of the redemption premium is two percent and the college's share is four percent, it would appear that the various higher education institutions in New Jersey may have to commit or credit as much as \$800,000 to savings bond holders. Have the institutions made similar funding arrangements in anticipation of providing their four percent share in the coming academic year?

Discussion Points (Cont'd)

7. Continuation funding of \$350,000 is recommended for the administration of the New Jersey Better Educational Saving Trust Program (NJBEST). The purpose of this program, enacted in FY 1998, is to help families finance the cost of a college education through the establishment of trust accounts established on behalf of a designated beneficiary. Interest earned on NJBEST savings is exempt from New Jersey State Income Tax, and federal income tax is deferred until the funds are withdrawn. The State provides a \$500 match on the savings accrued through the program if the beneficiary attends an institution of higher education located in New Jersey.

The majority of the State appropriation (\$250,000) is designated to market the program. The Office of Student Assistance (OSA) indicated that the start-up time for these types of programs averages more than one year across the country and that New Jersey's start-up time would be less than the average reported start-up time. The evaluation data shown on page D-380 show no program activity in FY 1998, the first year of the program, and that by the end of FY 1999 approximately 800 investors are estimated to enroll in the program. The number of investors is estimated to double in FY 2000 to 1,600. This program is anticipated to be self-supporting. Recent reports have indicated the program is not as successful as similar programs in surrounding states due to lower than anticipated participation. One of the criticisms of the program has been the amount of funding spent on the administration of the program and the low return on investment in comparison to states that have similar college savings programs.

! *Question:* What were the reasons for the delay in the start-up of the NJBEST? Based on OSA's experience, how do the administrative costs and start-up time for this program compare to other initiatives which OSA has implemented? What response does OSA have to criticism of the program in regard to administrative costs and return on investment? Does the OSA have any recommendations on actions that might be taken to improve the program?

8. Several bills have been introduced in the Legislature to establish a New Jersey HOPE Scholarship Program modeled after the Georgia HOPE Program.

! *Question:* What types of considerations should be taken into account if such a scholarship program were to be approved in this State? Which aspects of Georgia's HOPE Program are transferable to New Jersey and which are not so readily transferred?

Background Paper: County College Funding

Budget Pages.... D-381 to D-384

In FY 1997, the Commission on Higher Education released its long range plan for higher education - *Looking to the New Millennium*. The commission adopted recommendations for the funding of the State's higher education system which endorsed a revised shared funding method for the public colleges and universities in the State.

For the county community college system, the plan advocated that the State, the counties and the students should each provide one-third of direct operating costs. The long range plan recommended that the State increase its support of the operating costs of the county colleges by \$12 million per year for a seven year period while the increase in the counties' contribution would be an additional \$5 million per year, with the contribution of students remaining constant.

In FY 1999, the Governor endorsed the commission's plan and recommended that support for the county college system be increased by \$12 million per year for four years. The Legislature appropriated the first installment of the additional \$12 million in operating support for the county college system in FY 1999. Prior to the Legislature appropriating the additional funding for the county college system, State aid covered 22 percent of direct operational costs in FY 1998, excluding funding appropriated for debt service, and pension and health benefits.

The following table illustrates the level of operating support provided by the State and the county, as well as tuition and fee revenue for the past five years. The table also shows the percentage of aid received by the county college sector in the most recent year for which audited information is available (FY 1998), as a percentage of total revenue. The State aid amounts cover direct aid allocated to the county colleges for operational costs and excludes payments made by the State on behalf of county college employees for pension and health benefits and for debt service.

	State Aid ¹	County Aid ²	Tuition and ² Fees	Total Revenue
FY 1993	77,305	153,744	177,156	408,205
FY 1994	87,373	154,779	187,531	429,683
FY 1995	97,801	159,415	198,323	455,539
FY 1996	100,686	155,463	210,333	466,482
FY 1997	100,186	160,115	215,053	475,354
FY 1998	108,186	158,542	216,733	483,461
Pct.	22%	33%	45%	100%

The revised funding method directly relates to the commission's goal of maintaining affordability and access to higher education for all citizens in the State. Under current statute, N.J.S.A. 18:64A-22, the State is required to fund county college operational costs in an amount equal to a minimum of 43 percent, but not to exceed 50 percent. However, State aid for the county colleges has never reached the minimum statutory level. Currently, based on budgeted revenue of approximately \$500 million, State aid is estimated to cover 24 percent of direct operational support.

Background Paper: County College Funding (Cont'd)

The historical underfunding of county college expenses by the State has contributed to tuition and fees at the county colleges that were 29 percent (adjusted for inflation) above the national average in FY 1997 (the latest information available), an increase of 22 percent since FY 1992 for the county college sector.³ At the State level, tuition and fee charges have increased by approximately 50 percent between FY 1992 and FY 1997, from \$1,403 to \$2,104.

In FY 1999, the average tuition charged in the county college sector is \$1,903 and represents 57 percent of the average tuition charged in the State college sector (\$3,347). The combined average tuition and fee charges in the county college sector in FY 1999 are \$2,247 or 52 percent of the average tuition and fees charged at the eight State colleges and universities (\$4,355). As a result of the additional \$12 million of State funding in FY 1999, tuition and fees did not increase for students attending the county colleges and actually decreased slightly at two of the county colleges from the prior year. The FY 2000 recommendation provides the second installment of \$12 million and the colleges have pledged to minimize tuition increases for the 1999-2000 academic year.

By the fourth year of the shared funding program, the State's contribution in direct support of the operational costs of the county colleges is anticipated to have increased by an additional \$48 million. Based on projected revenue estimates prepared by the Council on County Colleges, if the Legislature appropriates the entire \$48 million, direct State support for the operational costs of the county colleges will have increased to 26 percent by FY 2002, excluding payments made by the State on behalf of county college employee pension and health benefits and debt service.

This revised funding method is the second such revision to be implemented for the county college sector in the last 10 years and reflects the policy adopted by the State Board of Higher Education, prior to its abolishment, regarding tuition, access and affordability. In FY 1989, the Board of Higher Education approved a new method for the allocation of State aid to the county colleges which was the result of a report issued in 1987 by the Panel on the Future Health and Vitality of the County Colleges. The report recommended changes to the funding and distribution of aid because the prior allocation formula lacked predictability, perpetuated inequities in the distribution of funds, and did not sufficiently protect institutions that had small student bodies. Both the first and second revisions to the funding and distribution of county college State aid have been implemented through the annual Appropriations Acts and no permanent revision to the statute, N.J.S.A. 18A:64A-22, that governs the distribution of State aid to the county colleges has been adopted.

1. Appropriation Handbooks. Excludes payments made by the State on behalf of county college employees for pension and health benefits and for debt service.

2. Audited county aid and tuition revenue information provided by the New Jersey Council of County Colleges.

3. Commission on Higher Education: Third Annual Systemwide Accountability Report, pg. 15, November 1998.

Background Paper: Tuition Rates at Higher Education Institutions

Budget Pages.... D-325 to D-354

Tuition and fee increases continue to outpace inflation, as measured by the Consumer Price Index, in both the public and private higher education sectors in New Jersey; except that for the first time in the last ten years, in the aggregate, the two year public sector had no increase in tuition for the current academic year (1998-99).

According to the Commission on Higher Education in the Third Annual Systemwide Accountability Report, 1998, public sector tuition and fees (adjusted for inflation) charged by New Jersey institutions exceeded that of their national peers in FY 1997 (based on the latest national comparative information available) as follows:

Tuition and fees in the State college and university sector were 13 percent above the national average for public nondoctoral institutions. In FY 1990, the sector was 6 percent below the national average for tuition and fee charges;

Tuition and fees charged in the community college sector were 29 percent above the national average, an increase of 22 percent since FY 1992;

Tuition and fee charges at Rutgers, The State University were 16 percent above the national average in FY 1997;

Tuition and fee charges at the University of Medicine and Dentistry of New Jersey were 37 percent above the national average, a decrease from FY 1992 when tuition and fee charges were 46 percent above the national average for similar institutions; and

Independent nondoctoral institutions were less expensive than similar institutions and their tuition and fees were 10 percent below the national average. Tuition and fee charges at independent doctoral institutions were 20 percent above the national average.

The table on the next page illustrates the tuition rates charged, by sector, for full-time resident undergraduates attending public and private higher education institutions over a ten year period. Fees are not included. The table also compares the percentage increases for the 1998-99 academic 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. The county colleges pledged no tuition increase for FY 1999. The slight decrease for this sector from FY 1998 to FY 1999, reflects institutions that actually reduced tuition charges for the current academic year.

Background Paper: Tuition Rates at Higher Education Institutions(Cont'd)

	Rutgers	NJIT	UMDNJ	State Colleges	County Colleges	Independs.
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
FY 1999	4,562	5,250	15,509	3,347	1,903	14,786
% chg. 98-99	7%	6%	4%	9%	0%	5%
5 yr. % chg.	34%	31%	28%	45%	33%	27%
10 yr. % chg.	100%	102%	79%	122%	92%	85%

*UMDNJ's tuition rate represents in-State tuition charges for residents attending its professional schools.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services provides nonpartisan assistance to the State Legislature in the areas of legal, fiscal, research, bill drafting, committee staffing and administrative services. It operates under the jurisdiction of the Legislative Services Commission, a bipartisan body consisting of eight members of each House. The Executive Director supervises and directs the Office of Legislative Services.

The Legislative Budget and Finance Officer is the chief fiscal officer for the Legislature. The Legislative Budget and Finance Officer collects and presents fiscal information for the Legislature; serves as Secretary to the Joint Budget Oversight Committee; attends upon the Appropriations Committees during review of the Governor's Budget recommendations; reports on such matters as the committees or Legislature may direct; administers the fiscal note process and has statutory responsibilities for the review of appropriations transfers and other State fiscal transactions.

The Office of Legislative Services Central Staff provides a variety of legal, fiscal, research and administrative services to individual legislators, legislative officers, legislative committees and commissions, and partisan staff. The central staff is organized under the Central Staff Management Unit into ten subject area sections. Each section, under a section chief, includes legal, fiscal, and research staff for the standing reference committees of the Legislature and, upon request, to special commissions created by the Legislature. The central staff assists the Legislative Budget and Finance Officer in providing services to the Appropriations Committees during the budget review process.

Individuals wishing information and committee schedules on the FY 2000 budget are encouraged to contact:

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