

Tennessee Student Assistance Corporation

September 26, 2024

Decision Item A

Proposed 2025-2026 Budget Request

Staff Recommendation

(1) Approval of the recommended 2025-2026 recurring base budget.

(2) Approval of the recommended increase to the Tennessee Student Assistance Award in the amount of \$11,963,500.

(3) Authorization for the Executive Director to make any necessary technical or required corrections prior to submission to the Department of Finance and Administration.

Background

The Tennessee Student Assistance Award (TSAA) is Tennessee's primary need-based financial aid program, serving Tennessee residents attending in-state institutions. Historically, about two-thirds of recipients come from homes with annual household incomes of less than \$35,000.

In addition to this year's base budget request, TSAC is recommending an increase to the Tennessee Student Assistance Award. Funding for the TSAA program was last increased in the 2019-2020 fiscal year and has remained the same since then. The 2025-2026 fiscal year request is described below.

Supporting Information

See 2025-2026 Base Budget and Recommended Increase for TSAA on following page.

**Tennessee Student Assistance Corporation
2025-2026 Base Budget and
Recommended Increase for TSAA**

2025-26 Recurring Base Budget

Recommended total recurring state appropriations and revenues for 2025-26 is a continuation base budget from the 2024-25 fiscal year, as follows:

	State	Other	Total
Administration	\$ 2,998,200	\$ 5,656,800	\$ 8,655,000
TSAA	113,262,500	-	113,262,500
Academic Scholars	1,211,800	378,700	1,590,500
Loan/Scholarships	1,052,500	291,000	1,343,500
Lottery for Education Account	461,600,000	-	461,600,000
Total	\$ 580,125,000	\$ 6,326,500	\$ 586,451,500

Expand Funding for Eligible TSAA Applicants

The TSAA appropriation has not been increased since 2019-20, and remains at \$113,262,500, allowing us to serve approximately 60,000 students annually. In addition to this annual appropriation, we have spent \$7 to \$9 million in fiscal years 2023 and 2024, respectively, from program reserves. This additional expenditure increased the number of recipients by 3,500 in 2023 and 4,600 in 2024.

The TSAA reserve, now \$19 million, has been substantially drawn from in each of the prior two fiscal years and can no longer be used to maintain current awarding levels.

Over the past three years, TSAC has tied TSAA eligibility to Pell eligibility—meaning, students who are eligible for Pell and meet the TSAA application deadline received TSAA. Due to the anticipated impact of the FAFSA’s new Student Aid Index, we estimate Pell eligibility will increase by approximately 30 percent.

Our goal for this request is twofold:

1. Maintain a minimum annual number of TSAA recipients as have been paid in the previous two fiscal years.
2. Continue the eligibility link between TSAA and Pell by attaining a funding level to award the estimated 30 percent increase in eligibility. This results in an additional 19,200 TSAA recipients. With an average award of \$1,866, our request is for a total increase of \$35,890,600. Our intent, however, is to reach this amount over a three-year period with compounding increases of \$11,963,500 in each of three years.