

ANALYSIS OF THE NEW JERSEY BUDGET

**HIGHER
EDUCATIONAL
SERVICES**

FISCAL YEAR

2017-2018

NEW JERSEY STATE LEGISLATURE

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This report was prepared by the Education Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Juan C. Rodriguez.

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HIGHER EDUCATIONAL SERVICES

Budget Pages..... C-6; C-14; C-21; D-292 to D-338;
D-369 to D-372; D-378 to D-381

Fiscal Summary (\$000)

	Expended FY 2016	Adjusted Appropriation FY 2017	Recommended FY 2018	Percent Change 2017-18
State Budgeted	\$1,453,121	\$1,535,825	\$1,539,398	0.2%
Federal Funds	17,499	17,485	18,135	3.7%
<u>Other*</u>	<u>32,685</u>	<u>36,925</u>	<u>37,123</u>	<u>0.5%</u>
Grand Total	\$1,503,305	\$1,590,235	\$1,594,656	0.3%

Personnel Summary - Positions By Funding Source

	Actual FY 2016	Revised FY2017	Funded FY 2018	Percent Change 2017-18
State	15	14	17	21.4%
Federal	120	133	133	0.0%
Other	7	7	7	0.0%
University Hospital**	2,923	2,923	2,923	0.0%
<u>Colleges & Univ's.**</u>	<u>20,057</u>	<u>20,057</u>	<u>20,057</u>	<u>0.0%</u>
Total Positions	23,122	23,134	23,137	0.0%

FY 2016 (as of December) and revised FY 2017 (as of January) personnel data reflect actual payroll counts. FY 2018 data reflect the number of positions funded.

*Includes \$18.8 million expended or anticipated to be expended each fiscal year directly from the Supplemental Workforce Fund for Basic Skills for remedial courses provided at county colleges.

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

Link to Website: <http://www.njleg.state.nj.us/legislativepub/finance.asp>

Highlights

- The overall FY 2018 Budget recommendation from all sources for Higher Educational Services totals \$1.595 billion, an increase of \$4.4 million or 0.3% above the FY 2017 adjusted appropriation of \$1.590 billion. Funding for Higher Education is reflected in the budgets of the Department of State and the Department of the Treasury.
- The \$1.595 billion FY 2018 Budget recommendation for Higher Educational Services does not include the \$728.7 million net fringe benefits costs the State is anticipated to incur in FY 2018 on behalf of the senior public institutions. (The appropriation for fringe benefits is reflected within the Interdepartmental Accounts section of the Governor's FY 2018 Budget.)
- Direct operating aid for senior public institutions of higher education in FY 2018 is recommended at \$699.5 million, which is a decrease of \$3.5 million or 0.5% below the FY 2017 adjusted appropriation of \$703.0 million. The entire reduction comes from the elimination of one-time FY 2017 appropriations of \$1.0 million to Rutgers-Camden in support of a new facility for the School of Business and \$2.5 million to Rowan University in support of the Center for Research and Education in Advanced Transportation Engineering Systems and operating costs for new academic buildings.
- Total State aid to the county colleges is recommended at \$223.7 million, an increase of \$826,000 or 0.4% above the FY 2017 adjusted appropriation. The total encompasses three broad categories of funding:
 - Funding to support the operational costs of county colleges remains unchanged from the FY 2017 adjusted appropriation of \$134.1 million. County college aid includes \$18.8 million from the Supplemental Workforce Fund for Basic Skills for remedial courses provided at county colleges.
 - Debt service for county college capital projects under the Chapter 12 program is recommended at \$35.6 million, a decrease of \$1.1 million or 3.0% below the FY 2017 adjusted appropriation. This reduction is consistent with the existing debt service schedule.
 - Funding for employee fringe benefits is recommended at \$53.9 million, an increase of \$1.9 million or 3.7% above the FY 2017 adjusted appropriation.
- Funding for Educational Opportunity Fund (EOF) Programs is recommended at \$38.8 million, a reduction of \$3.6 million or 8.4% below the FY 2017 adjusted appropriation. In FY 2018, Opportunity Program Grants are projected to serve 18,501 students, 442 grant awards more than in FY 2017. It is unclear if the amount awarded to each student would be reduced in the 2017-2018 academic year to accommodate the recommended appropriation decrease.
- Recommended FY 2018 funding for the Tuition Aid Grant (TAG) Program totals \$419.4 million and is projected to support 68,048 TAG awards in the 2017-2018 academic year. The FY 2018 recommendation is an increase of \$15.7 million or 3.9% over the FY 2017 adjusted appropriation and is projected to support an additional 1,925 grant awards.

Highlights (Cont'd)

The FY 2018 recommendation continues budget language from FY 2017 that limits increases in TAG award amounts to 2% above the levels provided by the Higher Education Student Assistance Authority in the prior fiscal year.

- The Governor's FY 2018 Budget recommends \$500,000 in appropriations to the Seton Hall University School of Health and Medical Sciences to support its relocation as part of the development of a building complex for the new Seton Hall-Hackensack School of Medicine. The FY 2017 adjusted appropriation for this purpose was \$10.0 million. The first class of students is estimated to be admitted to the new medical school in the fall of 2018.
- The FY 2018 recommended budget includes \$106.4 million for debt service for the following higher education capital bond programs:
 - "Higher Education Equipment Leasing Fund Act," \$16.3 million;
 - "Higher Education Technology Infrastructure Fund Act," \$3.7 million;
 - "Higher Education Facilities Trust Fund Act," \$19.7 million; and
 - "Higher Education Capital Improvement Fund Act," \$66.7 million.

These four programs are administered by the New Jersey Educational Facilities Authority (EFA). The recommended FY 2018 debt service appropriation includes required payments on \$142.7 million in bonds issued under the "Higher Education Capital Improvement Fund Act" as of December 20, 2016.

- An unchanged \$6.9 million is recommended for the New Jersey Student Tuition Assistance Reward Scholarship (NJ STARS) Programs, of which \$4.96 million would fund 1,580 NJ STARS I awards and \$1.95 million would fund 780 NJ STARS II awards.
- On June 28, 2016, the Secretary of Higher Education transmitted to the Legislature a list of 35 capital project grants, for 32 institutions of higher education across the State, selected from among 65 applications submitted. Since the Legislature took no action to disapprove the projects, the list was deemed approved. Subsequently, the State issued \$34 million in General Obligation bonds authorized under the "Building Our Future Bond Act," P.L.2012, c.41 and \$142.7 million in "Higher Education Capital Improvement Fund Act," P.L.1999, c.217, bonds to finance the 35 capital projects.
- The Governor's FY 2018 Budget recommends a new \$207,000 appropriation to support Seton Hall Law Clinic Re-entry Services at the Seton Hall University School of Law.

Background Paper:

Senior Public Institution Finance p. 17

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2016	Adj. Approp. FY 2017	Recom. FY 2018	Percent Change	
				2016-18	2017-18
General Fund					
Direct State Services	\$1,564	\$3,279	\$1,654	5.8%	(49.6%)
Grants-In-Aid	1,250,890	1,328,492	1,332,864	6.6%	0.3%
State Aid	0	0	0	0.0%	0.0%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$ 1,252,454	\$ 1,331,771	\$ 1,334,518	6.6%	0.2%
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	200,667	204,054	204,880	2.1%	0.4%
Sub-Total	\$200,667	\$204,054	\$204,880	2.1%	0.4%
Casino Revenue Fund	\$0	\$0	\$0	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$1,453,121	\$1,535,825	\$1,539,398	5.9%	0.2%
Federal Funds	\$17,499	\$17,485	\$18,135	3.6%	3.7%
Other Funds	\$32,685	\$36,925	\$37,123	13.6%	0.5%
Grand Total	\$1,503,305	\$ 1,590,235	\$ 1,594,656	6.1%	0.3%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2016	Revised FY 2017	Funded FY 2018	Percent Change	
				2016-18	2017-18
State	15	14	17	13.3%	21.4%
Federal	120	133	133	10.8%	0.0%
All Other	7	7	7	0.0%	0.0%
Colleges and Universities*	20,057	20,057	20,057	0.0%	0.0%
University Hospital*	2,923	2,923	2,923	0.0%	0.0%
Total Positions	23,122	23,134	23,137	0.1%	0.0%

FY 2016 (as of December) and revised FY 2017 (as of January) personnel data reflect actual payroll counts. FY 2018 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					
Secretary of Higher Education	38.9%	41.1%	N/A	---	---
Higher Ed. Student Asst. Auth.	30.6%	35.0%	N/A	---	---

Fiscal and Personnel Summary

Direct State Support for Institutions of Higher Education (in thousands)					
	FY 2016	FY 2017	FY 2018	Change FY 2017 - FY 2018	
				Dollar	Percent
Senior Public Institutions					
Rutgers University					
Camden	\$ 16,501	\$ 17,501	\$ 16,501	\$ (1,000)	(5.71%)
Newark	30,630	30,630	30,630	-	0.00%
New Brunswick	325,922	325,922	325,922	-	0.00%
Total - Rutgers University	\$ 373,053	\$ 374,053	\$ 373,053	\$ (1,000)	(0.27%)
Agricultural Experiment Station	20,931	20,931	20,931	-	0.00%
New Jersey Institute of Technology	35,440	35,440	35,440	-	0.00%
Thomas Edison State University	3,292	3,292	3,292	-	0.00%
Rowan University	86,583	87,883	85,383	(2,500)	(2.84%)
New Jersey City University	24,154	24,154	24,154	-	0.00%
Kean University	30,469	30,469	30,469	-	0.00%
William Paterson University	30,357	30,357	30,357	-	0.00%
Montclair State University	35,859	35,859	35,859	-	0.00%
The College of New Jersey	27,177	27,177	27,177	-	0.00%
Ramapo College of New Jersey	14,953	14,953	14,953	-	0.00%
Stockton University	18,391	18,391	18,391	-	0.00%
Total Senior Public Institutions	\$ 700,659	\$ 702,959	\$ 699,459	\$ (3,500)	(0.50%)
University Hospital	\$ 43,841	\$ 43,841	\$ 43,841	-	0.00%
County Colleges					
Operational Aid:					
Property Tax Relief Fund	\$ 115,323	\$ 115,323	\$ 115,323	-	0.00%
Supplemental Workforce Fund for Basic Skills	18,800	18,800	18,800	-	0.00%
Total County Colleges	\$ 134,123	\$ 134,123	\$ 134,123	-	0.00%
Independent Colleges and Universities					
Aid to Independent Colleges and Universities	\$ 1,500	\$ 1,000	\$ 1,000	-	0.0%
Clinical Legal Programs for the Poor – Seton Hall University	200	200	200	-	0.0%
Institute of Medical Research, Camden	1,037	1,037	1,037	-	0.0%
Seton Hall University School of Health and Medical Sciences	-	10,000	500	(9,500)	(95.00%)
Seton Hall Law Clinic Re-entry Services	-	-	207	207	-
Total Independent Colleges and Universities	\$ 2,737	\$ 12,237	\$ 2,944	\$ (9,293)	(75.94%)
Total All Institutions of Higher Education	\$ 881,360	\$ 893,160	\$ 880,367	\$ (12,793)	(1.43%)

Source: FY 2018 Recommended Budget

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2017</u>	<u>Recomm.</u> <u>FY 2018</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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Office of the Secretary of Higher Education

DIRECT STATE SERVICES

**Statewide Planning
and Coordination for
Higher Education**

\$2,934	\$1,309	(\$1,625)	(55.4%)	D-298
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The Governor's FY 2018 Budget recommends a \$1.3 million appropriation to fund the operations of the Office of the Secretary of Higher Education (OSHE or secretary), a decrease of \$1.6 million or 55.4% below the FY 2017 adjusted appropriation of \$2.9 million. The appropriation does not include the operating cost of the Educational Opportunity Fund Programs (EOF). The proposed \$1.6 million decline in FY 2018 funding for the OSHE has two components.

First, the FY 2017 Appropriations Act includes a one-time appropriation of \$1.5 million for the purpose of supporting the development, implementation, maintenance, and use of a searchable research database. The Economic Development Authority estimates that the database will include approximately 10,000 subscribers and faculty profiles and will be launched in October 2017. The Governor's FY 2018 Budget does not recommend the continuation of the appropriation.

Second, the Executive projects \$125,000 in savings in OSHE salaries and wages predominantly attributable to the elimination of two funded vacant positions. Excluding positions assigned to the EOF, the OSHE is recommended to have 13 funded positions in FY 2018 at a total salaries and wages cost of nearly \$1.2 million. The FY 2017 appropriation for OSHE salaries and wages of \$1.3 million funded 15 positions.

According to budget program classification descriptions, OSHE conducts research and coordinates statewide accountability measures of higher education performance. The secretary implements policy and programs to enhance the capacity and competitiveness of New Jersey institutions, with the following goals: (1) increasing access to higher education for underserved communities and nontraditional students; (2) fostering diversity among college and university faculty; (3) improving linkages throughout the educational system, from pre-kindergarten through high school to higher education and the workplace; (4) facilitating the transition between two- and four-year institutions; (5) supporting high quality partnerships with other State agencies, business and industry, foundations and other non-governmental organizations; and (6) addressing issues of higher education affordability.

OSHE administers the nearly \$1.3 billion allocated for higher education capital projects under the Building Our Future Bond Act. Projects are reviewed and administered with assistance from the Educational Facilities Authority and other State agencies. The secretary also administers grant programs, including the EOF and College Readiness Now; evaluates license applications by prospective degree-granting institutions; and reviews existing licenses.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2017</u>	<u>Recomm. FY 2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
GRANTS-IN-AID					
Educational Opportunity Fund Programs – Totals	<u>\$42,387</u>	<u>\$38,822</u>	<u>(\$3,565)</u>	<u>(8.4%)</u>	D-299
Opportunity Program Grants	\$28,159	\$26,019	(\$2,140)	(7.6%)	D-299
Supplementary Education Program Grants	\$14,228	\$12,803	(\$1,425)	(10.0%)	D-299

The Governor's FY 2018 Budget recommends a total of \$38.8 million for the Educational Opportunity Fund (EOF) Programs, a reduction of \$3.6 million or 8.4% below the FY 2017 adjusted appropriation of \$42.4 million. The EOF program, established in 1968 under P.L.1968, c.142, supports educationally and economically disadvantaged students for undergraduate and graduate study at public and private institutions of higher education in New Jersey. The EOF program consists of Opportunity Program Grants and Supplementary Education Program Grants.

Opportunity Program Grants are awarded to students during the academic year to assist them in meeting college expenses, such as fees, books, room, board, and transportation, which are not covered by the State's Tuition Aid Grant program. The grant program is recommended to be funded at \$26.0 million in FY 2018, a reduction of \$2.1 million or 7.6% below the FY 2017 adjusted appropriation of \$28.2 million. According to Evaluation Data provided in the Governor's Budget, the total FY 2018 appropriation is projected to support 18,501 grant awards, 442 additional grant awards over FY 2017. It is unclear if the amount awarded to each student would be reduced in the 2017-2018 academic year to accommodate the recommended reduction in State appropriations.

Supplementary Education Program Grants are provided to public and private institutions to provide various campus outreach and support services, including tutoring, counseling, supplemental instruction, and leadership development. The grant program is recommended to be funded at \$12.8 million in FY 2018, a reduction of \$1.4 million or 10.0% below the FY 2017 adjusted appropriation of \$14.2 million. According to Evaluation Data provided in the Governor's Budget, there are currently 41 participating public and private institutions of higher education.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2017</u>	<u>Recomm. FY 2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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Higher Education Student Assistance Authority (HESAA)**Student Assistance Programs**

GRANTS-IN-AID

Tuition Aid Grants	\$403,647	\$419,359	\$15,712	3.9%	D-302
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The Governor's FY 2018 Budget recommends \$419.4 million for the Tuition Aid Grant (TAG) Program, an increase of \$15.7 million or 3.9% over the FY 2017 adjusted appropriation of \$403.6 million. The increase reflects projected growth in enrollment and TAG award amounts. The FY 2017 adjusted appropriation overstates current spending trends, however, given that \$4.5 million of the \$403.6 million allocation has been placed in reserve in anticipation of a year-end lapse to the General Fund. Accordingly, the remaining FY 2017 spending authority is \$399.1 million, and the FY 2018 appropriation recommendation would represent growth of \$20.2 million, or 5.1%.

As to enrollment growth, the budget indicates that the FY 2018 appropriation would support an estimated 68,048 awards in the 2017-2018 academic year, an increase of 1,925 awards over the 2016-2017 academic year.

The recommended State appropriation continues to underfund the TAG Program, as recommended language limits TAG award increases to 2% above the levels provided by HESAA in FY 2017. This is similar to language included in the FY 2017, FY 2016, and FY 2015 Appropriations Acts that provided that TAG awards could not exceed 102% of the prior year award levels.

TAG awards for the neediest students fund up to the full tuition costs at public institutions, and up to 50% of the average tuition at independent colleges and universities. However, since FY 2003, the State has not fully funded TAG assistance awards in accordance with the statute. Instead, TAG policies and assistance levels have been set annually through Appropriations Act language. For some categories of students, assistance levels have lagged further behind current tuition rates than others, based upon their level of need and the type of institution of higher education they attend.

FEDERAL FUNDS

Student Assistance Programs	\$13,557	\$14,207	\$650	4.8%	D-303
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The Governor's FY 2018 Budget recommends \$14.2 million in federal grant funding for Student Loan Administrative Cost Deduction and Allowance, which is an increase of \$650,000 or 4.8% above the FY 2017 adjusted appropriation of \$13.6 million.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2017</u>	<u>Recomm. FY 2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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Senior Public Institutions of Higher Education

GRANTS-IN-AID

**Rutgers, The State
University – Camden:
New Facility, School
of Business**

\$1,000	\$0	(\$1,000)	(100.0%)	D-311
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The Legislature added a one-time appropriation of \$1.0 million to the FY 2017 Appropriations Act for Rutgers University – Camden for the purpose of a new facility within the School of Business. The Governor's FY 2018 Budget does not recommend the continuation of the appropriation.

**Rowan University:
Center for Research
and Education in
Advanced
Transportation
Engineering**

\$2,000	\$0	(\$2,000)	(100.0%)	D-319
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The Legislature added an appropriation of \$2.0 million to the FY 2017 Appropriations Act for Rowan University's Center for Research and Education in Advanced Transportation Engineering Systems (CREATEs). On September 14, 2016, Rowan University opened the new road testing and research facility located in the South Jersey Technology Park at Rowan University, in Mantua Township. The Governor's FY 2018 Budget does not recommend the continuation of the appropriation.

**Rowan University:
Operating Costs for
New Academic
Buildings, Rowan
University – Rutgers
Camden Board of
Governors**

\$500	\$0	(\$500)	(100.0%)	D-319
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The Legislature added a one-time appropriation of \$500,000 to the FY 2017 Appropriations Act for operating costs for new academic buildings at Rowan University – Rutgers Camden Board of Governors. In its FY 2017 budget request Rowan University had asked for \$2.1 million to pay for the costs of maintaining the new buildings, including utility costs.

The board was created under the "New Jersey Medical and Health Sciences Education Restructuring Act" P.L.2012, c.45. The board seeks to develop programs and projects that will effectuate a vibrant and sustainable community and health sciences corridor in the Camden

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2017</u>	<u>Recomm.</u> <u>FY 2018</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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region. In implementing that mission, the board seeks to encourage the development of curricula and programs at Rowan University and Rutgers-Camden in the area of health sciences and partnerships between the institutions. The Governor's FY 2018 Budget does not recommend the continuation of the appropriation.

Higher Educational Services

GRANTS-IN-AID

**Seton Hall University
School of Health and
Medical Sciences
Support**

\$10,000	\$500	(\$9,500)	(95.0%)	D-379
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The Governor's FY 2018 Budget recommends a \$500,000 appropriation to support the relocation of the Seton Hall University School of Health and Medical Sciences as part of the development of a building complex for the new Seton Hall-Hackensack School of Medicine. The recommended appropriation is a decrease of \$9.5 million or 95.0% over the FY 2017 adjusted appropriation of \$10.0 million.

In June 2015, Seton Hall University and Hackensack University Health Network signed the School of Medicine Agreement to establish a partnership to open a four-year private medical school on the former Roche Labs corporate campus in Nutley and Clifton. In addition to the new medical school, the building complex is to house the existing Seton Hall University College of Nursing and the existing Seton Hall School of Health and Medical Sciences. The first class of students is estimated to be admitted to the new Seton Hall-Hackensack School of Medicine in the fall of 2018.

In addition to the \$10.0 million appropriation in FY 2017 and the recommended FY 2018 \$500,000 appropriation to the Seton Hall University School of Health and Medical Sciences, the Seton Hall-Hackensack School of Medicine project was approved for \$16.9 million in Grow New Jersey Assistance Program tax credits by the New Jersey Economic Development Authority (EDA) in November 2015. According to the November 13, 2015 EDA board memo on the tax credit award, the construction of the Seton Hall-Hackensack School of Medicine building complex is estimated to cost approximately \$75.0 million and to be completed by July 31, 2017.

**Seton Hall Law Clinic
Re-entry Services**

\$0	\$207	\$207	--	D-379
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The Governor's FY 2018 Budget recommends a new \$207,000 appropriation to support Seton Hall Law Clinic Re-entry Services. The Seton Hall University School of Law provides students with hands-on experience by allowing them to volunteer at nonprofit organizations for a semester in many areas of interest, including pro bono representation of formerly incarcerated individuals.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2017</u>	<u>Recomm.</u> <u>FY 2018</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Higher Education Capital Improvement Program – Debt Service	\$61,391	\$66,652	\$5,261	8.6%	D-379

This appropriation funds the State's share of debt service costs for bonds issued under the "Higher Education Capital Improvement Fund Act," P.L.1999, c.217. The act authorized the New Jersey Educational Facilities Authority (EFA) to issue up to \$550 million in bonds for the renewal, renovation, improvement, expansion, construction, and reconstruction of facilities and technology infrastructure. The State pays two-thirds of the debt service for public institutions and one-half of the debt service for private institutions.

The increase in the appropriation primarily reflects additional debt service payments as the result of the sale of \$142.7 million in bonds in December 2016. On November 16, 2015, the secretary announced a second round of funding totaling \$180 million from the 2012 "Building Our Future Bond Act," P.L.2012, c.41 (\$34.3 million) and the "Higher Education Capital Improvement Fund Act," P.L.1999, c.217 (\$146.0 million). On June 28, 2016, the secretary transmitted to the Legislature a list of 35 capital project grants for 32 institutions of higher education across the State, selected from among 65 applications submitted. Since the Legislature and Joint Budget Oversight Committee took no action to disapprove the projects, the projects were deemed approved.

The FY 2017 adjusted appropriation overstates the anticipated funding need of the account, given that \$10.9 million of the \$61.4 million has been placed in reserve in anticipation of a year-end lapse to the General Fund. The \$10.9 million represents savings achieved in a July 2016 refunding of previously issued bonds. Accordingly, the remaining spending authority in the account is \$50.5 million, and the FY 2018 appropriation recommendation would represent growth of \$16.1 million, or 31.9%.

Dormitory Safety Trust Fund – Debt Service	\$390	\$365	(\$25)	(6.4%)	D-379
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The "Dormitory Safety Trust Fund Act," P.L.2000, c.56, authorized the New Jersey Educational Facilities Authority (EFA) to issue \$90 million in bonds to finance loans to eligible public and private secondary schools, military schools or boarding schools, and public or private institutions of higher education to install automatic fire suppression systems in dormitories located at the school or institution. In 2001 and 2003, the EFA issued a combined \$79.2 million in bonds. The bonds' final maturity date is March 1, 2018. The reduction in the debt service appropriation is consistent with the existing debt service schedule.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2017</u>	<u>Recomm. FY 2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
STATE AID					
Debt Service for Chapter 12, P.L.1971, c.12 (N.J.S. 18A:64A- 22.1) (PTRF)	\$36,723	\$35,630	(\$1,093)	(3.0%)	D-379
<p>Under 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% of the debt service. A 1997 law, P.L.1997, c.360, authorized the New Jersey Educational Facilities Authority to issue bonds for that purpose. The original chapter 12 program established a ceiling of \$80 million (\$40 million State share and \$40 million County share) on the principal amount of such debt. This ceiling is currently set at \$530 million (\$265 million State share and \$265 million County share) through subsequent amendments to the original law. As bond principal amortizes, additional State-supported bonds can be authorized up to the maximum. The reduction in the debt service appropriation is consistent with the existing debt service schedule.</p>					
Post Retirement Medical – Total	<u>\$28,791</u>	<u>\$30,764</u>	<u>\$1,973</u>	<u>6.9%</u>	
Teachers' Pension and Annuity Fund – Post Retirement Medical (PTRF)	\$1,457	\$1,451	(\$6)	(0.4%)	D-380
Post Retirement Medical Other Than TPAF (PTRF)	\$27,334	\$29,313	\$1,979	7.2%	D-380

The Governor's FY 2018 Budget recommends a total of \$30.8 million for Post Retirement Medical Benefits (PRM) for retired faculty and non-faculty employees of the county colleges. This is an increase of \$2.0 million or 6.9% over the FY 2017 adjusted appropriation.

According to the Office of Management and Budget (OMB), the change in PRM costs is a combination of an internal OMB projection for post-retirement medical costs as well as savings from approved FY 2017 and anticipated FY 2018 plan design changes.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2017</u>	<u>Recomm.</u> <u>FY 2018</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Affordable Care Act Fees (PTRF)	\$39	\$15	(\$24)	(61.5%)	D-380

The FY 2018 Governor's Budget recommends a total of \$15,000 for the cost of the Affordable Care Act (ACA) fees associated with the health benefits of certain retired county college employees. This is a decrease of \$24,000 or 61.5% below the FY 2017 adjusted appropriation.

The primary reason for the reduction in ACA fees is the expiration of the Transitional Reinsurance Fee. The Transitional Reinsurance Fee was a three-year fee effective January 1, 2014 affecting the State budget in FY 2015, FY 2016, and FY 2017. The FY 2018 amount of \$15,000 is recommended to pay the remaining Comparative Effectiveness Research Fee, which finances the research costs associated with the Patient-Centered Outcomes Research Institute (PCORI). The budgeted amount for the fee was determined by applying the plan year 2017 \$2.26 fee to the number of projected covered lives in concerned State group health plans.

Under the ACA, the State, as a self-funded non-federal sponsor of a group health plan was required to pay the Transitional Reinsurance Fee and the Comparative Effectiveness Research Fee, also known as the PCORI Fee. The Transitional Reinsurance Fee was a three-year fee that began in calendar year 2014 to stabilize the cost of individual and small group insurance offered through health insurance exchanges. Employer group health plans were assessed the fee to help mitigate anticipated losses due to adverse selection in the exchanges. There will be no Transitional Reinsurance Fee in FY 2018. The ACA imposed the Comparative Effectiveness Research Fee to help fund medical outcomes research through the PCORI. The PCORI was authorized by the U.S. Congress to provide evidence-based research that is intended to help people make informed health care decisions. For plan year 2017, the Comparative Effectiveness Research Fee is \$2.26 per member, or four percent higher than in plan year 2016.

Alternate Benefit Program – Non-contributory Insurance (PTRF)

Alternate Benefit Program – Non-contributory Insurance (PTRF)	\$2,587	\$2,433	(\$154)	(6.0%)	D-380
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This Non-contributory Insurance (NCI) account funds the group life insurance plan for enrolled members in county colleges, also known as the death benefit. NCI comprises part of the State's annual required contributions to the State-administered retirement systems, but is paid in full each year. NCI insurance is a group insurance plan in which the insured members pay no portion of the premium for their insurance. The group policyholder pays the entire premium. The enrollment of group members is automatic and all eligible members are covered.

The Governor's FY 2018 Budget recommends an appropriation of \$2.4 million to fund the Alternate Benefit Program – NCI for county colleges, a reduction of \$154,000 or 6.0% below the FY 2017 adjusted appropriation of \$2.6 million. According to the Division of Pensions and Benefits, total NCI costs reflect anticipated pay-as-you-go insurance costs.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2017</u>	<u>Recomm.</u> <u>FY 2018</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Alternate Benefit Program – Employer Contributions (PTRF)	\$20,134	\$20,259	\$125	0.6%	D-380

This Alternate Benefit Program (N.J.S.A.18A:66-167 et seq.) account is principally for full-time faculty of county colleges. Participants have the option to provide for their retirement through the purchase of fixed or variable annuities underwritten by private vendors, the Teachers Insurance and Annuity Association (TIAA) or the College Retirement Equities Fund (CREF). The minimum contribution by employees is five percent of base salary. The employers (State and county colleges) contribute a flat rate of eight percent of base salary.

The FY 2018 Governor's Budget recommends an appropriation of \$20.3 million for full-time faculty of county colleges, an increase of \$125,000 or 0.6% above the FY 2017 adjusted appropriation. This amount is based on membership and wage trends. According to the Office of Management and Budget, salaries for county college employees are projected to increase by 0.5% in FY 2018.

Employer Contributions – FICA for County College Members of TPAF (PTRF)

\$112	\$92	(\$20)	(17.9%)	D-380
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This Employer Contributions – FICA for County College Members of TPAF (PTRF) appropriation provides funding for the employer's share of Social Security contributions for certain county college faculty and non-faculty employees. The recommended appropriation is an estimate of the funding required to meet the county colleges' liability as an employer to pay Federal Insurance Contributions Act (FICA), Old Age, Survivors, and Disability Insurance (OASDI), and Medicare taxes. The current employer rate for Social Security is 6.2 percent of taxable wages and the rate for Medicare is 1.45 percent. There is no Medicare wage base, so Medicare taxes are paid on total compensation. The taxable wage base for Social Security for calendar year 2017 is \$127,200, some \$8,700 above calendar year 2016.

The Governor's FY 2018 Budget recommends an appropriation of \$92,000 on behalf of county college employers to meet the required FICA liability. The Governor's recommendation represents a decrease of \$20,000 or 17.9% below the FY 2017 adjusted appropriation. According to the Office of Management and Budget, the FY 2018 Governor's Budget recommendation reflects a reduction based on prior-year actual expenses because of sustained attrition over the past few fiscal years.

Significant Language Changes

Rutgers, the State University – New Brunswick Shift of State Funds Among Campuses

Deletion

2017 Handbook: p. B-152
2018 Budget: --

~~Notwithstanding the provisions of any law or regulation to the contrary, the amount appropriated hereinabove for Rutgers, The State University Institutional Support is subject to the following conditions: (a) if State funded appropriations for Institutional Support, and the sum of all anticipated Receipts from Tuition Increase, General Services Income, Auxiliary Funds Income, Special Funds Income and Employee Fringe Benefits for Rutgers—Camden are anticipated during the fiscal year to total less than \$157,677,000, the Director of the Division of Budget and Accounting shall determine the amount of the difference between that anticipated total and \$157,677,000, and transfer from the State General Fund appropriation for Rutgers New Brunswick to the State General Fund appropriation for Rutgers—Camden, for additional State funded Institutional Support for Rutgers—Camden for the fiscal year, the amount of that difference, with notice thereof provided by the director to the Legislative Budget and Finance Officer; (b) if State funded appropriations for Institutional Support, and the sum of all anticipated Receipts from Tuition Increase, General Services Income, Auxiliary Funds Income, Special Funds Income and Employee Fringe Benefits for Rutgers—Newark are anticipated during the fiscal year to total less than \$360,034,000, the Director of the Division of Budget and Accounting shall determine the amount of the difference between that anticipated total and \$360,034,000, and transfer from the State General Fund appropriation for Rutgers New Brunswick to the State General Fund appropriation for Rutgers—Newark, for additional State funded Institutional Support for Rutgers—Newark for the fiscal year, the amount of that difference, with notice thereof provided by the director to the Legislative Budget and Finance Officer; and (c) the Director of the Division of Budget and Accounting shall be provided access by Rutgers to all financial reports and information necessary to enable the director to calculate the transfer amounts, if any, and provided further, however, that in no circumstance shall a transfer of appropriations by the director occur which interferes with or violates any bond covenants or disclosure responsibilities.~~

Explanation

Under the “New Jersey Medical and Health Sciences Education Restructuring Act,” P.L.2012, c.45, which provided for the dissolution of the University of Medicine and Dentistry of New Jersey (UMDNJ) and allocated its assets and institutes, with the exception of University Hospital, to Rutgers University and Rowan University, the Legislature is to directly appropriate funds for operational costs and fringe benefits to each campus of Rutgers University (Camden, Newark, and New Brunswick). Prior to the act, State appropriations to Rutgers University were distributed through a single line item to Rutgers and then allocated by the university to support the operations of each campus.

The above language was initially included in the FY 2014 Appropriations Act by the Legislature to ensure that the amount of direct appropriations was adequate for

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

the Camden and Newark campuses. The FY 2016 language requires the shift of State General Fund appropriations from the New Brunswick campus to the Camden and Newark campuses in an amount equal to the amount by which the institutional support of the Camden and Newark campuses from sources enumerated in the language falls below certain minimums, if applicable (\$360,034,000 for the Newark campus and \$157,677,000 for the Camden campus). The Governor's FY 2017 Budget includes \$403,111,000 in institutional support from the enumerated sources for the Newark campus and \$191,652,000 for the Camden campus.

While the Executive recommended the deletion of the language in the FY 2015, FY 2016, and FY 2017 budgets, the Legislature retained the language in the FY 2015, FY 2016, and FY 2017 Appropriations Acts. The Executive now recommends the language's deletion again for FY 2018. In FY 2016, the Executive indicated that it recommended the deletion based on the belief that the language would have no practical effect.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Background Paper: Senior Public Institution Finance

Budget Pages.... D-304 to D-337

The State provides funding to 11 senior public institutions of higher education: three research universities (Rutgers, The State University; the New Jersey Institute of Technology; and Rowan University) and the eight State colleges and universities established pursuant to chapter 64 of Title 18A of the New Jersey Statutes. Each of these 11 institutions maintains its own operational autonomy under a separate governing board, but in accordance with the statutory oversight and policy framework established by the State. The senior public institutions retain all tuition, fees, grants, and any other revenues received by the institution.

In recent years, there has been concern among legislators and the public regarding the steady rise in the cost of higher education, which has led to higher student loan debt and a decrease in the accessibility of a college degree. This background paper examines the variables over time affecting the cost of financing higher education—more specifically the senior institutions of higher education.

This background paper will:

- provide an **Overview of the Current Status of State Funding** for higher education;
- explain the **Measures, Methods, and Analytical Tools** used to analyze the financing of senior public institutions of higher education; and
- explain the different **Trends in Senior Public Institution Finance**, using tables, charts, and graphs to compare data over time.

Overview of State Funding

The Governor's FY 2018 Budget recommends \$1.43 billion in funding for the senior public institutions of higher education, which is an increase of \$31.6 million or 2.3% above the FY 2017 adjusted appropriation of \$1.40 billion. The change is reflected in the increase of net fringe benefits (\$35.1 million) offset by a reduction from the elimination of one-time appropriations in FY 2017 of \$1.0 million to Rutgers-Camden and \$2.5 million to Rowan University in direct operating aid.

Measures, Methods, and Analytical Tools

Measures:^{1,2}

- *General Institutional Operations* reflect the senior institutions' overall budgets, including tuition, fees, non-financial aid federal funds, and other revenues.
- *Direct Operating Aid* consists of State appropriations to support senior institutions' operating expenses. These appropriations reflect the net *General Institutional Operations* provided to the senior institutions, excluding tuition and student fee income, State-funded fringe benefits, auxiliary operations, federal funds, and all other non-State university revenues.

¹ Measures do not include State, federal, or institutional financial aid.

² Measures are named and defined according to budget program classification descriptions, except for FTE enrollment.

Background Paper: Senior Public Institution Finance (Cont'd)

- *General Services Income* is the gross amount of tuition and fees collected from both undergraduate and graduate students.
- *Full-Time Equivalent Enrollment (FTE)*³ is a measure on the basis of 32 credit hours per undergraduate student and 24 credit hours per graduate student. Excludes Thomas A. Edison State University and the University of Medicine and Dentistry of New Jersey (UMDNJ), since data for these institutions are not calculated on the basis of comparable FTEs.
- *Employee Fringe Benefits* are provided to the institutions by the State for all employees. The institutions are then responsible for reimbursing the State for those employees beyond the number of State-funded employees. Amounts displayed for this measure represents the fringe benefits allocation for the senior public institutions' State-funded employees.

Methods:

This background paper uses the *Consumer Price Indexes (CPI)* to adjust for inflation over time. In order to calculate a CPI for the State of New Jersey, this analysis averages the CPI measures for New York-Northern New Jersey and Philadelphia-Wilmington-Atlantic City.

Analytical Tools:

This backgrounder seeks to provide comparable data and reliable methods for examining some of the financial issues facing the senior public institutions of higher education. The analytical purposes of this backgrounder are to:

- examine the trend of State funding for the senior public institutions of higher education, adjusting for changes in enrollment and inflation; and
- assess the change of *General Services Income Per FTE* and State funding to the senior public institutions from *Direct Operating Aid* and *Employee Fringe Benefits Per FTE* and compare them to FTE enrollment change over time; and
- assess the total State funding provided to senior public institutions of higher education, including funding for the *Employees Fringe Benefits* and *Direct Operating Aid*.

Senior Public Institutions Finance

Table 1 presents a 20-year and a 15-year look at higher education public finance indicators and shows the impact of inflation and enrollment over time on higher education support for State senior public institutions. The fiscal years 1998, 2003, 2008, 2013, 2017, and 2018 are used to allow 1-year, 5-year, 10-year, 15-year, and 20-year comparisons for non FTE related data; and the fiscal years 1998, 2003, 2008, and 2013 are used to make 5-year, 10-year, and 15-year comparisons for constant adjusted dollars per FTE. The first third of the table shows unadjusted current dollar amounts. Section two shows the impact of inflation by presenting the data in constant 2018 terms. The third section presents the impact of both inflation and enrollment

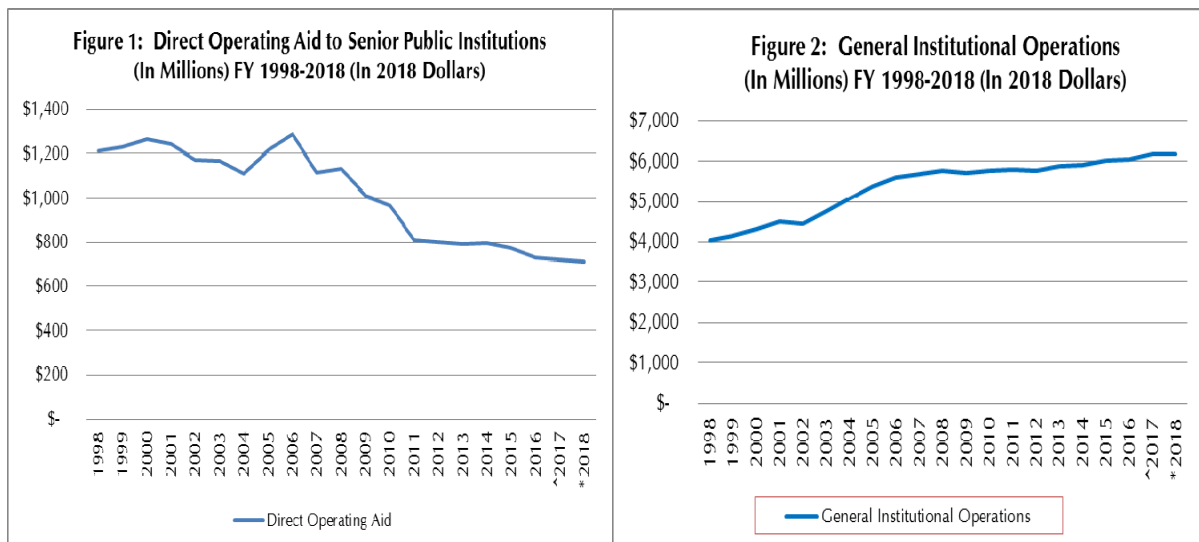
³ This measure is defined according to Notes for the Evaluation Data in the Governor's Detailed Budget.

Background Paper: Senior Public Institution Finance (Cont'd)

growth over time on the measures detailed in **Measures, Methods, and Analytical Tools** section of this background.

Figure 1 shows a declining trend in *Direct Operating Aid* to the senior public institutions, adjusted for inflation. Additionally, according to footnotes in the FY 2006 and 2007 Governor’s Budgets, the peak in funding shown in Figure 1, represents 2005 and 2006 fiscal year appropriations to the institutions for the allocation of salary program funding. Figure 2 shows increasing *General Institutional Operations* at the senior public institutions, after adjusting for inflation. *General Institutional Operations* resources exclude hospital services income by UMDNJ from FY 1998 to FY 2014 to allow for data consistency with the following fiscal years in which University Hospital, previously a part of UMDNJ, is accounted for separate from the senior public institutions.

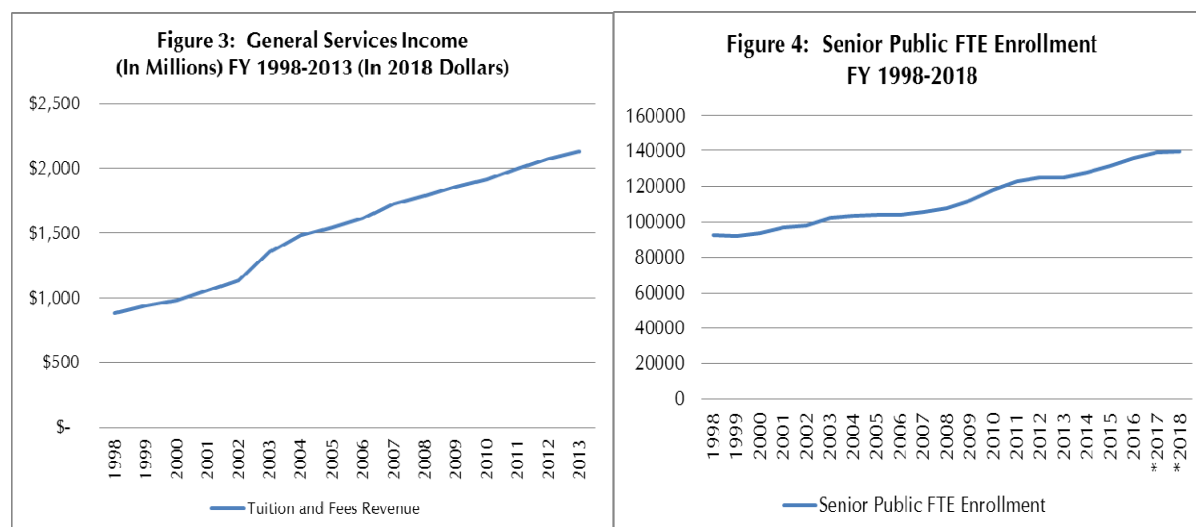
Table 1 shows that after adjusting for inflation, *Direct Operating Aid* declined by 42% from approximately \$1.2 billion in FY 1998 down to about \$699 million in FY 2018. In contrast, during the same period of time, *General Institutional Operations* increased by 50% from approximately \$4.0 billion up to about \$6.0 billion in 2018 adjusted terms.



*Reflects the recommended FY 2018 in the Governor’s Budget

^Reflects the Adjusted Appropriations for FY 2017

Background Paper: Senior Public Institution Finance (Cont'd)



*Reflects estimates included in the FY 2018 Governor's Budget

Figure 3⁴ shows the increasing trend in revenue from tuition and fees by the senior public institutions. Overall *General Services Income* grew about 390% in unadjusted terms from \$545 million in FY 1998 up to \$2.7 billion in FY 2018. However, after adjusting for inflation, the growth in revenue from tuition and fees is about 202% from \$885 million in FY 1998 to \$2.7 billion in FY 2018.

Over the last 20 years, *General Institutional Operations* for the State senior public institutions, encompassing all operational expenses of the senior public colleges and universities, grew by about 144% in unadjusted terms from \$2.5 billion in FY 1998 to \$6.1 billion in FY 2018. Adjusting for inflation and presenting each year in FY 2018 dollar terms increases FY 1998 *General Institutional Operations* funding up to \$4.0 billion, meaning that in FY 2018 dollars, funding for this measure increased by 50% over the 20 fiscal years. As to *Employee Fringe Benefits*, State funded employee benefits grew by about 53%, in FY 2018 adjusted dollars, from \$475 million in FY 1998 up to \$729 million in FY 2018.

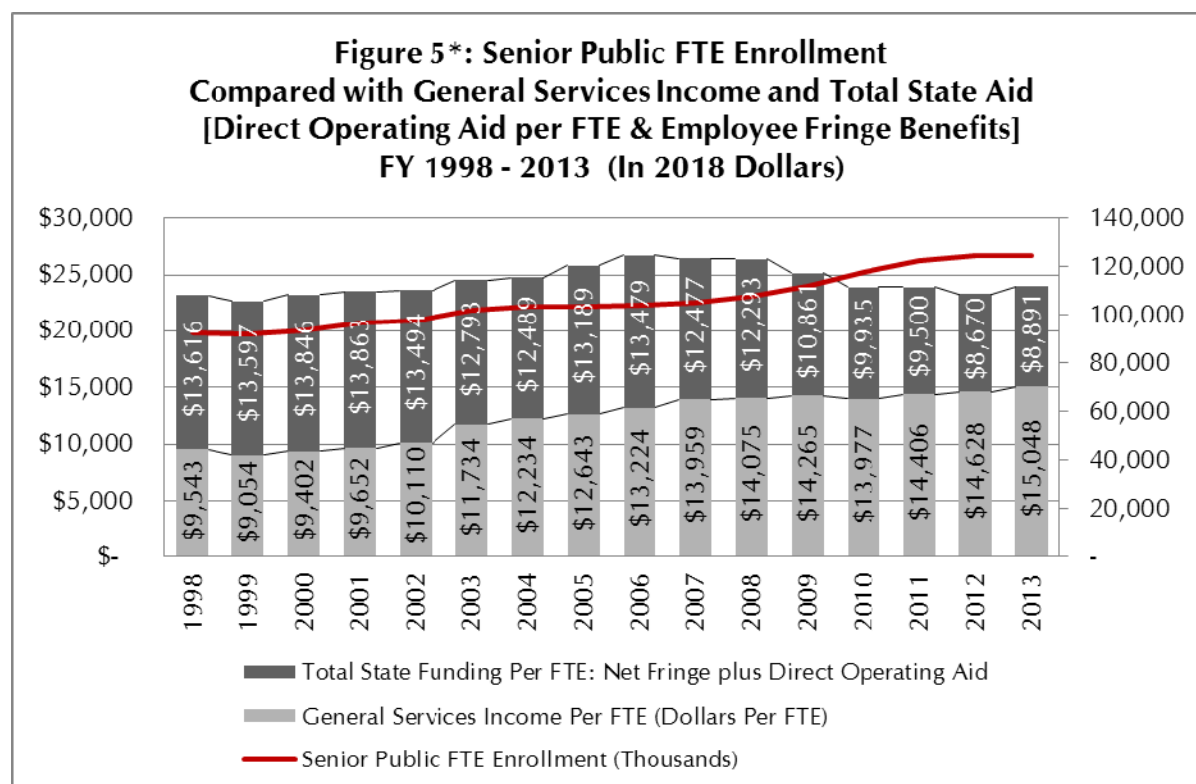
Figure 4 shows that *Full-Time Equivalent Enrollment* has grown constantly over the last 20 fiscal years. According to the data shown in the third section of Table 1, FTE enrollment increased 12% from FY 2013 to FY 2018, 29% from FY 2008 to FY 2018, and about 50% since FY 1998.

⁴ Due to an inconsistency in the General Services Income data starting from FY 2014 with the Restructuring Act, the OLS does not include those data for those fiscal years in this background. The OLS will update this background at a later date.

Background Paper: Senior Public Institution Finance (Cont'd)

Table 1: Impact of Inflation and Enrollment on Higher Education Finance for Senior Public Institutions											
	1998	2003	2008	2013	2017	2018	1 Year Change	5 Year Change	10 Year Change	15 Year Change	20 Year Change
Current Unadjusted Dollars (In Millions)											
<i>General Institutional Operations</i>	\$ 2,488	\$ 3,274	\$ 4,590	\$ 5,329	\$6,032	\$6,067	1%	14%	32%	85%	144%
<i>Direct Operating Aid</i>	\$ 747	\$ 805	\$ 902	\$ 717	\$ 703	\$ 699	0%	-2%	-22%	-13%	-6%
<i>General Services Income</i>	\$ 545	\$ 934	\$ 1,424	\$ 1,932	\$2,667	\$2,673	0%	38%	88%	186%	390%
<i>Net Fringe Benefits</i>	\$ 293	\$ 374	\$ 593	\$ 672	\$ 694	\$ 729	5%	8%	23%	95%	149%
Constant Adjusted Dollars (In Millions)											
<i>General Institutional Operations</i>	\$ 4,037	\$ 4,755	\$ 5,768	\$ 5,888	\$ 6,185	\$ 6,067	-2%	3%	5%	28%	50%
<i>Direct Operating Aid</i>	\$ 1,212	\$ 1,170	\$ 1,133	\$ 792	\$ 721	\$ 699	-3%	-12%	-38%	-40%	-42%
<i>General Services Income</i>	\$ 885	\$ 1,357	\$ 1,789	\$ 2,135	\$2,735	\$2,673	-2%	25%	49%	97%	202%
<i>Net Fringe Benefits</i>	\$ 475	\$ 543	\$ 746	\$ 743	\$ 711	\$ 729	2%	-2%	-2%	34%	53%
Constant Adjusted Dollars (Per FTE) *											
<i>Full-Time Equivalent Enrollment (FTE)</i>	92,707	102,024	107,600	124,647	138,930	139,228	0%	12%	29%	36%	50%
<i>Direct Operating Aid per FTE</i>	\$10,256	\$ 9,083	\$ 7,761	\$ 4,883	N/A	N/A	N/A	-37%	-46%	-52%	N/A
<i>General Services Income per FTE</i>	\$ 9,543	\$11,734	\$14,075	\$15,048	N/A	N/A	N/A	7%	28%	58%	N/A
<i>Net Fringe Benefits per FTE</i>	\$ 3,360	\$ 3,711	\$ 4,532	\$ 4,008	N/A	N/A	N/A	-12%	8%	19%	N/A
* Excludes data from Thomas A. Edison State University and the University of Medicine and Dentistry of New Jersey (UMDNJ).											

Background Paper: Senior Public Institution Finance (Cont'd)

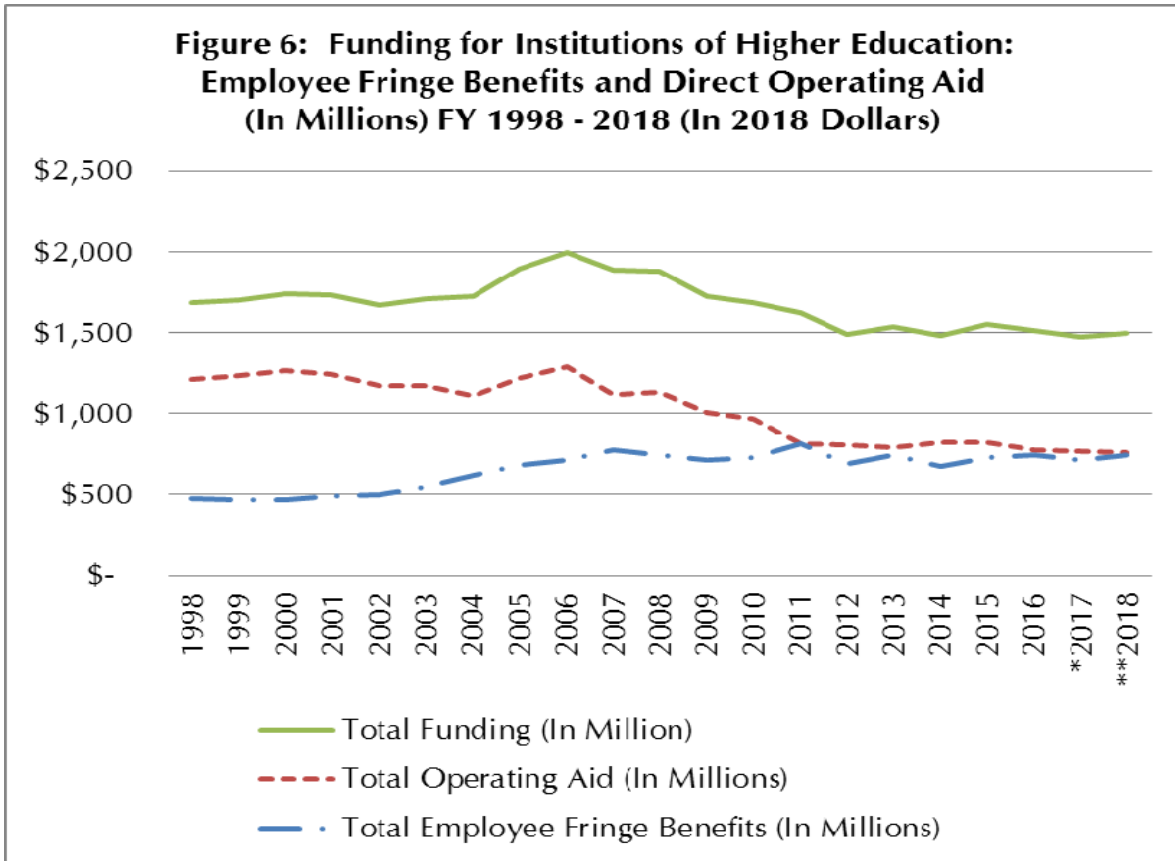


* Excludes data from Thomas A. Edison State University and the University of Medicine and Dentistry of New Jersey (UMDNJ).

Figure 5 explores the inverse relationship between *Direct Operating Aid plus Employee Fringe Benefits Per FTE combined*, and *General Services Income Per FTE*. In constant dollars, total State Aid to senior public institutions [*Direct Operating Aid Per FTE plus Employee Fringe Benefits Per FTE*] (upper bars of Figure 5) reached a high of \$13,863 dollars per FTE in FY 2001 and institutional reliance on *General Services Income Per FTE* revenue reached a high of \$15,048 dollars per FTE in FY 2013. Shown in the third section of Table 1, *General Services Income per FTE*, adjusted for inflation, grew 7% from FY 2008 to FY 2013, 28% from FY 2003 to FY 2013, and 58% from FY 1998 to FY 2013.

Figure 5 shows that while *Direct Operating Aid Per FTE* decreased over time, reliance on student tuition and fees, *General Services Income Per FTE* (upper bars), increased from \$9,543 per student in FY 1998 to \$15,048 per student in FY 2013, in 2018 adjusted dollars.

Background Paper: Senior Public Institution Finance (Cont'd)



* Reflects the FY 2017 adjusted appropriations

**Reflects the recommended FY 2018 appropriations in the Governor’s Budget

Figure 6 shows, in adjusted terms, that while *Direct Operating Aid* decreased by about \$513 million or 42% from FY 1998 to FY 2018, an increase in *Employee Fringe Benefits* of about \$254 million or 53% during the same fiscal years offset the decrease in operating aid to some extent. Nevertheless, total funding from State sources (*Direct Operating Aid* plus *Employee Fringe Benefits*) decreased by 18% from \$1.7 billion in FY 1998 down to \$1.4 billion in FY 2018.

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Individuals wishing information and committee schedules on the FY 2018 budget are encouraged to contact:

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