



NEW JERSEY

# Association of State Colleges and Universities

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## MEMORANDUM

**SUBJECT:** Analysis of Governor's Proposed FY2018 Budget

**DATE:** February 28, 2017

### Summary

At 2pm this afternoon, Gov. Christie delivered his FY2018 budget address. The FY2018 budget totals \$36.201 billion. Overall, the FY2018 budget would maintain higher education funding at a total of \$2.2 billion.

Operating aid to each of the senior public colleges and universities would stay largely the same as in FY2017. As the attached page from the *Budget in Brief* indicates, the only institutional reductions represent one-time payments made in FY2017: \$2.5 million to Rowan University for its Center for Research and Education in Advanced Transportation Engineering (\$2 million), and new academic buildings operated by the Rowan University - Rutgers Camden Board of Governors (\$500,000); and \$1 million to Rutgers University for Rutgers-Camden's School of Business facility.

With regard to the State's major financial-aid programs, funding for Tuition Aid Grants would increase \$15.7 million over FY2017, to a total of \$419.4 million. Awards at all levels of need would increase 2 percent over FY2017 award levels, and the program is projected to support more than 68,000 students. The Educational Opportunity Fund's grants and scholarships would be cut \$3.565 million (8.4 percent), slightly more than the \$3.035 million added by the legislature to the EOF program in FY2017.

The entire *Budget in Brief* can be accessed [here](#).

### Text of Governor's Address

The text of the governor's address, available [here](#), did not mention any new programs or spending for higher education. The one paragraph regarding higher education focused on the Christie administration's past funding for higher education facilities. The governor said:

In 2013 we provided \$1.3 billion in capital funding for 176 projects at 46 of our higher education institutions. Last June, we provided an additional \$180 million for 35 more projects targeting programs that boost technology, support the health sciences and renovate laboratories at learning institutions across the state. Combined, that is a \$1.5 billion investment in our children's future, and in helping our State maintain its status as a highly educated center of industry. We are the first Administration in over 25 years to invest in expanding and modernizing our colleges and universities. Once again, keeping our promise to leave New Jersey better in 2017 than we found it in 2010 when we arrived. More seats at our colleges and universities. More modern classrooms and facilities. Better schools

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*The College of New Jersey  
Kean University  
Montclair State University*

*New Jersey City University  
Ramapo College of New Jersey  
Rowan University*

*Stockton University  
Thomas Edison State University  
William Paterson University*

for our citizen. In higher education a much better New Jersey today than we inherited in 2010.

### **Other Higher Education Funding**

#### County Colleges

The county colleges would receive \$134.123 million in operating support in FY2018, the same as in FY2017.

#### Independent Colleges and Universities

The independent colleges and universities would receive \$1 million in operating aid in in FY2018, the same as in FY2017.

#### Recovery Dorms Program

To support New Jersey's college students suffering from drug addiction, the FY2018 budget would expand the Recovery Dorms program. The proposed budget would provide \$1.5 million for recovery housing, which promotes a healthy living environment and supportive services to help students maintain sobriety and succeed in their college experience.

#### College Readiness Now

Funded at \$1 million in fiscal years 2017 and 2018, this program helps students prepare for college-level coursework before they graduate from high school. Funding supports partnerships between the county colleges and 135 high schools throughout New Jersey.

#### Governor's Urban Scholarship Program

The Governor's Urban Scholarship Program would add a sixth class, and support an estimated 600 students, with an appropriation in FY2018 of \$945,000.

The Governor's Urban Scholarship Program provides a merit award of up to \$1,000 annually to students living in one of New Jersey's 14 high-need communities. To qualify, a student must be a resident of New Jersey for at least 12 consecutive months prior to high school graduation and upon college enrollment and be in the top 5 percent of his or her class, have at least a 3.0 grade point average by the end of junior year of high school, and have a New Jersey Eligibility Index (NJEI) less than 10,500. The program provides a persistency award of \$500 to students in their final term of the scholarship upon completing their associate's or baccalaureate degree.

### Seton Hall University's Medical School

The Fiscal Year 2018 budget would provide \$500,000 to Seton Hall University's School of Health and Medical Sciences, down from \$10 million in FY2017.

### Debt Service on Building Our Future Bonds

The Fiscal Year 2018 budget would increase funding for debt service on the Building Our Future bonds by \$17.341 million, from \$32.943 million in FY2017 to \$50.284 million.

### **NJ Lottery Proposed for Pension Funding, Raising Concerns for Higher Education Funding**

The proposed Fiscal Year 2018 budget includes a \$2.5 billion pension contribution, an increase of \$647 million over Fiscal Year 2017's contribution, but only half of what is actuarially required.

The governor proposed contributing the revenues from the New Jersey Lottery to the State's pension system, which he indicated would significantly reduce the unfunded liability of the system and reduce the required amount of State payments into the system. The governor outlined his proposal in the following paragraphs from his budget address:

Following the lead of a number of private sector pension plans, one potential path to greater solvency is to make large transfers of assets into the pension fund. Such a scenario has the same effect as a cash infusion—the value of assets increases, thereby reducing the unfunded liability in our pension system.

In the case of New Jersey, we have one incredibly attractive asset that could be utilized in such a fashion—the State Lottery. This is a state-sponsored monopoly that spins off large amounts of cash. Today, though, we have no ability to recognize the significant value of that asset.

I am proposing to contribute the revenues from the Lottery to eligible pension plans. The contribution would have the immediate effect of reducing the unfunded liability of the pension system by approximately \$13 billion, and would increase the funded ratio of the pension system by almost 15 percentage points in one fell swoop, from 49% to 64%. This would also significantly reduce the amount we have to pay into the pension system every year out of the general fund.

The governor's proposal raises concerns over funding for higher education. In Fiscal Year 2015 (the most recent data available), revenues from the State Lottery paid for \$543.059 million in higher education services, as indicated below from information on the State Lottery's [website](#):

<b>Program</b>	<b>Amount</b>
Senior Public Institutions - Operating Aid	\$267,959,000
Tuition Aid Grants	\$222,511,000
Higher Education Capital Improvement Program - Debt Service	\$19,619,000
Coordinated Garden State Scholarship Program	\$4,170,000
Student Tuition Assistance Reward Scholarships (NJSTARS)	\$3,956,000
Opportunity Program Grants (Part of EOF)	\$16,347,000
Supplementary Education Program Grants (Part of EOF)	\$8,187,000
Veterinary Medicine Education	\$310,000
<b>Total Higher Educational Services</b>	<b>\$543,059,000</b>

The New Jersey Lottery reported gross revenue of \$3.29 billion in Fiscal Year 2016, returning \$987 million to the State government after expenses and prize payouts. In addition to the higher education-related programs listed above, Lottery proceeds went to programs in the departments of Agriculture, Education, Human Services, and Military and Veterans Affairs. Some of the programs and institutions that receive Lottery funding include the School Nutrition Program, the Marie H. Katzenbach School for the Deaf, centers for the developmentally disabled, state psychiatric hospitals, and homes for New Jersey's disabled veterans.

The New Jersey Constitution restricts the use of Lottery funds. Article IV, Section VII.2.C. states that "the entire net proceeds of any such lottery shall be for State institutions and State aid for education." It is unclear whether the State pension system fits within the restricted use.

## Higher Education

(In Thousands)

	FY 2017		Change	
	Adjusted Approp.	FY 2018 Budget	\$	%
<b>Senior Public Institutions</b>				
Rutgers University	\$ 394,984	\$ 393,984	(1,000) <sup>(a)</sup>	(0.3)
New Jersey Institute of Technology	35,440	35,440	-	-
Thomas Edison State University	3,292	3,292	-	-
Rowan University	87,883	85,383	(2,500) <sup>(a)</sup>	(2.8)
New Jersey City University	24,154	24,154	-	-
Kean University	30,469	30,469	-	-
William Paterson University	30,357	30,357	-	-
Montclair State University	35,859	35,859	-	-
College of New Jersey	27,177	27,177	-	-
Ramapo College of New Jersey	14,953	14,953	-	-
Stockton University	18,391	18,391	-	-
Subtotal Senior Publics Direct Aid	702,959	699,459	(3,500)	(0.5)
Senior Publics Net Fringe Benefits	693,644	728,703	35,059	5.1
<b>Total Senior Public Institutions</b>	<b>\$ 1,396,603</b>	<b>\$ 1,428,162</b>	<b>31,559</b>	<b>2.3</b>
<b>County Colleges</b>				
Operating Support <sup>(b)</sup>	\$ 134,123	\$ 134,123	-	-
Fringe Benefits	52,008	53,927	1,919	3.7
Chapter 12 Debt Service	36,723	35,630	(1,093)	(3.0)
<b>Total County Colleges</b>	<b>\$ 222,854</b>	<b>\$ 223,680</b>	<b>826</b>	<b>0.4</b>
<b>Total Independent Colleges and Universities</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>	<b>-</b>	<b>-</b>
<b>Student Financial Assistance</b>				
Tuition Aid Grants	\$ 403,647	\$ 419,359	15,712	3.9
Part-Time Tuition Aid Grants for County Colleges	8,737	8,737	-	-
NJSTARS I & II	6,907	6,907	-	-
EOF Grants and Scholarships	42,387	38,822	(3,565)	(8.4)
Governor's Urban Scholarship Program	945	945	-	-
Other Student Aid Programs	2,260	2,260	-	-
<b>Total Student Financial Assistance</b>	<b>\$ 464,883</b>	<b>\$ 477,030</b>	<b>12,147</b>	<b>2.6</b>
<b>Other Programs</b>				
Debt Service	\$ 101,772	\$ 106,790	5,018	4.9
All Other Programs	17,316	6,398	(10,918)	(63.1)
<b>Total Other Programs</b>	<b>\$ 119,088</b>	<b>\$ 113,188</b>	<b>(5,900)</b>	<b>(5.0)</b>
<b>Grand Total Higher Education</b>	<b>\$ 2,204,428</b>	<b>\$ 2,243,060</b>	<b>38,632</b>	<b>1.8</b>

(a) Fiscal year 2017 includes one-time payments to Rutgers-Camden of \$1 million and Rowan University of \$2.5 million.

(b) Includes funding from the Supplemental Workforce Fund for Basic Skills of \$18.8 million.