



ANALYSIS OF THE NEW JERSEY BUDGET

**HIGHER
EDUCATIONAL
SERVICES**

FISCAL YEAR

2006 - 2007

NEW JERSEY STATE LEGISLATURE

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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.....

C-16; D-329 to D-375; D-401 to D-409; D-464; D-469

Fiscal Summary (\$000)

	Expended FY 2005	Adjusted. Appropriation FY 2006	Recommended FY 2007	Percent Change 2006-07
State Budgeted	\$1,452,709	\$1,570,344	\$1,413,293	(10.0%)
Federal Funds	\$21,964	\$27,893	\$29,012	4.0%
<u>Other</u>	<u>\$6,566</u>	<u>\$8,240</u>	<u>\$8,830</u>	<u>7.2%</u>
Grand Total	\$1,481,239	\$1,606,477	\$1,451,135	(9.7%)

Personnel Summary - Positions By Funding Source

	Actual FY 2005	Revised FY 2006	Funded FY 2007	Percent Change 2006-07
State	43	42	42	—
Federal	162	160	184	15.0%
Other	11	12	18	50.0%
<u>Colleges & Univ's.*</u>	<u>20,215</u>	<u>20,216</u>	<u>20,216</u>	<u>0.0%</u>
Total Positions	20,431	20,430	20,460	.1%

FY 2005 (as of December) and revised FY 2006 (as of September) personnel data reflect actual payroll counts. FY 2007 data reflect the number of positions funded

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

Key Points

- The overall FY 2007 budget recommendation for Higher Educational Services totals \$1.45 billion, a 9.7 percent decrease from the FY 2006 adjusted appropriation of \$1.61 billion.

Higher Educational Services - Department of State

- **Colleges and Universities:** Direct operating aid for senior public institutions of higher education is recommended at \$807.6 million, a \$143.5 million (15.1 percent) decrease from the FY 2006 adjusted appropriation of \$951.1 million. The decrease is primarily due to a 10 percent across-the-board or \$89.6 million reduction in operating aid to the senior public institutions of higher education, the elimination of FY 2006 legislative initiatives for certain institutions totaling \$48.2 million, and a \$5.7 million reduction in

Key Points (Cont'd)

the subsidy provided to out-of-state undergraduate students enrolled at a New Jersey senior public institution.

- The FY 2007 recommended budget reflects a 10 percent across-the-board decrease in operating aid for all senior public institutions and the elimination of FY 2006 legislative initiatives totaling \$48.2 million. This includes the elimination of \$28.0 million to support the operations of the NJCares Network and the operations of Robert Wood Johnson – Camden Educational & Research Programs, \$18.0 million to support the Newark School of Business, \$750,000 to support several teaching positions at Kean University, \$500,000 to support the Gubernatorial Papers Project at Rutgers University, \$350,000 for operating expenses at Rutgers University's EcoComplex and E3CO, Inc., \$314,000 to support the John S. Watson Institute for Public Policy at Thomas A. Edison State College, and an additional \$300,000 reduction in the operating aid for Thomas A. Edison State College.
- The Governor also recommends a \$5.7 million reduction in what the Administration characterizes as a subsidy provided to out-of-state undergraduate students enrolled at New Jersey senior public institutions. The Budget in Brief states that out-of-state undergraduate students do not pay the full cost of their education at a New Jersey senior public institution, and are therefore subsidized by New Jersey taxpayers in the estimated amount of \$22.7 million annually. The proposed reduction reflects a plan to phase-out this subsidy over four years through a reduction in state operating assistance.
- The FY 2007 recommended budget intends to provide level funding of \$545.7 million to fund fringe benefit costs for employees of the State colleges and universities (although this intention may not be correctly reflected in the budget detail). It is estimated that an additional \$80 million would be required to fund fringe benefits on a consistent basis with funding in prior years.
- The Governor's FY 2007 recommended budget does not include funding to support negotiated cost-of-living adjustments (COLAs). In FY 2006, \$35.5 million was provided for this purpose.
- The overall level of funding support for State colleges and universities – operating aid, fringe benefit costs, and salary program funding – totals \$1.35 billion, a decrease of \$152 million (10 percent) from the FY 2006 adjusted funding level of \$1.50 billion.
- No terms or conditions linking payment of operating aid or other funding to 2006-07 tuition or fee levels are recommended. In FY 2006, a senior public college or university would have had its aid reduced had it increased tuition by more than 8 percent over 2004-05 levels.
- As is the case in FY 2006, no pay-as-you-go capital funding is recommended in FY 2007.
- **Commission on Higher Education:** The total FY 2007 recommended State appropriation of \$46.9 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 a decrease of \$1.3 million or 2.7 percent from the FY 2006 adjusted appropriation of \$48.2 million. The decrease

Key Points (Cont'd)

reflects a \$150,000 reduction in funding for the Education of Language Minority Students Program, the elimination of \$780,000 in funding for the New Jersey Transfer Initiative – NJ Transfer, and the elimination of \$350,000 in funding for the Statewide Network – NJEdge.net.

- **Higher Education Student Assistance Authority (HESAA):** The FY 2007 budget recommends \$2.0 million in operating aid for HESAA, a 40.6 percent or \$1.3 million decrease from the \$3.3 million FY 2006 adjusted appropriation. The decrease is due to the elimination of \$1.0 million for New Jersey Student Tuition Assistance Reward Scholarship Program II non-recurring start-up costs, and to the permanent shifting of three full-time State funded positions to non-State funded positions, a \$349,000 reduction in State support.
- The FY 2007 funding for the Tuition Aid Grant Program (TAG) will increase by \$5.8 million (2.8 percent) from \$208.9 million in FY 2006 to \$214.7 million in FY 2007. The budget indicates that the FY 2007 recommended appropriation will provide an estimated 50,866 awards in the 2006-2007 academic year, the same number provided in the 2005-2006 academic year. The proposed budget is intended to achieve the following:
 - For students enrolled in public institutions who are eligible for maximum awards under the program, an increase above the FY 2006 award amount equal to the difference between the in-state undergraduate 2005-2006 tuition rate for the institution and the institution's in-state undergraduate 2004-2005 tuition rate (one-year lag), with comparable increases for students who are eligible for maximum awards and enrolled at independent institutions.
 - For this same group of students, \$5 million will be used to provide an additional percentage award increase to partially offset any 2006-2007 tuition increase.
 - In contrast to students eligible for maximum awards, all other students' TAG awards will be based on 2003-2004 tuition rates, a three-year lag behind 2006-2007 tuition rates.
 - The number of FY 2006 TAG awards (50,866) is about 4,000 fewer than originally estimated. The revised FY 2006 TAG cost estimate is about \$198 million, \$11 million less than the adjusted appropriation.
- The FY 2007 budget recommendation will decrease funding for the Outstanding Scholars Recruitment Program (OSRP) by \$4.3 million (30.8 percent), from \$14.0 million in FY 2006 to \$9.7 million in FY 2007. In FY 2006, 5,390 students received merit scholarships under the program which includes four cohorts of students. The impact of the proposed reduction will be that no scholarships will be awarded to an incoming freshman cohort; however the FY 2007 recommendation will continue to provide support to those students already receiving a scholarship under the 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.

Key Points (Cont'd)

- The FY 2007 recommended budget eliminates funding for the Veterinary Medicine Education Program. In FY 2006, the program funded 96 students at a cost of \$1.3 million. The program was established in 1971 under N.J.S.18A:71B-47. Under the program, the Higher Education Student Assistance Authority (HESAA) and out-of-state schools of veterinary medicine enter into contractual agreements for the acceptance of New Jersey residents who have been residents of the State for twelve consecutive months. The schools receive a capitation subsidy toward the cost of education in return for a number of reserved spaces for New Jersey residents.

Higher Education Services – Department of Treasury

- **Aid to Independents:** The FY 2007 budget proposal recommends funding of \$13.4 million to support independent colleges and universities, a \$12.6 million or 48.5 percent decrease from the FY 2006 adjusted appropriation of \$26.0 million. The FY 2007 recommended appropriation would provide 39 percent of the amount needed to fully fund the "Independent College and University Assistance Act," P.L. 1979, c.132. There are 14 independent institutions in New Jersey that are receiving funds under this program.
- **Aid to County Colleges:** The FY 2007 proposed budget recommends total funding of \$146.3 million in operational aid for the county colleges, with the General Fund providing \$138.3 million and the Supplemental Workforce Fund for Basic Skills (SWF) providing \$8 million. This represents a 10 percent or \$16.3 million decrease from the FY 2006 funding level.

Miscellaneous Higher Education Programs

- The FY 2007 budget recommends no appropriation to the Higher Education Incentive Endowment Fund, which would effectively eliminate the program. The program 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. In FY 2006, this program was appropriated \$3.0 million.
- 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 (NJEFA). The State pays two-thirds of the debt service for public institutions and one-half of the debt service for independent institutions. The FY 2007 recommended appropriation of \$32.1 million for debt service is a \$15.0 million (88.0 percent) increase from the \$17.1 million FY 2006 adjusted appropriation. The FY 2006 appropriation was supplemented by NJEFA balances, which are no longer available.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2005	Adj. Approp. FY 2006	Recom. FY 2007	Percent Change	
				2005-07	2006-07
General Fund					
Direct State Services	\$3,941	\$4,761	\$3,412	(13.4%)	(28.3%)
Grants-In-Aid	1,240,501	1,356,004	1,209,813	(2.5%)	(10.8%)
State Aid	183,061	181,023	172,568	(5.7%)	(4.7%)
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$1,427,503	\$1,541,788	\$1,385,793	(2.9%)	(10.1%)
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	25,206	28,556	27,500	9.1%	(3.7%)
Sub-Total	\$25,206	\$28,556	\$27,500	9.1%	(3.7%)
Casino Revenue Fund	\$0	\$0	\$0	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$1,452,709	\$1,570,344	\$1,413,293	(2.7%)	(10.0%)
Federal Funds	\$21,964	\$27,893	\$29,012	32.1%	4.0%
Other Funds	\$6,566	\$8,240	\$8,830	34.5%	7.2%
Grand Total	\$1,481,239	\$1,606,477	\$1,451,135	(2.0%)	(9.7%)

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2005	Revised FY 2006	Funded FY 2007	Percent Change	
				2005-07	2006-07
State	43	42	42	(2.3%)	0.0%
Federal	162	160	184	13.6%	15.0%
All Other	11	12	18	63.6%	50.0%
Colleges and Universities*	20,215	20,216	20,216	0.0%	0.0%
Total Positions	20,431	20,430	20,460	0.1%	0.1%

FY 2005 (as of December) and revised FY 2006 (as of September) personnel data reflect actual payroll counts. FY 2007 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	44.0%	39.0%	32.0%	—	—
Higher Ed. Student Assist. Authority	32.0%	32.4%	32.7%	—	—

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2006</u>	<u>Recomm.</u> <u>FY 2007</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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Commission on Higher Education:

New Jersey Transfer Initiative	\$780	\$0	(\$ 780)	(100.0%)	D-336
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The FY 2007 recommended budget eliminates funding for the New Jersey Transfer Initiative (NJ Transfer). The Governor has indicated that NJ Transfer's costs can be absorbed within the normal operations of the participating institutions of higher education. NJ Transfer is a web-based data information system designed to help provide a seamless transfer from New Jersey county colleges to New Jersey four-year colleges and universities. The system, developed as a joint initiative of the New Jersey Commission on Higher Education and the New Jersey Presidents' Council, enables county college students to determine if a course offered at the county college has an equivalent or will satisfy a degree requirement at the four-year college or university in which the student intends to enroll.

Statewide Network	\$350	\$0	(\$ 350)	(100.0%)	D-336
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The FY 2007 recommended budget does not include funding to support the New Jersey Higher Education Network (NJEDge.net) Program and indicates that program costs anticipated in the FY 2007 fiscal year can be absorbed by the institutions that participate in the network. NJEDge, a non-profit corporation of the New Jersey Presidents' Council, is a broadband Statewide network designed to enhance the teaching, research and public service missions of New Jersey's colleges and universities.

Student Assistance Programs:

Tuition Aid Grants	\$208,908	\$214,729	\$ 5,821	2.8%	D-341
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Funding for the Tuition Aid Grant Program (TAG) will increase by \$5.8 million (2.8 percent) from \$208.9 million in FY 2006 to \$214.7 million in FY 2007. The budget indicates that the FY 2007 recommended appropriation will provide an estimated 50,866 awards in the 2006-2007 academic year, the same number provided in the 2005-2006 academic year. Under the FY 2007 recommended language regarding TAG, the Higher Education Student Assistance Authority (HESAA) is directed to provide to students enrolled in public institutions, who are eligible for maximum awards under the program, an increase above the FY 2006 award amount equal to the difference between the in-state undergraduate 2005-2006 tuition rate for the institution and the institution's in-state undergraduate 2004-2005 tuition rate (one-year lag) with comparable increases for students who are eligible for maximum awards and enrolled at independent institutions. The FY 2007 recommended language also provides that of the \$214.7 million recommended for TAG, \$5 million will be used to provide an additional percentage award increase to offset any 2006-2007 tuition increase for students eligible for maximum TAG awards. While students eligible for maximum awards will see their FY 2007 award (based on 2005-2006 tuition rates) increase over the FY 2006 award by an amount

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2006</u>	<u>Recomm.</u> <u>FY 2007</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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which will partially fund the existing one-year lag, all other TAG awards will be based on 2003-2004 tuition rates, a three-year lag behind 2006-2007 tuition rates.

Part-Time Tuition Aid**Grants for County**

Colleges	\$4,451	\$4,941	\$ 490	11.0%	D-341
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The FY 2007 recommended budget provides \$4.9 million for the Part-Time Tuition Assistance Grant Program, an 11 percent or \$490,000 increase over the FY 2006 amount of \$4.5 million. This pilot program, established in FY 2004, provides tuition assistance grant awards, which are prorated against full-time grant awards, to eligible part-time county college students. Under the program, an eligible county college student enrolled with six to eight credits receives one-half of the value of a full-time award and an eligible county college student enrolled with nine to eleven credits receives three-quarters of a full-time award. The recommended level of funding is projected to assist over 9,941 students, an increase of 1,000 students over the current year.

Outstanding Scholars

Recruitment Program	\$13,953	\$9,650	(\$4,303)	(30.8%)	D-341
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The FY 2007 budget recommendation will decrease funding for the Outstanding Scholars Recruitment Program (OSRP) by \$4.3 million (30.8 percent), from \$14.0 million in FY 2006 to \$9.7 million in FY 2007. In FY 2006, 5,390 students received merit scholarships under the program which includes four cohorts of students. The proposed reduction reflects the fact that scholarships will not be awarded to an incoming freshman cohort; however the FY 2007 recommendation will continue to provide support to those students already receiving a scholarship under the 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 through which the State pays up to 70% of the award at public institutions and 40% at independent institutions.

Veterinary Medicine

Education Program	\$1,337	\$0	(\$1,337)	(100.0%)	D-341
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The FY 2007 recommended budget eliminates funding for the Veterinary Medicine Education Program. In FY 2006, the program funded 96 students at a cost of \$1.3 million. The program was established in 1971 under N.J.S.18A:71B-47. Under the program, the Higher Education Student Assistance Authority (HESAA) and out-of-state schools of veterinary medicine enter into contractual agreements for the acceptance of New Jersey residents who have been residents of

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2006</u>	<u>Recomm. FY 2007</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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the State for twelve consecutive months. The schools receive a capitation subsidy toward the cost of education in return for a number of reserved spaces for New Jersey residents.

					D-340
					to
Direct State Services	\$3,324	\$1,975	(\$1,349)	(40.6%)	D-341

The FY 2007 Direct State Services recommendation to support the administrative functions of the Higher Education Student Assistance Authority (HESAA) is \$2.0 million, a \$1.3 million (40.6 percent) reduction from the FY 2006 adjusted appropriation amount. The reduction reflects the permanent shift of three full-time State funded employees to non-State funded positions, saving \$349,000, and the elimination of \$1 million in FY 2006 supplemental funding that supported start-up administrative costs of the New Jersey Student Tuition Assistance Reward Scholarship Program II (NJSTARS II).

State Colleges and Universities:

					D-345
					to
State Support for Four-Year State Colleges and Universities	\$951,053	\$807,586	(\$143,467)	(15.1%)	D-375

The reduction in State operating support represents a 10 percent across-the-board or \$89.6 million reduction in operating aid to the senior public institutions of higher education, the elimination of FY 2006 legislative initiatives for certain institutions totaling \$48.2 million (as further noted), and a \$5.7 million reduction in what the Administration has characterized as a subsidy provided to out-of-state undergraduate students enrolled at a New Jersey senior public institution.

The FY 2006 appropriation to support operating aid costs at the senior public institutions has been adjusted to include \$35.5 million to fund the FY 2006 cost-of-living adjustments (COLAs). The FY 2007 recommended budget provides no funding for COLAs.

The proposed budget intends to provide level funding of \$545.7 million for fringe benefit costs for employees of the State colleges and universities (although this intention may not be correctly reflected in the budget detail).

Budget language authorizing the State Treasurer to make a portion of the previous fiscal year's payment for the support of operations at institutions of higher education from appropriations for the current fiscal year is not included in the recommended budget. The language which was originally included in the FY 2004 appropriations act permitted the State Treasurer to defer 1/24th of each fiscal year's payment to the following fiscal year. Comparable language was included in the FY 2005 and FY 2006 appropriations acts. While the absence of similar FY 2007 language does not affect appropriations, it would appear to diminish the prospect that the senior public institutions will ever recoup the deferred payment.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2006</u>	<u>Recomm.</u> <u>FY 2007</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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The following is a listing of the total recommended appropriation for the support of the individual senior public institutions.

Rutgers, The State University	\$330,575	\$274,654	(\$55,921)	(16.9%)	D-344 to D-346
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The FY 2007 recommended appropriation reflects a 10 percent decrease in funding to support operating costs at Rutgers, The State University. Also, as a result of FY 2006 legislative initiatives, \$18.9 million was added to the Governor's recommended appropriation to support operating costs at the university. This amount included \$18.0 million to support the Newark School of Business, \$500,000 to support the Gubernatorial Papers Project, \$135,000 to support E3CO, and \$515,000 to support the New Jersey EcoComplex in Burlington. The FY 2007 recommended budget language decreases funding to support the New Jersey EcoComplex by \$215,000 and eliminates all other FY 2006 legislative initiatives included in the university's institutional support appropriation.

University of Medicine and Dentistry of New Jersey	\$242,939	\$194,165	(\$48,774)	(20.1%)	D-348 to D-351
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In addition to the 10 percent decrease in funding to support operating costs at the university, the FY 2007 recommended appropriation also reflects the elimination of \$28.0 million in FY 2006 legislative initiatives to support the operations of the NJCares Network and the operations of Robert Wood Johnson – Camden Educational & Research Programs.

Kean University	\$43,180	\$37,756	(\$5,424)	(12.6%)	D-360 to D-362
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The FY 2007 recommended appropriation reflects a 10 percent decrease in funding to support operating costs at Kean University. In addition to this decrease, a \$750,000 FY 2006 legislative initiative to support teaching positions at the university is not recommended for continuation in FY 2007.

Thomas A. Edison State College	\$6,651	\$5,433	(\$1,218)	(18.3%)	D-353 to D-355
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The FY 2007 recommended appropriation reflects a 10 percent decrease in funding to support operating costs at Thomas A. Edison State College and the elimination of FY 2006 legislative initiatives totaling \$1.2 million. This includes a \$314,000 FY 2006 appropriation to support the operation of the John S. Watson Institute for Public Policy, and an additional \$300,000 to supplement the college's FY 2006 base funding.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2006</u>	<u>Recomm.</u> <u>FY 2007</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Agricultural Experiment Station	\$25,675	\$25,675	0	—	D-346 to D-348
New Jersey Institute of Technology	\$51,512	\$45,752	(\$5,760)	(11.2%)	D-351 to D-353
Rowan University	\$39,505	\$35,429	(\$4,076)	(10.3%)	D-355 to D-357
New Jersey City University	\$33,517	\$30,085	(\$3,432)	(10.2%)	D-357 to D-360
William Paterson University	\$42,085	\$37,840	(\$4,245)	(10.1%)	D-363 to D-365
Montclair State University	\$50,355	\$44,779	(\$5,576)	(11.1%)	D-365 to D-367
The College of New Jersey	\$37,977	\$33,998	(\$3,979)	(10.5%)	D-368 to D-370
Ramapo College of New Jersey	\$21,417	\$19,005	(\$2,412)	(11.3%)	D-370 to D-372
The Richard Stockton College of New Jersey	\$25,665	\$23,015	(\$2,650)	(10.3%)	D-372 to D-375

The reductions for the above colleges and universities result from the 10 percent cut to operating support and the savings from the first step to eliminate what the Administration has characterized as the out-of-state student tuition subsidy.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2006</u>	<u>Recomm. FY 2007</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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Higher Education Services:

Overall Support to Independent Institutions	\$25,959	\$13,378	(\$12,581)	(48.5%)	D-407
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Direct operating aid to Independent Colleges and Universities is recommended at \$13.4 million in FY 2007, a \$12.6 million decrease from the FY 2006 adjusted appropriation of \$26.0 million. The recommended reduction represents a 50 percent cut in general operating support, and also includes the elimination of \$500,000 in funding for the Science Laboratory at Bloomfield College and a \$100,000 reduction in funding for the Institute for Advanced Study.

Budget language authorizing the State Treasurer to make a portion of the previous fiscal year's payment for the support of operations at institutions of higher education from appropriations for the current fiscal year is not included in the recommended budget. The language which was originally included in the FY 2004 appropriations act permitted the State Treasurer to defer 1/24th of each fiscal year's payment to the following fiscal year. Subsequently, under P.L. 2004, c.60, \$641,000 in supplemental funding was provided to the independent institutions to offset the deferred payment. As a result, The FY 2005 and FY 2006 appropriations acts included language which reflected the fact that the independent institutions had been paid a portion of the deferred payment. While the absence of similar FY 2007 language does not affect appropriations, it would appear to diminish the prospect that the independent institutions will ever recoup the balance of the deferred payment.

Miscellaneous Higher Education Programs:

Higher Education Capital Improvement Program – Debt Service	\$17,100	\$32,146	\$15,046	88.0%	D-407
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The FY 2007 recommended appropriation represents full debt service costs for the program. The increase is required mostly to make up for the loss of nonrecurring resources. In FY 2006, the appropriation for debt service costs was supplemented by New Jersey Educational Facilities Authority (NJEFA) balances, which are no longer available. The "Higher Education Capital Improvement Fund Act" authorized the NJEFA 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 NJEFA to fund projects at public colleges, and one-half of the debt service on bonds issued to fund projects at independent institutions.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2006</u>	<u>Recomm. FY 2007</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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**Higher Education
Incentive Endowment
Fund**

	\$3,000	\$0	(\$3,000)	(100.0%)	D-407
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No funding is provided to support the Higher Education Incentive Endowment Fund, which would effectively eliminate this program. The "Higher Education Incentive Funding Act," P.L. 1999, c.226, provides State funds to match private endowment contributions or donations made to New Jersey's public and independent institutions of higher education or other related foundations. The amount of matching funds payable depends on whether the gifts are endowment contributions or donations and on the type of institution (public vs. independent) to which the gifts are made. Information contained in the FY 2007 Budget-in-Brief indicates that the program would be discontinued because the State has never been able to meet its obligation to match endowment contributions and a five-fold increase in appropriations would be required to fully match eligible contributions already received by the colleges and universities.

**Dormitory Safety Trust
Fund – Debt Service**

	\$8,796	\$8,475	(\$ 321)	(3.6%)	D-407
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The FY 2007 recommended budget provides \$8.5 million to support debt service costs for the Dormitory Safety Trust Fund, a \$321,000 decrease from the FY 2006 amount 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.

**Stevens Institute of
Technology – New Jersey
Community College
Strategic Partnership**

	\$1,000	\$0	(\$1,000)	(100.0%)	D-407
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The New Jersey Community College Strategic Partnership is a collaborative effort between Steven's Institute of Technology and several county colleges. The Governor's FY 2007 recommended budget eliminates this FY 2006 legislative initiative.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2006</u>	<u>Recomm. FY 2007</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
State Aid:					
County College Operational Costs – Total	<u>\$162,562</u>	<u>\$146,306</u>	<u>(\$16,256)</u>	(10.0%)	D-407 to D-408
General Fund	\$148,562	\$138,306	(\$10,256)	(6.9%)	
Supplemental Workforce Fund for Basic Skills	\$14,000	\$8,000	(\$6,000)	(42.9%)	

The Governor's FY 2007 recommended budget includes total State support of \$146.3 million for the operational costs of the county colleges, a 10 percent decrease from the FY 2006 appropriation of \$162.6 million. This funding includes appropriations from the Supplemental Workforce Fund for Basic Skills, which provides \$14 million in FY 2006 and would provide \$8 million in FY 2007 under the recommended budget.

Budget language authorizing the State Treasurer to make a portion of the previous fiscal year's payment for the support of operations at institutions of higher education from appropriations for the current fiscal year is not included in the recommended budget. The language which was originally included in the FY 2004 appropriations act permitted the State Treasurer to defer 1/24th of each fiscal year's payment to the following fiscal year. Subsequently, under P.L. 2004, c.60, \$4.5 million was provided to county colleges to offset the deferred payment. As a result, The FY 2005 and FY 2006 appropriations acts included language which reflected the fact that the county colleges had been paid a portion of the deferred payment. While the absence of similar FY 2007 language does not affect appropriations, it would appear to diminish the prospect that the county colleges will ever recoup the balance of the deferred payment.

**Alternate Benefit
Program – Non-**

contributory Insurance	\$2,589	\$3,086	\$ 497	19.2%	D-408
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The FY 2007 recommended appropriation to support this program is \$3.1 million, a \$497,000 increase over the FY 2006 adjusted appropriation of \$2.6 million. The State pays the employer contribution to the Alternate Benefit Program for State colleges and universities at a rate of 8 percent of each member's base salary. The State also provides life insurance coverage and long-term disability coverage to plan members employed by various State higher education institutions.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2006</u>	<u>Recomm.</u> <u>FY 2007</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Employer Contributions – Teachers’ Pension and Annuity Fund	\$23	\$418	\$ 395	1717.4%	D-408

Fiscal year 2006 budget language provided that in addition to the amounts appropriated for the Teachers’ Pension and Annuity Fund (TPAF)– Post Retirement Medical, the State Treasurer was authorized to divert money from the benefit enhancement funds to pay the employer contribution amount required for the State to meet its obligation to support TPAF. It is estimated that combined, the amount appropriated for post retirement medical benefits and the amount diverted from the benefit enhancement fund, provided support for 40 percent of the State’s pension obligations in FY 2006. The increase in FY 2007 reflects the fact that funds from the benefit enhancement fund will not be used as the fund is depleted. According to the FY 2007 Budget-in-Brief, the recommended appropriation for pension costs will fund 70 percent of the State’s pension obligations.

Post Retirement Medical Other Than TPAF	\$12,461	\$13,516	\$ 1,055	8.5%	D-408
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This account funds post-retirement medical benefits for employees of institutions of higher education who retired from retirement systems other than the PERS or TPAF. Beneficiaries include retirees from the Alternate Benefit Program and other retirement systems.

Language Provisions

2006 Appropriations Handbook

2007 Budget Recommendations

p. B-158

Notwithstanding the provisions of any law or regulation to the contrary, \$3,000,000 of the amount hereinabove appropriated for Opportunity Program Grants shall be designated as Opportunity Program Enhancement funding. Each college and university participating in the Educational Opportunity Fund Program may allocate its share of Opportunity Program Enhancement funding to fund increases in maximum semester awards and to provide awards for additional students who meet EOF eligibility criteria.

No comparable language.

Explanation

Under the Educational Opportunity Fund (EOF) Program, each participating institution may use funds appropriated for Opportunity Program Grants to support its EOF summer program, provide grants to more students, or increase the amount of each grant awarded to students in the program. The FY 2006 language provides that of the total amount appropriated for Opportunity Program Grants, \$3 million is designated as Opportunity Program Enhancement Funding. According to the language, participating institutions of higher education are permitted to use Opportunity Program Enhancement Funding to increase grant awards to students and/or to provide awards to more students. The language is not included in the FY 2007 recommended budget.

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2007 Budget Recommendations

p. B-159

Notwithstanding the provisions of any law to the contrary, the Higher Education Student Assistance Authority shall provide to students enrolled in public institutions of higher education who are eligible for maximum awards under the Tuition Aid Grant program hereinabove appropriated an increase above the fiscal year [2005] award amount equal to the difference between the in—state undergraduate [2004–2005] tuition rate for the institution and the institution’s in-state undergraduate [2003–2004] tuition rate with comparable increases provided to

p. D-342

Notwithstanding the provisions of any law to the contrary, the Higher Education Student Assistance Authority shall provide to students enrolled in public institutions of higher education who are eligible for maximum awards under the Tuition Aid Grant program hereinabove appropriated an increase above the fiscal year 2006 award amount equal to the difference between the in—state undergraduate 2005–2006 tuition rate for the institution and the institution’s in-state undergraduate 2004–2005 tuition rate with comparable increases provided to

Language Provisions (Cont'd)

2006 Appropriations Handbook

p. B-159

students eligible for maximum awards enrolled at independent institutions. All other award amounts provided under the Tuition Aid Grant program shall be based on the same parameters as used by the Higher Education Student Assistance Authority in fiscal year [2005]. Reappropriated balances in the Tuition Aid Grants account shall be held as a contingency for unanticipated increases in the number of applicants qualifying for full-time Tuition Aid Grant awards, to fund shifts in the distribution of awards that result in an increase in total program costs, or to offset any shortfalls in the federal Leveraging Educational Assistance Partnership (LEAP) program.

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students eligible for maximum awards enrolled at independent institutions. Of the sums hereinabove appropriated for the Tuition Aid Grant program, \$5,000,000 shall provide an additional percentage award increase to partially offset any 2006-2007 tuition increases for those students who are eligible for maximum awards under the Tuition Aid Grant program. All other award amounts provided under the Tuition Aid Grant program shall be based on the same parameters as used by the Higher Education Student Assistance Authority in fiscal year 2006. Reappropriated balances in the Tuition Aid Grants account shall be held as a contingency for unanticipated increases in the number of applicants qualifying for full-time Tuition Aid Grant awards, to fund shifts in the distribution of awards that result in an increase in total program costs, or to offset any shortfalls in the federal Leveraging Educational Assistance Partnership (LEAP) program.

Explanation

Under the FY 2007 recommended language, the Higher Education Student Assistance Authority (HESAA) is directed to provide to students enrolled in public institutions, who are eligible for maximum awards under the TAG Program, an increase above the FY 2006 award amount equal to the difference between the in-state undergraduate 2005-2006 tuition rate for the institution and the institution's in-state undergraduate 2004-2005 tuition rate (one-year lag) with comparable increases for students who are eligible for maximum awards and enrolled at independent institutions. The FY 2007 recommended language also provides that of the \$214.7 million recommended for TAG, \$5 million will be used to provide an additional percentage award increase to offset any 2006-2007 tuition increase for students eligible for maximum TAG awards. While students eligible for maximum awards will see their FY 2007 award (based on 2005-2006 tuition rates) increase over the FY 2006 award by an amount which will partially fund the existing one-year lag, all other TAG awards will be based on 2003-2004 tuition rates, a three-year lag behind 2006-2007 tuition rates.

Language Provisions (Cont'd)**2006 Appropriations Handbook**

No comparable language.

2007 Budget Recommendations**p. B-342**

Receipts derived from voluntary contributions by taxpayers on New Jersey State gross income tax returns for the New Jersey World Trade Center Scholarship Fund are appropriated for the purpose of providing scholarships for eligible dependent children and surviving spouses of New Jersey residents who were killed in the terrorist attacks against the United States on September 11, 2001, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Pursuant to the "New Jersey World Trade Center Scholarship Program Act," P.L. 2001, c.442, dependent children and surviving spouses of New Jersey residents who were killed in the terrorist attack against the United States on September 11, 2001, or who died as a result of injuries received in the attack, or who are missing and officially presumed dead as a direct result of the attack are eligible for support under the New Jersey World Trade Center Scholarship Program. In FY 2006, the program provided eligible students with up to \$6,500, not to exceed the actual cost of tuition, fees, and room and board, to fund full-time cost of attendance at an eligible institution. In FY 2006 and in the FY 2007 budget recommendation \$250,000 of General Fund revenue is appropriated to the fund. The FY 2007 recommended language reflects the fact that beginning with the 2006 tax year, State personal income tax forms will include a check-off for the New Jersey World Trade Center Scholarship Fund. According to the recommended language, the receipts derived from the check-off will be appropriated to the fund.

2006 Appropriations Handbook**p. B-160**

Of the sums hereinabove appropriated for Rutgers, The State University, \$180,000 is appropriated for the Masters in Government Accounting Program, \$105,000 is appropriated for the Tomato Technology Transfer Program, \$95,000 is appropriated for the Haskin Shellfish Research Laboratory, \$200,000 is appropriated for the Camden Law School Clinical Legal Programs for the Poor, \$200,000 is appropriated for the

2007 Budget Recommendations**p. D-346**

Of the sums hereinabove appropriated for Rutgers, The State University, \$180,000 is appropriated for the Masters in Government Accounting Program, \$105,000 is appropriated for the Tomato Technology Transfer Program, \$95,000 is appropriated for the Haskin Shellfish Research Laboratory, \$200,000 is appropriated for the Camden Law School Clinical Legal Programs for the Poor, \$200,000 is appropriated for the

Language Provisions (Cont'd)**2006 Appropriations Handbook****p. B-160**

Newark Law School Clinical Legal Programs for the Poor, \$740,000 is appropriated for the Civic Square Project—Debt Service, \$75,000 is appropriated for the Walter Rand Institute for Public Affairs, \$700,000 is appropriated for In Lieu of Taxes to New Brunswick, \$500,000 is appropriated for capital projects or maintenance for Division of Intercollegiate Athletic facilities at Rutgers, New Brunswick, **【\$500,000 for the Gubernatorial Papers Project, \$18,000,000 is appropriated for Rutgers- Newark School of Business, \$135,000 for E3CO, Inc.,】** and **【\$515,000】** is appropriated for the New Jersey EcoComplex, Burlington County. These accounts shall be considered special purpose appropriations for accounting and reporting purposes.

2007 Budget Recommendations**p. D-346**

Newark Law School Clinical Legal Programs for the Poor, \$740,000 is appropriated for the Civic Square Project—Debt Service, \$75,000 is appropriated for the Walter Rand Institute for Public Affairs, \$700,000 is appropriated for In Lieu of Taxes to New Brunswick, \$500,000 is appropriated for capital projects or maintenance for Division of Intercollegiate Athletic facilities at Rutgers, New Brunswick, and \$300,000 is appropriated for the New Jersey EcoComplex, Burlington County. These accounts shall be considered special purpose appropriations for accounting and reporting purposes.

Explanation

The FY 2007 recommended budget does not include language to support several initiatives that were funded in FY 2006. The FY 2006 initiatives included \$18.0 million to support capital construction costs at the Rutgers-Newark School of Business, \$500,000 to support operating expenses for the Gubernatorial Papers Project, \$135,000 to support E3CO, Inc., and \$215,000 in additional funding to support the New Jersey EcoComplex in Burlington. The FY 2007 recommended budget language eliminates funding for the initiatives listed above, and decreases funding to the New Jersey EcoComplex in Burlington by \$215,000 from \$515,000 in FY 2006 to \$300,000 in FY 2007.

2006 Appropriations Handbook**p. B-160**

Of the sums hereinabove appropriated for the New Jersey Agricultural Experiment Station, \$900,000 is appropriated for Strategic Initiatives Programs, \$250,000 is appropriated for Blueberry and Cranberry Research, \$691,000 is appropriated for the Snyder Farm Planning and Operation, and \$500,000 is appropriated for Fruit Research. These accounts shall be considered special purpose appropriations for accounting and

2007 Budget Recommendations**p. D-347**

Of the sums hereinabove appropriated for the New Jersey Agricultural Experiment Station, \$900,000 is appropriated for Strategic Initiatives Programs, \$250,000 is appropriated for Blueberry and Cranberry Research, \$691,000 is appropriated for the Snyder Farm Planning and Operation, and \$500,000 is appropriated for Fruit Research. These accounts shall be considered special purpose appropriations for accounting and

Language Provisions (Cont'd)

<u>2006 Appropriations Handbook</u>	<u>2007 Budget Recommendations</u>
<p>p. B-160</p> <p>reporting purposes.</p>	<p>p. D-347</p> <p>reporting purposes. <u>Of the remaining sums appropriated hereinabove, an amount not to exceed \$2,568,000 may be reallocated to Rutgers, The State University provided that this reallocation does not result in the loss of any federal receipts anticipated by the Agricultural Experiment Station, subject to the approval of the Director of the Division of Budget and Accounting.</u></p>

Explanation

This FY 2007 recommended language provides that an amount not to exceed \$2.6 million of the FY 2007 recommended appropriation to support the operating expenses of the Agricultural Experiment Station may be reallocated to Rutgers, The State University.

<u>2006 Appropriations Handbook</u>	<u>2007 Budget Recommendations</u>
<p>p. B-160</p> <p>From the amount hereinabove appropriated for the University of Medicine and Dentistry of New Jersey, the Director of the Division of Budget and Accounting may transfer such amounts related to hospital employee fringe benefits costs equal to enhanced Medicaid inpatient hospital payments for a hospital that has been recognized as a nominal charge hospital for the three years prior to June 30, 2000.</p>	<p>No comparable language.</p>

Explanation

According to the Office of Management and Budget, prior to June 30, 2005, the federal government permitted Disproportionate Share Hospitals to claim 175 percent of the costs to provide care to Medicaid recipients. Ordinarily, the State pays the fringe benefits costs of University of Medicine and Dentistry of New Jersey (UMDNJ) hospital employees; however the referenced language authorized the Director of the Office of Management and Budget (OMB) to transfer an amount equal to UMDNJ's fringe benefits costs from the amounts appropriated to UMDNJ. In effect, UMDNJ's fringe benefits costs were paid from the revenues derived from Medicaid Disproportionate Share Hospital payments. The federal provision which allowed this claiming expired June 30, 2005, so the language is deleted.

Language Provisions (Cont'd)**2006 Appropriations Handbook****2007 Budget Recommendations****p. B-164**

From the amounts hereinabove appropriated for General Institutional Operations in the senior public institutions, the State Treasurer is authorized to pay the final 1/24th of fiscal year 2005 General Institutional Operations grant payment to each senior public institution in July 2005.

No comparable language.

Explanation

This FY 2006 budget language authorized the State Treasurer to make a portion of the previous fiscal year's (FY 2005) payment for the support of operations at the senior public institutions of higher education from appropriations for the current fiscal year (FY 2006). In effect the language, which was originally included in the FY 2004 appropriations act, permitted the State Treasurer to defer 1/24th of each fiscal year's payment to the following fiscal year. Comparable language has been included in the FY 2005 and FY 2006 appropriations acts. The language is not recommended for FY 2007. While the absence of similar FY 2007 language does not affect appropriations, it would appear to diminish the prospect that the senior public institutions will ever recoup the deferred payment.

2006 Appropriations Handbook**2007 Budget Recommendations****p. B-164**

Notwithstanding any provision of law to the contrary, if any Senior Public College or University adopts an increase in its undergraduate 2005–2006 tuition rate of more than 8% above its undergraduate 2004–2005 tuition rate, including any shifts of costs previously funded from other institutional sources to student fees during the 2005–2006 academic year, as shall be determined by the Director of the Division of Budget and Accounting based upon a report that shall be provided by the New Jersey Commission on Higher Education, the appropriation of State funds to that college or university shall be reduced by 5% for each 1% that the tuition rate increase exceeds 8%.

No comparable language.

Language Provisions (Cont'd)

Explanation

The FY 2006 budget language provided that if a senior public institution of higher education increased average in-state full-time undergraduate tuition for the 2005-2006 academic year by more than 8 percent above the prior year, including shifting any costs previously funded from other institutional sources to student fees during the 2005-2006 academic year, the institution's FY 2006 appropriation would be reduced by 5 percent for each 1 percent that the tuition rate increased above 8 percent. The Governor has not recommended comparable language in FY 2007.

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p. B-179

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 [55,852] for fiscal year [2005].

2007 Budget Recommendations

p. D-408

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 57,445 for fiscal 2006.

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 \$12 million in direct operating aid in FY 2007, as recommended by the Governor, that amount would represent 39.3 percent of the amount needed to fully fund the "Independent College and University Assistance Act," P.L. 1979, c.132.

2006 Appropriations Handbook

p. B-179

From the amount hereinabove appropriated for Aid to Independent Colleges and Universities, the State Treasurer is authorized to pay the final 1/24th of fiscal year 2005 Aid to Independent Colleges and Universities payments in July 2005 less any amounts appropriated to these colleges and universities under P.L.2004, c.60.

2007 Budget Recommendations

No comparable language.

Language Provisions (Cont'd)**Explanation**

The FY 2006 budget language authorized the State Treasurer to make a portion of the previous fiscal year's (FY 2005) payment for the support of operations at independent institutions of higher education from appropriations for the current fiscal year (FY 2006). In effect the language, which was originally included in the FY 2004 appropriations act, permitted the State Treasurer to defer 1/24th of each fiscal year's payment to the following fiscal year. Subsequently under P.L. 2004, c.60, \$641,000 in supplemental funding was provided to the independent institutions in FY 2004 to offset the deferred payment. As a result, the FY 2005 and FY 2006 appropriations acts included language which reflected the fact that the independent institutions had been paid a portion of the deferred payment. The language is not recommended for FY 2007. While the absence of similar FY 2007 language does not affect appropriations, it would appear to diminish the prospect that the independent colleges will ever recoup the balance of the deferred payment.

2006 Appropriations Handbook**2007 Budget Recommendations****p. B-180**

In addition to the amount hereinabove appropriated, there is appropriated an amount not to exceed \$10,000,000, to pay for debt service on higher education facilities bonds as may be lawfully issued during this fiscal year subject to enabling legislation, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language.

Explanation

This language originated in FY 2005 and was continued in FY 2006 to assure adequate funding for debt service costs in the event that the Legislature authorized new indebtedness to support the capital needs of institutions of higher education. In the absence of legislative action that would provide for such new debt the language is not recommended in FY 2007.

2006 Appropriations Handbook**2007 Budget Recommendations****p. B-180**

In addition to the amounts hereinabove appropriated for the New Jersey Stem Cell Research Institute, there is appropriated to

No comparable language.

Language Provisions (Cont'd)**2006 Appropriations Handbook****2007 Budget Recommendations****p. B-180**

the University of Medicine and Dentistry of New Jersey \$162,000 from the Higher Education Facility Renovation and Rehabilitation Fund (P.L.1990, c.126), created pursuant to the Jobs, Education and Competitiveness Bond Act of 1988 (P.L.1988, c.78), for the purpose of renovating space in the Research Annex Building in Piscataway to support stem cell research.

Explanation

In May 2004 the New Jersey Stem Cell Research Institute was jointly established by the University of Medicine and Dentistry of New Jersey (UMDNJ) and Rutgers, The State University. The FY 2006 language appropriated \$162,000 to UMDNJ from the Higher Education Facility Renovation and Rehabilitation Fund established pursuant to P.L. 1990, c.126, with funds made available through the "Jobs, Education, and Competitiveness Bond Act of 1988," P.L. 1988, c.78. The FY 2006 appropriation was used to support stem cell research-related renovation efforts in the Research Annex Building in Piscataway.

2006 Appropriations Handbook**2007 Budget Recommendations****p. B-180**

In addition to the amounts hereinabove appropriated for the New Jersey Stem Cell Research Institute, there is appropriated to Rutgers, the State University \$162,000 from the Higher Education Facility Renovation and Rehabilitation Fund (P.L.1990, c.126), created pursuant to the Jobs, Education and Competitiveness Bond Act of 1988 (P.L.1988, c.78), for the purpose of renovating space in Nelson Hall to support stem cell research.

No comparable language.

Language Provisions (Cont'd)**Explanation**

In May 2004 the New Jersey Stem Cell Research Institute was jointly established by the University of Medicine and Dentistry of New Jersey (UMDNJ) and Rutgers, The State University. The FY 2006 language appropriated \$162,000 to Rutgers University from the Higher Education Facility Renovation and Rehabilitation Fund established pursuant to P.L. 1990, c.126, with funds made available through the "Jobs, Education, and Competitiveness Bond Act of 1988," P.L. 1988, c.78. The FY 2006 appropriation was used to support stem cell research-related renovation efforts in Nelson Hall.

2006 Appropriations Handbook**p. B-180**

In addition to the amount hereinabove for operational costs, there is appropriated **[\$14,000,000]** from the Supplemental Workforce Fund for Basic Skills for the same purpose.

2007 Budget Recommendations**p. D-409**

In addition to the amount hereinabove for operational costs, there is appropriated \$8,000,000 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) receives a redirected 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 \$8 million from the fund in FY 2007 to offset the cost of basic skills education at the State's 19 county colleges, a decrease of \$6 million from the FY 2006 appropriation.

2006 Appropriations Handbook**p. B-180**

From the amount hereinabove appropriated for county college Operational Costs aid, the State Treasurer is authorized to pay the final 1/24th of fiscal year 2005 county college Operational Costs aid payments in July 2005 less any amounts appropriated to these colleges under P.L.2004, c.60.

2007 Budget Recommendations

No comparable language.

Language Provisions (Cont'd)

Explanation

The FY 2006 budget language authorized the State Treasurer to make a portion of the previous fiscal year's (FY 2005) payment for the support of operations at county colleges from appropriations for the current fiscal year (FY 2006). In effect the language, which was originally included in the FY 2004 appropriations act, permitted the State Treasurer to defer 1/24th of each fiscal year's payment to the following fiscal year. Subsequently under P.L. 2004, c.60, \$4.5 million in supplemental funding was provided to the county colleges to offset the deferred payment. As a result, the FY 2005 and FY 2006 appropriations acts included language which reflected the fact that the county colleges had been paid a portion of the deferred payment. The language is not recommended for FY 2007. While the absence of similar FY 2007 language does not affect appropriations, it would appear to diminish the prospect that the county colleges will ever recoup the balance of the deferred payment.

2006 Appropriations Handbook

p. B-180

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.

2007 Budget Recommendations

p. D-409

Such additional sums as may be required for Alternate Benefit Program – Employer Contributions, Alternate Benefit Program—Non-contributory Insurance, Teachers' Pension and Annuity Fund – Non-contributory Insurance, Employer Contributions – Teachers' Pension and Annuity Fund, 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.

Explanation

In previous fiscal years, the employer contribution for employee group insurance was made from excess valuation assets or employer contributions directly to the pension funds. The FY 2007 recommended budget language has been amended to include separate line-items to the Teachers' Pension and Annuity Fund and the Alternate Benefit Program for the State's contribution to the non-contributory group insurance premium funds.

Language Provisions (Cont'd)**2006 Appropriations Handbook****2007 Budget Recommendations****p. B-180**

Notwithstanding any provision of law to the contrary, in addition to the amount hereinabove appropriated for the Teachers' Pension and Annuity Fund- Post Retirement Medical, there is hereby appropriated an amount as determined by the State Treasurer to fund the pension cost contribution by the State to the Teachers' Pension and Annuity Fund, payment for which shall be credited against amounts on deposit in the benefit enhancement fund established in N.J.S.18A:66-16.

No comparable language.

Explanation

The FY 2006 language provided that in addition to the amounts appropriated for the Teachers' Pension and Annuity Fund (TPAF)-Post Retirement Medical, the State Treasurer was authorized to divert money from the benefit enhancement fund to help pay the employer contribution amount required for the State to meet its obligation to support TPAF. The language is not necessary in FY 2007 because the benefit enhancement fund has been depleted.

2006 Appropriations Handbook**2007 Budget Recommendations****p. D-409**

No comparable language.

Notwithstanding the provisions of any other law to the contrary, from the sums hereinabove appropriated for county college Operational Costs, there are allocated such sums as are required to provide the reimbursement to cover tuition costs of the National Guard members pursuant to subsection b. of section 1 of P.L.2001, c.427 (C.18A:62-24).

Explanation

Under P.L. 1999, c.46, public institutions of higher education, including New Jersey county colleges, are required to provide tuition-free enrollment to certain members of the New Jersey National Guard, and the State is to reimburse the institution for the tuition costs of the Guard members. The FY 2007 recommended language provides that the reimbursement for the

Language Provisions (Cont'd)

tuition costs of Guard members incurred by a county college is included in each county college's annual operating aid appropriation.



Discussion Points

1. 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 2006, 5,390 students received merit scholarships under the program which includes four cohorts of students. The FY 2007 budget recommendation will decrease funding for the program by \$4.3 million (30.8 percent), from \$14.0 million in FY 2006 to \$9.7 million in FY 2007. The proposed reduction reflects the fact that scholarships will not be awarded to an incoming freshman cohort; however the FY 2007 recommendation will continue to provide support to those students already receiving a scholarship under the program.

- **Question:** Please provide the number of the students who received full scholarships and students who received partial scholarships under the OSRP in FY 2006 and what institutions they attended. Please also provide the number of students offered full and partial OSRP scholarships who declined enrollment.
- **Question:** How has the recommended 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?
- **Question:** Recent news reports have indicated that Rutgers and The College of New Jersey have promised to fund freshmen OSRP scholarships for students who are eligible for, and would have been awarded a scholarship under, the OSRP in the 2006-2007 academic year. Will other public and independent institutions do the same? What other measures, if any, have institutions developed as a substitute for State OSRP funds?

2. State support for senior public colleges and universities is being decreased in FY 2007. The Governor's budget recommends \$807.6 million in direct operating aid for FY 2007, which is \$143.5 million less than the FY 2006 adjusted appropriation. In recent news reports, several institutions have suggested that if they sought to cover the Governor's FY 2007 recommended reductions in operating aid and other funding categories solely through tuition, senior public institutions would need to increase 2006-2007 tuition by at least 30 percent from 2005-2006 tuition levels. Several institutions have also indicated that the FY 2007 recommended funding level would mean significant layoffs, elimination of scheduled classes, and reduced student services.

In its analysis of the FY 2007 recommended budget, the New Jersey Association of State Colleges and Universities estimated that an additional \$31 million is necessary to cover employee salary increments and cost of living adjustments (COLAs) at the State colleges and universities. It has also been estimated that when the costs of COLAs for Rutgers, UMDNJ and NJIT are added in this total rises to about \$90 million. However, the Governor's budget recommends no salary program funding for the State colleges and universities in FY 2007, even though the State negotiates the contracts for certain State college employees. In FY 2006, \$35.4 million was appropriated for the salary program.

Discussion Points (Cont'd)

Additionally, the FY 2007 recommended budget provides \$545.7 million to cover fringe benefits for the employees of the State colleges and universities. The FY 2007 recommendation essentially represents flat-funding although it is estimated that in FY 2007 an additional \$80 million increase from the FY 2006 amount would be necessary for this purpose.

- **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 2007.
- **Question:** How is it anticipated that the institutions will meet employee fringe benefits and salary program costs? What effect will the discontinued aid for the salary program and the lack of funds to cover increased fringe benefits costs have on the four-year public colleges and universities?

3. The FY 2006 appropriations act included language which provided that if an institution increased average in-state full-time undergraduate tuition in 2005-2006 by more than 8 percent above the prior year, including any shifts of costs previously funded from other institutional sources to student fees during the 2005-2006 academic year, the institution's FY 2006 appropriation would be reduced by 5 percent for each 1 percent that the tuition rate increased above 8 percent. As a result, the 2005-2006 academic year tuition charges at each of the senior public institutions increased by less than 8 percent, with an average of 7.4 percent. While the FY 2007 recommended budget indicates that all public institutions will experience a 10 percent across the board reduction in operating aid, no language is recommended to limit 2006-2007 tuition increases. Data on the Commission on Higher Education's website indicates that between the 1999-2000 and 2005-2006 academic years average tuition increases for in-state full-time undergraduate students at the State colleges were 8.2 percent annually, and the annual tuition increase for in-state full-time undergraduate students at Rutgers, The State University and the New Jersey Institute of Technology has averaged 7.5 percent at each institution.

- **Question:** Given the reduction in State support and the absence of language to limit 2006-2007 academic year tuition increases, what is the average tuition increase anticipated for the 2006-2007 academic year at the senior public colleges and universities?

4. The "Higher Education Incentive Funding Act," P.L. 1999, c.226, provides State funds to match private endowment contributions or donations made to New Jersey's public and independent institutions of higher education or other related foundations. The amount of matching funds payable depends on whether the gifts are endowment contributions or donations and on the type of institution (public vs. independent) to which the gifts are made. The law excludes institutions having a total endowment of more than \$1 billion from participation in the program. In FY 2006, \$3 million was appropriated to support the Higher Education Incentive Endowment Fund. In FY 2007, the Governor's budget recommends no funding for the Higher Education Incentive Endowment Fund. Information contained in the FY 2007 budget-in-brief indicates that the program would be discontinued because the State has never been able to meet its obligation to match endowment contributions and a five-fold increase in appropriations would be required to fully match eligible contributions already received by the colleges and universities.

Discussion Points (Cont'd)

- **Question:** Please provide information regarding the current endowment levels at four-year public institutions and county colleges.
- **Question:** Please provide a list of the institutions that received State matches from the Higher Education Incentive Endowment Fund, the number and amounts of the State awards since the program's inception in 1999, and the additional appropriations that would have been required annually to fully match the eligible contributions.

5a. The FY 2006 funding for the Tuition Aid Grant Program (TAG) will increase by \$5.8 million (2.8 percent) from \$208.9 million in FY 2006 to \$214.7 million in FY 2007. The budget indicates that the FY 2007 recommended appropriation will provide an estimated 50,866 awards in the 2006-2007 academic year, the same number provided in the 2005-2006 academic year. When fully funded, TAG awards for the neediest students fund up to the full tuition costs at public institutions, and up to 50 percent of the average tuition at independent colleges and universities. Under the FY 2007 recommended language, the Higher Education Student Assistance Authority (HESAA) is directed to provide to students enrolled in public institutions, who are eligible for maximum awards under the TAG Program, an increase above the FY 2006 award amount equal to the difference between the in-state undergraduate 2005-2006 tuition rate for the institution and the institution's in-state undergraduate 2004-2005 tuition rate (one-year lag) with comparable increases for students who are eligible for maximum awards and enrolled at independent institutions. The FY 2007 recommended language also provides that of the \$214.7 million recommended for TAG, \$5 million will be used to provide an additional percentage award increase to offset any 2006-2007 tuition increase for students eligible for maximum TAG awards. While students eligible for maximum awards will see their FY 2007 award (based on 2005-2006 tuition rates) increase over the FY 2006 award by an amount which will partially fund the existing one-year lag, all other TAG awards will be based on 2003-2004 tuition rates, a three-year lag behind 2006-2007 tuition rates. This includes an increase for students eligible for maximum awards at public institutions (estimated 15,000 students) to cover the tuition increase which occurred between the 2004-2005 and 2005-2006 academic years (average of \$423 at senior public institutions and \$109 at the county colleges), a comparable increase to offset tuition increases for the same period (average of \$1,346) for students eligible for maximum TAG awards at independent institutions (estimated 3,550 students), and for all other TAG award recipients (estimated 32,316 students) an increase to offset the tuition increase which occurred between the 2002-2003 and 2003-2004 academic years for all sectors (maintain the three-year lag).

- **Question:** What is the estimated cost to HESAA of funding all TAG awards based on the tuition rate for the 2005-2006 academic year, a one-year lag? What percentage of the 2005-2006 tuition rate will FY 2007 TAG awards fund for students receiving a maximum award and for students who are not eligible for a maximum TAG award in each sector? Information on the State accounting system indicates that \$17.2 million of the FY 2006 TAG appropriation has been placed in reserve but is not included on the Governor's list of anticipated FY 2006 lapses nor anticipated FY 2007 carryforward balances. For what purposes will those funds be used? Has consideration been given to using the \$17.2 million placed in reserve in FY 2006 to increase awards to the students whose TAG award in FY 2007 will represent a three-year lag behind 2006-2007 tuition rates?

Discussion Points (Cont'd)

- **Question:** Please provide an estimated TAG table showing FY 2007 TAG awards distributed by New Jersey Eligibility Index (NJEI), sector, average award amounts, number of awards, and total estimated cost based on the FY 2007 recommended appropriation and language provision.

5b. Additional FY 2007 footnote language provides that reappropriated balances will be held as a contingency to fund unanticipated increases in the number of applicants qualifying for TAG awards and to fund shifts in the distribution of awards that result in an increase in total costs, or to offset any shortfalls in the federal Leveraging Educational Assistance Partnership (LEAP) program. Further, that in addition to the amounts appropriated for TAG awards (\$214.7 million), subject to the approval of the Director of the Division of Budget and Accounting, funds to cover the costs of increases in the number of students qualifying for TAG awards or to fund shifts in the distribution of awards that result in an increase in total program costs are appropriated.

- **Question:** How much in reappropriated (carryforward) balances does the authority anticipate will be available for FY 2007 TAG contingency funds? Will any portion of those funds be used to provide TAG award recipients with award increases above the FY 2006 award amounts?

5c. The TAG program has provided award recipients with TAG awards that lag behind tuition costs at the institutions of higher education. In the case of students eligible for maximum TAG awards and enrolled at a public institution, this has meant that since FY 2003, their TAG award has been one year behind current tuition. For all other students eligible for TAG awards, this has meant up to a three-year lag behind tuition rates for the year in which the TAG grant was awarded. By funding the TAG program in this manner, TAG awards for many students have been funding a smaller percentage of tuition costs each year. Concurrently, funding for federal student aid programs such as the Pell Grant Program and the College Work Study Program, for which a number of TAG award recipients qualify, have not provided an increase in the maximum award amount to students in those programs in several years. The maximum Pell Grant is currently \$4,050 which is only \$50 more than it was for the 2002-2003 academic year. To students and parents who depend on grant programs such as TAG, Pell and College Work Study to offset the cost of attendance at institutions of higher education, this lack of increased funding means that the student and/or parent is funding a higher percentage of those costs. If this trend continues, the indebtedness of students and parents who, based on annual income and other factors, have been identified as most in need of tuition assistance will inevitably increase.

In FY 2004, \$10.4 million of the TAG appropriation was unused and was reappropriated (carryforward) to fund FY 2005 TAG awards. In FY 2005, \$18.2 million of the TAG appropriation was unspent and lapsed to the General Fund. The FY 2006 appropriation to support TAG awards was \$208.9 million. Of this amount, \$17.2 million has been placed in reserve and will not be spent in the current fiscal year.

- **Question:** In the current environment of tuition increases that have been between 4.7 percent and 9 percent annually since FY 2004 at the senior public institutions and up to 17.1 percent at the county colleges, please provide the

Discussion Points (Cont'd)

rationale for continuing to provide eligible students with TAG awards, to offset current year tuition costs, that are based on the tuition costs of up to three years prior.

- **Question:** Does the authority have suggestions on what can be done to address the issue of the overall decrease in grant-based student financial aid relative to current costs for TAG award recipients, other than an increase in borrowing? Has the authority analyzed TAG award recipient data to accurately determine the rate at which the student loan indebtedness of TAG award recipients has been increasing?

6. The Veterinary Medicine Education Program was established in 1971 under N.J.S.18A:71B-47. The program provides for contractual agreements between the Higher Education Student Assistance Authority (HESAA) and out-of-state schools of veterinary medicine for the acceptance of New Jersey residents who have been residents of the State for twelve consecutive months. Under the statute, the schools receive a capitation subsidy toward the cost of education in return for a number of reserved spaces for New Jersey residents.

Schools with which HESAA has a contract include the University of Pennsylvania, Cornell University, Tuskegee University, Iowa State University, Oklahoma State University, University of Illinois, and Tufts University. The FY 2007 recommended budget indicates that in FY 2006 the program served 96 students at a cost of \$1.3 million. The Governor does not recommend FY 2007 funding for this program.

- **Question:** Although under the Veterinary Medicine Education Program veterinarians are not required to return to practice and live in New Jersey, do individuals who benefit from the program return to this State to contribute to the economic and social life of New Jersey? How many veterinarians has the program produced since FY 2001, and how many of them are currently practicing in New Jersey? Please provide a breakdown of program participants by annual cost, school, and class.

7. Language contained in the FY 2007 Budget in Brief indicates that New Jersey taxpayers pay an estimated \$22.7 million annually to subsidize out-of-state undergraduate students at the senior public institutions of higher education. Further, the Executive estimates that if the institutions eliminate the subsidy and charge out-of-state undergraduate students the full cost of their educational expenses, the institutions could realize an estimated \$5.7 million in FY 2007.

- **Question:** Please provide information on the number of out-of-state students that are currently enrolled in New Jersey public colleges and universities. Please provide information on New Jersey's out-of-state tuition as compared to the out-of-state tuition rates in neighboring states. If implemented as proposed, by what amount would out-of-state tuition increase above current tuition rates? How would this change impact the ability of New Jersey public institutions to recruit out-of-state students?

8. The FY 2007 recommended budget includes \$12.0 million to support operating expenses at the independent institutions of higher education, a \$12.0 million or 50 percent

Discussion Points (Cont'd)

reduction from the FY 2006 adjusted appropriation of \$24 million. The FY 2007 recommended appropriation would provide 39 percent of the amount required to fully fund the "Independent College and University Assistance Act," P.L. 1979, c.132.

- **Question:** Please explain whether recommended operating reductions will be offset by other resources, and if so, please identify the source of those funds. If no replacement funds are available, how will this reduction impact the operations of the independent colleges? What percentage of the sector's overall operating costs does this cut represent? If tuition revenue is used as the only source to replace the funding, by what average percentage would tuition increase for the 2006-2007 academic year?

9. The FY 2007 recommended State aid appropriation for the operational costs of the county colleges is \$146.3 million, a \$16.3 million decrease from the FY 2006 amount of \$162.6 million. This funding includes appropriations from the Supplemental Workforce Fund for Basic Skills, which provides \$14 million in FY 2006 and would provide \$8 million in FY 2007. The county college system is composed of 19 institutions that provide access to higher education for a broad range of New Jersey residents.

- **Question:** Please explain whether recommended operating reductions will be offset by other resources, and if so, please identify the source of those funds. If no replacement funds are available, how will this reduction impact the operations of the county colleges?

10. The New Jersey Transfer Initiative (NJ Transfer) was developed as a joint initiative of the New Jersey Commission on Higher Education and the New Jersey Presidents' Council. This web-based data information system was designed to help provide a seamless transfer from New Jersey community colleges to New Jersey four-year colleges and universities. The FY 2007 recommended budget provides no appropriation to support NJ TRANSFER and indicates that the institutions that participate in the NJ TRANSFER program can absorb the FY 2007 program costs. The FY 2006 appropriation was \$780,000.

- **Question:** How has the implementation of NJ TRANSFER affected students' ability to transfer among institutions of higher education? Please provide information on the number of customers (students, parents, counselors) who use NJ TRANSFER on an annual basis. Should the Governor's recommendation be enacted as part of the FY 2007 appropriations act, will the program be funded from non-State sources or will the program cease to exist? What costs did the FY 2006 appropriation support?

11. The New Jersey Higher Education Network (NJEDge.net), a non-profit corporation of the New Jersey Presidents' Council, is a broadband Statewide network designed to enhance the teaching, research and public service missions of New Jersey's colleges and universities. The range of capabilities, resources, and services offer economies of scale, provide expanded opportunities for integrating emerging technologies, and promote new forms of inter-institutional collaboration. This private, Statewide infrastructure effectively "raises the bar" for high performance data and video capabilities across the State's three Local Access and Transport Area (LATA) boundaries and extends the reach of higher education to off-campus learners, K-12, as well as corporate and community constituents. The FY 2007 recommended

Discussion Points (Cont'd)

budget does not include funding to support this program and further indicates that the FY 2007 program costs can be absorbed by the institutions that participate in the network. The FY 2006 appropriation for the network was \$350,000.

- **Question:** What benefits have been realized from institutional collaborations and other network activities? Should the Governor's recommendation be enacted as part of the FY 2007 appropriations act, will the program be funded from non-State sources or will the network be eliminated? What costs did the FY 2006 appropriation support?

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Individuals wishing information and committee schedules on the FY 2007 budget are encouraged to contact:

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