

Section Title: Financial Policies

Policy Title: Self-Supporting Academic Entities

Policy Number: F5.0

- 5.0.10 **Scope and Purpose.** This policy outlines the authority, scope, and requirements for establishing and maintaining a self-supporting academic entity at a public institution of higher education.
- 5.0.20 **Authority.** As the coordinating body for higher education in Tennessee, the Commission is empowered by statute to develop a comprehensive strategic financial plan; review, approve, and monitor academic programs; promulgate and adopt rules; and develop policies binding upon all state institutions of higher education within the Commission's appropriate statutory authority.
- 5.0.30A **Procedures.** Entities proposed to be self-supporting require academic and financial review and approval from the entity's respective governing board(s) and the Tennessee Higher Education Commission.
- 5.0.30B Governing board and Commission policies concerning review and approval of academic programs, operating budgets, and other matters apply to entities approved as self-supporting.
- 5.0.30C An institution must annually review the status of the self-supporting academic entity in meeting its approved purpose for the first five (5) years of operation and forward the review to the governing board and to the Commission as part of the annual budget process.
- 5.0.30D Institutions proposing the development of self-supporting academic entities should employ appropriate safeguards to ensure that the entity does not impact state support of any existing higher education institution or entity.
- 5.0.30E When proposing the establishment of a self-supporting academic entity, institutions must identify comparable private and public programs and assess the market potential for the proposed entity relative to its competitors.
- 5.0.30F A self-supporting academic entity may have a unique allotment code issued by the State Department of Finance and Administration.
- 5.0.30G An institution's internal auditor will review the self-supporting academic entity as part of the institution's regular audit plan. It is recommended that

the annual State audit report include audits of self-supporting academic entities.

- 5.0.30H Institutions shall develop a formal memorandum of understanding with the governing board(s) and the Commission, stating the relationship of a proposed self-supporting academic entity to the parent institution(s). The memorandum of understanding shall document provisions for compensation to the parent institution for all services it provides to a self-supporting academic entity and specify contingency plans in the event the entity cannot sustain a revenue stream adequate to pay its expenses.
- 5.0.40 **Academic.** Institutions will report enrollments and degrees awarded through a self-supporting academic program. Any outcomes generated through the participation in the self-supporting academic program(s) will not be considered for funding purposes.
- 5.0.50A **Financial.** Entities proposed to be self-supporting must identify the source and amount of funds by source which are planned to meet the entity's expenses.
- 5.0.50B The Commission requires a self-supporting academic entity to generate sufficient tuition and fee and other non-state revenues to fund all direct and indirect costs of the entity, including personnel and overhead costs. Institutions may not use state funds to meet direct or indirect operating costs associated with a self-supporting academic entity.
- 5.0.50C Institutions may not use state funds for capital outlay, capital maintenance, or other physical plant renovations or improvements for a self-supporting academic entity. Capital improvements for a self-supporting academic entity are subject to established policies and procedures of the State Building Commission and the Tennessee State School Bond Authority (TSSBA), as well as any other administrative or regulatory bodies as applicable.
- 5.0.50D Institutions shall follow established processes to set tuition and fee levels and ensure adequacy of non-state revenue to sustain a self-supporting academic entity.
- 5.0.50E The Commission will not include tuition and fee level guidance to the governing board(s) of a self-supporting academic entity. The Commission may recommend that the governing board set tuition and fees at a level sufficient to meet the expenses of this entity when combined with other non-state revenue sources.

- 5.0.50F As part of the annual budget process, institutions will report to the governing board and the Commission all updates to strategies to realize revenue projected in the proposal to establish the self-supporting academic entity.
- 5.0.50G All tuition and fee revenues associated with the self-supporting academic entity shall be retained by the institution(s) and accounted for separate and apart from the unrestricted general fund of the parent institution(s).
- 5.0.50H Institutions will establish a reserve fund for excess revenue specific to a self-supporting academic entity. Excess revenues derived from a self-supporting academic entity may be applied only to that entity.

Approved: July 14, 2005

Revised: May 11, 2017

Applicable Statute

T.C.A. § 49-7-202, strategic financial plan, state appropriations, capital investments

T.C.A. § 49-7-1002, higher education funding requests

T.C.A. § 49-8-203, capital and real estate transactions

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5.0.10 **Scope and Purpose.** ~~Requirements~~ This policy outlines the authority, scope, and requirements for establishing and maintaining a self-supporting academic entity at a public institution of higher education.

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5.0.30GB Governing board and Commission policies concerning review and approval of academic programs, operating budgets, and other matters apply to entities approved as self-supporting.

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~~5.0.30DC~~ 5.0.30DC ~~The~~An institution will ~~must~~ annually review the status of the self-supporting academic entity in meeting its approved purpose for the first five (5) years of operation and forward the review to the governing board and ~~and THEC~~ to the Commission as part of the annual budget process.

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5.0.30D Institutions proposing the development of self-supporting academic entities should employ appropriate safeguards to ensure that the entity does not impact state support of any existing higher education institution or entity.

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5.0.30E When proposing the establishment of a self-supporting academic entity, institutions must identify comparable private and public programs and assess the market potential for the proposed entity relative to its competitors.

5.0.30F A self-supporting academic entity may have a unique allotment code issued by the State Department of Finance and Administration.

5.0.30G An institution's internal auditor will review the self-supporting academic entity as part of the institution's regular audit plan. It is recommended that the annual State audit report include audits of self-supporting academic entities.

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5.0.30H Institutions shall develop a formal memorandum of understanding with the governing board(s) and the Commission, stating the relationship of a proposed self-supporting academic entity to the parent institution(s). The memorandum of understanding shall document provisions for compensation to the parent institution for all services it provides to a self-supporting academic entity and specify contingency plans in the event the entity cannot sustain a revenue stream adequate to pay its expenses.

5.0.40 **Academic.** ~~5.0.20C~~ —Institutions will report enrollments and degrees awarded ~~in~~ through a self-supporting academic program; however, Any student credit hours outcomes generated through these enrollments, the participation in the self-supporting academic program(s) will not be considered for funding purposes.

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5.0.50A **Financial.** Entities proposed to be self-supporting must identify the source and amount of funds by source which are planned to meet the entity's expenses.

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~~5.0.150EB~~ —The governing board and ~~THE~~Commission requires a self-supporting academic entity to generate sufficient tuition and fees and other non-state revenues to fund all direct and indirect costs of the entity, including personnel and overhead costs. ~~An institution~~Institutions will ~~may~~ not use state funds to meet direct or indirect operating costs associated with a self-supporting academic entity.

~~5.0.1050FC~~ —An institutionInstitutions will ~~may~~ not use state funds for capital outlay, capital maintenance, or other physical plant renovations or improvements for a self-supporting academic entity. —Capital improvements for a self-supporting academic entity will ~~bear~~ be subject to established policies and procedures of the State Building Commission and the Tennessee State School Bond Authority (TSSBA), as well as any other administrative or regulatory bodies as applicable.

5.0.50D Institutions shall follow established processes to set tuition and fee levels and ensure adequacy of non-state revenue to sustain a self-supporting academic entity.

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5.0.50E The Commission will not include tuition and fee level guidance to the governing board(s) of a self-supporting academic entity. The Commission may recommend that the governing board set tuition and fees at a level sufficient to meet the expenses of this entity when combined with other non-state revenue sources.

5.0.50F As part of the annual budget process, institutions will report to the governing board and the Commission all updates to strategies to realize revenue projected in the proposal to establish the self-supporting academic entity.

5.0.50G All tuition and fee revenues associated with the self-supporting academic entity shall be retained by the institution(s) and accounted for separate and apart from the unrestricted general fund of the parent institution(s).

5.0.50H Institutions will establish a reserve fund for excess revenue specific to a self-supporting academic entity. Excess revenues derived from a self-supporting academic entity may be applied only to that entity.

~~5.0.10C~~ ~~Governing board and THEC policy for review and approval of academic program operating budgets applies to entities approved as self-supporting. If the characteristics of a self-supporting academic entity justify high program costs, the proposal must state a rationale for these costs.~~

~~5.0.10A~~ ~~Governing board and THEC policy for review and approval of academic programs and units applies to entities proposed as self-supporting.~~

~~5.0.10B~~ ~~The proposal to establish the self-supporting academic entity must identify the source and amount of funds by source which are planned to meet the entity's expenses.~~

~~5.0.10C~~ ~~Governing board and THEC policy for review and approval of academic program operating budgets applies to entities approved as self-supporting. If the characteristics of a self-supporting academic entity justify high program costs, the proposal must state a rationale for these costs.~~

~~5.0.10D~~ ~~The institution will annually review the status of the self-supporting academic entity in meeting its approved purpose and forward the review to the governing board and THEC as part of the annual budget process.~~

~~5.0.10E~~ ~~The governing board and THEC require a self-supporting academic entity to generate sufficient tuition and fees and non-state revenue to fund all direct and indirect costs of the entity, including personnel and overhead costs. An institution will not use state funds to meet direct or indirect operating costs associated with a self-supporting academic entity.~~

~~5.0.10F~~ ~~An institution will not use state funds for capital outlay, capital maintenance, or other physical plant renovations or improvements for a self-supporting academic entity. Capital improvements for a self-supporting academic entity will be subject to established policies and procedures of the State Building Commission and the Tennessee State School Bond Authority.~~

Safeguards to ensure that a self-supporting academic entity does not impact the state support of any existing higher education institution or entity

~~5.0.20A~~ ~~In its proposal to establish a self-supporting academic entity the institution will identify comparable private and public programs and assess the market potential for the proposed entity relative to its competitors.~~

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~~5.0.20B — The institution shall develop a formal memorandum of understanding with its governing board and THEC stating the relationship of a proposed self-supporting academic entity to the host institution. The memorandum of understanding will document provisions for compensation to the host institution for all services it provides to a self-supporting academic entity and specify contingency plans in the event the entity cannot sustain a revenue stream adequate to pay its expenses.~~

~~5.0.20C — Institutions will report enrollments in a self-supporting academic program; however, student credit hours generated through these enrollments will not be considered for funding purposes.~~

~~5.0.20D — A self-supporting academic entity will have a unique allotment code issued by the State Department of Finance and Administration.~~

~~5.0.20E — An institution's internal auditor will review the self-supporting academic entity as part of the institution's regular audit plan.~~

~~5.0.20F — It will be recommended that the annual State audit report include audits of self-supporting academic entities.~~

5.0.30 Processes to set tuition and fee levels and ensure adequacy of non-state revenue to sustain a self-supporting academic entity

~~5.0.30A — The THEC shall not include in its annual tuition recommendations to the governing boards a specific tuition level for a self-supporting academic entity. Instead, THEC shall recommend that the governing board set tuition and fees at a level sufficient to meet the expenses of this entity when combined with other non-state revenue sources specific to it.~~

~~5.0.30B — As part of the annual budget process, the institution will report to the governing board and THEC all updates to strategies to realize revenue projected in the proposal to establish the self-supporting academic entity.~~

~~5.0.30C — All student tuition and fee revenue associated with the self-supporting academic entity shall be retained by the institution and accounted for separate and apart from the host institution's unrestricted general fund.~~

~~5.0.30D — The institution will establish a reserve fund for excess revenue specific to a self-supporting academic entity. Excess revenue derived from a self-supporting academic entity may be applied only to that entity.~~

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