

ANALYSIS OF THE NEW JERSEY BUDGET

**HIGHER
EDUCATIONAL
SERVICES**

FISCAL YEAR

2005 - 2006

NEW JERSEY STATE LEGISLATURE

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

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Walter J. Kavanaugh (R), 16th District (Parts of Morris and Somerset)
Thomas H. Kean, Jr. (R), 21st District (Parts of Essex, Morris, Somerset and Union)
Bernard F. Kenny, Jr. (D), 33rd District (Part of Hudson)
Leonard Lance (R), 23rd District (Warren and part of Hunterdon)
Robert E. Littell (R), 24th District (Sussex and parts of Hunterdon and Morris)
Paul A. Sarlo (D), 36th District (Parts of Bergen, Essex and Passaic)
Stephen M. Sweeney (D), 3rd District (Salem and parts of Cumberland and Gloucester)
Shirley K. Turner (D), 15th District (Part of Mercer)

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William D. Payne (D), 29th District (Parts of Essex and Union), *Vice-Chairman*
Francis J. Blee (R), 2nd District (Part of Atlantic)
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Joseph R. Malone III (R), 30th District (Parts of Burlington, Mercer, Monmouth and Ocean)
Alison Littell McHose (R), 24th District (Sussex and parts of Hunterdon and Morris)
Kevin J. O'Toole (R), 40th District (Parts of Bergen, Essex and Passaic)
Joan M. Quigley (D), 32nd District (Parts of Bergen and Hudson)
Joseph Vas (D), 19th District (Part of Middlesex)
Bonnie Watson Coleman (D), 15th District (Part of Mercer)

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Frank W. Haines III, *Assistant Legislative Budget and Finance Officer*

Glenn E. Moore, III, *Director, Central Staff*
Kathleen Fazzari, *Section Chief, Education Section*

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 Osomo A. Thomas.

Questions or comments may be directed to the OLS Education Section (609-984-6843) or the Legislative Budget and Finance Office (609-292-8030).

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FISCAL YEAR 2005 - 2006 BUDGET



HIGHER EDUCATIONAL SERVICES

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

APRIL 2005

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HIGHER EDUCATIONAL SERVICES

Budget Pages..... D-313 to D-361; D-389 to D-397; D-456

Fiscal Summary (\$000)

	Expended FY 2004	Adjusted. Appropriation FY 2005	Recommended FY 2006	Percent Change 2005-06
State Budgeted	\$1,329,779	\$1,494,703	\$1,481,602	(0.9)%
Federal Funds	23,233	25,462	27,174	6.7%
<u>Other</u>	<u>6,248</u>	<u>7,100</u>	<u>7,694</u>	<u>8.4%</u>
Grand Total	\$1,359,260	\$1,527,265	\$1,516,470	(0.7)%

Personnel Summary - Positions By Funding Source

	Actual FY 2004	Revised FY 2005	Funded FY 2006	Percent Change 2005-06
State	44	43	45	4.7%
Federal	168	159	182	14.5%
Other	12	11	18	63.6%
<u>Colleges & Univ's.*</u>	<u>20,147</u>	<u>20,216</u>	<u>20,216</u>	<u>0.0%</u>
Total Positions	20,371	20,429	20,461	0.2%

FY 2004 (as of December) and revised FY 2005 (as of September) personnel data reflect actual payroll counts. FY 2006 data reflect the number of positions funded.

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

Introduction

Under the "Higher Education Restructuring Act of 1994," P.L. 1994, c.48, the Department and Board of Higher Education were abolished and replaced by the Commission on Higher Education. As a result, the programs previously administered by the department were transferred to the Departments of State and Treasury. The commission was placed in, but not of, the Department of State to plan for, coordinate, and serve as the principal advocate of the State's higher education system. The higher educational services portion of the Department of State's budget includes funding for the commission, the operation of four-year public colleges and universities and the Educational Opportunity Fund Program. The Higher Education Student Assistance Authority (HESAA) was established pursuant to N.J.S.18A:71A-1 et seq. and is responsible for the coordination of various student financial aid programs, including Tuition Aid Grants (TAG). The

Introduction (Cont'd)

enabling legislation consolidated three former entities, the Higher Education Assistance Authority, the Office of Student Assistance and the Student Assistance Board which were all formerly in, but not of, the Department of Treasury. Funding for the independent colleges and universities as well as State aid for the county colleges is allocated to the Department of Treasury.

Key Points

- The overall FY 2006 budget recommendation for Higher Educational Services totals \$1.52 billion, a .7 percent decrease from the FY 2005 adjusted appropriation of \$1.53 billion.

Higher Educational Services - Department of State

- **Colleges and Universities:** Direct operating aid for senior public institutions of higher education is recommended at \$857.2 million, a \$16.4 million (1.9 percent) decrease from the FY 2005 adjusted appropriation of \$873.6 million. The decrease is primarily due to funding reductions of \$13 million to the University of Medicine and Dentistry of New Jersey, \$1.8 million to the Agricultural Experiment Station at Rutgers, The State University, and \$750,000 to Kean University.
- In addition to operating aid, the FY 2006 recommended budget provides supplementary salary funding (in the Interdepartmental accounts) of \$17.8 million to support a portion of negotiated cost-of-living adjustments (COLAs) and \$541.8 million to cover fringe benefits for employees of the State colleges and universities. In aggregate, the FY 2006 recommended salary program and fringe benefit funding totals \$559.5 million, an 11.8 percent (\$59 million) increase over the FY 2005 adjusted appropriation.
- The overall level of funding support for State colleges and universities – operating aid, fringe benefit costs, and salary program funding – totals \$1.42 billion, an increase of \$42.6 million (3.1 percent) over the FY 2005 adjusted funding level of \$1.37 billion.
- No terms or conditions linking payment of operating aid or other funding to 2005-06 tuition or fee levels are recommended. In FY 2005, a senior public college or university would have had its aid reduced had it increased tuition by more than 8 percent over 2003-04 levels.
- As is the case in FY 2005, no pay-as-you-go capital funding is recommended in FY 2006.
- **Commission on Higher Education:** The total FY 2006 recommended State appropriation of \$44.5 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 \$577,000 or 1.3 percent from the FY 2005 adjusted appropriation of \$45 million. The decrease reflects a \$217,000 reduction in funding for the New Jersey Transfer Initiative and the elimination of \$360,000 in funding for Nursing Camp Grants.
- **Higher Education Student Assistance Authority (HESAA):** The budget recommends level funding of \$2.5 million for HESAA operations in FY 2006.
- The recommended appropriation for the Tuition Aid Grant Program (TAG) will increase by

Introduction (Cont'd)

\$9.3 million (4.6 percent), from \$202.6 million in FY 2005 to \$211.9 million in FY 2006. However, \$11.2 million of the FY 2005 appropriation amount is scheduled to lapse at the end of the fiscal year. The budget indicates that the FY 2006 recommended appropriation will provide an estimated 54,851 awards in the 2005-2006 academic year, 1,000 more than the number provided in the 2004-2005 academic year (53,851). 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. The recommended FY 2006 budget directs the Higher Education Student Assistance Authority (HESAA) to provide to students enrolled in public institutions, who are eligible for maximum awards under the TAG Program, an increase above the FY 2005 award amount equal to the difference between the in-state undergraduate 2004-2005 tuition rate for the institution and the institution's in-state undergraduate 2003-2004 tuition rate (one-year lag). HESAA is also directed to provide comparable increases to students who are eligible for maximum awards and enrolled at independent institutions. The recommended language will maintain, for students with the highest need, the existing one-year lag between award amounts and current year tuition. However, while students eligible for maximum awards will see their FY 2006 award (based on 2004-2005 tuition rates) increase over the FY 2005 award by an amount which maintains a one-year lag, all other TAG awards will be based on 2002-2003 tuition rates, a three-year lag behind 2005-2006 tuition rates.

- The New Jersey Student Tuition Assistance Reward Scholarship Program (NJSTARS) was established in 2005 under P.L. 2004, c.59. The program provides that subject to the prior application of other grants and scholarships against the cost of county college tuition and fees, a student who graduated in the top 20 percent of the student's high school graduating class will be eligible for a scholarship for the first year of enrollment on a full-time basis in a county college. After that student's first year of enrollment, the scholarship will be payable if, based on the student's performance in the first year of enrollment, the student was ranked in the top 20 percent of all first-time students enrolled in a full-time course of study at the county college during the student's initial year of enrollment. The FY 2006 recommended budget appropriates \$8 million for NJSTARS, 20 percent or \$2 million less than the FY 2005 appropriation amount of \$10 million. However, \$6.5 million of the FY 2005 appropriation amount is scheduled to lapse at the end of FY 2005. It is estimated that the program will fund 975 students in FY 2005 and 3,000 students in FY 2006.
- The Governor's FY 2006 recommended budget includes \$3.5 million in funding for a new loan forgiveness program, the College Loan Forgiveness Program for Mental Health Workers. Under the proposed program, up to \$5,000 of an eligible mental health worker's outstanding student loan balance would be forgiven for each year of employment in a State, county, or State-contracted, non-profit mental health or social service facility in the State. Maximum loan redemption under the program would be \$20,000 for four years of such employment. Recommended funding is sufficient to provide full benefits to 700 individuals in FY 2006. Legislation (S-2334 and A-3809) to implement the program is currently under consideration.

Higher Educational Services - Department of Treasury

- **Aid to Independents:** The FY 2006 budget proposal recommends level funding of \$25.4 million to support independent colleges and universities. The FY 2006 recommended appropriation would provide 82 percent of the amount needed to fully fund the "Independent College and University Assistance Act," P.L.1979, c.132.

Key Points (Cont'd)

- **Aid to County Colleges:** The FY 2006 proposed budget recommends total funding of \$162.6 million in operational aid for the county colleges, with the General Fund providing \$148.6 million and the Supplemental Workforce Fund for Basic Skills (SWF) providing \$14 million. The FY 2006 recommended appropriation maintains the FY 2005 funding level for the county colleges.
- The Governor recommends funding of \$13.6 million in FY 2006 for the post retirement medical benefits of certain county college employees. This represents a \$1.8 million (15.5 percent) increase over the FY 2005 adjusted appropriation of \$11.8 million.

Miscellaneous Higher Education Programs

- The Higher Education Capital Improvement Fund provides grants to public and independent institutions of higher education for the renewal, renovation, improvement, expansion, construction and reconstruction of facilities and technology infrastructure. The fund was established under the "Higher Education Capital Improvement Fund Act," P.L.1999, c.217, and is financed through bonds issued by the New Jersey Educational Facilities Authority. The State pays two-thirds of the debt service for public institutions and one-half of the debt service for independent institutions. The FY 2006 recommended appropriation of \$29.1 million for debt service is a \$755,000 (2.5 percent) decrease from the \$29.9 million FY 2005 adjusted appropriation.
- The "Higher Education Facilities Trust Fund Act," P.L. 1993, c.375, authorized the New Jersey Educational Facilities Authority to issue bonds in an outstanding principal amount of \$220 million to provide grants to public and independent institutions of higher education for the cost of the construction, reconstruction, development, extension, and improvement of instructional, laboratory, communication, and research facilities. The trust fund established under the act is financed by moneys received from the bond issuances plus an annual appropriation from the net proceeds of the State Lottery in an amount sufficient to pay the principal and interest on the bonds or notes. The appropriation to fund debt service payments for bonds issued under the "Higher Education Facilities Trust Fund Act" is recommended to decrease by \$2.8 million to \$18.2 million in FY 2006 from \$21 million in FY 2005.

Background Paper

- Tuition and Fee Charges at Institutions of Higher Education p. 29-30

Program Description and Overview

Under the "Higher Education Restructuring Act of 1994," P.L. 1994, c.48, the Department and the Board of Higher Education were abolished and replaced by the Commission on Higher Education. The commission was placed in, but not of, the Department of State to plan for, coordinate, and serve as the principal advocate of the State's higher education system. The higher educational services portion of the Department of State's budget includes funding for the commission, the operation of four-year public colleges and universities, miscellaneous programs, and the Educational Opportunity Fund Program (EOF).

Furthermore, the "Higher Education Student Assistance Authority Law," N.J.S. 18A:71A-1 et seq., consolidated the functions of the Office of Student Assistance (OSA), the Student Assistance Board (SAB), and the Higher Education Assistance Authority (HEAA) into a new authority, the Higher Education Student Assistance Authority and placed it in, but not of, the Department of State. This new authority is responsible for the administration of various State and federal student assistance grant, loan, savings and scholarship programs. These programs are also budgeted in the Department of State under Higher Educational Services.

The New Jersey Educational Facilities Authority (EFA) is allocated in, but not of, the Department of Treasury. Funding for the independent colleges and universities as well as State aid to the county colleges is also allocated to the Department of Treasury.

The Commission on Higher Education consists of 11 members as follows: six public members appointed by the Governor with the advice and consent of the Senate; two public members to be appointed by the Governor, one based upon the recommendation of the President of the Senate and one based upon the recommendation of the Speaker of the General Assembly; the chairperson of the New Jersey Presidents' Council; the chairperson of the Board of the Higher Education Student Assistance Authority; and a faculty member. In addition, the Governor appoints two student members from a public or independent institution of higher education in the State who serve for a one-year term as voting members of the commission.

The commission is responsible for the licensing of all degree granting institutions in the State and is responsible for the administration of the Educational Opportunity Fund, the Minority Faculty Advancement Program, and various other program grant funds. The commission is the main approval authority for higher education capital projects funded under the "Jobs, Education and Competitiveness Bond Act of 1988," P.L.1988, c. 78, the "Higher Education Equipment Leasing Fund Act," P.L. 1993, c.136, the "Higher Education Facilities Trust Fund Act," P.L. 1993, c.375, the "Higher Education Technology Infrastructure Fund Act," P.L. 1997, c.238, and the "Higher Education Capital Improvement Fund Act," P.L. 1999, c.217.

The Educational Opportunity Fund Program (EOF) provides grants to educationally and economically disadvantaged students for undergraduate and graduate study at public and independent institutions of higher education in the State. EOF consists of four program components: Opportunity Program Grants (Article III) which provide grant awards for the non-tuition expenses of college attendance such as fees, books, and room and board; Supplementary Education Program Grants (Article IV) which are provided to institutions of higher education to fund tutoring, counseling and remedial services for EOF students; the Martin Luther King Physician-Dentist Scholarship Program which provides grants up to the cost of tuition to New Jersey resident medical and dental students enrolled at UMDNJ from disadvantaged or minority backgrounds; and the C. Clyde Ferguson Law Scholarship Program which provides grants up to the cost of tuition to New Jersey resident law students from disadvantaged or minority backgrounds. The latter grant is limited to students attending Rutgers School of Law in Newark and Camden, and Seton Hall

Program Description and Overview (Cont'd)

University School of Law.

The Higher Education Student Assistance Authority is the lead State agency, in coordination with the commission, for determining policy on student assistance issues and is responsible for furthering access to postsecondary education through the administration of all State and federal student assistance grant, loan, savings and scholarship programs. Under the "Higher Education Student Assistance Authority Law," N.J.S. 18A:71A-1 et seq., the Office of Student Assistance, the Student Assistance Board, and the Higher Education Assistance Authority were abolished and the functions, powers and duties of these entities were transferred to the Higher Education Student Assistance Authority. The authority is governed by an 18 member board consisting of the State Treasurer; the chairperson of the Commission on Higher Education; the chairperson of the Board of Directors of the Educational Opportunity Fund Program; five representatives from eligible institutions including one from Rutgers, the State University, one from either the New Jersey Institute of Technology or the University of Medicine and Dentistry of New Jersey, one from the county colleges, one from the State colleges, and one from the independent institutions; two students from different collegiate institutional sectors; seven public members, including one who represents a lender party to a participation agreement with the authority; and the executive director of the authority who shall be a non-voting member of the board.

The New Jersey Educational Facilities Authority (EFA) was established to provide a means for New Jersey public and independent colleges and universities to construct additional facilities through the financial resources of a public authority empowered to sell bonds, notes and other obligations. The EFA finances various types of projects for the institutions including the construction of academic and auxiliary service facilities, renovation and rehabilitation of existing facilities, and capital equipment and utilities-related projects and other structures or facilities related or required or useful for the instruction of students or the conducting of research or the operation of a higher education institution.

In addition, the EFA is authorized to enter into lease agreements with public and independent institutions to finance the purchase of higher education equipment. The Higher Education Equipment Leasing Fund established within the EFA pursuant to the "Higher Education Equipment Leasing Fund Act," P.L. 1993, c. 136, finances the purchase of equipment through the sale of bonds issued by the authority in an outstanding principal amount not to exceed \$100 million. Institutions are required to pay 25 percent of the debt service to finance the purchase of equipment at that institution. Authorized purchases include scientific, technical, computer, communications, laboratory and instructional equipment.

The EFA is also authorized to issue bonds in an outstanding principal amount of \$220 million to provide grants to public and independent institutions of higher education for the cost of the construction, reconstruction, development, extension, and improvement of instructional, laboratory, communication, and research facilities pursuant to the "Higher Education Facilities Trust Fund Act," P.L. 1993, c. 375. The trust fund established under that act is financed by moneys received from the bond issuances plus an annual appropriation from the net proceeds of the State Lottery in an amount sufficient to pay the principal and interest on the bonds or notes.

The EFA is also authorized to issue bonds pursuant to the "Higher Education Technology Infrastructure Fund Act," P.L. 1997, c. 238. That act authorized the EFA to issue bonds in an outstanding principal amount of \$55 million, \$50 million of which would be allocated to allow public and independent institutions of higher education to develop technology infrastructure within and among the State's higher education institutions in order to provide access to information,

Program Description and Overview (Cont'd)

educational opportunities, and workforce training effectively and efficiently. Institutions are required to provide a matching amount equivalent to the amount of funds provided. The remaining \$5 million of the \$55 million authorization is for non-matching public library grants for Statewide library technology initiatives through the New Jersey State Library.

Under the "Higher Education Capital Improvement Fund Act," P.L. 1999, c.217, the Higher Education Capital Improvement Fund was established within the EFA to provide grants for deferred maintenance projects at the institutions to renovate and repair existing instructional, laboratory, communication, research and administrative facilities. The EFA is authorized to issue bonds in an outstanding principal amount of \$550 million for deposit into the fund. The public institutions are responsible for the payment of one-third of the debt service on bonds sold for their benefit and the independent colleges and universities are required to pay one-half of the debt service on bonds sold for their benefit.

The "Dormitory Safety Trust Fund Act", P.L. 2000, c.56, authorized the EFA to issue \$90 million in bonds to finance loans to eligible public and private secondary schools, military schools and boarding schools and public and independent institutions of higher education to install fire suppression systems in dormitories located at the school or institution.

The EFA is also authorized to issue bonds for facilities construction and renovations to fund the State and county share of county college capital projects pursuant to the provisions of the "County College Capital Projects Fund Act," P.L. 1997, c. 360. That act authorized the EFA to issue bonds pursuant to P.L. 1971, c.12. Under P.L. 2004, c.100, the amount of bonds or notes that may be issued to provide additional State support was increased from \$165 million to \$265 million. With the increase, the overall cap on chapter 12 bonds now stands at \$530 million. The State is responsible for the debt service payments on half of the bonds or notes issued up to a cap of \$265 million.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2004	Adj. Approp. FY 2005	Recom. FY 2006	Percent Change	
				2004-06	2005-06
General Fund					
Direct State Services	\$3,530	\$3,930	\$3,930	11.3%	0.0%
Grants-In-Aid	1,115,469	1,278,653	1,268,093	13.7%	(0.8)%
State Aid	186,738	184,075	181,023	(3.1)%	(1.7)%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$1,305,737	\$1,466,658	\$1,453,046	11.3%	(0.9)%
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	24,042	28,045	28,556	18.8%	1.8%
Sub-Total	\$24,042	\$28,045	\$28,556	18.8%	1.8%
Casino Revenue Fund	\$0	\$0	\$0	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total*	\$1,329,779	\$1,494,703	\$1,481,602	11.4%	(0.9)%
Federal Funds	\$23,233	\$25,462	\$27,174	17.0%	6.7%
Other Funds	\$6,248	\$7,100	\$7,694	23.1%	8.4%
Grand Total	\$1,359,260	\$1,527,265	\$1,516,470	11.6%	(0.7)%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2004	Revised FY 2005	Funded FY 2006	Percent Change	
				2004-06	2005-06
State	44	43	45	2.3%	4.7%
Federal	168	159	182	8.3%	14.5%
All Other	12	11	18	50.0%	63.6%
Colleges and Universities*	20,147	20,216	20,216	0.3%	0.0%
Total Positions	20,371	20,429	20,461	0.4%	0.2%

FY 2004 (as of December) and revised FY 2005 (as of September) personnel data reflect actual payroll counts. FY 2006 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	63.0%	40.0%	35.0%	—	—
Higher Ed. Student Assist. Authority	31.7%	30.8%	31.2%	—	—

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2005</u>	<u>Recomm. FY 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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Commission on Higher Education:

New Jersey Transfer Initiative	\$780	\$563	(\$217)	(27.8)%	D-320
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The FY 2006 recommended appropriation of \$563,000 for the New Jersey Transfer Initiative (NJ Transfer) is a \$217,000 or 27.8 percent reduction from the FY 2005 adjusted appropriation of \$780,000. NJ Transfer is a web-based data information system designed to provide a seamless transfer from New Jersey county colleges to New Jersey four-year colleges and universities. The system, developed as a joint initiative of the New Jersey Commission on Higher Education and the New Jersey Presidents' Council, enables county college students to determine if a course offered at the county college has an equivalent or will satisfy a degree requirement at the four-year college or university in which the student intends to enroll. The Legislature added \$217,000 in FY 2005. This recommendation returns the program to its FY 2004 funding level.

Nursing Camp Grants	\$360	\$0	(\$360)	(100.0)%	D-320
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The FY 2006 budget does not recommend funding for Nursing Camp Grants. FY 2005 budget language provided that the FY 2005 appropriation of \$360,000 would fund four grants of \$90,000 each, one of which would be allocated to Monmouth University, to be awarded by the Commission on Higher Education. However, according to the commission, only Monmouth University has been awarded a grant in FY 2005. The university's website indicates that the Monmouth University Nurse Camp, a two-week summer day camp, provides education and a hands-on learning environment for approximately 20 middle school students who may be interested in pursuing a career in nursing. State accounting system records indicate that \$270,000 of the FY 2005 appropriation has been placed in reserve.

Student Assistance Programs:

Tuition Aid Grants	\$202,574	\$211,908	\$9,334	4.6%	D-325
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The FY 2006 funding for the Tuition Aid Grant Program (TAG) will increase by \$9.3 million (4.6 percent), from \$202.6 million in FY 2005 to \$211.9 million in FY 2006. However, \$11.2 million of the FY 2005 appropriation amount is scheduled to lapse at the end of the fiscal year. The budget indicates that the FY 2006 recommended appropriation will provide an estimated 54,851 awards in the 2005-2006 academic year, 1,000 more than the number provided in the 2004-2005 academic year (53,851). 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. The recommended budget directs the Higher Education Student Assistance Authority (HESAA) to provide to students enrolled in public institutions, who are eligible for maximum awards under the TAG Program, an increase above the FY 2005 award amount equal to the difference between the in-state undergraduate 2004-2005 tuition rate for the institution and the institution's in-state undergraduate 2003-2004 tuition rate (one-year lag). HESAA is also

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2005</u>	<u>Recomm. FY 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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directed to provide comparable increases to students who are eligible for maximum awards and enrolled at independent institutions. The recommended language will maintain, for students with the highest need, the existing one-year lag between award amounts and current year tuition. However, while students eligible for maximum awards will see their FY 2006 award (based on 2004-2005 tuition rates) increase over the FY 2005 award by an amount which maintains a one-year lag, all other TAG awards will be based on 2002-2003 tuition rates, a three-year lag behind 2005-2006 tuition rates.

Part-Time Tuition Aid

Grants for County Colleges	\$4,200	\$4,451	\$251	6.0%	D-325
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A pilot Part-Time Tuition Assistance Grant Program for eligible part-time students enrolled at county colleges was established in FY 2004. The 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. The FY 2006 recommended budget provides \$4.5 million for the program, a 6 percent or \$251,000 increase over the FY 2005 amount of \$4.2 million. The recommended level of funding is projected to assist over 9,000 students.

Miss New Jersey Educational Scholarship Program

	\$11	\$0	(\$11)	(100.0)%	D-325
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The Miss New Jersey Educational Scholarship Program provides annual awards to eligible students who exhibit leadership in civic, cultural or charitable endeavors in the spirit of the Miss New Jersey Pageant. The renewable award covers the cost of tuition at an undergraduate or graduate public institution of higher education in New Jersey. The FY 2006 recommended budget indicates that the program has been discontinued and the FY 2005 appropriation is scheduled to lapse at the end of the fiscal year.

NJBEST Scholarship Program	\$11	\$0	(\$11)	(100.0)%	D-325
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The New Jersey Better Educational Savings Trust Scholarship Program (NJBEST), established under N.J.S. 18A:71B-35 et seq., provides scholarships to students who are beneficiaries of a NJBEST college savings account to which contributions were made for at least four years, and who enroll in a New Jersey college or university. Since 1999, the year NJBEST was initiated, the scholarships have provided an additional incentive to participate in the program. The Higher Education Student Assistance Authority (HESAA) has indicated that the scholarships were fully or partially funded from a State appropriation in prior years. However, in FY 2006 NJBEST scholarships will be fully funded through revenues generated by the NJBEST Program.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2005</u>	<u>Recomm. FY 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
New Jersey Student Tuition Assistance Reward Scholarship (NJSTARS)	\$10,000	\$8,000	(\$2,000)	(20.0)%	D-326

The New Jersey Student Tuition Assistance Reward Scholarship Program (NJSTARS) was established in 2005 under P.L. 2004, c.59. The program, administered by the Higher Education Student Assistance Authority (HESAA), provides that subject to the prior application of other grants and scholarships against the cost of county college tuition and fees, a student who graduated in the top 20 percent of the student's high school graduating class will be eligible for a scholarship for the first year of enrollment on a full-time basis in a county college. After that student's first year of enrollment, the scholarship will be payable if, based on the student's performance in the first year of enrollment, the student was ranked in the top 20 percent of all first-time students enrolled in a full-time course of study at the county college during the student's initial year of enrollment. The student is eligible to receive a scholarship to cover the cost of tuition and fees for up to 15 credit hours in any semester at the county college. Under the law, eligible students may receive a scholarship for up to 5 semesters. The FY 2006 recommended budget appropriates \$8 million for NJSTARS, 20 percent or \$2 million less than the FY 2005 appropriation amount of \$10 million. However, the program is projected to expend only \$2.5 million in FY 2005. It is estimated that the program will fund 975 students in FY 2005 and 3,000 students in FY 2006.

**College Loan Forgiveness
Program for Mental Health
Workers**

\$0	\$3,500	\$3,500	—	D-326
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The Governor's FY 2006 recommended budget includes \$3.5 million in funding for a new student loan forgiveness program, the College Loan Forgiveness Program for Mental Health Workers. Under the proposed program, up to \$5,000 of an eligible mental health worker's outstanding student loan balance would be forgiven for each year of employment in a State, county, or State-contracted, non-profit mental health or social service facility in the State. Maximum loan redemption under the program would equal \$20,000 for four years of employment. The recommended funding level is sufficient to provide full benefits to 700 individuals in FY 2006. Legislation to implement the program (S-2334 and A-3809) is currently under consideration.

**State Support for Four-
Year State Colleges and
Universities**

\$873,607	\$857,243	(\$16,364)	(1.9)%	D-328 to D-361
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The reduction in State operating support represents the elimination of FY 2005 legislative initiatives for certain institutions (as further noted). In addition, \$541.8 million is recommended for fringe benefits and \$17.8 million to support a portion of negotiated cost-of-living adjustments.

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

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2005</u>	<u>Recomm. FY 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
University of Medicine and Dentistry of New Jersey	\$209,476	\$196,476	(\$13,000)	(6.2)%	D-333 to D-336

The FY 2006 recommended appropriation amount represents the elimination of FY 2005 legislative initiatives totaling \$13 million, which was added to the Governor's FY 2005 recommended appropriation to support the operating costs of the institution.

Agricultural Experiment Station	\$26,752	\$24,952	(\$1,800)	(6.7)%	D-331 to D-332
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The FY 2005 adjusted appropriation amount includes \$1.8 million to support the newly-created Food Innovation Research and Extension Center (F.I.R.E.) The F.I.R.E. center provides business development and technology support to the agricultural and food industries of New Jersey to stimulate economic growth for these business sectors and the region. The FY 2006 recommended budget does not include funding to support this initiative.

Kean University	\$41,553	\$40,803	(\$750)	(1.8)%	D-346 to D-348
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The recommended FY 2006 reduction of \$750,000 represents the elimination of FY 2005 legislative additions to the Governor's recommended appropriation to support the institution's operating costs.

Rutgers, The State University	\$299,199	\$298,849	(\$350)	(0.1)%	D-328 to D-331
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As a result of a FY 2005 legislative initiative, \$350,000 was added to the Governor's recommended appropriation to support operating costs at Rutgers, The State University. This amount included \$135,000 to support E3CO, Inc. and the addition of \$215,000 in funding to support the New Jersey EcoComplex in Burlington. The FY 2006 recommended budget language eliminates funding to support E3CO, Inc. and decreases funding to support the New Jersey EcoComplex in Burlington by \$215,000.

Thomas A. Edison State College	\$6,127	\$5,813	(\$314)	(5.1)%	D-339 to D-340
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Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 2005</u>	<u>Recomm. FY 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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The FY 2006 recommended appropriation reflects the elimination of \$314,000 to support the John S. Watson Institute for Public Policy. According to the college's website, the institute responds to the needs of decision-makers by providing practical research, technical assistance and other expertise to address issues facing New Jersey. This FY 2005 legislative initiative was added to the Governor's FY 2005 recommended appropriation to support operating costs at the college.

New Jersey Institute of Technology (NJIT)	\$50,262	\$50,112	(\$150)	(0.3)%	D-336 to D-338
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The FY 2006 recommended appropriation to NJIT reflects the elimination of \$150,000 in funding to support Smart Shunt Research. The FY 2005 funding, added by the Legislature, was not included in the Governor's FY 2005 recommended appropriation to support NJIT's operating expenses.

All Other Institutions Subtotal	\$240,238	\$240,238	\$0	0.0%	D-328 to D-361
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FY 2006 recommended appropriations totaling \$240,238 to support the operating costs at each of the 7 other senior public colleges and universities represents the same funding level as in FY 2005.

Miscellaneous Higher Education Programs:

Higher Education Capital Improvement Program - Debt Service	\$29,855	\$29,100	(\$755)	(2.5)%	D-395
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An appropriation of \$29.1 million is recommended to fund the State's share of the estimated debt service cost of bonds issued pursuant to the "Higher Education Capital Improvement Fund Act," P.L. 1999, c.217, a \$755,000 or 2.5 percent decrease from the FY 2005 appropriation of \$29.9 million. The "Higher Education Capital Improvement Fund Act" authorized the EFA to issue bonds in the amount of \$550 million to fund deferred maintenance projects at the four-year public and independent institutions of higher education and to renovate and repair existing facilities and technology infrastructure. Under the program the State pays two-thirds of the debt service costs on bonds issued by EFA to fund projects at public colleges, and one-half of the debt service on bonds issued to fund projects at independent institutions.

Higher Education Facilities Trust Fund - Debt Service	\$21,015	\$18,183	(\$2,832)	(13.5)%	D-395
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Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2005</u>	<u>Recomm.</u> <u>FY 2006</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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The "Higher Education Facilities Trust Fund Act" authorized the New Jersey Educational Facilities Authority to issue bonds in an outstanding principal amount of \$220 million to provide grants to public and independent institutions of higher education for the cost of the construction, reconstruction, development, extension, and improvement of instructional, laboratory, communication, and research facilities. The trust fund established under the act is financed by moneys received from the bond issuances plus an annual appropriation from the net proceeds of the State Lottery in an amount sufficient to pay the principal and interest on the bonds or notes.

Dormitory Safety Trust Fund - Debt Service	\$9,053	\$8,796	(\$257)	(2.8)%	D-395
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The "Dormitory Safety Trust Fund Act" authorized the New Jersey Educational Facilities Authority to issue \$90 million in bonds to finance loans to eligible public and private secondary schools, military schools and boarding schools and public and independent institutions of higher education to install fire suppression systems in dormitories located at the school or institution.

Stevens Institute of Technology - New Jersey Community College Strategic Partnership	\$1,000	\$0	(\$1,000)	(100.0)%	D-395
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The New Jersey Community College Strategic Partnership is a collaborative effort between Steven's Institute and several county colleges. The Governor's FY 2006 recommended budget eliminates this FY 2005 legislative initiative.

State Aid:

County College Operational Costs - Total	<u>\$162,562</u>	<u>\$162,562</u>	<u>\$0</u>	<u>0.0%</u>	<u>D-396</u>
General Fund	\$154,562	\$148,562	(\$6,000)	(3.9)%	
Supplemental Workforce Fund For Basic Skills	\$8,000	\$14,000	\$6,000	75.0%	

The Governor's FY 2006 recommended budget includes total State support of \$162.6 million for the operational costs of the county colleges, which maintains the FY 2005 funding level. This funding includes appropriations from the Supplemental Workforce Fund for Basic Skills, which provides \$8 million in FY 2005 and would provide \$14 million in FY 2006 under the recommended budget. The county college system is composed of 19 institutions that provide access to higher education for a broad range of New Jersey residents.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2005</u>	<u>Recomm. FY 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Teachers' Pension and Annuity Fund - Post Retirement Medical	\$1,195	\$1,117	(\$78)	(6.5)%	D-396
Post Retirement Medical Other Than TPAF	<u>\$10,560</u>	<u>\$12,461</u>	<u>\$1,901</u>	18.0%	D-396
Total Post Retirement Medical Benefits	\$11,755	\$13,578	\$1,823	15.5%	

Annual State appropriations fund post-retirement medical benefits for eligible retirees of State and local educational agencies. The above amount funds the projected FY 2006 costs of these benefits for county college retirees.

Language Provisions

2005 Appropriations Handbook

2006 Budget Recommendations

p. B-153

From the amount appropriated hereinabove for Nursing Camp Grants the Commission on Higher Education shall allocate four grants equal to \$90,000 each, one of which shall be allocated to Monmouth University.

No comparable language.

Explanation

The FY 2005 budget language provided that the FY 2005 appropriated amount of \$360,000 would fund four grants of \$90,000, one of which would be allocated to Monmouth University, to be awarded by the Commission on Higher Education. Because the Governor does not recommend funding for the program in FY 2006, this language is no longer required.

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2006 Budget Recommendations

p. B-154

Notwithstanding the provisions of any law to the contrary, the Higher Education Student Assistance Authority shall provide to students enrolled in public institutions of higher education who are eligible for maximum awards under the Tuition Aid Grant program appropriated hereinabove an increase above the fiscal year 2004 award amount equal to the difference between the in-state undergraduate 2003-2004 tuition rate for the institution and the institution's in-state undergraduate 2001-2002 tuition rate with comparable increases provided to students eligible for maximum awards enrolled at independent institutions. All other award amounts provided under the Tuition Aid Grant program shall be based on the same parameters as used by the Higher Education Student Assistance Authority in fiscal year 2004. Reappropriated balances in

p. D-326

Notwithstanding the provisions of any law to the contrary, the Higher Education Student Assistance Authority shall provide to students enrolled in public institutions of higher education who are eligible for maximum awards under the Tuition Aid Grant program appropriated hereinabove an increase above the fiscal year 2005 award amount equal to the difference between the in-state undergraduate 2004-2005 tuition rate for the institution and the institution's in-state undergraduate 2003-2004 tuition rate with comparable increases provided to students eligible for maximum awards enrolled at independent institutions. All other award amounts provided under the Tuition Aid Grant program shall be based on the same parameters as used by the Higher Education Student Assistance Authority in fiscal year 2005. Reappropriated balances

Language Provisions (Cont'd)**2005 Appropriations Handbook**

the Tuition Aid Grants account shall be held as a contingency for unanticipated increases in the number of applicants qualifying for full-time Tuition Aid Grant awards, to fund shifts in the distribution of awards that result in an increase in total program costs, or to offset any shortfalls in the federal Leveraging Educational Assistance Partnership (LEAP) program.

2006 Budget Recommendations

in the Tuition Aid Grants account shall be held as a contingency for unanticipated increases in the number of applicants qualifying for full-time Tuition Aid Grant awards, to fund shifts in the distribution of awards that result in an increase in total program costs, or to offset any shortfalls in the federal Leveraging Educational Assistance Partnership (LEAP) program.

Explanation

The FY 2006 budget language directs the Higher Education Student Assistance Authority (HESAA) to provide to students enrolled in public institutions, who are eligible for maximum awards under the TAG Program, an increase above the FY 2005 award amount equal to the difference between the in-state undergraduate 2004-2005 tuition rate for the institution and the institution's in-state undergraduate 2003-2004 tuition rate (one-year lag). The FY 2006 budget language also directs HESAA to provide comparable increases to students who are eligible for maximum awards and enrolled at independent institutions. The language will maintain, for students with the highest need, the existing one-year lag between award amounts and current year tuition. However, while students eligible for maximum awards will see their FY 2006 award (based on 2004-2005 tuition rates) increase over the FY 2005 award by an amount which maintains a one-year lag, all other TAG awards will be based on 2002-2003 tuition rates, a three-year lag behind 2005-2006 tuition rates.

2005 Appropriations Handbook

No comparable language.

2006 Budget Recommendations**p. D-327**

In addition to the amount appropriated hereinabove for the College Loan Forgiveness Program for Mental Health Workers, there are appropriated such sums as are required to cover the costs of increases in the number of applicants qualifying for this program, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The Governor's FY 2006 recommended budget includes \$3.5 million in funding for a new student loan forgiveness program, the College Loan Forgiveness Program for Mental Health Workers. Under the proposed program, up to \$5,000 of an eligible mental health worker's outstanding student loan balance would be forgiven for each year of employment in a State, county, or State-contracted, non-profit mental health or social service facility in the State. Maximum loan

Language Provisions (Cont'd)

redemption under the program would be \$20,000 for four years of such employment. The recommended budget language provides that, in addition the amount appropriated for the program in FY 2006 (\$3.5 million), an unspecified amount would also be appropriated, if as a result of the number of individuals who are eligible for the program, the cost of the program exceeds the appropriated amount of \$3.5 million.

2005 Appropriations Handbook**2006 Budget Recommendations****p. B-155**

From the amounts appropriated hereinabove for the Outstanding Scholar Recruitment Program, so much thereof as is necessary shall be expended by the Higher Education Student Assistance Authority to perform a study of the outcomes of the Outstanding Scholar Recruitment Program and its effectiveness in increasing the enrollment and retention of high achieving New Jersey High School graduates at New Jersey colleges and universities. The authority shall prepare a written report specifying the results of the study, including any recommendations for expansion or discontinuation of the program. This report shall be provided to the Governor no later than September 1, 2004.

No comparable language.

Explanation

The FY 2005 language directed the Higher Education Student Assistance Authority (HESAA) to expend an unspecified amount from the appropriation made available to the Outstanding Scholars Recruitment Program (OSRP) to conduct a study of the outcomes of the program and its effectiveness in increasing the enrollment and retention of high achieving New Jersey high school graduates. The budget language also required HESAA to provide to the Governor no later than September 1, 2004, a written report specifying the results of the study, including any recommendations for expansion or discontinuation of OSRP. HESAA has indicated that the study has been completed so the language is no longer necessary.

2005 Appropriations Handbook**2006 Budget Recommendations****p. B-155**

Of the sums hereinabove appropriated for Rutgers, The State University, there is \$180,000 for the Masters in Government Accounting Program, \$105,000 for the Tomato Technology Transfer Program, \$95,000 for

p. D-331

Of the sums hereinabove appropriated for Rutgers, The State University, \$180,000 is appropriated for the Masters in Government Accounting Program, \$105,000 is appropriated for the Tomato Technology Transfer Program,

Language Provisions (Cont'd)**2005 Appropriations Handbook**

the Haskin Shellfish Research Laboratory, \$200,000 for the Camden Law School Clinical Legal Programs for the Poor, \$200,000 for the Newark Law School Clinical Legal Programs for the Poor, \$740,000 for the Civic-Square Project – Debt Service, \$75,000 for the Walter Rand Institute for Public Affairs, \$700,000 for In Lieu of Taxes to New Brunswick, \$500,000 for capital projects or maintenance for Division of Intercollegiate Athletic facilities at Rutgers, New Brunswick, **[\$135,000 for E3CO, Inc.]** and **[\$515,000]** for the New Jersey EcoComplex, Burlington County. These accounts shall be considered special purpose appropriations for accounting and reporting purposes.

2006 Budget Recommendations

\$95,000 is appropriated for the Haskin Shellfish Research Laboratory, \$200,000 is appropriated for the Camden Law School Clinical Legal Programs for the Poor, \$200,000 is appropriated for the Newark Law School Clinical Legal Programs for the Poor, \$740,000 is appropriated for the Civic Square Project – Debt Service, \$75,000 is appropriated for the Walter Rand Institute for Public Affairs, \$700,000 is appropriated for In Lieu of Taxes to New Brunswick, \$500,000 is appropriated for capital projects or maintenance for Division of Intercollegiate Athletic facilities at Rutgers, New Brunswick, and **\$300,000** is appropriated for the New Jersey EcoComplex, Burlington County. These accounts shall be considered special purpose appropriations for accounting and reporting purposes.

Explanation

As a result of legislative initiatives in FY 2005, funding of \$135,000 was added to support E3CO, Inc. and funding to support the New Jersey EcoComplex in Burlington was increased by \$215,000 above the Governor's FY 2005 recommended appropriation of \$300,000. The FY 2006 recommended budget language decreases funding to the New Jersey EcoComplex in Burlington by \$215,000 and does not include funding for E3CO, Inc.

2005 Appropriations Handbook**2006 Budget Recommendations****p. B-156**

The unexpended balances as of June 30, 2004, in the General Institutional Operations account of Rutgers, The State University, is appropriated and shall be transferred to the New Jersey Stem Cell Research Institute account in the Department of the Treasury, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language.

Explanation

Under P.L. 2003, c.203, New Jersey became the second state in the nation to legalize stem cell research. The FY 2005 budget language provided that anticipated FY 2004 unexpended balances (\$4 million) from the General Institutional Operations account of Rutgers University, would be used

Language Provisions (Cont'd)

to fund the establishment of the New Jersey Stem Cell Research Institute. The institute, which will be housed in a facility to be built in New Brunswick, will be jointly operated by Rutgers, The State University and the University of Medicine and Dentistry of New Jersey (UMDNJ). The total FY 2005 funding for the establishment of the institute was \$9.5 million, a \$5.5 million line item appropriation and \$4 million from the FY 2004 unexpended balances of Rutgers University. The FY 2006 recommended appropriation continues the adjusted FY 2005 line item appropriation amount of \$5.5 million.

2005 Appropriations Handbook

p. B-157

Of the sums hereinabove appropriated for the University of Medicine and Dentistry of New Jersey, there is \$100,000 for the Inflammatory Bowel Disease Center, \$800,000 for Emergency Medical Service–Camden, \$975,000 for the Regional Health Education Center–Physical Plant, \$750,000 for the Violence Institute of NJ at UMDNJ, \$525,000 for the Regional Health Education Center–Educational Units, \$290,000 for the New Jersey Area Health Education Program, \$4,000,000 for Debt Service–Robert Wood Johnson Medical School, Camden, and \$2,700,000 for Debt Service–School of Osteopathic Medicine Academic Center, Stratford. These accounts shall be considered special purpose appropriations for accounting and reporting purposes.

2006 Budget Recommendations

p. D-336

Of the sums hereinabove appropriated for the University of Medicine and Dentistry of New Jersey, \$100,000 is appropriated for the Inflammatory Bowel Disease Center, \$800,000 is appropriated for Emergency Medical Service–Camden, \$975,000 is appropriated for the Regional Health Education Center–Physical Plant, \$750,000 is appropriated for the Violence Institute of NJ at UMDNJ, \$525,000 is appropriated for the Regional Health Education Center–Educational Units, **\$160,000 is appropriated for The Autism Center of New Jersey Medical School**, \$290,000 is appropriated for the New Jersey Area Health Education Program, \$4,000,000 is appropriated for Debt Service–Robert Wood Johnson Medical School, Camden, and \$2,700,000 is appropriated for Debt Service–School of Osteopathic Medicine Academic Center, Stratford. These accounts shall be considered special purpose appropriations for accounting and reporting purposes.

Explanation

The FY 2006 recommended language provides \$160,000 to support the Autism Center of New Jersey Medical School at the University of Medicine and Dentistry. The center is a coalition of researchers, clinicians, parents, educators, and service providers. Through research, outreach and treatment, center personnel work to eliminate the symptoms of autism spectrum disorders (ASD), and improve the quality of life of the growing number of persons affected by ASD.

Language Provisions (Cont'd)**2005 Appropriations Handbook****p. B-159**

For the purpose of implementing the fiscal year 2005 appropriations act, the number of State-funded positions at The Richard Stockton College of New Jersey shall be 622.

2006 Budget Recommendations**p. D-361**

For the purpose of implementing the fiscal year 2006 appropriations act, the number of State-funded positions at The Richard Stockton College of New Jersey shall be 623.

Explanation

According to the Office of Management and Budget (OMB), the Richard Stockton State College of New Jersey has indicated that the additional state-funded position would support the position of Executive Vice President.

2005 Appropriations Handbook**p. B-160**

Notwithstanding any provision of law to the contrary, the amount appropriated hereinabove for any Senior Public College or University shall be reduced by an amount equal to twice the revenue derived by that institution by that portion of the average undergraduate 2004–2005 tuition that exceeds an 8 percent growth above its average undergraduate 2003–2004 tuition.

2006 Budget Recommendations

No comparable language.

Explanation

The FY 2005 budget language provided that if a senior public institution of higher education increased average in-state full-time undergraduate tuition in 2004-2005 by more than 8 percent above the prior year, the institution's FY 2005 appropriation would be reduced by an amount equal to twice the revenue it derived from any increase above 8 percent. The Governor has not recommended comparable language in FY 2006.

Language Provisions (Cont'd)**2005 Appropriations Handbook****p. B-175**

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 54,757 for fiscal year 2004.

2006 Budget Recommendations**p. D-396**

For the purpose of implementing the "Independent College and University Assistance Act," P.L. 1979, c.132 (C.18A:72B-15 et seq.), the number of full-time equivalent students (FTE) at the eight State Colleges is 55,852 for fiscal year 2005.

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 \$24 million in direct operating aid in FY 2006, as recommended by the Governor, that amount would represent 82 percent of the amount needed to fully fund the "Independent College and University Assistance Act," P.L. 1979, c.132.

2005 Appropriations Handbook

No comparable language.

2006 Budget Recommendations**p. D-396**

The unexpended balance at the end of the preceding fiscal year in the New Jersey Stem Cell Research Institute account is appropriated for the same purpose, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

New Jersey became the second state in the nation to legalize stem cell research under P.L. 2003, c.203. In FY 2005 the Governor proposed the establishment of the New Jersey Stem Cell Research Institute which would be jointly operated by the University of Medicine and Dentistry of New Jersey (UMDNJ) and Rutgers, The State University. The total FY 2005 funding for the establishment of the institute was \$9.5 million, a \$5.5 million line item appropriation and \$4 million from the FY 2004 unexpended balances of Rutgers University. The recommended language would reappropriate the FY 2005 unexpended amount for the same purpose. To date, the account balance remains at \$9.5 million as no expenditures were made from the account.

Language Provisions (Cont'd)**2005 Appropriations Handbook**

No comparable language.

2006 Budget Recommendations**p. D-397**

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

Explanation

The Governor proposed the establishment of the New Jersey Stem Cell Research Institute in FY 2005 and indicated that the institute would be jointly operated by the University of Medicine and Dentistry of New Jersey (UMDNJ) and Rutgers, The State University. The FY 2006 recommended language provides that \$162,000 would be appropriated to UMDNJ from the Higher Education Facility Renovation and Rehabilitation Fund established pursuant to P.L. 1990, c.126, with funds made available through the "Jobs, Education, and Competitiveness Bond Act of 1988," P.L. 1988, c.78. The appropriation would support stem cell research-related renovation efforts in the Research Annex Building in Piscataway. No information has been provided on how the renovated space will be used.

2005 Appropriations Handbook

No comparable language.

2006 Budget Recommendations**p. D-397**

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

Program Description and Overview

Explanation

The Governor proposed the establishment of the New Jersey Stem Cell Research Institute in FY 2005 and indicated that the institute would be jointly operated by the University of Medicine and Dentistry of New Jersey (UMDNJ) and Rutgers, The State University. The FY 2006 recommended language provides that \$162,000 would be appropriated to Rutgers University from the Higher Education Facility Renovation and Rehabilitation Fund established pursuant to P.L. 1990, c.126, with funds made available through the "Jobs, Education, and Competitiveness Bond Act of 1988," P.L. 1988, c.78. The appropriation would support stem cell research-related renovation efforts in Nelson Hall. No information has been provided on how the renovated space will be used.

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p. B-176

In addition to the amount hereinabove for operational costs, there is appropriated \$8,000,000 from the Supplemental Workforce Fund for Basic Skills for the same purpose.

2006 Budget Recommendations

p. D-397

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

Explanation

The New Jersey Supplemental Workforce Fund for Basic Skills (P.L. 2001, c.152) receives a redirected portion of employer contributions that would have otherwise gone to the Unemployment Insurance Trust Fund. The primary goal of the Basic Skills Program is to promote adult literacy in the workplace by providing basic skills training for unemployed and employed workers. The language authorizes the use of \$14 million from the fund in FY 2006 to offset the cost of basic skills education at the State's 19 county colleges, an increase of \$6 million over the FY 2005 appropriation.

Discussion Points

1. The Outstanding Scholars Recruitment Program (OSRP) provides public and independent institutions of higher education with campus-based funding to recruit high achieving New Jersey students as measured by class rank and SAT scores. The maximum OSRP award is \$7,500 for students with SAT scores above 1,500 and a class rank in the top 5 percent. The award amount decreases to \$2,500 for students with SAT scores between 1,350 and 1,390 and class ranks between the 85th and 89th percentiles. This program serves as a retention mechanism for New Jersey's brightest students. It is a matching grant program where the State pays up to 70 percent of the award at public institutions and 40 percent at independent institutions. The FY 2006 budget recommendation of \$13.2 million represents a continuation of the FY 2005 appropriation amount and will fund an estimated 5,145 awards (1,599 freshman awards and 3,546 renewal awards), the same number of awards as in FY 2005.

The FY 2005 appropriations handbook includes language directing the Higher Education Student Assistance Authority (HESAA) to conduct a study on the outcomes of the Outstanding Scholars Recruitment Program (OSRP) and its effectiveness in increasing the enrollment and retention of high achieving New Jersey high school graduates. The language also requires HESAA to provide to the Governor, no later than September 1, 2004, a written report specifying the results of the study, including any recommendations for expansion or discontinuation of the program. In response to questions raised at the FY 2005 budget hearings, the executive director of HESAA indicated that a contract for the OSRP study had been awarded at a cost of \$42,000, would be funded from the authority's administrative funds, and would have no impact on the amount of the scholarship awarded to each recipient or the number of OSRP awards in FY 2005.

- **Question:** What was the cost to fund freshman OSRP awards in FY 2005 and what is the estimated cost to fund freshman awards for FY 2006? Please provide an update on the status of the study. If the study has been completed, please summarize the principal findings, conclusions and recommendations. Also, please provide a copy of the study for the committee's review.

2. The FY 2006 funding for the Tuition Aid Grant Program (TAG) will increase by \$9.3 million (4.6 percent) from \$202.6 million in FY 2005 to \$211.9 million in FY 2006. However, \$11.2 million of the FY 2005 appropriation amount is scheduled to lapse at the end of the fiscal year. The budget indicates that the FY 2006 recommended appropriation will provide an estimated 54,851 awards in the 2005-2006 academic year, 1,000 more than the number provided in the 2004-2005 academic year (53,851). When fully funded, TAG awards for the neediest students fund up to the full tuition costs at public institutions, and up to 50 percent of the average tuition at independent colleges and universities. Under the FY 2006 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 2005 award amount equal to the difference between the in-state undergraduate 2004-2005 tuition rate for the institution and the institution's in-state undergraduate 2003-2004 tuition rate (one-year lag). The FY 2006 recommended language also directs HESAA to provide comparable increases to students who are eligible for maximum awards and enrolled at independent institutions. The language will maintain, for students with the highest need, the existing one-year lag between award amounts and current year tuition. While students eligible for maximum awards will see their FY 2006 award (based on 2004-2005 tuition rates) increase over the FY 2005 award by an amount which maintains a one-year lag, all other TAG awards will be based on 2002-2003 tuition rates, a three-year lag behind 2005-2006 tuition rates.

Discussion Points (Cont'd)

- **Question:** What is the rationale for continuing to increase the number of TAG awards each year while the TAG award amount pays a lower percentage of a student's tuition each year? What is the estimated cost to HESAA of funding all TAG awards based on the tuition rate for the 2004-2005 academic year, a one-year lag? What percentage of the 2004-2005 tuition rate will FY 2006 TAG awards fund for students receiving a maximum award and for students who are not eligible for a maximum TAG award in each sector? Has consideration been given to using the \$11.2 million scheduled to lapse in FY 2005 to increase awards to the students whose TAG award in FY 2006 will represent a three-year lag behind 2005-2006 tuition rates?

3. The FY 2005 appropriations act included language which provided that if an institution increased average in-state full-time undergraduate tuition in 2004-2005 by more than 8 percent above the prior year, the institution's FY 2005 appropriation would be reduced by an amount equal to twice the revenue it derived from any increase above 8 percent. As a result, the tuition charges at the senior public institutions increased by an average of 7.5 percent in the 2004-2005 academic year. While the FY 2006 recommended budget indicates that, in most cases, funding for General Institutional Operations will be maintained at FY 2005 funding levels, no language is recommended to influence 2005-2006 tuition increases. Data on the Commission on Higher Education's (CHE) website indicates that between the 1999-2000 and 2004-2005 academic years, average tuition for in-state full-time undergraduate students at the State colleges has increased by \$1,767 (49.3 percent) and the average tuition for in-state full-time undergraduate students at Rutgers, The State University and the New Jersey Institute of Technology has increased by \$2,221 (43.2 percent). Overall, between the 1999-2000 and 2004-2005 academic years, individual senior public colleges and universities have annually increased the in-state full-time undergraduate tuition rate by between 3.1 percent and 15 percent above the tuition rate in the previous year.

- **Question:** Will FY 2005 funds be withheld from any institution pursuant to the above-referenced appropriations language? Is there concern that without language influencing 2005-2006 tuition rates, the 2005-2006 tuition rates will increase by a larger percentage than in 2004-2005? What is the average tuition increase anticipated for the 2005-2006 academic year at the senior public colleges and universities?

4. As part of the FY 2006 budget, the Executive has included projected revenues to be derived from the placement of video lottery terminals at the Meadowlands Racetrack. Subsequently, Assembly Bill No. 3934 and Senate Bill No. 2421, which permit the State Lottery Commission to authorize 5,000 video terminals at the racetrack, were introduced and referred to the appropriate committees in each House. Preliminary estimates indicate that the terminals would generate \$150 million in revenue in the first 6 months of 2006. In a recent press report, a group consisting of the 9 state college presidents, the New Jersey State College and University Presidents Council, expressed its support for the placement of video lottery terminals at one or more of the State's racetracks and further indicated that the revenue derived from this effort should be used to establish a trust fund to support public institutions of higher education. According to the council, revenues from video lottery terminals at State racetracks would provide expanded and affordable college education, preserve and upgrade instructional and research facilities, and fund investment in academic programs which support the State's economic and workforce development priorities.

- **Question:** Based on the FY 2006 budget recommendation, revenue derived from the placement of video lottery terminals at the Meadowlands Racetrack will not accrue to a higher education trust fund. Has the New Jersey Presidents Council (NJPC), created

Discussion Points (Cont'd)

under P.L. 1994, c.48, considered any alternative mechanism to establish a dedicated funding source for higher education?

5. The New Jersey Student Tuition Assistance Reward Scholarship Program (NJSTARS) was established in 2005 under P.L. 2004, c.59. The program, administered by the Higher Education Student Assistance Authority (HESAA), provides that subject to the prior application of other grants and scholarships against the cost of county college tuition and fees, a student who graduated in the top 20 percent of the student's high school graduating class will be eligible for a scholarship for the first year of enrollment on a full-time basis in a county college. After that student's first year of enrollment, the scholarship will be payable if, based on the student's performance in the first year of enrollment, the student was ranked in the top 20 percent of all first-time students enrolled in a full-time course of study at the county college during the student's initial year of enrollment. The student is eligible to receive a scholarship to cover the cost of tuition and fees for up to 15 credit hours in any semester at the county college. Under the law, eligible students may receive a scholarship for up to 5 semesters.

The FY 2006 recommended budget appropriates \$8 million for NJSTARS, 20 percent or \$2 million less than the FY 2005 appropriation amount of \$10 million. However, \$6.5 million of the FY 2005 appropriation amount is scheduled to lapse at the end of FY 2005. The FY 2006 recommended budget estimates that in FY 2005 the program will fund 975 students at a cost of \$2.5 million and will fund 3,000 students at a cost of \$8 million in FY 2006.

- **Question:** Combined, the FY 2005 estimated program costs (\$2.5 million) and scheduled lapse amount (\$6.5 million) total \$9 million, \$1 million under the original FY 2005 appropriation amount. Since unexpended balances in the NJSTARS account will not carry forward to FY 2006, for what purpose will the remaining \$1 million of the FY 2005 appropriation be used? Has the NJSTARS Program impacted student enrollment patterns? If so, how? Please provide information on county college efforts to recruit students for the NJSTARS Program. On what factors is the FY 2006 estimate of 3,000 students based?

6. The New Jersey County College Compact was created under Executive Order No. 81 (2003). The compact, a partnership between the county colleges and the State, was initiated to fully deploy county college resources in support of the State's education, workforce and economic development priorities. Under the compact, the New Jersey Council on County Colleges (NJCCC) is directed to make recommendations on county college resources to support teacher education programs, successful career academies, workforce literacy programs, customized training programs, business attraction and development programs, homeland security training initiatives, etc. The compact requires the NJCCC to annually prepare a report on the status of the compact.

- **Question:** Please provide an update on the status of the compact, including recommendations for strengthening the compact.

Discussion Points (Cont'd)

7. According to the FY 2006 Budget in Brief, the Governor has recommended a \$17.8 million appropriation to fund a portion of the negotiated cost-of-living increases (COLAs) for senior public institutional personnel.

- **Question:** What portion of the negotiated COLAs will the \$17.8 million fund? Please provide a breakdown of how much will be allocated to each institution from this amount.

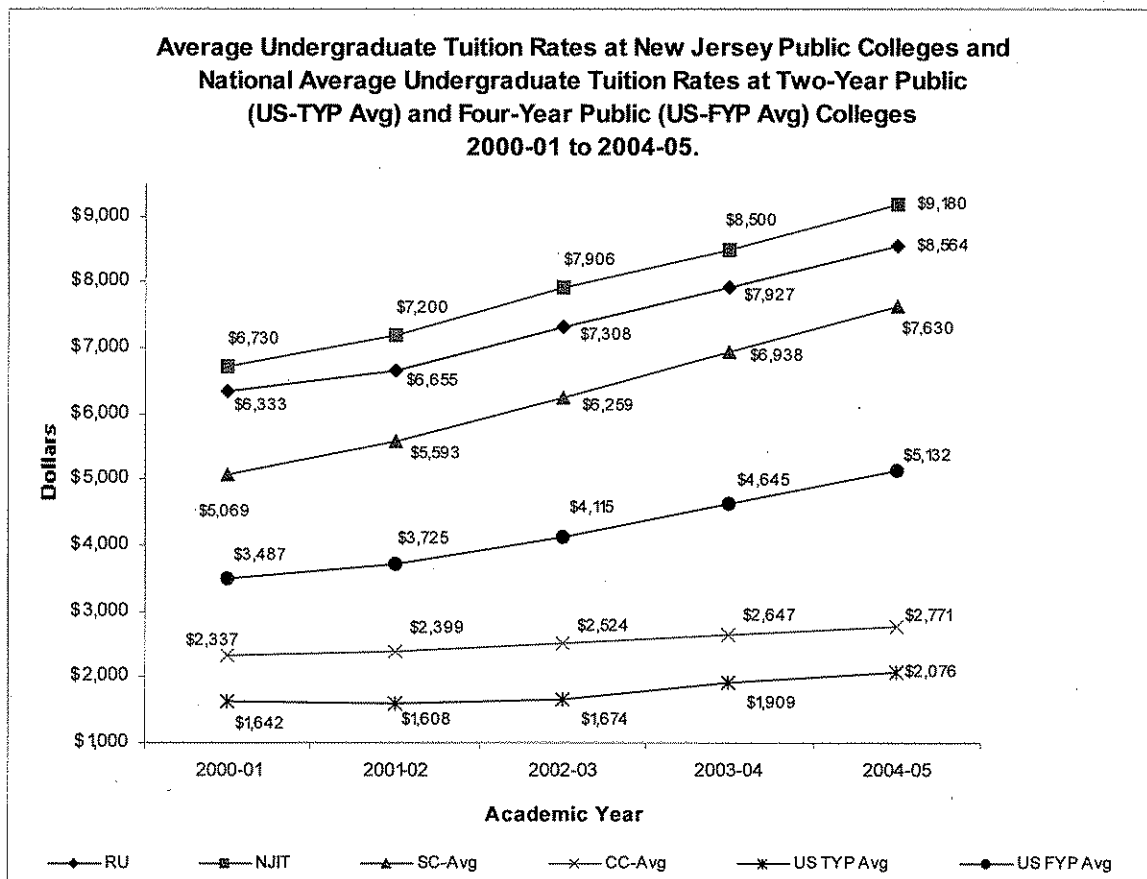
8. New Jersey became the second state in the nation to legalize stem cell research under P.L. 2003, c.203. In FY 2005, a total of \$9.9 million (\$5.5 million appropriation plus \$4 million in unexpended FY 2004 Rutgers balances) was provided to fund the establishment of the New Jersey Stem Cell Institute. The institute will be housed in a facility to be built in New Brunswick and jointly operated by the University of Medicine and Dentistry of New Jersey (UMDNJ) and Rutgers University. The FY 2006 budget recommends a \$5.5 million Grants-In-Aid appropriation for the institute, a continuation of the FY 2005 appropriation level. The Executive also recommends committing \$150 million in revenue bond funds to build the institute, and has called for a \$230 million general obligation bond issue to fund stem cell research grants. Previously, the Executive indicated that the FY 2005 appropriation of \$5.5 million would fund the recruitment of stem cell research experts and planning for the institute. The FY 2006 recommended budget also includes a total of \$324,000 to support Stem Cell Institute-related renovation efforts. The budget indicates that the funds will be equally divided between Rutgers and UMDNJ and will fund projects in Nelson Hall at Rutgers and the Research Annex building in Piscataway at UMDNJ.

- **Question:** Please provide specific information on how the FY 2005 funding for the institute was or will be used? Please provide an update on the efforts to recruit stem cell research experts. For what specific purpose will the renovated space at each institution be used? What is the total estimated cost of the proposed new Stem Cell Institute facility? What percentage of that total will be State-funded? What is the estimated annual State subsidy required to operate the institute?

Background Paper: Tuition and Fee Charges at Institutions of Higher Education

Budget Pages.... D-328 to D-361

Trends in College Pricing 2004, an annual report by the College Board, indicates that in the 1970's there was little growth in college prices. In the following decade, however, tuition and fees charges at institutions of higher education rose rapidly, out-pacing the annual growth rate of the consumer price index. According to the College Board, after adjusting for inflation over the 10-year period ending in the 2004-05 academic year, the national average increase in tuition and fees was 51 percent (\$1,725) at public four-year colleges and universities, 36 percent (\$5,321) at independent four-year colleges, and 26 percent (\$426) at two-year public colleges. The following chart illustrates the average full-time undergraduate tuition and fee charges at institutions of higher education in New Jersey and across the United States.



Data: RU - Rutgers, The State University; NJIT - New Jersey Institute of Technology; SC-Avg - State Colleges' Average; CC-Avg - County Colleges' Average; US-TYP-Avg - Two-Year Public Colleges' National Average; US-FYP-Avg - Four-Year Public Colleges' National Average
 Sources: New Jersey Commission on Higher Education, Tuition and Required Fees; The College Board, "Trends in College Pricing"

According to data obtained from the Commission on Higher Education (CHE) website, academic year 2004-2005 tuition and fee charges at New Jersey institutions of higher education represent a significant increase above the 2000-01 tuition and fee charges. On average, tuition and fee costs have increased by 47 percent or \$2,518 at the senior public institutions, 18.6 percent or \$434 at the county colleges and 26.1 percent or \$4,052 at the independent colleges.

Background Paper: Tuition and Fee Charges at Institutions of Higher Education

The chart above illustrates that the national average two-year public college full-time undergraduate tuition and fee charges for the 2000-01 academic year was \$695 or 42.3 percent below the average tuition and fee charges at New Jersey county colleges. Between the 2000-01 and 2004-05 academic years, the national average increased by \$434 or 26.4 percent from \$1,642 to \$2,076. The average full-time undergraduate tuition and fee charges at the New Jersey county colleges increased by \$434 or 18.6 percent during this same period, from \$2,337 to \$2,771. When compared to the national average percentage increase between 2000-01 and 2004-05 (26.4), the percentage increase at New Jersey county colleges for the same period is 7.8 percentage points below the national average increase for two-year public colleges. However, despite the slower rate of increase, average full-time undergraduate tuition and fee charges at New Jersey county colleges for the 2004-05 academic year was \$695, or 33.5 percent, above the national average two-year public college full-time undergraduate tuition and fee charges.

In the case of the senior public colleges and universities, in the 2000-01 academic year an undergraduate student who was enrolled on a full-time basis paid an average of \$5,069 for tuition and fees at the State Colleges, \$6,333 at Rutgers, The State University (Rutgers) and \$6,730 at the New Jersey Institute of Technology (NJIT). These amounts were \$1,582 or 45.4 percent above the national average for four-year public institutions of higher education in the case of the State Colleges, \$2,846 or 81.6 percent above the national average in the case of Rutgers and \$3,243 or 93 percent above the national average in the case of NJIT. Between the 2000-01 and 2004-05 academic years, on average tuition and fees at New Jersey senior public colleges and universities increased by 47 percent, which is approximately the same rate of increase as the national average increase. In the 2004-05 academic year, average tuition and fee charges for a full-time undergraduate student was \$7,630 at a New Jersey State College, \$2,498 or 48.7 percent above the national average for four-year public institutions, \$8,564 at Rutgers, \$3,432 or 66.9 percent above the national average and \$9,180 at NJIT, \$4,048 or 78.9 percent above the national average.

The average tuition and fee cost to attend an independent institution of higher education in New Jersey was \$16,278 in the 2000-01 academic year; in the 2004-05 academic year, the average increased to \$20,863, a \$4,052 or 26.1 percent increase above the average in the 2000-01 academic year. When compared to the national average full-time undergraduate tuition and fee charges at independent institutions in the 2000-01 academic year (\$16,233), New Jersey's average tuition and fee charges for a full-time undergraduate student was only slightly higher. The national average undergraduate tuition and fee charges at independent institutions increased by \$3,849 or 23.7 percent to \$20,082 between the 2000-01 and 2004-05 academic years. The 2004-05 average amount charged to a full-time undergraduate student enrolled at an independent college or university in New Jersey (\$20,863) is \$781 or 3.9 percent above the national average.

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Individuals wishing information and committee schedules on the FY 2006 budget are encouraged to contact:

**Legislative Budget and Finance Office
State House Annex
Room 140 PO Box 068
Trenton, NJ 08625
(609) 292-8030 • Fax (609) 777-2442**