



ANALYSIS OF THE NEW JERSEY BUDGET

**HIGHER
EDUCATIONAL
SERVICES**

FISCAL YEAR

2009 - 2010

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-8; D-325 to D-349; D-379 to D-387;
D-444 to D-451

Fiscal Summary (\$000)

	Expended FY 2008	Adjusted Appropriation FY 2009	Recommended FY 2010	Percent Change 2009-10
State Budgeted	\$1,526,554	\$1,499,478	\$1,482,817	(1.1%)
Federal Funds	\$24,048	\$23,937	\$60,573	153.1%
<u>Other</u>	<u>\$9,859</u>	<u>\$7,750</u>	<u>\$8,836</u>	<u>14.0%</u>
Grand Total	\$1,560,461	\$1,531,165	\$1,552,226	1.4%

Personnel Summary - Positions By Funding Source

	Actual FY 2008	Revised FY 2009	Funded FY 2010	Percent Change 2009-10
State	38	33	30	(9.1%)
Federal	158	155	157	1.3%
Other	13	11	11	—
<u>Colleges & Univ's.*</u>	<u>20,216</u>	<u>21,948</u>	<u>23,866</u>	<u>8.7%</u>
Total Positions	20,425	22,147	24,064	8.7%

FY 2008 (as of December) and revised FY 2009 (as of January) personnel data reflect actual payroll counts. FY 2010 data reflect the number of positions funded.

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

Key Points

- The overall FY 2010 budget recommendation for Higher Educational Services totals \$1.55 billion, an increase of 1.4 percent from the FY 2009 adjusted appropriation of \$1.53 billion. The *Budget In Brief* (page 43-44) reports total State support for Higher Education of \$2.1 billion, up \$42.9 million (2.0 percent), which incorporates funding for salary adjustments, net fringe benefit support, and facilities aid provided directly by the New Jersey Educational Facilities Authority not included in the display above.

Higher Educational Services – Department of State

- Colleges and Universities:** Direct operating aid for senior public institutions of higher education is recommended at \$844.9 million, a \$1.3 million (.2 percent) decrease from

Key Points (Cont'd)

- the FY 2009 adjusted appropriation of \$846.2 million. The recommended reduction is due to a 5 percent across-the-board decrease in operating aid for all senior public institutions, except for the University of Medicine and Dentistry of New Jersey (UMDNJ). UMDNJ is not recommended for a reduction and would receive an additional \$30.9 million. The New Jersey Institute of Technology (NJIT) has an additional \$752,000 reduction in aid reflecting what the Executive has characterized as a subsidy provided to out-of-state undergraduate students.
- In addition to operating aid, the FY 2010 recommended budget provides \$636.9 million to cover fringe benefits for employees of the State colleges and universities.
 - No salary program funding is recommended for FY 2010. The FY 2009 Appropriations Act provides \$38.5 million to support contractual salary increases at the senior public institutions. However, State accounting records indicate that, as of April 22, 2009, two quarterly payments totaling \$19.2 million have been made and the remaining \$19.2 million (50 percent of the appropriation) has been placed in reserve. The FY 2010 Budget in Brief (Appendix II, page 19) indicates that FY 2009 salary program funding will be reduced by \$9.6 million or 25 percent of the amount originally appropriated. Additionally, according to press reports and a New Jersey Association of State Colleges and Universities' press release, the Executive has informed the senior public institutions that the State will not make the salary program payment scheduled for April. It is uncertain whether the institutions will receive a fourth quarter payment (\$9.6 million) to support FY 2009 salary increases.
 - The overall level of funding for State colleges and universities -- operating aid and fringe benefit costs -- totals \$1.482 billion, an increase of \$25 million (1.7 percent) above the FY 2009 adjusted funding level of \$1.467 billion.
 - As is the case in FY 2009, no pay-as-you-go capital funding is recommended in FY 2010.
 - **Commission on Higher Education:** The total FY 2010 recommended State appropriation of \$47.8 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 \$857,000 or 1.8 percent from the FY 2009 adjusted appropriation of \$48.7 million. The recommended appropriation reflects a \$826,000 decrease in Grants-In-Aid funding to support the commission, including a \$500,000 or 31 percent decrease in funds to support the Higher Education for Special Needs Students Program, a \$242,000 or 53.8 percent decrease in funds to support the Minority Faculty Advancement Program, and an \$84,000 or 18.7 percent decrease in funds to support the Program for the Education of Language Minority Students. The recommended budget also includes a \$31,000 decrease in funding for the commission's administrative costs.
 - **Higher Education Student Assistance Authority (HESAA):** The FY 2010 budget recommends \$1 million in operating aid for HESAA, a 20.6 percent or \$260,000 decrease from the \$1.3 million FY 2009 adjusted appropriation. The decrease is primarily due to the shifting of \$253,000 in personnel costs to non-State sources.

Key Points (Cont'd)

- Funding for the Tuition Aid Grant Program (TAG) will increase by \$32.7 million (13.1 percent) from \$250.5 million in FY 2009 to \$283.2 million in FY 2010. The budget indicates that the FY 2010 recommended appropriation is supplemented by \$34.1 million in federal stimulus funding provided under the American Recovery and Reinvestment Act of 2009 (ARRA) and will provide an estimated 57,578 awards in the 2009-2010 academic year, 3,463 more than the number provided in the 2008-2009 academic year. Under the FY 2010 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 2009 award amount equal to the difference between the in-state undergraduate 2008-2009 tuition rate for the institution and the institution's in-state undergraduate 2007-2008 tuition rate (one-year lag) with comparable increases for students who are eligible for maximum awards and enrolled at not-for-profit independent institutions.

The language will maintain, for students with the highest need enrolled in public institutions, the existing one-year lag between award amounts and current year tuition and comparable increases for students who are eligible for maximum awards and are enrolled at not-for-profit independent institutions. TAG awards for students enrolled in public institutions, other than those eligible for maximum TAG awards, will be based on 2006-2007 tuition rates (three-year lag) and students enrolled in not-for-profit independent institutions will be provided with comparable increases.

The language also provides however, that effective with the 2009-2010 academic year, TAG awards for students at for profit post-secondary proprietary institutions will not exceed the corresponding average award amount available for students attending a State college or university established pursuant to chapter 64 of Title 18A of the New Jersey Statutes (all senior-public colleges excluding Rutgers, UMDNJ, and NJIT). The current TAG policy for eligible students attending a for profit, post-secondary proprietary institution provides an award of up to 50 percent of the average tuition at the independent colleges. For FY 2008, the average TAG award for a student eligible for maximum TAG at an independent college, including for profit proprietary institutions, was estimated at \$10,132, while the average award for a comparable student at one of the 9 State colleges was estimated at \$5,987. If enacted, the policy change for students at for-profit proprietary institutions will result in a reduction from the 2008-2009 TAG award amount for some students and the elimination of 2009-2010 TAG award eligibility for other students. The FY 2010 recommended budget indicates that the change will result in a savings of \$11.5 million.

- The FY 2010 recommended budget provides \$7.1 million for the Part-Time Tuition Aid Grant Program, a 19.2 percent or \$1.1 million increase over the FY 2009 amount of \$6.0 million. This program, established on a pilot basis in FY 2004, provides tuition aid 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 10,000 students, an increase of 255 students over the current year.

Key Points (Cont'd)

- No funding is recommended to support the Outstanding Scholars Recruitment Program (OSRP) in FY 2010 consistent with the Executive plan to phase out the OSRP. FY 2009 is the final year of the OSRP. No funding has been appropriated to support a new cohort of OSRP students since FY 2007. In the current fiscal year, State-funded OSRP scholarships provide up to \$7,500 to eligible college seniors, the last remaining cohort of OSRP students. The majority of the last cohort of OSRP students will graduate in FY 2009. However, the Executive estimates that 43 OSRP students, who have not completed their coursework, will be enrolled under OSRP in FY 2010. FY 2010 OSRP scholarships will be funded using the FY 2009 OSRP unexpended balance of approximately \$112,000.
- The FY 2010 recommended budget estimates that collectively the New Jersey Student Tuition Assistance Reward Scholarship Programs (NJ STARS and NJ STARS II) will provide scholarships to approximately 5,077 participants in FY 2010, 148 fewer than the number estimated for FY 2009. The estimated decrease reflects the fact that NJ STARS and NJ STARS II were revised under P.L. 2008, c.124 which was enacted in December 2008, in an effort to control the escalating cost of the programs. The FY 2009 appropriation of \$14.7 million, which supports both programs, is supplemented by a carry-forward balance of approximately \$4 million from FY 2008, resulting in total available FY 2009 funding of \$18.7 million. FY 2010 evaluation data suggests that all of the FY 2009 funding will be expended and an estimated \$17.7 million will be required to support FY 2010 scholarships.

Higher Educational Services – Department of Treasury

- **Aid to Independent Colleges:** The FY 2010 budget proposal recommends funding of \$17.5 million to support independent colleges and universities, a \$920,000 or 4.7 percent decrease from the FY 2009 adjusted appropriation of \$18.4 million. The decrease is consistent with a 5 percent reduction in operating aid to the independent colleges and universities. The FY 2010 recommendation would provide 60 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 2010 proposed budget recommends total funding of \$141.6 million in operational aid for the county colleges, with the General Fund providing \$127.6 million and the Supplemental Workforce Fund for Basic Skills (SWF) providing \$14 million. This represents a 5 percent or \$7.5 million decrease from the FY 2009 funding level.
- Under the general law providing for the establishment, operation and funding of county colleges, the colleges are to receive State support for up to one-half the cost of capital projects, subject to legislative appropriation. A 1971 supplement to the general law, P.L. 1971, c.12 (chapter 12 program), provides that whenever the State Treasurer determines that funds are insufficient to satisfy the State's share of project costs, the county board of freeholders may finance those costs through the issuance of county bonds on which the State is obligated to pay debt service. A 1997 law authorized the New Jersey Educational Facilities Authority to issue bonds for that purpose. The original chapter 12 program established a ceiling of \$80,000,000 on the principal amount of such debt. This ceiling is currently set at \$530,000,000 through subsequent

Key Points (Cont'd)

amendments to the original law. The FY 2009 recommended appropriation of \$41.4 million for debt service is a \$3.3 million (8.8 percent) increase over the \$38.0 million FY 2009 adjusted appropriation to fund debt service costs for both previous and anticipated bond issuances.

Miscellaneous Higher Education Programs

- The Higher Education Equipment Leasing Fund finances the purchase of equipment at public and independent institutions of higher education. The fund was established under the "Higher Education Equipment Leasing Fund Act," P.L.1993, c.136, and is financed through bonds issued by the New Jersey Educational Facilities Authority (NJEFA). The State pays 75 percent of the debt service on the bonds and the institution pays 25 percent. The FY 2010 budget recommends a 56 percent decrease for debt service payments under the program, from \$9 million in FY 2009 to \$3.9 million in FY 2010, consistent with maturity schedules on outstanding bonds.
- The Higher Education Technology Infrastructure Fund Act, P.L. 1993, c.238, provided \$55 million to support critical technology needs and complements the State's other facility and equipment bond funds. The State pays the entire cost of the debt service associated with the bonds. The FY 2010 recommended budget does not include funding to support the debt service costs of Higher Education Technology Infrastructure Fund bonds. In FY 2009, \$6.3 million was provided to meet the debt service obligation. The Executive has indicated that all bonds will be retired in FY 2009.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2008	Adj. Approp. FY 2009	Recom. FY 2010	Percent Change	
				2008-10	2009-10
General Fund					
Direct State Services	\$3,140	\$2,498	\$2,207	(29.7%)	(11.6%)
Grants-In-Aid	1,313,661	1,289,350	1,275,347	(2.9%)	(1.1%)
State Aid	176,732	169,604	163,905	(7.3%)	(3.4%)
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$1,493,533	\$1,461,452	\$1,441,459	(3.5%)	(1.4%)
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	33,021	38,026	41,358	25.2%	8.8%
Sub-Total	\$33,021	\$38,026	\$41,358	25.2%	8.8%
Casino Revenue Fund	\$0	\$0	\$0	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$1,526,554	\$1,499,478	\$1,482,817	(2.9%)	(1.1%)
Federal Funds	\$24,048	\$23,937	\$60,573	151.9%	153.1%
Other Funds	\$9,859	\$7,750	\$8,836	(10.4%)	14.0%
Grand Total	\$1,560,461	\$1,531,165	\$1,552,226	(0.5%)	1.4%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2008	Revised FY 2009	Funded FY 2010	Percent Change	
				2009-10	2009-10
State	38	33	30	(21.1%)	(9.1%)
Federal	158	155	157	(0.6%)	1.3%
All Other	13	11	11	(15.4%)	0.0%
Colleges and Universities*	20,216	21,948	23,866	18.1%	8.7%
Total Positions	20,425	22,147	24,064	17.8%	8.7%

FY 2008 (as of December) and revised FY 2009 (as of January) personnel data reflect actual payroll counts. FY 2010 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%	44.0%	42.0%	----	----
Higher Ed. Student Assist. Authority	30.4%	30.9%	30.9%	----	----

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2009</u>	<u>Recomm. FY 2010</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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Commission on Higher Education

Higher Education for Special Needs Students	\$1,600	\$1,100	(\$ 500)	(31.3%)	D-309
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The Higher Education for Special Needs Students Program was established under the "Higher Education Services for Visually Impaired, Auditorily Impaired and Learning Disabled Students Act," P.L. 1985, c.493. The program facilitates the provision of support services for special needs students. Currently there are eight centers located at institutions of higher education throughout the State providing direct assistance to auditorily impaired, visually impaired, and learning disabled students. The FY 2009 appropriation to support the program is \$1.6 million; however \$356,000 or 22 percent, an unspecified "savings" identified during FY 2009, is scheduled to lapse at the end of the current fiscal year under the Governor's plan to reduce State spending to offset FY 2009 revenue shortfalls. The FY 2010 recommended appropriation of \$1.1 million represents a \$500,000 or 31 percent reduction from the FY 2009 adjusted appropriation of \$1.6 million and is \$244,000 below projected FY 2009 expenditures. The impact of this reduction on support services to special needs students is unclear.

Minority Faculty Advancement Program	\$450	\$208	(\$ 242)	(53.8%)	D-309
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The Minority Faculty Advancement Program was established under P.L.1984, c.189 to increase the number of doctorally trained minority faculty and administrators at New Jersey colleges and universities. The program provides incentive grants to New Jersey colleges which provide support opportunities (advising, mentoring, workshops, etc.) for eligible students. The program also supports loan redemption up to \$40,000 over four years to newly hired minority faculty or administrators with doctoral degrees. The FY 2010 recommended budget provides \$208,000 to fund the program, which represents a \$242,000 or 53.8 percent reduction from the FY 2009 appropriation of \$450,000. The impact of this reduction on the program is unclear.

Program for the Education of Language Minority Students	\$450	\$366	(\$ 84)	(18.7%)	D-309
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Since 1988, the State of New Jersey has supported efforts to enhance services to language minority students at its colleges and universities. The Education of Language Minority Students Program provides grants to support services to non-native English-speaking students enrolled at institutions of higher education. The FY 2010 recommended appropriation of \$366,000 represents a \$84,000 or 18.7 percent reduction from the FY 2009 adjusted appropriation of \$450,000. The reduction equals an unspecified "savings" identified during FY 2009 which is intended to lapse as part of the Governor's plan to re-balance the FY 2009 budget.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2009</u>	<u>Recomm. FY 2010</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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Student Assistance Programs

Higher Education Student Assistance Authority - Direct State Services	\$1,262	\$1,002	(\$ 260)	(20.6%)	D-314 to D-315
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The FY 2010 recommended appropriation of \$1 million to support HESAA operations represents a \$260,000 or 20.6 percent decrease from the FY 2009 adjusted appropriation. The Office of Management and Budget (OMB) has indicated that the reduction reflects the intent to shift several HESAA positions from State-funded sources to non-State sources.

Veterinary Medicine Education Program	\$687	\$424	(\$ 263)	(38.3%)	D-315
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The FY 2010 recommended budget provides \$424,000 to fund the Veterinary Medicine Education Program, a \$263,000 or 38 percent reduction from the FY 2009 adjusted appropriation of \$687,000. The program, established in 1971 under N.J.S.18A:71B-47, supports 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. 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. Funding to support the program has decreased from \$1.4 million in FY 2006 to \$424,000 recommended for FY 2010. As a result, the number of participating schools has declined to 3 from 7, while the number of seats reserved for New Jersey residents has decreased from 92 in FY 2006 to an estimated 34 in FY 2010.

Tuition Aid Grants	\$250,490	\$283,218	\$32,728	13.1%	D-315
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The FY 2010 funding for the Tuition Aid Grant Program (TAG) will increase by \$32.7 million (13.1 percent) from \$250.5 million in FY 2009 to \$283.2 million in FY 2010. The FY 2010 recommended appropriation listed above includes \$34.1 million in federal stimulus funding provided under the American Recovery and Reinvestment Act of 2009 (ARRA). The recommended budget indicates that the FY 2010 appropriation will support an estimated 57,578 awards in the 2009-2010 academic year, 3,463 more than the number provided in the 2008-2009 academic year.

Under FY 2010 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 2009 award amount equal to the difference between the in-state undergraduate 2008-2009 tuition rate for the institution and the institution's in-state undergraduate 2007-2008 tuition rate (one-year lag) with comparable increases for students who are eligible for maximum awards and are enrolled at not-for-profit independent institutions. The language will maintain, for students with the highest need enrolled in public institutions, the existing one-year lag between award amounts and current year tuition.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2009</u>	<u>Recomm.</u> <u>FY 2010</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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For students not eligible for maximum TAG awards and enrolled in public institutions, FY 2010 TAG awards will be based on 2006-2007 tuition rates (three-year lag), and students enrolled at not-for-profit independent institutions will be provided with comparable increases.

Language proposed in the FY 2010 recommended budget also changes the TAG policy for students attending for-profit, post-secondary, proprietary institutions. The language stipulates that effective Fall 2009, TAG awards for students at such institutions will not exceed the corresponding average award amount available for a student attending a State college or university established pursuant to chapter 64 of Title 18A of the New Jersey Statutes (all senior public colleges excluding Rutgers, UMDNJ, and NJIT). The current TAG policy for eligible students attending a for-profit, post-secondary, proprietary institution provides an award of up to 50 percent of the average tuition at the independent colleges. For FY 2008, the average TAG award for a student eligible for maximum TAG at an independent college, including for profit proprietary institutions, was estimated at \$10,132, while the average award for a comparable student at one of the 9 State colleges was estimated at \$5,987. If enacted, the policy change for students at for-profit proprietary institutions will result in a reduction from the 2008-2009 TAG award amount for some students and the elimination of 2009-2010 TAG award eligibility for other students. The FY 2010 recommended budget indicates that this change will result in a savings of \$11.5 million.

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

Colleges	\$5,970	\$7,115	\$ 1,145	19.2%	D-315
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The FY 2010 recommended appropriation of \$7.1 million represents a \$1.1 million or 19.2 percent increase above the FY 2009 adjusted appropriation of \$6.0 million. The recommended appropriation is projected to assist 10,002 students, an increase of 255 students over the current year. This program 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.

**Outstanding Scholars
Recruitment Program**

	\$3,003	\$0	(\$3,003)	(100.0%)	D-315
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No funding is recommended to support the Outstanding Scholars Recruitment Program (OSRP) in FY 2010, consistent with the Executive plan to phase out the OSRP. FY 2009 is the final year of the OSRP. No funding has been appropriated to support a new cohort of OSRP students since FY 2007. In the current fiscal year, State-funded OSRP scholarships provide up to \$7,500 to eligible college seniors, the last remaining cohort of OSRP students. The majority of the last cohort of OSRP students will graduate in FY 2009. The Higher Education Student Assistance Authority estimates that 43 OSRP students, who have not completed their coursework, will be enrolled under OSRP in FY 2010 and those scholarships will be funded using the FY 2009 OSRP unexpended balance of approximately \$112,000.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2009</u>	<u>Recomm. FY 2010</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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The 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. This program is intended to serve 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.

New Jersey World**Trade Center****Scholarship Program**

\$250

\$450

\$ 200

80.0%

D-315

The FY 2010 recommended appropriation of \$450,000 to support this scholarship program is \$200,000 or 80 percent more than the \$250,000 appropriated in FY 2009. The increase would provide adequate finding for an estimated 134 recipients. Under the "New Jersey World Trade Center Scholarship Program Act," P.L. 2001, c. 442, scholarships are awarded to dependent children or spouses of New Jersey residents who were killed or are presumed dead as a result of the September 11, 2001 terrorist attacks. Scholarship assistance is available for full-time study in degree-granting programs in or out-of-State.

New Jersey Student**Tuition Assistance****Reward Scholarship****(NJ STARS & NJ STARS II)**

\$14,682

\$17,769

\$ 3,087

21.0%

D-315

The FY 2010 recommended budget estimates that collectively the New Jersey Student Tuition Assistance Reward Scholarship Programs (NJ STARS and NJ STARS II) will provide scholarships to approximately 5,077 participants in FY 2010, 148 fewer than the number estimated for FY 2009. The estimated decrease reflects the fact that NJ STARS and NJ STARS II were revised under P.L. 2008, c.124 which was enacted in December 2008, in an effort to control the escalating cost of the programs.

In the case of NJ STARS, P.L. 2008, c.124 increased the eligibility requirements for receipt of a scholarship, including a higher high school graduation rank (top 15% as opposed to top 20%), completion of a rigorous course of high school study, and demonstration through testing of a student's ability to complete college-level course work. In the case of the NJ STARS II Program, the law increased the cumulative county college grade point average required for an NJ STARS II scholarship (3.25 as opposed to 3.0), provided that the scholarship will cover only tuition as opposed to tuition and fees (except in the case of a TAG recipient), limited the amount of the scholarship available under the program in accordance with the student's grade point average (\$3,000 or \$3,500 per semester), established a family income limit of \$250,000, and provided that the State and the four-year public colleges will each pay one-half of the NJ STARS II scholarship amount. These changes reflected the recommendations of the Governor's NJ STARS Task Force.

The FY 2009 appropriation of \$14.7 million, which supports both programs, is supplemented by a carry-forward balance of approximately \$4 million from FY 2008, resulting in total

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2009</u>	<u>Recomm. FY 2010</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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available FY 2009 funding of \$18.7 million. FY 2010 evaluation data suggests that all of the FY 2009 funding will be expended and an estimated \$17.7 million will be required to support FY 2010 scholarships.

State Colleges and Universities

State Support for Four-Year State Colleges and Universities	\$846,190	\$844,905	(\$1,285)	(.2%)	D-317 to D-349
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The recommended reduction in direct operating aid for senior public institutions of higher education is due to a 5 percent across-the-board reduction in operating aid for all senior public institutions, except for the University of Medicine and Dentistry of New Jersey (UMDNJ). UMDNJ is not recommended for a decrease and would receive an additional \$30.9 million. The New Jersey Institute of Technology (NJIT) has an additional \$752,000 reduction in aid reflecting what the Executive has characterized as a subsidy provided to out-of-state undergraduate students. Not included in the above are \$636.9 million recommended for fringe benefits for the senior public institutions.

The following is a listing of the total recommended appropriation for the support of the individual senior public institutions.

Rutgers, The State University	\$283,925	\$269,729	(\$14,196)	(5.0%)	D-318 to D-321
Agricultural Experiment Station	\$25,598	\$24,318	(\$1,280)	(5.0%)	D-321 to D-322
University of Medicine and Dentistry of New Jersey	\$218,548	\$249,398	\$30,850	14.1%	D-322 to D-325

Operating aid for the University of Medicine and Dentistry of New Jersey (UMDNJ) will increase by \$30.9 million or 14.1 percent, from \$218.5 million in FY 2009 to \$249.4 million in FY 2010 (page D-325 of the recommended budget), due to the maintenance of general operating aid for the university at the FY 2009 level and the inclusion of new funds, \$30.9 million, to support "UMDNJ – Stabilization". The Office of Management and Budget has characterized "UMDNJ-Stabilization" as a subsidy arising from the interrelationship between the university and University Hospital, and has indicated that the UMDNJ Medical School has subsidized University Hospital in prior years without any appropriation to offset the subsidy.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2009</u>	<u>Recomm. FY 2010</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
New Jersey Institute of Technology	\$45,134	\$42,125	(\$3,009)	(6.7%)	D-326 to D-327
<p>Operating aid for the New Jersey Institute of Technology (NJIT) will decrease by \$3 million or 6.7 percent, from \$45.1 million in FY 2009 to \$42.1 million in FY 2010 due to the 5 percent across-the-board reduction in operating aid for the senior public institutions and an additional \$752,000 reduction in what the Executive has characterized as a subsidy provided to out-of-state undergraduate students enrolled at the New Jersey Institute of Technology. In FY 2007 the Executive branch asserted that out-of-state undergraduate students did not pay the full cost of their education at a New Jersey senior public institution, and thus were subsidized by New Jersey taxpayers in an amount estimated in 2007 to be \$22.7 million. Consequently, the Governor initiated a policy to eliminate the subsidy by phasing it out over four years. The FY 2010 recommended reduction of \$752,000 represents the fourth year of the phase-out.</p>					
Thomas A. Edison State College	\$5,584	\$5,305	(\$ 279)	(5.0%)	D-328 to D-329
Rowan University	\$36,165	\$34,357	(\$1,808)	(5.0%)	D-329 to D-331
New Jersey City University	\$30,677	\$29,143	(\$1,534)	(5.0%)	D-332 to D-334
Kean University	\$39,411	\$37,440	(\$1,971)	(5.0%)	D-334 to D-336
William Paterson University	\$38,674	\$36,740	(\$1,934)	(5.0%)	D-337 to D-339
Montclair State University	\$45,461	\$43,188	(\$2,273)	(5.0%)	D-339 to D-341
The College of New Jersey	\$34,516	\$32,790	(\$1,726)	(5.0%)	D-342 to D-344

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2009</u>	<u>Recomm. FY 2010</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Ramapo College of New Jersey	\$18,990	\$18,040	(\$ 950)	(5.0%)	D-344 to D-346
The Richard Stockton College of New Jersey	\$23,507	\$22,332	(\$1,175)	(5.0%)	D-346 to D-349

Higher Educational Services

Aid to Independent Colleges and Universities	\$18,391	\$17,471	(\$ 920)	(5.0%)	D-385
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The recommended decrease of 5 percent in general operating support for independent colleges and universities is consistent with recommended operating aid reductions for New Jersey public colleges and universities.

Equipment Leasing Fund – Debt Service	\$9,009	\$3,930	(\$5,079)	(56.4%)	D-385
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The appropriation to fund the State's share of debt service costs for bonds issued under the "Higher Education Equipment Leasing Fund Act," P.L. 1993, c.136, is recommended to decrease by \$5.1 million, from \$9.1 million in FY 2009 to \$3.9 million in FY 2010. The "Higher Education Equipment Leasing Fund Act" authorized the New Jersey Educational Facilities Authority (EFA) to issue bonds in an outstanding principal amount of \$100 million to support the purchase of scientific, engineering, technical, computer, communication and institutional equipment at higher education institutions. The State pays 75 percent of the debt service costs and the institution pays 25 percent. The decrease reflects a decline in debt service obligations.

Higher Education Technology Bond – Debt Service	\$6,347	\$0	(\$6,347)	(100.0%)	D-385
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The FY 2010 recommended budget does not include funding to support the debt service costs of Higher Education Technology Infrastructure Fund bonds. In FY 2009, \$6.3 million was provided to meet the debt service obligation on these bonds. The Executive has indicated that no FY 2010 funding is necessary as all Higher Education Technology bonds were retired in FY 2009. The "Higher Education Technology Infrastructure Fund Act", P.L. 1993, c.375, provided \$55 million to support critical technology needs and complements the State's other higher education facility and equipment bond fund programs. The State pays the entire cost of the debt service associated with the bonds.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2009</u>	<u>Recomm. FY 2010</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
<u>State Aid:</u>					
County College Operational Costs – Total	<u>\$149,093</u>	<u>\$141,638</u>	<u>(\$7,455)</u>	(5.0%)	D-385 to D-386
General Fund	\$135,093	\$127,638	(\$7,455)	(5.5%)	D-385 to D-386
Supplemental Workforce Fund for Basic Skills	\$14,000	\$14,000	0	—	D-385 to D-386

The Governor's FY 2010 recommended budget includes total State support of \$141.6 million for the operational costs of the county colleges, a 5 percent decrease from the FY 2009 adjusted appropriation of \$149.1 million consistent with funding policy for other public and independent colleges and universities. This funding includes appropriations from the Supplemental Workforce Fund for Basic Skills, which provides \$14 million in FY 2009 and will provide the same amount in FY 2010 under the recommended budget.

Debt Service for Chapter 12	\$38,026	\$41,358	\$ 3,332	8.8%	D-386
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The FY 2010 recommended appropriation of \$41.4 million for debt service on chapter 12 bonds is a \$3.3 million (8.8 percent) increase over the \$38.1 million FY 2009 adjusted appropriation to fund increased debt service costs for both previous and anticipated bond issuances. Under the general law providing for the establishment, operation and funding of county colleges, the colleges are to receive State support for up to one-half the cost of capital projects, subject to legislative appropriation. A 1971 supplement to the general law, P.L. 1971, c.12 (chapter 12 program), provides that whenever the State Treasurer determines that funds are insufficient to satisfy the State's share of project costs, the county board of freeholders may finance those costs through the issuance of county bonds on which the State is obligated to pay 50 percent of the debt service. A 1997 law authorized the New Jersey Educational Facilities Authority to issue bonds for that purpose. The original chapter 12 program established a ceiling of \$80,000,000 on the principal amount of such debt. This ceiling is currently set at \$530,000,000 through subsequent amendments to the original law.

Employer Contributions – Teachers' Pension and Annuity Fund	\$343	\$49	(\$ 294)	(85.7%)	D-386
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The FY 2010 recommended appropriation to support the Teachers' Pension and Annuity Fund (TPAF) has been reduced by \$294,000 or 85.7 percent, from \$343,000 in FY 2009 to \$49,000 in FY 2010. The OMB has indicated that the appropriation recommended is consistent with

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2009</u>	<u>Recomm.</u> <u>FY 2010</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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recommended funding of the various defined benefit pension systems in FY 2010 of about 6 percent of the full funding requirement.

Language Provisions

2009 Appropriations Handbook

No comparable language.

2010 Budget Recommendations

p. D-316

Notwithstanding the provisions of any law or regulation to the contrary, effective with the 2009 - 2010 academic year, students attending a post-secondary, for profit, proprietary institution in New Jersey approved for participation in the Tuition Aid Grant Program prior to July 1, 2009, who are eligible for awards under the Tuition Aid Grants program hereinabove appropriated, shall receive an award not to exceed the corresponding average award amount for the State colleges or universities established pursuant to chapter 64 of Title 18A of the New Jersey Statutes including any State college designated as a teaching university.

Explanation

Under the FY 2010 recommended language, the Higher Education Student Assistance Authority (HESAA) will provide to a student enrolled in a for profit post-secondary proprietary institution of higher education a TAG award amount that will not exceed the average TAG award amount of comparable TAG recipients at the State colleges or universities established pursuant to chapter 64 of Title 18A of the New Jersey Statutes (9 State colleges). Current TAG policy for students eligible for a maximum TAG award at a for profit post-secondary proprietary institution of higher education provides approximately 50 percent of the average tuition at the independent institutions. Under the proposed language, all TAG awards for students at for profit proprietary institutions will reflect the fact that the maximum award will be based on the average award amount for the 9 State colleges rather than the average tuition at the independent institutions. For FY 2008, the average TAG award for a student eligible for maximum TAG at an independent college, including for profit proprietary institutions, was estimated at \$10,132, while the average award for a comparable student at one of the 9 State colleges was estimated at \$5,987. If enacted, the policy change for students at for-profit proprietary institutions will result in a reduction from the 2008-2009 TAG award amount for some students and the elimination of 2009-2010 TAG award eligibility for other students. The Executive has estimated that the proposed TAG policy for college students at for profit proprietary institutions will result in savings of \$11.5 million in FY 2010.

Language Provisions (Cont'd)

<u>2009 Appropriations Handbook</u>	<u>2010 Budget Recommendations</u>
No comparable language.	<p>p. D-316</p> <p><u>Notwithstanding the provisions of any law or regulation to the contrary, participation in the Tuition Aid Grant Program hereinabove appropriated, shall be limited to those institutions that currently participate or have been approved to participate in State grant and scholarship programs for the 2009-2010 academic year.</u></p>

Explanation

The recommended FY 2010 language provides that participation in the TAG Program will be limited to students attending institutions that currently participate in the program or which have been approved to participate in State-funded student aid programs for the 2009-2010 academic year. The Office of Management and Budget (OMB) has indicated that the language will enable the TAG Program to avoid the impact of students enrolled in institutions newly-licensed by the Commission on Higher Education during FY 2010. The proposed language is intended to prevent increases in required TAG funding when a new institution becomes licensed and the students enrolled in that institution are thus eligible to participate in the TAG Program. Typically, the TAG Program has provided support for all eligible students, including students at institutions that gain approval to participate in State grant and scholarship programs after annual TAG funding has been determined and appropriated.

<u>2009 Appropriations Handbook</u>	<u>2010 Budget Recommendations</u>
<p>p. B-163</p> <p>[Notwithstanding the provisions of any law or regulation to the contrary, any institution of higher education which participates in the Student Unit Record Enrollment data system may participate in the Outstanding Scholars Recruitment Program.]</p>	No comparable language.

Explanation

No State aid is recommended to support the Outstanding Scholars Recruitment Program (OSRP) in FY 2010 due to the Executive's plan to phase out the OSRP. As a result, the FY 2009 language is not necessary. In FY 2009, only a senior class cohort of students is receiving scholarships under the OSRP.

Language Provisions (Cont'd)

<p style="text-align: center;"><u>2009 Appropriations Handbook</u></p> <p>p. B-165</p> <p>For the purpose of implementing the appropriations act for the current fiscal year, the number of State—funded positions at the University of Medicine and Dentistry of New Jersey shall be [5,545].</p>	<p style="text-align: center;"><u>2010 Budget Recommendations</u></p> <p>p. D-325</p> <p>For the purpose of implementing the appropriations act for the current fiscal year, the number of State—funded positions at the University of Medicine and Dentistry of New Jersey shall be <u>6,972</u>.</p>
<p style="text-align: center;"><u>2009 Appropriations Handbook</u></p> <p>p. B-165</p> <p>For the purpose of implementing the appropriations act for the current fiscal year, the number of State—funded positions at the New Jersey Institute of Technology shall be [805].</p>	<p style="text-align: center;"><u>2010 Budget Recommendations</u></p> <p>p. D-327</p> <p>For the purpose of implementing the appropriations act for the current fiscal year, the number of State—funded positions at the New Jersey Institute of Technology shall be <u>1,246</u>.</p>
<p style="text-align: center;"><u>2009 Appropriations Handbook</u></p> <p>p. B-166</p> <p>For the purpose of implementing the appropriations act for the current fiscal year, the number of State—funded positions at Kean University shall be [1,078].</p>	<p style="text-align: center;"><u>2010 Budget Recommendations</u></p> <p>p. D-336</p> <p>For the purpose of implementing the appropriations act for the current fiscal year, the number of State—funded positions at Kean University shall be <u>1,128</u>.</p>

Explanation

The State pays fringe benefits costs for all State-funded employees at the senior public institutions and determines the number of State-funded employees at each institution annually. Under the FY 2010 recommended language, the number of State-funded positions will increase from 5,545 to 6,972 at the University of Medicine and Dentistry of New Jersey, from 805 to 1,246 at New Jersey Institute of Technology, and from 1,078 to 1,128 at Kean University.



Language Provisions

<u>2009 Appropriations Handbook</u>	<u>2010 Budget Recommendations</u>
No comparable language.	<p>p. D-325</p> <p><u>For the purposes of implementing the appropriations act for the current fiscal year, the fringe benefits for not more than 1,238 positions funded by medical services contracts with the Department of Health and Senior Services of the Department of Human Services, are funded by the State.</u></p>

Explanation

According to the Office of Management and Budget (OMB), the University of Medicine and Dentistry of New Jersey provides medical services under contracts with the Department of Human Services and the Department Health and Senior Services and those contracts support the salaries of 1,238 FTE positions at the university. The contracts contain no provision for the funding of fringe benefits costs for these employees, which are provided by the State and funded through Interdepartmental Accounts Grants-in-Aid appropriations. The OMB has indicated that the FY 2010 recommended language is necessary to clarify that the fringe benefits for these FTE positions are supported by the State, although these FTE positions are not State-funded higher education positions.

<u>2009 Appropriations Handbook</u>	<u>2010 Budget Recommendations</u>
<p>p. B-165</p> <p>[Of the amounts hereinabove appropriated for the University of Medicine and Dentistry of New Jersey, there is allocated for RobertWood Johnson Medical School--Camden for the purpose of faculty support and affiliate hospital (CooperUniversity Hospital) support, including program and capital support that will benefit patients from Camden and the region, (a) an amount equal to the amount budgeted by the University of Medicine and Dentistry of New Jersey in its fiscal year 2006--2007 budget for Robert Wood Johnson Medical School--Camden for affiliate and related non--salary expense , and (b) the unexpended balances of the amounts budgeted by the University of Medicine and Dentistry of New Jersey in its fiscal year 2005--2006, 2006--2007, and 2007--2008</p>	No comparable language.

Language Provisions (Cont'd)

2009 Appropriations Handbook

2010 Budget Recommendations

p. B-165

budgets for Robert Wood Johnson Medical School--Camden for affiliate and related non-salary expense.】

Explanation

Part (a) of the FY 2009 language provides that of the amounts appropriated to the University of Medicine and Dentistry of New Jersey (UMDNJ) in FY 2009, no less than the amount budgeted to Robert Wood Johnson Medical School-Camden for affiliate and related non-salary expense in FY 2007 should be budgeted to support faculty and Cooper University Hospital in FY 2009. Part (b) of the FY 2009 language provides that the unexpended balances of the amounts budgeted to support affiliate and related non-salary expenses of Robert Wood Johnson Medical School-Camden in FY 2006, FY 2007 and FY 2008 will be appropriated for the support of faculty and Cooper University Hospital in FY 2009. The Office of Management and Budget (OMB) has indicated that removing part (a) of the language gives UMDNJ the flexibility to allocate resources among its various units based on university policy and determination of the relative need of each unit. Also, according to the OMB, part (b) has been replaced with standardized re-appropriation language regarding the prior-year balances of Robert Wood Johnson Medical School – Camden (see below for discussion regarding recommended language on page D-325 of the FY 2010 proposed budget).

2009 Appropriations Handbook

2010 Budget Recommendations

p. B-165

【The unexpended balances of appropriations for fiscal year 2005 through 2008 for Robert Wood Johnson Medical School--Camden -- debt service are appropriated to the Department of Health and Senior Services for the purposes of the Cancer Institute of New Jersey -- South Jersey program.】

No comparable language.

Explanation

The FY 2009 language provides that the unexpended appropriation balances for FY 2005 through FY 2008 to support Robert Wood Johnson Medical School-Camden debt service costs will be appropriated to the Department of Health and Senior Services (DHSS) for the Cancer Institute of New Jersey – South Jersey Program. The Office of Management and Budget has

Language Provisions (Cont'd)

indicated that the balances referenced were transferred to the Department of Health and Senior Services so comparable language is not necessary in FY 2010.

<u>2009 Appropriations Handbook</u>	<u>2010 Budget Recommendations</u>
No comparable language.	<p>p. D-325</p> <p><u>The unexpended balances of appropriations at the end of the preceding fiscal year to Robert Wood Johnson Medical School, Camden, for the purpose of faculty support and affiliate hospital (Cooper University Hospital) support, including program and capital support that will benefit patients from Camden and the region, are appropriated for those purposes.</u></p>

Explanation

According to the Office of Management and Budget, the FY 2010 proposed language replaces part (b) of FY 2009 budget language found on page B165 of the FY 2009 Appropriations Handbook which provides that the unexpended balances of the amounts budgeted to support the affiliate and related non-salary expenses of Robert Wood Johnson Medical School-Camden in FY 2006, FY 2007 and FY 2008 will be appropriated for the support of faculty and Cooper University Hospital in FY 2009. Under the FY 2010 recommended language, unexpended FY 2009 balances for faculty support and Cooper University Hospital expenses will be re-appropriated for the same purposes in FY 2010.

<u>2009 Appropriations Handbook</u>	<u>2010 Budget Recommendations</u>
No comparable language.	<p>p. D-325</p> <p><u>The unexpended balances of appropriations at the end of the preceding fiscal year for Debt Service - Robert Wood Johnson Medical School, Camden, are appropriated for that purpose.</u></p>

Explanation

The recommended FY 2010 budget language provides that any balance remaining from the funds appropriated to pay the debt service costs of Robert Wood Johnson Medical School, Camden in FY 2009 will be re-appropriated for the same purpose in FY 2010.

Language Provisions (Cont'd)

<u>2009 Appropriations Handbook</u>	<u>2010 Budget Recommendations</u>
<p>p. B-185</p> <p>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 [58,751] for fiscal year [2008].</p>	<p>p. D-386</p> <p>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 <u>60,751</u> for fiscal year <u>2009</u>.</p>

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 \$17.5 million in direct operating aid in FY 2010, as recommended by the Governor, that amount would represent 60 percent of the amount needed to fully fund the "Independent College and University Assistance Act," P.L.1979, c.132.



Discussion Points

1. The Governor's budget incorporates an estimated \$5.183 billion over two fiscal years in federal stimulus funding provided by the American Recovery and Reinvestment Act (ARRA) of 2009. According to a table on page 42 of the Governor's abbreviated budget, the State will use \$3.074 billion (\$854 million in FY 2009 and \$2.220 billion in FY 2010) from ARRA for budget relief. In addition to these funds which will offset revenue shortfalls, \$2.109 billion will be used for new or expanded programs or initiatives. The ARRA allocates funds to states both by formula and by competitive awards. Most executive departments anticipate stimulus funding in either FY 2009, FY 2010 or both.

- **Question:** Please itemize the federal stimulus funding, if any, other than portions of the \$3.074 billion allocated for budget relief, included in the Commission on Higher Education (CHE) and Higher Education Student Assistance Authority (HESAA) budgets, by fiscal year and federal program, setting forth program goals and eligible uses together with the amount for State administrative expenses and the amount for allocation to local public and private recipients, respectively. Please identify intended and actual recipients and the process by which the CHE and HESAA determine recipients and funding awards. Are there ARRA funds that flow through the CHE and HESAA for which the State has no discretion? Please also set forth the timetable for obtaining federal approval of funding, obligation and allocation of funding to recipients, and use by recipients. Could any of this funding be used to offset other State appropriations, and if so, what programs and in what amount? What additional positions, if any, have been and will be hired with these funds? If this money is being used for new or expanded activities, will the new or expanded activities be continued in FY 2011? If so, how will they be funded?
- **Question:** In addition to funding incorporated in the FY 2010 budget, what specific competitive grant opportunities has the CHE or HESAA identified that they are eligible to pursue, has applied for, and has been awarded, respectively?

2. Over the past several years, the overall staffing level in the Executive branch has been reduced through restrictions on hiring and an early retirement program. The FY 2010 budget proposal envisions continuation of the hiring restrictions coupled with possible furloughs or further reductions in positions.

- **Question:** How has the reduction in staffing affected CHE and HESAA? What strategies have been employed to deal with staff reductions? What projects, work products or functions have been discontinued or deferred because of staffing levels? Will the CHE and HESAA be able to accommodate furloughs in FY 2010 without increasing spending for overtime?

3. The FY 2009 appropriations act anticipated that \$25 million in procurement savings would be achieved by Executive departments. A chart on page 75 of the Budget in Brief categorizes those savings and indicates they will continue into FY 2010. The FY 2010 budget includes another \$25 million from procurement savings (Budget in Brief, Appendix I, page 8).

- **Question:** Please indicate the FY 2009 amount of procurement savings achieved by the CHE and HESAA, by the categories set forth in the referenced table, and the sources of those savings by program. What is the annual amount of these savings as continued into FY 2010? How have these reductions affected the CHE and HESAA?

Discussion Points (Cont'd)

What projects, work products or functions have been discontinued or deferred in order to achieve these savings?

4. The FY 2010 recommended appropriation to support operating expenses at the senior public institutions reflects a 5 percent across-the-board reduction from the FY 2009 adjusted appropriation. However, operating aid for the University of Medicine and Dentistry of New Jersey (UMDNJ) will increase by \$30.9 million or 14.1 percent, from \$218.5 million in FY 2009 to \$249.4 million in FY 2010 (page D-325 of the recommended budget), due to the inclusion of a new appropriation entitled "UMDNJ – Stabilization" and maintenance of general operating aid at the FY 2009 level.

- **Question:** For what purpose will the recommended \$30.9 million be used? Will "UMDNJ - Stabilization" funds be used to support functions that were previously funded with operating aid? Does the FY 2010 recommended appropriation represent a one-time need or does it have funding implications for future fiscal years? Will this appropriation impact university revenues or expenses in FY 2010 or future fiscal years?

5a. The FY 2010 funding for the Tuition Aid Grant Program (TAG) will increase by \$32.7 million (13.1 percent) from \$250.5 million in FY 2009 to \$283.2 million in FY 2010. The budget indicates that the FY 2010 recommended appropriation will provide an estimated 57,578 awards in the 2009-2010 academic year, 3,463 more than the number provided in the 2008-2009 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. For FY 2003 through FY 2010 as recommended, TAG policies and assistance levels have been set through appropriations language. For some students, assistance levels have lagged further behind current tuition rates than others, based upon their level of need and whether they attend public or independent institutions. In no year during that time period has the State fully funded TAG assistance awards in accordance with statute.

- **Question:** Please use hypothetical examples of students enrolled in public and not-for-profit independent colleges to explain the relationship between TAG awards and tuition under the FY 2010 recommended budget.
- **Question:** What is the estimated cost to HESAA of funding all TAG awards based on the tuition rate for the 2008-2009 academic year, a one-year lag?

5b. Language proposed in the FY 2010 recommended budget changes the TAG policy for students attending post-secondary, for profit, proprietary institutions. The language stipulates that effective with the 2009-2010 academic year, TAG awards for students at such institutions will not exceed the corresponding average award amount available for a student attending a State college or university established pursuant to chapter 64 of Title 18A of the New Jersey Statutes (all senior-public colleges excluding Rutgers, UMDNJ, and NJIT). The current TAG policy for eligible students attending a post-secondary, for profit, proprietary institution provides an award of up to 50 percent of the average tuition at the independent colleges. The FY 2010 recommended budget indicates that the change will result in a savings of \$11.5 million.

Discussion Points (Cont'd)

- **Question:** Please provide information on how this policy will impact TAG recipients at the post-secondary, for profit, proprietary institutions. Please use hypothetical examples of students in various cells of the TAG table to explain the impact of the current TAG policy vs. the impact of the proposed TAG policy. How does the number of FY 2009 TAG award recipients at the proprietary institutions compare to the number anticipated for FY 2010? Will students affected by the proposed policy change be able to readily secure funding to replace TAG funding?

6. The Governor's FY 2010 recommended appropriation to support TAG awards includes \$34.1 million in federal stimulus funding provided under the American Recovery and Reinvestment Act of 2009 (ARRA). However, language included in ARRA indicates that states using ARRA funds intended to support institutions of higher education must use the funds "to provide, in each of fiscal years 2009, 2010, and 2011, the amount of funds to public institutions of higher education in the State that is needed to restore State support for such institutions (excluding tuition and fees paid by students) to the greater of the fiscal year 2008 or fiscal year 2009 level." The language seems to indicate that the use of ARRA funds to support TAG would not be authorized.

- **Question:** Has the Executive determined that using ARRA funds to fund TAG awards, which support tuition paid by students, is allowable under ARRA? What level of State support for public institutions of higher education is required for FY 2009 through FY 2011 under ARRA? Should the Executive learn that ARRA funds cannot be used to fund TAG, has another funding source been identified?

7. 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.

In FY 2006 the State provided \$1.4 million to fund 96 students. The annual appropriation to support the program was subsequently reduced by more than 50 percent to \$687,000 in FY 2007. As a result, 4 of the 7 contract schools did not accept new students through the New Jersey program in FY 2009. The FY 2010 recommended budget provides \$424,000 to fund the program, a \$263,000 or 38.3 percent reduction from the FY 2009 adjusted appropriation of \$687,000.

- **Question:** How many schools are expected to participate at the FY 2010 recommended funding level? What is the total number of students being funded in FY 2009? What will the total number be in FY 2010? How many new seats will the FY 2010 recommended appropriation support? Will lack of funding lead the remaining contract schools to withdraw from the program?

8. The Governor has indicated that out-of-state undergraduate students, who do not pay the full cost of their education at a senior public institution, are subsidized by New Jersey taxpayers in the estimated amount of \$22.7 million annually. As a result, a program to

Discussion Points (Cont'd)

eliminate the so-called subsidy by gradually phasing it out over four years was initiated in FY 2007. Consequently, the Governor has annually calculated the portion of the subsidy to be "recovered" from each institution and has reduced each institution's annual State appropriation by that amount. In prior fiscal years, the operating aid provided to the senior public institutions, excluding the University of Medicine and Dentistry of New Jersey (UMDNJ) and Thomas Edison State College, has been reduced by a total of \$14 million (\$5.7 million in FY 2007, \$5.1 million in FY 2008, and \$3.2 million in FY 2009). The FY 2010 recommended budget reduces operating aid to the New Jersey Institute of Technology (NJIT) by \$752,000 and represents the final year of the four-year phase out.

In response to a discussion point in the FY 2009 OLS budget analysis on Higher Educational Services regarding the formula to determine each institution's assessed subsidy, the executive branch indicated that the Office of Management and Budget (OMB) and the Commission on Higher Education (CHE) had devised a formula based on the institution's full cost to educate a student and its out-of-state tuition rate. Based on the formula, 9 senior public institutions were assessed a subsidy under the FY 2009 recommended budget. Subsequently, and prior to the adoption of the FY 2009 appropriations act, Rutgers University's FY 2009 assessed subsidy was reduced from \$4.8 million to \$2.4 million while NJIT's was reduced from \$1.5 million to \$752,000. Rutgers University's FY 2010 budget request indicates that after the university determined that its FY 2009 subsidy was incorrectly assessed its subsidy was essentially eliminated, with a 50% reduction in FY 2009 and the understanding that the remaining \$2.4 million would be restored in FY2010. The FY 2010 recommended budget includes an out-of-state tuition subsidy reduction of \$752,000 for one institution, NJIT.

- **Question:** Does the FY 2010 recommended appropriation for Rutgers University include the \$2.4 million the university has indicated would be restored in FY 2010? Was NJIT's FY 2009 subsidy also reduced due to an incorrect assessment? Have all institutions, with the exception of NJIT increased out-of-state tuition to fund the full cost to educate a student, as determined by the CHE and OMB? Based on the formula, please provide each institution's full cost to educate a student, out-of-state tuition charges, and out-of-state enrollment data for each fiscal year in which the subsidy was assessed (FY 2007 - FY 2010). Have any other institutions determined that their out-of-state tuition subsidy was incorrectly assessed in FY 2009 or prior fiscal years?

9. The Higher Education for Special Needs Students Program was established in 1986 under the "Higher Education Services for Visually Impaired, Auditorily Impaired and Learning Disabled Students Act," P.L. 1985, c.493. The program facilitates the provision of support services for special needs students. Currently there are eight centers located at institutions of higher education throughout the State providing direct assistance to auditorily impaired, visually impaired, and learning disabled students. The goal of the centers is to provide integrated, individualized, direct services to students and technical assistance to other colleges and universities in the State. The FY 2009 appropriation to support the program is \$1.6 million; however \$356,000 or 22 percent is scheduled to lapse at the end of the current fiscal year under the Governor's plan to reduce State spending to offset FY 2009 revenue shortfalls. The FY 2010 recommended appropriation of \$1.1 million represents a \$500,000 or 31 percent reduction from the FY 2009 adjusted appropriation of \$1.6 million.

Discussion Points (Cont'd)

- **Question:** How has the \$356,000 curtailment of FY 2009 funding impacted the services offered under the program? Please discuss the commission's plan to deal with the above-mentioned reductions in FY 2009 and FY 2010.

10. The Minority Faculty Advancement Program was established to increase the number of doctorally trained minority faculty and administrators at New Jersey colleges and universities. The program provides incentive grants to New Jersey colleges which provide support opportunities (advising, mentoring, workshops, etc.) for eligible students. The program also supports loan redemption up to \$40,000 over four years to newly hired minority faculty or administrators with doctoral degrees. The FY 2010 recommended budget provides \$208,000 to fund the program, which represents a \$242,000 or 53.8 percent reduction from the FY 2009 appropriation of \$450,000.

- **Question:** Please provide information on how the reduction recommended for FY 2010 will impact the program?

11. During the FY 2010 budget address, the Governor expressed his intent to save \$400 million in personnel costs through a wage freeze and furlough policy for State employees and has announced a plan to impose a 1 day a month furlough to commence in May 2009. The FY 2010 recommended appropriation to support the senior public colleges represents a 5 percent across the board operating aid reduction and provides no funding to support salary increases in the upcoming fiscal year. The State Treasurer has indicated that the FY 2010 recommended budget assumes the senior public institutions' compliance with the furlough and wage freeze policy.

- **Question:** Have the senior public institutions taken any actions to facilitate the recommended wage freeze and furlough policies? Have the institutions been provided with guidelines to implement these policies? Is the capacity of the State colleges to deal with these matters equivalent to the powers of Rutgers University, UMDNJ, and NJIT? What, if any, alternative measures are being considered should the employee unions not accept the wage freeze policy? Collectively, by what amount would the FY 2010 recommended wage freeze and furlough policies reduce the institutions' budgets?

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