

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

**HB 7008 – SB 7006**  
**FIRST EXTRAORDINARY SESSION**  
January 21, 2010

**SUMMARY OF AMENDMENT (012704):** Requires the Tennessee Higher Education Commission (THEC) to develop a statewide master plan for the future development of public higher education institutions that emphasizes economic and work force development, increased degree production, and institutional collaboration and efficiency. Prohibits the provisions of the bill from interfering with research and related activities that are consistent with the institution's mission.

Requires THEC to develop funding formulas and guidelines for public higher education institutions based upon an outcomes model that emphasizes productivity that is consistent with the statewide master plan. These formulas and guidelines shall include capital outlay programs and will be used to determine higher education appropriation recommendations. Requires these formulas and guidelines to consider factors unique to community colleges. THEC shall review these and other charges and make recommendations for adjustment. Requires THEC to report any projected tuition increases for the next academic year to the Office of Legislative Budget Analysis and the Comptroller of the Treasury by December 1 each year.

Requires THEC in conjunction with the Commissioner of Finance and Administration and the Comptroller of the Treasury to establish uniform standards of accounting.

Prohibits THEC from making recommendations regarding individual technology center operating budgets and transfer of funds between centers. Removes THEC's authority to recommend individual community college budgets or to approve the transfer of funds between these entities beginning in FY12-13 and thereafter.

Requires that all amendments and revisions to the public higher education funding formula be submitted to the Education Committees of the General Assembly for review and recommendation before such revisions or amendments take effect.

Requires THEC to develop a common statewide public university tract program comprised of sixty hours of instruction, with forty-one hours of general education and nineteen hours of pre-major courses as prescribed by THEC. Sets up a statewide articulation agreement between the University of Tennessee (UT) and Tennessee Board of Regents (TBR) systems. Authorizes students with a two-year associate of science or associate of art degree from a community college to be transferred to any four-year institution including the University of Tennessee, Knoxville, as long as competitive standards for admission are met. Such students shall be recognized as juniors. All courses including the nineteen hour pre-major courses shall be transferrable to all public higher education institutions including the University of Tennessee, Knoxville. This provision shall be implemented by the fall 2011 semester.

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Requires THEC in consultation with the UT and TBR systems to develop a common course numbering system and to clearly identify any courses not transferable between public institutions. This provision shall be implemented by the fall 2011 semester. Requires THEC to make an annual report to the chairs of the Education and Finance, Ways, and Means Committees of the General Assembly on the progress made toward full articulation between all institutions by October 1 each year.

Requires THEC to send the annual report on revisions and recommendations to the higher education funding formula and master plan by November 1 each year to the Governor, the Finance, Ways, and Means Committees in both houses, and the Select Oversight Committee on Education.

Requires THEC to develop a policy authorizing students to be dually enrolled in two-year and four-year public institutions to be implemented by July 1, 2010.

Prohibits public four-year institutions in the UT and TBR systems from providing remedial or developmental instruction. Students requiring this type of instruction shall attain it from a two-year community college.

Requires TBR to begin operation of a unified community college system to maximize operational efficiencies of public two-year institutions. Authorizes TBR to set up agreements between community colleges and technology centers so that programs and courses offered at one entity may be physically taken at the other. TBR shall develop a plan to transition from the current system and shall implement this plan by July 1, 2012.

Changes references related to the goals of fostering of economic growth and increasing the number of science, technology, engineering, and mathematics doctoral students and collaborative research and development by interdisciplinary teams to include other public state universities and their faculty.

Authorizes the University of Tennessee to establish a new academic unit for research and interdisciplinary education in conjunction with the Oak Ridge National Laboratory (ORNL). Agreement provisions include, but are not limited, to the setting up of a joint center by ORNL and UT to oversee the collaboration agreement; appointment of graduate students; the appointment of ORNL staff as UT faculty; and the development of interdisciplinary doctoral curriculum. Does not limit or prohibit the authority of the U.S. Department of Energy or applicability of federal law pertaining to ORNL.

Requires the Memphis Research Consortium to explore and develop strategies and plans for establishing and enhancing research and development opportunities in public health and related fields. Requires the Consortium to make a report on the progress of these plans and strategies to the Education Committees of the General Assembly by February 1, 2011.

Requires THEC to submit a comparative analysis of projected funds to be received by each public higher education institution under the revised funding formula and the old funding

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formula to the chairs of the Education and Finance, Ways, and Means Committees of the General Assembly by December 1, 2010. The analysis shall be calculated as though the old funding formula was in effect for FY11-12.

Requires TBR in conjunction with the Department of Labor and Workforce Development to study the transfer of the administration of the adult basic education program from the Department of Labor and Workforce Development to TBR. Requires the Department and TBR to consult with various stakeholders including at least one local education agency (LEA) in each grand division. Requires this workgroup to report findings and recommendations to the Finance, Ways, and Means Committees of the General Assembly by February 1, 2011.

Requires TBR to study the feasibility of a pilot program to place residential facilities on community college campuses and to report findings and recommendations to the Education and Finance, Ways, and Means Committees of the General Assembly by February 1, 2011.

Requires the Comptroller of the Treasury to complete an audit of THEC, the University of Tennessee Board of Trustees (UT), and the Tennessee Board of Regents (TBR) that focuses on mission overlap, cost inefficiencies, management practices, and restructuring by July 1, 2012. This audit shall be submitted to the Education Committees of the General Assembly.

#### FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$1,037,000/FY 10-11  
  \$1,744,000/FY 11-12  
  \$3,411,500/FY 12-13

Other Fiscal Impact – Substantial funds from recurring appropriations of state revenue and other funding sources will be shifted from existing programs and activities of THEC, TBR, and UT to fund development and implementation of the new statewide master plan for higher education, articulation agreements between two-year and four-year public institutions, and remedial education programs. THEC, TBR, and UT are unable to specify the amount of funds and resources that will be shifted and are unable to identify the current programs that will be affected. New state appropriations to fund these activities will not be made.

The first three years of the UT-ORNL collaboration agreement will require a non-recurring state appropriation totaling \$6,192,500. Expenditures from this appropriation will be spread over three fiscal years. Non-recurring funding in the amount of \$6,000,000 is included in the appropriations bill to fund this legislation. If the federal grants and contract monies available for the UT-ORNL collaboration agreement at the end of the three-year state appropriation period for FY13-14 and thereafter are not enough to fully fund the program, the program will be scaled back or another source of funds will be required.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Unchanged from the original fiscal note.**

Assumptions applied to amendment:

- According to THEC, the Commission will not require additional state appropriations to develop a new master plan, new funding formulas, a common university tract program, and a common course numbering system.
- Any increase in state or local expenditures for THEC and TBR in conjunction with local and state government to study and make annual or one-time reports on various subjects to the General Assembly is estimated to be not significant. No additional state appropriations will be made.
- According to TBR, development of a unified community college system and establishing statewide relationships between community colleges and state technology centers will not require additional state appropriations.
- Setting up remedial class relationships between TBR and UT institutions and community colleges and carrying out those relationships will not require additional state appropriations.
- Changing references and goals to include other state universities and their respective faculty besides the University of Tennessee will have no fiscal impact on state or local government.
- State funding for the UT-ORNL partnership will be spent according to the table below.

	<b>FY10-11</b>	<b>FY11-12</b>	<b>FY12-13</b>	<b>Total</b>
Tech. Preparation	\$150,000	\$50,000		\$200,000
Operating	\$80,000	\$35,000		\$115,000
Tech./Clerical Support	\$128,000	\$50,000		\$178,000
Recruiting	\$15,000	\$45,000	\$97,500	\$157,500
Graduate Stipend	\$300,000	\$900,000	\$1,950,000	\$3,150,000
Tuition/Waiver Fees	\$200,000	\$600,000	\$1,300,000	\$2,100,000
Center Director	\$64,000	\$64,000	\$64,000	\$192,000
Facilities	\$100,000			\$100,000
<b>Total</b>	<b>\$1,037,000</b>	<b>\$1,744,000</b>	<b>\$3,411,500</b>	<b>\$6,192,500</b>

- Funding for the program in FY13-14 and thereafter will come from federal research grant money obtained by the collaboration program research projects or from other sources. These funds will be used to fund the entire program. New state appropriations will not be made.
- Funding for operating and other program development costs will be funded from research grants or from some other source in FY12-13 and thereafter.

- UT estimates that there will be 10 graduate students in FY10-11, 30 in FY11-12, and 65 in FY12-13. Each graduate student will be paid a stipend of approximately \$30,000. Each student will cost approximately \$1,500 to recruit.
- Funding for a center director will come from one-half UT funding and one-half ORNL funding. In FY13-14 and thereafter, the director will be paid by UT from federal grant research funding or other sources.
- According to UT, any increase in expenditures to set up a new academic unit for interdisciplinary education and research in conjunction with ORNL will be absorbed within existing state resources.
- Any increase in state or local expenditures for the Memphis Research Consortium and its partners to develop and enhance collaborative plans and strategies in public health care and related fields is estimated to be not significant.
- Any increase in state expenditures for TBR to establish a new Vice Chancellor of Community Colleges will be absorbed within existing resources by shifting funds and positions away from existing programs.
- Any increase in state expenditures for the Comptroller of the Treasury to audit THEC, UT Board of Trustees, and TBR will be absorbed within existing state resources without an increased appropriation or reduced reversion.

#### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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