

Discussion Points

1. The FY 2012 recommended budget reduces funding for a variety of merit based scholarship programs. Funding for the Coordinated Garden State Scholarship Programs is reduced by \$2 million or 38.1 percent, from \$5.4 million in FY 2011 to \$3.3 million in FY 2012. According to the recommended budget, this reduction continues the phase out of these programs that began in FY 2011. Under the NJ STARS II program, the scholarship award is reduced from a maximum of \$3,500 per semester to \$1,250 per semester for eligible students who did not previously receive an NJ STARS II scholarship, a 64% reduction in the maximum award amount. The FY 2012 budget also provides that all future NJ STARS II awards will not exceed \$1,250 per semester.

• **Question:** What is the anticipated impact of the elimination and reduction in award amounts of the State's merit scholarship programs on the State's interest in encouraging New Jersey's high achieving students to remain in New Jersey to attend college and eventually enter the workforce? What is the anticipated impact on the out-migration of students? In light of the documented link between place of college attendance and future employment, has the Executive considered the impact of the elimination and reduction of these programs on the future economic development of the State?

- **Response:** Many factors, both economic and non-economic, are considered before a student makes the decision on where to pursue their post-secondary education. The cost of attending the institution and the overall package of assistance offered to a student are two of the more important considerations. A State-sponsored merit-based scholarship is just one small piece of the decision making process. It is not anticipated that the elimination of and reduction in award amounts will be a significant factor in out-migration.

The NJ STARS Program does encourage high achieving students to enroll in New Jersey county colleges. In addition, consistent with one of the recommendations contained in "The Report of the Governor's Task Force on Higher Education," the Governor's proposed budget recommends changing the eligibility requirements for the NJ STARS II Program to permit eligible students to use these awards at both four-year public and private TAG-participating institutions. This may encourage more eligible students to accept NJ STARS awards and transfer to a four-year college in New Jersey to complete their baccalaureate degree and remain in New Jersey when they enter the workforce.

It should be noted that in difficult fiscal times, the HESAA Board's priority is to fund need-based financial aid.

2. Established in 2004, the Teaching Fellows Program provides for the redemption of a portion of a participant's student loan expenses for each year of full-time employment as a teacher in a subject area of critical need or in a high-needs district in the State. The Social Services Student Loan Redemption Program, established pursuant to P.L.2005, c.157, provides loan redemption to direct care professionals who take qualifying jobs in State or county facilities or nonprofit agencies, and addresses the critical shortage of skilled direct care personnel in such settings. No funding is recommended for these programs in FY 2012 and according to the Governor's FY 2012 recommended budget, closing these programs to new participants continues the phase-out of the programs started in FY 2011.

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- **Question:** Why are these programs being eliminated? Has the shortage of teachers in critical subject areas and high needs school districts been eliminated? Do State and county facilities currently have an adequate supply of direct care professionals so that the loan redemption program employment incentive is no longer necessary?

Response: The elimination of funding for these two programs is part of a set of difficult decisions that the Governor made across the budget to bring State expenditures in line with available resources. As outlined below, there are federally funded alternatives to State funding through these programs.

Funding for the Teaching Fellows Program has been eliminated in the Governor's FY 2012 recommended budget. However, the federal student loan program currently offers loan forgiveness to eligible borrowers who enter and continue in the teaching profession in certain eligible elementary and secondary schools that serve low-income families. Under the provisions of the federal Teacher Loan Forgiveness Program, the U.S. Department of Education repays a maximum of \$5,000 or \$17,500, as applicable, of a qualified borrower's Stafford loan obligations, and Consolidation loan obligations to the extent that a Consolidation loan repaid a borrower's qualifying Stafford loan(s). Teachers can also qualify for the public service loan forgiveness program in addition to the federal teachers forgiveness.

The Social Service Student Loan Redemption Program has been eliminated in the Governor's FY 2012 recommended budget. The federal student loan program currently offers a Public Service Loan Forgiveness Program to encourage individuals to enter and continue to work full-time in public service jobs. Public Service jobs include a federal, state, local or Tribal government organization, agency or entity, a public child or family service agency, a non-profit organization under section 501(c)(3) of the Internal Revenue Code, and many private organizations that provide public service for individuals with disabilities, the elderly and public health. The public service program allows for an income-based repayment calculation to assist those borrowers experiencing financial difficulty.

3. Language in the FY 2011 budget provided that State operating aid appropriated for senior public institutions of higher education would be reduced if that institution's average in-State undergraduate 2010-2011 tuition rates and required educational and general fees exceeded 4% growth above the institution's average in-State undergraduate 2009-2010 tuition rates and required educational and general fees. This language is not recommended for continuation in FY 2012.

- **Question:** Is there a concern that without a cap on tuition and fees in FY 2012, there will be significant increases in tuition and fee rates at the senior public institutions of higher education? Has the Executive received any assurances from the institutions that such increases will be limited?
- **Response:** We have been assured that institutions will act responsibly in setting tuition rates.

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- **Question:** How will the elimination of the FY 2011 language impact the relationship between tuition and State student tuition assistance programs, particular TAG awards?
 - Response: The fact that there is no cap on tuition and fees in FY 2012 will not impact the value of 2011-2012 TAG awards. Full-time TAG award values for students who demonstrate the highest need (those with NJEI's below 1500) will be based on 2009-2010 tuition, while TAG awards for all other eligible students will be based on 2007-2008 tuition levels.

- 4. In FY 2011, funding for debt service on chapter 12 bonds to support capital projects for the county colleges decreased by 18.3 percent, from \$41.4 million in FY 2010 to \$34.2 million in FY 2011. In FY 2011, the Office of Management and Budget indicated that there would be a freeze on chapter 12 projects, which could potentially lead to restricted enrollment at county colleges. The FY 2012 recommended appropriation of \$32.2 million further reduces the amount of support for debt service on chapter 12 bonds by \$2 million, a 5.9 percent decrease over the FY 2011 adjusted appropriation.

- **Question:** Did a freeze on chapter 12 projects occur in FY 2011? How will an FY 2012 reduction in funding for debt service on chapter 12 bonds affect the enrollment capacity at county colleges?
 - Response: The FY 2012 budget includes \$32.2 million in debt service to pay for outstanding Chapter 12 debt. Chapter 12 authorizes the issuance of \$530 million of bonds. Currently, there is room under the cap for an additional \$59 million to be issued. Community Colleges have been authorized to issue this amount of capital improvement bonds through the Chapter 12 program.

- 5. The FY 2012 funding for the Tuition Aid Grant Program (TAG) will increase by \$25.2 million (8.5%) from \$294.3 million in FY 2011 to \$319.5 million in FY 2012. The recommended budget indicates that the FY 2012 appropriation will support an estimated 66,733 awards in the 2011-2012 academic year, 2,418 more than the number provided in the 2010-2011 academic year.

For FY 2003 through FY 2012 as recommended, TAG policies and assistance levels have been set annually through appropriations act language. For some students, assistance levels have lagged further behind current tuition rates than others, based upon their level of need and which type of institution of higher education they attend. In no year during that time period has the State fully funded TAG assistance awards in accordance with statute.

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 FY 2012 recommended language, HESAA is directed to provide to students enrolled in public institutions, who are eligible for maximum awards under the TAG program, an award not to exceed the in-State undergraduate 2009-2010 tuition rate for the institution with comparable awards provided to students eligible for maximum awards enrolled at nonpublic institutions. This establishes up to a two-year lag between the amount of the TAG award and

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tuition for those students eligible for the maximum award. For students not eligible for maximum TAG awards and enrolled in public institutions, FY 2012 TAG awards will not exceed 2007-2008 tuition rates, thereby providing up to a four-year lag between the amount of the TAG award and tuition.

- **Question:** For fiscal years 2009, 2010, and 2011, what percentage of each year's tuition rate, in each sector, was covered by TAG awards for students receiving a maximum award and for students who are not eligible for a maximum award?

Response:

COUNTY COLLEGES	2008-09	2009-10	2010-11
Maximum Avg. TAG Award	\$2,360	\$2,510	\$2,318
Weighted Avg. Tuition*	\$2,514	\$2,664	\$2,764
NJEI	% of Tuition Funded		
NJEI under 1500	94%	94%	84%
1500 – 2499	79%	79%	70%
2500 – 3499	69%	68%	61%
3500 – 4499	54%	53%	47%
4500 – 5499	40%	40%	35%

STATE COLLEGES	2008-09	2009-10	2010-11
Maximum Avg. TAG Award	\$6,406	\$6,852	\$6,326
Weighted Tuition	\$6,807	\$7,055	\$7,309
NJEI	% of Tuition Funded		
NJEI under 1500	94%	97%	87%
1500 - 2499	78%	81%	72%
2500 - 3499	66%	68%	61%
3500 - 4499	54%	57%	50%
4500 - 5499	45%	47%	42%
5500 - 6499	35%	37%	33%
6500 - 7499	26%	27%	24%

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RUTGERS	2008-09	2009-10	2010-11
Maximum TAG Award	\$8,540	\$9,268	\$8,554
Tuition	\$9,268	\$9,546	\$9,926
NJEI	% of Tuition Funded		
NJEI under 1500	92%	97%	86%
1500 - 2499	75%	78%	69%
2500 - 3499	66%	70%	62%
3500 - 4499	57%	60%	53%
4500 - 5499	50%	52%	46%
5500 - 6499	43%	45%	40%
6500 - 7499	36%	37%	33%
7500 - 8499	28%	30%	26%
8500 - 9499	20%	20%	18%

NJIT	2008-09	2009-10	2010-11
Maximum TAG Award	\$9,700	\$10,500	\$9,692
Tuition	\$10,500	\$10,816	\$11,248
NJEI	% of Tuition Funded		
NJEI under 1500	92%	97%	86%
1500 - 2499	76%	79%	70%
2500 - 3499	68%	70%	62%
3500 - 4499	58%	61%	54%
4500 - 5499	51%	53%	47%
5500 - 6499	43%	45%	40%
6500 - 7499	36%	38%	34%
7500 - 8499	29%	30%	27%
8500 - 9499	20%	21%	18%

INDEPENDENTS	2008-09	2009-10	2010-11
Maximum TAG Award	\$10,718	\$11,340	\$10,468
Weighted Avg. Tuition	\$22,659	\$23,790	\$25,184
NJEI	% of Tuition Funded		
NJEI under 1500	47%	48%	42%
1500 - 2499	39%	41%	36%
2500 - 3499	34%	36%	31%
3500 - 4499	31%	32%	28%
4500 - 5499	27%	28%	25%
5500 - 6499	24%	25%	22%
6500 - 7499	20%	21%	18%
7500 - 8499	16%	17%	15%
8500 - 9499	13%	14%	12%
9500 - 10499	7%	8%	7%

NJEI	2009 ESTIM. AVERAGE FAMILY INCOME
Under 1500	16,100
1500 - 2499	22,800
2500 - 3499	31,800
3500 - 4499	35,600
4500 - 5499	38,700
5500 - 6499	44,900
6500 - 7499	47,100
7500 - 8499	53,000
8500 - 9499	57,800
9500-10499	59,400

• **Question:** Has any consideration been given to the impact of the recommended elimination of the State aid penalty for senior public institutions which raise tuition above 4% on TAG award recipients in fiscal year 2012?

- Response: Proposed FY 2012 budgetary footnote language bases full-time TAG award values for students who demonstrate the highest need (those with NJEI's below 1500) on 2009-2010 tuition, while TAG awards for all other eligible students will be based on 2007-2008 tuition levels. It should be noted that many students who demonstrate high need may also receive other federal and/or institutional student financial aid that covers some of their educational costs.

• **Question:** Are there any suggestions on what can be done to address the issue of higher education affordability for TAG award recipients, other than an increase in borrowing, in the current environment of constrained grant-based student financial aid relative to current costs? At what rate in each sector has the student loan indebtedness of TAG award recipients been increasing?

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- Response: As noted above, increases in Federal Pell Grant award amounts may offset some of these increased costs. HESAA does not have access to student loan indebtedness data, as all loans are originated by the U.S. Department of Education.

6. On January 4, 2011, the Governor issued Executive Order No. 52 establishing a Governor's Higher Education Council. The council is to serve as an advisory body to the Governor on higher education issues, make recommendations on higher education initiatives of statewide significance, and assist the Secretary of Higher Education in carrying out his duties. In its December 2010 final report, the New Jersey Higher Education Task Force recommended that the Commission on Higher Education be eliminated and replaced with a new higher education governance structure with the Secretary of Higher Education and a new Governor's Higher Education Council at the center of the new structure. P.L.2010, c. 308, effective in July of 2010, established the position of Secretary of Higher Education and provided that the secretary would hold cabinet level rank and serve as the executive director of the commission. The Governor has not yet appointed a Secretary of Higher Education.

- **Question:** How will the operations of the Governor's Higher Education Council be funded? How will the creation of the council impact the operations of the Commission on Higher Education? Is it anticipated that the two agencies will work in conjunction with each other? If not, will the commission be eliminated? When is it anticipated that the Governor will appoint a Secretary of Higher Education?
- Response: The Governor's Higher Education Council consists of five unpaid, volunteer members directly appointed by the Governor who will provide policy advice to the Governor. No funding is proposed in FY 2012 for this advisory body. The Governor's Higher Education Council, created by Executive Order, is envisioned to work collaboratively with the Commission on Higher Education over the next several months to develop a policy and operating agenda for the future of higher education in New Jersey. The agenda and any recommendations for change to the current higher education structure will be presented to the Governor and the Legislature.