

**DATE:** November 17, 2005

**SUBJECT:** Appropriations, Tuition and Financial Aid Study  
Tuition Model

**ACTION RECOMMENDED:** Information

**BACKGROUND INFORMATION:** Chapter 503 of the 2005 Public Acts (2005-06 Appropriation Bill), Section 49, Item 7 provides that:

The Tennessee Higher Education Commission shall, in conjunction with the Tennessee Board of Regents and the University of Tennessee, coordinate the creation of undergraduate tuition models for public higher education in Tennessee. The models shall include at least a five year projection of potential undergraduate tuition increases at public institutions of higher education including Tennessee Technology Centers. These models shall consider the impact of undergraduate student enrollment growth, the impact of Tennessee Education Lottery Scholarship, need-based financial aid programs, anticipated state appropriations, estimated maintenance and operational costs and other fixed costs, salary and benefit and technology costs, maintaining competitiveness with the respective institutions' peer institutions, as well as other public and private institutions and any other relevant factors. This analysis shall also include an evaluation of the growth in higher education costs in relation to the consumer price index.

THEC staff is concluding a study of the inter-relationships between tuition/fee, appropriations, and financial policy that will feature the five-year tuition model as the centerpiece of the study. This study will provide background on higher education finance, explore historical data trends, and offer policy recommendations to guide future discussion related to tuition policy.

**Methodology of the Study:** As directed by the statutory charge, the analysis will factor fixed cost increases, peer revenue pressures, enrollment growth and various levels of state appropriations that combine to necessitate certain tuition levels in order to maintain revenue adequacy and competitiveness.

An advisory committee assisted the Commission staff in the development of the tuition model. The committee includes THEC staff as well as Sylvia Davis and Bob Levy from the University of Tennessee and Bob Adams and David Gregory from the Tennessee Board of Regents. In addition, Dr. Roy Nicks, Dr. John Folger, and Dr. Angelo Volpe reviewed and offered comments on the study.

Given the scope and magnitude of the project, the Commission staff solicited the services of nationally recognized experts in the area of post-secondary finance. Project consultants provided technical expertise and data consultation to the advisory committee throughout the scope of the project. The consultants are as follows:

Dr. Joe Marks, Southern Regional Education Board

Mr. David Wright, State Higher Education Executive Officers

**Study Results:** The status report on the tuition model will be presented at the THEC meeting.