

Discussion Points

Office of the Secretary of Higher Education

1. The public research universities, State colleges and universities, independent institutions, and county colleges were invited to apply for approximately \$1.3 billion in bond funds under the "Building Our Future Bond Act," the "Higher Education Equipment Leasing Fund Act," the "Higher Education Facilities Trust Fund Act," the "Higher Education Technology Infrastructure Fund Act," and the "Higher Education Capital Improvement Fund Act." The Higher Education Capital Facilities Programs Solicitation for Grant Applications set forth a number of criteria for the review and selection of capital projects. 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.

At the May 6, 2013 Senate Budget and Appropriations Committee hearing on the Higher Educational Services budget, the Secretary of Higher Education was asked about the selection criteria and process used for selecting the projects. At the time, the secretary stated she was advised not to make comments on the projects. She stated that because the projects were under consideration by the Legislature, the selection process was still ongoing, and therefore she could not discuss how the projects list was developed. In other words, the Legislature received a list of projects selected by the Secretary of Higher Education but had no way to evaluate the projects because according to the secretary the necessary information could not be provided since the selection process was still ongoing.

Since the Legislature and the Joint Budget Oversight Committee took no action to disapprove the projects, the projects were deemed approved by July 2013. The selection process has concluded.

- **Question:** Please provide details on the evaluation process for selecting the projects on the list submitted to the Legislature on April 29, 2013, including the specific evaluation criteria, the raw scoring based on these criteria, and the final scoring for each project for which funding was sought. Specifically, was there any emphasis placed on any particular criteria that resulted in the award of additional points to certain projects?

Answer: On March 1, 2013, the Secretary published certain criteria consistent with the regulations of the *Building Our Future Bond Act*, the *Higher Education Equipment Leasing Fund Act*, the *Higher Education Facilities Trust Fund Act*, the *Higher Education Technology Infrastructure Fund Act*, and the *Higher Education Capital Improvement Fund Act* for bond applications. A total of 254 applications requesting funding for bond projects were submitted seeking approximately \$2.1 billion. From among these 254 requests for funding, a list of 176

Discussion Points (Cont'd)

higher education capital construction projects was submitted to the Legislature on April 29, 2013. The Legislature approved all 176 of the projects and a total of approximately \$1.3 billion was awarded.

2. On May 15, 2013, the Office of Legislative Services sent the Secretary of Higher Education a letter containing a series of questions raised at the May 6, 2013 Senate Budget and Appropriations Committee hearing on the Higher Educational Services budget. These questions, to which the Secretary had indicated a written response would be forthcoming, largely concerned the "Building Our Future Bond Act," and the other capital bond fund programs. As of this date, the secretary has still not submitted responses to the committee.

- **Question:** Please provide the amount of funds that remains unallocated under the "Higher Education Equipment Leasing Fund Act," the "Higher Education Facilities Trust Fund Act," the "Higher Education Technology Infrastructure Fund Act," the "Higher Education Capital Improvement Fund Act," and the "Building Our Future Bond Act," after accounting for the list of projects that was approved by the Legislature and the Joint Budget Oversight Committee.
- **Question:** Does the Secretary of Higher Education anticipate an additional solicitation of projects under the bond fund programs? The secretary had indicated at the meeting there might be an additional solicitation of projects with the unallocated bond funds. If so, how much does the secretary anticipate will be available for additional projects under each of the bond fund programs? When would this additional solicitation occur?

Answer: The amount of funds that remains unallocated for the *Building Our Future Bond Act* are shown by the institutional categories stipulated by the Act as follows:

Public Research	\$ 113,516
Senior Public	2,785,638
Private	4,512,671
County	26,881,874

For the four State-backed bond programs administered by the Educational Facilities Authority, these are the fund balances:

CIF	\$ 0
HEFT	22,838
HETI	12,317,608
ELF	0

Discussion Points (Cont'd)

The Office of the Secretary is interested in an additional solicitation for project applications. However, since our focus is on the timely implementation of the process to allocate funds for the approved projects, a specific timetable for an additional solicitation has not been determined.

3. New Jersey does not have an explicit funding methodology or formula to allocate State appropriations to the senior public institutions. A task force convened by the chairman of the Commission of Higher Education, in accordance with a requirement established under the "Higher Education Restructuring Act of 1994," P.L.1994, c.48, issued the Report of the Task Force on Funding and Tuition Establishment in September 1995. That report included a recommendation that the State fund two-thirds of higher educational operating costs and the students provide the remaining one-third. This recommendation was never adopted.

On March 7, 2013, the Assembly Higher Education Committee held a hearing on performance-based funding. Specifically, the committee heard testimony from the National Conference of State Legislatures, the Lumina Foundation, and the HCM Strategists. These organizations have collaborated with each other on successfully implementing performance-based funding formulas in several states. The Secretary of Higher Education was invited to testify at that meeting but declined to attend.

At the April 18, 2013 Assembly Budget Committee hearing on the Higher Educational Services budget, the Secretary of Higher Education stated that the components of a funding formula could be ready within a year. Specifically, she mentioned having an informal working group within the Office of the Secretary of Higher Education, and using the Education Delivery Institute and the National Governors' Association as resources. The secretary also cited the need to work with the presidents and chief financial officers of the public institutions. The secretary stated that within a year's time, there would be a "readiness for a pilot, if not a full-fledged implementation process" for a performance-based funding formula.

- **Question: What is the status of the performance-based funding formula? Please provide an update on any progress made on meetings with leaders of the public institutions and other stakeholders, defining performance metrics, and creating a formula that accounts for each institution's unique mission.**

Answer: Preliminary conversations and explorations, as well as the State's current fiscal restraints, have informed a more deliberative approach regarding performance funding in the immediate future. We are aware that other states instituted performance funding only to abandon it or to emerge with a weak formula that lost its intended impact. Performance

Discussion Points (Cont'd)

funding is a complicated, collaborative process and in developing metrics, it is important to recognize each institution's different mission and the services provided to students. Discussion regarding higher education funding and financial models continues but the discourse is not limited to performance funding. We hope to identify best practices of fiscal efficiencies and effectiveness and avoid the pitfalls experienced by other states.

- **Question:** Please identify your agency staff, by name and title, who have been assigned to work on the performance-based funding formula.

Answer: The Secretary is leading the agency's exploration of Performance Funding and higher education funding and fiscal efficacy, in collaboration with college presidents, associations from each sector and senior members of her staff.

4. At the February 6, 2014 Assembly Higher Education Committee meeting, the January 30, 2014 Senate Higher Education Committee meeting, and on several prior occasions, the Secretary of Higher Education has mentioned the creation of the State Longitudinal Data System, funded by a \$5 million federal grant. The purpose of the data system would be to conduct advanced interagency analysis (Department of Labor and Workforce Development, Department of Education, and Office of the Secretary of Higher Education), improve data quality, conduct real-time interventions, evaluate policy directions more quickly, and perform other functions. In the responses to the FY 2014 discussion points, the secretary noted that three new positions were funded by the federal grant for the State Longitudinal Data System.

- **Question:** Please provide an update on the establishment of the State Longitudinal Data System.

Answer: Our data sharing agreement, Memorandum of Understanding (MOU), has been drafted and is currently being reviewed by the Deputy Attorneys General of the three partnering agencies (LWD, OSHE, DOE). Once approved, the MOU will form the basis of the State Longitudinal Data System (SLDS) data governance structure, which will have representatives and stakeholders from each agency serving on the data advisory council and data stewards group.

The SLDS grant is currently supporting two staff members in the agency.

The Office of the Secretary of Higher Education has involved its current stakeholder committee, HEDAG (Higher Education Data Advisory Group), in the SLDS process. HEDAG is made up of Institutional Research professionals from New Jersey colleges and

Discussion Points (Cont'd)

universities in all higher education sectors. The group has been involved in updating data collection handbooks, defining data elements, and developing data validation rules.

OSHE is working closely with its partners to create a new Student Unit Record (SURE) system. This new portal system will give institutions the ability to directly upload data, which will encourage additional institutional participation and increase data quality. At this time all Data Handbooks have been created and reviewed by our stakeholders and HEDAG. We, with our partners, are making progress on the new data portal. We are in the process of completing our next phase in developing data validation rules.

- **Question: Please describe how the State Longitudinal Data System might function, using examples, and the benefits that might result.**

Answer: Once implemented, the State Longitudinal Data System will enable us to track student performance from Kindergarten, through high school, college, and into the workforce. The data system will help evaluate the effectiveness of programs at all education levels and will show what skills are needed in the workforce. By providing more information to facilitate targeted, timely interventions and allowing for more efficient and effective decision-making by agencies and institutions, SLDS can improve the state's education and workforce systems and strengthen the economy. The data system will help highlight successful programs and best practices that can serve as models for new programs and policies.

For example, our agency is working with the Department of Labor and Workforce Development to match longitudinal data on employment and education attainment. This information could allow parents and students to understand how educational attainment affects employment and wages.

5. 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.

Much has changed 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

Discussion Points (Cont'd)

Jersey Medical and Health Sciences Education Restructuring Act" was enacted in 2012, and approximately \$1.3 billion was made available in capital bond funds through the "Building Our Future Bond Act" and other capital bond fund programs.

In last year's response to Discussion Point #1d, the secretary did not indicate any efforts to create a new master plan or to update the now-seven-year old A Blueprint for Excellence. Instead, the secretary stated that the Report of the Governor's Task Force on Higher Education, chaired by former Governor Thomas H. Kean, issued in December 2010, has "served as a road map for higher education reform over the last three years."

- **Question:** Has the Office of the Secretary of Higher Education made any effort to draft its own master plan for the public institutions of higher education, as it last did in 2007? If no effort has been made, please explain the rationale for delegating the duties of the secretary of Higher Education to a gubernatorial-appointed task force.

Answer: The Office of the Secretary of Higher Education continues to use the Report of the Governor's Task Force as its road map for planning and reform. OSHE does not view this strategy as a delegation of duties but rather as an exercise in efficiency. OSHE also reviewed the former Commission's *Blue Print* document and spoke with both former Commissioners and OSHE staff about the process and outcomes. The conversations reinforced the process and product of the Task Force, led by former Governor Kean. The detailed and comprehensive Report included recommendations to address long-delayed reforms that the Secretary is implementing.

As a result, since 2010, New Jersey's higher education system has undergone historic change. The Kean report, followed by the Barer Report, culminated in the enactment of the restructuring law in 2012, which resulted in the largest academic merger ever implemented in the United States. Those reports also provided the foundation for the capital program approved by the voters in 2012, resulting in the first voter-approved, state-backed higher education construction projects in 25 years. These initiatives were developed by the Christie Administration and approved by the Legislature. The Office of the Secretary has been fully engaged in implementation efforts for these landmark events while restructuring the operation of the Office, strengthening partnerships with institutional leaders, other agencies and stakeholders, as well as introducing new initiatives.

6. One of the responsibilities of the Office of the Secretary of Higher Education is Statewide planning for higher education. The Long-Term Capital Planning and Support Recommendations for New Jersey Higher Education report issued on November 16, 2006 by the Commission on Higher

Discussion Points (Cont'd)

Education proposed a set of principles to guide policy development and the allocation of State funds for higher education projects. One of the proposed principles stated that "State support for higher education capital projects should be based on a statewide capital plan for higher education that prioritizes New Jersey's educational and economic development needs and coordinates state support for eligible colleges and universities in the state."

The Higher Education Capital Planning For New Jersey's Future report issued in December 2001 by the Commission on Higher Education stated that "Statewide capital planning for higher education is a shared responsibility and is necessary to utilize resources effectively in addressing New Jersey's educational, workforce, and societal needs." It further states that the "Commission on Higher Education, in collaboration with institutions of higher education across the state, has established a systemwide capital planning and reporting process to inform the coordinated development and implementation of state policies and funding mechanisms to assist in meeting capital needs."

The 2006 report referenced above remains the last report on capital planning issued by the Commission on Higher Education. Since the inception of the Office of the Secretary of Higher Education on June 29, 2011, which assumed the functions of the Commission, no capital planning report (or master plan or similar report) has been issued.

At the April 18, 2013 Assembly Budget Committee hearing on the Higher Educational Services budget, the Secretary of Higher Education indicated that she would share with legislators a Statewide capital plan.

- **Question:** Please provide the Statewide capital plan.

Answer: The Building Our Future legislation establishes statewide priorities for capital projects. The approved projects are consistent with the priorities identified in the legislation and regulations. Every institution of higher education, as part of the application process for construction funding, was required to submit an updated, board-approved capital plan 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 for which they sought funding.

OSHE has focused limited time and resources on providing long-awaited capital funding to support projects identified by our institutions.

Discussion Points (Cont'd)

- **Question:** If the secretary has not created a Statewide capital plan, please explain the rationale for overseeing higher education capital planning without a coordinated capital plan.

Answer: State priorities were expressed in the solicitation for grant applications, and each institution has submitted a capital plan to address those priorities while also consistent with the institutional mission.

Higher Education Student Assistance Authority

7. The FY 2015 budget recommends \$355.2 million for the Tuition Aid Grant (TAG) Program, which is an increase of \$14.0 million or 4.1% over the total available funds of \$341.2 million in FY 2013. The budget indicates that the FY 2015 appropriation will support an estimated 63,758 awards in the 2014-2015 academic year, which is a decrease of 880 from the number of awards provided in the 2013-2014 academic year.

From FY 2003 through FY 2015 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 the 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 2015 recommended language, TAG awards may not to exceed 2% above the levels provided by the Higher Education Student Assistance Authority in FY 2014.

Pursuant to language in the FY 2014 appropriations act, students enrolled in public institutions, who are eligible for maximum awards under the TAG program, received 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 private institutions. This reflected 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. In addition, all TAG awards were further reduced by 10.15%.

- **Question:** If the number of grants is lower and the value of individual grants is increasing 2%, why does the recommended appropriation increase by 4.1%?

Discussion Points (Cont'd)

Answer: At this time, HESAA is not projecting a decrease in the number of TAG awards for FY 2015. HESAA currently projects that there will be 62,515 TAG awards in FY 2014 (AY 13-14), and the number of awards in FY 2015 (AY 14-15) will increase by 1,243 awards for a total of 63,758 awards. The \$14.0 million increase in appropriation will fund a 2% increase to all award levels. In addition, enrollment shifts between sectors (lower cost sectors to higher cost sectors) and shifts in eligibility indexes (lower need indexes to higher need indexes) that occurred during FY 2014 have been factored into the FY 2015 projection model.

- **Question:** How do TAG awards, reflecting 2% increases under the recommended language, compare with TAG awards continuing a two- and four-year lag between the award amount and tuition? What would be the average TAG award for each sector if the budget recommended continuing the two- and four-year lags?

Answer: The 2% across-the-board increase ensures that all awards in all eligibility indexes at all institutions receive a comparable increase. Under the two- and four-year lag model, some awards in some eligibility indexes at some institutions would either stay level or decrease if tuition was only modestly increased or held level in the prior years (2 years/4 years prior) upon which the current award was based. The average TAG award for each sector if the budget recommended continuing the two-and four-year lags would be as follows:

	<u>2-/4-year lag average award</u>	<u>2% across the board average award</u>
County College	\$2,163	\$2,177
State College	\$5,206	\$5,209
Non-Public	\$8,904	\$8,865
Rutgers/ NJIT	\$7,358	\$7,373

- **Question:** How does the average TAG award increase in each sector compare to the average tuition increase in those sectors?

Answer: The average tuition increase in each sector for FY 2014 (AY 13-14) was:

County Colleges (Wgt. Avg.)	1.6%
-----------------------------	------

Discussion Points (Cont'd)

State Colleges (Wgt. Avg.)	2.4%
Rutgers	3.5%
NJIT	3.2%
Non-Publics (Wgt. Avg.)	3.5%

The average TAG award increase in each sector for FY 2014 (AY13-14) is:

County Colleges	0.4%
State Colleges	2.2%
Rutgers	1.6%
NJIT	2.4%
Non-Publics	5.3%

- **Question:** For fiscal years 2012, 2013, and 2014, 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: Please see Exhibit A.

- **Question:** What is the estimated cost of fully funding all TAG awards for FY 2015, according to the statutory provisions governing this program at N.J.S.18A:71B-18 et seq.? What is the estimated cost of funding TAG awards for FY 2015 with a two-and four-year lag?

Answer: HESAA cannot estimate the full cost to fund the TAG program. Tuition rates for AY 2014-2015 have not been set and are not likely to be set until after the FY 2015 budget is passed. The estimated cost to fund the TAG program with a one year lag to tuition (FY 2014 tuition levels) is \$425.423 million. The estimated cost to fund the TAG program for FY 2015 with a two- and four-year lag is \$398.324 million.

Discussion Points (Cont'd)

8. One of the follow-up questions from the April 18, 2013 Assembly Budget Committee hearing on the Higher Educational Services budget concerned the number of students receiving both a New Jersey Student Tuition Assistance Reward Scholarship (NJ STARS) award and an Education Opportunity Fund (EOF) grant. The response indicated that for the 2012-2013 academic year, 98 EOF students were also receiving an NJ STARS I award and 20 EOF students were receiving an NJ STARS II award.

- **Question:** How many students in the current academic year are receiving both an EOF grant and an NJ STARS award? Please distinguish between NJ STARS I and NJ STARS II awards.

Answer: Students receiving NJ STARS and EOF – 130

Students receiving NJ STARS II and EOF – 30

9. The FY 2015 budget recommends \$8.5 million for the NJ STARS Programs - \$5.5 million for 1,800 NJ STARS I awards and \$3.0 million for 1,200 NJ STARS II awards. This reflects a decrease of \$2.1 million from the revised FY 2014 appropriation. The number of NJ STARS I awards decreases from 1,900 in FY 2014 to 1,800 in FY 2015, while the number of NJ STARS II awards decreases from 1,844 in FY 2014 to 1,200 in FY 2015.

- **Question:** What is the reason for the significant decrease in NJ STARS II recipients?

Answer: Without canvassing all eligible students, it is impossible to know the reasons for the decline in the NJ STARS II program. However, there have been a number of changes to both the NJ STARS and NJ STARS II programs which have impacted enrollment trends. Most notably, by P.L. 2009, c.281, in 2009-2010 the NJ STARS program was limited to the top 15% of the high school class from the top 20%. Reducing the number of potentially eligible NJ STARS students also reduced the number of potentially eligible NJ STARS II students as a student must graduate as an NJ STARS scholar in order to be eligible to participate in NJ STARS II. The passage of P.L. 2012, c.8 reduced the NJ STARS II scholarship from either \$6,000 or \$7,000 (depending on GPA) to \$2,500 and may have affected some students' decisions to participate in the NJ STARS program.

10. It is estimated that sometime in April 2013, the total amount of loan debt held by students in this country surpassed \$1 trillion. According to the Project on Student Debt, the average student loan

Discussion Points (Cont'd)

debt for the Class of 2012 was \$29,287 for students attending a public or independent four-year institution of higher education.

- **Question: What are the delinquency and default rates in the New Jersey College Loans to Assist State Students (NJCLASS) program?**

Answer: NJCLASS boasts one of the lowest default and delinquency rates of any student loan program in the nation. Over the 22 year history of the program, NJCLASS's net default rate is 4.75%. As of December, 2013, NJCLASS's 60 day delinquency rate is 2.5% and the 90 day delinquency rate is a mere 1.6%. Despite the national increase in student borrowing, and the associated increases in defaults, NJCLASS default rates are trending down. In 2013, NJCLASS defaults were well below the two previous years.

11. 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 and was originally expected to be completed in FY 2014. Language in the FY 2011, FY 2012, and FY 2013 appropriations acts limited awards to students who received an award prior to FY 2011.

The FY 2014 appropriations act included no new State funding for the program, however the Legislature removed the language provision limiting awards to students who received an award prior to FY 2011. 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.

- **Question: How does HESAA intend to fund the Survivor Tuition Benefit Program without any remaining carry-forward funds in FY 2015 and without a recommended State appropriation?**

Answer: The program has sufficient carry-forward balances to cover FY 2014 and FY 2015 awards. In the event that anticipated re-appropriated balances are not sufficient, the Governor's FY 2015 budget recommends language, on page D-297, permitting the transfer of funds among accounts in Student Assistance Programs.

Discussion Points (Cont'd)

12. The FY 2015 budget recommends language allowing funds to be transferred among Student Assistance Programs, subject to the approval of the Director of the Division of Budget and Accounting. This language was included in the FY 2014 budget recommendation but was not adopted in the FY 2014 appropriations act. According to the Executive Branch, the purpose of this language is to provide HESAA with greater flexibility to more quickly respond to student demand for financial assistance. HESAA would have the authority to transfer funds from one student assistance program with fewer than anticipated participants to another program that has a greater than anticipated demand.

- **Question: Has HESAA experienced situations in which a student assistance program required additional funds and HESAA was not able to transfer funds in a timely manner to meet program demands? If so, please describe.**

Answer: Last June, following final enrollment roster certification by the institutions of their spring awards the TAG program required an additional \$1.25 million. A transfer of unexpended Part-Time TAG for County College Students program balances needed to be executed. During the period between the identification of the need for additional resources and the transfer being finalized by the Office of Legislative Services (OLS), many institutions completed their spring semester and students had to wait to have their accounts cleared.

- **Question: Is it the intent of this language to allow HESAA to transfer funds from one current program to fund a phased-out program or one that does not receive any State appropriation?**

Answer: The intent of this language is to facilitate the timely funding of awards based on student choice and their eligibility.

Senior Public Institutions

13. 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. Combined with the four higher education capital funding programs under which the New Jersey Educational Facilities Authority (EFA) issues bonds, a total of \$1.3 billion in grants was made available for New Jersey's public and independent institutions of higher education to construct and equip higher education facilities.

Discussion Points (Cont'd)

The four funding programs supported by EFA bonds are: the "Higher Education Equipment Leasing Fund Act," P.L.1993, c.136, the "Higher Education Technology Infrastructure Fund Act," P.L.1997, c.238, the "Higher Education Facilities Trust Fund Act," P.L.1993, c.375, and the "Higher Education Capital Improvement Fund Act," P.L.1999, c.217.

Under regulations adopted by the Secretary of Higher Education, an institution is required to enter into a grant agreement with the secretary in order to receive funds under the "Building Our Future Bond Act," and with the EFA in the case of the four EFA-administered capital funding programs.

- **Question:** For each project approved for funding during 2013 from the five capital programs cited above, please indicate which projects have grant agreements in place with the EFA or secretary, and for which projects the institution has requested funds pursuant to agreements that it has not received.
- **Question:** For projects without an executed grant agreement, please explain the delay.

14. In an era of low-interest rates, financing capital improvement projects by issuing debt may be more feasible than in a high interest rate environment. Also, in the years between the 1988 and 2012 general obligation bond programs, the senior public institutions turned to the New Jersey Educational Facilities Authority to issue bonds for capital projects. The public research universities also used their own bonding authority to issue debt to fund capital projects.

- **Question:** Please list the amount of bonded indebtedness of the institution as of June 30, 2013 and specify whether the debt was issued either directly by the institution or through the EFA. For each year during the period July 1, 2009 to June 30, 2013, please provide the outstanding bonded indebtedness as of July 1, the additions caused by the issuance of additional bonds or refunding bonds, the amount of debt retired, and the outstanding bonded debt at June 30.

15. According to an analysis brief published by The College Board in July 2012, entitled Trends in Tuition and Fees, Enrollment, and State Appropriations for Higher Education by State, total enrollment at public institutions has generally increased from 2000 to 2010. In New Jersey, public two-year fall enrollment increased from 124,585 in 2000 to 180,406 in 2010, an increase of 44.8%. Public four-year fall enrollment for the same period increased from 142,336 to 177,850, an increase of 25%.

Discussion Points (Cont'd)

Capacity, such as the lack of adequate research labs or dormitory space, has long been an issue at the institutions of higher education. However, even with long-standing capacity issues, overall enrollment continues to climb.

- **Question:** Of the students who apply for admission to the institution, how many meet the admissions standards at the institution but are denied admission due to the lack of capacity?
- **Question:** Based upon funding awards under the "Building Our Future Bond Act" and the four EFA capital funding programs, to what extent will capacity, however measured, increase when the funded projects are completed?
- **Question:** What does the institution feel is the appropriate size of its student body, given currently available facilities and staffing levels?
- **Question:** Given the institution's unique mission, if greater resources were available to the institution, what does the institution consider to be its optimum academic capacity, such as the maximum number of enrolled students?

16. Full-time undergraduate in-State tuition and fees at the senior public institutions of higher education averaged \$10,634 in academic year 2008-2009, rising to \$12,481 in academic year 2012-2013. This is an increase of \$1,847 or 17.4% over the past four academic years or an annual average increase of 4.1%. Over the past few years, State appropriations to the public institutions have remained relatively level, following declines at the onset of the Great Recession in 2008. Student enrollment at the institutions has steadily increased.

- **Question:** What is your institution doing to combat the rise in tuition and fees, in order to prevent prospective students from being priced out of attending your institution or carrying high debt loads?
- **Question:** Please describe any efforts to outsource or privatize any of the institution's functions, including any cost-savings.
- **Question:** Please provide five-year tables showing the number of administrative staff and faculty staff at the institution.
- **Question:** Please provide a five year table showing the number of adjunct faculty at the institution.

Discussion Points (Cont'd)

17. The Educational Opportunity Fund (EOF) Grant Program, pursuant to N.J.S.A.18A:71-28 et seq., provides access to higher education for economically and educationally disadvantaged students. EOF grants assist low-income residents who are capable and motivated, but lack adequate preparation for college study. A student may be awarded \$200 to \$2,500 per academic year to fund undergraduate, graduate, and professional study at public and independent institutions of higher education in New Jersey. For the 2014-2015 academic year, the Secretary of Higher Education estimates that 17,947 EOF grants would be awarded, totaling \$38.8 million.

- **Question:** Please provide the four, five, and six year graduation rates for students in the EOF Program. If the graduation rates are collected in a different manner, please explain and provide the data.
- **Question:** Are there students who apply for the Educational Opportunity Fund Program who are rejected due to the lack of available EOF Program funds? If so, please provide information on the number of affected students and how much funding would be required to provide those students with EOF grants.

**“New Jersey Medical and Health Sciences Education Restructuring Act”
(Rutgers University and Rowan University)**

18. 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. Formal integration of the components of UMDNJ into Rutgers University and Rowan University occurred on July 1, 2013, with ongoing integration expected to occur over the next few years.

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. Rowan University did not provide a cost estimate.

The FY 2014 appropriations act reflected the integration of UMDNJ into the Rutgers University and Rowan University budgets, pursuant to the medical education restructuring act. The appropriations act also included a total increase of \$16.2 million in direct State aid to those

Discussion Points (Cont'd)

institutions. The Governor's FY 2015 budget recommendation proposes level funding for both institutions.

- **Question:** What are the to-date costs of the medical education restructuring act? While a final number may not yet be possible, please provide a summary of the expenditures to-date.
- **Question:** Please provide an update on the progress of the restructuring, such as the integration of information technology systems and other areas of operation that the institutions are integrating.

19. One of the most frequently raised benefits of the medical education restructuring act has been the ability for Rutgers University and Rowan University to attract greater federal and private research dollars.

- **Question:** Putting aside the federal and private research dollars that the components of UMDNJ received prior to the restructuring, please describe how integrating the components of UMDNJ into the institution has increased, or will likely increase, the amount of research dollars awarded to each institution. In other words, how has the medical education restructuring act boosted the receipt of federal and private research dollars by the institutions or raised the potential to boost such receipt?

20. Section 141 of the medical education restructuring 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, subject to appropriation by the Legislature. P.L.2013, c.227, which was approved by the Governor on January 17, 2014, included a similar provision for Rowan University.

- **Question:** Have there been any undisclosed liabilities related to the transfer of assets from UMDNJ? If so, please detail any claims for reimbursement made to the State, how much the State has reimbursed the institution, and the State's reasoning for such reimbursement. If any claims have been rejected by the State, please include information on those claims.

Discussion Points (Cont'd)

University Hospital

21. 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 as an instrumentality of the State, as of July 1, 2013. University Hospital is currently managed by Barnabas Health, under its contract as a management consultant, though the hospital remains legally and financially distinct. In addition, under the medical education restructuring act, debt previously held by the University of Medicine and Dentistry of New Jersey (UMDNJ) was to be allocated among its various successor institutions, including University Hospital.

In the FY 2015 budget, the Governor recommends \$43.8 million for University Hospital, an increase of \$25.0 million or 132.7% over the FY 2014 adjusted appropriation. The hospital budget remains under the Higher Educational Services budget. However, the Secretary of Higher Education has no specific statutory authority over University Hospital. The Department of Health has certain specified authorities under the medical education restructuring act, as well as its regulatory authority over all hospitals.

- **Question: What State agency is primarily responsible for the financial oversight of University Hospital? Please explain the basis for the recommended subsidy for University Hospital.**

Answer: The Department of Health is primarily responsible for the licensing and clinical monitoring of University Hospital. Under federal law, however, a hospital that is operated by the Department of Health may not be eligible for Disproportionate Share Hospital (DSH) funding. Accordingly, consistent with its history as a constituent part of the former University of Medicine and Dentistry of New Jersey (UMDNJ), as well as its statutorily required commitments to serving as the principal teaching hospital for any Newark-based medical education program, funding for University Hospital continues to be provided in the higher education context. The recommended subsidy reflects the amount believed to be necessary to fulfill the statutory obligations of University Hospital, including maintaining the level of community services provided on the effective date of the Medical and Health Sciences Education Restructuring Act and maintaining its status as an acute care facility and level one trauma center, as well as serving as the principal teaching hospital as described above. Please note that the preamble to the questions posed under Discussion Point 21 contains an inaccurate assertion. University Hospital is not "managed by Barnabus Health." Barnabus Health is a consultant under contract to provide advice to University Hospital's management team.

Discussion Points (Cont'd)

- **Question:** How much debt formerly owed by UMDNJ was allocated to University Hospital? How much debt is owed to the State (including the Health Care Facilities Financing Authority), as opposed to private lenders? Please provide an annual maturity schedule for University Hospital debt, by bond issue, stating principal and interest separately, beginning in FY 2014, and concluding with the repayment of all bonds now outstanding.

Answer: Debt associated with the University of Medicine and Dentistry of New Jersey (UMDNJ) was allocated on a pro-rata share based on the apportionment of its assets and liabilities to Rutgers and Rowan Universities and University Hospital. University Hospital was allocated \$77.327 million of UMDNJ's total debt of \$617.92 million. The original bonds in question were issued by UMDNJ, the Economic Development Authority and the N.J. Educational Facilities Authority. There were no private lenders. University Hospital, through the Health Care Facilities Financing Authority, issued a \$150 million, 30-month Bond Anticipation Note. University Hospital intends to roll-over the note through the New Jersey Health Care Facilities Financing Authority when it becomes due. The debt service structure for that issuance will be determined at a later date. Currently, University Hospital has not entered into any debt transactions with private lenders.

Educational Facilities Authority

22. The Educational Facilities Authority (EFA) administers four higher education capital funding programs: the "Higher Education Equipment Leasing Fund Act," P.L.1993, c.136, the "Higher Education Technology Infrastructure Fund Act," P.L.1997, c.238, the "Higher Education Facilities Trust Fund Act," P.L.1993, c.375, and the "Higher Education Capital Improvement Fund Act," P.L.1999, c.217. In July 2012, the Executive Branch indicated that approximately \$540 million was available for issuance under these four programs. Combined with the \$750 million in general obligation bonds from the "Building Our Future Bond Act," approximately \$1.3 billion in grants is available for the public research institutions, State colleges and universities, private institutions, and county colleges to construct and equip higher education facilities.

According to the EFA website, the EFA issued bonds in the amount of \$89,340,000 under the "Higher Education Equipment Leasing Fund Act" and \$38,110,000 under the "Higher Education Technology Infrastructure Fund Act," with closing dates of January 30, 2014. The website further indicates that the EFA anticipates issuing approximately \$193,000,000 in bonds under the "Higher Education Capital Improvement Fund Act" in April 2014.

Discussion Points (Cont'd)

The FY 2015 budget recommends increased State appropriations for debt service for each of these capital funding programs, reflecting the impact of both the recently issued and bonds planned for issuance.

- **Question:** Please provide a status update on the remaining capital funding program, the "Higher Education Facilities Trust Fund Act." No debt service is budgeted for FY 2014 for this program and \$21.8 million is budgeted for FY 2015. Does the EFA anticipate issuing bonds in FY 2015, and if so, in what amount? Does the recommended State appropriation for debt service reflect one or two payment dates during FY 2015?

Answer: The EFA and the State anticipate bond issuance in FY2015 for all of the grants that were certified and approved by the Secretary of Higher Education under the Higher Education Facilities Trust Fund (HEFT).

It is anticipated that there will be one payment of debt service during FY 2015. The exact amount of debt service payments can not be determined in advance of the issuance of bonds given unknown final transaction structure and market conditions at the time of the sale.

- **Question:** For the bond programs under which the EFA has already issued bonds, what is the amount of debt service for FY 2014 and how is the debt service being funded?

Answer: The EFA and the State issued bonds under the Equipment Leasing Fund (ELF) and the Higher Education Technology Infrastructure Fund (HETI) programs in January 2014 to fund grants certified and approved by the Secretary of Higher Education for the Spring 2013 Solicitation Cycle. Under ELF, \$89.3 million in bonds were issued and will provide grants for 58 approved projects on behalf of 32 institutions. Under HETI, EFA issued \$38.1 million in bonds to fund 57 approved project grants for 36 institutions.

For this set of grants, there is no debt service in FY 2014; the first debt service payments for both programs will be in FY2015.

All grants under the ELF program require that institutions pay a 25% share of the debt service on bonds issued by the EFA and the State to fund the grants. Debt service under the ELF program is funded entirely by the State pursuant to a contract between the State Treasurer and the Authority, subject to annual appropriation by the State Legislature. Institutions reimburse the State for their respective 25% share of the debt service on the bonds.

Discussion Points (Cont'd)

All grants under the HETI program require a 100% institutional match. Debt service under the HETI program is funded entirely by the State pursuant to a contract between the State Treasurer and the Authority, subject to annual appropriation by the State Legislature.

Note that there is debt service for FY2014 in the amount of \$43,882,737.50 with prior issuance of bonds under the Capital Improvement Fund (CIF) program, and there will be future debt service associated with these prior issues. All of the debt service under the CIF program is funded by the State pursuant to a contract between the State Treasurer and the Authority, subject to annual appropriation by the State Legislature. Public institutions reimburse the State for a 1/3 share of the debt service on bonds issued to finance their projects and private institutions reimburse the State for a 1/2 share of the debt service on bonds issued to finance their respective projects. New CIF issuance will be funded in the same manner.

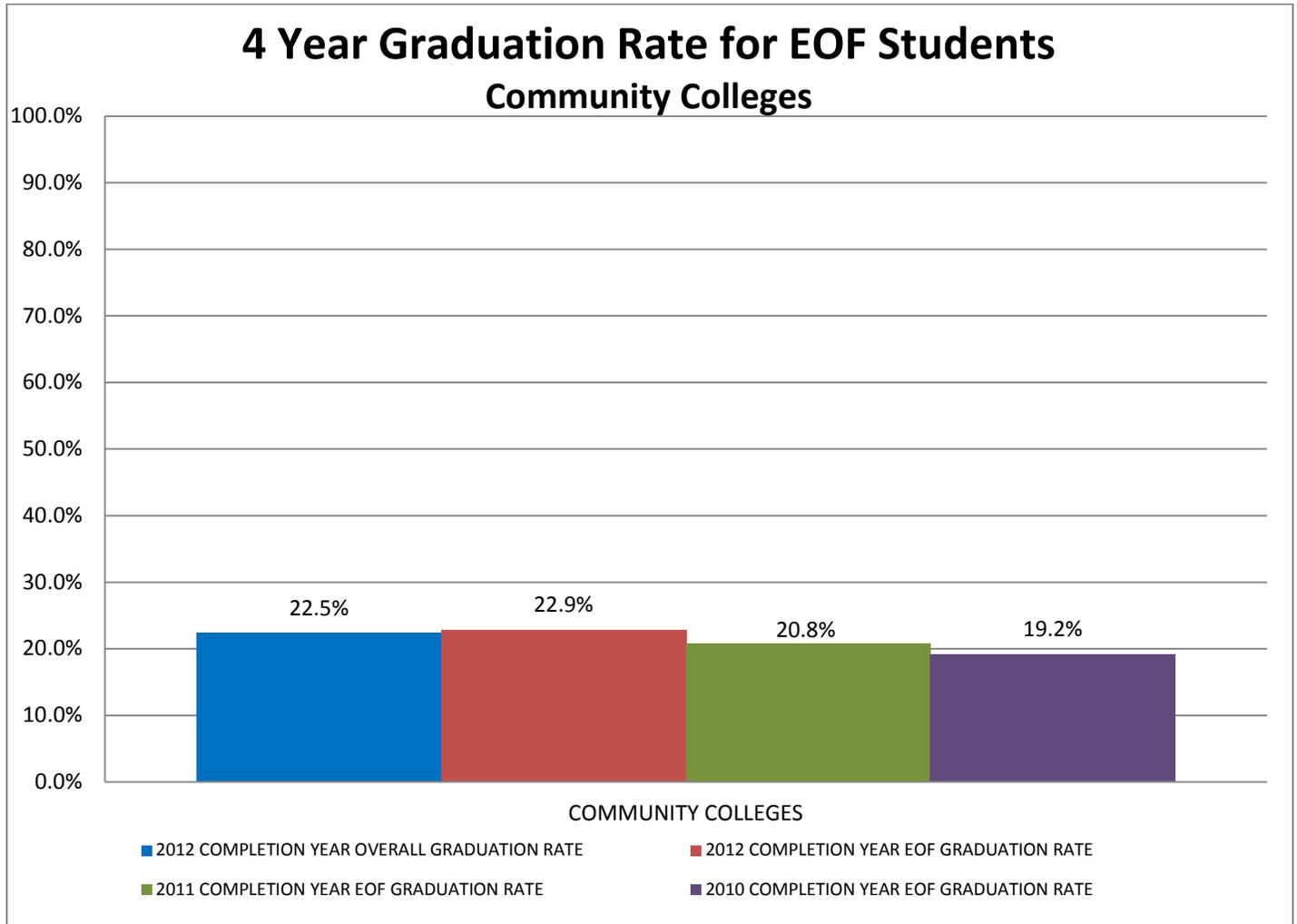
New Jersey Council of County Colleges

23. The Educational Opportunity Fund (EOF) Grant Program, pursuant to N.J.S.A.18A:71-28 et seq., provides access to higher education for economically and educationally disadvantaged students. EOF grants assist low-income residents who are capable and motivated, but lack adequate preparation for college study. A student may be awarded \$200 to \$2,500 per academic year to fund undergraduate, graduate, and professional study at public and independent institutions of higher education in New Jersey. For the 2014-2015 academic year, the Secretary of Higher Education estimates that 17,947 EOF grants would be awarded, totaling \$38.8 million.

- **Question:** Please provide the two, three, and four year graduation rates for students in the EOF Program. If the graduation rates are collected in a different manner, please explain and provide the data.

Answer: The Educational Opportunity Fund Grant Program in the Office of the Secretary of Higher Education collects and reports four year graduation rates for its students. The program uses this period because it reflects the period of eligibility. The chart below shows the most recent graduation rates for the community colleges.

Discussion Points (Cont'd)



*EOF Students are eligible to receive funding for up to eight semesters (4 years) at New Jersey Community Colleges.

- Question:** Are there students who apply for the Educational Opportunity Fund Program who are rejected due to the lack of available EOF Program funds? If so, please provide information on the number of affected students and how much funding would be required to provide those students with EOF grants.

Answer: The EOF programs at the institutions conduct the reviews to fill the number of spaces available. No one is rejected, per se, because the reviews are not conducted once

Discussion Points (Cont'd)

the program is determined to be full by the institution. There is no way to predict the amount of additional funding that would be required.

**MAXIMUM TAG AND SECTOR TUITION COVERAGE
FY2012 - FY2014**

ACADEMIC YEAR	FY 2012	FY 2013	FY 2014
	2011-12	2012-13	2013-14

COUNTY COLLEGE			
Weighted Average Tuition	\$2,870	\$2,934	\$2,978
Maximum Average TAG Award	\$2,458	\$2,534	\$2,578
% of Tuition Funded	85.64%	86.36%	86.57%
NJ Eligibility Index for Other Cells			
1500-2499	71.29%	73.68%	75.42%
2500-3499	58.47%	63.80%	65.35%
3500-4499	45.64%	49.83%	50.97%
4500-5499	34.08%	37.22%	38.08%

STATE COLLEGES			
Weighted Average Tuition	\$7,592	\$7,856	\$7,895
Maximum Average TAG Award	\$6,512	\$6,704	\$6,822
% of Tuition Funded	85.77%	85.34%	86.41%
NJ Eligibility Index for Other Cells			
1500-2499	73.39%	75.41%	75.65%
2500-3499	58.56%	63.85%	64.07%
3500-4499	48.52%	52.90%	53.07%
4500-5499	40.23%	43.84%	44.01%
5500-6499	31.40%	34.24%	34.35%
6500-7499	22.87%	24.95%	25.03%

RUTGERS			
Tuition	\$10,104	\$10,358	\$10,718
Maximum TAG Award	\$8,812	\$9,104	\$9,104
% of Tuition Funded	87.21%	87.89%	84.94%
NJ Eligibility Index for Other Cells			
1500-2499	73.46%	77.27%	75.33%
2500-3499	60.67%	68.80%	67.08%
3500-4499	52.34%	59.34%	57.85%
4500-5499	45.63%	51.75%	50.44%
5500-6499	38.94%	44.16%	43.05%
6500-7499	32.64%	37.01%	36.09%
7500-8499	25.87%	29.35%	28.61%
8500-9499	17.85%	20.24%	19.74%

**MAXIMUM TAG AND SECTOR TUITION COVERAGE
FY2012 - FY2014**

ACADEMIC YEAR	FY 2012 2011-12	FY 2013 2012-13	FY 2014 2013-14
---------------	--------------------	--------------------	--------------------

<u>NJIT</u>			
Tuition	\$11,756	\$12,400	\$12,800
Maximum TAG Award	\$9,984	\$10,318	\$10,562
% of Tuition Funded	84.93%	83.21%	82.52%
NJ Eligibility Index for Other Cells			
1500-2499	71.71%	73.13%	71.47%
2500-3499	59.66%	65.11%	63.64%
3500-4499	51.46%	56.16%	54.89%
4500-5499	44.88%	48.97%	48.56%
5500-6499	38.30%	41.79%	40.84%
6500-7499	32.10%	35.03%	34.23%
7500-8499	25.45%	27.77%	27.14%
8500-9499	17.56%	19.16%	18.72%

<u>INDEPENDENT INSTITUTIONS</u>			
Weighted Average Tuition	\$26,586	\$27,593	\$28,527
Maximum TAG Award	\$10,980	\$11,550	\$11,958
% of Tuition Funded	41.30%	41.86%	41.92%
NJ Eligibility Index for Other Cells			
1500-2499	35.30%	35.77%	35.54%
2500-3499	25.74%	31.46%	31.26%
3500-4499	23.05%	28.18%	28.00%
4500-5499	20.36%	24.90%	24.73%
5500-6499	17.69%	21.63%	21.50%
6500-7499	15.01%	18.35%	18.24%
7500-8499	12.32%	15.06%	14.97%
8500-9499	9.75%	11.92%	11.84%
9500-10499	5.55%	6.78%	6.74%