

TICUA Policy Summary – 106th General Assembly Second Session

June 8, 2010

The Second Session of the 106th Tennessee General Assembly started off with a fast paced Extraordinary Session. Governor Phil Bredesen called the Extraordinary Session to launch significant reforms in both K-12 and higher education. The K-12 reforms were also designed to better position Tennessee to receive funds from the competitive federal Race To The Top program. In the end, only Tennessee and Delaware were awarded grants from the program totally \$600million of which Tennessee received \$500 million.

Once the Extraordinary Session was completed, Legislators moved into the regular session work. Overall, TICUA was able to shepherd through a number of successful initiatives in student aid, procurement, data protection, and endowment management. This policy summary provides you a brief on some of the more key issues.

Legislature Passes Higher Education Reform During Special Session

The Tennessee General Assembly passed Governor Phil Bredesen’s higher education reform package during the final hours of the Extraordinary Session. The Complete College Tennessee Act of 2010 is largely based on a study completed by Stan Jones, founder of Complete College America and funded by the Gates and Lumina Foundations. Here are some of the key features of the new law:

- Makes significant changes to how public higher education develops its master plan. Universities must address the state’s economic and development strategies in their goals and objectives. The state’s funding formula will be recalibrated to focus on course completion and degree production rather than enrollment counts. An emphasis will be put upon the development of discreet mission statements for each public institution for higher education and producing degrees consistent with those statements. THEC will then be responsible for developing policies and formulae for fair and equitable distribution of funds consistent with these goals and plans.
- Tennessee’s community colleges will be treated as a system. Rather than thirteen independent institutions, the state will immediately begin to develop uniformity among the community colleges.
- The Act creates a “university tract” in the community college curriculum. The tract will provide 41 hours of general education courses and 19 hours of pre-major specific courses. Whether or not a student completes all or portions of the tract, the courses will be transferred with equivalence to the public universities.
- If a student completes an AA or AS at a public community college they will be able to transfer to a public university with junior status.

- Instructs the public sector to complete the current work of developing a common course numbering system between the community colleges and the public universities.
- Creates an option for community college students who intend to pursue a four year degree and meet the university admission standards to be simultaneously enrolled at the community college and a four-year university.
- Requires that all remedial and developmental work be completed at the community colleges.

TICUA Asked to Serve on THEC Master Plan Committee

TICUA President Claude Pressnell has been invited to serve on the Master Plan Steering Committee for the state's 2010-2015 plan for higher education. The plan will respond to the provisions of the recent Complete College Tennessee Act of 2010. According to the THEC Executive Director Richard Rhoda, the charge of the Committee is to craft a plan that focuses in large part on the following provisions:

- (1) Addressing the state's economic development, workforce development and research needs
- (2) Ensuring increased degree production within the state's capacity to support higher education
- (3) Using institutional mission differentiation to realize statewide efficiencies through institutional collaboration and minimized redundancy in degree offerings, instructional locations and competitive research

The Steering Committee will work with three committees as it makes its recommendations for the goals and measures of the Master Plan and the strategies for achieving desired outcomes. These three committees are the Formula Review Committee, the Performance Funding Program Advisory Committee, and the Academic Affairs Committee. Pressnell will also serve on the Academic Affairs Committee which will grapple with articulation and transfer of credit issues. Additionally, the Steering Committee will hear the findings of an advisory committee on Increasing Adult Participation in higher education.

TICUA Bills Pass Both Chambers

During the regular session TICUA worked with key legislators to pass bills directly impacting its member colleges and universities. The three bills cover issues related to restricted funds, indemnification related to data sharing, and increasing access to low cost state negotiated contracts and services. All three bills passed both the House and Senate with little or no opposition. The following is a more in-depth description of the new provisions:

Uniform Prudent Management of Institutional Funds Act (UPMIFA)

In 2007 the Tennessee General Assembly passed the Uniform Prudent Management of Institutional Funds Act (UPMIFA). One key aspect of the Act was to provide allowances for non-profits to utilize donor directed funds that, due to the restrictions, have not been able to be utilized for more than 20 years and have values of less than \$25,000. Since then, however, other States have passed similar laws

but with more generous provisions. In light of the recent economic challenges non-profits face and with the recent actions of many other states, it seemed reasonable to realign Tennessee's UPMIFA law to provide greater latitude for the use of funds.

TICUA worked with Senator Doug Overbey and Representative Craig Fitzhugh to amend the statute. The Act now provides for an increased value of the restricted fund up to \$150,000 with an automatic escalator to increase the amount annually by \$5,000. The Act now allows TICUA members greater discretion with their restricted endowment funds.

Data Indemnification

TICUA was pleased to work with Senate Education Chair Dolores Gresham and Representative Beth Harwell to pass legislation that legally protects private colleges and universities from lawsuits related to data loss by the state. TICUA members are currently required to submit to THEC student unit record data on those receiving the lottery scholarship. Before this bill was passed, if data were lost or misused by the state of Tennessee the affected students could not sue the state because of sovereign immunity but may have had recourse with the member college or university. The law now offers legal protection to the private colleges once the data are successfully transmitted to the state.

TICUA Members Gain Access to State Negotiated Contracts

Senator Ken Yager and Representative Jim Cobb have successfully passed legislation that enables TICUA members to have access to all state negotiated contracts. This provides private colleges and universities yet another purchasing option. Currently, TICUA members are offered deep discounts on contracts negotiated through the TICUA Procurement Program and the national Coalition for College Cost Savings. It has been a longstanding goal of TICUA to assist members in reducing costs by offering exceptional pricing on products routinely purchased by its members. This new provision provides TICUA members significant purchasing power on a wide array of products and services on campus.

Contract Education Survives Budget Battle

During the final days of the Legislative session the Senate Republicans were looking for ways to cut the budget in order to avoid any tax increases. Contract Education ended up on the cutting table. Under the reduction proposal, 50% of the program funding would be moved from recurring to nonrecurring, or one-time funding, for FY2011 consequently cutting the program by one-half by FY2012.

Through contract education the State of Tennessee is able to offer academic programs to citizens that are not currently offered by public colleges or universities. For example, the Southern College of Optometry is the only optometry school in Tennessee. Instead of creating a public optometry school, the state provides scholarships to reserve a certain number of student slots at SCO for Tennesseans at a reduced rate. This is remarkable cost-savings collaboration for the state.

The proposal could have possibly eliminated the smaller contracts with Maryville College and Vanderbilt University while also deeply cutting the larger programs with Meharry Medical College and Southern College of Optometry.

TICUA launched a successful effort to save the program. Ultimately, the Senate's proposal to move 50% of the contract education funding into the non-recurring column was reversed in the budget compromise. The final budget kept the program's entire funding in the recurring column, thus improving its position to secure future funding.

TSAA Improvement Moved to One-time Funding

Governor Phil Bredesen's budget proposal called for a \$3.2 million recurring improvement for the state's only need-based student aid program. This enhancement will merely keep the Tennessee Student Assistance Award at the current funding level. The final budget passed by the General Assembly, however, moved the improvement from recurring funds into non-recurring for two years. This essentially guarantees a level funding for the next two academic years but makes future funding less certain.

Under TICUA's leadership, the Tennessee Student Aid Alliance sent a letter to Legislative Plaza asking for lawmakers to preserve the additional \$3.2 million in order to better serve college qualified low-income students gain access to the college of their choice. As well, over 1,300 emails from students supporting the TSAA increase were sent through the Aid Alliance's website.

In the midst of severe cuts in education funding, the improvement for the state's need-based student aid program is a notable victory. It demonstrates the heightened awareness of the importance of this program among the Governor's office as well as among legislators.

Lottery Stabilization Committee

In April, Lt. Governor Ron Ramsey named a Lottery Stabilization Task Force to be chaired by Senate Speaker Pro Tempore Jamie Woodson. According to Ramsey's office, "The task force will make recommendations to keep the scholarship program viable over time. Its initial focus will be to limit the use of lottery reserves and ensure the scholarships are there for students who earn them."

The Tennessee Lottery Corporation reported to the House Education Committee that they expect a modest 1% increase in revenue for the lottery scholarship earnings. To date, they have transferred \$177.1 million into the scholarship program and anticipate an annual total transfer somewhere near \$272 million. This represents 26% of the gross revenue from all lottery sales. This slight increase will do very little to narrow the increasing gap between the revenues and program requirements.

The Task Force is expected to begin its work this summer with the goal of presenting a recommendation to the legislature in the fall. TICUA President Claude Pressnell has been named as a member of the Task Force along with the state's Constitutional Officers, Chairs and Vice Chairs of the Senate Education and Financial Committees, and the heads of UT, TBR, and THEC. House Speaker Kent Williams indicated to TICUA that he will name House members to the Task Force in the near future.

Lottery Expands to More Institutions

The only bill passing the House and Senate which impacts lottery expenditures does so by expanding institutional eligibility. Senator Randy McNally and Representative Jimmy Matlock introduced a bill which allows Hiwassee College to remain eligible for lottery funding even though they have lost their accreditation. The bill was then amended to include Tennessee Temple University and Knoxville College. The bill was also amended to phase in the impact by only making incoming freshmen eligible beginning fall 2010. Once amended, the bill's fiscal note was just over \$100,000. This was the only lottery bill containing a fiscal note that was not referred to the Lottery Stabilization Committee.