

DATE: April 23, 2009

SUBJECT: American Recovery and Reinvestment Act (ARRA)

ACTION RECOMMENDED: Information

BACKGROUND INFORMATION:

- Tennessee will receive \$4.4 billion from ARRA
 - Of that, \$947.6 million is part of the State Fiscal Stabilization Fund (SFSF).
 - \$775.1 million of the SFSF is for K-12 and higher education.
- States are required to meet specific provisions in order to qualify for the federal funds.
 - State funding must be maintained at the 2005-06 levels. This is the state Maintenance of Effort (MOE) provision.
 - Federal funds are available in 2008-09, 2009-10, and 2010-11 to restore funding levels to their 2007-08 baseline.
 - Federal funds and state maintenance of effort (MOE) provisions would be applicable for 2008-09, 2009-10, and 2010-11.
- The funds provided for under the ARRA’s State Fiscal Stabilization section are non-recurring.
- The language of the law permits funds to be used for operating funds and capital maintenance repairs.
- Since this is non-recurring money, THEC’s position is that the ARRA funds are to be used for non-recurring expenses or to assist an institution in adjusting its expenditures down to a level that reflects the reduced state appropriation base that is scheduled for 2009-10. These funds are also intended to mitigate tuition increases for the next two fiscal years. Potential non-recurring uses for ARRA funds include:
 - Equipment
 - Technology upgrades
 - Employee buyouts
 - Short-term teaching contracts
 - Instructional software/library materials
 - Financial aid
 - Facilities modernization, renovation, or repair
- No expenditures on new capital outlay projects are allowed.
- It is THEC’s intent that no funds shall be used for any auxiliary activity or for any modernization, renovation, or repair of higher

education facilities. However, UT and TBR may make requests to utilize ARRA funds for capital maintenance, which will be considered on an exception basis. Such projects that may be considered should generate reductions in recurring operating expenditures, such as energy savings projects.

- All ARRA funds must be used by September 30, 2011.
- The Governor’s budget outlined \$1,356,689,100 for higher education in the 2009-10 budget, of which \$253,307,300 or 18.7% derives from the ARRA, which includes both the state maintenance of effort and the federal funds.
- The federal funds (\$185,217,300) alone are 13.7% of the allocations for higher education.
- Early estimates of higher education E & G revenue for 2009-10 are approximately \$2.55 billion, of which 7.3% or (\$185 million) come from ARRA funds.

Higher education operating support levels					
Data excludes lottery program and certain administrative and other units.					
2005-06		\$1,119.7M	(State Funding MOE requirement)		
2007-08		\$1,303.6M	(Funding Target)		
2008-09 (post reversion)		\$1,202.9M			
2009-10 (Proposed)		\$1,050.3M			
Allocation of New Funds					
	Funding Target	Current or Proposed	State Funds for MOE	Federal Funds for Stabilization	Total Funds
2008-09	\$1,303.6M	\$1,202.9M	\$0	\$100.6M	\$100.6M
2009-10	\$1,303.6M	\$1,050.3M	\$68.1M	\$185.2M	\$253.3M
2010-11	\$1,303.6M	\$1,050.3M	\$68.1M	\$185.2M	\$253.3M
Totals			\$136.2M	\$471M	\$607.2M

Staff will be pleased to respond to questions.

State Appropriations - ARRA Stabilization Fund

Academic Formula Units	2008-09 Original State Appropriations*	2008-09 Prelim State Appropriations	Difference**	2009-10 Proposed State Appropriations	2009-10 State MOE Funds***	2009-10 Federal ARRA Funds	2009-10 & 2010-11 Prelim State Appropriations	Difference
TBR Universities								
Austin Peay	\$34,110,900	\$36,539,400	\$2,428,500	\$27,080,600	\$2,695,800	\$7,052,900	\$36,829,300	\$9,748,700
East Tennessee	59,853,900	63,668,300	3,814,400	47,986,700	4,306,900	11,879,900	64,173,500	16,186,800
Middle Tennessee	95,246,400	101,730,300	6,483,900	75,616,800	7,257,400	19,663,300	102,537,500	26,920,700
Tennessee State	39,820,000	42,956,800	3,136,800	30,876,200	3,485,100	8,936,300	43,297,600	12,421,400
Tennessee Tech	46,811,500	49,670,500	2,859,000	38,037,500	3,244,100	8,783,000	50,064,600	12,027,100
University of Memphis	117,128,200	124,392,100	7,263,900	96,900,500	8,161,100	20,317,500	125,379,100	28,478,600
Subtotal	\$392,970,900	\$418,957,400	\$25,986,500	\$316,498,300	\$29,150,400	\$76,632,900	\$422,281,600	\$105,783,300
Two-Year Colleges								
Chattanooga	\$24,511,700	\$25,229,900	\$718,200	\$21,112,100	\$910,800	\$3,407,300	\$25,430,200	\$4,318,100
Cleveland	10,637,800	10,933,300	295,500	9,324,400	376,700	1,318,900	11,020,000	1,695,600
Columbia	13,719,300	14,148,200	428,900	11,942,900	525,200	1,792,300	14,260,400	2,317,500
Dyersburg	7,446,500	7,653,300	206,800	6,456,900	267,100	990,000	7,714,000	1,257,100
Jackson	12,836,100	13,220,700	384,600	11,036,400	487,900	1,801,200	13,325,500	2,289,100
Motlow	10,670,100	11,013,300	343,200	9,112,200	421,500	1,567,100	11,100,800	1,988,600
Nashville	15,924,100	16,440,000	515,900	13,329,800	636,900	2,603,700	16,570,400	3,240,600
Northeast	12,886,500	13,281,000	394,500	10,989,800	495,400	1,901,200	13,386,400	2,396,600
Pellissippi	21,481,200	22,169,000	687,800	18,144,300	850,900	3,349,800	22,345,000	4,200,700
Roane	18,687,900	19,242,500	554,600	16,366,500	691,700	2,336,900	19,395,100	3,028,600
Southwest	39,195,200	40,421,300	1,226,100	34,254,200	1,501,100	4,986,700	40,742,000	6,487,800
Volunteer	18,781,900	19,341,300	559,400	16,184,500	702,800	2,607,500	19,494,800	3,310,300
Walters	19,002,500	19,538,400	535,900	16,486,300	684,700	2,522,400	19,693,400	3,207,100
Subtotal	\$225,780,800	\$232,632,200	\$6,851,400	\$194,740,300	\$8,552,700	\$31,185,000	\$234,478,000	\$39,737,700
UT Universities								
UT Chattanooga	\$43,642,700	\$46,469,200	\$2,826,500	\$35,456,900	\$3,178,700	\$8,202,400	\$46,838,000	\$11,381,100
UT Knoxville	185,203,700	197,248,300	12,044,600	151,213,800	13,472,500	34,127,200	198,813,500	47,599,700
UT Martin	31,498,100	33,546,200	2,048,100	25,433,800	2,311,800	6,066,800	33,812,400	8,378,600
Subtotal	\$260,344,500	\$277,263,700	\$16,919,200	\$212,104,500	\$18,963,000	\$48,396,400	\$279,463,900	\$67,359,400
Total Colleges and Universities	\$879,096,200	\$928,853,300	\$49,757,100	\$723,343,100	\$56,666,100	\$156,214,300	\$936,223,500	\$212,880,400
Technology Centers	\$52,639,100	\$54,114,800	\$1,475,700	\$47,660,300	\$1,847,000	\$5,036,900	\$54,544,200	\$6,883,900
Total Academic Formula Units	\$931,735,300	\$982,968,100	\$51,232,800	\$771,003,400	\$58,513,100	\$161,251,200	\$990,767,700	\$219,764,300

*Recurring appropriations; 2008-09 data includes \$42 million that was scheduled to be reverted.

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***Maintenance of Effort requirement of Tennessee to fund higher education at 2005-06 levels before ARRA funds would be available.

State Appropriations - ARRA Stabilization Fund

Specialized Units	2008-09 Original State Appropriations*	2008-09 Prelim State Appropriations	Difference**	2009-10 Proposed State Appropriations	2009-10 State MOE Funds***	2009-10 Federal ARRA Funds	2009-10 & 2010-11 Prelim State Appropriations	Difference
Medical Education								
ETSU College of Medicine	\$28,604,600	\$29,303,900	\$699,300	\$26,303,600	\$913,800	\$2,319,000	\$29,536,400	\$3,232,800
ETSU Family Practice	5,601,600	5,731,600	130,000	5,267,300	175,700	334,100	5,777,100	509,800
UT College of Medicine	48,277,100	49,808,300	1,531,200	44,162,700	1,753,700	4,287,100	50,203,500	6,040,800
UT Family Practice	10,007,100	10,257,700	250,600	9,417,000	324,800	597,300	10,339,100	922,100
UT Memphis	71,419,600	71,842,400	422,800	64,085,700	1,099,700	7,227,300	72,412,700	8,327,000
UT College of Vet Medicine	16,377,500	16,789,100	411,600	14,624,200	538,700	1,759,600	16,922,500	2,298,300
Subtotal	\$180,287,500	\$183,733,000	\$3,445,500	\$163,860,500	\$4,806,400	\$16,524,400	\$185,191,300	\$21,330,800
Research and Public Service								
UT Ag. Experiment Station	\$24,713,500	\$25,331,700	\$618,200	\$23,252,000	\$806,000	\$1,474,700	\$25,532,700	\$2,280,700
UT Ag. Extension Service	29,743,800	30,380,100	636,300	27,952,000	896,500	1,772,600	30,621,100	2,669,100
TSU McMinnville Center	521,100	536,200	15,100	491,800	17,500	31,200	540,500	48,700
TSU Institute of Agr and Env Research	2,129,000	2,193,600	64,600	2,009,200	74,400	127,400	2,211,000	201,800
TSU Cooperative Education	1,888,000	1,945,300	57,300	1,781,700	65,900	113,000	1,960,600	178,900
UT Space Institute	8,107,000	8,360,500	253,500	7,457,200	303,000	666,600	8,426,800	969,600
UT Institute for Public Service	4,982,300	5,027,200	44,900	4,688,000	82,000	297,000	5,067,000	379,000
UT County Tech Asst. Service	1,575,200	1,620,500	45,300	1,481,100	58,300	93,900	1,633,300	152,200
UT Municipal Tech Adv. Service	2,697,100	2,769,100	72,000	2,537,200	93,000	160,900	2,791,100	253,900
Subtotal	\$76,357,000	\$78,164,200	\$1,807,200	\$71,650,200	\$2,396,600	\$4,737,300	\$78,784,100	\$7,133,900
Other Specialized Units								
UT University-Wide Admn.	\$4,560,500	\$4,607,700	\$47,200	\$4,214,900	\$162,000	\$267,400	\$4,644,300	\$429,400
TN Board of Regents Admn.	4,678,300	4,917,800	239,500	4,399,700	277,700	279,400	4,956,800	557,100
TN Student Assistance Corp.	48,712,900	48,712,900	-	48,588,700	-	-	48,588,700	-
Tennessee Student Assist. Awards	46,162,500	46,162,500	-	46,162,500	-	-	46,162,500	-
Tenn. Students Assist. Corporation	1,359,400	1,359,400	-	1,235,200	-	-	1,235,200	-
Loan/Scholarships Program	1,191,000	1,191,000	-	1,191,000	-	-	1,191,000	-
TN Higher Education Comm.	2,207,300	2,207,300	-	2,184,000	-	-	2,184,000	-
TN Foreign Language Institute	369,000	369,000	-	346,800	-	-	346,800	-
Contract Education	2,490,700	2,490,700	-	2,289,700	-	-	2,289,700	-
Subtotal	\$63,018,700	\$63,305,400	\$286,700	\$62,023,800	\$439,700	\$546,800	\$63,010,300	\$986,500
Total Specialized Units	\$319,663,200	\$325,202,600	\$5,539,400	\$297,534,500	\$7,642,700	\$21,808,500	\$326,985,700	\$29,451,200
Total Formula and Specialized Units	\$1,251,398,500	\$1,308,170,700	\$56,772,200	\$1,068,537,900	\$66,155,800	\$183,059,700	\$1,317,753,400	\$249,215,500
Program Initiatives								
Campus Centers of Excellence	\$18,774,500	\$19,635,500	\$861,000	\$17,717,700	\$861,000	\$1,056,800	\$19,635,500	\$1,917,800
Campus Centers of Emphasis	1,344,900	1,429,600	84,700	1,269,200	84,700	75,700	1,429,600	160,400
Ned McWherter Scholars Program	401,800	401,800	-	401,800	-	-	401,800	-
UT Access and Diversity Initiative	6,181,900	6,510,000	328,100	5,833,900	357,200	370,600	6,561,700	727,800
TBR Access and Diversity Initiative	10,919,100	11,499,000	579,900	10,304,500	631,300	654,500	11,590,300	1,285,800
THEC Grants	2,581,800	2,581,800	-	2,436,500	-	-	2,436,500	-
Research Initiatives - UT	6,231,000	6,231,000	-	5,880,300	-	-	5,880,300	-
Subtotal	\$46,435,000	\$48,288,700	\$1,853,700	\$43,843,900	\$1,934,200	\$2,157,600	\$47,935,700	\$4,091,800
Total	\$1,297,833,500	\$1,356,459,400	\$58,625,900	\$1,112,381,800	\$68,090,000	\$185,217,300	\$1,365,689,100	\$253,307,300

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