MEMORANDUM

TO: Members of the Tennessee Board of Regents
FROM: John G. Morgan
DATE: January 31, 2012
SUBJECT: Governor Haslam's FY 2012-13 Budget Recommendations

Attached is a summary of the Governor’s FY 2012-13 higher education budget recommendations. This summary identifies items related to the TBR and its institutions and includes links to various budget documents and materials. Please let us know if you need printed copies of these referenced materials.

Also attached is a budget summary provided by THEC staff to their Commission members that addresses a broader range of budget recommendations.

Please let me know if you have questions on this material.

Enclosures (2)

cc: Presidents
TTC Directors
Senior Staff
MEMORANDUM

TO: Chancellor John Morgan

FROM: Dale Sims DS

DATE: January 31, 2012

RE: Governor’s FY 2012-13 Budget Recommendations

Last night Governor Haslam presented his FY 2012-13 budget recommendations to the General Assembly. Listed below are some items pertinent to higher education and Tennessee Board of Regents institutions.

Operating Funds - Recurring

- A recurring state funding reduction of $12.1 million is recommended, equal to 2.1% of current state appropriations. This reduction is significantly less than the 5% reduction that higher education institutions were notified might be possible in Fall 2011.

- Recurring funding of $14.9 million is recommended to recognize improvement in educational outcomes at TBR institutions. Measures of these outcomes include number of degrees and certificates awarded, student retention and progression points, research and service efforts, workforce training activities, and graduation rates.

- Recurring funding of $17.2 million is recommended for a 2.5% salary increase for state employees, including employees of the higher education systems. The state funding recommended is based on the higher education funding formula, meaning that institutions would be responsible for funding approximately $10.1 million toward the cost of the 2.5% salary increase. As an information item, we estimate that a 1.2% maintenance fee increase would generate about $10.1 million.

- Premiums for the health insurance program are expected to increase in CY 2013. Recurring funding of $2.5 million is provided to partially fund the employer share of this increase.
Recurring funding of $476,300 is recommended to meet increased employee retirement contributions to the Tennessee Consolidated Retirement System.

Operating Funds - Non Recurring

- Non recurring state funding of $10.0 million in FY 2012-13 is recommended to address the impact of the second year of the phase out of the old THEC enrollment formula’s hold harmless provision. This funding benefits institutions losing funds from the hold harmless phase out by providing additional time to adjust to the new planned recurring funding level. As a reminder, the Administration and legislature provided $15.0 million in FY 2011-12 for this purpose and have expressed an intent to provide funding of $5.0 million in FY 2013-14 to fully carry out this transition plan. Of the $10.0 million recommended for FY 2012-13, $9.2 million accrues to the benefit of TBR institutions.

- Non recurring state funding of $4.0 million is recommended to support operations of the Lambuth Campus of the University of Memphis. This is the second year of a five year transition period.

Capital Outlay.

- Full funding of $126,650,000 is recommended for the MTSU Science Building. The Governor's recommendation envisions a non-state fund match for this project of $18,750,000 and is consistent with the action taken by THEC in submitting TBR’s proposed capital plan.

- Authorization is provided for planning activities on the next five (5) TBR capital priorities, namely:
  - Nashville State’s Academic & Support Building;
  - Northeast State’s Technical Education Complex;
  - UoM’s Biochemistry & Biology Building;
  - Volunteer State’s Humanities Building; and
  - Columbia State’s Williamson County Campus.

  The planning activities authorized would be funded from matching funds to be provided by institutions from non-state sources.

Capital Maintenance.

- Funding of $39.9 million is recommended for TBR institutions. This recommendation captures the system’s first 33 capital maintenance projects. The recommendation for the TBR System includes $800,000 to fund ADA projects.
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Budget Document and Related Materials. Links to on-line versions of the Budget Document and related materials are as follows:

Budget Document Volume 1


- Page xiii: Governor Haslam’s budget transmittal letter
- Pages xv: Commissioner Emkes’ transmittal letter summarizing recommendations.
- Pages A142 – A174: Capital Budget recommendations. Recommendations for TBR are shown on page A-145.
- Pages B80 – B83: Recommended Improvements for TBR.
- Page B122 – B135: Recommended budgets for TBR.

Budget Document Volume 2 – Detail on state agency budget reductions.


- Page 40: Presents information on TBR state recurring funding reductions by institution.

Staff will continue to analyze the budget document and will keep you informed as additional information concerning the budget becomes available.

DS:pm

c: Chief Business Officers
MEMORANDUM

TO: THEC Commission Members
    TSAC Board Members

FROM: Richard G. Rhoda

SUBJECT: Governor’s FY 2012-13 Budget Recommendation

DATE: January 30, 2012

This evening Governor Bill Haslam presented his 2012-13 budget proposal to the 107th General Assembly. It includes a recurring two percent reduction in state appropriations to higher education totaling $19.4 million, as well as an operating improvement of $25.4 million to fund productivity increases as recommended by the Commission. Including the other recurring improvements listed below, the grand total recurring 2012-13 state appropriations for higher education recommended in the Governor’s budget is $1.118 billion, an increase of $48.3 million, or 4.5 percent, over the 2011-12 recurring appropriation level.

Other Recurring Improvements
- $29.8 million that partially funds a 2.5 percent salary increase;
- $9 million for increases to group health insurance premiums and retirement costs;
- $3.4 million for the Tennessee Student Assistance Awards (TSAA).
Non-recurring Improvements

- $10 million for institutions that are negatively affected by the phase out of the hold harmless provision, which is related to the implementation of the outcomes-based funding formula of the Complete College Tennessee Act;
- $4 million for the University of Memphis for the second year of a five-year expansion to the Lambuth campus.

Capital Projects

- $208.8 million for four capital outlay projects;
  - MTSU Science Facilities - $107.9 million
  - UTK Strong Hall Addition and Renovation - $75.3 million
  - UTHSC Multidisciplinary Simulation Center - $21.7 million
  - UTHSC Buildings Demolition - $4 million
- $71.4 million for 47 capital maintenance projects, including $39.5 million for 35 projects in the Tennessee Board of Regents system and $31.9 million for 12 projects in the University of Tennessee system.

College Savings Plan

- Additionally, the budget proposal includes $1.7 million in non-recurring and $0.4 million in recurring funds for a new college savings plan to be managed by the State Treasurer.

Staff will provide additional analysis on the budget recommendations throughout the legislative session. Please call if you have any questions about the recommendations.

cc: Joe DiPietro
John Morgan
Janice Rodriguez
Greg Turner