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BILL HASLAM
Governor

TO: THEC Commission Members
TSAC Board Members

FROM: Mike Krause

SUBJECT: Governor's FY 2017-18 Budget Recommendation

DATE: January 30, 2017

On Monday evening, Governor Bill Haslam presented his 2017-18 budget proposal to the 110th General Assembly. It includes an operating improvement of \$25 million to fund productivity increases and \$30.1 million for salary increases across universities, community colleges, and Tennessee Colleges of Applied Technology — a combined total of \$55.1 million, exceeding the THEC recommendation of \$48 million for all formula units.

Including the recurring improvements listed below, the Governor's budget recommends recurring appropriations for higher education totaling \$1.453 billion, an increase of \$85.4 million, or 6.2 percent, over the 2016-17 recurring appropriation level. Higher education also received an increase of \$17.8 million in non-recurring appropriations.

Finally, the Governor's budget recommended all 12 of the THEC capital outlay projects and one additional project, committing over \$340 million to capital improvements. The Governor's budget also recommended \$131.4 million for capital maintenance, \$40 million of which is identified as recurring funds. See below for additional details.



Recurring Institutional Improvements and Reductions (\$79.8 million)

- \$25.0 million to fund productivity increases through the outcomes-based funding formula;
- \$30.1 million for salary increases at UT and TBR formula units;
- The Governor's combined \$55.1 million for productivity and salary increases at formula units exceeds THEC's recommended \$48.0 million.
- \$11.5 million for salary increases at UT and TBR non-formula units;
- \$13.2 million for increases to group health insurance premiums.

Non-recurring Institutional Improvements (\$11.6 million)

- \$500,000 to Tennessee Technological University to match funds provided by the National Science Foundation for cyber security research (year 1 of 4);
- \$3.0 million to the UT Health Science Center to match funds provided by St. Jude in order to recruit pediatric physician scientists (year 5 of 5);
- \$6.0 million to the University of Tennessee Bredesen Center and Oak Ridge National Laboratories (ORNL) partnership to initiate a new PhD program for data science;
- \$2.1 million to the University of Tennessee County Technical Assistance Service (CTAS) to create a curriculum for and implement the Certified County Finance Officer (CCFO) certification program. Proposed legislation will require a CCFO for each of the 95 counties in Tennessee.

Capital Improvements (\$474.5 million)

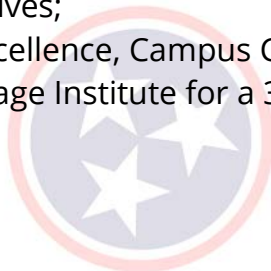
- \$343.1 million for 13 capital outlay projects (in order by THEC Recommendation):
 - Motlow State Community College – Rutherford County Teaching Addition III — \$24.5 million
 - East Tennessee State University – Lamb Hall Renovation — \$17.3 million;
 - University of Tennessee at Martin – New Classroom Building (STEM) — \$58.5 million;
 - Walters State Community College – Sevier County Campus Addition — \$11.3 million;
 - Volunteer State Community College – Warf Building Renovation — \$4.2 million;
 - University of Tennessee, Knoxville – Engineering Services Facility — \$90.3 million;
 - University of Memphis – Music Facility — \$29.0 million;



- Columbia State Community College – Finney Library Renovation — \$5.5 million;
- TCAT Knoxville – Satellite Campus — \$12.8 million;
- TCAT Memphis – Satellite Campus — \$10.9 million;
- Pellissippi State Community College – Multi-Purpose Building and Renovations — \$24.3 million;
- Statewide – TCAT Improvements Phase 2 — \$51.3 million;
- Walters State Community College – Greeneville Campus Completion — \$3.4 million (not included in the THEC recommendation).
- \$131.4 million for 63 THEC recommended capital maintenance projects
 - \$73.7 million for 51 projects in the Tennessee Board of Regents system;
 - \$57.7 million for 12 projects in the University of Tennessee system;
 - \$40.0 million of the \$131.4 million is recommended as recurring, a departure from prior practice in which all capital maintenance projects were funded by nonrecurring funds.

Recurring THEC/TSAC Improvements (\$11.0 million)

- \$10.0 million for the Tennessee Student Assistance Awards (TSAA) program to fund approximately 5,500 additional students. This will increase the total amount of funding for TSAA to nearly \$100 million. Currently an estimated 76,000 eligible students go unfunded due to program demand;
- \$120,600 to THEC for a Capital Projects Coordinator, a position that will be responsible for coordinating the newly created capital project structure under the Focus On College and University Success (FOCUS) Act;
- \$300,000 for the McWherter Academic Scholars program, which encourages academically superior Tennessee high school graduates to attend college in Tennessee. This will increase the total amount of funding for the program to over \$1 million;
- \$200,000 to THEC to offset lost revenue from loan authorization fees that previously supported core administrative functions such as fiscal services and human resources;
- \$100,000 to provide recurring funds for a Tennessee Reconnect Grant Coordinator, a position that is currently grant funded;
- \$83,900 for a Drive to 55 Support Specialist, a position that will provide increased capacity to manage the daily operations of Drive to 55 and Tennessee Promise Initiatives;
- \$487,500 to Centers of Excellence, Campus Centers of Emphasis, and the Tennessee Foreign Language Institute for a 3.0 percent salary pool increase;



- A reduction of \$340,000 for Contract Education.

Non-Recurring Drive to 55 and THEC Administered Initiatives (\$6.5 million)

- \$2.5 million for Advise TN, a program created in 2016-17 which provides one-on-one assistance for students transitioning from high school to higher education;
- \$1.0 million for Veteran Reconnect — renewal of competitive grants focused on improving the success of student veterans by enhancing training for faculty and staff who work with veterans;
- \$800,000 for the Institutional Outcome Improvement Fund — renewal of competitive grants for institutions that develop action plans for addressing lagging outcomes;
- \$800,000 for Tennessee Promise Forward — renewal of competitive grants to institutions to develop programs to recruit and retain Tennessee Promise participants;
- \$200,000 for positions that will provide administrative/fiscal oversight and leadership for the Adult Learner Program;
- \$250,000 for expansion of the Tennessee Reconnect Community Advisor Program, a pre-enrollment counseling and enrollment support program for adult learners;
- \$150,000 for student outreach for the Tennessee Promise Scholarship and Tennessee Reconnect programs;
- \$750,000 to expand the Seamless Alignment and Integrated Learning Support (SAILS) program in high-demand areas;
- \$96,000 to maintain a position that will provide coordination and oversight of the Labor Education Alignment Program (LEAP).

