

**DATE:** April 23, 2009**SUBJECT:** 2009-10 Student Fee Recommendation**ACTION RECOMMENDED:** Approval

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**BACKGROUND INFORMATION:** Currently, Tennessee public higher education universities rank eighth among sixteen states in the Southern Regional Education Board (SREB) in tuition and fee levels. Tuition and fees at Tennessee community colleges are fifth among the same sixteen states. Over the last five years, tuition increases have averaged 7.8 percent at universities, 6.9 percent at community colleges and 9.5 percent at Tennessee Technology Centers.

Last fall, THEC submitted to the Commissioner of Finance and Administration (F&A) a distribution of \$181.6 million in state appropriation reductions for 2009-10. The distribution was based on total actual revenue by institution and therefore included staff estimates for 2009-10 tuition increases as part of the calculations. At the time, THEC staff estimated tuition increases of five to seven percent at all institutions, except UT Knoxville where a seven to nine percent tuition increase estimate was used.

Earlier this year, the American Recovery and Reinvestment Act (ARRA) was signed into law which included, among other provisions, operating funds to public higher education institutions for 2008-09 through 2010-11 totaling \$470 million. The funding is non-recurring and will be utilized to help institutions transition their expenditures down to a level that reflects the reduced state appropriation base that is scheduled for 2009-10. An expressed intent of the bill is that institutions will use the funds to mitigate the need to increase student fees. The ARRA requires higher education to report annually how the use of the funds helped mitigate tuition increases.

For context, THEC staff utilized the tuition model to calculate the tuition increases over the next three years that would absorb the 15 percent reduction in the state appropriation base proposed in the Governor's 2009-10 budget. Factoring in enrollment and inflation increases, the tuition model calculated an annual tuition increase of 12 percent at the university level, 14 percent at community colleges, and 22 percent at the technology centers. Theoretically, tuition increases of this magnitude would absorb the state appropriation reductions, while maintaining

purchasing power per student through 2011-12. THEC staff, however, do not recommend that institutions recover all of the reductions through increases in student tuition, instead believing that institutions should absorb a large portion of the reductions in state appropriations.

Accordingly, and recognizing the intent of the ARRA that Federal funds be utilized to mitigate the need for tuition increases, THEC staff recommend up to a five to seven percent increase in tuition for universities, community colleges, and technology centers. Staff also recommends an increase up to nine percent for the University of Tennessee at Knoxville.

Staff will be pleased to respond to questions.

## Maintenance and Mandatory In-state Fees Undergraduate Resident Students

	<b>2008-09 Maint. Fee</b>	<b>2008-09 Mand. Fees</b>	<b>2008-09 Total Fees</b>	<b>2009-10 Total Including 5% Maintenance Fee Increase</b>	<b>2009-10 Total Including 7% Maintenance Fee Increase</b>
Austin Peay	\$4,302	\$1,224	\$5,526	\$5,741	\$5,827
East Tennessee	4,302	899	5,201	\$5,416	\$5,502
Middle Tennessee	4,302	1,398	5,700	\$5,915	\$6,001
Tennessee State	4,302	800	5,102	\$5,317	\$5,403
Tennessee Tech	4,302	942	5,244	\$5,459	\$5,545
University of Memphis	4,978	1,150	6,128	\$6,377	\$6,476
UT Chattanooga	4,210	1,100	5,310	\$5,521	\$5,605
UT Knoxville*	5,428	822	6,250	\$6,630	\$6,739
UT Martin	4,400	855	5,255	\$5,475	\$5,563
Chattanooga	2,506	291	2,797	\$2,922	\$2,972
Cleveland	2,506	263	2,769	\$2,894	\$2,944
Columbia	2,506	241	2,747	\$2,872	\$2,922
Dyersburg	2,506	271	2,777	\$2,902	\$2,952
Jackson	2,506	253	2,759	\$2,884	\$2,934
Motlow	2,506	259	2,765	\$2,890	\$2,940
Nashville	2,506	225	2,731	\$2,856	\$2,906
Northeast	2,506	281	2,787	\$2,912	\$2,962
Pellissippi	2,506	293	2,799	\$2,924	\$2,974
Roane	2,506	281	2,787	\$2,912	\$2,962
Southwest	2,506	285	2,791	\$2,916	\$2,966
Volunteer	2,506	261	2,767	\$2,892	\$2,942
Walters	2,506	269	2,775	\$2,900	\$2,950
Technology Centers	2,085	200	2,285	\$2,389	\$2,431

\*Includes seven and nine percent maintenance fee increases.