



# TENNESSEE HIGHER EDUCATION COMMISSION

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## REGULAR CALENDAR ITEM: I.

**MEETING DATE:** November 16, 2023

**SUBJECT:** 2024-25 Operating State Appropriation Recommendations

**ITEM TYPE:** Action

**ACTION RECOMMENDATION:** Approval

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### BACKGROUND

The operating appropriation recommendations are informed by the Outcomes-Based Funding (OBF) formula, the quality assurance formula, inflationary factors, and fixed costs. Per the Complete College Tennessee Act, the Tennessee Higher Education Commission (THEC) makes state appropriation recommendations in a lump-sum fashion for the community college sector. OBF calculations for individual community colleges are presented for informational purposes.

### FORMULA UNIT RECOMMENDATION

For the 2024-25 fiscal year, THEC staff recommend a recurring increase of \$17.0 million in state appropriations, recognizing the increase in fixed costs and inflationary factors for universities, community colleges, and colleges of applied technology. Institution-level detail for this request can be found in Attachment I. At the request of state administration, this recurring recommendation does not include a salary component, allowing the administration to apply general government's salary policy to higher education. However, for the purposes of the tuition and fee guiding range recommendation found in Agenda Item II, THEC staff are utilizing an estimated 3% salary increase which equates to \$41.0 million for salary at formula units and a total appropriation of \$58.0 million.

The OBF formula utilizes a three (3) year average to determine growth in outcomes. The new three (3) year average in the 2024-25 formula includes outcomes produced in 2020-21, 2021-22, and 2022-23. Overall, institutions experienced a slight decline in funding formula outcomes, down 0.1% compared to the 2023-2024 formula. Community colleges experienced declines in student progression and awards but saw increases in dual enrollment and job placements. For the first time in formula history, community colleges exceeded one million contact hours in workforce training. At the universities, student progression and bachelor's degree completion declined slightly, while graduate degree outcomes and research, service, and sponsored programs rose.

### SPECIALIZED UNITS RECOMMENDATION

Along with the academic formula unit recommendation, staff recommend a funding increase of \$7.6 million recurring for the medical colleges, agriculture research units, and public service entities. Staff recommend a funding increase of \$36 million recurring for other specialized units including a \$35.9 million expansion of the Tennessee Student Assistance Award, which provides scholarships to Tennessee's low-income students and a \$75,000 increase for University of Tennessee, Southern.

Additionally, THEC is requesting \$10.3 million in both recurring and nonrecurring funding for agency-led initiatives. The recurring requests include \$5.4 million to sustain and expand Advise TN, \$885,000 to

increase Navigate Reconnect capacity, and \$500,000 to support Veterans Reconnect. The agency is also requesting \$3.5 million in non-recurring for affordable instructional materials for workforce readiness.

Operating fund recommendations for the academic formula, specialized, and agency-led units are detailed in Attachment II.

### **OTHER SPECIAL INITIATIVES**

Staff also recommend \$11.4 million in recurring and \$39.5 million in non-recurring funds for strategic program investments for a total of \$50.9 million in strategic investments. The specialized unit strategic initiatives include \$1.0 million recurring to meet the state match for TSU's Institute of Agricultural and Environmental Research federal land grant funding and \$2.5 million recurring to ETSU College of Pharmacy to bolster base appropriations in alignment with funding to other non-formula units. This request also includes \$1.5 million non-recurring to the UTHSC Center of Healthcare Improvement and Patient Safety (CHIPS) to improve medical technology and provide staff training, and \$3.0 million recurring to the UT Institute of Agriculture to invest in precision livestock farming.

For the Tennessee Board of Regents, staff recommend \$1.6 million recurring to fund the Student Support Network, an integrated package of reforms and investments intended to address issues identified in the Education Recovery and Innovation Committee report released in June 2022 and increase college persistence and completion. Staff also recommend \$3.0 million non-recurring establish Workforce Training Financial Aid, which would pilot financial aid for industry certifications and other non-credit training opportunities, and \$3.3 million recurring to Create a Multi-Generational Workforce Pipeline. Lastly, staff recommend \$35 million non-recurring for Statewide Cybersecurity, addressing institutional infrastructure at all of Tennessee's public colleges and universities.

Additional information on these strategic initiatives can be found in Attachment III.

### **RECOMMENDATION SUMMARY**

The grand total recurring recommendation for all higher education operating appropriations for 2024-25 is \$2.4 billion. This includes \$1.6 billion to fund the universities, community colleges and colleges of applied technology, \$645.3 million to fund the specialized units, and \$150.8 million for strategic program investments. These recommendations total \$123.8 million of new funds, an increase of 5.5% over 2023-24.