

TENNESSEE HIGHER EDUCATION COMMISSION

Minutes of the Summer Quarterly Meeting

July 26, 2018 at 10:00 a.m. CDT
Senate Hearing Room I, Cordell Hull Building
425 5th Ave. N., Nashville, TN 37243

Link to recording:

<https://web.nowuseeit.tn.gov/Mediasite/Play/9e28f987f97f4f35881ef1f0527a50081d>

Chairman Evan Cope called the meeting to order at 10:00am.

Member	PRESENT	ABSENT
Chairman Evan Cope	X	
Commissioner Nancy Dishner	X	
Secretary Tre Hargett	X	
Commissioner Jimmy Johnston	X	
Commissioner Pam Koban	X	
Treasurer David Lillard	X	
Commissioner Sarah Morrison		X
Commissioner Mintha Roach	X	
Commissioner Vernon Stafford		X
Commissioner Cara Sulyok		X
Commissioner Frank Watson	X	
Commissioner AC Wharton		X
Comptroller Justin Wilson		X
Commissioner Dakasha Winton	X	

Secretary Hargett joined the meeting shortly after roll call. There were 9 voting members present, constituting a quorum.

ADOPTION OF AGENDA

A motion to adopt the agenda was made by Commissioner Dishner and seconded by Commissioner Winton. A voice vote was taken and the motion was adopted unanimously.

APPROVAL OF MINUTES

A motion to approve the minutes of the May 17, 2018 meeting was made by Secretary Hargett and seconded by Commissioner Koban. A voice vote was taken and the motion was adopted unanimously.

AGENDA ITEMS

I. Postsecondary Education Authorization (Action Items)

- A. Institutional Reauthorization**
- B. Authorization of New Institutions**
- C. Approval of New Programs**
- D. Optional Expedited Authorization**

Actions items I. A, B, C and D were combined by the Chair and voted on as one item. There was no objection by any Commission member present. THEC's Dr. Stephanie Bellard Chase presented the items. THEC's Committee on Postsecondary Educational Institutions (CPEI) recommended that reauthorization be granted from September 1, 2018 through August 31, 2019 as follows: 34 institutions for regular authorization, 4 institutions for temporary authorization, and 2 institutions for conditional authorization. CPEI further recommended temporary authorization for 8 new institutions, approval of 29 new programs for 6 institutions, and optional expedited authorization for 8 institutions. A motion to approve was made by Commissioner Winton and seconded by Commissioner Dishner. A voice vote was taken and the motion passed unanimously.

E. Recommendations for Appointments to the Committee on Postsecondary Educational Institutions

Dr. Bellard Chase presented the THEC staff recommendation that Mr. Ron Gillihan, Mr. Bill Faour, Mr. John Keys and Dr. Kittie Myatt be appointed to CPEI. Each appointment is for a three year term from July 1, 2018 to June 30, 2021. A motion to approve was made by Commissioner Dishner and seconded by Commissioner Winton. A voice vote was taken and the motion passed unanimously.

II. Policy Updates (Action Item), THEC Policy Manual Revision

THEC Associate General Counsel Shauna Jennings presented proposed modifications to the THEC Policy Manual: updated descriptions of the composition of the Commission, reducing the number of student members from two to one, and the student member appointment process, both consistent with changes to T.C.A. §49-7-204 enacted by 2018 Public Chapter 602, and the removal of the limitation on the number of successive terms that a member may serve as Chair of the Commission. A motion to approve was made by Treasurer Lillard

and seconded by Commissioner Johnston. A voice vote was taken and the motion passed unanimously.

Commissioner Koban recommended that the Commission make changes to the Policy Manual to reflect the shifting of the appointment authority of the THEC Executive Director to the Commission, as it takes effect in January.

III. Academic Programs (Action Items)

THEC Chief Academic Officer Betty Dandridge Johnson introduced four new academic program proposals for Commission approval and recognized institutional representatives to present them.

A. University of Tennessee, Chattanooga, Mechatronics Engineering Technology, Bachelor of Applied Science

Dr. Daniel J. Pack of UT Chattanooga presented the Mechatronics Engineering, Bachelor of Applied Science. The program aligns with the THEC Master plan, state, economic development and the UTC mission. The program will contribute toward meeting the greater Chattanooga community's technical workforce needs and the education reform objective outlined by the Complete College Tennessee Act by targeting potential students with a desire to pursue a 4 year technology degree. After some discussion, a motion to approve was made by Secretary Hargett and seconded by Commissioner Koban. A voice vote was taken and the motion passed unanimously.

B. University of Memphis, Commercial Aviation, Bachelor of Science

Dr. Karen Weddle West of the University of Memphis presented the Bachelor of Science in Commercial Aviation. Endorsed by Mr. Fred Smith, CEO of Federal Express Corporation, the program is aligned with the state master plan and institutional mission, and provides educational opportunities for students from historically underrepresented minority populations, as well as traditional students and adult learners, including veterans. It will also partner with FedEx Corporation, FedEx Institute of Technology and other major air carriers to facilitate internships or job opportunities for students to help address local and national pilot shortages. A motion to approve was made by Treasurer Lillard and seconded by Secretary Hargett. A voice vote was taken and the motion passed unanimously.

C. University of Memphis, Biostatistics, Master of Science

Dr. Weddle West continued with the presentation of the Master of Science in Biostatistics, how it was designed to align with state master plan and institutional mission and to help address the demand of biostatisticians, its enrollment and graduation projections, and the overall program costs/revenues. A motion to approve was made by Treasurer Lillard and seconded by Secretary Hargett. A voice vote was taken and the motion passed unanimously.

D. University of Memphis, Liberal Studies, Doctor of Liberal Studies

Dr. Weddle West continued with the presentation of Doctor of Liberal Studies. She presented the program features, the alignment with state master plan and institutional mission, the need and demand, the overall program costs/revenue, and the enrollment and graduation projections. After extensive discussion by the Commission members, a motion to approve was made by Treasurer Lillard and seconded by Commissioner Johnston. A roll call vote was taken and the motion passed with 8 ayes and 1 nay from Secretary Hargett.

IV. 2018-19 Proposed Operating Budgets (Action Item)

THEC Associate Chief Fiscal Officer Steven Gentile reported on the state's higher education operating budget process, and a recent request by Treasurer Lillard that the institutions engage in financial stress tests. The purpose of these tests was to attempt to predict the effect of certain financial challenges, such as a decline in state appropriations or enrollment, or if federal funding was reduced or eliminated by policy changes. Mr. Gentile gave an overview of the financial stress test and the conversations his team had been having with the institutions.

THEC Director of Fiscal Policy Analysis Crystal Collins presented the proposed 2018-19 state operating budgets for higher education, which include a \$1.62 billion total recurring appropriation, \$8.8 million non-recurring appropriation, and \$55 million for productivity and salary increases. Estimated total university revenues were \$2.93 billion, broken down to 60.6% tuition & fees, 31.7% state appropriations, 6.9% other and .08% sales & services. Tennessee ranks third (\$395 million) among southern states in the total amount of financial aid awarded, and ranks second for funding by amount of aid per student. The proposed operating budget was recommended for approval. Commissioner Roach made a motion that the Commission transmit the FY 2018-19 July 1 Proposed Operating Budgets with the

Commission's comments to the Department of Finance and Administration for their review and approval and authorize the Executive Director to make appropriate technical adjustments if necessary and Treasurer Lillard seconded it. A voice vote was taken and the motion passed unanimously.

V. Tuition and Fee Development Process (in lieu of Systems' Reports)

Mr. Gentile reported on the tuition and fee development process. During the May 17, 2018 Spring Commission meeting, the Commission requested that the various system and institutional presidents be prepared to discuss their respective tuition-setting processes at the THEC July Quarterly Meeting. In preparation for the presentations, THEC provided each school with 4 questions: 1) what is the present increase in the maintenance fee and the percent increase in the combined maintenance and mandatory fees for 2018-19? How much revenue do you anticipate to raise with these increases? 2) What specific factors did your staff and governing board consider when recommending and establishing the 2018-19 maintenance and mandatory fee levels? 3) To what extent were efforts implemented to mitigate the effect of the maintenance and mandatory fee increases on students? 4) Please provide a table listing your major areas of expenditures, as well as a breakdown of their percentages of your total budget. What strategies have you implemented-or plan to implement-to reduce growths in these areas of expenditures? The institutions' responses were included in the Commission materials. Mr. Gentile described the general timeline for the tuition setting process.

Tennessee Board of Regents Chancellor Flora Tydings and University of Tennessee Assistant Vice-President of Budget, Ron Loewen made presentations in response to the Commission's request. Secretary Tre Hargett requested that Chancellor Tydings' prepared remarks be included in the minutes. (See addendum 1)

Dr. Rex Gandy, Provost at Austin Peay State University, President Brian Noland of East Tennessee State University, and Alan Thomas, Vice President for Business & Finance at Middle Tennessee State University, President Glenda Glover of Tennessee State University, President Phil Oldham of Tennessee Tech University, and Raaj Kurapati, the Chief Financial Officer for the University of Memphis, made presentations in response to the Commission's request.

VI. Election of Officers (Action Item)

Commissioner Koban nominated Chairman Cope for re-election of Chairman. At this time, Chairman Cope passed the gavel to Commissioner Koban, who proposed they consider these officer elections as a slate, with a single vote at the end of the nominations. The motion to re-elect Chairman Cope was made by Secretary Hargett and seconded by Commissioner Winton.

Commissioner Dishner nominated Commissioner Roach as Vice Chair, East Grand Division. The motion was made by Commissioner Dishner and seconded by Commissioner Johnston.

Chairman Cope nominated Commissioner Stafford as Vice Chair, West Grand Division. The motion was made by Commissioner Koban and seconded by Chairman Cope.

Commissioner Koban nominated Commissioner Wharton for Secretary. The motion was made by Commissioner Koban and seconded by Chairman Cope.

A voice vote was taken and the Commission unanimously elected the following officers:

Evan Cope- Chairman

Mintha Roach- Vice Chairman, East Grand Division

Vernon Stafford- Vice Chairman, West Grant Division

AC Wharton- Secretary

ADJOURNMENT

Chairman Cope adjourned the meeting.

Approved:

Evan Cope, Chair

AC Wharton, Secretary

Addendum 1- Chancellor Tydings prepared remarks, a request of Secretary Hargett.

THEC Meeting – Tuition Discussion July 26, 2018

I want to thank you for the opportunity to discuss our 2018-19 Maintenance and Mandatory fees. First, I want to assure you that approval of fees is a responsibility our Board takes very seriously as they balance student affordability with providing our colleges the resources to serve our students well.

I want to briefly touch on the four points outlined in Executive Director Krause's June 5th letter to us. As I do so, please keep in mind one of the unique challenges that our Board has regarding tuition and fees. Our Board governs 40 independently managed institutions from two sectors, 13 community colleges and 27 colleges of applied technology. Inherent with that, is a decentralized budget process, that is, decentralized from the system office. Budgets are developed at the college level with each institution's president being responsible for engaging their campuses in the budget development process. Their budgets are developed to meet the unique needs and strategic priorities of their individual institutions.

However, one thing that all the institutions in each sector have in common is their maintenance fee rate and for the most part their mandatory fees. Given that we operate as a system, we believe that it is important for all the institutions in each sector to maintain a consistent maintenance fee structure. While there are certainly benefits to this model, there are certain inherent limitations as well. While our institutions are all similar they are all disparate as well in their strategic plan, size, financial condition, geographic location, course offerings, etc.

Therefore, tailoring a common maintenance fee structure that exactly serves the needs of each of our 40 institutions is a difficult task.

As you will see from the materials, our community college maintenance fee rate increased 2.68%. For a student taking 15 credit hours, the maintenance fee cost increased \$54 dollars per semester from \$2,016 to \$2,070. Tuition increases for the past four years were the lowest tuition increases in the history of the Tennessee Board of Regents system with an average 2.83% increase per year.

Furthermore, the combined maintenance and mandatory fee rate increased from 2.44% to 2.62% with the majority being under 2.50%. Only one of our 13 community colleges, Columbia State, had a mandatory fee increase this year. Where the student body voted to establish a \$3.00 per student, student government fee.

For the TCATS, the maintenance fees increased by 2.99% for FY 18-19 while the combined maintenance and mandatory fee rate increased by 2.81%. For a student taking a full load for the trimester the tuition cost increased \$35 dollars per trimester from \$1,169 to \$1,204. There was no increase in any of the mandatory fees for our TCAT's.

For the community colleges, approximately 1.4% of the 2.68% maintenance fee increase was for the institutions' portion of the 2.5% state salary increase.

Approximately 1.28% of the 2.68% increase was used for various operating cost increases including increases in utilities, academic programs operations, travel, labor costs (new positions, salary plan, adjunct increases).

For the TCATS, approximately 1.6% of the 2.99% maintenance fee increase was for the institutions' portion of the 2.5% state salary increase. Approximately 1.39% was used for various operating cost

increases including increases in classroom consumables, small tools, utilities, equipment, and travel. Actually, the calculated amount needed for the TCAT inflation portion was 1.9% but was reduced to control costs and to stay within the overall binding ranges.

Factors that we considered this year when setting the rates are factors that are common to all our colleges and included an amount sufficient to fund all institutions' portion of the state salary increase and as well as an amount to recognize inflation.

However, in recent years we have used three primary factors when determining the tuition rate increase. In addition to the two factors just mentioned, we have historically allowed for an amount necessary to fund special initiatives common to all institutions. For example, a common initiative may have been new programs or services related to the implementation of TN Promise.

However, this year to mitigate the effect of the increase on students, no special common initiatives were considered this year.

Additionally, the factor used for the inflation calculation was reduced. For the past several years, an inflation factor was calculated that would equate to replacing 80% of the inflation costs calculated using the Higher Education Price Index (HEPI). This year, the inflation factor was calculated equated to 62% of the HEPI. This effectively required the institutions to fund/absorb the remaining 38% of the inflationary costs through other budget reductions and efficiencies.

Regarding strategies to reduce expenditure growth, our 40 colleges provided numerous examples of things that they either have done or plan to do.

Many of the examples related to such things as:

- Reallocation of job duties/positions to avoid creating new positions and/or deleting existing positions*
- Refilling open positions at a lower salary*
- Review and closure of low enrollment programs*
- Implementation of energy efficiency measures*
- Process/productivity improvement*

From a system perspective, an additional measure taken was that during the last legislative session a bill was passed that would allow our Board to combine TCATS where appropriate and thereby reducing administrative costs.

We believe these examples demonstrate that our colleges are continually looking for ways to manage costs and reallocate resources to make the most effective use of resources available to them and to reduce the need for exorbitant tuition increases.

One other note worth pointing out is that we have just compiled an economic impact study for the System's operations resulting in a \$1.6 billion total economic output during the 2016-17 academic year.

Again, thank you for this opportunity to discuss our maintenance fee process.