



ANALYSIS OF THE NEW JERSEY BUDGET

**HIGHER
EDUCATIONAL
SERVICES**

FISCAL YEAR

2014 - 2015

NEW JERSEY STATE LEGISLATURE

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HIGHER EDUCATIONAL SERVICES

Budget Pages..... C-6; C-7; D-285 to D-334; D-363 to D-366;
D-372 to D-375

Fiscal Summary (\$000)

	Expended FY 2013	Adjusted Appropriation FY 2014	Recommended FY 2015	Percent Change 2014-15
State Budgeted	\$1,327,702	\$1,413,472	\$1,513,244	7.1%
Federal Funds	19,260	21,187	20,954	(1.1%)
<u>Other</u>	<u>36,058</u>	<u>34,324</u>	<u>35,264</u>	<u>2.7%</u>
Grand Total	\$1,383,020	\$1,468,983	\$1,569,462	6.8%

Personnel Summary - Positions By Funding Source

	Actual FY 2013	Revised FY2014	Funded FY 2015	Percent Change 2014-15
State	14	17	19	11.8%
Federal	144	143	154	7.7%
Other	9	9	12	33.3%
University Hospital	0	2,923	2,923	—
<u>Colleges & Univ's.*</u>	<u>22,675</u>	<u>19,752</u>	<u>19,752</u>	<u>—</u>
Total Positions	22,842	22,844	22,860	—

FY 2013 (as of December) and revised FY 2014 (as of January) personnel data reflect actual payroll counts. FY 2015 data reflect the number of positions funded.

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

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

Highlights

- The overall FY 2015 budget recommendation for Higher Educational Services totals \$1.57 billion, an increase of 6.8% over the FY 2014 adjusted appropriation of \$1.47 billion. Funding for Higher Education is reflected in the budgets of the Department of State and the Department of the Treasury.
- Direct operating aid for senior public institutions of higher education in FY 2015 is recommended at \$734.8 million, which is the same as the FY 2014 adjusted appropriation.
- Recommended funding for University Hospital in FY 2015 is \$43.8 million, which is a \$25.0 million or 132.7% increase over the FY 2014 adjusted appropriation of \$18.8 million. The recommended increase exceeds the expected decrease in Charity Care funding, which is located in the Department of Health budget.
- Funding to support the operational costs of county colleges remains unchanged from the FY 2014 adjusted appropriation of \$134.1 million. County college aid includes \$18.8 million from the Supplemental Workforce Fund for Basic Skills for remedial courses provided at county colleges.
- The FY 2015 recommended budget funds debt service increases for the following higher education capital bond programs:
 - “Higher Education Equipment Leasing Fund Act;”
 - “Higher Education Technology Infrastructure Fund Act;”
 - “Higher Education Facilities Trust Fund Act;” and
 - “Higher Education Capital Improvement Fund Act.”

These four programs are administered by the New Jersey Educational Facilities Authority (EFA), which issued bonds in January 2014 for the “Higher Education Technology Infrastructure Fund Act” and the “Higher Education Equipment Leasing Fund Act.” The EFA anticipates an April 2014 bond offering for the “Higher Education Capital Improvement Fund Act.” The EFA anticipates a bond offering for the “Higher Education Facilities Trust Fund Act” in the upcoming fiscal year.

More information can be found in the Significant Changes section. Information about these programs, and the “Building Our Future Bond Act,” can be found in the background paper at the end of this analysis.

- Recommended funding for the Tuition Aid Grant (TAG) Program in FY 2015 totals \$355.2 million to support an estimated 63,758 awards in the 2014-2015 academic year. The FY 2015 recommendation is an increase of \$14.0 million or 4.1% over the FY 2014 adjusted appropriation.

Under the recommended budget language, TAG awards may not exceed 2% above the levels provided by HESAA in FY 2014. Under language in the FY 2014 appropriations act, a student received a TAG award with either a two- or four-year lag between the

Highlights (Cont'd)

amount of the TAG award and tuition, depending on the student's eligibility for a maximum award, and further reduced by 10.15%.

- Recommended funding for Part-Time Tuition Aid Grants for County Colleges is \$9.8 million, which is a decrease of \$1.5 million or 12.9% percent below the FY 2014 adjusted appropriation. The recommended appropriation is projected to assist 11,275 students in the 2014-2015 academic year.

A total of \$8.5 million is recommended for the NJ STARS Programs, which is a decrease of \$2.1 million from the FY 2014 adjusted appropriation of \$10.6 million. The NJ STARS I Program will provide scholarships to approximately 1,800 participants, and the NJ STARS II Program will provide scholarships to approximately 1,200 participants in FY 2015.

The FY 2015 budget recommends \$700,000 for the Governor's Urban Scholarship Program to fund 700 awards, including a new cohort of students eligible for this scholarship. This represents a decrease of \$300,000, or 30.0% from the FY 2014 adjusted appropriation.

According to the Higher Education Student Assistance Authority, the decreases in appropriations for each of these programs reflect enrollment patterns and projected awards that result in lower costs.

- The Survivor Tuition Benefit Program receives no State appropriations for FY 2015. A phase-out of this program began in FY 2011 with language in the FY 2011 appropriations act, and continued in FY 2012 and FY 2013, that limited awards to students who received an award prior to FY 2011. While the phase-out was expected to be completed in FY 2014, and the FY 2014 appropriations act contained no funding for this program, the Legislature removed the language provision, thereby allowing new participants into the program.

According to the Higher Education Student Assistance Authority, the program is open to new students and in FY 2014, there were 3 renewal and 3 new students being funded with approximately \$43,000 in carry-forward funds from FY 2013.

- The FY 2015 recommended budget provides \$1 million for general operating support for independent colleges and universities. This aid program was originally established pursuant to the "Independent College and University Assistance Act," P.L.1979, c.132, to provide financial support to 14 eligible New Jersey independent colleges and universities based on the number of New Jersey students enrolled in those institutions.

Background Paper

- Higher Education Capital Improvement Funding.....page 18

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2013	Adj. Approp. FY 2014	Recom. FY 2015	Percent Change	
				2013-15	2014-15
General Fund					
Direct State Services	\$1,447	\$1,764	\$1,764	21.9%	0.0%
Grants-In-Aid	1,135,439	1,213,180	1,307,040	15.1%	7.7%
State Aid	156,330	162,929	0	(100.0%)	(100.0%)
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$1,293,216	\$1,377,873	\$1,308,804	1.2%	(5.0%)
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	34,486	35,599	204,440	492.8%	474.3%
Sub-Total	\$34,486	\$35,599	\$204,440	492.8%	474.3%
Casino Revenue Fund	\$0	\$0	\$0	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$1,327,702	\$1,413,472	\$1,513,244	14.0%	7.1%
Federal Funds	\$19,260	\$21,187	\$20,954	8.8%	(1.1%)
Other Funds	\$36,058	\$34,324	\$35,264	(2.2%)	2.7%
Grand Total	\$1,383,020	\$1,468,983	\$1,569,462	13.5%	6.8%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2013	Revised FY 2014	Funded FY 2015	Percent Change	
				2013-15	2014-15
State	14	17	19	35.7%	11.8%
Federal	144	143	154	6.9%	7.7%
All Other	9	9	12	33.3%	33.3%
Colleges and Universities*	22,675	19,752	19,752	(12.9%)	0.0%
University Hospital	0	2,923	2,923	0.0%	0.0%
Total Positions	22,842	22,844	22,860	0.0%	0.0%

FY 2013 (as of December) and revised FY 2014 (as of January) personnel data reflect actual payroll counts. FY 2015 data reflect the number of positions funded.

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

AFFIRMATIVE ACTION DATA

Total Minority Percent

Secretary of Higher Education	44.4%	40.0%	45.5%	---	---
Higher Ed. Student Assist. Auth.	31.1%	31.5%	28.2%	---	---

Fiscal and Personnel Summary

Direct State Support for the Institutions of Higher Education (in thousands)			
Senior Public Institutions	FY 2013	FY 2014	FY 2015
Rutgers University			
Camden	\$ -	\$ 17,140	\$ 17,140
Newark	-	31,816	31,816
New Brunswick	241,018	338,545	338,545
Total - Rutgers University	\$241,018	\$387,501	\$387,501
Agricultural Experiment Station	21,742	21,742	21,742
University of Medicine and Dentistry of New Jersey	164,303	-	-
New Jersey Institute of Technology	37,696	37,696	37,696
Thomas Edison State College	1,821	3,551	3,551
Rowan University	54,813	88,792	88,792
New Jersey City University	26,056	26,056	26,056
Kean University	32,837	32,837	32,837
William Paterson University	32,748	32,748	32,748
Montclair State University	38,613	38,613	38,613
The College of New Jersey	29,317	29,317	29,317
Ramapo College of New Jersey	16,130	16,130	16,130
Richard Stockton College of New Jersey	19,839	19,839	19,839
Total Senior Public Institutions	\$716,933	\$734,822	\$734,822
University Hospital	-	18,841	43,841
County Colleges			
Operational Aid:			
General Fund and Property Tax Relief Fund	\$113,486	\$115,323	\$115,323
Supplemental Workforce Fund for Basic Skills	21,300	18,800	18,800
Total County Colleges	\$134,786	\$134,123	\$134,123
Aid to Independent Colleges and Universities	\$ -	\$ 1,000	\$ 1,000

Source: FY 2015 Recommended Budget

Note: Funding for Rutgers University, Rowan University, UMDNJ, and University Hospital reflects the "New Jersey Medical and Health Sciences Education Restructuring Act," under which components of UMDNJ were integrated with Rutgers and Rowan, University Hospital was made a separate entity, and funding for Rutgers was allocated between the New Brunswick, Newark, and Camden campuses.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2014</u>	<u>Recomm.</u> <u>FY 2015</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (HESAA)**Student Assistance Programs**

GRANTS-IN-AID

Survivor Tuition Benefit Program	\$0	\$0	\$0	—	D-296
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The Survivor Tuition Benefit Program, established in 1979 under N.J.S.18A:71B-23, provides tuition paid by the State to any child or surviving spouse of a firefighter, law enforcement officer, and emergency responder killed in the line of duty, to attend any public or independent institution of higher education located in the State. The phase-out of this program was initiated by the Executive Branch in FY 2011, through language in the FY 2011 appropriations act and continued in FY 2012 and FY 2013 that limited awards to students who received an award prior to FY 2011. The phase-out was expected to be completed in FY 2014, and the FY 2014 appropriations act included no new State funding for the program. However, the Legislature removed the language provision through a budget resolution, thereby allowing new participants into the program.

According to HESAA, the program is open to new students and for FY 2014, there were 3 renewal and 3 new students being funded with approximately \$43,000 in carry-forward funds from FY 2013. Although no State appropriations have been recommended for FY 2015, HESAA states that the program has sufficient carry-forward balances to cover awards for FY 2015. HESAA also indicates that under FY 2015 recommended budget language allowing the transfer of funds from one student assistance program to another, it could reallocate the funds necessary to fund Survivor Tuition Benefit Program awards.

Tuition Aid Grants	\$341,161	\$355,161	\$14,000	4.1%	D-296
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The FY 2015 budget recommendation of \$355.2 million will support an estimated 63,758 awards in the 2014-2015 academic year.

Under the FY 2015 recommended language, TAG awards may not exceed 2% above the levels provided by HESAA in FY 2014. Under language in the FY 2014 appropriations act, a student received a TAG award with either a two- or four-year lag between the amount of the TAG award and tuition, depending on the student's eligibility for a maximum award, and further reduced by 10.15%.

According to HESAA, the number of TAG awards will increase by 1,243 above the 62,515 awards in the 2013-2014 academic year, and the recommended appropriation will fund a full 2% increase to all award levels.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2014</u>	<u>Recomm.</u> <u>FY 2015</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Part-time Tuition Aid Grants for County Colleges	\$11,236	\$9,782	(\$1,454)	(12.9%)	D-296

The recommended appropriation of \$9,782 is projected to assist 11,275 students, an increase of 530 students over the current year. This program provides tuition aid grant awards, which are prorated against the full-time grant awards, to eligible part-time county college students. Under the FY 2015 budget language, which is continued from FY 2014, 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.

According to HESAA, the original FY 2014 budget overestimated the number of students anticipated to receive Part-time TAG awards. The FY 2014 projections were revised downward to reflect actual enrollment patterns and awards, and HESAA expects \$9.1 million in Part-time TAG awards for FY 2014, instead of the FY 2014 appropriation of \$11.2 million. Therefore, the funding for the program is actually increasing from the revised \$9.1 million to \$9.8 million for FY 2015. By virtue of language limiting the increase in TAG awards to 2%, Part-time TAG awards will also be held to a 2% increase for FY 2015.

Governor's Urban Scholarship Program	\$1,000	\$700	(\$ 300)	(30.0%)	D-296
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The FY 2015 budget recommends \$700,000 for the Governor's Urban Scholarship Program to fund 700 awards. According to HESAA, FY 2014 expenditures for the program were revised downward from the FY 2014 appropriation of \$1,000,000 to the FY 2014 anticipated expenditures of \$500,000 for 500 awards. HESAA indicates that the FY 2015 budget recommendation will include funding for a third cohort of students eligible for this program.

To be eligible for the Governor's Urban Scholarship Program, students must be in the top 5% of their class, have at least a 3.0 grade point average, attend a traditional public, public charter, county vo-tech, or nonpublic school, and reside in New Jersey for at least 12 months prior to high school graduation and at the time of college enrollment. Students must also reside in one of the 14 high-need communities identified by the Department of Education and the Department of Community Affairs. Those communities are: Asbury Park, Camden, East Orange, Irvington, Jersey City, Lakewood Township, Millville, Newark, New Brunswick, Trenton, Paterson, Plainfield, Roselle, and Vineland.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2014</u>	<u>Recomm.</u> <u>FY 2015</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
New Jersey Student Tuition Assistance Reward Scholarship (NJ STARS I and NJ STARS II)	\$10,629	\$8,535	(\$2,094)	(19.7%)	D-296

The FY 2015 recommendation continues individual awards under the NJ STARS Programs at the same amounts as the prior fiscal year. According to the Budget Summary the decrease reflects reductions in forecasted costs. Budget evaluation data (pg. D-295) projects a decline in NJ STARS I awards, from 1,900 to 1,800, and a steeper decline in NJ STARS II awards, from 1,844, to 1,200.

An NJ STARS I scholarship provides full tuition upon the enrollment of an eligible student in a county college. To be eligible for an NJ STARS I scholarship, a student must graduate in the top 15% of his high school graduating class, have completed a rigorous high school course of study, and successfully complete a college placement test to determine readiness for college-level coursework. An NJ STARS II scholarship is provided to an NJ STARS I student who graduates from a county college associate degree program with a 3.25 grade point average, enrolls in a public or independent institution of higher education in New Jersey for the third and fourth years of academic study leading to a baccalaureate degree, and has a family income of less than \$250,000. An NJ STARS II scholarship is \$1,250 per semester.

INSTITUTIONS OF HIGHER EDUCATION

GRANTS-IN-AID

University Hospital	\$18,841	\$43,841	\$25,000	132.7%	D-333
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This appropriation provides operating support for University Hospital, in addition to State payments it receives from sources available to hospitals in general, such as Charity Care and Medicaid.

Under the "New Jersey Medical and Health Sciences Education Restructuring Act," P.L.2012, c.45, University Hospital was established as a separate non-profit entity from Rutgers University and made an instrumentality of the State. It is currently administered by Barnabas Health, the largest non-profit health system in New Jersey.

No information is currently available regarding the rationale for the recommended amount. However, it should be noted that the Board of Trustees of the University of Medicine and Dentistry of New Jersey indicated in May 2012 that University Hospital would need \$25 million in additional State funding each year for the next five years for critical capital needs and

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2014</u>	<u>Recomm.</u> <u>FY 2015</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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in order to maintain the hospital's safety net role. It should also be noted that the Executive's recommended \$25 million increase exceeds the \$23.1 million reduction in Charity Care funding that University Hospital would receive under the proposed distribution formula for FY 2015. More information on Charity Care and other hospital subsidy programs is provided in the Office of Legislative Services analysis of the proposed budget for the Department of Health.

HIGHER EDUCATIONAL SERVICES

GRANTS-IN-AID

Dormitory Safety Trust Fund – Debt Service	\$6,489	\$6,225	(\$ 264)	(4.1%)	D-373
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The "Dormitory Safety Trust Fund Act," P.L.2000, c.56, 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 or boarding schools, and public or private institutions of higher education to install automatic fire suppression systems in dormitories located at the school or institution. This reduction is consistent with the existing debt service schedule.

Higher Education Capital Improvement Program – Debt Service	\$43,883	\$60,723	\$16,840	38.4%	D-373
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The appropriation funds the State's share of debt service costs for bonds issued under the "Higher Education Capital Improvement Fund Act," P.L.1999, c.217. The "Higher Education Capital Improvement Fund Act" authorized the New Jersey Educational Facilities Authority (EFA) to issue bonds in an outstanding principal amount of \$550 million to address the issues of renewal, renovation, improvement, expansion, construction, and reconstruction of facilities and technology infrastructure. The State pays two-thirds of the debt service for public institutions and one-half of the debt service for independent institutions. The increase in the appropriation reflects the EFA's intention to issue about \$193 million in bonds to fund about \$191.9 million in projects approved in July 2013. Further discussion can be found in the background paper at the end of this analysis.

Equipment Leasing Fund – Debt Service	\$0	\$16,574	\$16,574	—	D-373
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The FY 2015 budget recommends \$16.6 million to fund debt service costs for bonds issued under the "Higher Education Equipment Leasing Fund Act," P.L.1993, c.126. The "Higher Education Equipment Leasing Fund Act" authorized the EFA to issue bonds in an outstanding

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2014</u>	<u>Recomm.</u> <u>FY 2015</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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principal amount up to \$100 million to finance the purchase of higher education equipment at public and private institutions of higher education.

Approximately \$98.6 million in State grants to support new projects were approved in July 2013. The EFA issued bonds in January 2014. Further discussion can be found in the background paper at the end of this analysis.

Higher Education**Facilities Trust Fund –**

Debt Service	\$0	\$21,822	\$21,822	—	D-373
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The FY 2015 budget recommends \$21.8 million to fund debt service costs for bonds issued under the “Higher Education Facilities Trust Fund Act,” P.L.1993, c.375. Under the act, the EFA is authorized to issue bonds in an outstanding principal amount that does not exceed \$220 million for the cost, or a portion of the cost, of construction, reconstruction, development, extension, and improvement of instructional, laboratory, communication, and research facilities at public or private institutions of higher education.

Approximately \$162.2 million in State grants to support new projects were approved in July 2013. The EFA has not issued bonds yet, but the appropriation reflects projected debt service for bonds anticipated to be issued in FY 2015. Further discussion can be found in the background paper at the end of this analysis.

Higher Education**Technology Bond –**

Debt Service	\$0	\$3,736	\$ 3,736	—	D-373
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The FY 2015 budget recommends \$3.7 million to fund debt service costs for bonds issued under the “Higher Education Technology Infrastructure Fund Act,” P.L.1997, c.238. Under the act, the EFA is authorized to issue bonds in an outstanding principal amount that does not exceed \$55 million to provide grants to develop technology infrastructure within and among public and private institutions of higher education. Funds could also be used to enhance connectivity of higher education institutions to libraries and elementary and secondary schools.

Approximately \$41.7 million in State grants to support new projects were approved in July 2013. The EFA issued bonds in January 2014. Further discussion can be found in the background paper at the end of this analysis.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2014</u>	<u>Recomm. FY 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
STATE AID					
Debt Service for Chapter 12	\$35,599	\$40,051	\$ 4,452	12.5%	D-373
<p>Under general law providing for the establishment, operation, and funding of county colleges, the colleges are to receive State support for up to one-half the cost of capital projects, subject to legislative appropriation. A 1971 supplement to the general law, P.L.1971, c.12 (chapter 12 program), provides that whenever the State Treasurer determines that funds are insufficient to satisfy the State's share of project costs, the county board of freeholders may finance those costs through the issuance of county bonds on which the State is obligated to pay 50% of the debt service. A 1997 law authorized the New Jersey Educational Facilities Authority to issue bonds for that purpose. The original chapter 12 program established a ceiling of \$80 million on the principal amount of such debt. This ceiling is currently set at \$530 million through subsequent amendments to the original law.</p>					
Employer Contributions – Teachers' Pension and Annuity Fund	\$193	\$258	\$ 65	33.7%	D-374
<p>The recommended increase reflects the impact of the provision in P.L.2010, c.1 that requires the State to meet its full pension obligation, as computed by actuaries, by the seventh year after enactment. FY 2015 payments are to be four-sevenths of the full liability.</p>					
Post Retirement Medical – Total	<u>\$22,802</u>	<u>\$24,345</u>	<u>\$ 1,543</u>	<u>6.8%</u>	
Teachers' Pension and Annuity Fund – Post Retirement Medical	\$1,420	\$1,311	(\$ 109)	(7.7%)	D-374
Post Retirement Medical Other Than TPAF	\$21,382	\$23,034	\$ 1,652	7.7%	D-374

The FY 2015 budget recommends a total of \$24.3 million for post retirement medical benefits for retired employees of the county colleges. This is an increase of \$1.5 million, or 6.8%, over the FY 2014 adjusted appropriation.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2014</u>	<u>Recomm.</u> <u>FY 2015</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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According to information provided by the Division of Pensions and Benefits, this change in post retirement medical benefits costs is driven by an increase in the number of retirees and rising premium costs.

Affordable Care Act Fees	\$0	\$53	\$ 53	—	D-374
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The FY 2015 budget recommendations include an appropriation of \$53,000 to pay two fees required pursuant to the federal Affordable Care Act: the Transitional Reinsurance Program fee and the Patient Centered Outcomes Research Institute fee. This appropriation funds costs associated with the health benefits of active and retired county college employees.

Significant Language Changes

Higher Education Student Assistance Authority Reallocation of Student Assistance Program Funds

Addition

2014 Handbook: p.
2015 Budget: p. D-297

In order to permit and ensure the timely award of student financial aid grants, amounts may be transferred among accounts in Student Assistance Programs, subject to the approval of the Director of the Division of Budget and Accounting. Notice of the Director of the Division of Budget and Accounting's approval shall be provided to the Legislative Budget and Finance Officer on the effective date of the approved transfer.

Explanation

The FY 2015 recommended language allows funds to be transferred among Student Assistance Programs. This language was also proposed in the FY 2014 recommended budget but was not included by the Legislature in the FY 2014 appropriations act. At the time, the Executive indicated that the language is recommended to provide the Higher Education Student Assistance Authority with greater flexibility to more quickly respond to student demand for financial assistance. According to the Executive, the language would allow HESAA to transfer funds from one student assistance program with fewer than anticipated participants to another program that has a greater demand.

Veterinary Medicine Education Program

Deletion

2014 Handbook: p. B-152
2015 Budget: p.

~~Notwithstanding the provisions of N.J.S.18A:71B-47 through N.J.S.18A:71B-49, or any other law or regulation to the contrary, the amounts hereinabove appropriated to the Higher Education Student Assistance Authority are subject to the following condition: commencing on or after July 1, 2007, any newly admitted student attending a school of veterinary medicine in a reserved space for New Jersey residents through contractual agreements between the Higher Education Student Assistance Authority and participating out-of-State schools of veterinary medicine shall be required, through a contract with the Higher Education Student Assistance Authority, upon graduation to practice veterinary medicine in New Jersey for a period of one year for each year of contract funding provided on their behalf. Such service requirement must commence within one year of completion of the recipient's veterinary education, including American Veterinary Medical Association-approved internships or residences. If such service requirement is not met, in part or in full, after documented best efforts to find a position, said recipient must refund to the Higher Education Student Assistance Authority that portion of the amounts expended for the recipient's contract seat that is not offset by practicing in New Jersey.~~

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

The FY 2014 language, which is eliminated in FY 2015, required that beginning on or after July 1, 2007, each new participant in the Veterinary Medicine Education Program was required to practice veterinary medicine in the State for a period of one year for each year of contract funding provided on his behalf. A phase-out of the program began in FY 2010 and was completed in FY 2013. Due to the phase-out, there are no more program participants and no contractual agreements for reserved seats in FY 2015. Therefore, the language is no longer necessary and is eliminated.

Tuition Aid Grant Program

Revision

2014 Handbook: p. B-152
2015 Budget: p. D-297

Notwithstanding the provisions of any law or regulation to the contrary, the sums provided hereinabove for Tuition Aid Grants shall provide awards to all qualified applicants at levels not to exceed 2% above those levels provided by 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 an award amount which shall not 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. All other award amounts provided under the Tuition Aid Grant program shall not exceed the in State undergraduate tuitions in effect at institutions in academic~~ in fiscal year ~~2009-2010~~ 2014. The unexpended balances reappropriated to the Tuition Aid Grant account shall be available to fund increases in the number of applicants qualifying for full-time Tuition Aid Grant awards, to fund increases in award amounts, and to fund shifts in the distribution of awards that result in an increase in program costs.

Explanation

The FY 2015 recommended language provides that TAG awards in FY 2015 may not exceed 2% above the levels provided by the Higher Education Student Assistance Authority in FY 2014. Previously, the budget language directed HESAA to award grants based on a minimum two- or four-year lag between the amount of the TAG award and tuition at the institution, depending on the student's eligibility for a maximum award. HESAA further reduced the award by 10.15%. The recommended language establishes the two- and four-year lags in FY 2014, as further reduced by HESAA, as the base level for a maximum 2% increase in award amounts in FY 2015.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

NJ STARS – Limitation on Awards

Addition

2014 Handbook: p.
2015 Budget: p. D-298

Notwithstanding the provisions of any law or regulation to the contrary, the maximum tuition to be used in determining the amount of a NJSTARS award to a student at a community college shall be limited to the in-county tuition charged for students pursuing a full-time course of study at that community college.

Explanation

According to the Executive, the FY 2015 recommended language is needed to ensure that an NJ STARS award covers only the in-county tuition charged for a student pursuing a full-time course of study at the county college. The Executive states that some county colleges have entered into contracts with third-party vendors to provide optional programs to certain students, and these students are being charged a differential (higher) tuition compared to the general student population, instead of additional fees to participate in these programs. The Executive states that NJ STARS awards are intended to offset a county college's in-county tuition, not differential tuition that may be established for specific programs in lieu of fees for those programs or that may represent payments to the third-party vendors offering the optional programs at a county college. The Executive believes that the differential tuition is being charged instead of an additional fee because P.L.2012, c.8 amended the NJ STARS Program to cover only tuition.

The Executive states that no current NJ STARS recipients have received awards for more than the standard in-county tuition. No current students' awards would be affected by the recommended language.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

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

Deletion

2014 Handbook: p. B-154
2015 Budget: p.

~~Notwithstanding the provisions of any law or regulation to the contrary, the amount appropriated hereinabove for Rutgers, The State University Institutional Support is subject to the following conditions: (a) If State funded appropriations for Institutional Support, and the sum of all anticipated Receipts from Tuition Increase, General Services Income, Auxiliary Funds Income, Special Funds Income and Employee Fringe Benefits for Rutgers—Camden are anticipated during the fiscal year to total less than \$180,875,000, the Director for the Division of Budget and Accounting shall determine the amount of the difference between that anticipated total and \$180,875,000, and transfer from the State General Fund appropriation for Rutgers—New Brunswick to the State General Fund appropriation for Rutgers—Camden, for additional State funded Institutional Support for Rutgers—Camden for the fiscal year, the amount of that difference, with notice thereof provided by the director to the Legislative Budget and Finance Officer; (b) If State funded appropriations for Institutional Support, and the sum of all anticipated Receipts from Tuition Increase, General Services Income, Auxiliary Funds Income, Special Funds Income and Employee Fringe Benefits for Rutgers—Newark are anticipated during the fiscal year to total less than \$346,860,000, the Director of the Division of Budget and Accounting shall determine the amount of the difference between that anticipated total and \$346,860,000, and transfer from the State General Fund appropriation for Rutgers—New Brunswick to the State General Fund appropriation for Rutgers—Newark, for additional State funded Institutional Support for Rutgers—Newark for the fiscal year, the amount of that difference, with notice thereof provided by the director to the Legislative Budget and Finance Officer; and (c) the Director of the Division of Budget and Accounting shall be provided access by Rutgers to all financial reports and information necessary to enable the director to calculate the transfer amounts, if any, and provided further, however, that in no circumstance shall a transfer of appropriations by the Director occur which interferes with or violates any bond covenants or disclosure responsibilities.~~

Explanation

Under the “New Jersey Medical and Health Sciences Education Restructuring Act,” P.L.2012, c.45, the Legislature is to directly appropriate funds for operational costs and fringe benefits to each campus of Rutgers University. Although the FY 2014 budget recommendation did not provide direct State appropriations to each campus, the Legislature provided for direct funding in the FY 2014 appropriations act. It also included this language to ensure that the amount of the direct appropriations were adequate for each campus. The Executive believes that the language is no longer necessary and recommends deletion for FY 2015.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

Aid to Independent Colleges and Universities

Revision

2014 Handbook: p. B-175
2015 Budget: p. D-374

The amount hereinabove appropriated for Aid to Independent Colleges and Universities shall be allocated to eligible institutions in accordance with the "Independent College and University Assistance Act," P.L.1979, c.132 (C.18A:72B-15 et seq.), provided that the number of full-time equivalent students (FTE) at the ~~eight~~seven State Colleges shall be ~~67,716~~60,096 for fiscal year ~~2013~~2014.

Explanation

The FY 2015 recommended language reflects the elevation of Rowan University to a public research university on July 1, 2013, pursuant to the "New Jersey Medical and Health Sciences Education Restructuring Act," P.L.2012, c.45. Because Rowan University is no longer a State college, the language is revised to correctly show the number of State colleges and the number of full-time equivalent students at the institutions for fiscal year 2014 in order to calculate the aid to the independent colleges and universities.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Background Paper: Higher Education Capital Improvement Funding

Budget Pages.... D-373

The State's public institutions of higher education currently rely on five State bond programs for capital improvement funding¹. These programs are:

- "Building Our Future Bond Act," P.L.2012, c.41;
- "Higher Education Equipment Leasing Fund Act," P.L.1993, c.136;
- "Higher Education Technology Infrastructure Fund Act," P.L.1997, c.238;
- "Higher Education Facilities Trust Fund Act," P.L.1993, c.375; and
- "Higher Education Capital Improvement Fund Act," P.L.1999, c.217.

The "Building Our Future Bond Act," approved by the Governor on August 7, 2012 and by the voters on November 6, 2012, provides for the issuance of \$750 million in general obligation bonds. The other four programs are funded through bonds issued by the New Jersey Educational Facilities Authority (EFA) (a description of each program is located at the end of this background paper). As of July 1, 2012, approximately \$540 million was available for issuance through those four EFA programs. Combined with the general obligation bond act, these capital funding programs total approximately \$1.3 billion in grants available to the public research universities, State colleges and universities, private institutions, and county colleges to construct and equip higher education facilities.

On April 29, 2013, the Secretary of Higher Education transmitted a list of projects to the Legislature as required under the law. Projects funded under the "Higher Education Equipment Leasing Fund Act" and the "Higher Education Technology Infrastructure Fund Act" were submitted to the Joint Budget Oversight Committee in July 2013 for approval or disapproval, as provided under P.L.2012, c.42. Since the Legislature and the Joint Budget Oversight Committee took no action to disapprove the projects, the projects were deemed approved.

Table 1 below shows the allocation of the bond proceeds, for the projects approved by the Secretary of Higher Education and submitted to the Legislature on April 29, 2013, by sector and by capital bond program. The table also shows the amount of bonds issued for each program as of March 14, 2014.

¹ County colleges are also able to receive capital improvement funding under the Chapter 12 bond program, P.L.1971, c.12.

Background Paper: Higher Education Capital Improvement Funding (Cont'd)

	Building Our Future Bond Fund	Higher Education Equipment Leasing Fund	Higher Education Facilities Trust Fund	Higher Education Technology Infrastructure Fund	Higher Education Capital Improvement Fund
Public Research Universities	\$ 299,886,484	\$ 51,613,977	\$ 69,000,000	\$ 10,499,415	\$ 153,888,048
State Colleges and Universities	244,714,362	22,959,271	57,412,000	13,709,289	22,610,000
County Colleges*	123,118,126	17,916,920	28,825,219	12,827,599	-
Private Institutions	47,987,331	6,076,725	6,959,240	4,646,089	15,407,548
Total	\$ 715,706,303	\$ 98,566,893	\$ 162,196,459	\$ 41,682,392	\$ 191,905,596

Sources: Office of the Secretary of Higher Education; New Jersey Educational Facilities Authority.

* County Colleges are not eligible to receive funds under the Higher Education Capital Improvement Fund Act.

As of March 14, 2014, the State Treasurer has issued \$100 million in general obligation bonds, while the Educational Facilities Authority has issued \$38.11 million in bonds under the "Higher Education Technology Infrastructure Fund Act" and \$89.34 million in bonds under the "Higher Education Equipment Leasing Fund Act." The EFA's website indicates plans to issue \$193 million in bonds under the "Higher Education Capital Improvement Fund" in April 2014.

Currently, it is unknown when additional bonds will be issued and when funds will be disbursed to the institutions. The Secretary of Higher Education, at the January 30, 2014 Senate Higher Education Committee meeting, noted that institutions could proceed with their projects and be reimbursed for allowable expenses at a later date.

"Building Our Future Bond Act"

On November 6, 2012, New Jersey voters approved the "Building Our Future Bond Act," P.L.2012, c.41, to authorize the State to issue up to \$750 million in general obligation bonds for higher education capital projects. This is the first general obligation bond act approved for higher education since 1988. Proceeds from the bonds will be used to provide grants to New Jersey's public and private institutions of higher education to construct and equip higher education facilities. For any project approved by the Secretary of Higher Education, the grant will support 75% of the cost of the project, while the institution will provide funds to support 25% of the cost of the project.

The "Building Our Future Bond Act" differs from the other four programs in that it is a non-renewable pool of funds. No more than \$750 million in bonds can be issued, and once the bond proceeds are fully expended, the program closes. Each of the other four programs is a renewable source of funding. The bonding limitation is a ceiling on the amount of bonds that can be outstanding at any time, but as bonds are retired, additional bonds may be issued as long as the ceiling is not exceeded. These are ongoing programs without a finite funding limit.

Background Paper: Higher Education Capital Improvement Funding (Cont'd)

"Higher Education Equipment Leasing Fund Act"

Under P.L.1993, c.136 (C.18A:72A-40 et seq.), the New Jersey Educational Facilities Authority (EFA) is authorized to issue bonds in an outstanding principal amount up to \$100 million to finance the purchase of higher education equipment at public and private institutions of higher education. The EFA may not issue the bonds without the prior written consent of the State Treasurer. The public or private institution is to pay an amount equal to 25% of the debt service on the bonds issued to finance the purchase of scientific, engineering, technical, computer, communications, and instructional equipment at that institution and the State pays the remaining 75%. The term of any bond may not exceed 10 years. The Secretary of Higher Education is required to annually submit a report to the Governor and the Legislature on the higher education equipment purchases at the public and private institutions which have been approved by the secretary and financed by EFA pursuant to lease agreements with the institutions. The Secretary of Higher Education will determine the allocation of proceeds of new bonds issued upon the retirement of previously-issued bonds.

"Higher Education Facilities Trust Fund Act"

Under P.L.1993, c.375 (C.18A:72A-49 et seq.), the EFA is authorized to issue bonds in an outstanding principal amount that does not exceed \$220 million for the cost, or a portion of the cost, of construction, reconstruction, development, extension, and improvement of instructional, laboratory, communication, and research facilities at public or private institutions of higher education. The EFA may not issue the bonds without the prior written consent of the State Treasurer. The State pays the entire cost of debt service on these bonds, the term of which may not exceed 15 years. The Secretary of Higher Education will determine the allocation of proceeds of new bonds issued upon the retirement of previously-issued bonds.

"Higher Education Technology Infrastructure Fund Act"

Under P.L.1997, c.238 (C.18A:72A-59 et seq.), the EFA is authorized to issue bonds in an outstanding principal amount that does not exceed \$55 million to provide grants to develop technology infrastructure within and among public and private institutions of higher education. Funds could also be used to enhance connectivity of higher education institutions to libraries and elementary and secondary schools. The term of any bond may not exceed 15 years. The law requires the institution to provide a matching grant equal to the amount of the grant provided from the bond proceeds. The Secretary of Higher Education will determine the allocation of proceeds of new bonds issued upon the retirement of previously-issued bonds. In addition, the Secretary of Higher Education is required to annually submit a report to the Governor and the Legislature on the higher education technology infrastructure purchases at public and private institutions, which have been approved by the secretary and financed by EFA pursuant to this act.

**Background Paper: Higher Education Capital Improvement Funding
(Cont'd)**“Higher Education Capital Improvement Fund Act”

Under P.L.1999, c.217 (C.18A:72A-72 et seq.), the EFA is authorized to issue bonds in an outstanding principal amount of \$550 million to provide grants to four-year public and private institutions of higher education for the cost, or a portion of the cost, of the renewal, renovation, improvement, expansion, construction, and reconstruction of facilities and technology infrastructure. The EFA may not issue the bonds without the prior written consent of the State Treasurer. The term of any bond may not exceed 30 years. Under the law, the four-year public institutions pay one-third of the debt service with the State paying the other two-thirds, and the private institutions pay one-half of the debt service with the State paying the remaining one-half. The Secretary of Higher Education will determine the allocation of proceeds of new bonds issued upon the retirement of previously-issued bonds.

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Individuals wishing information and committee schedules on the FY 2015 budget are encouraged to contact:

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