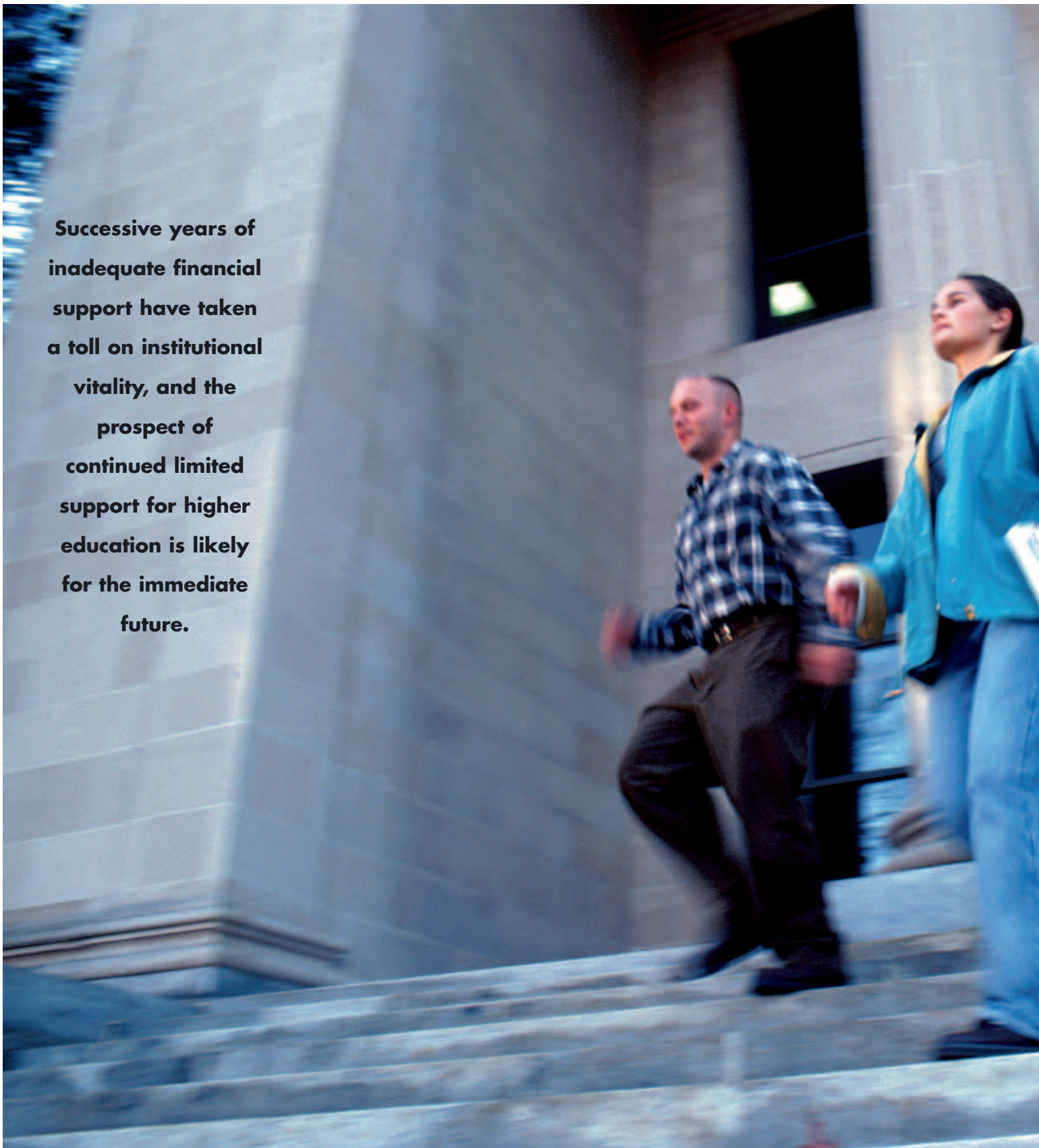


# MASTER PLANNING FO

**Successive years of inadequate financial support have taken a toll on institutional vitality, and the prospect of continued limited support for higher education is likely for the immediate future.**



# R CHALLENGING TIMES



by Richard G. Rhoda

**O**n April 18, 2002, the Tennessee Higher Education Commission (THEC) considered a partial revision to the state's 2000-05 master plan for higher education, or plan of action, representing the culmination of some nine months of intensive deliberations concerning the difficult fiscal condition of the state and its impact on the state's public colleges and universities.

At the core of this revision is a painful recognition that successive years of inadequate financial support have taken a toll on institutional vitality and that the prospect of continued limited support for higher education is likely for the immediate future. The commission determined that decisive policy action was required to discontinue expansion, redirect resources, and build a distinctive higher education system with the limited resources available. These reflections carry an abridged version of the *Plan of Action*, adopted in spirit and principle by a unanimous vote of the commission on April 18 ([www.state.tn.us/the/mastplan.pdf](http://www.state.tn.us/the/mastplan.pdf)).

## Planning Responsibilities

Among the duties specified for THEC in Title 49, Chapter 7, of the Tennessee Code are to:

- study the use of public funds for higher education in Tennessee;
- develop a master plan for the future development of public higher education in Tennessee and to analyze programs and needs in the field of higher education;
- study the need for particular programs, departments, academic divisions, branch operations, extension services, adult education activities, public service activities, and work programs of the various institutions of higher learning, with a particular view to their costs and relevance; and
- make recommendations to the governing boards for the termination of existing on- and off-campus programs, a copy of which shall be filed with the education committees of both the House of Representatives and the Senate. (The governing boards shall make a report annually on any such program termination to these committees.)

In compliance with its planning responsibil-

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ity, the commission last issued a formal master plan in 2000 for the period 2000-05. Because the *2000-05 Master Plan* was developed during a period of fiscal uncertainty, provisions were included calling for an annual evaluation of each theoretical operating principle, specifically:

*At the time this statewide master plan was developed, the future revenues for Tennessee and appropriations for higher education were uncertain. Discussions were underway in the executive and legislative branches concerning means for increasing state revenues. The plan is predicated on the assumption that higher education revenues will increase during the next five years; however, because of the uncertainty, only short-term benchmarks were written for many goals. The plan will be updated annually.*

As evidenced through budget discussions over the past two legislative sessions, the fiscal assumptions upon which the *2000-05 Master Plan* were based have yet to be realized. While the *2000-05 Master Plan* called for increasing appropriations for higher education, per-student appropriations have fallen precipitously over the past decade. According to data provided by the Southern Regional Education Board (SREB), per-student funding has actually declined \$1,303 when adjusting for inflation over the past five years, the most precipitous downturn of any member state of the SREB. Tennessee's average faculty salaries, approximately \$2,000 above the SREB average 10 years ago, are now approximately \$4,000 below the SREB average.

Public debate over revenue and expenditure priorities in Tennessee and appropriations to higher education makes clear that one central assumption of the *2000-05 Master Plan* concerning increasing appropriations for higher education remains in question: there is clearly a leadership challenge to recognize the change in fiscal conditions for the state and higher education.

The commission took the first step in recognizing the need for Master Plan reform when it approved on August 13, 2001, a *Plan of Action for Public Higher Education in Tennessee 2001-2002*, containing a revised set of fiscal assumptions and a set of considerations for future action. This *Plan of Action* constitutes a next step in revision of the *2000-05 Master Plan* and frames specific policies that make that revision operational. In addition to the *Plan of Action*, the commission has worked diligently to articulate the needs of higher education to various constituency groups. By means of its annual appropriations

recommendations to the governor and General Assembly and in testimony before executive and legislative bodies, the commission has clearly stated the financial needs of Tennessee higher education. Through various reports (such as *The Status of Higher Education in Tennessee: Challenges, Promises, and Expectations*, *Tennessee Challenge 2000*; and *The Condition of Higher Education in Tennessee*) and presentations to legislative and executive leadership and other civic, corporate, and media groups across the state, the commission has clearly articulated the condition of Tennessee higher education on key participation and performance variables relative to other SREB states and national indicators.

### The Need for Policy Revision and Review

Since the case is clear for higher education's role and stewardship in the state, this report encourages neither lament nor regret. It is intended, instead, to do what Tennesseans have the historic reputation for doing, volunteering and standing to duty regardless of the circumstances. The series of policy recommendations in the *Plan of Action* is a set of specific proposals designed to carry higher education into the immediate future, nurture and promote distinction in the Tennessee higher education system, and provide the most effective stewardship of resources entrusted to the care of higher education leaders. These proposals will affirm cost savings steps taken by the two governing boards in their reports responding to legislative directive—*Critical Choices for Tennessee* (UT) and *Defining our Future* (TBR).

The policy actions presented here recognize that those entrusted with leadership in Tennessee higher education can no longer be inconsistent in public conversation with civic, corporate, and political partners by saying that higher education is having trouble ...

- recruiting and retaining faculty;
- providing an adequate number of academic courses and sections;
- supporting travel for conference and professional presentations;
- acquiring and updating instructional equipment;
- maintaining current programs and services at an acceptable quality level; and
- creating a credible and competitive educated populace essential for both the social and economic health of our state

... while at the same time continuing to propose new program offerings and allocating scarce resources to athletics that might be devoted to the academic core. This *Plan of Action* recognizes that the fiscal difficulties afflicting Tennessee higher education demand swift, bold, and imaginative public policy proposals. Conditions

The proposals are designed to carry Tennessee higher education into the immediate future, nurture and promote distinction, and provide the most effective stewardship of resources.

demand more than “academic tinkering” and “cosmetic changes.” This report is not about eliminating low-quality programs, because higher education could be accused of violating public trust and stewardship if it allowed such programs to develop and remain in the first place. It is not about unnecessary duplication, because presumably higher education should not have allowed duplication of programs and because what is evaluated as “unnecessary” may vary with economic conditions. It is not about the “need” for a specific new academic program anywhere in the state, as it could be argued that current programs are not being fully supported. Rather, this *Plan of Action* represents a strategic re-direction and the re-design of priorities in higher education given the current fiscal climate.

### **A Plan of Action**

The following series of policy recommendations and proposals aims to:

- identify significant dollars to be reallocated from discontinued programs and services and applied to programs and services deemed of higher strategic need for the state and those that build institutional strength and mission distinction (with savings for reallocation to be realized over a multi-year period, given the labor-intensive character of colleges and universities and the need to phase down programs over time so the interests of both students and staff are protected);
- produce a more distinctive and nationally recognized system of higher education institutions whose campus reputations are derived less from enrollment size and more from imagination, creativity, and quality of programs;
- reduce the tendency toward bracket creep and program proliferation, especially at the graduate level, in the face of limited funding;
- recognize that an increase in statewide participation, retention, and graduation rates for undergraduate education may be the most critical educational need of the state;
- accent research development as a principal engine for economic development and higher education recognition;
- encourage development of accountability indicators that enjoy consent and affirmation from education, political, and civic leaders; and
- position higher education for quick recovery and advancement when funding for higher education improves in the future.

On this last point there is merit in recognizing that once a program, service, or unit has been identified for discontinuation, it is very difficult to rebuild. A balance of optimism and

soberness is to be commended, however. If one looks at the steps taken by colleges and universities during the Great Depression, the leadership challenges confronting post-secondary education now could be seen as modest at best. The recovery of American higher education from that Depression and its remarkable and extraordinary development during the latter half of the 20th century would hardly have been predicted by those having to make the difficult decisions of that day, but their inability to foresee the potential pleasant developments of the future did not relieve them of their duty to make the decisions of the day.

The policy proposals detailed below recognize and affirm steps already taken by the two governing boards in *Critical Choices for Tennessee* and *Defining our Future*. While direct savings from these plans are yet to be firmly established, the commission has worked diligently to ensure that the recommendations and proposals below are within the spirit and framework of the redistribution plans of both systems. The commission recognizes and affirms steps already taken by the two governing boards to redistribute an estimated \$42 million for institutional quality enhancements (TBR estimated \$22 million, and UT estimated \$20 million).

### **Policy Recommendations**

*Enrollment Management.* It is recommended that enrollment ceilings and ranges for universities be established in the spring of 2002 to become effective for the 2002-03 academic year. Enrollment ranges based upon actual fall 2001 enrollments are presented in the chart below. These enrollment ranges allow for a three percent enrollment growth and up to a 10 percent enrollment reduction, with campuses to be held harmless on appropriations recommendations within the lower limit of the enrollment range. Any campus enrollment that exceeds the three percent ceiling will not be included in the funding formula calculations, and the fee revenue generated by the student enrollment above the range will be deducted from the appropriation recommendation. Thus, campuses exceeding the range will not realize long-term gain from increased student enrollments.

*Admission Requirements.* It is recommended that, during the 2002-03 academic year, universities review and revise their admissions standards to promote and help insure student readiness for college level work. Institutions will be expected to phase in revised admission requirements over the next three academic years, consistent with the revised enrollment management policy detailed above. The commission staff

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will work cooperatively with both governing boards to ensure that these revised standards do not disparately impact any demographic groups.

*Remedial and Developmental Education.* It is recommended that state appropriations for remedial education be phased out immediately for both universities and community colleges, effective with the appropriations recommendations for 2003-04 fiscal year. Additionally, the commission recommends that state support for developmental education be phased out in the university sector over a two-year period beginning with the appropriations recommendation for the 2003-04 fiscal year. Institutions retain the option of offering these services for a fee to cover the cost of the service.

*New Academic Programs.* Concurrent with commission policy, the following are recommended as additional evaluative criteria to complement those in the existing policy:

- *Need*—evidence of extraordinary need that would justify allocation/reallocation of state resources in the face of current limited support of existing academic programs and services. During this time of financial challenge, the commission would anticipate entertaining very few new program proposals and virtually no doctoral proposals.
- *Costs/Revenues*—evidence that costs of programs may be fully met from internal reallocation or from other sources such as grants and gifts, to include evidence that such grants and gifts are continuing and sustained over the long term.
- *Quality*—evidence of the following:
  - The institution has faithfully staffed and funded all new programs proposed and approved over the past five years as set forth in new program proposals approved by THEC.
  - Neither the institution nor any existing academic program is under qualitative challenge from accreditation bodies—professional or regional. This means full and unconditional accreditation recognition of the institution and all programs eligible for accreditation.
  - External consultant reports on program reviews conducted during the past five years indicate adequate support of the programs reviewed.
  - Licensure performance of graduates is at a satisfactory level when benchmarked against national pass rates.

These criteria would be applied to new program proposals, not as separate and independent expectations, but in overall evaluation. The

commission will work in cooperation with the governing boards to revise and review current academic approval policies consistent with the criteria identified above and will present these criteria at the July commission meeting.

*Doctoral Programs.* It is recommended that approval of new doctoral programs be restricted for the immediate future to the University of Tennessee, Knoxville, and the University of Memphis, and limited approval at Tennessee State University only as necessary to meet conditions of the *Geier* Consent Decree, unless conversion is mandated by accreditation concerns.

*Athletics.* It is recommended that intercollegiate athletic programs be designated and operated as an auxiliary enterprise. This action may be phased in over a four-year period effective with the fall 2003 academic year. The effect of this action is that Education and General student fees and appropriations will no longer be used to support athletics. The staff further urges that any savings realized from this action be used in concert with other savings that may become available to (a) raise faculty/staff salaries to the SREB average and above and (b) strengthen qualitative support of academic programs.

*Funding Formula Revision.* It is recommended that the staff undertake an immediate study and revision of the THEC funding formula. The commission will examine the formula's primary reliance on enrollment, funding peers, and the possibility of creating "mission enhancement" features that recognize and strengthen the development of distinctive missions for each campus and that recognize campus performance in meeting state goals. A recommendation on formula revision would be brought to the commission no later than the July 2003 commission meeting.

*Off-Campus Locations.* It is recommended that the policy for approval of off-campus locations be revised in accordance with the enrollment management policy initiative.

*Associate's Degree Programs.* It is recommended that all associate's degree programs, other than allied health and nursing, at the university level be phased out over a four-year period to begin in the fall of 2002.

*Program Review.* The commission staff has entered into conversations with both TBR and UT concerning low producing and low strategic need programs and services. Following a review of commission data on the number of graduates for each academic program in the THEC inventory, the staff has furnished both governing boards a list of academic programs with marginal and low graduation rates. The staff will bring forward recommendations to the commission at the January 2003 meeting that may recommend review of some programs and discon-

**The commission recommends that state support for developmental education be phased out in the university sector over a two-year period.**



tinuance of selected programs and services, with reallocation of savings to campus needs of higher strategic and state priority. If approved by the commission, these recommendations will be forwarded to House and Senate Education committees as required by law. It is expected and recommended that institutions would retain savings from such action for deployment to more strategic needs (scholarships, program enhancement, faculty salaries).

With commission approval, the staff will also set in motion with the two governing boards immediate external consultant reviews of all public college programs in the fields of engineering/engineering technology and agriculture/human ecology. Consultant nominations will be sought from the two governing boards and combined with commission staff nominations. A panel will then be selected from this list of nominated consultant reviewers. The purpose of these reviews is to ascertain whether programs in these areas should be retained, retained with specified improvements, or discontinued. Consultant evaluations would be based on an assessment of enrollments and degree production, qualitative performance, state/regional/ national manpower needs, contribution to institutional mission distinction, number of programs relative to other states, and adequacy of funding support. A report and recommendation based on consultant recommendations and campus review/response would be presented to the commission in the July 2002 meeting.

*Accountability Initiatives.* Tennessee higher education historically has championed the need for excellence in the area of education accountability. As evidenced through innovative policies such as performance funding, the state's higher education leadership has long appreciated the need for accountability and continues to embrace its values. Its educators realize that only through responding to the needs and demands of the state's citizens, business interests, and elected officials can higher education maintain its vitality.

A series of recent reports have noted that it is once again time that higher education in Tennessee become innovative in the area of accountability. As noted in *Measuring Up 2000*, *Measuring Performance in Higher Education*, and the *Performance Audit of the Tennessee Higher Education Commission*, higher education must improve the manner in which it collects, analyzes, and reports performance information. The commission anticipates an aggressive and continuing agenda of accountability initiatives and increased accountability partnerships not only with the campuses and governing boards, but with legislative and executive leaders as well. These initiatives will include a

revised *Condition of Higher Education in Tennessee* that offers trend data on key performance indicators and builds upon the rich history of the indicators found in *Challenge 2000*. The state will participate in the national Delaware Cost Study of higher education costs and productivity, an engagement that will offer important comparative data on such variables as instructional costs and faculty workloads. Through these activities, the staff will continue to strive to improve the commission's capacity to provide an in-depth analysis of critical educational issues in Tennessee.

### **A Strategic Vision for Higher Education**

Some of the proposals put forth in this *Plan of Action* do not advance educational goals that have been important to Tennessee higher education for many years. The possibility of limiting access in a state that has severe pockets of poverty and the need for additional educated Tennesseans is entertained with little pleasure. While the goal of providing access to higher education for all Tennesseans remains an area of critical importance and aspiration, strengthening existing academic programs and services is of equal concern. The inherent tension between access and quality is undeniable, and maintaining an effective balance has become increasingly problematic for Tennessee higher education. The philosophical goal of this *Plan of Action* is to reexamine priorities and traditional assumptions—what can post-secondary education do well with resources entrusted to its care?

Within differential levels of athletic competition as defined by the NCAA, no campus within any division would “volunteer” to compete for last place. Such an aspiration does not serve the cause of athletic excellence. Tennessee should not “volunteer” to be low or last in educational attainment and achievement. It should aspire for research universities, teaching and comprehensive universities, and two-year colleges that have national visibility and distinction. While there is an obvious relationship between level of funding and level of excellence, other factors also work to promote the presence or absence of excellence. These factors include the level of devotion of those serving Tennessee's colleges and universities, their persistence, their courage, and above all their imagination and creativity. THEC remains hopeful that Tennesseans will “volunteer” their continued devotion, courage, persistence, and imagination to ensure continued excellence in higher education. ■

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