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DON SUNDQUIST
Governor

MEMORANDUM

To: Commission Members

From: Richard G. Rhoda

Date: July 8, 2002

Enclosed for your review are the agenda and materials for the July 11 Commission meeting. Please note that the agenda has been reduced to a few number of pressing issues: the status of the Tennessee Student Assistance Corporation, 2002-03 operating and capital appropriations, 2002-03 student tuition and fees recommendations, and the plan of action.

A briefing memorandum is provided for all agenda items other than the status of TSAC. Briefly stated, the purpose of this item is to apprise the Commission of the workings of TSAC since the June 30 retirement of Ron Gambill as executive director.

The THEC meeting will be held in 18th floor boardroom of this building, starting at 9:00 a.m. (CDT). There will not be a work session prior to the meeting.

We look forward to the meeting. Please advise if we may assist you with travel or lodging arrangements.

enclosures

AGENDA
TENNESSEE HIGHER EDUCATION COMMISSION
Summer Quarterly Meeting
Commission Boardroom, Parkway Towers
July 11, 2002, 9:00 a.m. (CDT)

Adoption of Agenda

I. Status of the Tennessee Student Assistance Corporation

The Commission will review provisions that have been made for the administration of TSAC as a result of Ron Gambill's retirement as executive director of the agency.

II. 2002-03 Operating and Capital Appropriations

The Commission will be briefed on the operating and capital appropriations as approved by the General Assembly.

III. 2002-03 Student Tuition and Fee Recommendations

The Commission will consider recommendations regarding changes in tuition and fees for the 2002-03 academic year.

IV. Plan of Action

The Commission will consider policy initiatives contained in the plan, which represents a revision of the higher education master plan. The Commission approved the plan in principle at its April 18, 2002 meeting. Policy initiatives include limiting enrollments at universities, imposing more stringent criteria for new academic degree programs and off-campus locations, and limiting the use of state support and tuition for intercollegiate athletics.



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MEMORANDUM

To: Commission Members, President Shumaker, Chancellor Manning,
Institutional Presidents and Chancellors, and Technology Center
Directors

From: Richard G. Rhoda, Executive Director
Tennessee Higher Education Commission

Subject: FY 2002-03 Appropriations

Date: July 8, 2002

The Legislature has enacted an appropriations bill for FY 2002-03 that includes funding for higher education operating and capital maintenance appropriations.

The Governor's recommendations for higher education submitted to the General Assembly were only partially funded. Improvements included within the legislative action are:

\$15.5 Million	Operating Improvements
\$0	Faculty Retention and Recruitment
\$0	Equipment Replacement
\$0	Technology Upgrades
\$0	UT Research Initiative
\$0	TBR Research Initiative
\$6 Million	<i>Geier</i> Settlement
\$8.18 Million	Funding for an Average 2.0 percent Salary Increase Effective January 1, 2003
\$0	Capital Outlay Projects
\$37.41 Million	Capital Maintenance Projects

The Governor recommended full funding of an average 3.5 percent salary adjustment for all state employees for FY 2002-03. The Legislature, however, appropriated funds to provide a 3.0 percent salary increase for general state government employees effective January 1, 2003. Additionally, the Legislature funded an average 2.0 percent salary increase effective January 1, 2003 for

Richard G. Rhoda, Executive Director

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higher education institutions, which has the unfortunate effect of requiring the total salary proposal to be partially funded with student fees.

The distribution of the \$15.5 million operating improvements and the appropriation for the Tennessee Student Assistance Corporation are not finalized at this time and will be discussed during the Commission meeting.

cc: Mr. Ron Gambill
Dr. Martin Deschenes



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MEMORANDUM

To: Commission Members

From: Richard G. Rhoda

Date: July 8, 2002

Subject: FY 2002-03 Student Fee Recommendations

Staff will present recommendations for student maintenance, tuition, graduate, and professional fees to be effective for Fall 2002 at the July 11th Commission meeting. The following tables provide a summary of the staff recommendations.

Attachment A indicates the fees for the Academic Year FY 2001-02, the recommended fees for the Academic Year FY 2002-03, the dollar difference between the two years, and the percent increase over last year. Please note the Legislature expressed their intent within the Appropriations Bill that undergraduate fee increases not exceed seven and one half percent.

Attachment B provides a history of fees for the formula units from 1997-98 through 2001-02. The table also indicates current fees charged by each institution for academic year 2001-02 and the additional amount a student would pay for 2002-03 assuming fee increases of one percent, five percent, seven and one half percent, and ten percent respectively.

Attachment C indicates the estimated revenue that a one percent increase in undergraduate fees will generate by institution, as well as the increase of seven and one half percent. Also indicated is the total estimated undergraduate fee revenue by institution assuming a seven and one half percent increase.

The staff recommendations will be reviewed in detail during Thursday's meeting.

Attachments

Attachment A

HIGHER EDUCATION FEE INCREASES, 2002-03				
	2001-02 Academic Year Fee	2002-03 Proposed Academic Year Fee	Difference	Recommended Percent
TENNESSEE UNDERGRADUATES				
UT Knoxville	3,234	3,476	243	7.5%
University of Memphis	2,858	3,072	214	7.5%
TBR Regional Universities	2,556	2,748	192	7.5%
UTC, UTM	2,698	2,900	202	7.5%
Community Colleges	1,488	1,600	112	7.5%
Technology Centers	1,100	1,183	83	7.5%
TENNESSEE GRADUATE AND PROFESSIONAL STUDENTS				
UT Knoxville	3,730	4,010	280	7.5%
University of Memphis	3,584	3,853	269	7.5%
TBR Regional Universities	3,432	3,689	257	7.5%
UTC, UTM	3,214	3,455	241	7.5%
Law				
UOM	5,746	6,177	431	7.5%
UTK	6,118	6,577	459	7.5%
Dentistry	8,982	10,958	1,976	22%
Medicine				
ETSU	13,082	14,391	1,308	10%
UT Memphis	13,100	15,982	2,882	22%
Veterinary Medicine	7,162	7,879	717	10%
Pharmacy	6,072	7,772	1,700	28%
OUT-OF-STATE TUITION				
UT Knoxville	7,536	8,101	565	7.5%
University of Memphis	6,654	7,153	499	7.5%
TBR Regional Universities	6,472	6,958	485	7.5%
UTC, UTM	6,530	7,020	490	7.5%
Two-Year	4,458	4,792	334	7.5%
Medicine				
ETSU	13,584	14,942	1,358	10%
UT	14,468	15,915	1,447	10%
Dentistry	15,120	16,632	1,512	10%
Pharmacy	10,012	10,713	701	7%
Veterinary Medicine	13,792	14,206	414	3%
Law				
UOM	11,256	12,100	844	7.5%
UTK	11,462	11,806	344	3%

Attachment B

In-State Undergraduate Maintenance Fee History and Scenarios

	Actual					2002-03 Fee Scenarios					
	1997-98	1998-99	1999-00	2000-01	2001-02	0%	1%	5%	7.5%	10%	15%
TBR Regional Universities	\$1,816	\$1,906	\$2,020	\$2,222	\$2,556	\$2,556	\$2,582	\$2,684	\$2,748	\$2,812	\$2,939
Annual Dollar Increase	--	\$90	\$114	\$202	\$334	\$0	\$26	\$128	\$192	\$256	\$383
Cumulative \$ Increase since 97-98	--	\$90	\$204	\$406	\$740	\$740	\$766	\$868	\$932	\$996	\$1,123
Annual Percent Increase	--	5%	6%	10%	15%	0%	1%	5%	7.5%	10%	15%
% Increase since 97-98	--	5%	11%	22%	41%	41%	42%	48%	51%	55%	62%
University of Memphis	\$1,972	\$2,090	\$2,258	\$2,484	\$2,858	\$2,858	\$2,887	\$3,001	\$3,072	\$3,144	\$3,287
Annual Dollar Increase	--	\$118	\$168	\$226	\$374	\$0	\$29	\$143	\$214	\$286	\$429
Cumulative \$ Increase since 97-98	--	\$118	\$286	\$512	\$886	\$886	\$915	\$1,029	\$1,100	\$1,172	\$1,315
Annual Percent Increase	--	6%	8%	10%	15%	0%	1%	5%	7.5%	10%	15%
% Increase since 97-98	--	6%	15%	26%	45%	45%	46%	52%	56%	59%	67%
Community Colleges	\$1,086	\$1,130	\$1,198	\$1,294	\$1,488	\$1,488	\$1,503	\$1,562	\$1,600	\$1,637	\$1,711
Annual Dollar Increase	--	\$44	\$68	\$96	\$194	\$0	\$15	\$74	\$112	\$149	\$223
Cumulative \$ Increase since 97-98	--	\$44	\$112	\$208	\$402	\$402	\$417	\$476	\$514	\$551	\$625
Annual Percent Increase	--	4%	6%	8%	15%	0%	1%	5%	7.5%	10%	15%
% Increase since 97-98	--	4%	10%	19%	37%	37%	38%	44%	47%	51%	58%
UT Chattanooga	\$1,898	\$1,992	\$2,172	\$2,346	\$2,698	\$2,698	\$2,725	\$2,833	\$2,900	\$2,968	\$3,103
Annual Dollar Increase	--	\$94	\$180	\$174	\$352	\$0	\$27	\$135	\$202	\$270	\$405
Cumulative \$ Increase since 97-98	--	\$94	\$274	\$448	\$800	\$800	\$827	\$935	\$1,002	\$1,070	\$1,205
Annual Percent Increase	--	5%	9%	8%	15%	0%	1%	5%	7.5%	10%	15%
% Increase since 97-98	--	5%	14%	24%	42%	42%	44%	49%	53%	56%	63%
UT Knoxville	\$2,096	\$2,264	\$2,604	\$2,812	\$3,234	\$3,234	\$3,266	\$3,396	\$3,477	\$3,557	\$3,719
Annual Dollar Increase	--	\$168	\$340	\$208	\$422	\$0	\$32	\$162	\$243	\$323	\$485
Cumulative \$ Increase since 97-98	--	\$168	\$508	\$716	\$1,138	\$1,138	\$1,170	\$1,300	\$1,381	\$1,461	\$1,623
Annual Percent Increase	--	8%	15%	8%	15%	0%	1%	5%	7.5%	10%	15%
% Increase since 97-98	--	8%	24%	34%	54%	54%	56%	62%	66%	70%	77%
UT Martin	\$1,898	\$1,992	\$2,172	\$2,346	\$2,698	\$2,698	\$2,725	\$2,833	\$2,900	\$2,968	\$3,103
Annual Dollar Increase	--	\$94	\$180	\$174	\$352	\$0	\$27	\$135	\$202	\$270	\$405
Cumulative \$ Increase since 97-98	--	\$94	\$274	\$448	\$800	\$800	\$827	\$935	\$1,002	\$1,070	\$1,205
Annual Percent Increase	--	5%	9%	8%	15%	0%	1%	5%	7.5%	10%	15%
% Increase since 97-98	--	5%	14%	24%	42%	42%	44%	49%	53%	56%	63%
Technology Centers	\$800	\$832	\$884	\$956	\$1,100	\$1,100	\$1,111	\$1,155	\$1,183	\$1,210	\$1,265
Annual Dollar Increase	--	\$32	\$52	\$72	\$144	\$0	\$11	\$55	\$83	\$110	\$165
Cumulative \$ Increase since 97-98	--	\$32	\$84	\$156	\$300	\$300	\$311	\$355	\$383	\$410	\$465
Annual Percent Increase	--	4%	6%	8%	15%	0%	1%	5%	7.5%	10%	15%
% Increase since 97-98	--	4%	11%	20%	38%	38%	39%	44%	48%	51%	58%

Attachment C

THEC Estimated Revenue Generated from 1% Fee Increase for FY 2002-03 (Using October Revised Budgets)

Institution	THEC FY 2002-03 Recommendation	Estimated Tuition & Fees 01-02	Estimated Amount of 1% Fee Increase	Estimated Amount of 7.5% Fee Increase	Estimated Tuition & Fees 02-03
Austin Peay	\$34,708,300	\$16,627,700	\$166,277	\$1,247,078	\$17,874,778
East Tennessee	59,702,200	31,916,690	\$319,167	2,393,752	34,310,442
Middle Tennessee	94,974,200	59,798,235	\$597,982	4,484,868	64,283,103
Tennessee State	39,481,900	37,545,000	\$375,450	2,815,875	40,360,875
Tennessee Tech	47,281,400	24,750,800	\$247,508	1,856,310	26,607,110
University of Memphis	118,625,100	63,099,064	\$630,991	4,732,430	67,831,494
Subtotal TBR 4-Year	\$394,501,200	\$233,737,489	\$2,337,375	\$17,530,312	\$251,267,801
Chattanooga	\$22,897,000	\$9,650,000	\$96,500	723,750	10,373,750
Cleveland	10,340,300	3,663,600	36,636	274,770	3,938,370
Columbia	13,214,400	5,055,800	50,558	379,185	5,434,985
Dyersburg	6,996,100	2,635,000	26,350	197,625	2,832,625
Jackson	12,389,900	4,857,900	48,579	364,343	5,222,243
Motlow	10,261,200	4,267,000	42,670	320,025	4,587,025
Nashville State Tech	14,995,900	7,430,050	74,301	557,254	7,987,304
Northeast	12,179,300	4,975,000	49,750	373,125	5,348,125
Pellissippi	20,967,600	10,253,000	102,530	768,975	11,021,975
Roane	18,357,000	6,185,800	61,858	463,935	6,649,735
Southwest	35,469,500	14,816,400	148,164	1,111,230	15,927,630
Volunteer	18,014,500	7,993,700	79,937	599,528	8,593,228
Walters	18,254,200	6,630,000	66,300	497,250	7,127,250
Subtotal TBR 2-Year	\$214,435,600	\$88,413,250	\$884,133	\$6,630,994	\$95,044,244
UT Chattanooga	\$44,244,400	\$24,795,313	\$247,953	1,859,648	26,654,961
UT Knoxville	184,797,400	123,566,826	1,235,668	9,267,512	132,834,338
UT Martin	31,482,800	17,565,351	175,654	1,317,401	18,882,752
Subtotal UT	\$260,693,800	\$165,927,490	\$1,659,275	\$12,444,562	\$178,372,052
Total	\$869,630,600	\$488,078,229	\$4,880,782	\$36,605,867	\$524,684,096



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MEMORANDUM

To: Commission Members

From: Richard G. Rhoda

Subject: Plan of Action

Date: July 8, 2002

The purpose of this memorandum is to provide recommendations regarding *A Plan of Action for Tennessee Higher Education: A Revision of the 2000-05 Master Plan*, which the Commission adopted in principle at the April 18, 2002 meeting.

Following that meeting, the Plan of Action was distributed widely across the state higher education community. In addition, the Plan was presented to legislative and other bodies. Direct input concerning the eleven policy initiatives contained in the Plan was solicited and received. The Board of Regents and the University of Tennessee provided formal responses that were forwarded to all Commission members on June 5.

I want to thank TBR and UT, individual presidents, and all others who commented on the Plan. The rigorous consideration and review of the Plan of Action resulted in additional analysis by the Commission staff. The feedback received is appreciated, and has helped to strengthen the Plan. Many of the revisions contained within the final document are the direct result of this consultative process.

It should be noted that during the period of review the fiscal context underlying many of the provisions of the Plan – the stability of the state's revenue structure and 2002-03 appropriations – was fluid. This condition of fiscal uncertainty influenced the discussion of several policy issues, and is reflected in the final version of the Plan.

The recommendations below represent the result of an open and inclusive review process. Each of the recommendations will be discussed in detail at the July 11th Commission meeting. The following are presented for your consideration:

There is general support and consensus with six of the 11 original provisions of the Plan of Action as endorsed in principle. It is recommended that they be reaffirmed and adopted. They are:

- Revision of institutional admission standards.
- Removal of the moratorium on new academic programs and development of additional program review criteria.
- Revision of the funding formula.
- Removal of the moratorium on new off-campus instructional activity, and adoption of new screening criteria.
- Initiation of external peer reviews of Engineering and Agriculture programs.
- Implementation of additional accountability initiatives.

There are two provisions which based upon input received are recommended for partial modification. They are:

- Consolidation of a freestanding provision to restrict the establishment of new doctoral programs to specific institutions, with the provision for strengthening program review criteria.
- To allow the continuation of several associate degree programs offered by Austin Peay State University at Fort Campbell as an exception to the recommendation to terminate non-allied health associate degree programs at the university level.

Following are the remaining three dimensions of the Plan of Action with which the staff, governing boards, and institutions have yet to reach a unified consensus. Given the significance of each area, and the number of impacted constituencies, it is doubtful that full consensus can be reached on these policy items. The recommendations of the staff in each area reflect the earnest intent of the staff to provide flexibility to the governing boards and institutions, yet remain consistent with the original values of the Plan of Action. Each of these items will be reviewed in detail at the meeting.

- Enrollment Management – The staff recommends implementing enrollment ranges for the 2002-03 academic year. During this review period, the staff will work cooperatively with the governing boards to develop a long-term enrollment management policy that will continue to advance the access mission, but promotes student success and the efficient utilization of scarce state resources.
- Remedial and Developmental Education – The staff recommends the continuation of state funding for developmental education at the universities, but at a funding rate comparable to the community colleges. The staff also recommends the discontinuance of remedial instruction at the universities, effective with the 2002-03 academic year. This recommendation is in accordance with TBR's *Defining Our Future*.

- Athletics – The staff continues to work cooperatively with the governing boards to strike a balance between the academic and athletic missions of Tennessee higher education. It is recommended that the Commission charge both governing boards to appoint representatives to a THEC taskforce that will review athletic expenditures and develop steps by which these expenditures can be significantly reduced. In the interim, the staff recommends holding E&G operating support constant at 2001-02 levels to facilitate this process. This limitation signifies the intent of the institutions to work with the staff to re-prioritize expenditures and redirect resources towards the academic core.

The staff will be prepared to respond to questions and concerns at the July 11 Commission meeting. In the meantime, please do not hesitate to contact me or other members of the staff.