



STATE OF NEW JERSEY  
OFFICE OF THE GOVERNOR  
TRENTON  
08625

THOMAS H. KEAN  
GOVERNOR

February 7, 1982

MEMORANDUM

TO: COMMISSIONER FRED G. BURKE  
CHANCELLOR TED HOLLANDER

CC: GOVERNOR THOMAS H. KEAN  
GARY STEIN  
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FR: EILEEN M. CAMPBELL

SUBJ: DEPARTMENT OF EDUCATION PROPOSED FY1983 BUDGET

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Attached is a preliminary analysis of the Department of Education FY1983 budget. These materials should provide sufficient information to develop a more detailed analysis of the new budget's impact on New Jersey. Impact analysis should be provided in the following manner if applicable.

1. Dollar impact
2. Policy and Program impact.
3. Jobs impact (numbers of State jobs lost, if significant)

GUARANTEED STUDENT LOANS

	<u>FY1982</u>	<u>FY1982(R)*</u>	<u>FY1983</u>
<u>NATIONAL</u> <sup>1</sup>	\$1,773 M	\$2,752 M	\$2,484 M
<u>NEW JERSEY</u> <sup>2</sup>	161 M	250 M	225 M
<u>NEW JERSEY LOSS/GAIN</u> <sup>2</sup> :	FY1982: + \$89 M		
	FY1983: + \$25 M	if supplemental adopted	
	FY1983: + \$64 M	if supplemental rejected	

PROGRAM/BUDGET PROPOSAL

The Guaranteed Student Loan program allows postsecondary students to borrow at low interest rates and the monies loaned do not have to be paid back until the student completes his or her studies or if the student withdraws from school. The Reagan FY1983 budget recommends limiting the loanable amount available to students under the Guaranteed Student Loan program. To achieve this goal and reduce the funding for this program, the budget proposes the following legislative changes:

- Increase the student's "origination fee" from 5 to 10 percent. Thus, 10 percent of the loanable funds will be used to offset the interest paid to the banks by the Federal government.
- Establish a need analysis for all student participants regardless of income.
- Eliminate the graduate student from the Guaranteed Student Loan program. Allow graduate students to borrow from the Parent Loan program at 14 percent with immediate payback provisions. However, in many states it is difficult to obtain a Parent Loan.
- Eliminate the interest subsidy paid by the Federal government two years after the student borrower leaves school, and allowing the lender to establish a new interest rate on the student's loan.
- Increase the insurance premium for direct Federal insurance from one-quarter to one percent.
- Charge guarantee agencies a new "reinsurance premium" equal to one-half of their insurance premium income.

<sup>1</sup>The national levels are not appropriations or budget level; the figures represent cost estimates of the program for the fiscal year. The Guaranteed Student Loan program is an entitlement; therefore, actual costs cannot be determined until the end of the fiscal year. The Office of Management and Budget estimates that the Guaranteed Student Loan program costs will be approximately \$3.3 billion in FY1982.

<sup>2</sup>The New Jersey figures were calculated by determining New Jersey's estimated need in FY1982, the New Jersey Student Assistance Agency expect a loan volume of \$300 million serving 140,000 students, as it relates to the estimated cost, \$3.3 billion, determined by OMB. Then the figures were ratably reduced to correlate with the national levels given in the FY 1983 budget.

## NEW JERSEY IMPACT

It is estimated by the New Jersey Student Assistance Agency that New Jersey's loan volume will be reduced by one-third with the proposed legislative changes. It is anticipated that New Jersey's FY1983 student participation will drop from 140,000 in FY1982 to 100,000 in FY1983. Of the 40,000 students dropped from the program, 20,000 will be graduate students, who would no longer qualify for a Guarantee Student Loan and 20,000 will be student dropped due to need analysis and/or fees.

## CAMPUS-BASED STUDENT ASSISTANCE

	<u>FY1982</u>	<u>FY1982(R)*</u>	<u>FY1983</u>
<u>NATIONAL</u>	\$1,057 M	\$1,007 M	\$1,800 M
<u>NEW JERSEY</u>	23.5 M	21.5 M	8.4 M
<u>NEW JERSEY LOSS/GAIN:</u>	FY1982 : -\$ 2.0 M		
	FY1983 : -\$13.1 M	if rescission is adopted	
	FY1983 : -\$15.1 M	if rescission is rejected	

## PROGRAM/BUDGET PROPOSAL

President Reagan's FY1983 budget proposes eliminating three of the four so-called campus-based student assistance programs. The Supplemental Educational Opportunity Grant, the National Direct Student Loan, and the State Student Incentive Grant programs were recommended for zero funding in FY 1983.

The College Work Study program will be maintained, but at a reduced funding level -- from \$528 million in FY1982 reduced to \$397 million in FY1983. The reduction in the College Work Study program and the elimination of the campus based programs are a part of the President's program to reduce Federal spending.

## NEW JERSEY IMPACT

With the elimination of the State Student Incentive Grant program, New Jersey will lose \$2 million in matching funds for the State Scholarship program. The State Student Incentive Grant program enables the State to provide grants to 14,290 New Jersey college students.

The Supplemental Educational Opportunity Grant program provides additional financial assistance to the neediest students. If Congress adopts the President's proposal to eliminate funding for this program, 12,000 New Jersey students will lose this source of financial aid totalling \$7 million in the State.

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\* These figures represent the \$50 million rescission requested by the President in FY1982.

The National Direct Student Loan program provides loans to college students at a four percent interest rate for a maximum loan of \$1,500. These loans are distributed by the college campus. The President is recommending elimination of this program. New Jersey currently receives \$3.3 million in National Direct Student Loan funds. The 11,300 students who receive this loan funds will have to find alternative assistance in FY1983.

While the FY1983 budget recommends maintaining the College Work Study program, funding for this program will be reduced by 25 percent. New Jersey's College Work Study allocation will be reduced from \$11.2 million in FY1982 to \$8.5 million in FY1983. The number of New Jersey students served will be reduced from 17,920 to 12,320 participants.

### PELL GRANTS

	<u>FY1982</u>	<u>FY1982(R)*</u>	<u>FY1983</u>
<u>NATIONAL</u>	\$2,279 M	\$2,187 M	\$1,400 M
<u>NEW JERSEY</u>	62.5 M	59.7 M	38.6 M
<u>NEW JERSEY LOSS/GAIN:</u>	FY1982: - \$ 2.8 M		
	FY1983: - \$21.2 M	if rescission is adopted	
	FY1983: - \$23.9 M	if rescission is rejected	

### PROGRAM/BUDGET PROPOSAL

Pell Grant awards are made to undergraduate students to reduce financial barriers to postsecondary education. Although the Administration recommends tightening eligibility in the Pell Grant program, the President's budget does not include specific proposal to achieve this goal. However, the Administration is considering a proposal to redefine and tighten the "cost" schedule and to increase the amount the student's family is expected to contribute to the cost of a student's post-secondary education.

The Administration does, however, recommend funding reductions in both FY1982 and FY1983. The FY1982 Continuing Resolution level could be reduced from \$2,279 million to \$2,187 million if the President's rescission of \$91,360 million is adopted. Further, the FY1982 level is reduced to \$1,400 million in FY1983.

### NEW JERSEY IMPACT

In FY1982, New Jersey receives \$62.5 million in Pell Grants under the Continuing Resolution level. This level will be reduced to \$60 million and the number of students served will be reduced from 70,000 to 67,000 under the revised FY1982 level. In FY1983, the President recommends \$1.4 billion -- a \$870 million reduction from the current FY1982 funding level of \$2.27 billion. New Jersey would receive \$38.6 million in grants to serve 43,710 students.

\*These figures represent the \$92 million rescission recommended by the President in FY1982.

STRENGTHENING AND DEVELOPING INSTITUTIONS-TITLE-III-

	<u>FY1982</u>	<u>FY1982(R)*</u>	<u>FY1983</u>
<u>NATIONAL</u>	\$124.4 M	\$129.6 M	\$129.6 M
<u>NEW JERSEY</u>	1.2 M	1.3 M	1.3 M
<u>NEW JERSEY GAIN/LOSS:</u>	FY1982: + .1 M		
	FY1983: no gain or loss	if supplemental is adopted	
	FY1983: + .1 M	if supplemental is rejected	

PROGRAM/BUDGET PROPOSAL

The Strengthening and Developing Institutions program provides aid to institutions with special needs in developing the academic foundation of newly organized colleges. As part of the President's support for "Black Colleges" the Title III, Strengthening and Developing Institutions, program will be slightly increased in FY1982 to \$129.6 million and that level maintained in FY1983.

NEW JERSEY IMPACT

In FY1981, seven New Jersey colleges received Title III funds totalling \$1.2 million. Listed below are the FY 1981 New Jersey Grant recipients:

<u>COLLEGE</u>	<u>AWARD</u>
Caldwell	\$150,000
Cumberland	\$115,000
Georgian Court College	\$ 50,000
Mercer County College	\$200,000
Passaic County College	\$175,000
Saint Peters College	\$292,000
Upsala College	\$244,000

HEALTH PROFESSIONS EDUCATION

	<u>FY1982</u>	<u>FY1983</u>
<u>NATIONAL</u>	\$165 M	\$117 M
<u>NEW JERSEY</u>	1.6 M	1.1 M

NEW JERSEY LOSS/GAIN: FY1983: - \$.5 M

PROGRAM/BUDGET PROPOSAL

The Health Professions Education programs provide assistance to schools for the training of students in the health related profession. President Reagan's FY1983 budget request includes \$117 million to support the training of health professionals. These funds are exclusive of student assistance for health professionals. The Administration's request will be used to focus on the following priorities:

- Support primary care professional training;
- Enhance the distribution of health professionals to provide services for people living in remote or underserved areas;
- Encourage minorities to choose careers in the health professions;
- Improve the utilization and distribution of nurses;
- Continue the support of existing Area Health Education Centers.

NEW JERSEY IMPACT

New Jersey's health professional institutes and students have experienced large reductions in these programs over the past few years. In last years Omnibus Budget Reconciliation Act, the capatation payments to nursing and medical schools were eliminated. New Jersey institutions received approximately one million in FY1980. Under the FY1983 budget, New Jersey will lose \$500,000 in funds. New Jersey's share will be reduced from \$1.6 million to \$1.1 million.