

Higher Education OLS Responses

1a. In last year's response to Discussion Point #1, concerning a 45% or \$541,000 increase in State appropriations over FY 2012 for the Office of the Secretary of Higher Education, the secretary stated that the "Governor has proposed to restructure higher education and transform medical education in New Jersey. The agency must have the necessary staff to explore and facilitate these outcomes." On August 22, 2012, the Governor signed the "New Jersey Medical and Health Sciences Education Restructuring Act," P.L.2012, c.45, which merged the University of Medicine and Dentistry of New Jersey (UMDNJ) with Rutgers University, transferred the School of Osteopathic Medicine of UMDNJ to Rowan University, and recognized Rowan University as a public research university. The restructuring is slated to be effective by July 1, 2013, with ongoing integration occurring over the next few years.

- **Question:** What has been the role of the secretary in the implementation of the act? Please elaborate on the roles that staff members have taken to facilitate the restructuring of medical and health sciences education.

While the Restructuring Act does not give the Secretary a specific role, nonetheless, the Secretary began taking part in monthly Integration Steering Committee meetings with leadership from UMDNJ, Rutgers University, and Rowan University. These teams continue to work diligently toward a successful integration. With the appointment of two new presidents, Dr. Barchi at Rutgers and Dr. Houshmand at Rowan, the State's engagement evolved. Gregg Edwards, the Deputy Secretary of Higher Education, now serves as a liaison for the integration of Rutgers, UMDNJ and Rowan. In partnership with relevant accreditors, the Assistant Secretary for the Division of Academic & Student Programs and other staff members have also worked with the Secretary and Deputy Secretary to facilitate the restructuring.

We continue to be pleased with the progress that has been made and with the collegiality displayed among the Steering Committee's members in addressing this challenging and complex integration. All involved in this effort concur that the integration will strengthen and enhance these universities as well as the State.

1b. In last year's response to Discussion Point #1, the secretary stated that the "FY 2013 budget for the Secretary's office reflects the administration's commitment to improving an agency that works to increase students' graduation rates while collecting, analyzing, and publishing statistical information that helps inform the public."

- **Question:** Please describe the efforts of the Office of the Secretary of Higher Education in attempting to increase students' graduation rates, given the additional staffing and funding. What programs has the secretary implemented at select institutions of higher education or Statewide that have helped to increase graduation rates? To what extent has the secretary collaborated with the New Jersey Presidents' Council and the New Jersey Council of County Colleges to increase graduation rates and decrease the time to completion for academic degrees?

Institutions in New Jersey have a great deal of autonomy and may exercise diverse strategies to achieve success. The Secretary has a coordinating and advisory role. Closing achievement gaps and increasing retention, graduation and completion rates are important priorities of the Office of the Secretary of Higher Education. In collaboration with the Washington, D.C.-based Education Trust and the Education Delivery Institute, the Secretary formed a 10-member New Jersey Access to Success team, with three college presidents serving as members. Letters requesting support for the Secretary's goals to increase student graduation or "success" rates have been sent to presidents of New Jersey's institutions. College presidents are identifying campus contacts to complete a survey that will provide information about access to success programs around the State. The Secretary regularly participates in meetings of the New Jersey Presidents' Council, and the advocates for the various sectors – including the New Jersey Council of County Colleges, the New Jersey Association of State Colleges and Universities and the Association of Independent Colleges and Universities of New Jersey -- provide vital information to support the Secretary's initiatives. NJCCC member institutions have received funding from the federal College Access College Grant to initiate or expand dual enrollment programs, Aim High Academies and the Disengaged Adults Returning to College programs, all of which are administered by our office.

We realigned two of our traditional programs that have served students well – the Educational Opportunity Fund and the GEAR UP/College Bound initiative – so that tutoring and mentoring activities are better coordinated between more than 50 middle and high school programs that offer GEAR UP and more than 40 colleges that offer EOF.

In collaboration with the Departments of Education and Labor and Workforce Development, the Office of the Secretary of Higher Education is implementing a \$5 million federal grant to build a State Longitudinal Data System which will enable us to track student performance from kindergarten through college and into the workforce.

- **Question:** In the past, the Commission on Higher Education either collaborated on publications or issued reports on its own. Some of the reports, not required by statute or Executive Order, include: "Survey of New Jersey Employers to Assess the Ability of Higher Education Institutions to Prepare Students for Employment," issued in April 2005; "A Report on Outcomes of Teacher Education Grants," issued in September 2004; and "2007 New Jersey ESL Program Survey Report," issued in August 2008. However, since the August 2008 report, the website does not appear to reflect any new reports that the commission or secretary have undertaken. Please describe the efforts of the secretary in collecting, analyzing, and publishing statistical information, or any sort of information, that would help inform students, parents, institutions of higher education, and prospective employers on the state of higher education in New Jersey.

The Office of the Secretary has an experienced and efficient staff that collaborates with other agencies to support and introduce initiatives, as well as to share and analyze data and information. Reports have included such diverse issues as energy sector and health care sector workforce development with the State Employment and Training Commission and

Labor and Workforce Development. We partnered with NJACTE to host an event showcasing exemplary teacher preparation programs and faculty. We contributed to reports on Campus Safety with Homeland Security with the Presidents' Council and on Policy Solutions for Adult Learners with the Western Interstate Commission on Higher Education. We created a "Troops to College" web resource with the New Jersey Association of State Colleges and Universities. We worked with SETC and LWD on a Unified Workforce Investment Plan, and we collaborated with Drew and Rutgers on fundraising strategies and reports for our Governor's School program. We plan to participate in a conference on Career and Technical Education with the Department of Education.

Also during the years 2009 to 2012, the agency took on several new statutory responsibilities such as the development and implementation of the 2010 Student and Parent Consumer Information Act, the 2009 New Jersey Economic Development Act, and promulgation of Advisory Graduate Medical Education Council regulations. Updated statistical tables, required by the Student and Parent Consumer Information Act, are regularly posted on our web site.

1c. According to data from the National Center for Education Statistics, New Jersey leads the nation in the outmigration of New Jersey high school students. In fall 2008, 31,510 high school graduates left New Jersey to enroll as freshmen at four-year institutions of higher education, while only 4,167 arrived to enroll as freshmen at four-year institutions in the State.

One of the reasons cited in support of enacting the "New Jersey Medical and Health Sciences Education Restructuring Act" was that the act would help reduce this outmigration. In last year's response to Discussion Point #1, the Office of the Secretary of Higher Education stated that it would "develop a long-overdue communications strategy and public outreach that will begin to address the 'brain drain' issue by helping parents and students better understand the opportunities that are available in New Jersey's colleges and universities."

- **Question:** What are the key factors in the outmigration of students from New Jersey? Please be as detailed as possible and provide specific facts and examples.

New Jersey has one of the best-educated populations in the nation, and the State has traditionally been successful in attracting college-educated employees from around the country. But outmigration remains a long-standing issue. Studies have shown that when students leave the State, they typically attend institutions 50 to 100 miles from home. The State benefits from its proximity to Philadelphia, New York and Delaware.

The State's public institutions have traditionally lacked the capacity to serve all of New Jersey's college students, which has created a need for independent colleges to play a greater role than they do in other states.

The \$750 million General Obligation bond issue, approved through bipartisan cooperation, and the availability of funds from four contract bond programs, will begin to help address the capacity issue.

- **Question:** What is the secretary's plan to reduce the outmigration of students from New Jersey? What sort of outreach has the secretary done to reduce this outmigration, so that New Jersey does not retain its position as the national leader?

The Secretary is working with institutions to improve communication with the public so that our institutions' achievements are appropriately publicized and promoted. To help facilitate the dissemination of information, the Secretary's office will launch a widely-circulated newsletter later this year. A web site redesign for the agency that will more effectively communicate with the public is already underway.

- **Question:** One of the reasons previously cited as contributing to outmigration is a lack of capacity at New Jersey institutions of higher education. However, undergraduate enrollment at the senior public institutions and the county colleges has risen in recent years. Does the lack of capacity at the public institutions play a role in the outmigration of students? If so, please use specific examples to explain 1) whether institutions have had to deny academically qualified students admission because of insufficient capacity, 2) why undergraduate enrollment continues to rise despite a lack of capacity, 3) what the adequate capacity of each institution should be, and 4) how these capacity needs are incorporated into each institution's master plan and capital plan, as applicable.

New Jersey is one of the wealthiest states in the nation, which means that some parents have the resources to send their students out of state. High-quality institutions are located near our borders. Even though New Jersey institutions would be unable to provide seats for all of New Jersey's college students, institutions have worked hard to deliver education more efficiently, adding Saturday classes and other non-traditional course offerings, allowing enrollment to rise.

Institutions have considerable autonomy in New Jersey, and the Secretary does not determine what their capacity should be. To begin to address the capacity issue, we are reviewing 254 applications for the \$1.6 billion being made available for higher education construction through a \$750 million General Obligation bond, matching funds provided by the colleges, and other contract bond programs. To be considered for construction project, each institution was required to submit a facilities master plan describing its future needs for growth and development.

At the same time, developing opportunities are on the horizon that may significantly impact the capacity issue and change the way that college education is offered in the future. The Secretary has asked a team of higher education leaders to gather information about the advantages and concerns raised by the introduction of new online education programs being offered around the country.

1d. One of the functions of the Office of the Secretary of Higher Education is to create a comprehensive and regularly updated master plan, pursuant to subsection a. of section 14 of P.L.1994, c.48 (C.18A:3B-14), with advice and assistance from the New Jersey Presidents' Council. Most states in the country have a comprehensive master plan for their public institutions of higher education, which creates a singular vision and drives the allocation of State funding. In New Jersey,

the most recent long-range plan was issued on March 23, 2007, entitled "A Blueprint for Excellence: 2007 Progress Report and Call to Action."

Since 2007, the public institutions of higher education have faced numerous challenges: the recession of 2008, the expansion of online degree programs, rising enrollments, reductions in State appropriations, and increases in tuition and fees. In addition, the "New Jersey Medical and Health Sciences Education Restructuring Act" was enacted in 2012.

- **Question:** In light of the challenges and changes to the State higher education system, please describe any efforts to create a new master plan or to update the six-year old "A Blueprint for Excellence."

In December 2010, the Governor's Task Force on Higher Education, led by former Governor Thomas H. Kean, issued a 140-page report, with more than 70 recommendations that have served as a road map for higher education reform over the last three years. Many of the task force's recommendations have been followed, including the restructuring of medical education, the issuance of a voter-approved General Obligation Bond to finance higher education – the first such bond issued in 25 years – and a revamping of the State's higher education agency. The task force report has been a useful and insightful document, offering many suggestions that are already being implemented.

- **Question:** What role does the secretary play in developing or reviewing the budgets of the public institutions of higher education to ensure that each institution carries out the vision and intent of the master plan?

In light of the institutional autonomy, the Secretary consults with presidents of institutions and the associations to discuss their financial needs, and the Presidents' Council reviews higher education funding with input from the Secretary.

1e. In last year's response to Discussion Point #1, the Office of the Secretary of Higher Education stated that the office must continue to advocate for a capital construction plan. The last report on capital planning was issued on November 16, 2006 by the Commission on Higher Education, entitled "Long-Term Capital Planning and Support Recommendations for New Jersey Higher Education."

On November 6, 2012, New Jersey voters approved the "Building Our Future Bond Act," P.L.2012, c.41, to allow the State to issue up to \$750 million in general obligation bonds. Proceeds from the bonds will be used to provide grants to New Jersey's public institutions and independent institutions of higher education to construct and equip higher education facilities.

- **Question:** What does "continue to advocate for a capital construction plan" mean? What does it entail? The secretary's statement suggests that it is not the job or function of the secretary to develop such a plan, but to merely advocate for a plan. Who is responsible for creating the capital construction plan?

Institutions and their boards of trustees are responsible for developing their own master plans for facilities. The Secretary strongly advocated for, and was very pleased to see, the introduction of legislation for the first General Obligation bond for higher education in New Jersey in the last 25 years. The bond financing was approved by the Legislature, with bi-partisan support, and signed by the Governor. The Secretary has established a team of experts to review the 254 applications that have been submitted. The review team will recommend to the Secretary the applications for funding that are in alignment with State priorities and will best serve the needs of college students in the State.

- **Question:** The issuance of the November 16, 2006 capital planning recommendations seem aligned or developed with the 2007 long-range plan. Given that New Jersey voters just approved the first issuance of State general obligation bonds for higher institution in 25 years, when will the secretary update the recommendations or perhaps develop the capital construction plan?

Prior to submitting requests for funding, each institution was required to submit a master plan, approved by its board of trustees, outlining its future goals and needs. As part of the bond application process, institutions were asked to review their long-term facilities plans and to estimate the useful life of the projects they were proposing to build.

1f. Currently, there is no method or formula to determine the amount of State appropriations for the four-year public institutions of higher education. In the 2005 update to "A Blueprint for Excellence," the Commission on Higher Education stated that "there has been no clear funding policy or methodology for the public research universities or the state colleges and universities since the 1980s, resulting generally in across-the-board annual increases or decreases for all twelve senior public institutions without regard to enrollment, programmatic need, or other considerations."

Last year, in response to Discussion Point #1, concerning an increase in funding and staff for the Office of the Secretary of Higher Education, the office stated that it "will continue to work to establish a rationale for stable funding for New Jersey's higher education institutions."

- **Question:** Please describe the secretary's efforts to establish a funding rationale for the public institutions. To what extent has the secretary worked with the New Jersey Presidents' Council to craft a funding rationale that considers each institution's unique mission, enrollment growth, and other relevant factors?

The Office of the Secretary and the Presidents' Council are continuing conversations about how to stabilize funding for institutions, and how to best employ performance measures and what those measures should be. Performance funding has been attempted before in New Jersey and created massive amounts of paperwork with little reward. The Secretary is also aware that other states have attempted to employ performance funding and have had to withdraw or modify their plans. The goal is to recognize the individuality and distinctly separate missions of New Jersey's institutions, creating a fair system of reward that also incorporates factors such as the different student populations served by New Jersey's institutions.

- **Question:** State support for the senior public institutions has declined over the past two decades. Rutgers University, for example, received about 24.61% of its operating budget from the State in FY 1998, but only 12.14% from the State in the FY 2014 recommended budget. What is the impact, if any, of the decline in State support on the ability of each senior public institution to carry out its programmatic mission and goals? Should a goal of a funding formula be to stabilize or increase State support for the senior public institutions?

Since 1994, New Jersey colleges and universities have flourished as autonomous institutions, taking on diverse strategies to achieve success and secure their future. In New Jersey, State funding has increased in recent years, especially in financial aid. The State is also implementing the first bond referendum to support higher education construction in 25 years.

1g. In the FY 2014 recommended budget, the Office of the Secretary of Higher Education anticipates having 16 State-supported positions and 6 federally-supported positions, an increase of one State-supported and three federally-supported positions from FY 2013. The lone State-supported position will be in the Statewide Planning and Coordination for Higher Education Program, while the three federally-supported positions will be in the Educational Opportunity Fund Programs.

- **Question:** Please explain the job functions and titles of these additional positions requested in the Governor's FY 2014 recommended budget.
- **Question:** Please provide the table of organization, including titles and compensation, that is expected to result from the recommended budget for the office.

The three new positions will be funded by the Statewide Longitudinal Data System (SLDS) grant from the federal government and will be within the Secretary's office.

The three positions are Research Scientist, Research Collections Data Steward and Data Analyst. The Research Scientist will develop original research studies to explore statewide policy issues and analyses for reform and innovation in policy-making to identify best practices in higher education policy. The Research Collections Data Steward will serve as the primary coordinator of the development of data governance policies with NJHE and provide support, training and professional development of the college and university personnel. The Data Analyst will work on the creation, deployment and maintenance of the new SLDS and the P-20W SLDS integration.

1h. The FY 2014 recommended budget includes a core mission statement and key performance indicators for the principal departments. However, while higher education represents approximately \$2.3 billion (including State operating aid, student assistance programs, and fringe benefits) of the entire FY 2014 recommended State budget of \$32.9 billion, there are no core mission statements or key performance indicators for either the Office of the Secretary of Higher Education or the Higher Education Student Assistance Authority.

- **Question:** Given the crucial roles that both of these agencies have in administering higher education in this State, which “plays a key role in driving our state’s economy,” what are their core missions and key performance indicators?

The core mission of the Office of the Secretary of Higher Education, in collaboration with our colleges and universities, is to promote the highest quality of teaching and research to sustain and enhance New Jersey’s social well-being and economic prosperity. Key goals include:

- Focus on improving access and outcomes for students from preschool to graduate school, and to enhance the economy through innovation, research and workforce development.
- Increase degree attainment and postsecondary training opportunities, increase access and identify support services needed for nontraditional students, and help the long--term unemployed and underemployed adults receive the education they need for high-demand, high-skill, high-wage jobs.
- Collect, analyze and share data that will enhance accountability, transparency and productivity, focusing on degree attainment, retention rates and the success of developmental programs.
- Analyze college readiness of new students, report the cost of remediation, and work with high schools and colleges to develop a sustainable plan to reduce these costs and improve degree attainment.
- Create a communications plan to promote New Jersey institutions locally and nationally, and disseminate and promote research accomplishments to attract the best faculty, students, businesses and employers to New Jersey.
- Enhance collaboration among all segments of the educational community.
- Strengthen and expand partnerships with business and other sectors to address workforce development and economic growth.

The key mission of the Higher Education Student Assistance Authority is to provide students and families with the informational and financial resources necessary to pursue an education beyond the high school level.

Although HESAA does not receive general fund operating support, the key performance indicators that demonstrate successful fulfillment of the above outlined mission include the following:

*Outreach - HESAA's financial aid counselors conducted over 650 seminars, workshops and FAFSA completion events throughout the state of New Jersey. Events took

place in all 21 counties. HESAA co-sponsored "College Goal Sunday- FAFSA Day" with the New Jersey Association of Student Financial Aid Administrators at 10 locations throughout the state of New Jersey. This is the eighth year HESAA sponsored this event and attendance this year exceeded prior years.

* Information - HESAA publishes Life 101 and Going to College in New Jersey. These two publications are available in print and electronic versions and are distributed to **all** high schools in New Jersey. These publications provide valuable information about how to go about selecting a college, applying for financial aid and the importance of pursuing post secondary education. Each college and university in New Jersey provides HESAA with its particular institution's information and programs for inclusion in Going to College in New Jersey.

*Financial Needs Analysis & Aid Delivery - HESAA receives and processes over 500,000 applications per year for financial aid. HESAA performs a detailed needs analysis that takes into consideration income, assets, size of household and number of students in college. This detailed analysis ensures that financial aid dollars are directed to those students who most need the assistance. HESAA awards over 70,000 students a year need-based financial aid and delivers the funding to each eligible student's New Jersey institution of attendance.

*Default Aversion/Debt Management - Given the rise of college costs and the concomitant rise in student loan debt, HESAA has redoubled its default aversion efforts. These efforts have proved successful. New Jersey's federal cohort default rate dropped 2 percent and our NJCLASS portfolio has maintained its historic low default rate. HESAA's website contains a repayment calculator that helps students and families understand the true costs of borrowing, and encourages them to select less costly loan options.

*Collaboration with the Colleges and Universities - HESAA strives to promote attendance at the New Jersey colleges and universities as in-state attendance is, for many families, often more cost effective than going out-of-state. Since all higher education institutions are required by federal law to post a net price calculator on their websites, HESAA developed an interface for these calculators to link to so New Jersey students utilizing the institutions' calculators would seamlessly be able to obtain a credible TAG estimate.

* Inter State Agency Partnerships - HESAA strives to engage with its counterpart state agencies throughout the country to encourage favorable student aid policies and cost effective partnerships. To that end, HESAA filed a joint petition with the New York Higher Education Services Corporation (NY HESC) to extend the disaster forbearance for Super Storm Sandy victims to June of 2013. The petition was granted. HESAA also subcontracted with the Missouri Higher Education Loan Agency (MOHELA) to service its 100,000 federal

Direct Loan accounts. Finally, HESAA is working with other state based guaranty agencies to secure an exemption for state-sponsored supplemental loans from preferred lender list requirements.

2a. Under the “New Jersey Medical and Health Sciences Education Restructuring Act,” P.L.2012, c.45, the transfer of the School of Osteopathic Medicine at UMDNJ to Rowan University, the merger of all other components of UMDNJ into Rutgers University, the appointments to the various boards created by the act, and other statutory requirements will be effective on July 1, 2013. However, the Governor’s proposed budget for FY 2014 proposes no funding to effectuate the act’s provisions. At the December 13, 2012 meeting of the Senate Higher Education Committee, President Robert Barchi of Rutgers University stated that he expects the university’s costs of absorbing UMDNJ to exceed \$50 million.

- **Question:** What are the estimated costs of the merger for each institution involved? Please list in detail each expense. What expenses have already been incurred to implement the act? Please detail each expense.

The Office of the Secretary of Higher Education is monitoring and facilitating the integration of the institutions involved. Final net cost is still unknown, depending on the amount of savings that may inure from restructuring debt, efficiencies and cost avoidance. This is an ongoing process.

- **Question:** Please list the outside firms hired by UMDNJ, Rutgers University, and Rowan University to facilitate the restructuring under the act. Please list the amount each institution has spent for the services of each firm. Additionally, please describe the main responsibilities and roles of each firm in the restructuring.

The institutions have enlisted outside expertise, as needed, to facilitate the integration. The process is on-going.

- **Question:** During legislative committee hearings on the act, Rutgers University estimated one-time transition costs of \$20-\$40 million. Why are the costs of the merger now higher than previously anticipated? What costs were unforeseen or unaccounted for when Rutgers University estimated one-time transition costs of \$20-\$40 million?

The current statute, which emerged from the Legislature’s deliberations last year, differs significantly from the preliminary proposal, to which that estimate was pegged.

- **Question:** At the June 8, 2012 meeting of the Senate Budget and Appropriations Committee, a member of the Rutgers University Board of Governors stated that every \$100 million spent on restructuring would result in a 15% tuition increase. How do Rutgers University and Rowan University plan to finance the restructuring costs? Does each institution anticipate raising tuition and fees?

The Secretary plays no formal role in establishing tuition. Individual governing boards determine tuition.

- **Question:** It was suggested in various media reports, in November 2012, that in order to pay for some of the costs of restructuring, Rutgers University may reduce staff. Will there be staff reductions? If so, please outline where these staff reductions may occur – academic, administrative, clinical, etc. Please explain how these reductions will impact the quality of the education that is expected at a premier research institution.

There is no expectation that there will be a reduction in the size of the workforce. It is the Secretary’s expectation that the integration will provide the impetus to make Rutgers one of the best universities in the country.

- **Question:** Is there a timetable for completing each phase of the restructuring? If so, please provide the timetable.

While full integration of the universities’ information technology, human resources, and other systems may take several years to complete, a working integration of UMDNJ units into Rutgers remains on schedule for the July 1, 2013 target date.

- **Question:** Is the restructuring on-track to be effective as of July 1, 2013? If not, please explain why.

Yes, it is.

2b. Under the act, the schools, institutes, and centers of UMDNJ, “other than the School of Osteopathic Medicine, the entire Stratford campus, the remaining facilities in Camden, and University Hospital,” are transferred to Rutgers University on July 1, 2013. The remaining UMDNJ assets are transferred to Rowan University. The bond debt obligations of UMDNJ would also be transferred to both institutions and apportioned appropriately.

In June 2012, during legislative committee hearings on this act, it was estimated that \$58.2 million in debt belonging to the School of Osteopathic Medicine would be assumed by Rowan University and \$494.3 million associated with the remaining assets of UMDNJ would be assumed by Rutgers University. Since then, each institution has had time to create transition committees and hire firms to analyze UMDNJ’s financial statements.

- **Question:** How much bond debt will each institution assume from UMDNJ? What are the anticipated costs to Rutgers University and Rowan University of refinancing and defeasing the bond debt that belonged to UMDNJ? Will this be completed by July 1, 2013?

Following Rutgers financial due diligence procedures and related bond counsel review of the UMDNJ bond documents, the estimated allocation of the June 30, 2013 debt amounts are as follows:

Rutgers	\$480,504,278
University Hospital	92,525,215
Rowan	57,593,776

- **Question:** Under the act, the State is required to assist University Hospital in the refinancing of its portion of the debt. How much debt does University Hospital have? Please explain the efforts to date made by the State to assist University Hospital to refinance its debt.

The University Hospital allocation of estimated UMDNJ debt as of June 30, 2013 is \$92,525,215. State officials are in the process of identifying the financing mechanism that will be used to refinance this allocated debt amount.

2c. In the Executive's fiscal note for Senate Bill No. 2063 (2R), referring to the integration of UMDNJ into Rutgers University and Rowan University, the Executive noted that "the consolidation of similar services and functions should generate greater administrative overhead savings. Should savings approach a reasonable 5%, annual operating savings would equal \$4.3 million."

- **Question:** What level of savings are accounted for in the FY 2014 budget recommendation for such consolidation of similar services and functions, as UMDNJ will be eliminated as an independent State entity on July 1, 2013? If no level of savings are factored into the FY 2014 budget recommendation, please explain why. At what point will there be efficiencies and savings from the restructuring? Does the Executive expect UMDNJ to continue functioning as a State entity beyond July 1, 2013?

Funding for UMDNJ and its components is level with the exception of the Robert Wood Johnson Camden transfer. Any savings derived will be reinvested in the various units of the former UMDNJ. In accordance with the restructuring statute, UMDNJ will cease to exist as of July 1, 2013.

2d. On February 11, 2013, Standard & Poor's Rating Services downgraded the long-term outlook for future payback from "stable" to "negative" for Rutgers University and warned that it may cut the university's credit ratings, as early as this summer, from the current "AA" to "A," based on an increased credit risk from assuming the assets and debts of the "BBB+" rated UMDNJ. A reduction in credit ratings means that Rutgers will face higher interest rates on future borrowing.

- **Question:** Should Rutgers' credit rating be lowered in the future, will this action effectively eliminate any savings from the higher education restructuring? How will Rutgers cope with higher interest rates on future borrowing without raising tuition and without an increase in State appropriations?

There is no reason to believe that Rutgers' credit rating will be lowered. The integration will strengthen the University. The State believes this is a credit-positive for the institution.

2e. Several boards were created or revamped by the act: the University Hospital Community Oversight Board, the campus advisory board for Rutgers University – Newark, the campus board of directors for Rutgers University – Camden, the campus advisory board for Rutgers University – New Brunswick, the Rowan University-Rutgers Camden Board of Governors, and the board of

directors of University Hospital. The Rutgers University Board of Governors was expanded from 11 voting members to 15 voting members.

- **Question:** What is the status of the appointments to each of these boards? Please list the current vacancies on each board, if applicable.

Appointments are still to be made.

2f. Under the act, the schools, institutes, and centers of UMDNJ, other than the School of Osteopathic Medicine, the entire Stratford campus, the remaining facilities in Camden, and University Hospital, are transferred to Rutgers University on July 1, 2013. In a news article appearing on November 20, 2012, a member of the Rutgers University Board of Governors was quoted as saying that the “facilities coming over are not all up to Rutgers standards,” suggesting that the UMDNJ assets in Newark were in need of upgrades.

- **Question:** What are “Rutgers standards”? How do these compare to UMDNJ standards?

We understand that Rutgers employs industry-accepted standards for both the maintenance and replacement of its facilities.

- **Question:** Is it the position of the Board of Governors that the UMDNJ assets in Newark are not “up to Rutgers standards”? If so, please describe how Rutgers University made this determination? Please provide specific examples.

We understand that Rutgers will soon be conducting an audit and inventory of all UMDNJ assets which will be transferring to the university effective July 1st.

- **Question:** How will any plans to upgrade the UMDNJ assets in Newark fit into Rutgers’ long-range facilities plan? In addition to paying for debt restructuring and transition costs of the merger, how will Rutgers fund these potentially costly upgrades to the UMDNJ assets?

It is our understanding that any identified maintenance or replacement needs of the UMDNJ facilities transferring to Rutgers will be treated in the same manner as for all other buildings at the state university. The needs of the UMDNJ assets will be prioritized among all potential capital projects at Rutgers and funded as soon as the needed revenue sources have been secured.

- **Question:** How will any project needs of the UMDNJ be prioritized in the context of the “Building Our Future Bond Act,” where public research universities are eligible for up to \$300,000,000 in State grants?

We understand that UMDNJ collaborated with both Rutgers and Rowan in developing applications for funding in addition to submitting stand-alone applications for consideration as a public research university. All of the eligible applications will be reviewed based on the selection criteria.

2g. Under the restructuring act, the UMDNJ School of Osteopathic Medicine (SOM) is to be transferred to Rowan University. At the June 14, 2012 meeting of the Senate Higher Education Committee, a representative from the American Osteopathic Association (AOA) raised a number of concerns that the merger may jeopardize SOM's accreditation from the AOA Commission on Osteopathic College Accreditation. Specifically, the AOA raised concerns that Rowan University lacked the infrastructure and systems to train primary care physicians and deliver medical care to citizens of the State. Additionally, the AOA was concerned that Rowan University has inadequate or non-existent research facilities that are needed to support the nationally and internationally recognized research programs at SOM.

Subsection a. of section 8 of the act provides that Rowan University "shall be obligated to take any such action as may be required to ensure that the School of Osteopathic Medicine maintains proper accreditation."

On March 7, 2013, the Middle States Commission on Higher Education approved Rowan University's application to change its mission to include the School of Osteopathic Medicine and the creation of the College of Health Sciences in partnership with Rutgers University – Camden. However, accreditation from the Middle States Commission primarily affects Rowan University, as the AOA will still be required to accredit the School of Osteopathic Medicine, just as the Cooper Medical School of Rowan University received its accreditation last year from the Liaison Committee on Medical Education.

- **Question:** What steps has Rowan University taken to address the AOA's concerns about the possible loss of accreditation for the School of Osteopathic Medicine?

We understand that Rowan has been in communication with Middle States and AOA and both have conditionally approved the substantive change requests and are planning visitations a year after the integration takes effect. There were no concerns.

- **Question:** Has the AOA notified Rowan University about the accreditation status of SOM for the upcoming academic year, the first year in which UMDNJ-SOM will be known as the Rowan University School of Osteopathic Medicine (Rowan-SOM)?

See answer above.

2h. The Carnegie Foundation created the Carnegie Classification of Institutions of Higher Education in 1973 to classify institutions by certain traits. Research institutions are doctorate-granting universities that award at least 20 doctoral degrees each year and are organized by the level of research activity, as measured by research expenditures, the number of doctorates conferred, the number of research-focused faculty, and other factors. Currently, Rowan University is not recognized as a public research university by the Carnegie classification. UMDNJ is classified separately from research institutions, as it is a special-focus institution, in which at least 75% of the degrees conferred are concentrated in a single field or a set of related fields. Being recognized as a public research institution may increase the prestige of the institution and attract renowned faculty, more students, and greater federal and private research dollars.

Section 35 of the act confers "public research university" status upon Rowan University, making it just one of three public institutions of higher education in the State with that designation.

However, the statutory designation does not change Rowan's Carnegie classification, which may take several years to achieve.

One of the benefits of being a statutorily-designated public research university is that Rowan University will now have access to a greater amount of funds under the "Building Our Future Bonds Act," P.L.2012, c.41. Under that act, the three public research universities are eligible for \$300 million in State grants, while the eight State colleges and universities are eligible for \$247.5 million. Also, according to HESAA, as a result of the public research university designation, beginning with the FY 2013-2014 academic year, more Rowan students will be eligible to receive a Tuition Aid Grant (TAG) Program award because Rowan University will be moved into the public research sector of TAG award tables.

- **Question:** Beyond the benefits of being recognized as a public research university within the State, what are the benefits of the designation outside of the State? For example, how would a prospective faculty member view an institution that is designated a public research university by a state but not by the Carnegie classification?

The change in state designation will allow Rowan to develop new doctoral programs without having to apply to the state for permission to exceed its mission for each new program in the future. This will free the institution from having to undergo an approval process each time it seeks to develop a new doctoral program. As a result the timeline for developing and implementing new programs will be accelerated, and Rowan will be able to recruit more students and faculty with research interests as it expands its offerings and its research base toward that goal. Incoming faculty at Rowan would be joining an institution that has been clearly identified by the State as a rising star.

Change in state designation does not automatically result in an immediate change in Carnegie classification. According to the Carnegie Foundation website:

"The Carnegie Classifications are retrospective, time-specific snapshots of colleges and universities. Inevitably, some changes such as program additions will be too recent to be captured in the data from which the classifications are derived. Any number of institutions might be classified differently using newer data, and to maintain the comparability of classifications we would have to reclassify all institutions. For this reason, we do not make case-by-case reclassifications based on newer data."

The most recent Carnegie classifications were completed in 2010, using nationally available data from the U.S. Office of Postsecondary Education, the National Center for Education Statistics' Integrated Postsecondary Education Data System (IPEDS), the National Science Foundation, and the College Board.

- **Question:** What steps are being taken to achieve the Carnegie classification of public research university? How does the new College of Health Sciences, which will be jointly operated with Rutgers University – Camden, fit into Rowan University's master plan for achieving public research university status under the Carnegie classification?

State research designation will allow Rowan to develop Ph.D. and professional degree programs, particularly in STEM, medicine and business fields. Talented faculty with

research agendas go where they can continue and expand their research activities. State research designation will enable Rowan to attain Carnegie research status.

2i. Subsection a. of section 25 of the act requires Rutgers University to establish an annual certified public reporting process of its finances. The purpose of this is to measure the flow of resources across each of the three campuses. Additionally, under the act, the Legislature is to directly appropriate funds for operational costs and fringe benefits to each campus. At legislative committee hearings on the proposed act in 2012, Rutgers University could not provide an answer on how much of its total State appropriation went to the Camden, New Brunswick, and Newark campuses.

- **Question:** Has Rutgers University developed a process to measure the flow of resources across each of the campuses? If so, please provide details on the flow of resources, especially the allocation of State appropriations to each campus. If not, please explain why.

Consistent with this statutory requirement, Rutgers advises that it is in the process of extending its current budgeting system (All Funds Budgeting, or AFB) from a modified Responsibility Centered Management (RCM) budget model in use since 2005 to a full RCM system through the work of broadly-representative committees. RCM is a decentralized budget model that allocates to schools the revenues they generate along with their direct costs and also their share of indirect costs for central services that are provided more effectively and efficiently through central systems. Since RCM distributes to each school its own revenues and expenses, it encourages longer range strategic planning, accountability, entrepreneurship, cost consciousness, and more deliberative consideration of the choices that must be made for the use of scarce resources. It also makes clearer the resource constraints and possibilities facing the university and its schools.

The major change between the AFB and full RCM models will be the more specific allocation of indirect costs to schools based on their usage of these services. This contrasts with the more aggregate allocation of these costs under AFB based on a university-wide fixed overhead charge against tuition and other revenues.

As a first step in the movement to a full RCM budget model, the University created campus financial statements based on the university's FY 2011-12 financial statement for discussion with the Finance and Facilities subcommittee of the Board of Governors. These campus financials will be refined as the movement to RCM progresses. The expectation is that a new RCM model will be developed with the work of the above mentioned university committees during the spring 2013 semester. It is also expected that the model will incorporate the units of UMDNJ once they are merged with Rutgers. The resulting model will be tested during FY 2013-14 for a full implementation in the following year.

- **Question:** Please explain why the FY 2014 budget recommendation for Rutgers University does not directly appropriate funds to each of the three campuses, as required under the law. Is the Executive not able to identify how much each campus requires for its operations and fringe benefits?

At the time of the budget production, the restructuring plan was not sufficiently advanced to allow for campus-specific allocations.

2j. Section 141 of the act contains a “hold harmless” provision in which the State will reimburse Rutgers University for any undisclosed liabilities not reasonably foreseen or contemplated at the time of the transfer of the assets of UMDNJ to Rutgers.

- **Question:** Given that the FY 2014 budget recommends \$241 million for Rutgers University, which is the same State appropriation as in FY 2013, is it Rutgers University’s position that it found no undisclosed liabilities when examining UMDNJ’s financial statements? Please provide documentation that Rutgers University is satisfied with UMDNJ’s financial statements and did not find any undisclosed liabilities for FY 2014 that would require State reimbursement.

No new liabilities are expected.

2k. Under the provisions of the act, University Hospital is a separate non-profit legal entity that is an instrumentality of the State. It has no financial or other ties to Rutgers University, except its affiliation as the principal teaching hospital for the Newark-based schools being transferred to Rutgers. Under the act, the assets and liabilities of University Hospital cannot be commingled or consolidated with those of Rutgers University, and Rutgers University is not to assume any debt or liability of University Hospital.

On November 19, 2012, the Rutgers University Board of Governors and Board of Trustees adopted a resolution that approved the restructuring, subject to the satisfaction of certain conditions. Some of the conditions refer to Rowan University and University Hospital refinancing and defeasing by July 1, 2013 their portion of the bond debt that previously belonged to UMDNJ. One of the conditions requires University Hospital to certify to Rutgers University that 1) it has complied with the requirements imposed upon it under the act, and 2) there are arrangements or agreements in place by which the hospital will serve as the principal teaching hospital for the Newark-based schools that are being transferred to Rutgers University under the act.

- **Question:** Given that University Hospital has no financial or other ties with Rutgers University, except for its affiliation as the principal teaching hospital for the Newark-based schools being transferred to Rutgers, why does Rutgers believe that restructuring under the act is contingent on the financial health and stability of University Hospital?

Under the restructuring legislation, Rutgers is required to utilize University Hospital as its principal teaching hospital for the Newark-based medical and dental schools. For the good of its students and faculty who will work there, and many others, it is essential that University Hospital remains a stable and financially-viable operation.

- **Question:** In the event that University Hospital is not financially stable and cannot function as the principal teaching hospital for the Newark-based schools being transferred to Rutgers, does Rutgers have the right under the November 19, 2012 resolution to reject the restructuring? What will be the practical effect of University Hospital not satisfactorily meeting the conditions contained in the resolution?

The restructuring act requires the hospital to be preserved, and it will be.

21. The FY 2014 budget recommendation provides \$160.5 million in State appropriations to UMDNJ, a decrease of \$3.8 million from the FY 2013 adjusted appropriation of \$164.3 million. Affiliate hospital support to Cooper University Hospital and Cooper Medical School, totaling \$3.8 million, that was previously included in the UMDNJ budget is now moved to Rowan University. Without the shift, the funding level for UMDNJ in FY 2014 remains level from FY 2013. There is no direct appropriation for University Hospital, although the budget recommendation does include language authorizing additional sums to University Hospital “as necessary to maintain the core operating functions of the hospital.”

University Hospital, in recent years, has incurred operating losses, requiring the hospital to “borrow” funds from other components of UMDNJ, such as the New Jersey Medical School, to cover the cash flow of its operations. The State has also had a history of providing additional funding to support University Hospital.

Under the restructuring act, State funding must be sufficient to maintain the level of community services provided by University Hospital on the effective date of the act and sufficient to maintain the hospital as an acute care facility and trauma center.

- **Question:** With virtually no change in State line-item appropriations from FY 2013 to FY 2014, does the Executive believe that the level of funding recommended in the FY 2014 budget is sufficient to maintain the level of community services provided by University Hospital and sufficient to maintain the hospital as an acute care facility and trauma center? If not, how large of a supplemental appropriation may be needed pursuant to the language appropriation authority?

Yes, the funding is sufficient.

3. Pursuant to section 4 of P.L.2007, c.175 (C.18A:62-49), the Office of the Secretary of Higher Education, which assumed the functions and responsibilities of the Commission on Higher Education, is required to submit a report on the transfer of academic credits, under the Statewide transfer agreement, from a completed associate degree program to a baccalaureate degree program, to the Governor and Legislature by November 15th of each year. The report is to include: a compilation of the data collected about county college students who transferred to senior public institutions of higher education in the State; an analysis of the effect of the agreement on the transfer process and on the academic success of transfer students at the senior public institutions; and an analysis of each participating institution’s compliance with the provisions of P.L.2007, c.175 (C.18A:62-46 et seq.).

The secretary issued the first statutorily required report, the 2008 Transfer of Credit Annual Report, to the Governor and the Legislature, on December 31, 2008, after requesting and receiving a one-time extension. The 2009 report was issued on April 16, 2010 and the 2010 report was issued on April 14, 2011, approximately five months after the statutory deadline. No reports have been issued for 2011 and 2012.

- **Question:** Please explain the delay in providing these statutorily required reports to the Governor and the Legislature by November 15th of each year. Please provide the Transfer of Credit reports for 2011 and 2012.

The 2011 report has been transmitted and posted, and the 2012 report will be posted shortly. Since its inception, the timeline for this report has been problematic. Institutions cannot get the data to the agency before November 1 which gives the agency insufficient time to conduct its analyses. Institutions have lobbied the agency to revise the process entirely to alleviate the logjam created by multiple deadlines for multiple data sets at calendar year's end. We would be pleased to work with the Legislature to revise this process and to create a more robust report with deadlines that would address this problem.

4a. The FY 2013 appropriations act created the Governor's Urban Scholarship Program that would provide \$1 million in State appropriations to fund 1,000 scholarships at \$1,000 each. The new scholarship program is available to assist economically disadvantaged students residing in one of 14 high-need communities identified by the Department of Education and the Department of Community Affairs. Eligible students must be in the top 5% of their high school class, have at least a 3.0 grade point average at the end of their junior year of high school, and choose to attend a New Jersey institution of higher education. The scholarship program is administered by the Higher Education Student Assistance Authority (HESAA).

According to the FY 2014 recommended budget, a total of \$1 million will have funded 1,000 scholarship awards in FY 2013. The Governor has proposed \$1 million for 1,000 scholarship awards for FY 2014.

As of March 13, 2013, a total of \$249,500 of the \$1 million appropriated for FY 2013 has either been expended or anticipated to be expended. A total of \$750,000 remains on budget reserve and is not expected to lapse.

- **Question:** How many students will receive a Governor's Urban Scholarship award in FY 2013?

Answer: 230

- **Question:** How will the \$1 million be fully expended in FY 2013, when the academic year is nearly completed and only \$249,500 expended as of March 13, 2013? Does HESAA anticipate awarding the full number of scholarships in FY 2013 and FY 2014?

Answer: HESAA does not anticipate that the full appropriation will be expended in the current fiscal year. HESAA does, however, anticipate greater participation and expenditure in FY 2014 due to the majority of current students in the program renewing the scholarship for a second year and more students entering the program for the first time due to greater awareness of the program. Finally, the Governor proposed a persistency bonus for those students in their final semester of degree completion. Some students may be eligible for this bonus in FY 2014. It should be noted that HESAA has already advised potentially eligible students for the coming academic year of the program, its features, and their

potential ability to participate. HESAA hopes this early outreach will increase participation in FY 2014.

- **Question:** Why does the FY 2014 budget recommend \$1 million for this program when only \$249,500 will be expended on scholarships in FY 2013?

Answer: Historically, the first year of most programs are undersubscribed. Last year, HESAA was not able to advise students, parents and high school guidance counselors of the Governor's Urban Scholarship program until after the FY 2013 budget was signed into law. By July, most students have already made decisions about where they will attend school in the fall. This year, HESAA advised the high schools of the program, solicited from them the students who potentially meet eligibility criteria and sent a personal letter to the potentially eligible students notifying them of same.

- **Question:** Has there been a lack of eligible students or a lack of awareness on the part of students that has led to a low utilization rate of this scholarship program?

Answer: As noted above, for FY 2013 HESAA could not notify students, parents, colleges/universities or high schools until after the budget was signed into law. HESAA has spent the last year notifying all interested parties about the availability of this program in its literature, on its website and in its financial aid presentations. This focused outreach should increase awareness and participation.

4b. As originally proposed by the Governor in FY 2013, each eligible student would receive a scholarship award of \$1,000 per academic year. However, according to the HESAA website, each award is up to \$1,000 per academic year.

- **Question:** Why has HESAA decided to award scholarships for less than the full amount of \$1,000 per recipient?

Answer: HESAA has not decided to award scholarships for less than the full amount. HESAA uses the language "up to \$1,000 per academic year" so that a student does not receive an "over award" in terms of financial aid. For example, a student who is receiving Pell, TAG and other institutional aid, may have less than \$1,000 in unmet need. In that case, HESAA would only award the amount of unmet need up to \$1,000. Also, in the case where a student only attends school for one semester HESAA would only award up to \$500, not the full annual award.

4c. According to the FY 2014 recommended budget, private donations as well as State appropriations contribute to the Governor's Urban Scholarship Program. The FY 2014 budget recommendation for this program is \$1 million.

- **Question:** Please list any private donations that have helped fund this program.

Answer: The budget does not contain a provision for private donations and none have been received.

5. The New Jersey College Loans to Assist State Students (NJCLASS) Program, created pursuant to P.L.1991, c.268 (C.18A:72-34 et seq.), allows the Higher Education Student Assistance Authority (HESAA) to provide loans to eligible students who are not eligible for, or have additional financial need beyond, a federally insured student loan. NJCLASS loans are funded by the sale of revenue bonds.

In FY 2010, the NJCLASS portfolio consisted of 140,314 loans outstanding totaling \$1.7 billion. In the FY 2014 estimate, the NJCLASS portfolio is anticipated to have 181,509 loans outstanding totaling \$2.4 billion.

- **Question:** Given the growth of \$700 million in the loan portfolio from FY 2010 to FY 2014, at what point does the portfolio size become unsustainable?

Answer: Given the very high investment grade ratings of the NJCLASS portfolio (Aa2 Moody and AA Standard and Poors), the twenty-two year history of the program, the continued demand for higher education, and the fact that many families cannot fully finance post secondary education without the help of supplemental loans, the NJCLASS program should remain robust and sustainable for many years to come.

6a. P.L.2012, c.8 revised the New Jersey Student Tuition Assistance Reward Scholarship (NJ STARS) Programs to: 1) limit an NJ STARS I scholarship award to the cost of tuition rather than tuition and fees, 2) reduce the NJ STARS II scholarship award from \$3,000 or \$3,500 per semester, depending on the student's grade point average, to \$1,250 per semester; 3) require the State to assume the full cost of an NJ STARS II scholarship, instead of only funding 50%; and 4) allow an award recipient to use an NJ STARS II scholarship to attend a New Jersey four-year college or university that participates in the Tuition Aid Grant (TAG) Program.

According to the FY 2014 Budget Policy Statement for the Higher Education Student Assistance Authority Board adopted by the board on October 25, 2012, the expansion of the NJ STARS II Program to include four-year non-public colleges or universities provides "greater flexibility to our students" and increases "the portability of the program across the State."

- **Question:** Has the change to include four-year private colleges or universities actually had the intended benefit of providing greater flexibility and increasing the portability of the program? How many NJ STARS II award recipients are using the scholarship to attend a four-year private college or university in the State?

Answer: There are 45 students using the award to attend an independent four year college/university in the State. Since this is only the first year this option has been available, as more students become aware of the feature and more of the independent colleges and universities use it as a recruitment tool, participation will likely increase.

6b. The FY 2014 budget recommends \$10.6 million for the NJ STARS Programs - \$6.0 million for 1,900 NJ STARS I awards and \$4.6 million for 1,844 NJ STARS II awards.

In FY 2013, the NJ STARS Programs received \$13,849,000 in State appropriations, plus \$472,003 in carry-forward appropriations from FY 2012, for a total available amount of \$14,321,003. As of March 13, 2013, \$10.1 million has either been expended or anticipated to be expended in FY 2013. The remaining \$4.2 million is scheduled to lapse. In fact, the revised FY 2013 estimate only anticipates \$10.1 million for NJ STARS I and NJ STARS II awards.

In FY 2012, the NJ STARS Programs had \$22.8 million available, \$16.4 million in State appropriations and \$6.4 million in carry-forward appropriations. However, only \$9.9 million was used to fund NJ STARS Program awards - \$5.2 million for 1,748 NJ STARS I awards and \$4.7 million for 1,525 NJ STARS II awards.

- **Question:** Please explain why the full FY 2013 appropriation, plus the carry-forward amount, was not used under the programs.

Answer: Both programs are fully funded and available to all eligible students who wish to partake in them. Year to year variations in expenditures are driven by students choice of the schools they decide to attend.

- **Question:** Please explain why only \$9.9 million out of an available \$22.8 million, or less than half of available funds, was used to fund the NJ STARS Programs in FY 2012.

Answer: Expenditures of \$9.9 million reflect fully funded awards for those students who chose to participate in the program.

- **Question:** Because HESAA only spent approximately 43% of total available funds in FY 2012 and 71% in FY 2013, does HESAA anticipate that it will spend below the amount proposed in the FY 2014 budget?

Answer: HESAA anticipates that it will spend the proposed amount, but it is important to understand that expenditures are ultimately driven by student choice.

- **Question:** In FY 2009, 5,753 NJ STARS I and NJ STARS II scholarships were awarded. In FY 2014, an estimated 3,744 scholarships will be awarded. What is the cause for this decline in the number of NJ STARS I and NJ STARS II scholarships awarded? Please provide the number of students eligible for these scholarships for each year from FY 2009 through FY 2014. Has there been a decline in the number of eligible students or a lack of awareness on the part of students that has led to a decline in the number of scholarships awarded under the NJ STARS Programs?

Answer: Below are the number of students eligible for the years requested.

FY 2009	21,228
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FY 2010	15,975
FY 2011	15,761
FY 2012	15,753
FY 2013	15,409
FY 2014	15,076

There is considerable awareness of the programs, particularly among those students who meet the eligibility requirements as HESAA sends a personal letter to the home addresses of those students in the winter of their senior year in high school. Program participation has declined as legislated program parameters have become more rigorous following a report issued by a joint legislative/executive branch task force that examined the programs. Such programmatic changes included:

- **limiting eligibility to the top 15% of the high school class as opposed to the top 20%;**
- **eliminating payment for remedial coursework; and**
- **raising the GPA requirements to 3.25 for NJ STARS II participation.**

7. The FY 2014 budget recommends \$341.2 million for the Tuition Aid Grant (TAG) Program, which is an increase of \$9.6 million or 2.9% over the total available funds of \$331.6 million in FY 2013 (\$325.0 in State appropriations, \$6.0 million in carry-forward appropriations, and \$0.6 million in Part-time TAG/Educational Opportunity Fund appropriations). The budget indicates that the FY 2014 appropriation will support an estimated 64,638 awards in the 2013-2014 academic year, which is 1,314 more than the number provided in the 2012-2013 academic year.

For FY 2003 through FY 2014 as recommended, 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 which type of institution of higher education they attend. In no year during that time period has the State fully funded TAG assistance awards in accordance with the statute.

When fully funded, 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. Under the FY 2014 recommended language, HESAA is directed to provide to students enrolled in public institutions, who are eligible for maximum awards under the TAG program, an award not to exceed the in-State undergraduate 2011-2012 tuition rate for the institution with comparable awards provided to students eligible for maximum awards enrolled at nonpublic institutions. This continues a two-year lag between the amount of the TAG award and tuition for those students eligible for the maximum award. For students not eligible for maximum TAG awards and enrolled in public institutions, FY 2014 TAG awards will not exceed 2009-2010 tuition rates, thereby continuing a four-year lag between the amount of the TAG award and tuition.

According to HESAA, in the 2012-2013 academic year, students eligible for maximum TAG awards received an award reflecting the two-year lag and further reduced by approximately 8.3%.

For students not eligible for maximum TAG awards, students received an award reflecting the four-year lag and further reduced by approximately 8.3%.

- **Question:** In FY 2014, HESAA will need \$341.2 million to fund 64,638 TAG awards that 1) reflect either two-year or four-year lags, and 2) may be further reduced by an unspecified percentage. With the understanding that TAG award amounts are annually set in July and subject to change, what is the estimated percentage by which TAG awards will be further reduced?

Answer: 8.3%

- **Question:** What is the estimated cost of fully funding all TAG awards for FY 2014, according to the statutory provisions governing this program at N.J.S.18A:71B-18 et seq., without any lag or further reduction? What is the estimated cost to reduce the two-year lag to a one-year lag, and to reduce the four-year lag to a three-year lag?

Answer: HESAA cannot estimate the cost to fund the program without any lag to tuition at this time since most of the institutions have not yet set their AY 2013-2014 tuition rates. The cost to reduce the two-year lag to a one-year lag and to reduce the four-year lag to a three-year lag is \$387.5 million.

- **Question:** Please provide the draft tables used in preparing the TAG Program cost estimates for FY 2014. These tables should sort the number of awards, the average award amount, and available funds, by the New Jersey Eligibility Index, estimated average family income, and sector.

Answer: FY 2014 TAG tables are not available. Page D-304 of the Governor's budget provides information regarding how the proposed full time TAG funds will be distributed, including the number of awards and the dollar amount of awards for each sector.

- **Question:** For fiscal years 2011, 2012, and 2013, what percentage of the tuition rate in each sector was covered by a TAG award for students receiving a maximum award and for students who were not eligible for a maximum award?

Answer:

	FY 2011	FY 2012	FY 2013
ACADEMIC YEAR	2010-11	2011-12	2012-13

COUNTY COLLEGE			
Weighted Average Tuition	\$2,764	\$2,870	\$2,934
Maximum Average TAG Award	\$2,318	\$2,458	\$2,534
% of Tuition Funded	83.85%	85.64%	86.36%
NJ Eligibility Index for Other Cells			

1500-2499	70.11%	71.29%	73.68%
2500-3499	60.70%	58.47%	63.80%
3500-4499	47.39%	45.64%	49.83%
4500-5499	35.38%	34.08%	37.22%

<u>STATE COLLEGES</u>			
Weighted Average Tuition	\$7,309	\$7,592	\$7,856
Maximum Average TAG Award	\$6,326	\$6,512	\$6,704
% of Tuition Funded	86.55%	85.77%	85.34%
NJ Eligibility Index for Other Cells			
1500-2499	71.86%	73.39%	75.41%
2500-3499	60.83%	58.56%	63.85%
3500-4499	50.40%	48.52%	52.90%
4500-5499	41.78%	40.23%	43.84%
5500-6499	32.62%	31.40%	34.24%
6500-7499	23.75%	22.87%	24.95%

<u>RUTGERS</u>			
Tuition	\$9,926	\$10,104	\$10,358
Maximum TAG Award	\$8,554	\$8,812	\$9,104
% of Tuition Funded	86.18%	87.21%	87.89%
NJ Eligibility Index for Other Cells			
1500-2499	69.37%	73.46%	77.27%
2500-3499	61.76%	60.67%	68.80%
3500-4499	53.27%	52.34%	59.34%
4500-5499	46.44%	45.63%	51.75%
5500-6499	39.63%	38.94%	44.16%
6500-7499	33.23%	32.64%	37.01%
7500-8499	26.33%	25.87%	29.35%
8500-9499	18.17%	17.85%	20.24%

<u>NJIT</u>			
Tuition	\$11,248	\$11,756	\$12,400
Maximum TAG Award	\$9,692	\$9,984	\$10,318
% of Tuition Funded	86.17%	84.93%	83.21%
NJ Eligibility Index for Other Cells			
1500-2499	70.04%	71.71%	73.13%

2500-3499	62.36%	59.66%	65.11%
3500-4499	53.79%	51.46%	56.16%
4500-5499	46.91%	44.88%	48.97%
5500-6499	40.02%	38.30%	41.79%
6500-7499	33.55%	32.10%	35.03%
7500-8499	26.60%	25.45%	27.77%
8500-9499	18.35%	17.56%	19.16%

<u>INDEPENDENT INSTITUTIONS</u>			
Weighted Average Tuition	\$25,184	\$26,586	\$27,593
Maximum TAG Award	\$10,468	\$10,980	\$11,550
% of Tuition Funded	41.57%	41.30%	41.86%
NJ Eligibility Index for Other Cells			
1500-2499	35.59%	35.30%	35.77%
2500-3499	31.31%	25.74%	31.46%
3500-4499	28.04%	23.05%	28.18%
4500-5499	24.78%	20.36%	24.90%
5500-6499	21.53%	17.69%	21.63%
6500-7499	18.26%	15.01%	18.35%
7500-8499	14.99%	12.32%	15.06%
8500-9499	11.86%	9.75%	11.92%
9500-10499	6.75%	5.55%	6.78%

Under the "Independent College and University Assistance Act," P.L.1979, c.132, the State provides support to eligible independent colleges and universities in the State. The amount of State aid is based the number of full-time equivalent New Jersey undergraduates enrolled during the pre-budget year in the independent institutions multiplied by 25% of the level of direct per student State support in the State college sector during the pre-budget year.

In FY 2010, the State provided \$17.5 million under this act. From FY 2011 through FY 2013, no State aid was provided to the independent institutions. The FY 2014 budget recommends \$1.0 million to the independent institutions.

- **Question:** Please provide a table that shows the amount each independent institution will receive under the FY 2014 recommended budget and the amount each independent institution would receive if the State provides the full amount required under the act.

AID TO INDEPENDENT COLLEGES AND UNIVERSITIES

	FY14 Funding Allocation	FY 14 Full Funding Allocation
Bloomfield College	\$71,290	\$1,577,215
Caldwell College	\$40,787	\$897,209
Centenary College	\$69,295	\$1,523,473
College of St. Elizabeth	\$30,612	\$672,956
Drew University	\$39,305	\$866,947
Fairleigh Dickinson University	\$161,586	\$3,572,409
Felician College	\$55,929	\$1,233,347
Georgian Court University	\$56,684	\$1,248,856
Monmouth University	\$128,339	\$2,830,669
Princeton University	\$30,064	\$661,050
Rider University	\$91,158	\$2,421,418
Saint Peter's College	\$64,165	\$1,419,251
Seton Hall University	\$107,966	\$2,366,233
Stevens Institute of Technology	\$52,820	\$1,164,643
	\$1,000,000	\$22,455,676