AUDIT & BUSINESS COMMITTEE

March 12, 2026

Roaden University Center, Room 282

AGENDA

I. Call to Order

II. Approval of Minutes

III. Update on Governor's Budget

IV. Tuition & Mandatory Fees

V. Compensation Plan

VI. FY2025 State Audit

VII. Talon Demonstration

VIII. Notice of Responsibilities for Preventing, Detecting, and Reporting Fraud, Waste, and Abuse

IX. Internal Audit Plan Review

X. Enterprise Risk Management

XI. Adjournment of Open Session and Call to Order of Non-Public Executive Session to Discuss Audits, Investigations, Litigation, and Matters Deemed Not Subject to Public Inspection Pursuant to T.C.A. § 4-35-108(b)(1)-(3)

XII. Adjournment

AUDIT & BUSINESS COMMITTEE

December 4, 2025

Roaden University Center, Room 282

MINUTES

Meeting was streamed live via link found on this web page:
https://www.tntech.edu/board/meetings/

AGENDA ITEM 1 – Call to Order

The Tennessee Tech Board of Trustees Audit & Business Committee met on December 4, 2025, in Roaden University Center Room 282. Chair Tom Jones called the meeting to order at 10:07 a.m.

Chair Jones asked Mr. Lee Wray, Secretary, to call the roll. The following members were present:

- Tom Jones
- Thomas Lynn
- Barry Wilmore

Other board members also in attendance were Michael Allen, Teresa Chasteen-Dunn, Allen Foster, Trudy Harper, Fred Lowery (via TEAMS), Garry McNabb, Rhedona Rose, Camron Rudd, and Braxton Westbrook. A quorum was physically present. Tennessee Tech faculty, staff, and members of the public were also in attendance.

AGENDA ITEM 2 – Approval of Minutes

Chair Jones asked for approval of the minutes of the September 25, 2025, Audit & Business Committee meeting. Chair Jones asked if there were questions or comments regarding the minutes. There being none, Thomas Lynn moved to recommend approval of the September 25, 2025, Audit & Business Committee minutes. Barry Wilmore seconded the motion. Chair Jones called a voice vote. The motion carried unanimously.

AGENDA ITEM 3 – Financial Update & Composite Financial Index

Dr. Stinson presented information for the FY24-25 unaudited statement of revenues, expenses, and changes in net position along with FY24-25 capital asset and debt. Also presented were the major metrics and ratios used to measure and monitor financial health.

This was an informational item therefore no action was required.

AGENDA ITEM 4 – FY2025-26 Revised Budget/Organizational Chart

Dr. Stinson presented information on the reconciliation of changes in E & G revenues and reconciliation of change in natural expenses (Attachment A). The organizational chart was provided in Diligent.

Mr. Wilmore moved to send the FY2025-26 Revised Budget and Organizational Chart to the Board for approval and to place it on the Board's regular agenda. Mr. Lynn seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

AGENDA ITEM 5 – Tuition Transparency Act Report (T.C.A § 49-7-1604)

By February 1st of each year, the Board is required to provide a report to the General Assembly with information regarding the expenditures of revenues derived from any tuition and fee increase in the previous full academic year. The report must include how revenues were used, the effect on student financial aid, and the effect on the average total cost of attendance per student. This report is about tuition and mandatory fee rates effective Fall 2024. The revenues generated by the tuition increase were used for university's 45% match of salary pool and Compensation Study, faculty promotion, new faculty and staff positions, and State mandated fee waivers. The mandatory fee increase was used to help fund development and renovations of student centric spaces.

Mr. Lynn moved to send the Tuition Transparency Act Report for FY24-25 to the Board for approval and to place it on the Board's regular agenda. Mr. Wilmore seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 6 – Master Plan

Dr. Stinson introduced Robert Waits from Studio Topography who presented the Landscape Plan. The development of a comprehensive Landscape Master Plan will guide the long-term design, maintenance, and enhancement of Tennessee Tech's outdoor spaces.

Mr. Wilmore moved to send the Master Plan to include the Landscape Plan to the Board for approval and to place it on the Board's regular agenda. Mr. Lynn seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 7 – Disclosed Projects

Dr. Stinson presented the disclosed projects including the demolition and construction of an addition to the Crossville Research Center (CRC) to house and support the CRC Wind Tunnel, construction of the Tennis Complex, and to construct a Parking Garage. Dr. Stinson presented a proposal to modify the Student Event Center's name to Student Event Center & Spirit Commons. The project cost is projected to increase from $41,000,000 to $63,770,000, reflecting an inflation factor requested by the State. The updated design will feature conference rooms, student government space, large gathering spaces, and stadium seating.

Mr. Lynn moved to send the disclosed projects for the CRC Wind Tunnel, Tennis Complex, Parking Garage, and modification of the Student Event Center & Spirit Commons to the Board for approval and to place it on the Board's regular agenda. Mr. Wilmore seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 8 – University & Ag Foundation Agreement

Dr. Stinson presented the updated University & Ag Foundation Agreement to the Board. The agreement outlines the responsibilities between the University and the Ag Foundation.

Mr. Wilmore moved to send the University and Ag Foundation Agreement to the Board for approval and to place it on the Board's regular agenda. Mr. Lynn seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 9 – TTU Policy 506 (General and Group Travel Policies)

Dr. Stinson advised of the updates to TTU Policy 506 which included language to update the references to the new Oracle ERP system and to change international travel rates to a regional rate managed by U.S. General Services Administration.

Mr. Lynn moved to send TTU Policy 506 (General and Group Travel Policies) to the Board for approval and to place it on the Board's consent agenda. Mr. Wilmore seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 10 – TTU Policy 511 (Payment of Student Fees and Enrollment)

Dr. Stinson explained the updated policy aligns with Federal Regulations 34 CFR 668.14(b)(33)-(34), which prohibit withholding transcripts when charges are paid with Title IV funds and forbid adverse actions for balances caused by institutional errors or misconduct.

Mr. Wilmore moved to send TTU Policy 511 (Payment of Student Fees and Enrollment) to the Board for approval and to place it on the Board's consent agenda. Mr. Lynn seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 11 – TTU Policy 536 (Solicitation and Acceptance of Gifts)

Dr. Stinson presented the revisions to TTU Policy 536 which have streamlined the policy by removing fundraising procedures. These procedures are now outlined in a separate document that staff can access as needed.

Mr. Wilmore moved to send TTU Policy 536 (Solicitation and Acceptance of Gifts) to the Board for approval and to place it on the Board's consent agenda. Mr. Lynn seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 12 – Audit Plan Review and Approval

Amy Wilegus advised the Audit plan was provided in Diligent. The plan includes audit and advisory projects reflective of the current risk environment, compliance topics, and engagements required by policy, state statute, regulation, bylaws, or standards.

Mr. Lynn moved to approve the 2026 Audit plan as presented and required by Tennessee Tech University Audit Committee Charter. Mr. Wilmore seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

AGENDA ITEM 13 – Adjournment of Open Session & Call to Order on Non-Public Executive Session

There being no further business, the open session adjourned at 11:51 a.m. After a short break, the Non-Public Executive Session began at 11:57 a.m. Trustees and Administration were present at the meeting.

AGENDA ITEM 14 – Adjournment

There being no further business, the Non-Public Executive Session adjourned at 12:25 p.m.

Approved,

_____

Lee Wray, Secretary

Attachment A

Tennessee TECH

FY2025-26 Revised Budget/Organizational Chart

Reconciliation of Changes in E&G Revenues

	Proposed Budget FY2025-26	Revised Budget FY2025-26	Difference	% Change
Tuition and Fees	$116,985,600	$120,787,900	$3,802,300	3.25%
State Appropriations	$89,295,300	$89,970,600	$675,300	0.8%
Other Activities	$14,485,500	$15,012,500	$527,000	3.6%
Total Revenues	$220,766,400	$225,771,000	$5,004,600	2.27%

Proposed vs Revised E&G Reconciliation of Changes in Revenues FY2025-26

- Tuition and Fees $3,802,300
  - Tuition enrollment changes based on Fall census $687,000
  - Tuition increase $3,018,800
  - Summer Revenue $582,750
  - Out-of-state tuition decrease ($458,750) based on actual fall enrollment of international students
  - Out-of-state tuition increase $14,500 based on actual fall enrollment of domestic students
  - Fee decreases ($42,000)

- State Appropriations $675,300
  - Adjustments for OPEB, TCRS, Risk Management, and Health Insurance $675,300

- Other Revenue $527,000
  - Indirect Cost $183,100
  - Athletics $282,600
  - Other $ 61,300

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Change in Natural Classification Expenses

	Proposed Budget FY2025-26	Revised Budget FY2025-26	Difference
Salary and Wages	$101,507,800	$108,665,900	$7,158,100
Fringe Benefits	$40,070,600	$41,012,500	$941,900
Travel	$2,179,400	$2,944,300	$764,900
Operating & Utilities	$37,804,400	$65,807,600	$28,003,200
Scholarships & Fellowships	$25,082,100	$26,460,600	$1,378,500
Capital	$186,500	$292,000	$105,500
Total E&G	$206,830,800	$245,182,900	$38,352,100

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Proposed vs Revised Reconciliation of Change in Natural Expenses FY2025-26

- Salary and Wages
  - University Funded Merit Raise, Phase 2 Comp Adjustments, FLSA Adjustments of $2,665,000
  - Faculty Promotions $288,000
  - New Positions $1,372,640
  - Critical Salary Adjustments, Degree Adjustments $658,000
  - Units transfer funds from operating to salary & wages $1,958,000
- Fringe Benefits
  - Increase State funding-TCRS, Risk Mgmt. insurance, OPEB $675,300
  - Benefits budgeted for new positions $266,600
- Travel
  - Funds transferred to travel by units $764,900
- Operating & Utilities
  - Re-budget of carryforward amounts $22,928,277
    - Revenue Generating $1,071,758
    - Faculty Research & Indirect Cost $4,001,359
    - Special State Appropriations $2,734,473
    - Mandatory Fees $1,285,040
    - Non-mandatory Fees $4,380,251
    - Department requests $ 1,098,904
    - Purchase Orders $133,867
    - Summer School ($281,201)
    - University Future Commitments $6,370,350
    - Lapse Pool $2,093,940
    - Governor's School $75,092
  - FY25 Indirect Cost Revenue Distribution $664,000
  - Software Contracts $589,000
  - Campus Visitations, publications, and Marketing $1,565,600
  - Athletics $3,995,000
  - College Town Kickoff and Week of Welcome $329,260
  - Academic Affairs - $500,000
  - Quality Enhancement Plan (QEP) $260,920
  - Units transfer funds from operating to Temp Salaries, Travel, capital and transfers ($2,828,000)
- Scholarships
  - Departmental Carryover $18,388
  - Presidential Scholars Scholarship $210,000
  - State Mandated Scholarships $1,160,000
  - Athletic Scholarships $200,144
- Capital
  - Units transfer funds from operating to Capital $105,500

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Agenda Item Summary

Date: March 12, 2026

Agenda Item: Update on Governor's Budget

☐ **Review** ☐ **Action** ☒ **No action required**

PRESENTERS: Claire Stinson, Vice President for Planning & Finance

PURPOSE & KEY POINTS:

Governor Lee released his recommended budget for FY 2026-27 on February 2, 2026. The Governor's budget included $39.4 million for higher education to fund the outcomes budget including a 1.5% salary pool (state funded at 55%). Tennessee Tech's portion of the recommended new operating funds is approximately $2.7 million. Additionally, Tech received one-time funding of $3 million to support Governor's Academics for Next Gen Nuclear and Cyber.

Governor's budget included $402.5 million of capital funding. Tennessee Tech's request for two buildings were not included in the Governor's budget.

In the Governor's budget Tennessee Tech is recommended to receive $4.2 million for capital maintenance. This includes utilities upgrades ($1.7 million) and elevator upgrades ($2.5 million).

Tennessee Tech staff will continue to monitor the budget recommendations as the Governor's budget moves through the legislative process.

STATE OF TENNESSEE

♦

The Budget

FISCAL YEAR 2026-2027

Bill Lee, Governor

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The Budget

Introduction

State of Tennessee

Budget Highlights

Recommended Budget, Fiscal Year 2026-2027

The total recommended state budget for fiscal year 2026-2027 is $57.9 billion, with $29.6 billion from state appropriations; $19.4 billion from federal funds; $6.0 billion from other departmental revenues; $2.5 billion from higher education student tuition and fees; and $438.0 million in bonds. This is a decrease of $6.2 billion in total funding and a decrease of $125.4 million in state funding from the revised current fiscal year 2025-2026 spending estimates. Federal revenue is decreasing by $5.0 billion; departmental revenue is decreasing by $414.8 million; capital and highway construction bonds are decreasing by $596.5 million; and higher education student tuition and fees remain the same.

Midyear review of state tax collections and advice from economists and the State Funding Board suggest that current-year estimates of taxes collected by the Department of Revenue will be above actual fiscal year 2024-2025 collections and show slow growth in the next fiscal year. The revised recurring current-year growth rate in the general fund is 1.32 percent compared with the actual 2024-2025 Department of Revenue collections. For fiscal year 2026-2027, before inter-fund reallocations, recurring general fund taxes are expected to grow by $450.1 million above the revised current-year estimate. This is a 2.35 percent recurring general fund growth rate above the revised current-year estimate.

The revised revenue estimates for the current year and estimates for next year are based on tempered economic growth in fiscal year 2025-2026 and slow growth through fiscal year 2026-2027 and beyond.

Investments in Education

The administration recommends increases for the second year of the Education Freedom Scholarship program. First, a recurring $42,350,000 is proposed for inflationary costs in the program and to increase the number of available scholarships by 5,000. The 5,000 additional scholarships are recommended pursuant to current law. Second, the administration proposes legislation to add an additional 15,000 scholarships with a $112,950,000 recurring appropriation.

Fiscal year 2026-2027 is the fourth year under the new public education funding formula – the Tennessee Investment in Student Achievement (TISA). The recommended cost increase for TISA is $170,000,000 recurring state funding. The $170,000,000 total accounts for salary increases, group health insurance premiums, and retirement contributions for local education employees; the base, weights, direct funding, and outcomes.

Other recommendations in the Department of Education include: non-recurring funding for the charter schools facilities fund ($40,000,000), recurring funding for the summer learning camps and summer transportation program ($5,000,000), and recurring funding for local education agency reimbursement of paid parental leave claims ($2,610,400).

In the Treasury Department budget, the administration recommends a $10,616,000 non-recurring fiscal year 2025-2026 supplemental general fund subsidy appropriation and a $20,000,000 non-recurring general fund subsidy appropriation for the LEA Public Construction Maintenance program, which provides grants to local education agencies for construction and maintenance of public school buildings.

The administration further recommends increasing the number of school-based behavioral health liaisons. To fund this recommendation, a recurring $3,000,000 from the K-12 education mental health trust fund is recommended in the Department of Mental Health and Substance Abuse Services budget.

For higher education, a recurring state appropriation of $39,400,000 funds the outcome funding formula and salaries for the University of Tennessee system ($12,306,200), Locally Governed Institutions ($15,075,100), and the Board of Regents ($12,018,700). The outcome funding formula appropriations may be used for program improvements that assist the institutions in meeting outcomes such as student progression, degree production, research and service, efficiency metrics, and other outcome measures related to institutional mission. Further, the administration proposes two appropriations to support the nuclear and cybersecurity industries: a $10,000,000 non-recurring appropriation to strengthen workforce training initiatives in the nuclear energy industry, and a $3,000,000 non-recurring appropriation to Tennessee Technological University to establish Governor's Academies for Next-Gen nuclear and cybersecurity technologies.

Investments in Public Safety

The administration proposes multiple investments in public safety. Three grants to the City of Memphis are recommended: $50,000,000 non-recurring for downtown public safety, $15,000,000 non-recurring for Crime Intervention and Prevention – Focused Deterrence, and $15,000,000 non-recurring for Crime Intervention and Prevention – Work-Centered Training. Further, non-recurring appropriations are proposed for the construction of regional juvenile justice centers in West and East Tennessee.

An increase in the number of law enforcement positions statewide is proposed with this budget. In the Tennessee Highway Patrol, 50 new trooper positions and $17,660,000 ($10,270,000 recurring and $7,390,000 non-recurring) are recommended. Also in the Department of Safety, 34 positions and $2,658,800 ($2,468,400 recurring and $190,400 non-recurring) are recommended for increased staffing in Driver License centers. In the Tennessee Bureau of Investigation, 10 positions and $4,933,400 ($2,354,400 recurring and $2,579,000 non-recurring) are recommended for operational support and the establishment of a rapid DNA unit.

In the Military Department, an additional deposit into the governor's response and recovery fund is proposed ($100,000,000 non-recurring). The administration further recommends two pieces of legislation: one relative to disaster relief ($368,400 total appropriation and 4 positions), and one relative designating the Tennessee Emergency Management Agency a cabinet-level department.

Proposed Capital Appropriations
from Bonds, Current Funds, and Other Revenues
Fiscal Year 2026-2027

	COUNTY	TOTAL	STATE	BONDS	FEDERAL	OTHER
Agriculture						
Pinson Seedling Cooler Replacement	Madison	$ 1,100,000	$ 1,100,000	$ 0	$ 0	$ 0
Children's Services						
Maintenance	Statewide	$ 6,840,000	$ 0	$ 0	$ 0	$ 6,840,000
Education						
Maintenance	Statewide	$ 4,560,000	$ 0	$ 0	$ 0	$ 4,560,000
Alvin C. York ISM Slaughter Facility	Fentress	3,740,000	2,740,000	0	0	1,000,000
Subtotal Education		**$ 8,300,000**	**$ 2,740,000**	**$ 0**	**$ 0**	**$ 5,560,000**
Environment and Conservation						
Maintenance	Statewide	$ 13,040,000	$ 0	$ 0	$ 0	$ 13,040,000
Buffalo River Blueway SP Visitor Center & Campground	Wayne	34,000,000	34,000,000	0	0	0
Cumberland Mountain SP Lodge Planning	Cumberland	5,000,000	5,000,000	0	0	0
David Crockett Birthplace SP Reconstruction Phase 1	Greene	61,750,000	22,750,000	0	27,000,000	12,000,000
Roaring Creek SP Visitor Center & Campground	Rhea	45,339,000	45,339,000	0	0	0
Subtotal Environment and Conservation		**$ 159,129,000**	**$ 107,089,000**	**$ 0**	**$ 27,000,000**	**$ 25,040,000**
General Services						
Maintenance	Statewide	$ 1,000,000	$ 0	$ 0	$ 0	$ 1,000,000
Military						
Maintenance	Statewide	$ 14,890,000	$ 0	$ 0	$ 8,422,500	$ 6,467,500
New Army Aviation Support Facility	Rutherford	83,000,000	80,000,000	0	3,000,000	0
Subtotal Military		**$ 97,890,000**	**$ 80,000,000**	**$ 0**	**$ 11,422,500**	**$ 6,467,500**
Transportation						
Rest Areas & Welcome Centers Reno & Replacement	Statewide	$ 165,000,000	$ 165,000,000	$ 0	$ 0	$ 0
Veterans Services						
Maintenance	Statewide	$ 2,495,000	$ 0	$ 0	$ 0	$ 2,495,000
MTSVC Site Improvements	Davidson	2,970,000	2,970,000	0	0	0
WTSVC Committal Service Shelter	Shelby	4,440,000	4,440,000	0	0	0
Subtotal Veterans Services		**$ 9,905,000**	**$ 7,410,000**	**$ 0**	**$ 0**	**$ 2,495,000**
Locally Governed Higher Education Institutions						
Austin Peay State University						
Maintenance	Statewide	$ 3,000,000	$ 1,000,000	$ 0	$ 0	$ 2,000,000
East Tennessee State University						
Maintenance	Statewide	$ 7,000,000	$ 3,500,000	$ 0	$ 0	$ 3,500,000
Main Campus Utility Infrastructure Replacement	Washington	19,220,000	18,048,000	0	0	1,172,000
Subtotal East Tennessee State University		**$ 26,220,000**	**$ 21,548,000**	**$ 0**	**$ 0**	**$ 4,672,000**
Middle Tennessee State University						
Maintenance	Statewide	$ 4,000,000	$ 0	$ 0	$ 0	$ 4,000,000
Tennessee State University						
Maintenance	Statewide	$ 2,400,000	$ 0	$ 0	$ 0	$ 2,400,000
Tennessee Technological University						
Maintenance	Statewide	$ 4,210,000	$ 1,690,000	$ 0	$ 0	$ 2,520,000
University of Memphis						
Maintenance	Statewide	$ 5,740,000	$ 0	$ 0	$ 0	$ 5,740,000
Business and Economics Addition	Shelby	60,000,000	30,000,000	0	0	30,000,000
Subtotal University of Memphis		**$ 65,740,000**	**$ 30,000,000**	**$ 0**	**$ 0**	**$ 35,740,000**
Subtotal Locally Governed Higher Education Institutions		**$ 105,570,000**	**$ 54,238,000**	**$ 0**	**$ 0**	**$ 51,332,000**
Tennessee Board of Regents						
Maintenance	Statewide	$ 18,320,000	$ 6,990,000	$ 0	$ 0	$ 11,330,000

Proposed Capital Appropriations
from Bonds, Current Funds, and Other Revenues
Fiscal Year 2026-2027

	COUNTY	TOTAL	STATE	BONDS	FEDERAL	OTHER
University of Tennessee						
Maintenance	Statewide	$ 27,070,000	$ 8,750,000	$ 0	$ 0	$ 18,320,000
UTHSC College of Medicine & Interdisciplinary Building	Shelby	350,000,000	0	311,000,000	0	39,000,000
UTM Cattle Outreach and Workforce Facility	Weakley	4,500,000	4,230,000	0	0	270,000
Subtotal University of Tennessee		**$ 381,570,000**	**$ 12,980,000**	**$ 311,000,000**	**$ 0**	**$ 57,590,000**
Grand Total		**$ 954,624,000**	**$ 437,547,000**	**$ 311,000,000**	**$ 38,422,500**	**$ 167,654,500**
Subtotal Higher Education		505,460,000	74,208,000	311,000,000	0	120,252,000
Subtotal Other Agencies		449,164,000	363,339,000	0	38,422,500	47,402,500
Subtotal Higher Education		**$ 505,460,000**	**$ 74,208,000**	**$ 311,000,000**	**$ 0**	**$ 120,252,000**
Capital Maintenance		71,740,000	21,930,000	0	0	49,810,000
Capital Improvements		433,720,000	52,278,000	311,000,000	0	70,442,000
Subtotal Other Agencies		**$ 449,164,000**	**$ 363,339,000**	**$ 0**	**$ 38,422,500**	**$ 47,402,500**
Capital Maintenance		42,825,000	0	0	8,422,500	34,402,500
Capital Improvements		406,339,000	363,339,000	0	30,000,000	13,000,000

Proposed Capital Maintenance Appropriations from Bonds, Current Funds, and Other Revenues Fiscal Year 2026-2027

	COUNTY	TOTAL	STATE	BONDS	FEDERAL	OTHER
Children's Services						
Mountain View Roof Replacements	Jefferson	$ 6,840,000	$ 0	$ 0	$ 0	$ 6,840,000
Education						
Tennessee School for the Blind Fire Alarm Upgrades	Davidson	$ 4,560,000	$ 0	$ 0	$ 0	$ 4,560,000
Environment and Conservation						
Norris Dam SP Wastewater Treatment Plant Replacement	Campbell	$ 4,900,000	$ 0	$ 0	$ 0	$ 4,900,000
Pickwick Landing SP Water Line Replacement	Hardin	8,140,000	0	0	0	8,140,000
Subtotal Environment and Conservation		**$ 13,040,000**	**$ 0**	**$ 0**	**$ 0**	**$ 13,040,000**
General Services						
Environmental Consultant	Statewide	$ 1,000,000	$ 0	$ 0	$ 0	$ 1,000,000
Military						
Chattanooga Readiness Center Storm Drainage Repairs	Hamblen	$ 3,300,000	$ 0	$ 0	$ 1,650,000	$ 1,650,000
Memphis Readiness Center HVAC and Energy Update	Shelby	2,970,000	0	0	1,485,000	1,485,000
Nashville JFHQ Building 108 HVAC and Energy Update	Davidson	4,010,000	0	0	2,005,000	2,005,000
Nashville JFHQ Parking Garages Repairs	Davidson	700,000	0	0	350,000	350,000
VTS Smyrna Building 686 HVAC and Energy Update	Rutherford	3,910,000	0	0	2,932,500	977,500
Subtotal Military		**$ 14,890,000**	**$ 0**	**$ 0**	**$ 8,422,500**	**$ 6,467,500**
Veterans Services						
ETSVC Clean and Realign Headstones	Knox	$ 828,000	$ 0	$ 0	$ 0	$ 828,000
MTSVC Clean and Realign Headstones	Davidson	527,000	0	0	0	527,000
WTSVC Drainage Improvements	Shelby	1,140,000	0	0	0	1,140,000
Subtotal Veterans Services		**$ 2,495,000**	**$ 0**	**$ 0**	**$ 0**	**$ 2,495,000**
Locally Governed Higher Education Institutions						
Austin Peay State University						
Chiller Replacement and Plant Upgrades Phases 1, 2, and 3	Montgomery	$ 3,000,000	$ 1,000,000	$ 0	$ 0	$ 2,000,000
East Tennessee State University						
Multiple Buildings Roof Replacements Phase 1	Washington	$ 3,500,000	$ 3,500,000	$ 0	$ 0	$ 0
Safety Steam Line Repairs and Replacement Phase 2	Washington	3,500,000	0	0	0	3,500,000
Subtotal East Tennessee State University		**$ 7,000,000**	**$ 3,500,000**	**$ 0**	**$ 0**	**$ 3,500,000**
Middle Tennessee State University						
Multiple Buildings Envelope & Structural Repairs Phase 2	Rutherford	$ 4,000,000	$ 0	$ 0	$ 0	$ 4,000,000
Tennessee State University						
Multiple Buildings Roof Replacements Phase 1	Davidson	$ 2,400,000	$ 0	$ 0	$ 0	$ 2,400,000
Tennessee Technological University						
Multiple Buildings Elevator Upgrades Phase 2	Putnam	$ 1,690,000	$ 1,690,000	$ 0	$ 0	$ 0
Utility Infrastructure Upgrades Phase 1	Putnam	2,520,000	0	0	0	2,520,000
Subtotal Tennessee Technological University		**$ 4,210,000**	**$ 1,690,000**	**$ 0**	**$ 0**	**$ 2,520,000**
University of Memphis						
Multiple Buildings Roof Replacements	Shelby	$ 5,740,000	$ 0	$ 0	$ 0	$ 5,740,000
Subtotal Locally Governed Higher Education Institutions		**$ 26,350,000**	**$ 6,190,000**	**$ 0**	**$ 0**	**$ 20,160,000**
Tennessee Board of Regents						
ChSCC Central Plant Modernization Phase 2	Hamilton	$ 2,080,000	$ 2,080,000	$ 0	$ 0	$ 0
CISCC Multiple Buildings Roof Replacements Phase 2	Bradley	1,750,000	0	0	0	1,750,000
CoSCC Campus Infrastructure Upgrades	Maury	2,460,000	0	0	0	2,460,000
DSCC Jimmy Naifeh Building Roof Replacement	Tipton	1,100,000	0	0	0	1,100,000
RSCC Multiple Buildings Roof Replacements and Repairs	Areawide	1,500,000	0	0	0	1,500,000
SWTCC Roof Replacements and Envelope Repairs	Shelby	3,000,000	0	0	0	3,000,000
TCAT Roof Replacements & Envelope Repairs Phase 1	Statewide	4,910,000	4,910,000	0	0	0
WSCC Humanities MEP Improvements & Energy Upgrades	Hamblen	1,520,000	0	0	0	1,520,000
Subtotal Tennessee Board of Regents		**$ 18,320,000**	**$ 6,990,000**	**$ 0**	**$ 0**	**$ 11,330,000**

Proposed Capital Maintenance Appropriations from Bonds, Current Funds, and Other Revenues Fiscal Year 2026-2027

	COUNTY	TOTAL	STATE	BONDS	FEDERAL	OTHER
University of Tennessee						
UTC Electrical Distribution and Chiller Plant Upgrades	Hamilton	$ 8,750,000	$ 8,750,000	$ 0	$ 0	$ 0
UTHSC Multiple Buildings Control Systems Upgrades	Shelby	2,500,000	0	0	0	2,500,000
UTK Campus Infrastructure Upgrades Phase 1	Knox	9,500,000	0	0	0	9,500,000
UTM Elam Center Brick Replacement	Weakley	1,750,000	0	0	0	1,750,000
UTS Multiple Buildings Envelope Repairs	Giles	4,570,000	0	0	0	4,570,000
Subtotal University of Tennessee		**$ 27,070,000**	**$ 8,750,000**	**$ 0**	**$ 0**	**$ 18,320,000**
Grand Total Maintenance		**$ 114,565,000**	**$ 21,930,000**	**$ 0**	**$ 8,422,500**	**$ 84,212,500**
Subtotal Higher Education		71,740,000	21,930,000	0	0	49,810,000
Subtotal Other Agencies		42,825,000	0	0	8,422,500	34,402,500

Projects Funded from Dedicated Revenues
Fiscal Year 2026-2027

	COUNTY	TOTAL	STATE	BONDS	FEDERAL	OTHER
Capital Improvements:						
Transportation						
Region 1 New Anderson County Support Buildings	Anderson	$ 4,976,200	$ 0	$ 0	$ 0	$ 4,976,200
Region 3 New Rutherford County Support Buildings	Rutherford	8,085,000	0	0	0	8,085,000
Subtotal Transportation		**$ 13,061,200**	**$ 0**	**$ 0**	**$ 0**	**$ 13,061,200**
Total Improvements		**$ 13,061,200**	**$ 0**	**$ 0**	**$ 0**	**$ 13,061,200**
Total Dedicated Funds		**$ 13,061,200**	**$ 0**	**$ 0**	**$ 0**	**$ 13,061,200**

Capital Projects from School Bonds and Other Sources
Fiscal Year 2026-2027

The capital projects listed in this section are presented for information purposes only. This is not a request for state tax funds. It is the intent of the listed institutions to initiate these projects within the next two years. All projects listed herein are subject to the approval of the State Building Commission and may have to obtain additional approval by the Tennessee State School Bond Authority (TSSBA) or the State Funding Board, depending upon the funding source. All projects have previously been endorsed by the respective system governing board and the Tennessee Higher Education Commission.

	TOTAL	TSSBA	INSTITUTIONAL/ AUXILIARY	OTHER
Locally Governed Institutions				
Austin Peay State University				
Public-Private Partnership Residence Hall	$ 48,000,000	$ 0	$ 0	$ 48,000,000
East Tennessee State University				
Parking Garage	$ 55,000,000	$ 54,000,000	$ 1,000,000	$ 0
Residence Hall	40,000,000	38,500,000	1,500,000	0
Subtotal East Tennessee State University	**$ 95,000,000**	**$ 92,500,000**	**$ 2,500,000**	**$ 0**
Middle Tennessee State University				
Wellness Center Renovations	$ 7,000,000	$ 7,000,000	$ 0	$ 0
Tennessee State University				
Agriculture Poultry Layer House	$ 1,800,000	$ 0	$ 0	$ 1,800,000
Hale Stadium Field Turf and Infrastructure Upgrades	3,000,000	0	0	3,000,000
Subtotal Tennessee State University	**$ 4,800,000**	**$ 0**	**$ 0**	**$ 4,800,000**
Subtotal Locally Governed Institutions	**$ 154,800,000**	**$ 99,500,000**	**$ 2,500,000**	**$ 52,800,000**
Tennessee Board of Regents				
VSCC New Health Sciences Building	$ 25,000,000	$ 0	$ 25,000,000	$ 0
University of Tennessee				
UTC 8th Street Parking Garage	$ 37,000,000	$ 27,000,000	$ 10,000,000	$ 0
UTC New Dining Facility	30,000,000	0	30,000,000	0
UTC South Campus Housing Acquisition	108,000,000	105,300,000	2,700,000	0
UTHSC College of Medicine and Interdisciplinary Building	29,000,000	29,000,000	0	0
Subtotal University of Tennessee	**$ 204,000,000**	**$ 161,300,000**	**$ 42,700,000**	**$ 0**
Grand Total	**$ 383,800,000**	**$ 260,800,000**	**$ 70,200,000**	**$ 52,800,000**

Capital Outlay Project Descriptions
Fiscal Year 2026-2027

	Total Project Cost
Agriculture	
Objective: Promote efficient use of agricultural resources.	
Pinson Seedling Cooler Replacement Funds are provided to demolish existing cold storage facility and replace with a new cold storage facility. Project includes repairs and repaving of exterior apron.	**$ 1,100,000**
Children's Services	
Objective: Provide safe and secure surroundings for youth development residents.	
Maintenance Funds are provided to repair, maintain, and update facilities. See Capital Maintenance Project Descriptions for additional details.	**$ 6,840,000**
Education	
Objective: Provide a safe and secure environment for learning.	
Maintenance Funds are provided to repair, maintain, and update facilities. See Capital Maintenance Project Descriptions for additional details.	$ 4,560,000
Alvin C. York ISM Slaughter Facility Funds are provided to construct a new slaughter facility building, including demolition of existing building, septic system upgrades, and site improvements.	3,740,000
Subtotal Education	**$ 8,300,000**
Environment and Conservation	
Objective: Increase visitation to the state's parks and historic areas.	
Maintenance Funds are provided to repair, maintain, and update facilities. See Capital Maintenance Project Descriptions for additional details.	$ 13,040,000
Buffalo River Blueway State Park Visitor Center and Campground Funds are provided to construct a visitor center, campground, maintenance facility, bathhouse, park amenities, roadways, and related infrastructure.	34,000,000
Cumberland Mountain State Park Lodge Planning Funds are provided to plan a future lodge.	5,000,000
David Crockett Birthplace State Park Reconstruction Phase One Funds are provided to construct a visitor center, campground, maintenance facility, bathhouse, park amenities, roadways, and related infrastructure.	61,750,000
Roaring Creek State Park Visitor Center and Campground Funds are provided to construct a visitor center, campground, maintenance facility, bathhouse, park amenities, roadways, and related infrastructure.	45,339,000
Subtotal Environment and Conservation	**$ 159,129,000**
General Services	
Objective: Maintain, repair, and update general government facilities.	
Maintenance Funds are provided to repair, maintain, and update facilities. See Capital Maintenance Project Descriptions for additional details.	**$ 1,000,000**

Capital Outlay Project Descriptions
Fiscal Year 2026-2027

Military		
Objective: Expand and renovate military facilities.		
Maintenance Funds are provided to repair, maintain, and update facilities. See Capital Maintenance Project Descriptions for additional details.	$	14,890,000
New Army Aviation Support Facility Funds are provided to construct a new Army Aviation Support Facility and Flight Operations.		83,000,000
Subtotal Military	**$**	**97,890,000**
Transportation		
Objective: Maintain, repair, and update roadways.		
Rest Areas and Welcome Centers Renovation and Replacement Funds are provided to renovate, demolish, and construct rest areas and welcome centers.	**$**	**165,000,000**
Veterans Services		
Objective: Expand and renovate state veteran cemetery facilities.		
Maintenance Funds are provided to repair, maintain, and update facilities. See Capital Maintenance Project Descriptions for additional details.	$	2,495,000
Middle Tennessee State Veterans Cemetery Site Improvements Funds are provided to repair the committal service shelter building and exterior site features, expand visitor parking, demolish a portion of the existing maintenance area, construct additional sheds, and build a vehicle wash station.		2,970,000
West Tennessee State Veterans Cemetery Committal Service Shelter Funds are provided to construct a new committal service shelter, driveway, and parking.		4,440,000
Subtotal Veterans Services	**$**	**9,905,000**
Locally Governed Higher Education Institutions		
Objective: Expand and enhance facilities for student and faculty needs.		
Austin Peay State University		
Maintenance Funds are provided to repair, maintain, and update campus facilities. See Capital Maintenance Project Descriptions for additional details.	**$**	**3,000,000**
East Tennessee State University		
Maintenance Funds are provided to repair, maintain, and update campus facilities. See Capital Maintenance Project Descriptions for additional details.	$	7,000,000
Main Campus Utility Infrastructure Replacement Funds are provided to replace steam lines, boilers, pumps, chilled water piping, domestic water lines, and sewer systems.		19,220,000
Subtotal East Tennessee State University	**$**	**26,220,000**

Capital Outlay Project Descriptions
Fiscal Year 2026-2027

Middle Tennessee State University		
Maintenance Funds are provided to repair, maintain, and update campus facilities. See Capital Maintenance Project Descriptions for additional details.	**$**	**4,000,000**
Tennessee State University		
Maintenance Funds are provided to repair, maintain, and update campus facilities. See Capital Maintenance Project Descriptions for additional details.	**$**	**2,400,000**
Tennessee Technological University		
Maintenance Funds are provided to repair, maintain, and update campus facilities. See Capital Maintenance Project Descriptions for additional details.	**$**	**4,210,000**
University of Memphis		
Maintenance Funds are provided to repair, maintain, and update campus facilities. See Capital Maintenance Project Descriptions for additional details.	$	5,740,000
Business and Economics Addition Funds are provided to construct a new addition to the Fogelman College of Business and Economics, enclose existing lobby, and complete exterior facade enhancements to existing building.		60,000,000
Subtotal University of Memphis	**$**	**65,740,000**
Subtotal Locally Governed Higher Education Institutions	**$**	**105,570,000**
Tennessee Board of Regents **Objective: Expand and enhance facilities for student and faculty needs.**		
Maintenance Funds are provided to repair, maintain, and update higher education institution facilities statewide. See Capital Maintenance Project Descriptions for additional details.	**$**	**18,320,000**
University of Tennessee **Objective: Expand and enhance facilities for students and faculty needs.**		
Maintenance Funds are provided to repair, maintain, and update higher education institution facilities statewide. See Capital Maintenance Project Descriptions for additional details.	$	27,070,000
UTHSC College of Medicine and Interdisciplinary Building Funds are provided to construct a College of Medicine and Interdisciplinary Classroom building.		350,000,000
UTM Cattle Outreach and Workforce Facility Funds are provided to construct a new cattle outreach and workforce facility that will include site improvements and equipment.		4,500,000
Subtotal University of Tennessee	**$**	**381,570,000**
Grand Total	**$**	**954,624,000**

Capital Maintenance Project Descriptions
Fiscal Year 2026-2027

		Total Project Cost
Children's Services		
Mountain View Roof Replacements Funds are provided for replacement of all roofing, damaged sheeting, roof drainage, and all related work.	**$**	**6,840,000**
Education		
Tennessee School for the Blind Fire Alarm Upgrades Funds are provided for replacement of the fire alarm system with a campus-wide single addressable fire alarm system and all related work.	**$**	**4,560,000**
Environment and Conservation		
Norris Dam State Park Wastewater Treatment Plant Replacement Funds are provided for replacement of the wastewater treatment plant and all related work.	$	4,900,000
Pickwick Landing State Park Water Line Replacement Funds are provided for replacement of the main water distribution system and all related work.		8,140,000
Subtotal Environment and Conservation	**$**	**13,040,000**
General Services		
Environmental Consultant Funds are provided for environmental services for state properties, interest, initiatives, and all related work.	**$**	**1,000,000**
Military		
Chattanooga Readiness Center Storm Drainage Repairs Funds are provided for repair of site and storm water drainage and all related work.	$	3,300,000
Memphis Readiness Center HVAC and Energy Update Funds are provided for replacement of the mechanical, electrical, and plumbing systems, doors and door hardware, and all related work.		2,970,000
Nashville JFHQ Building 108 HVAC and Energy Update Funds are provided for replacement of the mechanical, electrical, and plumbing systems, and all related work.		4,010,000
Nashville JFHQ Parking Garages Repairs Funds are provided for repair of the parking garage structures and all related work.		700,000
VTS Smyrna Building 686 HVAC and Energy Update Funds are provided for replacement of the mechanical, electrical, and plumbing systems, and all related work.		3,910,000
Subtotal Military	**$**	**14,890,000**
Veterans Services		
ETSVC Clean and Realign Headstones Funds are provided for raising, cleaning, realigning, and providing a grid beam system for the stabilization of headstones, and all related work.	$	828,000
MTSVC Clean and Realign Headstones Funds are provided for raising, cleaning, realigning, and providing a grid beam system for the stabilization of headstones, and all related work.		527,000
WTSVC Drainage Improvements Funds are provided for upgrading undersized culverts, installing scour protection and stabilization measures, and all related work.		1,140,000
Subtotal Veterans Services	**$**	**2,495,000**

Capital Maintenance Project Descriptions
Fiscal Year 2026-2027

Locally Governed Higher Education Institutions		
Austin Peay State University		
Chiller Replacement and Plant Upgrades Phases One, Two, and Three	**$**	**3,000,000**
Funds are provided for replacement of chillers, acoustical panels, roof, and all related work.		
East Tennessee State University		
Multiple Buildings Roof Replacements Phase One	$	3,500,000
Funds are provided for repair and replacement of roof and drainage systems for multiple buildings, and all related work.		
Safety Steam Line Repairs and Replacement Phase Two		3,500,000
Funds are provided for repair and replacement of steam piping, condensate lines, steam traps, and associated systems in the campus steam distribution system. The work includes direct bury and steam tunnel piping. Project includes replacement of boiler and associated systems and all related work.		
Subtotal East Tennessee State University	**$**	**7,000,000**
Middle Tennessee State University		
Multiple Buildings Envelope and Structural Repairs Phase Two	**$**	**4,000,000**
Funds are provided for repair or replacement of building envelope components, including roofs and structural repairs on multiple buildings, and all related work.		
Tennessee State University		
Multiple Buildings Roof Replacements Phase One	**$**	**2,400,000**
Funds are provided for repair and replacement of roof systems, roof-top mounted equipment, drainage on multiple buildings, and all related work.		
Tennessee Technological University		
Multiple Buildings Elevator Upgrades Phase Two	$	1,690,000
Funds are provided for upgrade or replacement of several elevators on campus and all related work.		
Utility Infrastructure Upgrades Phase One		2,520,000
Funds are provided for replacement and repair of various utilities campus-wide, including rerouting distribution lines, and all related work.		
Subtotal Tennessee Technological University	**$**	**4,210,000**
University of Memphis		
Multiple Buildings Roof Replacements	**$**	**5,740,000**
Funds are provided for replacement of roofs for multiple buildings and all related work.		
Subtotal Locally Governed Higher Education Institutions	**$**	**26,350,000**
Tennessee Board of Regents		
ChSCC Central Plant Modernization Phase Two	$	2,080,000
Funds are provided for modernization of the central plant, including replacement of boilers, chillers, pumps, and piping; lighting, electrical, and controls updates; and all related work.		
ClSCC Multiple Buildings Roof Replacements Phase Two		1,750,000
Funds are provided for replacement of multiple roofs throughout the main campus and all related work.		
CoSCC Campus Infrastructure Upgrades		2,460,000
Funds are provided for upgrades of campus infrastructure, including electrical switchgear, transformers, and electrical components; chiller, cooling tower, piping, and central plant equipment; HVAC controls; and all related work.		

Capital Maintenance Project Descriptions
Fiscal Year 2026-2027

DSCC Jimmy Naifeh Building Roof Replacement Funds are provided for replacement of metal roofing system and all related work.		1,100,000
RSCC Multiple Buildings Roof Replacements and Repairs Funds are provided for replacement or repair of roofs and gutters for multiple buildings and all related work.		1,500,000
SWTCC Roof Replacements and Envelope Repairs Funds are provided for replacement of roofing systems and envelope repairs, including windows, doors, caulking for multiple buildings, and all related work.		3,000,000
TCAT Roof Replacements and Envelope Repairs Phase One Funds are provided for replacement or repair of roofing systems, envelope and drainage repairs, and all related work.		4,910,000
WSCC Humanities MEP Improvements and Energy Upgrades Funds are provided for MEP improvements and energy upgrades, including new water source heat pump units, removal of rooftop HVAC package units, replacement of hydronic lines, pipe repairs, window replacements, and all related work.		1,520,000
Subtotal Tennessee Board of Regents	**$**	**18,320,000**
University of Tennessee		
UTC Electrical Distribution and Chiller Plant Upgrades Funds are provided for upgrades to the primary campus electrical distribution service system and at the central chilled water plant. Project includes replacement of high temperature heating water generators and all related work.	$	8,750,000
UTHSC Multiple Buildings Control Systems Upgrades Funds are provided for upgrades to mechanical control systems in multiple buildings and all related work.		2,500,000
UTK Campus Infrastructure Upgrades Phase One Funds are provided for replacement and repair of existing infrastructure components for underground utilities for water and steam including all related work.		9,500,000
UTM Elam Center Brick Replacement Funds are provided for replacement and structural repairs of the masonry brick veneer system at the Elam Center and all related work.		1,750,000
UTS Multiple Buildings Envelope Repairs Funds are provided for replacement and repair of several exterior building system components including roofs, foundations, doors, windows, and all related work.		4,570,000
Subtotal University of Tennessee	**$**	**27,070,000**
Grand Total Capital Maintenance	**$**	**114,565,000**

Education

Education

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State of Tennessee

Education

Recommended Budget, Fiscal Year 2026-2027

This functional area is responsible for the educational efforts of the state, from pre-school and K-12 through all levels of higher education. The Department of Education coordinates the educational programs of the local public school systems that operate Tennessee's kindergarten, elementary, secondary, and vocational schools. The department also operates the four special schools: Tennessee School for the Blind, Tennessee School for the Deaf, West Tennessee School for the Deaf, and Alvin C. York Agricultural Institute.

With assistance from the Department of Education, the State Board of Education formulates the policies, standards, and guidelines governing K-12 public education. The department is responsible for implementing these policies, standards, and guidelines.

The Sports Wagering Council is responsible for licensing and regulating online sports wagering in Tennessee. Certain taxes and fees collected by the council are distributed to the State Treasurer for the construction and maintenance of public school buildings and the Tennessee Promise Endowment Scholarship program.

Higher Education is comprised of eight governing boards in two independent systems: the University of Tennessee System and the State University and Community College System. The State University and Community College System includes the Tennessee Board of Regents (TBR), which governs the community colleges and colleges of applied technology, and six distinct local governing boards for Austin Peay University, East Tennessee State University, Middle Tennessee State University, Tennessee State University, Tennessee Technological University, and the University of Memphis. The Tennessee Higher Education Commission is responsible for coordinating academic, fiscal, and policy issues among these entities.

The Tennessee Student Assistance Corporation (TSAC) is the state's designated agency to administer financial aid programs designed to help students obtain a postsecondary education at colleges, universities, and technical and career schools. Among the programs TSAC administers are the Education Lottery-funded scholarships, implemented in the fall of 2004, and the Tennessee Student Assistance Awards (TSAA), the latter funded from general tax revenues. TSAA grants provide non-repayable financial assistance to financially needy undergraduate students who are residents of Tennessee and are enrolled at a public or an eligible non-public postsecondary educational institution in Tennessee. TSAC also administers the Tennessee Promise Endowment Scholarship program.

The lottery scholarships are funded through the Lottery for Education Account. The majority of these funds are made available for scholarships at post-secondary institutions. Scholarships include the Tennessee HOPE Scholarship, Needs-Base Supplemental Award, Dual Enrollment, Wilder-Naifeh Technical Skills Grant, Tennessee Reconnect, and the GIVE scholarship.

Cost Increases and Program Statements

The following section includes: (1) a table on personnel and funding for all agencies in this functional area of state government; (2) a table on the recommended budget for each agency by funding source; (3) a statement of recommended cost increases for the ensuing fiscal year; (4) departmental program statements, indicating the recommended funding and staffing for the ensuing year, compared with actual amounts for the last year and the amounts budgeted for the current year.

Education

Total Personnel and Funding

		Actual 2024-2025	Estimated 2025-2026	Recommended 2026-2027
Full-Time Positions		1,166	1,177	1,171
Part-Time Positions		36	36	36
Full-Time Administrative		1,404	1,556	1,556
Professional		8,348	8,851	8,851
Faculty		10,700	10,812	10,812
Clerical Support		8,121	8,180	8,180
	TOTAL	**29,775**	**30,612**	**30,606**
Payroll		$127,841,200	$148,024,900	$148,301,700
Operational		15,629,455,300	16,028,060,800	15,953,835,600
	TOTAL	**$15,757,296,500**	**$16,176,085,700**	**$16,102,137,300**
State Appropriations		$9,982,250,900	$10,751,783,500	$10,885,303,500
Federal		1,859,514,500	1,517,843,000	1,485,339,100
Other		1,552,416,100	1,423,546,700	1,248,582,200
Tuition and Fees		2,363,115,000	2,482,912,500	2,482,912,500

Education
Recommended Budget for Fiscal Year 2026-2027
By Funding Source

Department	State	Federal	Other	Total
316.15 Sports Wagering Council	$6,955,200	$0	$0	$6,955,200
331.00 Education (K-12)	7,926,060,000	1,393,539,600	134,889,800	9,454,489,400
332.00 Higher Education - State Administered Programs	617,671,600	5,951,500	25,788,300	649,411,400
332.10 University of Tennessee System	969,901,100	65,201,900	1,853,571,500*	2,888,674,500
332.60 State University and Community College System	599,403,200	1,292,800	479,225,200*	1,079,921,200
332.70 Austin Peay State University	78,179,300	1,000,000	126,181,000*	205,360,300
332.72 East Tennessee State University	175,848,500	4,220,000	279,805,300*	459,873,800
332.74 University of Memphis	191,383,000	5,780,500	330,753,800*	527,917,300
332.75 Middle Tennessee State University	152,220,200	1,150,000	275,066,000*	428,436,200
332.77 Tennessee State University	71,245,700	4,500,000	70,712,000*	146,457,700
332.78 Tennessee Technological University	96,435,700	2,702,800	155,501,800*	254,640,300
TOTAL	**$10,885,303,500**	**$1,485,339,100**	**$3,731,494,700**	**$16,102,137,300**

*Includes Higher Education's tuition and fees and other revenue.

Education
Cost Increases for Fiscal Year 2026-2027

	State	Federal	Other	Total	Positions
• **Appalachia Sessions Live Grant**					
To provide non-recurring funding for a grant to Appalachia Sessions Live.					
331.02 Grants-In-Aid	$500,000	$0	$0	$500,000	0
Subtotal	$500,000	$0	$0	$500,000	0
• **State Special Schools Teacher Raises**					
To provide recurring funding for growth in teacher training and experience in state special schools.					
331.90 Alvin C. York Institute	$121,000	$0	$0	$121,000	0
331.91 Tennessee School for the Blind	187,200	0	0	187,200	0
331.92 Tennessee School for the Deaf	345,400	0	0	345,400	0
331.93 West Tennessee School for the Deaf	40,100	0	0	40,100	0
Subtotal	$693,700	$0	$0	$693,700	0
Total Education (K-12)	**$379,414,800**	**$0**	**$21,230,300**	**$400,645,100**	**0**

Higher Education - State Administered Programs

• **Tennessee Higher Education Commission (THEC) - Non-Formula Unit - Salary Pool and Operational Costs**					
To provide recurring funding for a salary pool for higher education employees and recognize increased operational costs.					
332.08 Centers of Excellence	$278,200	$0	$0	$278,200	0
332.11 Campus Centers of Emphasis	18,500	0	0	18,500	0
Subtotal	$296,700	$0	$0	$296,700	0
• **Correction Education Initiatives (CEI) - Correction Education Coordinator**					
To provide recurring funding and to establish one position to support the establishment of a Correction Education Initiative Office within THEC. The newly established office will anchor cross-sector collaboration in a permanent structure dedicated to ongoing innovation, quality assurance, and student-centered support.					
332.01 Tennessee Higher Education Commission	$250,000	$0	$0	$250,000	1
Subtotal	$250,000	$0	$0	$250,000	1
• **Nuclear Workforce Funding**					
To provide non-recurring funding for grants to higher education institutions to support workforce training initiatives with a focus on nuclear energy development.					
332.09 THEC Grants	$10,000,000	$0	$0	$10,000,000	0
Subtotal	$10,000,000	$0	$0	$10,000,000	0

Education
Cost Increases for Fiscal Year 2026-2027

	State	Federal	Other	Total	Positions
• **Reconnect Re-Entry Navigator Program**					
To provide recurring funding to support expansion of the Reconnect Re-Entry Navigator program.					
332.09 THEC Grants	$1,990,000	$0	$0	$1,990,000	0
Subtotal	$1,990,000	$0	$0	$1,990,000	0
• **Shared Savings - Rural Health Care Pathways Program**					
To provide non-recurring funding for the Rural Health Care Pathways program. The program will enhance opportunities for individuals to enter and transition into health care careers in rural communities. Other funding is from the TennCare Shared Savings.					
332.09 THEC Grants	$0	$0	$13,750,000	$13,750,000	0
Subtotal	$0	$0	$13,750,000	$13,750,000	0
Total Higher Education - State Administered Programs	**$12,536,700**	**$0**	**$13,750,000**	**$26,286,700**	**1**

University of Tennessee System

• **UT System - Salary Pool and Institutional Outcomes**					
To provide recurring funding associated with a salary pool for higher education employees and greater institutional outcomes.					
332.40 UT Chattanooga	$1,984,900	$0	$0	$1,984,900	0
332.42 UT Knoxville	9,015,000	0	0	9,015,000	0
332.44 UT Martin	1,104,200	0	0	1,104,200	0
332.46 UT Southern	202,100	0	0	202,100	0
Subtotal	$12,306,200	$0	$0	$12,306,200	0
• **UT System - Non-Formula Unit - Salary Pool and Operational Costs**					
To provide recurring funding for a salary pool for higher education employees and recognize increased operational costs.					
332.10 UT University-Wide Administration	$35,300	$0	$0	$35,300	0
332.14 Tennessee Foreign Language Center	8,300	0	0	8,300	0
332.15 UT Institute for Public Service	67,500	0	0	67,500	0
332.16 UT Municipal Technical Advisory Service	51,700	0	0	51,700	0
332.17 UT County Technical Assistance Service	45,200	0	0	45,200	0
332.23 UT Space Institute	137,400	0	0	137,400	0
332.25 UT Agricultural Experiment Station	366,700	0	0	366,700	0
332.26 UT Agricultural Extension Service	557,400	0	0	557,400	0

Education
Cost Increases for Fiscal Year 2026-2027

	State	Federal	Other	Total	Positions
332.28 UT Veterinary Medicine	377,100	0	0	377,100	0
332.30 UT Health Science Center	2,195,300	0	0	2,195,300	0
Subtotal	$3,841,900	$0	$0	$3,841,900	0

- **UT System Group Health Insurance - January 1, 2027 Rate Increase**

  To provide recurring funding for the state share of a 12.3 percent group health insurance premium increase on January 1, 2027. This is funded for six months in the Recommended Budget.

332.10 UT University-Wide Administration	$271,300	$0	$0	$271,300	0
332.14 Tennessee Foreign Language Center	16,800	0	0	16,800	0
332.15 UT Institute for Public Service	76,500	0	0	76,500	0
332.16 UT Municipal Technical Advisory Service	39,200	0	0	39,200	0
332.17 UT County Technical Assistance Service	36,300	0	0	36,300	0
332.23 UT Space Institute	52,700	0	0	52,700	0
332.25 UT Agricultural Experiment Station	349,800	0	0	349,800	0
332.26 UT Agricultural Extension Service	654,000	0	0	654,000	0
332.28 UT Veterinary Medicine	345,900	0	0	345,900	0
332.30 UT Health Science Center	2,175,400	0	0	2,175,400	0
332.40 UT Chattanooga	1,051,000	0	0	1,051,000	0
332.42 UT Knoxville	3,923,400	0	0	3,923,400	0
332.44 UT Martin	613,600	0	0	613,600	0
332.46 UT Southern	86,800	0	0	86,800	0
Subtotal	$9,692,700	$0	$0	$9,692,700	0

- **UT System Group Health Insurance - Annualize January 1, 2026 Rate Increase**

  To provide recurring funding to annualize the state share of a 5.7 percent group health insurance premium increase on January 1, 2026.

332.10 UT University-Wide Administration	$118,600	$0	$0	$118,600	0
332.14 Tennessee Foreign Language Center	7,100	0	0	7,100	0
332.15 UT Institute for Public Service	31,400	0	0	31,400	0

Education
Cost Increases for Fiscal Year 2026-2027

	State	Federal	Other	Total	Positions
332.16 UT Municipal Technical Advisory Service	19,000	0	0	19,000	0
332.17 UT County Technical Assistance Service	15,800	0	0	15,800	0
332.23 UT Space Institute	21,600	0	0	21,600	0
332.25 UT Agricultural Experiment Station	153,000	0	0	153,000	0
332.26 UT Agricultural Extension Service	283,200	0	0	283,200	0
332.28 UT Veterinary Medicine	151,900	0	0	151,900	0
332.30 UT Health Science Center	949,000	0	0	949,000	0
332.40 UT Chattanooga	456,200	0	0	456,200	0
332.42 UT Knoxville	1,656,900	0	0	1,656,900	0
332.44 UT Martin	262,700	0	0	262,700	0
332.46 UT Southern	33,500	0	0	33,500	0
Subtotal	$4,159,900	$0	$0	$4,159,900	0
Total University of Tennessee System	**$30,000,700**	**$0**	**$0**	**$30,000,700**	**0**

State University and Community College System

- **Tennessee Board of Regents (TBR) - Salary Pool and Institutional Outcomes**

  To provide recurring funding associated with a salary pool for higher education employees and greater institutional outcomes.

332.89 Tennessee Community Colleges	$9,532,100	$0	$0	$9,532,100	0
332.98 Tennessee Colleges of Applied Technology	2,486,600	0	0	2,486,600	0
Subtotal	$12,018,700	$0	$0	$12,018,700	0

- **Correction Education Initiatives (CEI) - Mobile Training Labs**

  To provide non-recurring funding to support the equipment and rotation of three mobile technical training labs to prisons with limited instructional space to expand high-wage credential offerings.

332.60 Tennessee Board of Regents	$2,250,000	$0	$0	$2,250,000	0
Subtotal	$2,250,000	$0	$0	$2,250,000	0

Education
Cost Increases for Fiscal Year 2026-2027

	State	Federal	Other	Total	Positions
• **CEI Initiatives - Apprenticeship Pilots**					
To provide non-recurring funding to develop and launch in-prison apprenticeship programs aligned with high-demand occupations.					
332.60 Tennessee Board of Regents	$1,000,000	$0	$0	$1,000,000	0
Subtotal	$1,000,000	$0	$0	$1,000,000	0
• **TBR - Non-Formula Unit - Salary Pool and Operational Costs**					
To provide recurring funding for a salary pool for higher education employees and recognize increased operational costs.					
332.60 Tennessee Board of Regents	$245,000	$0	$0	$245,000	0
Subtotal	$245,000	$0	$0	$245,000	0
• **TBR Health Insurance - January 1, 2027 Rate Increase**					
To provide recurring funding for the state share of a 12.3 percent group health insurance premium increase on January 1, 2027. This is funded for six months in the Recommended Budget.					
332.60 Tennessee Board of Regents	$208,600	$0	$0	$208,600	0
332.89 Tennessee Community Colleges	3,438,500	0	0	3,438,500	0
332.98 Tennessee Colleges of Applied Technology	961,100	0	0	961,100	0
Subtotal	$4,608,200	$0	$0	$4,608,200	0
• **TBR - Annualize January 1, 2026 Rate Increase**					
To provide recurring funding to annualize the state share of a 5.7 percent group health insurance premium increase on January 1, 2026.					
332.60 Tennessee Board of Regents	$86,900	$0	$0	$86,900	0
332.89 Tennessee Community Colleges	1,501,200	0	0	1,501,200	0
332.98 Tennessee Colleges of Applied Technology	410,800	0	0	410,800	0
Subtotal	$1,998,900	$0	$0	$1,998,900	0
Total State University and Community College System	**$22,120,800**	**$0**	**$0**	**$22,120,800**	**0**

Education
Cost Increases for Fiscal Year 2026-2027

	State	Federal	Other	Total	Positions
Austin Peay State University					
• **Austin Peay State University - Salary Pool and Institutional Outcomes**					
To provide recurring funding associated with a salary pool for higher education employees and greater institutional outcomes.					
332.70 Austin Peay State University	$1,767,700	$0	$0	$1,767,700	0
Subtotal	$1,767,700	$0	$0	$1,767,700	0
• **Austin Peay State University Health Insurance - January 1, 2027 Rate Increase**					
To provide recurring funding for the state share of a 12.3 percent group health insurance premium increase on January 1, 2027. This is funded for six months in the Recommended Budget.					
332.70 Austin Peay State University	$767,900	$0	$0	$767,900	0
Subtotal	$767,900	$0	$0	$767,900	0
• **Austin Peay State University - Annualize January 1, 2026 Rate Increase**					
To provide recurring funding to annualize the state share of a 5.7 percent group health insurance premium increase on January 1, 2026.					
332.70 Austin Peay State University	$337,300	$0	$0	$337,300	0
Subtotal	$337,300	$0	$0	$337,300	0
Total Austin Peay State University	**$2,872,900**	**$0**	**$0**	**$2,872,900**	**0**
East Tennessee State University					
• **East Tennessee State University (ETSU) - Salary Pool and Institutional Outcomes**					
To provide recurring funding associated with a salary pool for higher education employees and greater institutional outcomes.					
332.72 East Tennessee State University	$2,380,800	$0	$0	$2,380,800	0
Subtotal	$2,380,800	$0	$0	$2,380,800	0
• **ETSU - Non-Formula Unit - Salary Pool and Operational Costs**					
To provide recurring funding for a salary pool for higher education employees and recognize increased operational costs.					
332.65 ETSU Health	$751,400	$0	$0	$751,400	0
Subtotal	$751,400	$0	$0	$751,400	0
• **ETSU Health Insurance - January 1, 2027 Rate Increase**					
To provide recurring funding for the state share of a 12.3 percent group health insurance premium increase on January 1, 2027. This is funded for six months in the Recommended Budget.					
332.65 ETSU Health	$408,300	$0	$0	$408,300	0

Education
Cost Increases for Fiscal Year 2026-2027

	State	Federal	Other	Total	Positions
332.72 East Tennessee State University	1,400,900	0	0	1,400,900	0
Subtotal	$1,809,200	$0	$0	$1,809,200	0

- **ETSU - Annualize January 1, 2026 Rate Increase**

  To provide recurring funding to annualize the state share of a 5.7 percent group health insurance premium increase on January 1, 2026.

332.65 ETSU Health	$122,800	$0	$0	$122,800	0
332.72 East Tennessee State University	649,000	0	0	649,000	0
Subtotal	$771,800	$0	$0	$771,800	0
Total East Tennessee State University	**$5,713,200**	**$0**	**$0**	**$5,713,200**	**0**

University of Memphis

- **University of Memphis - Salary Pool and Institutional Outcomes**

  To provide recurring funding associated with a salary pool for higher education employees and greater institutional outcomes.

332.74 University of Memphis	$4,332,000	$0	$0	$4,332,000	0
Subtotal	$4,332,000	$0	$0	$4,332,000	0

- **University of Memphis Health Insurance - January 1, 2027 Rate Increase**

  To provide recurring funding for the state share of a 12.3 percent group health insurance premium increase on January 1, 2027. This is funded for six months in the Recommended Budget.

332.74 University of Memphis	$1,740,600	$0	$0	$1,740,600	0
Subtotal	$1,740,600	$0	$0	$1,740,600	0

- **University of Memphis - Annualize January 1, 2026 Rate Increase**

  To provide recurring funding to annualize the state share of a 5.7 percent group health insurance premium increase on January 1, 2026.

332.74 University of Memphis	$763,900	$0	$0	$763,900	0
Subtotal	$763,900	$0	$0	$763,900	0
Total University of Memphis	**$6,836,500**	**$0**	**$0**	**$6,836,500**	**0**

Education
Cost Increases for Fiscal Year 2026-2027

	State	Federal	Other	Total	Positions
Middle Tennessee State University					
• **Middle Tennessee State University (MTSU) - Salary Pool and Institutional Outcomes**					
To provide recurring funding associated with a salary pool for higher education employees and greater institutional outcomes.					
332.75 Middle Tennessee State University	$3,436,400	$0	$0	$3,436,400	0
Subtotal	$3,436,400	$0	$0	$3,436,400	0
• **MTSU Health Insurance - January 1, 2027 Rate Increase**					
To provide recurring funding for the state share of a 12.3 percent group health insurance premium increase on January 1, 2027. This is funded for six months in the Recommended Budget.					
332.75 Middle Tennessee State University	$1,666,300	$0	$0	$1,666,300	0
Subtotal	$1,666,300	$0	$0	$1,666,300	0
• **MTSU - Annualize January 1, 2026 Rate Increase**					
To provide recurring funding to annualize the state share of a 5.7 percent group health insurance premium increase on January 1, 2026.					
332.75 Middle Tennessee State University	$724,100	$0	$0	$724,100	0
Subtotal	$724,100	$0	$0	$724,100	0
Total Middle Tennessee State University	**$5,826,800**	**$0**	**$0**	**$5,826,800**	**0**
Tennessee State University					
• **Tennessee State University (TSU) - 1890 Land Grant Institutions Federal Match Funds**					
To provide recurring funding to leverage federal dollars for food and agriculture grants to support research and extension activities.					
332.63 TSU Institute of Agricultural and Environmental Research	$996,000	$0	$0	$996,000	0
332.68 TSU McIntire-Stennis Forestry Research	4,000	0	0	4,000	0
Subtotal	$1,000,000	$0	$0	$1,000,000	0
• **TSU - Salary Pool and Institutional Outcomes**					
To provide recurring funding associated with a salary pool for higher education employees and greater institutional outcomes.					
332.77 Tennessee State University	$1,263,100	$0	$0	$1,263,100	0
Subtotal	$1,263,100	$0	$0	$1,263,100	0

Education
Cost Increases for Fiscal Year 2026-2027

	State	Federal	Other	Total	Positions
• **TSU - Non-Formula Unit - Salary Pool and Operational Costs**					
To provide recurring funding for a salary pool for higher education employees and recognize increased operational costs.					
332.62 TSU McMinnville Center	$13,400	$0	$0	$13,400	0
332.63 TSU Institute of Agricultural and Environmental Research	22,600	0	0	22,600	0
332.64 TSU Cooperative Education	87,100	0	0	87,100	0
332.68 TSU McIntire-Stennis Forestry Research	3,600	0	0	3,600	0
Subtotal	$126,700	$0	$0	$126,700	0
• **TSU Health Insurance - January 1, 2027 Rate Increase**					
To provide recurring funding for the state share of a 12.3 percent group health insurance premium increase on January 1, 2027. This is funded for six months in the Recommended Budget.					
332.77 Tennessee State University	$661,600	$0	$0	$661,600	0
Subtotal	$661,600	$0	$0	$661,600	0
• **TSU - Annualize January 1, 2026 Rate Increase**					
To provide recurring funding to annualize the state share of a 5.7 percent group health insurance premium increase on January 1, 2026.					
332.77 Tennessee State University	$296,100	$0	$0	$296,100	0
Subtotal	$296,100	$0	$0	$296,100	0
Total Tennessee State University	**$3,347,500**	**$0**	**$0**	**$3,347,500**	**0**

Tennessee Technological University

• **Governor's Academies for Next-Gen Nuclear and Cyber Technologies**					
To provide non-recurring funding to establish nuclear energy and cybersecurity technology academies at Tennessee Technological University.					
332.78 Tennessee Technological University	$3,000,000	$0	$0	$3,000,000	0
Subtotal	$3,000,000	$0	$0	$3,000,000	0

Education
Cost Increases for Fiscal Year 2026-2027

	State	Federal	Other	Total	Positions
• **Tennessee Technological University - Salary Pool and Institutional Outcomes**					
To provide recurring funding associated with a salary pool for higher education employees and greater institutional outcomes.					
332.78 Tennessee Technological University	$1,895,100	$0	$0	$1,895,100	0
Subtotal	$1,895,100	$0	$0	$1,895,100	0
• **Tennessee Technological University Health Insurance - January 1, 2027 Rate Increase**					
To provide recurring funding for the state share of a 12.3 percent group health insurance premium increase on January 1, 2027. This is funded for six months in the Recommended Budget.					
332.78 Tennessee Technological University	$909,400	$0	$0	$909,400	0
Subtotal	$909,400	$0	$0	$909,400	0
• **Tennessee Technological University - Annualize January 1, 2026 Rate Increase**					
To provide recurring funding to annualize the state share of a 5.7 percent group health insurance premium increase on January 1, 2026.					
332.78 Tennessee Technological University	$396,900	$0	$0	$396,900	0
Subtotal	$396,900	$0	$0	$396,900	0
Total Tennessee Technological University	**$6,201,400**	**$0**	**$0**	**$6,201,400**	**0**
Total Education	**$474,871,300**	**$0**	**$34,980,300**	**$509,851,600**	**5**

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
State Appropriations	$21,052,200	$21,316,800	$21,103,600	$278,200	$21,381,800
Federal	0	0	0	0	0
Other	0	0	0	0	0

332.11 Campus Centers of Emphasis

Like the Centers of Excellence assists four-year universities, the Campus Centers of Emphasis program provides supplemental funding to demonstrably excellent programs at each of the state's public two-year institutions. Administered by THEC, each center is designed to work closely with local business and industry to strengthen specified academic disciplines with positive impact on job placement.

Full-Time Positions	0	0	0	0	0
Part-Time Positions	0	0	0	0	0
Seasonal Positions	0	0	0	0	0
TOTAL	0	0	0	0	0
Payroll	$0	$0	$0	$0	$0
Operational	1,527,700	1,544,300	1,528,900	18,500	1,547,400
TOTAL	**$1,527,700**	**$1,544,300**	**$1,528,900**	**$18,500**	**$1,547,400**
State Appropriations	$1,527,700	$1,544,300	$1,528,900	$18,500	$1,547,400
Federal	0	0	0	0	0
Other	0	0	0	0	0

Tennessee Student Assistance Corporation

The Tennessee Student Assistance Corporation (TSAC) is a division of the Tennessee Higher Education Commission that administers financial assistance programs for Tennessee residents enrolled in postsecondary institutions in Tennessee. TSAC's responsibilities include administering 18 lottery and state-funded grant and scholarship programs including HOPE, Wilder-Naifeh Technical Skills Grant, Dual Enrollment, Tennessee Promise, Tennessee Reconnect, Tennessee Student Assistance Award, and Academic Scholars; conducting financial aid reviews at postsecondary institutions to ensure compliance with the statutory and regulatory requirements; and providing training to financial aid staff at postsecondary institutions throughout the state.

332.03 Tennessee Student Assistance Awards

The Tennessee Student Assistance Awards program provides non-repayable education grants to financially-needy undergraduate students who are residents of Tennessee and enrolled at a public or eligible private post-secondary educational institution in Tennessee.

Full-Time Positions	0	0	0	0	0
Part-Time Positions	0	0	0	0	0
Seasonal Positions	0	0	0	0	0
TOTAL	0	0	0	0	0
Payroll	$0	$0	$0	$0	$0
Operational	119,082,200	125,262,500	125,262,500	0	125,262,500
TOTAL	**$119,082,200**	**$125,262,500**	**$125,262,500**	**$0**	**$125,262,500**
State Appropriations	$113,555,600	$125,262,500	$125,262,500	$0	$125,262,500
Federal	0	0	0	0	0
Other	5,526,600	0	0	0	0

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
332.05 Tennessee Student Assistance Corporation					
The Tennessee Student Assistance Corporation provides all administrative management and oversight for each of the corporation's programs. This program provides funding for the staffing and other operating costs of administering the financial assistance programs.					
Full-Time Positions	52	52	51	0	51
Part-Time Positions	0	0	0	0	0
Seasonal Positions	0	0	0	0	0
TOTAL	52	52	51	0	51
Payroll	$7,273,400	$7,327,000	$7,271,200	$0	$7,271,200
Operational	3,281,800	1,754,100	1,755,400	0	1,755,400
TOTAL	**$10,555,200**	**$9,081,100**	**$9,026,600**	**$0**	**$9,026,600**
State Appropriations	$2,938,000	$3,207,500	$3,180,300	$0	$3,180,300
Federal	0	0	0	0	0
Other	7,617,200	5,873,600	5,846,300	0	5,846,300
332.06 Academic Scholars Program					
The Academic Scholars Program provides funding for the Ned McWherter scholars program. The Ned McWherter Scholars program is intended to encourage academically superior Tennessee high school graduates to attend college in Tennessee.					
Full-Time Positions	0	0	0	0	0
Part-Time Positions	0	0	0	0	0
Seasonal Positions	0	0	0	0	0
TOTAL	0	0	0	0	0
Payroll	$0	$0	$0	$0	$0
Operational	1,112,100	1,590,500	1,590,500	0	1,590,500
TOTAL	**$1,112,100**	**$1,590,500**	**$1,590,500**	**$0**	**$1,590,500**
State Appropriations	$959,000	$1,211,800	$1,211,800	$0	$1,211,800
Federal	0	0	0	0	0
Other	153,100	378,700	378,700	0	378,700
332.07 Loan/Scholarship Programs					
Loan/Scholarship Programs encourages exemplary students who are Tennessee residents and U.S. citizens to enter the teaching, medical, and nursing education fields. Participants in the teaching and medical programs incur an obligation to work in an area of need in Tennessee for each year an award is received. Participants in the nursing education program agree to enter a faculty or administrative position at a college or university in Tennessee in a nursing education program and serve for four years.					
Full-Time Positions	0	0	0	0	0
Part-Time Positions	0	0	0	0	0
Seasonal Positions	0	0	0	0	0
TOTAL	0	0	0	0	0

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
Payroll	$0	$0	$0	$0	$0
Operational	103,300	1,343,500	1,343,500	0	1,343,500
TOTAL	**$103,300**	**$1,343,500**	**$1,343,500**	**$0**	**$1,343,500**
State Appropriations	$0	$1,052,500	$1,052,500	$0	$1,052,500
Federal	0	0	0	0	0
Other	103,300	291,000	291,000	0	291,000

332.19 Lottery for Education Account

The Lottery for Education Account represents lottery proceeds generated from the Tennessee Lottery Corporation. The majority of these funds are made available for post-secondary scholarships, which include the Tennessee HOPE Scholarship, the General Assembly Merit Scholarship, the Aspire Need-Based Supplemental Award, the Dual Enrollment Grant, and the Tennessee Reconnect Grant. Administrative costs associated with the scholarship program within the Tennessee Higher Education Commission and Tennessee Student Assistance Corporation are also funded from the appropriation to the Lottery for Education Account.

Full-Time Positions	0	0	0	0	0
Part-Time Positions	0	0	0	0	0
Seasonal Positions	0	0	0	0	0
TOTAL	0	0	0	0	0
Payroll	$0	$0	$0	$0	$0
Operational	493,648,400	519,247,300	382,916,100	0	382,916,100
TOTAL	**$493,648,400**	**$519,247,300**	**$382,916,100**	**$0**	**$382,916,100**
State Appropriations	$461,600,000	$405,275,000	$382,916,100	$0	$382,916,100
Federal	0	0	0	0	0
Other	32,048,400	113,972,300	0	0	0

Higher Education Capital Maintenance

332.49 Higher Education Capital Maintenance

Higher Education Capital Maintenance provides financial support for capital maintenance projects at the University of Tennessee System, the Tennessee Board of Regents System, and all Locally Governed Institutions.

Full-Time Positions	0	0	0	0	0
Part-Time Positions	0	0	0	0	0
Seasonal Positions	0	0	0	0	0
TOTAL	0	0	0	0	0
Payroll	$0	$0	$0	$0	$0
Operational	0	50,000,000	50,000,000	0	50,000,000
TOTAL	**$0**	**$50,000,000**	**$50,000,000**	**$0**	**$50,000,000**
State Appropriations	$0	$50,000,000	$50,000,000	$0	$50,000,000
Federal	0	0	0	0	0
Other	0	0	0	0	0

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
332.00 Total Higher Education - State Administered Programs					
Full-Time Positions	126	127	126	1	127
Part-Time Positions	0	0	0	0	0
Seasonal Positions	0	0	0	0	0
TOTAL	126	127	126	1	127
Payroll	$18,013,200	$18,543,000	$18,487,200	$125,000	$18,612,200
Operational	672,600,100	765,770,800	604,637,500	26,161,700	630,799,200
TOTAL	**$690,613,300**	**$784,313,800**	**$623,124,700**	**$26,286,700**	**$649,411,400**
State Appropriations	$620,318,500	$639,634,600	$605,134,900	$12,536,700	$617,671,600
Federal	3,175,800	5,951,400	5,951,500	0	5,951,500
Other	67,119,000	138,727,800	12,038,300	13,750,000	25,788,300

University of Tennessee System

The University of Tennessee (UT) is a statewide land grant institution governed by a Board of Trustees. The University of Tennessee offers academic programs in a large number of specialized areas at the bachelor's, master's, and doctoral levels. In addition to the traditional teaching mission, the UT system is engaged in a number of research and public service activities. The UT system has campuses in Knoxville, Chattanooga, Martin, Pulaski, and Memphis, where the UT Health Science Center is located. Note: Position counts shown below are for full-time, unrestricted education and general employees only. Headcount figures are for Fall 2024 and Fall 2025. Federal revenues, tuition and fees, and other revenues are unrestricted current funds derived from education and general sources, and auxiliary enterprise sources.

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
332.10 UT University-Wide Administration					
Full-Time Administrative	91	84	84	0	84
Professional	182	228	228	0	228
Faculty	0	1	1	0	1
Clerical Support	66	52	52	0	52
TOTAL	339	365	365	0	365
Headcount	0	0	0	0	0
State Appropriations	$6,484,200	$6,725,900	$6,730,500	$425,200	$7,155,700
Federal	28,500	0	0	0	0
Other	77,196,600	72,675,000	72,675,000	0	72,675,000
Tuition and Fees	0	0	0	0	0
TOTAL	**$83,709,300**	**$79,400,900**	**$79,405,500**	**$425,200**	**$79,830,700**

UT University-Wide Administration provides administrative support and oversight for all of the University of Tennessee campuses and functions. Administrative services include the offices of the president, business and finance, general counsel, audit and consulting, governmental relations, athletic directors, and the Board of Trustees.

332.21 UT Student Success and Innovation Initiative					
Full-Time Administrative	0	0	0	0	0
Professional	0	0	0	0	0
Faculty	0	0	0	0	0
Clerical Support	0	0	0	0	0
TOTAL	0	0	0	0	0
Headcount	0	0	0	0	0
State Appropriations	$5,806,700	$5,806,700	$5,806,700	$0	$5,806,700
Federal	0	0	0	0	0
Other	0	0	0	0	0
Tuition and Fees	0	0	0	0	0
TOTAL	**$5,806,700**	**$5,806,700**	**$5,806,700**	**$0**	**$5,806,700**

The UT Student Success and Innovation Initiative provides financial support for student success and innovation programming.

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027

Public Service

One of the missions of the University of Tennessee is to provide services to the public beyond traditional postsecondary and professional education and training by providing information and technical assistance to business, industry, and government; advising the counties, cities, and towns of Tennessee in law, public works, finance, accounting, and governmental affairs; providing technical services and technology-based training to local, regional, and national law enforcement agencies; and providing continuing education on and off campuses, with special emphasis on degree-granting programs in non-traditional settings.

332.15 UT Institute for Public Service

The UT Institute for Public Service provides research and technical assistance to state and local government and industry. The institute also provides on-site technical assistance and training, as well as regional training conferences. The institute maintains offices in Nashville, Chattanooga, Cookeville, Knoxville, Martin, Memphis, Johnson City, Columbia, Oak Ridge, and Jackson.

Full-Time Administrative	12	4	4	0	4
Professional	15	42	42	0	42
Faculty	0	0	0	0	0
Clerical Support	13	12	12	0	12
TOTAL	40	58	58	0	58
Headcount	0	0	0	0	0
State Appropriations	$7,099,300	$9,782,500	$9,286,100	$175,400	$9,461,500
Federal	963,500	738,500	738,500	0	738,500
Other	2,948,700	3,220,200	3,220,200	0	3,220,200
Tuition and Fees	0	0	0	0	0
TOTAL	**$11,011,500**	**$13,741,200**	**$13,244,800**	**$175,400**	**$13,420,200**

332.16 UT Municipal Technical Advisory Service

The UT Municipal Technical Advisory Service provides technical assistance to the incorporated cities of the state. Assistance is offered in the fields of finance and accounting, human resources, legal issues, and public safety.

Full-Time Administrative	5	1	1	0	1
Professional	40	41	41	0	41
Faculty	0	0	0	0	0
Clerical Support	9	8	8	0	8
TOTAL	54	50	50	0	50
Headcount	0	0	0	0	0
State Appropriations	$4,805,000	$4,996,100	$4,997,100	$109,900	$5,107,000
Federal	0	0	0	0	0
Other	5,614,600	5,570,500	5,570,500	0	5,570,500
Tuition and Fees	0	0	0	0	0
TOTAL	**$10,419,600**	**$10,566,600**	**$10,567,600**	**$109,900**	**$10,677,500**

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
332.17 UT County Technical Assistance Service					
The UT County Technical Assistance Service provides the state's 95 county governments with technical assistance and information on most aspects of county government, including financial, environmental, and legislative.					
Full-Time Administrative	5	1	1	0	1
Professional	30	36	36	0	36
Faculty	0	0	0	0	0
Clerical Support	3	4	4	0	4
TOTAL	38	41	41	0	41
Headcount	0	0	0	0	0
State Appropriations	$4,275,400	$4,429,500	$4,430,600	$97,300	$4,527,900
Federal	0	0	0	0	0
Other	3,899,900	4,261,600	4,261,600	0	4,261,600
Tuition and Fees	0	0	0	0	0
TOTAL	**$8,175,300**	**$8,691,100**	**$8,692,200**	**$97,300**	**$8,789,500**
332.14 Tennessee Foreign Language Center					
The Tennessee Foreign Language Center's mission is to encourage and facilitate the learning and teaching of foreign languages. The institute serves more than 4,000 persons annually through classes in more than 115 languages.					
Full-Time Administrative	5	1	1	0	1
Professional	5	12	12	0	12
Faculty	0	0	0	0	0
Clerical Support	7	3	3	0	3
TOTAL	17	16	16	0	16
Headcount	0	0	0	0	0
State Appropriations	$1,050,000	$1,108,900	$1,109,700	$32,200	$1,141,900
Federal	33,500	99,800	99,800	0	99,800
Other	4,292,200	3,661,100	3,661,100	0	3,661,100
Tuition and Fees	0	0	0	0	0
TOTAL	**$5,375,700**	**$4,869,800**	**$4,870,600**	**$32,200**	**$4,902,800**

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027

Agricultural Units

Agricultural programs are an important focus of the University of Tennessee in its capacity as a land grant institution. The various units of the program promote and support agriculture through basic and applied research, assistance to community groups in all 95 counties, and veterinary training and research.

332.25 UT Agricultural Experiment Station

The UT Agricultural Experiment Station develops technology to enhance the efficiency of agricultural, forest, and ornamental industries; improve the quality of rural life; and conserve rural environmental resources including soil, water, air, and wildlife. Services are provided through campus-based programs and field laboratories.

Full-Time Administrative	18	21	21	0	21
Professional	89	90	90	0	90
Faculty	99	96	96	0	96
Clerical Support	100	108	108	0	108
TOTAL	306	315	315	0	315
Headcount	0	0	0	0	0
State Appropriations	$37,106,800	$38,202,400	$38,232,300	$869,500	$39,101,800
Federal	18,698,200	8,661,100	8,661,100	0	8,661,100
Other	6,518,000	3,470,300	3,470,300	0	3,470,300
Tuition and Fees	0	0	0	0	0
TOTAL	**$62,323,000**	**$50,333,800**	**$50,363,700**	**$869,500**	**$51,233,200**

332.26 UT Agricultural Extension Service

The UT Agricultural Extension Service is an off-campus unit of the UT Institute of Agriculture. The unit offers educational programs and research-based information about agriculture, community resource development, nutrition, health, lawn and garden, and youth development to local governments and the general public. The extension service operates an office in every county.

Full-Time Administrative	22	18	18	0	18
Professional	305	325	325	0	325
Faculty	54	54	54	0	54
Clerical Support	142	259	259	0	259
TOTAL	523	656	656	0	656
Headcount	0	0	0	0	0
State Appropriations	$49,214,400	$50,905,300	$50,933,500	$1,494,600	$52,428,100
Federal	17,364,900	10,379,900	10,379,900	0	10,379,900
Other	11,551,800	14,304,300	14,304,300	0	14,304,300
Tuition and Fees	3,800	0	0	0	0
TOTAL	**$78,134,900**	**$75,589,500**	**$75,617,700**	**$1,494,600**	**$77,112,300**

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
332.28 UT Veterinary Medicine					
The UT College of Veterinary Medicine is located on the agricultural campus of the University of Tennessee in Knoxville. Departments include Biomedical and Diagnostic Sciences, Large Animal Clinical Sciences, and Small Animal Clinical Sciences. The college offers a Doctor of Veterinary Medicine and a joint Doctor of Veterinary Medicine and Master in Public Health.					
Full-Time Administrative	13	16	16	0	16
Professional	47	47	47	0	47
Faculty	112	118	118	0	118
Clerical Support	263	285	285	0	285
TOTAL	435	466	466	0	466
Headcount	408	426	426	0	426
State Appropriations	$33,993,700	$38,095,700	$35,606,400	$874,900	$36,481,300
Federal	956,200	979,600	979,600	0	979,600
Other	24,220,600	26,222,100	26,222,100	0	26,222,100
Tuition and Fees	15,347,000	15,913,700	15,913,700	0	15,913,700
TOTAL	**$74,517,500**	**$81,211,100**	**$78,721,800**	**$874,900**	**$79,596,700**

Medical Education Unit

The Medical Education Unit of the University of Tennessee plays an important role in meeting the state's health care needs. With the goal of providing high-quality health care to all geographic regions of the state, the Medical Education Unit trains physicians and other health care professionals.

332.30 UT Health Science Center					
The UT Health Science Center in Memphis focuses on meeting the state’s health-care needs. The campus is divided into six colleges including Dentistry, Graduate Health Sciences, Health Professionals, Medicine, Nursing, and Pharmacy. The program also includes the UT Family and UT College of Medicine programs.					
Full-Time Administrative	132	132	132	0	132
Professional	350	351	351	0	351
Faculty	574	597	597	0	597
Clerical Support	839	890	890	0	890
TOTAL	1,895	1,970	1,970	0	1,970
Headcount	3,101	3,157	3,157	0	3,157
State Appropriations	$223,970,800	$239,927,200	$232,340,600	$5,319,700	$237,660,300
Federal	18,146,600	14,780,000	14,780,000	0	14,780,000
Other	32,187,000	23,859,000	23,859,000	0	23,859,000
Tuition and Fees	95,010,900	107,534,200	107,534,200	0	107,534,200
TOTAL	**$369,315,300**	**$386,100,400**	**$378,513,800**	**$5,319,700**	**$383,833,500**

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027

University and Research Campuses

The University of Tennessee provides comprehensive undergraduate and graduate studies at each of its major campuses at Knoxville, Chattanooga, Martin, and Pulaski. These campuses provide services to citizens in all areas of the state through education, research, and public service activities. Graduate studies in aerospace and related fields are provided at the UT Space Institute in Tullahoma.

332.12 UT Research Initiatives

All technical and research-related appropriations are reflected in this program. Funds are transferred to the appropriate institutional program.

Full-Time Administrative	0	0	0	0	0
Professional	0	0	0	0	0
Faculty	0	0	0	0	0
Clerical Support	0	0	0	0	0
TOTAL	0	0	0	0	0
Headcount	0	0	0	0	0
State Appropriations	$5,852,900	$5,852,900	$5,852,900	$0	$5,852,900
Federal	0	0	0	0	0
Other	0	0	0	0	0
Tuition and Fees	0	0	0	0	0
TOTAL	**$5,852,900**	**$5,852,900**	**$5,852,900**	**$0**	**$5,852,900**

332.23 UT Space Institute

The UT Space Institute, located in Tullahoma, provides graduate study and research in aerospace engineering and related fields and hosts a center of excellence in laser applications. The institute also provides assistance to private companies involved in aerospace engineering.

Full-Time Administrative	12	11	11	0	11
Professional	14	28	28	0	28
Faculty	15	15	15	0	15
Clerical Support	43	40	40	0	40
TOTAL	84	94	94	0	94
Headcount	59	61	61	0	61
State Appropriations	$11,014,600	$11,311,300	$11,315,000	$211,700	$11,526,700
Federal	1,125,600	420,000	420,000	0	420,000
Other	401,700	568,600	568,600	0	568,600
Tuition and Fees	1,282,500	1,167,000	1,167,000	0	1,167,000
TOTAL	**$13,824,400**	**$13,466,900**	**$13,470,600**	**$211,700**	**$13,682,300**

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027

332.40 UT Chattanooga

The University of Tennessee at Chattanooga is a comprehensive university offering degrees at the bachelor's, master's, and doctoral levels, as well as various certificate and pre-professional programs. The university's center of excellence is in computer applications.

Full-Time Administrative	110	187	187	0	187
Professional	343	354	354	0	354
Faculty	551	564	564	0	564
Clerical Support	339	330	330	0	330
TOTAL	1,343	1,435	1,435	0	1,435
Headcount	11,775	12,060	12,060	0	12,060
State Appropriations	$82,597,200	$84,684,400	$84,559,100	$3,492,100	$88,051,200
Federal	1,374,800	440,400	440,400	0	440,400
Other	34,389,400	35,458,000	35,458,000	0	35,458,000
Tuition and Fees	145,224,900	142,832,700	142,832,700	0	142,832,700
TOTAL	**$263,586,300**	**$263,415,500**	**$263,290,200**	**$3,492,100**	**$266,782,300**

332.42 UT Knoxville

The University of Tennessee at Knoxville is the state's oldest and largest public university. The university offers degrees at the undergraduate, graduate, and professional levels. Focus is also given to programs in health sciences, agriculture, public service, and space science through related research institutions. The university's centers of excellence are in science alliance, materials processing, and secure and sustainable environment.

Full-Time Administrative	385	480	480	0	480
Professional	1,375	1,540	1,540	0	1,540
Faculty	1,922	1,962	1,962	0	1,962
Clerical Support	1,718	1,705	1,705	0	1,705
TOTAL	5,400	5,687	5,687	0	5,687
Headcount	38,261	39,934	39,934	0	39,934
State Appropriations	$357,946,600	$379,412,800	$392,411,400	$14,595,300	$407,006,700
Federal	38,584,000	28,591,000	28,591,000	0	28,591,000
Other	460,301,700	427,581,400	427,581,400	0	427,581,400
Tuition and Fees	796,214,500	857,512,800	857,512,800	0	857,512,800
TOTAL	**$1,653,046,800**	**$1,693,098,000**	**$1,706,096,600**	**$14,595,300**	**$1,720,691,900**

332.44 UT Martin

The University of Tennessee at Martin is an undergraduate-focused institution offering degrees at the undergraduate and graduate levels. Graduate programs include agricultural operations, family and consumer sciences, business, criminal justice, and education. The university's center of excellence is in experimental learning in agricultural science.

Full-Time Administrative	56	70	70	0	70

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
Professional	121	148	148	0	148
Faculty	312	293	293	0	293
Clerical Support	261	268	268	0	268
TOTAL	750	779	779	0	779
Headcount	7,499	8,096	8,096	0	8,096
State Appropriations	$48,140,500	$49,462,500	$47,678,200	$1,980,500	$49,658,700
Federal	342,000	110,000	110,000	0	110,000
Other	23,019,200	17,106,400	17,106,400	0	17,106,400
Tuition and Fees	69,109,600	75,189,800	75,189,800	0	75,189,800
TOTAL	**$140,611,300**	**$141,868,700**	**$140,084,400**	**$1,980,500**	**$142,064,900**

332.46 UT Southern

The University of Tennessee Southern, located in Pulaski, is a liberal arts, four-year college, offering undergraduate, graduate, and professional programs. Programs are organized into areas including general education, business, humanities, math and science, nursing, social science, special programs, and honors programs.

Full-Time Administrative	11	13	13	0	13
Professional	51	47	47	0	47
Faculty	52	57	57	0	57
Clerical Support	24	25	25	0	25
TOTAL	138	142	142	0	142
Headcount	1,046	1,132	1,132	0	1,132
State Appropriations	$6,304,400	$8,425,000	$8,610,300	$322,400	$8,932,700
Federal	47,800	1,600	1,600	0	1,600
Other	3,524,100	3,835,300	3,835,300	0	3,835,300
Tuition and Fees	10,333,300	11,627,500	11,627,500	0	11,627,500
TOTAL	**$20,209,600**	**$23,889,400**	**$24,074,700**	**$322,400**	**$24,397,100**

332.10 Total University of Tennessee System

Full-Time Administrative	877	1,039	1,039	0	1,039
Professional	2,967	3,289	3,289	0	3,289
Faculty	3,691	3,757	3,757	0	3,757
Clerical Support	3,827	3,989	3,989	0	3,989
TOTAL	11,362	12,074	12,074	0	12,074
Headcount	62,149	64,866	64,866	0	64,866
State Appropriations	$885,662,500	$939,129,100	$939,900,400	$30,000,700	$969,901,100
Federal	97,665,600	65,201,900	65,201,900	0	65,201,900
Other	690,065,500	641,793,800	641,793,800	0	641,793,800
Tuition and Fees	1,132,526,500	1,211,777,700	1,211,777,700	0	1,211,777,700
TOTAL	**$2,805,920,100**	**$2,857,902,500**	**$2,858,673,800**	**$30,000,700**	**$2,888,674,500**

State University and Community College System

The State University and Community College System was created by the General Assembly in 1972 to serve the state and its citizenry by providing educational opportunities, research, continuing education, and public activities. It consists of four-year universities, two-year community colleges, and colleges of applied technology. The institutions span the state and are reported as a network of public education with each campus offering unique characteristics and services.

The Focus on College and University Success (FOCUS) Act of 2016 required the Governor to appoint independent governing boards for each of the six four-year universities (hereafter referred to as Locally Governed Institutions (LGI)) that were previously a part of the Board of Regents. As of March 2017, each of the universities operates independently from the system, with the board maintaining authority over the operating budget of each university to ensure Tennessee state school bond financing agreements are met.

Note: Position counts shown below are for full-time, unrestricted education and general employees only. Headcount figures are for Fall 2024 and Fall 2025. Federal revenues, tuition and fees, and other revenues are unrestricted current funds derived from education and general sources and from auxiliary enterprise sources.

Tennessee Board of Regents

The Tennessee Board of Regents (TBR) system governs the activities of the community colleges and colleges of applied technology. A chancellor is appointed as the administrative head of the system. The administrative staff, reporting to the chancellor, provide general administrative, planning, coordination, review, and oversight functions through the offices of business and finance, academic affairs, and general counsel, among others.

332.60 Tennessee Board of Regents

This program provides funds for staffing and other operational costs of the Board of Regents and its system administrative staff, organized under the chancellor.

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
Full-Time Administrative	8	8	8	0	8
Professional	160	191	191	0	191
Faculty	0	0	0	0	0
Clerical Support	76	80	80	0	80
TOTAL	244	279	279	0	279
Headcount	0	0	0	0	0
State Appropriations	$32,441,900	$35,504,600	$35,509,400	$3,790,500	$39,299,900
Federal	20,400	1,500	1,500	0	1,500
Other	27,915,000	31,498,800	31,498,800	0	31,498,800
Tuition and Fees	0	0	0	0	0
TOTAL	**$60,377,300**	**$67,004,900**	**$67,009,700**	**$3,790,500**	**$70,800,200**

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
332.59 TBR and LGI Student Success and Innovation Initiative					
The TBR and LGI Student Success and Innovation Initiative provides financial support for student success and innovation programming.					
Full-Time Administrative	0	0	0	0	0
Professional	0	0	0	0	0
Faculty	0	0	0	0	0
Clerical Support	0	0	0	0	0
TOTAL	0	0	0	0	0
Headcount	0	0	0	0	0
State Appropriations	$10,256,900	$10,256,900	$10,256,900	$0	$10,256,900
Federal	0	0	0	0	0
Other	0	0	0	0	0
Tuition and Fees	0	0	0	0	0
TOTAL	**$10,256,900**	**$10,256,900**	**$10,256,900**	**$0**	**$10,256,900**

Community Colleges

The Complete College Act of 2010 stated that, beginning in fiscal year 2012-2013, funding recommendations for community colleges be limited to only aggregate funding by the Tennessee Higher Education Commission. Funding levels for individual community colleges are determined by the Tennessee Board of Regents.

332.89 Tennessee Community Colleges					
Tennessee Community Colleges provide two-year academic instruction in a wide variety of programs that prepare students for transfer to four-year institutions as well as for direct entry into the workforce. The community colleges combine both technical training and academic instruction on the same campus.					
Full-Time Administrative	118	117	117	0	117
Professional	1,489	1,556	1,556	0	1,556
Faculty	1,929	1,968	1,968	0	1,968
Clerical Support	1,499	1,526	1,526	0	1,526
TOTAL	5,035	5,167	5,167	0	5,167
Headcount	75,110	78,560	78,560	0	78,560
State Appropriations	$390,082,600	$405,874,000	$407,866,900	$14,471,800	$422,338,700
Federal	1,191,700	1,192,700	1,192,700	0	1,192,700
Other	43,531,100	33,159,500	33,159,500	0	33,159,500
Tuition and Fees	312,342,400	325,204,600	325,204,600	0	325,204,600
TOTAL	**$747,147,800**	**$765,430,800**	**$767,423,700**	**$14,471,800**	**$781,895,500**

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027

Tennessee Colleges of Applied Technology

The state's 23 colleges of applied technology provide occupational training tailored to the specific needs of businesses and industries in the geographic regions served. Each school is associated with a two-year institution, allowing students greater flexibility in educational choices. Students earn certificates for completion of incremental specialties within an occupational job title and diplomas for completion of occupational programs.

332.98 Tennessee Colleges of Applied Technology

This program provides funds for the staffing and operational costs of the colleges that provide post-secondary vocational education, as described above.

Full-Time Administrative	69	67	67	0	67
Professional	158	171	171	0	171
Faculty	707	736	736	0	736
Clerical Support	272	286	286	0	286
TOTAL	1,206	1,260	1,260	0	1,260
Headcount	26,943	31,765	31,765	0	31,765
State Appropriations	$119,452,200	$126,595,300	$123,649,200	$3,858,500	$127,507,700
Federal	166,000	98,600	98,600	0	98,600
Other	22,376,700	20,701,900	20,701,900	0	20,701,900
Tuition and Fees	63,755,100	68,660,400	68,660,400	0	68,660,400
TOTAL	**$205,750,000**	**$216,056,200**	**$213,110,100**	**$3,858,500**	**$216,968,600**

332.60 Total State University and Community College System

Full-Time Administrative	195	192	192	0	192
Professional	1,807	1,918	1,918	0	1,918
Faculty	2,636	2,704	2,704	0	2,704
Clerical Support	1,847	1,892	1,892	0	1,892
TOTAL	6,485	6,706	6,706	0	6,706
Headcount	102,053	110,325	110,325	0	110,325
State Appropriations	$552,233,600	$578,230,800	$577,282,400	$22,120,800	$599,403,200
Federal	1,378,100	1,292,800	1,292,800	0	1,292,800
Other	93,822,800	85,360,200	85,360,200	0	85,360,200
Tuition and Fees	376,097,500	393,865,000	393,865,000	0	393,865,000
TOTAL	**$1,023,532,000**	**$1,058,748,800**	**$1,057,800,400**	**$22,120,800**	**$1,079,921,200**

Austin Peay State University

Austin Peay State University is a comprehensive liberal arts institution located in Clarksville. The university offers undergraduate and graduate degree programs in the liberal arts and sciences and complements classroom work with team teaching, cooperative learning, community services, international programs, and collaborative research between faculty and students. Two centers of excellence are also provided in field biology and creative arts.

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
332.70 Austin Peay State University					
Full-Time Administrative	32	31	31	0	31
Professional	351	374	374	0	374
Faculty	418	418	418	0	418
Clerical Support	227	228	228	0	228
TOTAL	1,028	1,051	1,051	0	1,051
Headcount	10,439	11,185	11,185	0	11,185
State Appropriations	$76,654,500	$78,750,300	$75,306,400	$2,872,900	$78,179,300
Federal	579,400	1,000,000	1,000,000	0	1,000,000
Other	27,903,200	26,488,800	26,488,800	0	26,488,800
Tuition and Fees	100,192,700	99,692,200	99,692,200	0	99,692,200
TOTAL	**$205,329,800**	**$205,931,300**	**$202,487,400**	**$2,872,900**	**$205,360,300**

East Tennessee State University

East Tennessee State University (ETSU) is located in Johnson City. In addition to offering various degree programs, it also includes the Quillen College of Medicine, the College of Pharmacy, and the Family Practice program.

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
332.72 East Tennessee State University					
East Tennessee State University (ETSU) offers degree programs in arts and sciences, business and technology, education, medicine, nursing, public and allied health, and graduate studies. ETSU houses two centers of excellence in Appalachian studies and early childhood studies.					
Full-Time Administrative	39	40	40	0	40
Professional	598	600	600	0	600
Faculty	731	715	715	0	715
Clerical Support	427	395	395	0	395
TOTAL	1,795	1,750	1,750	0	1,750
Headcount	13,230	13,609	13,609	0	13,609
State Appropriations	$104,753,100	$106,604,600	$103,523,900	$4,430,700	$107,954,600
Federal	2,780,500	2,700,000	2,700,000	0	2,700,000
Other	72,927,900	72,255,900	72,255,900	0	72,255,900
Tuition and Fees	150,271,100	157,088,900	157,088,900	0	157,088,900
TOTAL	**$330,732,600**	**$338,649,400**	**$335,568,700**	**$4,430,700**	**$339,999,400**
332.65 ETSU Health					
ETSU Health encompasses the ETSU Quillen College of Medicine, College of Pharmacy, and Family Practice schools. The schools provide training and education to students, pharmacists, and physicians who are interested in providing comprehensive health care in under-served rural communities primarily in East Tennessee and Southern Appalachia.					
Full-Time Administrative	6	6	6	0	6
Professional	153	153	153	0	153
Faculty	228	228	228	0	228
Clerical Support	165	165	165	0	165
TOTAL	552	552	552	0	552
Headcount	497	518	518	0	518
State Appropriations	$63,775,100	$69,572,500	$66,611,400	$1,282,500	$67,893,900
Federal	2,072,900	1,520,000	1,520,000	0	1,520,000
Other	28,567,000	31,971,200	31,971,200	0	31,971,200
Tuition and Fees	17,491,800	18,489,300	18,489,300	0	18,489,300
TOTAL	**$111,906,800**	**$121,553,000**	**$118,591,900**	**$1,282,500**	**$119,874,400**

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
332.72 Total East Tennessee State University					
Full-Time Administrative	45	46	46	0	46
Professional	751	753	753	0	753
Faculty	959	943	943	0	943
Clerical Support	592	560	560	0	560
TOTAL	2,347	2,302	2,302	0	2,302
Headcount	13,727	14,127	14,127	0	14,127
State Appropriations	$168,528,200	$176,177,100	$170,135,300	$5,713,200	$175,848,500
Federal	4,853,400	4,220,000	4,220,000	0	4,220,000
Other	101,494,900	104,227,100	104,227,100	0	104,227,100
Tuition and Fees	167,762,900	175,578,200	175,578,200	0	175,578,200
TOTAL	**$442,639,400**	**$460,202,400**	**$454,160,600**	**$5,713,200**	**$459,873,800**

University of Memphis

The University of Memphis is a comprehensive metropolitan university offering degrees at the bachelor's, master's, professional, and doctoral levels. The university has five centers of excellence in applied psychology, communicative disorders, earthquake information, Egyptology, and education policy.

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
332.74 University of Memphis					
Full-Time Administrative	76	73	73	0	73
Professional	912	940	940	0	940
Faculty	1,086	1,092	1,092	0	1,092
Clerical Support	625	601	601	0	601
TOTAL	2,699	2,706	2,706	0	2,706
Headcount	20,276	19,652	19,652	0	19,652
State Appropriations	$182,026,300	$185,828,000	$184,546,500	$6,836,500	$191,383,000
Federal	8,217,000	5,780,500	5,780,500	0	5,780,500
Other	135,816,200	132,017,600	132,017,600	0	132,017,600
Tuition and Fees	201,113,400	198,736,200	198,736,200	0	198,736,200
TOTAL	**$527,172,900**	**$522,362,300**	**$521,080,800**	**$6,836,500**	**$527,917,300**

Middle Tennessee State University

Located in Murfreesboro, Middle Tennessee State University (MTSU) offers undergraduate, graduate, and doctoral programs in the arts and sciences. Programs are organized into university colleges including basic and applied sciences, graduate studies, business, education and behavioral science, university honors, liberal arts, mass communication, and education. MTSU's two centers of excellence are popular music and historic preservation.

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
332.75 Middle Tennessee State University					
Full-Time Administrative	69	69	69	0	69
Professional	708	708	708	0	708
Faculty	1,012	1,011	1,011	0	1,011
Clerical Support	464	464	464	0	464
TOTAL	2,253	2,252	2,252	0	2,252
Headcount	20,523	20,964	20,964	0	20,964
State Appropriations	$167,343,100	$151,083,900	$146,393,400	$5,826,800	$152,220,200
Federal	1,739,300	1,150,000	1,150,000	0	1,150,000
Other	61,095,400	57,750,200	57,750,200	0	57,750,200
Tuition and Fees	211,137,000	217,315,800	217,315,800	0	217,315,800
TOTAL	**$441,314,800**	**$427,299,900**	**$422,609,400**	**$5,826,800**	**$428,436,200**

Tennessee State University

Tennessee State University (TSU) is a comprehensive, land-grant university located in Nashville. In addition to various degree programs, it also includes the Institute of Agriculture and Environmental Research, the McMinnville Center, Cooperative Education, and McIntire-Stennis Forestry Reseach.

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
332.77 Tennessee State University					
Tennessee State University (TSU) is a comprehensive, land-grant university. TSU offers numerous bachelor and master degrees and doctoral programs including biological sciences, psychology, public administration, physical therapy, computer information systems, educational administration and supervision, and curriculum and instruction. TSU's two centers of excellence are learning sciences and information systems.					
Full-Time Administrative	68	62	62	0	62
Professional	390	335	335	0	335
Faculty	411	380	380	0	380
Clerical Support	230	176	176	0	176
TOTAL	1,099	953	953	0	953
Headcount	6,310	5,364	5,364	0	5,364
State Appropriations	$59,428,000	$54,956,500	$53,809,000	$2,220,800	$56,029,800
Federal	5,565,000	4,500,000	4,500,000	0	4,500,000
Other	39,284,700	50,552,500	5,552,500	0	5,552,500
Tuition and Fees	58,280,900	65,159,500	65,159,500	0	65,159,500
TOTAL	**$162,558,600**	**$175,168,500**	**$129,021,000**	**$2,220,800**	**$131,241,800**
332.63 TSU Institute of Agricultural and Environmental Research					
The TSU IAgER is the principal agricultural and environmental research division of TSU. The institute's multi-disciplinary research efforts are in the areas of animal and alternative livestock; economics and policy; nursery, medicinal, and alternative food crops; environmental protection and enhancement; and food safety, nutrition, and family well-being.					
Full-Time Administrative	1	2	2	0	2
Professional	1	1	1	0	1
Faculty	2	1	1	0	1
Clerical Support	0	0	0	0	0
TOTAL	4	4	4	0	4
Headcount	0	0	0	0	0
State Appropriations	$6,009,200	$6,019,100	$6,019,400	$1,018,600	$7,038,000
Federal	0	0	0	0	0
Other	0	0	0	0	0
Tuition and Fees	0	0	0	0	0
TOTAL	**$6,009,200**	**$6,019,100**	**$6,019,400**	**$1,018,600**	**$7,038,000**

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027

332.62 TSU McMinnville Center

The TSU McMinnville Center, an IAgER facility, is a nursery crop research station and is the only such academic research station in the nation. The center provides leadership in strengthening and expanding the regional nursery industry through research in the areas of pathology, entomology, genetics, horticulture, and related sciences.

Full-Time Administrative	1	1	1	0	1
Professional	6	8	8	0	8
Faculty	2	5	5	0	5
Clerical Support	3	3	3	0	3
TOTAL	12	17	17	0	17
Headcount	0	0	0	0	0
State Appropriations	$1,572,700	$1,595,800	$1,595,800	$13,400	$1,609,200
Federal	0	0	0	0	0
Other	0	0	0	0	0
Tuition and Fees	0	0	0	0	0
TOTAL	**$1,572,700**	**$1,595,800**	**$1,595,800**	**$13,400**	**$1,609,200**

332.64 TSU Cooperative Education

The TSU Cooperative Education program, through 14 county offices, offers educational programs and research-based information to local governments and the general public in the areas of agriculture and natural resources, community and rural development, 4-H and youth development, and family and consumer sciences.

Full-Time Administrative	1	1	1	0	1
Professional	11	20	20	0	20
Faculty	14	24	24	0	24
Clerical Support	7	6	6	0	6
TOTAL	33	51	51	0	51
Headcount	0	0	0	0	0
State Appropriations	$6,196,400	$6,240,500	$6,240,900	$87,100	$6,328,000
Federal	0	0	0	0	0
Other	0	0	0	0	0
Tuition and Fees	0	0	0	0	0
TOTAL	**$6,196,400**	**$6,240,500**	**$6,240,900**	**$87,100**	**$6,328,000**

332.68 TSU McIntire-Stennis Forestry Research

The McIntire-Stennis Act of 1962 makes funding available to state programs at land grant institutions for forestry research. States must provide matching funds equal to or greater than the federal allocation. Eligible institutions are required to conduct research in areas such as reforestation and land management; watershed and rangeland management; management of forest lands for outdoor recreation; protection of forests and resources against fire, insects, and disease; utilization of wood and other forest-related products; and studies promoting the most effective use of forest resources.

Full-Time Administrative	0	0	0	0	0

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
Professional	0	0	0	0	0
Faculty	1	1	1	0	1
Clerical Support	0	0	0	0	0
TOTAL	1	1	1	0	1
Headcount	0	0	0	0	0
State Appropriations	$228,400	$233,100	$233,100	$7,600	$240,700
Federal	0	0	0	0	0
Other	0	0	0	0	0
Tuition and Fees	0	0	0	0	0
TOTAL	**$228,400**	**$233,100**	**$233,100**	**$7,600**	**$240,700**

332.77 Total Tennessee State University

Full-Time Administrative	71	66	66	0	66
Professional	408	364	364	0	364
Faculty	430	411	411	0	411
Clerical Support	240	185	185	0	185
TOTAL	1,149	1,026	1,026	0	1,026
Headcount	6,310	5,364	5,364	0	5,364
State Appropriations	$73,434,700	$69,045,000	$67,898,200	$3,347,500	$71,245,700
Federal	5,565,000	4,500,000	4,500,000	0	4,500,000
Other	39,284,700	50,552,500	5,552,500	0	5,552,500
Tuition and Fees	58,280,900	65,159,500	65,159,500	0	65,159,500
TOTAL	**$176,565,300**	**$189,257,000**	**$143,110,200**	**$3,347,500**	**$146,457,700**

Tennessee Technological University

Tennessee Technological University is a comprehensive university located in Cookeville. While the university's strength is in technology and engineering, other academic divisions include agriculture and human sciences, arts and sciences, business, education, interdisciplinary studies, and graduate studies. The university's three centers of excellence are energy systems research, manufacturing, and water resources.

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
332.78 Tennessee Technological University					
Full-Time Administrative	39	40	40	0	40
Professional	444	505	505	0	505
Faculty	468	476	476	0	476
Clerical Support	299	261	261	0	261
TOTAL	1,250	1,282	1,282	0	1,282
Headcount	10,511	10,701	10,701	0	10,701
State Appropriations	$88,865,800	$90,671,500	$90,234,300	$6,201,400	$96,435,700
Federal	3,479,400	2,702,800	2,702,800	0	2,702,800
Other	48,405,500	34,713,900	34,713,900	0	34,713,900
Tuition and Fees	116,004,100	120,787,900	120,787,900	0	120,787,900
TOTAL	**$256,754,800**	**$248,876,100**	**$248,438,900**	**$6,201,400**	**$254,640,300**

Grand Total Higher Education

	Actual 2024-2025	Estimated 2025-2026	Base 2026-2027	Cost Increase 2026-2027	Recommended 2026-2027
Full-Time Positions	126	127	126	1	127
Part-Time Positions	0	0	0	0	0
Seasonal Positions	0	0	0	0	0
Full-Time Administrative	1,404	1,556	1,556	0	1,556
Professional	8,348	8,851	8,851	0	8,851
Faculty	10,700	10,812	10,812	0	10,812
Clerical Support	8,121	8,180	8,180	0	8,180
TOTAL	28,699	29,526	29,525	1	29,526
Headcount	245,988	257,184	257,184	0	257,184
State Appropriations	$2,815,067,200	$2,908,550,300	$2,856,831,800	$95,456,500	$2,952,288,300
Federal	126,653,000	91,799,400	91,799,500	0	91,799,500
Other	1,265,007,200	1,271,631,900	1,099,942,400	13,750,000	1,113,692,400
Tuition and Fees	2,363,115,000	2,482,912,500	2,482,912,500	0	2,482,912,500
TOTAL	**$6,569,842,400**	**$6,754,894,100**	**$6,531,486,200**	**$109,206,500**	**$6,640,692,700**

Analysis of 2026-2027 State Appropriations - Governor's Budget

Reconciliation of Governor's Higher Education Budget for All Institutions Operating Costs Increase (Funding Formula):

Governor's Budget - Outcomes & Salary Pool Combined	**$**	**39,400,000**	
Governor's Budget - Outcomes & Salary Pool Combined	**$**	**39,400,000**	
Distribution of New Funding			Percent of Total
TBR	$	12,018,700	30.50%
APSU	$	1,767,700	4.49%
ETSU	$	2,380,800	6.04%
MTSU	$	3,436,400	8.72%
TSU	$	1,263,100	3.21%
TTU	$	1,895,100	4.81%
UM	$	4,332,000	10.99%
UT	$	12,306,200	31.23%
	$	**39,400,000**	100.00%

Outcomes Formula Redistribution

Distribution:		
TBR	$	2,967,200
APSU	$	(3,466,900)
ETSU	$	(3,115,800)
MTSU	$	(4,739,900)
TSU	$	(1,174,100)
TTU	$	(465,000)
UM	$	(1,095,400)
UT	$	11,089,900
	$	-

Reconciliation of Governor's Budget to THEC Recommendation on Outcomes Formula:

		THEC Recommend New Funding		Governor's Budget Recommendation	Percentage Funded
APSU	$	3,311,100	$	1,767,700	53.39%
ETSU	$	4,459,500	$	2,380,800	53.39%
MTSU	$	6,436,700	$	3,436,400	53.39%
TSU	$	2,365,900	$	1,263,100	53.39%
TTU	$	3,549,800	$	1,895,100	53.39%
UM	$	8,114,200	$	4,332,000	53.39%
CC	$	17,854,300	$	9,532,100	53.39%
TCAT	$	4,657,900	$	2,486,600	53.38%
UTK	$	16,885,900	$	9,015,000	53.39%
UTC	$	3,717,900	$	1,984,900	53.39%
UTM	$	2,068,200	$	1,104,200	53.39%
UTS	$	378,600	$	202,100	53.38%
	$	73,800,000	**$**	**39,400,000**	53.39%

Agenda Item Summary

Date: March 12, 2026

Agenda Item: Tuition & Mandatory Fees

☐ **Review** ☐ **Action** ☒ **No action required**

PRESENTERS: Dr. Claire Stinson, Dr. Vice President for Planning & Finance

PURPOSE & KEY POINTS:

At its November 2025 meeting, THEC recommended a preliminary tuition and mandatory fee range of 0-2.5% for academic year 2026-27. However, discussions are occurring to request an expansion of the range based on the Governor's recommended budget. Data showing the impact of tuition and mandatory fees increases over a range of 2.5-6.5% is being provided as an information item. The potential impact is presented both in terms of revenues generated and cost to students for each percentage increase.

THEC will set a tuition and mandatory fees binding range in spring 2026. The university anticipates recommending up to a 6.5% increase for tuition and mandatory fees. Requests to increase fees within THEC's binding range will be presented to the Board of Trustees for approval to be effective fall 2026 semester.

Agenda Item Summary

Date: March 12, 2026

Agenda Item: Compensation Plan

☐ **Review** ☒ **Action** ☐ **No action required**

PRESENTERS: Claire Stinson, Sr. Vice President for Planning and Finance

PURPOSE & KEY POINTS: Recommend Approval

President Oldham is recommending a salary pool between 1.5% and 2% for FY2026-27. This recommendation is subject to approval of the Governor's budget which includes funding for 55% of the cost of a recommended 1.5% increase. The university would provide the additional funding up to a 2% pool based on results of fall 2026 enrollment. The adjustment to salaries for staff and faculty would be effective September 1, 2026, once fall enrollment data is known.

Agenda Item Summary

Date: March 12, 2026

Agenda Item: FY2025 State Audit

☐ **Review** ☐ **Action** ☒ **No action required**

PRESENTERS: Claire Stinson, Sr. Vice President for Planning & Finance

PURPOSE & KEY POINTS:

Tennessee Tech University and its Component Unit (Tennessee Tech University Foundation) financial and compliance audit for FY2025 has been released. The independent auditor's report notes unmodified opinions were given on the fairness of the presentation of the financial statements. Consideration of the internal control over financial reporting and tests of compliance resulted in no audit findings. The audit report can be found here.

Agenda Item Summary

Date: March 12, 2026

Agenda Item: Talon Demonstration

☐ **Review** ☐ **Action** ☒ **No action required**

PRESENTERS: Claire Stinson, Sr. Vice President for Planning & Finance

PURPOSE & KEY POINTS: To provide the Board with a demonstration of the Talon Enterprise Resource Planning (ERP) system, including an overview of the project's current state and the planned future state, and how the system will support the organization's strategic and operational objectives.

Agenda Item Summary

Date: March 12, 2026

Agenda Item: Notice of Responsibilities for Preventing, Detecting, and Reporting Fraud, Waste, and Abuse

☐ **Review** ☐ **Action** ☒ **No action required**

PRESENTERS: Tom Jones, Chair of Audit & Business Committee

PURPOSE & KEY POINTS:

Tenn. Code Ann. § 4-35-105 requires the Audit and Business Committee to regularly and formally reiterate to the Board, Management, and Staff their responsibilities for preventing, detecting, and reporting fraud, waste, and abuse, which are outlined in the Notice of Responsibilities and Tennessee Tech Policy 131—Preventing and Reporting Fraud, Waste, or Abuse on the university's website.

Notice of Responsibilities

Per **Tenn. Code Ann. § 4-35-105**, one of the duties of the Audit Committee is to regularly, formally reiterate to the Board, Management, and Staff their responsibilities for preventing, detecting, and reporting fraud, waste, and abuse.

Detailed definitions and examples of fraud, waste, and abuse, various individual's responsibility for preventing and detecting fraud, waste, and abuse, and methods for reporting fraud, waste, and abuse can be found in Tennessee Tech Policy 131—Preventing and Reporting Fraud, Waste, or Abuse.

Individuals have varying responsibilities for preventing and reporting fraud, waste, or abuse.

Board Members - All

Generally, the Board and Audit Committee should consider the risk of fraudulent financial reporting and fraud due to misappropriation and abuse of university assets as they govern and guide the University.

Individually, board members should abide by Tennessee Tech Policy 001—Board Code of Ethics and Conduct and Conflict of Interest.

Audit Committee

The Audit Committee shall establish a process by which employees, taxpayers, or others may confidentially report illegal, improper, wasteful, or fraudulent activity.

The Audit Committee chair must inform the Comptroller of the Treasury of any illegal, improper, wasteful, or fraudulent activity that he/she believes has occurred.

Management

Management shall not engage in fraud, waste, or abuse and is responsible for developing and implementing internal controls to help prevent and detect fraud, waste, and abuse.

Executives and administrators with reasonable basis for believing fraud, waste, or abuse has occurred are required to report those incidents.

Employees

Employees shall not engage in fraud, waste, or abuse.

Employees with reasonable basis for believing fraud, waste, or abuse has occurred are strongly encouraged to report those incidents.

Students and Citizens

All students and citizens of the state of Tennessee are encouraged to report known or suspected acts of fraud, waste, or abuse.

Fraud, waste, or abuse can be reported confidentially and should be reported to a supervisor, institutional executive, Tennessee Tech Internal Audit, or the Tennessee Comptroller of the Treasury.

Specific methods for reporting fraud, waste, or abuse can be found on Tennessee Tech Internal Audit's website and in Tennessee Tech Policy 131—Preventing and Reporting Fraud, Waste, or Abuse.

Agenda Item Summary

Date: March 12, 2026

Agenda Item: Internal Audit Plan Review

☒ **Review** ☐ **Action** ☐ **No action required**

PRESENTER(S): Amy Wilegus, Chief Audit Executive

PURPOSE & KEY POINTS:

The comprehensive, risk-based internal audit plan includes audit and advisory projects reflective of the current risk environment, compliance topics, and engagements required by policy, state statute, or regulation. The plan is updated throughout the year in response to emerging or changing risks. The current audit plan is provided for review.

Agenda Item Summary

Date: March 12, 2026

Agenda Item: Enterprise Risk Management

☐ **Review** ☒ **Action** ☐ **No action required**

PRESENTERS: Amy Wilegus, Chief Audit Executive

PURPOSE & KEY POINTS:

Review and approval of the proposed transition of Enterprise Risk Management responsibilities to the Office of Internal Audit as required by the Tennessee Tech University Audit Committee Charter and Internal Audit Global Standard 7.1 Organizational Independence.

New Report Reveals the Value of Strategy Plus Increasing Responsibility for Internal Audit Leaders

Press Release | Internal Audit Foundation | March 10, 2025

LAKE MARY, Fla. (March 10, 2025) – Internal audit functions that are more strongly aligned with overall organizational strategy are more likely to have sufficient funding. That's according to a new survey of senior internal audit professionals, released today by The IIA's Internal Audit Foundation, in partnership with AuditBoard, at the annual Great Audit Minds (GAM) conference in Orlando. The results underscore the value that internal audit functions provide when they play a strategic role within organizations, along with internal audit's expanding scope of responsibilities.

According to the 2025 North American Pulse of Internal Audit Survey, internal audit functions that are fully aligned with strategic objectives have a 31-percentage-point advantage in funding compared to those that are somewhat aligned. Underscoring the importance of strategic alignment, chief audit executives (CAEs) look forward to providing more advisory services in the future to respond to the strategic priorities. Currently, internal audit activity is comprised of 75% assurance and 25% advisory work for most functions. However, CAEs seek to increase advisory work to 40% going forward, according to last year's Vision 2035 report.

"Internal audit executives understand that closely aligning their activities with organizational goals allows them to play a more strategic role," said Anthony Pugliese, CIA, CPA, CGMA, CITP, President and CEO of The IIA. "Technology is the path of the future, with internal auditors integrating more tools to increase efficiency and effectiveness. This enables the profession to take on a broader role, meeting the demands of an evolving business environment and affirming our increasing importance and relevance."

A growing percentage of CAEs have responsibility for enterprise risk management (ERM) at their organizations – nearly one-third in 2024, compared to only 24% nine years earlier. Other common areas of responsibility are fraud (47%), Sarbanes-Oxley (SOX) (36%), and ethics/whistleblower programs (33%).

Technology and GenAI Implementation for Audit Activities

The percentage of CAEs reporting the use of GenAI for internal audit activities has more than doubled since last year, rising from 15% to 40%, highlighting the profession's growing adoption of technology.

When it comes to technology skills in general, data analytics are seen as foundational to internal audit activity. More than three quarters of CAEs said data analytics was the technology skill they most sought to enhance among staff, and more than 90% said adoption of data analytics was essential for the future of the profession. Beyond data analytics skills, other priority areas for staff development include communications and collaboration (53%), cybersecurity (51%), and IT (46%).

As the risk environment continues to demand new skills and knowledge from practitioners, The IIA continues to provide essential resources to help functions upskill and keep pace with the evolving risk landscape.

The Pulse report has been conducted annually since 2008, serving as a valuable resource for internal audit leaders to benchmark their progress against peers across multiple sectors including financial services, non-profit, public, and private sectors.

"The Pulse of Internal Audit report provides practitioners with invaluable insights into the state of the profession, highlighting key trends and shifts within internal audit functions across North America," said Warren Stippich, Jr., CIA, CRMA, CPA, President of the Internal Audit Foundation and National Managing Principal – Advisory Services Quality and Risk at Grant Thornton Advisors LLC. "The findings are an annual opportunity for CAEs and practitioners to assess their functions' priorities and operations against their peers and gain a deeper understanding of how they can continue to optimize their audit activities."

Additional Findings

Staff and Budget Trends

Internal audit staff growth has stabilized to near pre-COVID levels. The percentage of functions with staff growth has stayed consistently around 25% since 2022. (For context, functions with staff growth dropped from 29% to 18% as a result of the COVID pandemic.)

Last year, 34% of CAEs reported a budget increase, while only 11% reported a budget decrease.

Nearly 70% of CAEs had to recruit to fill a new position or a vacant position last year. Even among smaller functions (4 to 9 FTEs), recruiting was necessary for nearly half of CAEs.

Audit Plan Priorities

Operational auditing (19%), **financial reporting** (16%), and **compliance/regulatory reviews** (14%) tend to make up the largest portions of audit plans on average.

Functions also consistently invest a large amount of effort toward **cybersecurity and IT audits** – with a combined average of 17%.

Outsourced Services

As the responsibilities of the internal audit profession diversify and expand, CAEs use outsourcing to expand capacity and obtain specialized skills.

For respondents overall, outsourcing is used for **cybersecurity** (38%), **IT** (36%) and **Sarbanes-Oxley** (21%).

For CAEs in publicly traded companies, the allocation for **Sarbanes-Oxley** rises to 54%).

For CAEs in financial services, outsourcing for **cybersecurity** climbs to 49%, and **IT** to 53%.

Download the full Pulse Survey report.

Methodology

The 2025 North American Pulse of Internal Audit survey was conducted from October 3 to November 14, 2024. Respondents primarily came from organizations headquartered in the United States (85%) and Canada (10%), with the remaining 5% coming from the Caribbean or outside North America.

The report speaks to current conditions and long-term trends for internal audit budgets, staff, audit plans, risk assessments, and more.

About the Internal Audit Foundation

The Internal Audit Foundation is the preeminent global resource, in strategic partnership with The IIA, dedicated to elevating and empowering the internal audit profession by developing cutting-edge research and programs. The Foundation helps current and future internal auditors stay relevant by building and enhancing their skills and knowledge, ensuring organizations are equipped to create, protect, and sustain long-term value.

About The Institute of Internal Auditors and the Internal Audit Profession

Internal auditing is an independent, objective assurance and advisory service designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

The Institute of Internal Auditors (The IIA) is an international professional association that serves more than 260,000 global members and has awarded more than 200,000 Certified Internal Auditor (CIA) certifications worldwide. Established in 1941, The IIA is recognized throughout the world as the internal audit profession's leader in standards, certifications, education, research, and technical guidance. For more information, visit theiia.org.

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Internal audit's role in enterprise risk management

Achieving strategic risk alignment without impairing independence

The Institute of Internal Auditors

Contents

Introduction

ERM and internal audit provide assurances

Due to the global nature of today's business environment, there are many business opportunities, and just as many risks — both of which churn and change constantly. Because of this, organizations need to manage and monitor both the opportunities and the risks, and an enterprise risk management (ERM) framework is an important tool that can be used to provide assurance when facing those risks.

ERM is used throughout organizations for identifying strategic risks and for developing business practices to avoid surprises from those same that can lead to project failure, scandals, or significant damage to the organization. One of the most widely used ERM frameworks was developed by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2004 and updated in 2017. The COSO ERM Framework addresses the evolution of ERM and the need for organizations to improve their approach to managing risk to meet the demands of an evolving business environment.

ERM is a structured, consistent process that benefits the entire organization by identifying, assessing, deciding on responses to, and reporting on opportunities and threats that affect an organization's objectives. Now more than ever, organizations, including governments across the country, face unique risks. For the past decade or so, organizations have been working to establish their own comprehensive ERM programs, often with internal audit leading the process.

This knowledge brief, which includes information from a March 2018 IIA webinar by Crowe, will:

- **Explain ERM and its approach for establishing and maintaining an ERM program.**
- **Examine the roles of management and internal audit in the ERM process.**
- **Consider how management and internal audit can collaborate and remain distinct and independent throughout the ERM process.**
- **Discuss the evolving role of internal audit in ERM.**

A renewed focus on ERM components

Establish oversight and continuous improvement

Broaden the focus of risk management

As operating environments become increasingly complex, risks become more diverse and challenging to manage. Under traditional risk management approaches, the process can become somewhat fragmented; risk is viewed as something to be avoided; reactive and ad hoc behavior is accepted; and risk management activity is transaction-oriented (cost-based), narrowly focused, and functionally-driven (Guide to Enterprise Risk Management).

Under the ERM framework, the process is integrated; risk is viewed more positively (organizations take on the risks to seize opportunities); proactive behavior is expected; and the risk management activity is strategic, value-based, broadly focused, and process-driven (Guide to Enterprise Risk Management). ERM encourages a mindset that challenges the status quo.

More organizations have been looking to ERM to launch new programs or as a stimulus for existing programs. The goal is to establish the oversight to drive continuous improvement of risk management practices and the ever-changing operating environment. A broad process that is sometimes hard to focus on and fully understand, ERM covers the different risk components of government organizations, but due to the political workings inherent to government organizations, unique risks exist. The table on the next page identifies some of those risks.

Uncertainty — in and of itself — creates risk, and ERM broadens the focus of risk management to all significant resources of enterprise value. By understanding the key external and internal variables contributing to uncertainty, over time, management can more effectively run the organization and realize the organization's potential. ERM will help government organizations meet challenges by establishing oversight, control, and discipline to drive continuous improvement of risk management.

ERM Components and Risks

Component	Risk
Economies	Economies consistently send the message to government entities to do more with less. This message, delivered by budget cuts and constrained resources, can result in greater risks. As such, it has become challenging to segregate duties in order to provide for proper internal controls, and, with less resources, some required activities may be overlooked or even neglected entirely.
Regulators	New and existing regulatory requirements require a great deal of attention. Often complex, the requirements are heavily scrutinized, and noncompliance in some cases can have significant repercussions with regulatory agencies and through public perception.
Employees	The key risk here is trying to determine whether or not the employees are receiving what they need to perform their duties. Are they receiving adequate training and development related to their job responsibilities? Do they understand the new and evolving requirements related to their duties? Do responsibilities appropriately align with their development? Are they being provided with too much opportunity that may cause potential issues for the government?
Media and Public	Governments historically have relied heavily on the media and regulators for accountability, but currently the public sector is experiencing uncertainty in this area. Media management (e.g., social media) is receiving a great deal of focus as some of the risks that organizations face related to social media have played out in recent months.
Data Transparency	As technology advances, an increasing amount of data is available to entities. As that data's use is determined, the data may also be made available to the public — creating an additional risk.
Constituents	The focus in this area is to make sure that constituents remain well-informed, feel heard and supported, and have trust in the government.
Technology	Technology is a hot topic of discussion, particularly the subject of cyber security risk. Cyberattacks have led to loss of government data, theft of assets, reputational damage, and, in some cases, poor service delivery.

Source: Internal Audit's Role in ERM: Achieving Strategic Risk Alignment Without Impairing Independence, IIA webinar presented by Crowe, March 8, 2018.

Implementing an ERM framework

Manage uncertainties with a well thought-out plan

Redefine how business is conducted

The future is inherently unknown. Like all endeavors in today's dynamic business environment, government programs operate in a world of increasing risks, and they do not know what mandates or challenges they will face from day to day. In recent years, many government entities have been on the receiving end of new legislation and regulations that require them to better manage risk and improve controls in discrete areas. Generally, to comply with the requirements of each of these new mandates, agencies have put into place costly compliance programs that do not always optimize value (Managing Risk in Government: An Introduction to Enterprise Risk Management).

As government agencies search for more effective ways to face daily challenges, a promising approach is implementing an ERM framework. ERM redefines the value proposition of risk management by providing an organization with the processes and tools needed to become more anticipatory and effective at evaluating, embracing, and managing the uncertainties it faces, and elevates risk management to a strategic level (Guide to Enterprise Risk Management). An ERM framework:

- **Identifies potential risks that may hinder objectives.**
- **Empowers every member to participate in risk management.**
- **Reduces surprises and unexpected losses to the organization.**
- **Moves the focus to the big issues rather than the nebulous issues.**
- **Improves resource deployment based on risk.**
- **Provides tools and capabilities to identify, adapt, and respond to change.**

Occasionally, certain organizations find themselves starting down the path of developing and implementing an ERM program, including convening workgroups, obtaining support, developing a risk appetite, and preparing risk statements and draft responses, but then after the initial activities are performed, a variety of competing priorities may result. In order to protect the work and move forward, it is important to stay the course. The ERM framework can be successfully applied to all organizations, large and small, public and private, to create a risk-intelligent enterprise as long as it is embedded in the culture as a day-to-day consideration and everyone involved in its implementation is of the same mind.

For ERM to work effectively, there must be a full understanding of the organization's risk profile, its culture, and its resource capacity to implement and sustain the initiative. For some agencies, it will take a holistic approach to realize the full impact of risk management. For others, having some variation of ERM, no matter the scale or scope, will be enough to point the agency in the right direction toward better performance, management, and results. In either case, the aim is to redefine how business is conducted (Managing Risk in Government: An Introduction to Enterprise Risk Management).

Internal audit's evolving role

Opportunities to serve

Guidance to provide

Internal auditing is an independent, objective assurance and consulting activity Its core role with regard to ERM is to provide objective assurance on the effectiveness of risk management. Two of the most important ways that internal auditors add value are by 1) providing objective assurance that the major business risks are being managed appropriately and 2) providing assurance that the risk management and the internal control framework is operating effectively (The Role of Internal Auditing in Enterprise-wide Risk Management).

In the past, internal audit plans focused primarily on performing audits within the core financial functions of an organization, including accounts payable, payroll, and petty cash. Today, the scope of internal audit's work has expanded greatly and will more than likely continue to change. Internal audit has been asked to play a more dynamic role across all aspects of an organization and is expected to be more aligned with the overall strategic direction and risks.

Organizations are looking to internal audit to help refine risk management processes and leverage information about organizational risks. This includes providing ERM guidance. Collaboration between the disciplines of internal audit and risk management can lead to stronger risk practices in meeting stakeholder expectations.

However, it is important to note that each organization is unique. Each organization needs a tailored approach, and ERM is not a compliance exercise but a *mindset* that facilitates information-sharing across the organization, making management better equipped to make important and timely decisions.

The scope of internal audit's function and area of service is too wide for just one skillset. The emerging internal audit role now includes asset management, business models, change management, general management, environmental impact, products/services, finance, operations, compliance, and technology. Internal audit can play a critical role in the initial ERM setup and in its ongoing success by providing guidance in:

- **Risk management education and training.**
- **Risk management consulting engagements.**
- **Evaluations of strategic risks.**
- **Assessment of the ERM framework:**
    - **Components and principles are functioning as expected.**
    - **Components are operating in an integrated manner (no silos).**
    - **Established controls are adequate to execute the relevant principles**

Source: Internal Audit's Role in ERM: Achieving Strategic Risk Alignment Without Impairing Independence

Benefits to gain

There are several benefits to internal audit's being involved in the ERM program. One of the biggest benefits is that it adds to the value proposition of the internal audit department within the organization and with the key stakeholders. Value is added by seeking and exploiting opportunities, improving business performance, and preventing avoidable loss events. Internal audit's involvement changes the relationship with management into one that is cohesive and communicative vs. a relationship that is strained.

Benefits to the internal audit function:

- **Broader impact — not limited to compliance and financial statements.**
- **More robust and relevant internal audit plan.**
- **Increased knowledge and expertise in internal audit. Various growth and training opportunities for the internal audit staff.**

Benefits to the organization:

- **Improves management and leadership decision-making.**
- **Improves strategic planning efforts.**
- **Fosters a risk-based organizational culture (tone from the top).**
- **Establishes a foundation of knowledge to build a tailored ERM program.**
- **Links audit efforts and results to top-of-mind critical risks and initiatives as viewed by management.**
- **Enables the organization to plan and respond better to changes.**
- **Allows more effective management of the downside of risk while leveraging the upside of risk.**
- **Increases the probability of achieving the organization's goals and objectives.**

84%

of participants in an IIA webinar said they are willing to accept the role of ERM champion, but only in a supporting/ advisory capacity, with all decision-making authority and accountability residing with management.

7%

said they would not be willing to accept the role, as it would result in an impairment to auditor independence.

Source: Webinar polling questions from Internal Audit's Role in ERM: Achieving Strategic Risk Alignment Without Impairing Independence

Source: https://www.theiia.org/sites/auditchannel/Pages/video.aspx?v=AzdzRyZTE69KtDHsQ01KjSG2X4DVxJxo

However, it is important to note that in spite of all the benefits to gain, there are still a number of barriers preventing some government organizations from investing in ERM. Some of the challenges that are faced when designing an effective ERM program include: competing priorities, organizational culture, insufficient resources, lack of perceived value, perception that ERM adds bureaucracy, or lack of senior-level ERM leadership. In light of the perceived barriers, organizations need to have a viable risk management platform that addresses existing and potential risks and provides feedback to relevant people to evaluate and resolve.

Boundaries to draw and respect

Standard 1100: Independence and Objectivity requires the internal audit activity to remain independent. To implement this standard, CAEs and auditors need to understand policies and activities that could enhance or hinder such a mindset. Therefore, there are clear boundaries that must be drawn and respected when implementing an ERM framework. Those boundaries can be clarified using a simple litmus test:

Is it a management function (e.g., a decision-making role)?

✓ **If yes, this could impair independence.**

Is it an assurance function?

✓ **If yes, it may be an acceptable internal audit role.**

✓ **If lines are blurred, it may need additional safeguards to protect independence.**

There is of course a muddled middle ground to consider, where lines may be blurred. In these circumstances, the function is open to be performed by internal audit, provided safeguards are in place, such as taking steps to formally identify management as the decision-maker and communicating that understanding to management and other key stakeholders. Some examples include:

✓ **Facilitating risk assessment workshops.**

✓ **Coaching/educating management.**

✓ **Coordinating ERM activities.**

✓ **Maintaining the ERM framework.**

✓ **Serving as ERM champion.**

✓ **Developing the ERM strategy for leadership.**

Internal audit may provide consulting services that improve an organization's governance, risk management, and control processes.

Audit Focus

IIA Standard 1100: Independence and Objectivity

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

IIA Standard 1110: Organizational Independence

The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.

1110.A1 – The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results. The chief audit executive must disclose such interference to the board and discuss the implications.

What's more, because internal audit offers expertise in considering risks, understanding the connections between risks and governance, and in facilitation, it is well qualified to act as champion for ERM, especially in the early stages of its introduction (IIA Position Paper: The Role of Internal Auditing in Enterprise-wide Risk Management).

When internal auditors have a detailed understanding of their duties, it allows them to provide the appropriate level of assessment work for the given situation.

Expanding internal audit's position

Work closely with management

Creating a dynamic team

Internal audit should be a part of every ERM undertaking, as its principal role is to analyze the existing reporting tools and risk management practices, and seek out anything that could possibly impact the internal control systems.

That being said, when an organization desires to move to an ERM environment, internal auditors should collaborate with senior management to identify and review the risks that the organization is facing. Then internal audit can determine whether those risks have been identified and assessed properly. Doing so mitigates the possibility of overlooking gaps in policies and defines new risk tolerances.

As risks grow and become more complex, internal audit's role is likely to expand in areas such as risk governance, culture and behavior, sustainability, and other non-financial measures.

Source: Internal Audit's Role in Corporate Governance

To be effective, ERM requires a setting that is open and encourages communication about risks. Therefore, in addition to its principal role, internal audit can add value by being a proponent of solid communication within the organization, particularly between management and the stakeholders. Additionally, regular interaction with all factions, including employees, managers, and the risk management team will make a difference in the organization's risk culture and in how well communication flows — eliminating barriers. The ERM framework, if executed properly, provides a valuable opportunity to create a dynamic team, wherein all are of the same mind when it comes to mitigating risks.

Identifying emerging risks

As organizations grow, adapt, and expand operations, the related risks may do the same. While some risks are easier to identify and measure than others, some are not as apparent. Here again is an opportunity for internal audit to add value by helping organizations discover any new risks created from expansion. Focusing on a number of areas internal audit has not traditionally covered can help auditors augment the organization's value-creating efforts. There are many areas to consider in the context of a risk-based internal audit plan:

- **Data analytics and continuous auditing.**
- **Strategic initiatives and planning.**
- **Tone at the top/corporate culture.**
- **New business lines and geographic regions.**
- **Tax strategy and planning.**

In addition to identifying emerging risks, internal audit may extend its involvement in ERM, provided certain conditions apply, by coordinating certain reporting activities. The IIA maintains that the board and management are responsible for actual risk management (IIA Position Paper: The Role of Internal Auditing in Enterprise- wide Risk Management); however, internal audit can customize reporting to meet the organization's needs by issuing consultative types of reports for organizations that are in the initial stages of ERM, or by performing audits and issuing assurance reports for organizations that are more mature in ERM.

Staying in the proper lane

The interpretation of Standard 1100: Independence and Objectivity, affirms that "there should be no threat to internal audit's ability to carry out its responsibilities in an unbiased manner." So yes, certain conditions do apply to internal audit's role in ERM. In other words, while internal audit should update its role to support effective risk management, when it comes to management's responsibility of implementing risk mitigation processes and procedures, internal auditors and management alike need to understand fully that internal audit's advice is exactly that, advice. Anything more than that threatens internal audit's independence as an assurance provider and the objectivity of the internal auditors.

There are a range of ERM activities that will likely improve an organization's risk management control and governance processes, and there are roles that an effective internal audit activity should and should not undertake (see IIA Position Paper: The Role of Internal Auditing in Enterprise-wide Risk Management):

Internal Audit's Core Assurance Roles

- **Provide assurance on the risk management process.**
- **Provide assurance that risks are correctly evaluated.**
- **Evaluate the reporting of key risks.**
- **Review the management of key risks (including testing controls).**

Internal audit's roles with safeguards

- Facilitate identification and evaluation of risks.
- Coach management in responding to risks.
- Coordinate ERM activities.
- Consolidate reporting on risk.
- Champion establishment of ERM.

Roles internal audit should not undertake

- Setting risk appetite.
- Imposing risk management processes.
- Providing management assurances on risk.
- Making decisions on risk responses.
- Implementing risk responses on management's behalf.
- Assuming accountability for risk management.

Conclusion

Improve the way risks are managed

Management is aggressively pushing for internal audit to play a more prominent role in risk management, and with an ERM focus, internal audit can move beyond its monitoring role to help influence and improve how risks are managed before they become challenges. By facilitating the management on risk assessment and evaluating ERM, internal audit can add more value to the organization.

Internal audit's core role in relation to ERM is to provide management with assurance about the effectiveness of all risk management endeavors. When internal audit extends its activities beyond this core role, it must apply safeguards, including treating the engagements as consulting services, and therefore applying all relevant Standards. In this way, internal audit will continue to protect its independence.

Internal Audit's Role

- **Greater assurance that internal controls and risk management procedures are in place and aligned with objectives.**
- **Forward-looking efforts combined with the traditional point-in-time and past-focused reviews.**
- **Increased attention and commitment to focus on strategic and emerging risks.**

Sources

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About The IIA

The IIA is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 200,000 members from more than 170 countries and territories. The IIA's global headquarters are in Lake Mary, Fla. For more information, visit www.theiia.org.

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The Institute of Internal Auditors

IIA POSITION PAPER:

THE ROLE OF INTERNAL AUDITING IN ENTERPRISE-WIDE RISK MANAGEMENT

Issued: January 2009
Revised:

Introduction

The importance to strong corporate governance of managing risk has been increasingly acknowledged. Organizations are under pressure to identify all the business risks they face; social, ethical and environmental as well as financial and operational, and to explain how they manage them to an acceptable level. Meanwhile, the use of enterprise-wide risk management frameworks has expanded, as organizations recognize their advantages over less coordinated approaches to risk management. Internal auditing, in both its assurance and its consulting roles, contributes to the management of risk in a variety of ways.

What is Enterprise-wide Risk Management?

People undertake risk management activities to identify, assess, manage, and control all kinds of events or situations. These can range from single projects or narrowly defined types of risk, e.g. market risk, to the threats and opportunities facing the organization as a whole. The principles presented in this paper can be used to guide the involvement of internal auditing in all forms of risk management but we are particularly interested in enterprise-wide risk management because this is likely to improve an organization's governance processes.

Enterprise-wide risk management (ERM) is a structured, consistent and continuous process across the whole organization for identifying, assessing, deciding on responses to and reporting on opportunities and threats that affect the achievement of its objectives.

Responsibility for ERM

*T*he board has overall responsibility for ensuring that risks are managed. In practice, the board will delegate the operation of the risk management framework to the management team, who will be responsible for completing the activities below. There may be a separate function that co-ordinates and project-manages these activities and brings to bear specialist skills and knowledge.

Everyone in the organization plays a role in ensuring successful enterprise-wide risk management but the primary responsibility for identifying risks and managing them lies with management.

Benefits of ERM

ERM can make a major contribution towards helping an organization manage the risks to achieving its objectives. The benefits include:

- Greater likelihood of achieving those objectives;
- Consolidated reporting of disparate risks at board level;
- Improved understanding of the key risks and their wider implications;
- Identification and sharing of cross business risks;
- Greater management focus on the issues that really matter;
- *F*ewer surprises or crises;
- More focus internally on doing the right things in the right way;

- Increased likelihood of change initiatives being achieved;
- Capability to take on greater risk for greater reward and
- More informed risk-taking and decision-making.

The activities included in ERM

- Articulating and communicating the objectives of the organization;
- Determining the risk appetite of the organization;
- Establishing an appropriate internal environment, including a risk management framework;
- Identifying potential threats to the achievement of the objectives;
- Assessing the risk (i.e. the impact and likelihood of the threat occurring);
- Selecting and implementing responses to the risks;
- Undertaking control and other response activities;
- Communicating information on risks in a consistent manner at all levels in the organization;
- Centrally monitoring and coordinating the risk management processes and the outcomes, and
- Providing assurance on the effectiveness with which risks are managed.

Providing assurance on ERM

One of the key requirements of the board or its equivalent is to gain assurance that risk management processes are working effectively and that key risks are being managed to an acceptable level.

It is likely that assurance will come from different sources. Of these, assurance from management is fundamental. This should be complemented by the provision of objective assurance, for which the internal audit activity is a key source. Other sources include external auditors and independent specialist reviews. Internal auditors will normally provide assurances on three areas:

- Risk management processes, both their design and how well they are working;
- Management of those risks classified as 'key', including the effectiveness of the controls and other responses to them; and
- Reliable and appropriate assessment of risks and reporting of risk and control status.

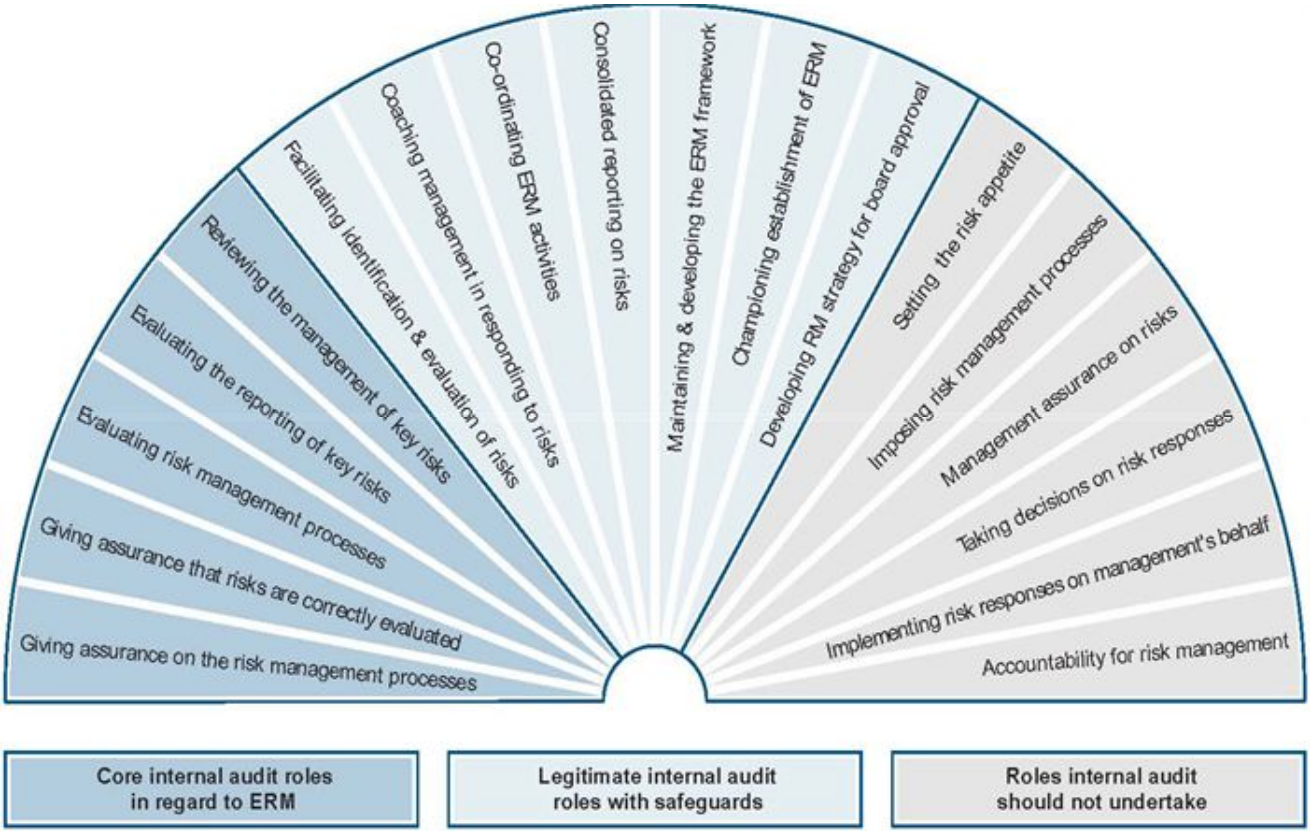
The role of internal auditing in ERM

Internal auditing is an independent, objective assurance and consulting activity. Its core role with regard to ERM is to provide objective assurance to the board on the effectiveness of risk management. Indeed, research has shown that board directors and internal auditors agree that the two most important ways that internal auditing provides value to the organization are in providing objective assurance that the major business risks are being managed appropriately and providing assurance that the risk management and internal control framework is operating effectively[1].

[1] The Value Agenda, Institute of Internal Auditors – UK and Ireland and Deloitte & Touche 2003

Figure 1 presents a range of ERM activities and indicates which roles an effective professional internal audit activity should and, equally importantly, should not undertake. The key factors to take into account when determining internal auditing's role are whether the activity raises any threats to the internal audit activity's independence and objectivity and whether it is likely to improve the organization's risk management, control and governance processes.

Figure 1 – Internal auditing's role in ERM



The activities on the left of *Figure 1* are all assurance activities. They form part of the wider objective of giving assurance on risk management. An internal audit activity complying with the *International Standards for the Professional Practice of Internal Auditing* can and should perform at least some of these activities.

Internal auditing may provide consulting services that improve an organization's governance, risk management, and control processes. The extent of internal auditor's consulting in ERM will depend on the other resources, internal and external, available to the board and on the risk maturity[2] of the organization and it is likely to vary over time. Internal auditor's expertise in considering risks, in understanding the connections between risks and governance and in facilitation mean that the internal audit activity is well qualified to act as champion and even project manager for ERM, especially in the early stages of its introduction. As the organization's risk maturity increases and risk management becomes more embedded in the operations of the business, internal auditing's role in championing ERM may reduce. Similarly, if an organization employs the services of a risk management specialist or function, internal auditing is more likely to give value by concentrating on its assurance role, than by undertaking the more consulting activities. However, if internal auditing has not yet adopted the risk-based approach represented by the assurance activities on the left of *Figure 1*, it is unlikely to be equipped to undertake the consulting activities in the center.

Consulting roles

The center of *Figure 1* shows the consulting roles that internal auditing may undertake in relation to ERM. In general the further to the right of the dial that internal auditing ventures, the greater are the safeguards that are required to ensure that its independence and objectivity are maintained. Some of the consulting roles that the internal audit activity may undertake are:

- Making available to management tools and techniques used by internal auditing to analyze risks and controls;
- Being a champion for introducing ERM into the organization, leveraging its expertise in risk management and control and its overall knowledge of the organization;
- Providing advice, facilitating workshops, coaching the organization on risk and control and promoting the development of a common language, framework and understanding;
- Acting as the central point for coordinating, monitoring and reporting on risks; and
- Supporting managers as they work to identify the best way to mitigate a risk.

The key factor in deciding whether consulting services are compatible with the assurance role is to determine whether the internal auditor is assuming any management responsibility. In the case of ERM, internal auditing can provide consulting services so long as it has no role in actually managing risks – that is management's responsibility – and so long as senior management actively endorses and supports ERM. We recommend that, whenever the internal audit activity acts to help the management team to set up or to improve risk management processes, its plan of work should include a clear strategy and timeline for migrating the responsibility for these services to members of the management team.

[2] The IIA-UK and Ireland Position Statement on Risk Based Internal Auditing 2003

Safeguards

Internal auditing may extend its involvement in ERM, as shown in *Figure 1*, provided certain conditions apply. The conditions are:

- It should be clear that management remains responsible for risk management.
- The nature of internal auditor's responsibilities should be documented in the internal audit charter and approved by the audit committee.
- Internal auditing should not manage any of the risks on behalf of management.
- Internal auditing should provide advice, challenge and support to management's decision making, as opposed to taking risk management decisions themselves.
- Internal auditing cannot also give objective assurance on any part of the ERM framework for which it is responsible. Such assurance should be provided by other suitably qualified parties.
- Any work beyond the assurance activities should be recognized as a consulting engagement and the implementation standards related to such engagements should be followed.

Skills and body of knowledge

Internal auditors and risk managers share some knowledge, skills and values. Both, for example, understand corporate governance requirements; have project management, analytical and facilitation skills and value having a healthy balance of risk rather than extreme risk-taking or avoidance behaviors. However, risk managers as such serve only the management of the organization and do not have to provide independent and objective assurance to the audit committee. Nor should internal auditors who seek to extend their role in ERM underestimate the risk managers' specialist areas of knowledge (such as risk transfer and risk quantification and modeling techniques) which are outside the body of knowledge for most internal auditors. Any internal auditor who cannot demonstrate the appropriate skills and knowledge should not undertake work in the area of risk management. Furthermore, the head of internal audit should not provide consulting services in this area if adequate skills and knowledge are not available within the internal audit activity and cannot be obtained from elsewhere.

Conclusion

Risk management is a fundamental element of corporate governance. Management is responsible for establishing and operating the risk management framework on behalf of the board. Enterprise-wide risk management brings many benefits as a result of its structured, consistent and coordinated approach. Internal auditor's core role in relation to ERM should be to provide assurance to management and to the board on the effectiveness of risk management. When internal auditing extends its activities beyond this core role, it should apply certain safeguards, including treating the engagements as consulting services and, therefore, applying all relevant Standards. In this way, internal auditing will protect its independence and the objectivity of its assurance services. Within these constraints, ERM can help raise the profile and increase the effectiveness of internal auditing.

Definition of terms

Assurance Services: An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Board: A board is an organization's governing body, such as a board of directors, supervisory board, head of an agency or legislative body, board of governors or trustees of a non profit organization, or any other designated body of the organization, including the audit committee to whom the chief audit executive may functionally report.

Champion: Someone who supports and defends a person or cause. Therefore, a champion of risk management will promote its benefits, educate an organization's management and staff in the actions they need to take to implement it and will encourage them and support them in taking those actions.

Consulting Services: Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

Control: Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Enterprise: Any organization established to achieve a set of objectives.

Enterprise-wide risk management (ERM): A structured, consistent and continuous process across the whole organization for identifying, assessing, deciding on responses to and reporting on opportunities and threats that affect the achievement of its objectives.

Facilitating: Working with a group (or individual) to make it easier for that group (or individual) to achieve the objectives that the group has agreed for the meeting or activity. This involves listening, challenging, observing, questioning and supporting the group and its members. It does not involve doing the work or taking decisions.

Risk: The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk Appetite: The level of risk that an organization is willing to accept.

Risk Management Framework: The totality of the structures, methodology, procedures and definitions that an organization has chosen to use to implement its risk management processes.

Risk Management Processes: Processes to identify, assess, manage, and control potential events or situations, to provide reasonable assurance regarding the achievement of the organization's objectives.

Risk Maturity: The extent to which a robust risk management approach has been adopted and applied, as planned, by management across the organization to identify, assess, decide on responses to and report on opportunities and threats that affect the achievement of the organization's objectives.

Risk Responses: The means by which an organization elects to manage individual risks. The main categories are to tolerate the risk; to treat it by reducing its impact or likelihood; to transfer it to another organization or to terminate the activity creating it. Internal controls are one way of treating a risk.

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Source: https://internalaudit360.com/internal-audits-expanding-role-in-enterprise-risk-management/

Internal Audit's Expanding Role in Enterprise Risk Management

On December 18, 2025 By Tim Berichon

The internal auditing function is receiving new levels of attention and interest, especially as organizations seek to strengthen their ability to protect value and drive higher levels of confidence. Effective Chief Audit Executives are becoming even more risk-oriented than they have in the past, taking a more proactive approach to their organization's Enterprise Risk Management programs. This shift reflects a growing recognition that internal assurance is not only about compliance but also

enabling *smarter* risk decisions which builds trust across the business.

I have identified three justifications that highlight internal audit's evolving role in ERM, drawing on insights from CAEs who are leading the way.

Why should CAEs actively participate in ERM—and what's the framework for doing so?

CAEs who actively participate in ERM gain greater visibility into enterprise risks, improved awareness and stronger business relationships. Based on research, CAEs who "actively participate" in their organizations' ERM programs and found that this involvement delivers tangible benefits: higher risk orientation, deeper connection with business leaders, and better acumen for what matters most.

For example, the CAE of a publicly traded energy company shared that integrating with ERM increased their confidence in articulating the rationale behind internal audit plan choices. This clarity made it easier to prioritize audit activities and defend decisions—even when saying "no" to requests that did not align with organizational priorities.

Active participation in ERM allows audit leaders to:

- Understand the organization's top risks and align assurance activities accordingly.
- Build stronger relationships with business leaders, fostering collaboration and trust.
- Gain the confidence needed to make strategic decisions about audit coverage and resource allocation.

The framework for CAE involvement starts with recognizing that ERM is not a one-size-fits-all process. Instead, it requires internal audit leaders to be intentional about their role—whether providing input, leading specific risk assessments or facilitating risk discussions. By mapping their participation to the organization's ERM steps, CAEs can ensure their contributions are meaningful and aligned with enterprise objectives.

How can CAEs take a more active involvement in ERM without sacrificing objectivity?

While 97 percent of chief audit executives participate in at least one non-audit activity, such as ERM or business continuity, maintaining objectivity is a valid concern. Collaboration can enhance value, but it must not compromise the independence that is the foundation of effective internal audit.

To strike this balance, CAEs should use the RACI matrix—a tool for clarifying roles and responsibilities within projects and processes (Figure 1). The RACI framework defines four types of involvement:

- **Responsible (R):** Those who perform the work to complete a specific task, often in collaboration with consulted parties.
- **Accountable (A):** The ultimate authority who approves work and is responsible for outcomes.
- **Consulted (C):** Individuals who provide expertise or insight, influencing decisions but not executing tasks.
- **Informed (I):** Stakeholders who are kept updated on progress and decisions but do not have direct input.

Figure 1: Use RACI roles to Explore and Choose ERM Participation Level

By mapping their ERM involvement to the RACI matrix, CAEs can determine where they add the most value without overstepping boundaries. For instance, a CAE may be "consulted" during risk identification but "informed" during risk response planning, preserving their independence while contributing expertise.

Understanding and communicating these roles is essential. CAEs should proactively discuss their intended level of ERM participation with the audit committee, ensuring clarity and alignment. This approach not only protects audit's objectivity but also demonstrates a thoughtful commitment to enterprise risk management.

How can CAEs assess and defend their objectivity as they get more involved in ERM?

As CAEs deepen their involvement in ERM, they must be able to assess and defend their objectivity to stakeholders. This begins with transparent communication: CAEs should inform the audit committee of their intention to participate in non-audit activities and explain how their objectivity will be maintained.

A review of the internal audit charter is a critical step. CAEs should ensure that their expanded role is consistent with the charter's provisions and make updates as needed to reflect new responsibilities. This alignment provides a formal foundation for their participation and reassures stakeholders of the integrity of internal audit activities.

There are 14 factors that underpin the highest levels of internal audit objectivity, including organizational and operational independence. CAEs should evaluate their position against these factors, making adjustments where necessary to preserve independence. Once this assessment is complete, communicating with key stakeholders—such as the audit committee, executive leadership and business unit heads—is vital. These conversations should reinforce the message that audit's involvement in ERM enhances, rather than diminishes, the reliability of assurance activities.

Ultimately, the goal is to ensure that stakeholders have full confidence in audit's conclusions and recommendations. By taking a proactive, transparent approach to ERM participation and objectivity, CAEs position themselves as trusted advisors who strengthen the organization's ability to manage risk and protect value.

The evolving role of audit in enterprise risk management reflects a broader shift toward value creation, strategic alignment and

proactive risk leadership. CAEs who embrace active participation in ERM—while safeguarding their objectivity—are better equipped to provide assurance, build business confidence and support long-term success. As organizations continue to navigate complex risk landscapes, the partnership between audit and ERM will be essential to protecting value and driving enterprise resilience.

Tim Berichon is Vice President Analyst in Gartner's Audit and Risk practice.

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The evolving role of internal audit in enterprise risk management

November 6, 2025 • 7 min read

Internal audit and risk management functions operate in a dynamic balance within large organizations. As regulatory complexity increases and business risks evolve, the relationship between these functions becomes increasingly critical for effective governance.

The question isn't whether internal audit should participate in er ax audit's strategic value while preserving the independence and objectivity that makes audit assurance cred

Enterprise organizations face pressure to demonstrate comprehensive risk oversight. Board members expect someone to check that management's risk processes work well. Regulators require evidence of risk-based controls, while stakeholders demand transparent risk disclosure.

Internal audit sits at the center of these expectations, providing an objective assessment of how well organizations identify, assess and mitigate risks across the enterprise. This reality is reflected in expanding audit responsibilities: nearly one-third of chief audit executives (CAEs) now have direct responsibility for enterprise risk management at their organizations, compared to just 24% nine years earlier, according to The Institute of Internal Auditors.

In this article, we'll explain:

- The role of internal audit in enterprise risk management and ERM oversight
- How internal audit involvement in enterprise risk management differs from risk management responsibilities
- Why enterprise risk management vs internal audit represents a balance rather than competition
- Emerging risk areas requiring internal audit attention
- How technology enables more effective audit assurance on risk processes

What is the role of internal audit in enterprise-wide risk management?

Internal audit provides independent assurance that risk management processes work effectively. While risk managers own the process of identifying and mitigating risks, internal audit evaluates whether those processes achieve intended outcomes — a distinction that preserves audit's independence and credibility with boards and stakeholders.

"There needs to be collaboration between risk and the business, vertically up and down but then also horizontally across the organization. It is absolutely essential — collaboration across risk departments. The problem is there are silos. Risk and audit are interconnected and interdependent. Collaboration helps provide audit's perspective, their insight across company policies and procedures that help improve risk's function," says Michael Rasmussen, CEO of GRC Report.

Internal audit's primary responsibilities in ERM include:

- **Independent assessment of risk management effectiveness:** Evaluating whether the organization's ERM program adequately identifies, assesses and manages the most significant business risks. This goes beyond checking documentation to assessing whether risk processes actually work as intended.
- **Process assurance:** Confirming that risk management processes themselves function effectively, including risk identification methodologies, assessment criteria, escalation protocols and mitigation tracking.
- **Controls evaluation:** Testing whether controls designed to mitigate identified risks operate effectively and achieve intended outcomes.
- **Advisory consultation:** Providing insights on how to strengthen risk management approaches based on observations across the organization, industry best practices and emerging risk trends.

The key distinction: Risk managers own risk processes. Internal audit validates that those processes work.

Enterprise risk management and internal audit: Collaboration without compromise

The relationship between enterprise risk management and internal audit requires careful calibration. These functions must collaborate to deliver risk oversight while maintaining clear boundaries that preserve audit independence.

Where collaboration strengthens both functions

Risk-based audit planning benefits from ERM insights about emerging threats and changing risk profiles. When audit teams align their coverage with the organization's risk register, they provide assurance on the areas that matter most to leadership and the board.

Information sharing enhances both functions. Risk managers gain audit's comprehensive view across organizational silos. Auditors access risk intelligence that helps them focus on areas of greatest concern.

Joint reporting to audit committees can provide integrated perspectives on risk and control effectiveness. When presented thoughtfully, combined insights help boards understand not just what risks exist but how well the organization manages them.

"Trust is the number one thing. Once you have trust that the executive teams believe in the data, believe in the risk you are identifying, then you can have fulsome conversations, you can create change," says Tom Keaton, former Director of Internal Audit at Crown Castle.

Where boundaries must remain clear

Internal auditors should not assume management responsibility for risk processes. Designing risk management frameworks, conducting risk assessments or implementing risk mitigation strategies compromises the audit team's ability to provide independent assurance on these activities.

Audit should not own or manage the risk register. While audit findings may inform risk assessments, the audit team cannot both maintain the authoritative risk record and provide independent assurance on its accuracy.

Decision-making about risk appetite and acceptable risk levels remains a management responsibility. Audit can evaluate whether decisions align with stated risk appetite, but cannot determine what that appetite should be.

This balanced approach recognizes that internal audit involvement in enterprise risk management should enhance organizational risk management without compromising the independence that makes audit assurance valuable.

independence that makes audit credible.

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Why internal auditors are well-positioned for risk assurance

Internal audit functions possess several characteristics that make them ideally suited for risk management oversight:

- **Enterprise-wide visibility:** Internal auditors develop an understanding of organizational operations, processes and controls across all business units and functions. This broad perspective enables them to identify cross-functional risks that individual departments might miss.
- **Analytical objectivity:** Audit teams bring independent, analytical mindsets focused on evidence-based assessment rather than advocacy for specific outcomes. This objectivity proves essential for credible risk evaluation.
- **Technical competence:** Internal auditors possess expertise in risk assessment methodologies, control frameworks and compliance requirements. Many hold professional certifications demonstrating specialized knowledge in governance, risk and compliance.
- **Stakeholder access:** Internal audit typically reports to audit committees and maintains direct relationships with senior leadership, enabling effective communication of risk concerns to appropriate levels.
- **Systems thinking:** Auditors excel at understanding how different organizational components interconnect and how failures in one area can cascade into broader risks.

The Institute of Internal Auditors' 2025 Global Standards emphasize the internal audit's evolving role in providing assurance on risk management, governance and control processes. These updated standards recognize that audit teams must adapt to new risk environments, including cybersecurity, artificial intelligence, environmental sustainability and geopolitical uncertainty.

Maintaining audit independence while supporting risk management

Key to effective risk management collaboration is the ability of compliance and internal audit teams to work together while preserving the independence that makes audit oversight valuable. One frequently asked question relates to distinct roles held by compliance and internal audit teams during risk assessment processes.

The roles should remain clearly differentiated. While compliance teams carry out ongoing measurement of their processes and effectiveness, the audit process provides objective, independent evaluation of compliance and risk management at given points in time.

This typically involves annual events that take an objective look at compliance and risk management systems.

The Three Lines Model framework

Current best practices implement the Three Lines Model to maintain proper role boundaries:

- **First Line (Management):** Owns and manages risks directly through day-to-day operations
- **Second Line (Risk Management/Compliance):** Provides independent oversight and challenge functions
- **Third Line (Internal Audit):** Delivers independent assurance without operational responsibilities

When it comes to risk oversight, the internal audit's primary function is to provide organizational boards and senior leadership assurance that the business manages risk successfully.

This assurance is two-fold: confirming that the organization's biggest business risks are managed effectively, and that the processes governing and monitoring risk management are themselves effective.

Critical boundaries: What internal audit should not do

While internal audit brings substantial value to ERM oversight, certain activities compromise independence and should be avoided:

- **Designing risk management processes:** If internal audit develops the risk assessment methodology or control framework, it cannot subsequently provide objective assurance on their effectiveness. This represents an inherent conflict of interest.
- **Assuming risk ownership:** Individual business units and functions should own their risks. Internal audit that takes ownership of specific risks becomes an advocate for those areas rather than an independent assessor.
- **Making management decisions:** Determining whether identified risks are acceptable, deciding which mitigation strategies to pursue or allocating resources to risk management represent management responsibilities that the audit team should not assume.
- **Implementing risk controls:** While an audit can recommend control improvements, actually implementing these controls eliminates the audit team's ability to independently assess their effectiveness.

These boundaries reflect fundamental principles of audit independence outlined in professional standards. Organizations that ask internal audit to blur these lines compromise the credibility of audit assurance and may face regulatory scrutiny or audit committee concerns.

Emerging risk areas requiring internal audit focus

The risk landscape continues to evolve rapidly, requiring internal audit functions to expand traditional control testing into new domains:

- Cybersecurity and technology risk
- Artificial intelligence governance
- Environmental, social and governance (ESG) reporting
- Third-party risk management
- Geopolitical and economic uncertainty

These emerging risk areas require internal audit to develop new competencies, leverage specialized expertise and adopt technologies that enable more comprehensive (and continuous) risk assessment.

How AI transforms internal auditors' role in risk management

Artificial intelligence and advanced analytics fundamentally change how the internal audit team participates in enterprise-wide risk management. Traditional sample-based testing and annual assessments give way to comprehensive data analysis, continuous monitoring and predictive risk identification that addresses the coordination challenges and independence requirements discussed throughout this guide.

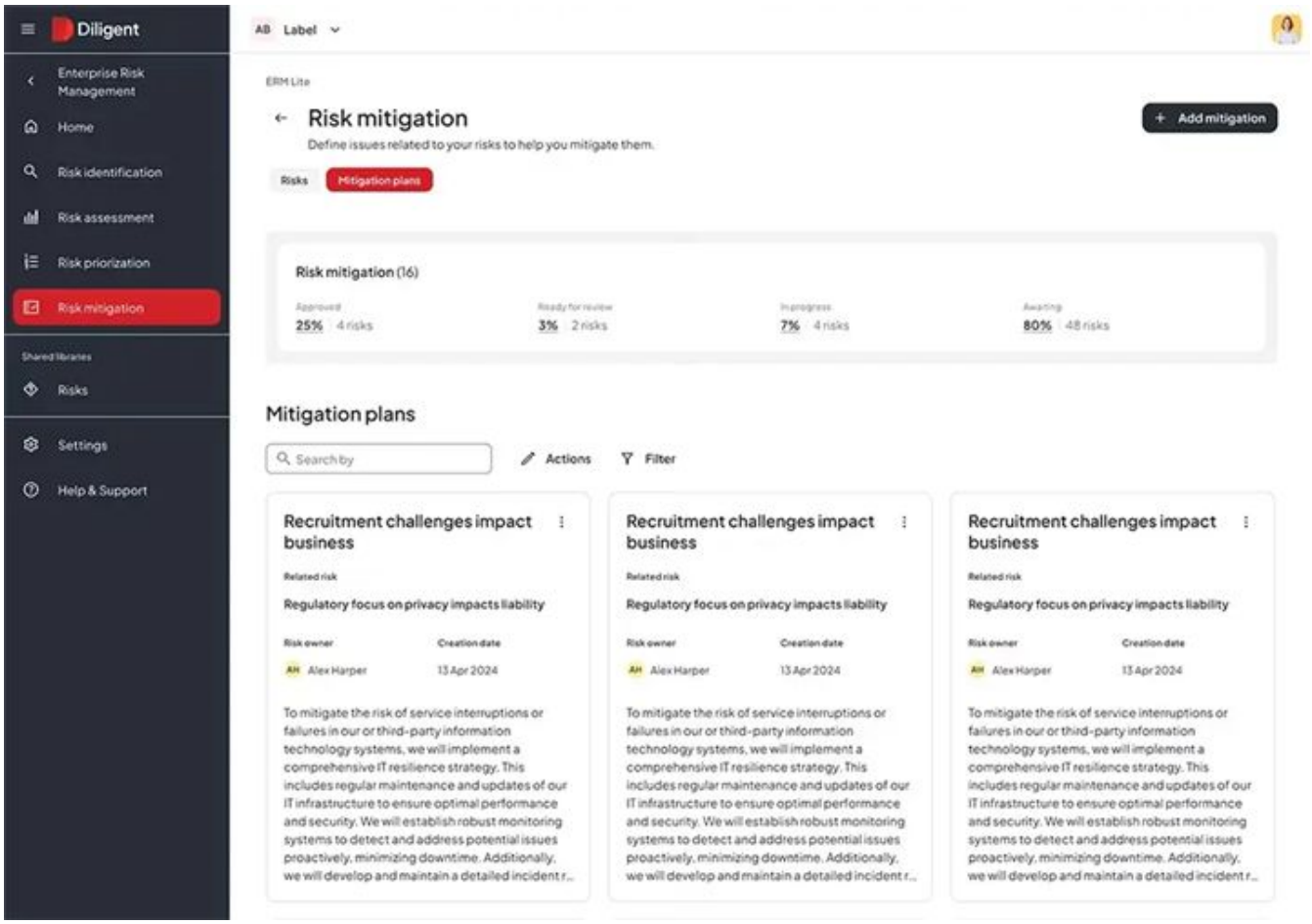
For organizations managing complex enterprise risk assessment requirements, AI-powered platforms like Diligent address the manual testing and limited data coverage challenges that compromise audit effectiveness. Here's how:

Diligent's audit management software delivers AI-driven audit capabilities that reduce routine task completion time while improving audit finding accuracy. The platform's continuous monitoring systems provide real-time risk intelligence and automated exception identification, enabling "always-on" auditing that traditional periodic assessments cannot match.

This transformation allows audit teams to focus on investigation, root cause analysis and advisory work rather than manual data gathering and testing.

Building on this, ACL Analytics complements risk management with no-code analytics capabilities and natural language query processing. Internal auditors examine complete data populations rather than small samples, identifying anomalies and patterns that manual testing would miss.

For enterprise-wide risk coordination, Diligent ERM integrates audit findings with comprehensive risk management workflows. The platform's AI-powered risk identification benchmarks against 180,000+ real-world risks from public company disclosures, providing the external intelligence that strengthens both audit planning and risk assessment.



Integration between audit and risk platforms enables seamless coordination without compromising independence, providing boards with unified perspectives on organizational risk posture and control effectiveness.

Ready to transform your internal audit team's approach to risk management? Discover how Diligent's connected governance platform enables more effective audit assurance while strengthening enterprise-wide risk management. Request a demo to get started.

FAQs about the role of the internal audit team in risk management

What specific responsibilities should internal audit never undertake in risk management?

Internal auditors should never assume management responsibilities for developing or implementing risk management processes that they will later assess. This creates obvious conflicts of interest when reviewing effectiveness.

Similarly, internal auditors providing assurance on risk management should not be involved in deciding whether these assurances are adequate.

How can organizations ensure internal audit maintains objectivity while providing risk management advisory services?

Implement clear role boundaries using the Three Lines Model framework. Internal audit can advise on best practices and improvement approaches, but must avoid operational responsibilities.

Maintain dual reporting structures with functional reporting to the audit committee for independence and administrative reporting to management for operations.

What emerging risks should internal audit prioritize in enterprise risk management oversight?

Internal audit should prioritize cybersecurity and IT risk, AI governance and emerging technology risks, ESG data integrity and reporting, third-party risk management, and geopolitical and economic uncertainty.

These represent the areas of greatest organizational concern and regulatory compliance focus. Internal audit functions that develop specialized capabilities in these domains provide substantially greater value to organizations and boards while positioning themselves as strategic partners in enterprise risk management rather than backward-looking compliance functions.

How often should the internal audit team assess the organization's risk management program?

While traditional approaches involved annual risk management assessments, leading organizations now implement continuous audit approaches that provide ongoing evaluation of risk processes. The frequency depends on organizational complexity, risk environment volatility and regulatory requirements.

Most enterprise organizations conduct formal risk management reviews at least annually, supplemented by continuous monitoring of key risk indicators and controls. Audit committees typically review the internal audit team's assessment of risk management effectiveness quarterly as part of broader risk oversight.

Ready to transform your internal audit risk management capabilities? Book a demo to discover how Diligent can deliver immediate efficiency gains while expanding risk coverage across your organization.

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Risk Matters: The Case for Enterprise Risk Management in Higher Education

By Clifford Rossi, PhD

Higher education is not immune from the same kind of risks that impact industry and as we've seen in 2024 continues to be buffeted by a wide range of risks including political, reputation, financial and operational, among others. The practice of enterprise risk management (ERM) in higher education is uneven across institutions and trails behind more evolved ERM programs in the private sector such as banking and pharma. Elevating ERM within the organization to a prominent leadership role is guaranteed to pay dividends over time and avoid debilitating risk events that detract from the business of education.

Poor risk management practices eventually come back to haunt those organizations that fail to take a broad and proactive view at managing risk. Colleges and universities are not immune to major risk events. The financial meltdown of the 2008 Great Financial Crisis stands in testimony to the fate of many banking institutions that failed to embrace enterprise risk management (ERM) principles. Even today, the collapse of Silicon Valley Bank is a reminder that ERM is critical to franchise viability. The complexity of institutions of higher education and the diversity of risks they face requires academic administrations to not just develop ERM functions and frameworks but build an institutional culture with the right risk "DNA" to recognize the importance of this function.

My own story is a case in point. I came to academia after a 25-year career in risk management in the financial services industry starting as a regulator during the Savings and Loan crisis of the 1980s and ending it during the 2008 crisis as the Chief Risk Officer for Citigroup's Consumer Lending Division as well as other C-level stints at major financial services companies. Some of those marquee name companies I worked for are no longer in business, largely because they relegated risk management to a secondary role in their organizations.

Following the crisis, bank regulators recognized the importance of effective risk governance and ERM practices and now require the largest banks in the country to adhere to heighted expectations for risk management. The banking sector is much further along in the maturity of their ERM programs than other private and public nonfinancial organizations as a result, though other organizations have ramped up their ERM capabilities in recent years. This includes the federal government where large agencies are required to have ERM functions. But what exactly is ERM and why does it apply to colleges and universities?

ERM is a set of principles that lays out a foundation for how organizations should identify, measure, assess and manage their risks. It provides governance and oversight over the process touching the entire enterprise. Risk management should be an integral part of the strategic planning process and incorporate several critical components. These include establishing a risk appetite for the organization that articulates in qualitative and quantitative terms the tolerance for each potential risk the institution faces. The ERM framework also includes a risk taxonomy that clearly describes each major risk type and its various subcomponents. Depending on the firm this can include financial risks such as cash flow, credit, market and liquidity risks, nonfinancial risks such as operational, reputation, legal, regulatory and compliance, and nontraditional risks such as geopolitical, climate, AI, and cyber.

With this backdrop then why do colleges and universities need ERM? Such institutions face many of the same risks as banks and federal agencies. A wide range of financial, nonfinancial and nontraditional risks exist at campuses with many institutions unable to proactively identify, assess and manage their risks until they manifest. Injuries and deaths on campuses for various reasons, geopolitical unrest affecting campus activities, spiraling tuition and costs, and cyber threats are among the myriad risks challenging colleges and university administrations across the country.

Like other sectors, there have been a number of early adopters of ERM principles at colleges and universities. Stanford, for example, created an Office of the Chief Risk Officer, a senior administrative entity where the CRO is a member of the university cabinet and advises the audit, compliance and risk committees of Stanford's Board of Trustees. While there is no best way of structuring an ERM function, Stanford's approach is a good model, that includes separate functions for ERM, Internal Audit, Risk & Insurance, Ethics and Compliance, Privacy and Information Security.

Good risk governance is paramount in achieving an effective ERM program. Having a board of trustees that is supportive and aware of the importance of risk management along with the President and other senior leaders greatly facilitates a risk-oriented culture throughout the campus. While everything we do as individuals or organizations entails some level of risk, having a well-articulated process for understanding, assessing and managing risks in a cohesive and standardized manner places those institutions that adopt ERM in the best position to prudently and proactively manage what seemingly is becoming an increasingly risky environment for higher education.

Clifford Rossi (PhD) *is the Academic Director of the Smith Enterprise Risk Consortium at the University of Maryland (UMD) and a professor of the practice and executive-in-residence at UMD's Robert H. Smith School of Business. Before joining academia, he spent 25-plus years in the financial sector, as both a C-level risk executive at several top financial institutions and a federal banking regulator. He is the former managing director and CRO of Citigroup's Consumer Lending Group.*

- Tags
- Clifford Rossi
- Risk Matters
- World Class Faculty & Research
- Smith Enterprise Risk Consortium
- Finance

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About the University of Maryland's Robert H. Smith School of Business

The Robert H. Smith School of Business is an internationally recognized leader in management education and research. One of 12 colleges and schools at the University of Maryland, College Park, the Smith School offers undergraduate, full-time and flex MBA, executive MBA, online MBA, business master's, PhD and executive education programs, as well as outreach services to the corporate community. The school offers its degree, custom and certification programs in learning locations in North America and Asia.

Source: https://www.bakertilly.com/insights/lessons-from-compliance-and-the-intersection-of-erm

At the Society of Corporate Compliance and Ethics' (SCCE) annual Higher Education Compliance Conference in June 2021, a diverse set of college and university compliance professionals shared their perspectives on a variety of compliance topics. Baker Tilly facilitated a panel discussion with compliance leaders from two private universities to share their perspectives and lessons learned on compliance and the intersection with enterprise risk management (ERM) and internal audit.

The discussion panel focused on three primary objectives:

- Understanding key interdependencies between compliance, ERM and internal audit
- Exploring how collaboration leads to an enhanced culture of compliance and ethical behavior
- Sharing experiences and lessons learned from leveraging relationships between compliance and other institutional partners

The panel focused on three overall themes:

Theme 1: How do the elements of an effective compliance program align with or differ from ERM?

Institutions often leverage the framework set forth in the Federal Sentencing Guidelines to develop a customized compliance program that can support both ethics and compliance. Effective compliance programs typically include the following elements:

- Preventing and detecting criminal conduct
- Having leadership oversight of the compliance program
- Rejecting individuals with a history of misconduct from leadership positions
- Providing effective training on compliance programs
- Monitoring the mechanism(s) used for reporting
- Using positive reinforcement/punishment for misconduct

- Initiating investigations in a timely manner
- Implementing periodic modifications to the compliance program

While compliance programs are often driven by external regulation, ERM is geared towards helping institutions identify and mitigate risks that may impede attaining strategic goals and objectives. Additionally, ERM is rooted in creating a risk-aware culture that takes a consistent approach to risk management, often through enhanced and informed decision-making with a goal of achieving efficiency and optimization.

Compliance and ERM both utilize a similar method in identifying, assessing and managing enterprise and compliance risks. However, success for both sets of stakeholders requires leadership buy-in and sponsorship, process governance, careful integrated planning, accountability and clear communication strategies.

Examples of typical compliance and combined ERM structures include:

- A combined office integrating internal audit, ERM and compliance
- A hybrid office that has oversight of an ERM program and the compliance function
- Stand-alone offices that separate the distinct compliance and ERM functions

Theme 2: What opportunities exist for enhanced collaboration between an institution's compliance function and ERM?

There are tremendous benefits for institutions that connect their compliance and ERM frameworks. The compliance and ERM partnerships, along with ongoing collaboration, are critical to moving compliance forward alongside the insights ERM provides.

Stakeholders should develop an approach that not only enables a proactive evaluation of the compliance and ethics-related risks their institution faces today, but also considers whether there are other emerging or trending risks that could have an impact in the future.

The discussion panelists highlighted some examples or areas that they believe have potential for enhanced collaboration:

- Conducting or leveraging shared enterprise risk assessments may help align the mitigation strategies and future work plans
- Enhancing or providing new and innovative methods for information-sharing to identify and address emerging risks in a timely manner
- Identifying new risks or potential changes in the risk landscape that could have an impact across the institution
- Integrating or enhancing how information is shared with and communicated to the board, management or other key stakeholders
- Conducting integrated audits, reviews or assessments with the subject matter specialist(s) to appropriately evaluate new and emerging risk areas

Further, it is important to remember that enterprise risk can be viewed either from a holistic perspective or divided into its strategic and operational components. This can help to effectively identify and mitigate large-scale risks while still accounting for a cross-functional and operational view of risk and helping to differentiate priorities for an institution.

Theme 3: What lessons or tips can be shared to help peers better leverage the relationships between compliance and other institutional partners?

COVID-19 created a variety of challenges over the past 12-18 months. However, many valuable lessons emerged from the complexities caused by the pandemic, such as:

- Compliance programs can connect stakeholders together quickly and efficiently because of relationships formed across the institution
- Monitoring the emerging risk landscape and regularly engaging institutional leaders can generate an effective risk management program that considers short-, medium-, and long-term risks
- There continues to be new and emerging channels and methods of communication that must be considered. What used to be a challenge in a decentralized environment has now opened up a new way of communicating by using technologies, such as Zoom and Microsoft Teams, while continuing to find opportunities for in-person communication
- The pandemic provided a unique opportunity to evaluate an institution's risk management program. Institutions had a first-hand perspective on their successes and lessons learned while navigating risk management through the "live" pandemic environment

With further development of compliance and ERM programs, institutions have a growing opportunity to enhance the level of collaboration, information sharing and communication on key compliance and ethics risks that their institutions face or will be likely to face in the future.

For more information, or to learn how Baker Tilly's higher education compliance specialists can help your institution, contact our team.

Source

Corey Parker Principal

Source: https://changinghighered.com/enterprise-risk-management-in-higher-ed-part1/

Enterprise Risk Management In Higher Ed Part 1:

An Overview of the Planning Process

Table of Contents

Enterprise risk management in higher education is widely ignored, but in the traditional business world, enterprise risk management (ERM) has become an integral part of the business vocabulary.

In this three-part blog series, we aim to shed light on how vitally important the ERM framework is to higher education institutions and highlight the benefits you'll

receive by incorporating it into a routine part of your college or universities business model.

Part 1 – An Overview of the Planning Process

Part 2 – Risk Planning And Its Critical Role In Higher Education

Part 3 – Risk Oversight And The Board's Role In Higher Education Risk Management

Living in a VUCA World

We currently live in a **VUCA (volatile, uncertain, complex, ambiguous)** environment due to a myriad of factors that cause chaos. These disruptions, some of which can be forecast while others are unforeseen, create short-term or long-term change that can be positive or negative. Just think of the implications of COVID-19, which has turned everything in the world upside down.

Most businesses, especially publicly traded companies who are required to project future earnings, have risk management down to a science. However, higher education is surprisingly slow in adopting this type of planning. In fact, 90-95% of higher education boards and leaders report that they do not incorporate risk planning into their planning efforts – and if they do, it is only done at the CFO level and is used to build budgetary assumptions.

But because of the growing climate of uncertainty (whether that is created by the COVID-19 pandemic, a forecast for an active hurricane season, or the turbulence in the international political sphere), higher education's standard approach to enterprise risk management that involves sticking the institutional head into the sand needs to change. This means that higher education boards must work in partnership with the president and other members of the C-Suite to integrate enterprise risk management into the fabric of the university or college.

Every year, higher education institutions face the potential for numerous disruptions. When they happen, these events can generate positive or negative impacts that can prove to be temporary or create a new normal (like the pandemic). Here are some examples:

- Many students at Texas universities faced physical, emotional, and mental challenges during the February 2021 winter storm, **much like the psychological impact the COVID crisis brought on when students were shuttered in**. Power across the state went out and rolling blackouts became the norm. Water pipes burst and caused flooding. Toilets stopped working. Food became difficult to find, and many could not access drinkable water. According to the **Texas Tribune,** students who live in large residence halls had an especially difficult time because they often did not have access to extra clothing, food, or a car. Universities also struggled to provide up-to-date information to students because of unstable cell and internet service.
- Tulane University, which has proudly used its location in the colorful and historic city of New Orleans to draw a strong student enrollment, found that prime placement quickly became a liability during Hurricane Katrina in 2005. The storm slammed into the city, causing a dangerous disruption that threatened students, faculty, staff, and administrators. The university had to find ways to both protect students during the storm and its immediate aftermath. The campus was deluged by water, forcing it to close for nearly a year. **The crisis recovery efforts lasted for nearly a year** as university president Scott Cowen and his leadership team were forced to go into full crisis recovery mode. They literally ran Tulane from a hotel room in Houston for eight months, until the university could reopen and students could return to campus.
- **Penn State faced severe repercussions after trustees and leaders long ignored the signs of misconduct** by football coach Jerry Sandusky. Once the allegations surfaced, the university's sterling reputation was dragged through the mud.

Risk Management from Disruptions to Strategic Plans

As these news-worthy incidents underscore, it is important for boards and leaders to take time to categorize the different types of risk their institution may face. The **National Association of Corporate Directors (NACD) uses four broad categories to categorize risk**; they are governmental, societal, technology, and hazards/accidents. Each poses different challenges for higher education, such as:

- Governmental disruptors: Radical regulatory changes (such as those with Title IX), geopolitical conflicts (which can affect branch campuses, overseas exchange programs, or student trips abroad), and protectionist programs (which can cause issues in recruiting and retaining international students).
- Societal disruptors: Demographic shifts (such as the enrollment cliff and the economic situation caused by the pandemic); discontent (Black Lives Matter, MeToo, and other social movements); acts of terrorism (UC Berkley and alt-right/Antifa riots in 2019); and lack of a skilled workforce (such as older faculty who lack the knowledge base to move to online classes or to teach AI)
- Technology disruptors: Cyber-attacks (such as those faced by Rutgers and the University of Utah involving ransomware); new technology-driven business models (such as implementing online education and AI); problems with technology implementation (such as a failed rollout of ERP/CRM systems); and false information (such as fast-spreading rumors and lies on social media).
- Hazards and accidents disruptors: Natural disasters (hurricanes, blizzards, wildfires, tornadoes); climate change (such as the risking sea's impact on Miami as well as New York University; public health crises (such as the current pandemic); and man-made disasters (such as riots at sporting events that result in fans being crushed; and transportation accidents that involve colleges transporting athletic teams, e.g., Marshall).

Adopting Enterprise Risk Management in Higher Education

Enterprise risk management (ERM) is a term used to describe the systemic way institutions can deal with risks. There are two parts to this: risk management planning and risk oversight.

Risk management – which is the administration's responsibility – is the process that institutions use to identify potential disruptions, mitigate their impact, and manage potential risks. This process naturally dovetails with scenario planning and strategic planning, which leaders can use to guide the institution's efforts.

Risk oversight – which is the board's purview – requires the board to evaluate whether the higher education executives are effectively managing the

organization's risks. Additionally, this process involves developing scenarios upon which strategic plans can be built.

We will go into more details about both processes for adopting risk management in higher ed in future blogs, but for now, it is important to note that both require a well-defined effort that includes:

- Clarifying roles, responsibilities, and accountability
- Understanding the institution's risk profile
- Defining the institution's risk tolerance
- Integrating strategy and risk discussion
- Committing to transparent and dynamic risk reporting
- Ensuring accountability
- Risk mitigation
- Understanding the risk culture

Risk Planning Complements Strategic Planning

Risk planning goes hand-in-hand with strategic planning. In fact, strategic planning should be the first step taken in the enterprise risk management process. The strategic planning process naturally leads into the remaining steps, which include defining and categorizing potential disruptions and risks with areas of potential impact, getting stakeholder involvement, developing a heat map, identifying mitigation strategies, planning different scenarios, and inclusion in the strategic plan with scenarios and projected budgets.

Therefore, it is important to review the institution's strategic planning process. The Change Leader uses a **strategic planning process** with our higher ed consulting clients that is infused with regular stakeholder attunement to ensure buy-in and **mitigate resistance to change**. The process includes:

- **Future environmental scanning** designed to analyze socio-demographic, kompetitive, economic/environmental, political, technological, industry, and customer/supplier factors.
- **Positioning and brand promise** to determine an institution's unique qualities that set it apart from the higher education marketplace among customers and future employers.

- An **ideal future vision** that revisits the college or university's vision and mission.
- Setting **metrics for accountability**.
- Identifying the current state using a SWOT analysis.
- Selecting strategies.
- Developing an overarching three-year business plan as well as business plans for each year.
- Developing and committing to an implementation plan, which includes risk planning.
- **Implementing the strategic plan**.
- Regularly reviewing annual progress.

Risk management in higher ed can easily be seen as something to defer; however, recent events – whether that's COVID-19, Black Lives Matter, economic ups and downs, a record hurricane season, or SNOVID (the Texas winter storm) show that risks are common and, in some cases, may be increasing. When considering enterprise risk management, higher education leaders should take a page from Dwight D. Eisenhower, who said he learned an important lesson while serving as Supreme Commander of the Allied Expeditionary Forces in Europe during World War II:

"Plans are worthless, but planning is everything."

In **our next blog in the Enterprise Risk Management in Higher Ed series**, we will discuss the process of risk management from the administration's perspective. In the final installment of the series, we will discuss risk oversight – the role of the board in enterprise risk management in higher ed.

Dr. Drumm McNaughton provides **Risk Management consulting services** to help colleges and universities mitigate risk and be prepared for any situation.

Source: https://changinghighered.com/enterprise-risk-management-part-2/

Enterprise Risk Management in Higher Ed Part 2:

Risk Planning and its Critical Role in Higher Education

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Enterprise risk management is a critical part of higher education's toolkit in preparing for and mitigating disruptions. As mentioned in **Part 1 of the Enterprise Risk Management in Higher Ed series**, these disruptions can be hazards/accidents (such as hurricanes, floods, wildfires, or blizzards), societal (the pandemic, Black Lives Matter, MeToo!), governmental (policy changes, visas for international students), and technology (ransomware, platform malfunctions).

There are two parts of enterprise risk management—risk planning, which is done by the institution's administration, and risk oversight, which is done by the institution's board of trustees. This blog will focus specifically on risk planning and **the third blog in this ERM in Higher Education series will address risk oversight and the board's role.**

Higher Education Risk Planning 101

One of the most important parts of risk planning requires leaders to understand their role in these situations. This includes developing a common understanding among the higher education administrators at both the institutional and college/department level, the board of trustees, and its committees, about their respective roles and responsibilities. In fact, it is critical to include risk planning and mitigation responsibilities in administrative job descriptions.

As a part of risk planning, higher education administrators should work together to:

- Analyze the likelihood, impact, and velocity of risks across the institution.
- Identify and disclose key risks to the board of trustees.
- Build and sustain a risk management program that is effectively embedded into the institution's operations. Accordingly, the executive team's roles will differ from those at the college or department level, and that of the board.
- Mitigate risks and manage risk events.
- Ensure incentives are appropriately designed to allow employees to take the right types of risks while also avoiding undue risks.

Risk Heat Maps

Because an institutional risk profile varies from institution to institution, it is important to take the time to identify and analyze the risks your college or university may be facing.

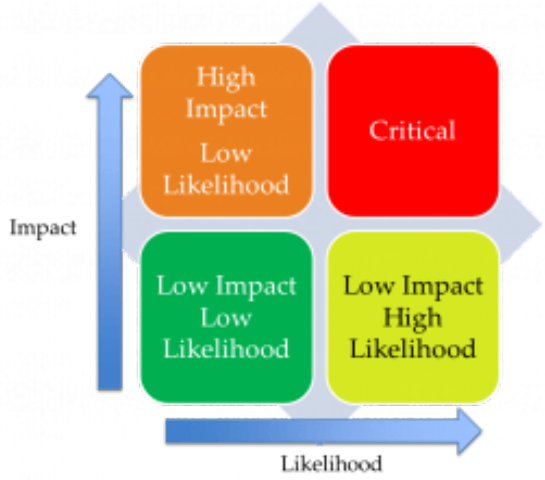
One way to do this is the create a risk heat map. This four-quadrant diagram is used to analyze risks based on their potential impact (the vertical axis) and likelihood (the horizontal axis). This map assists the institutional leaders in visualizing how risks in one part of the organization can affect other operations across the college. This type of planning adds precision to the risk assessment strategy and helps leaders identify gaps in an organization's risk management processes.

There are multiple variations of heat maps, but most commonly use a "double-axis" layout that has the "y-axis" as impact and the "x-axis" as likelihood.

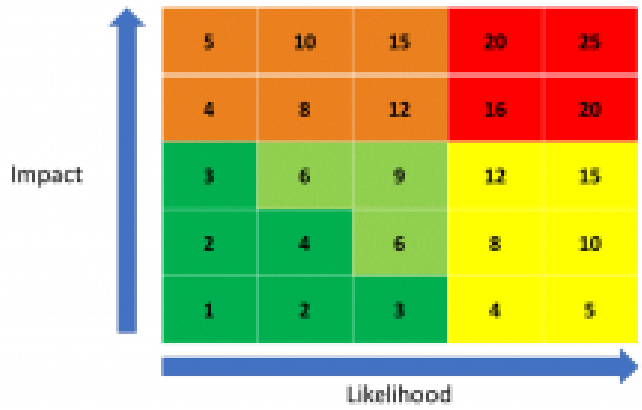
The scale is what differs with these types of charts; some have a scale of 0-10 while others may be 1-5 or 0-1.

The most common heat maps require the planning team to decide the likelihood of disruption on a 1-10 scale and then identify the potential impact should the disruption occur, again on a 1-10 scale. This analysis requires plotting the event on the X- and Y-axes.

The below chart is an example of a simple heat map.



Another variation of a heat map is the 5×5, with risk being calculated with a 1-5 or 1-10 scale. Once the impact and likelihood are agreed upon, the risk is calculated through simple multiplication ad then plotted. For example, the below depiction uses a scale of 1-5 for each axis, and once you have totaled your disruptive event, you plot it on the graph to depict the risk quantitatively.



The colors have been assigned arbitrarily, especially the middle. And, just because a total comes out at a certain number doesn't mean that it must be put in at particular box. This is up to the discretion of those calculating the risk.

Risk Appetite

Next, leaders need to determine how much risk appetite (tolerance) the institution has. This involves defining the maximum level of risk the institution can securely assume in each area of risk. Creating a risk scorecard and then regularly (at least annually) reviewing it helps to ensure that the institution does not exceed its risk appetite.

This effort also involves working with the CFO and/or internal audit to establish and reaffirm the institution's risk profile on an annual basis. Audit and risk mitigation plans need to be approved based on critical risks.

At this point, the critical risks are prioritized so that an in-depth review can be done to assess how these identified risks affect institutional drivers and objectives.

Leaders need to make sure that the risk profile anticipates both short- and long-term disruptions based on critical enterprise risks.

In assessing the institution's risk appetite, it's important to consider a variety of key questions, including:

- Given the risk profile identified in our strategy, what is the appropriate level of risk appetite?
- Has the risk appetite been clearly cascaded into operational-level decision-making processes?
- How can administrators prepare this information for regular discussions with the board?
- What signal is the institution sending to the stakeholder community about its willingness to take risks?
- Are there regular discussions about risk management between administrators, the board, and board committees?
- Is the institution too cautious or too reckless in its risk appetite? If so, delve deeper into the position.
- Are the risks the institution is willing to take commensurate with the rewards that are sought?

Some key points about risk appetite:

- Administration should watch for red flags in relation to risk appetite, and administration and the board should ask questions if the institution doesn't factor in risk appetite when making key decisions.
- The risk appetite should not remain stagnant; it should evolve and adapt based on the changing environment and institutional needs.
- All administrators should be familiar with the risk appetite; otherwise, this will hinder their ability to make informed decisions.
- Risk appetite should always be built into key performance indicators.

Working Through Risk Planning

So how does this work? Let's say you are a president of a small college scenically located on a Southern California canyon. The campus is only accessible by a two-

lane winding road that is about three miles from a major highway. So what would a risk matrix example look like?

Breaking down the axes and potential disruption:

- A hurricane hitting the campus could have a large impact; however, given the geographical location of the university, it is highly unlikely that a hurricane would hit their area. Therefore, it is in the upper left box of the heat map – high impact / low likelihood.
- A water leak could potentially happen, but the impact of a water leak would be minimal. Therefore, it is assigned a low impact / low likelihood.
- An employee getting locked out of their computer has a high likelihood of occurring, but the impact of that occurring is low. Therefore, it is assigned a low impact / high likelihood rating.
- A wildfire, on the other hand, could be a huge disruption for the university. The university is located in a canyon, with one entrance and egress point. Given the drought in California and the proclivity of wildfires, this is assigned a high impact / high likelihood.

This is an example of risk planning in relation to hazards/accidents. A similar process should to be completed for the remaining three categories—governmental risks, societal risks, and technological risks.

Protecting Institutional Assets

At this point, it's important to begin to look at the risks and determine what institutional assets you need to protect at any cost. Obviously, students are first on the list but are there other assets that need protection, such as proprietary

information, research, or priceless artifacts. For example, the **University of Texas's Harry Ransom Center has one of only 20 complete copies of the Gutenberg Bible** in the world as well as **some of Albert Einstein's unpublished notes and calculations for his work on general relativity**. Those are assets that should be protected at nearly all costs.

Accountability

Clear accountability is needed in relation to risks. This accountability needs to be formally assigned to members of the senior executive team and then cascaded throughout the institution. This accountability also needs to include budgetary authority to devote sufficient resources to mitigate risk and implement specific controls. Individuals at the appropriate levels need to be identified who will be responsible for monitoring indicators related to the key risks. Managers should be trained to anticipate and manage risk, and appropriate incentives need to be created at all institutional levels.

Finally, a reporting structure needs to be developed that focuses on risk management excellence. Quarterly updates—including risk assumptions–are recommended.

Scenario Planning

Scenario planning also is an important part of risk planning. This planning uses the information identified in the heat maps to develop lists of knowns and unknowns in which to create potential scenarios. The administrative team both at the institutional and the college/department level then can use these scenarios to develop mitigation strategies, policies, and controls. They also need to consider the financial impact and how that would be mitigated.

The old way of scenario planning used to be 10% above and 10% below what was expected. However, given **the VUCA world in which we live**, this isn't good enough anymore. Successful risk management requires looking at each potential event and coming up with best-case and worst-case scenarios. Many times this will be 10% above and 10% below, but to do successful scenario planning, a more detailed and nuanced approach must be taken

Keys to Successful Enterprise Risk Management in Higher Ed

To have a successful enterprise risk management plan, higher education leaders should incorporate three key steps:

- **Integrating strategy and risk discussions**. The integration of these two areas is naturally complementary in that strategies can be built after potential risks are identified. By doing so, leaders can position their institution to quickly navigate these hazards in order to return to normal.
- **Involving stakeholders** in the enterprise risk management planning process. This is important because top leaders often don't know everything that is happening across the campus, which leads to blind spots. Involving stakeholders allows the ERM process to be more comprehensive by identifying everything that needs to be considered across the campus.
- **Seeking stakeholder attunement** through the entire ERM process. This attunement effort will help get buy-in among faculty, staff, and students across the campus—which can be critical in helping an institution navigate a crisis situation when it comes.

As noted in this blog, higher education leaders need to be aware of their specific role in enterprise risk management efforts for their institution. This involves identifying potential risks, considering the institutional risk appetite, developing relevant scenarios and appropriate responses, creating a cascading approach to risk management across campus, and identifying a reporting structure that includes the board of trustees and board committees.

In our **next (final) installment of this blog series, we'll address risk oversight, the critical role boards and board committees play in enterprise risk management**.

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Source: https://changinghighered.com/enterprise-risk-management-in-higher-ed-part3/

Enterprise Risk Management in Higher Ed Part 3:

Risk Oversight and the Board's Role in Higher Education Risk Management

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The need for enterprise risk management (ERM) in higher ed was underscored by the chaotic nature of 2020. However, as noted in our **previous blogs in this Enterprise Risk Management for Higher Ed series Part 1 -an overview of risk planning** and **Part 2 – Risk Planning And Its Critical Role In Higher Education**, many higher education institutions are unsure why and how to develop this type of plan and then administrators' roles in operationalizing this effort. This post addresses the other major component that needs to be addressed in creating an ERM plan—the important role the institution's board plays in the ERM.

The Board of Trustees plays a crucial role in effective enterprise risk planning management, which is a critical part of higher education's toolkit in preparing for and mitigating disruptions and disasters. These disruptions can involve hazards/accidents (such as hurricanes, floods, wildfires, or blizzards), societal movements (the pandemic, Black Lives Matter, MeToo!), governmental policies (higher education policy changes, visas for international students), and technology (ransomware, platform malfunctions).

ERM and Board Responsibilities

Trustees are responsible for the risk oversight portion of enterprise risk management (ERM), whereas the institution's administration handles risk planning. Therefore, it may be helpful to review the board's primary purpose.

While remaining engaged, conscientious, curious, and optimistic, board members must be strategic and tactical—while avoiding micromanaging the institution's day-to-day activities. Trustees need to embrace due diligence when contemplating a matter to prevent rubber-stamping ill-advised recommendations. They also have fiduciary responsibilities that cannot be delegated. Fiduciaries hold a position of trust, act with the organization's highest good in mind, and maintain a higher standard than the professional staff.

There are **three core fiduciary responsibilities** – duty of care, the duty of loyalty, and duty of obedience.

Duty of care means treating the university's affairs – financial oversight, compliance with laws, and commitment to the institutional mission and rules – with the same care as they do with their own individual responsibilities.

Duty of loyalty requires a trustee to put the university's interests first, practice personal integrity and transparency, support the Board's decisions and adhere to the university's conflict of interest policy.

Duty of compliance (obedience) ensures that the university is in alignment with all federal, state, and local laws as well as institutional bylaws and policies.

Higher education institution boards must realize that they are legally responsible – and courts are holding them accountable – for their fiduciary duties, i.e., the duty of care, the duty of loyalty, and the duty of obedience. For instance, the **Delaware Supreme Court refused to dismiss Blue Bell Creameries board's responsibility** for failure to create a system to monitor food safety performance or compliance. Boeing's board has come under fire after two crashes of the 737 Max, which had been the subject of safety questions by test pilots in 2016. Messages suggest that Boeing tried to hide safety concerns from the FAA and other regulators.

Similar negligence has been seen in higher education, as well. Just think about the long-simmering rumors of Jerry Sandusky at Penn State. That scandal ended up engulfing the school's administration and board, and resulted in the board being held partially responsible in the investigation conducted by Louis Freeh, former director of the FBI. In another case, Michigan State's board came under heavy scrutiny for its role and lack of transparency in the Nassar sexual assault case.

Trustees' Enterprise Risk Management Roles

Boards have specific oversight roles in relation to ERM. These roles are:

- Understanding the organization's risk profile, especially the risks that are inherent in the institutional strategy and business model.
- Defining the institution's risk appetite and adjusting when needed.
- Ensuring that management has a program to identify, assess, mitigate, and communicate risk.
- Providing oversight through each of the board's committees.
- Ensuring the risk management program is functioning properly and monitoring progress against the mitigation of risk.

The board and its committees must be clear about their own roles as well as management's role when it comes to risk planning (administration) and risk oversight (board), and trustees need to share a common understanding of these roles, responsibilities, and accountability with administration leaders.

Risk oversight activities also need to be clearly differentiated between the full board and committees, as well as within the committees themselves. The board needs to have the appropriate committee structure in relation to its oversight responsibilities in relation to risk. They also need to have a protocol that defines these situations and identifies the threshold for reports on risks that need to be made to the board.

There are several red flags to consider:

- No mention of risk in the board's governance guidelines or committee charters.
- No discussion of what risks should be reported by the management to the board or board committees, as well as how and when this reporting should take place.
- The reporting is fragmented across board committees, which prevents the full board from having the full picture of the institutional risk.

The Higher Education Risk Profile

The risk profile is created through an assessment that examines the inherent risks posed to an institution by various disruptors, such as governmental decisions, societal factors, technology, and hazards and accidents. After identifying these disruptors, institutions should create a heat map that compares the potential impact level with the potential likelihood. From there, institutional leaders can create policies and procedures to operationalize protecting key assets.

In working with the administration, the board needs to identify and understand the institution's risk profile. Board committees need to work with the appropriate administrators to review potential risks and to analyze mitigation plans. This involves verifying the institution's strategic assets and confirming that the risk

profile is aligned with key value drivers and strategies. The board should verify heat maps that identify the institutional risk appetite and profile.

The board also is responsible for approving the institutional strategic plan in conjunction with both the audit and risk management plans developed in relation to critical risks. Trustees need to ensure that there is transparency in reporting so that the board has all the information required to assess the institutional risk exposure, including management's categorization of high- and low-risk scenarios.

Transparency and Accountability

Although there are pros and cons to consider with organizational transparency, the board and administration must have a clear and active two-way flow of information that allows management to convey risk exposure changes and track risk management effectiveness. This enables the board to make informed decisions.

This also brings accountability into the picture. The board must ensure that the management has created a robust internal governance model and created a formal accountability plan that describes where risk oversight is delegated and then holds executive management accountable for implementation (think Blue Bell Ice Cream). Trustees should have access to all data to assess situations and to hold management accountable, with this being part of the incentive structure. Additionally, risk, control, and compliance functions should be created that support the institution. Lastly, an internal audit provides independent assurance on the effectiveness of risk management.

The board also needs to review the institutional risk profile annually and be made aware of changes in the risk management portfolio. For instance, if something is no longer a risk, it should be removed from the heat map. This is important because the effect of risk mitigation is often underreported, which leaves boards in the dark about the status of risks that are minimized effectively over time.

Risk Culture in Higher Education

The board also should support an institutional culture that identifies risk. This involves paying attention to whether the university and college's administration,

faculty, and staff demonstrate consistent norms and behaviors in both taking and reducing risks. Additionally, trustees should regularly and frequently assess whether the institution's employees know how to take the *right* risks while also avoiding undue risks.

Risk culture is defined as the behaviors institutional personnel has toward risks that come from strategy execution and business operations. A strong risk culture averts issues and incidents that can hinder an institution from carrying out its mission, mitigates exposure to risks, and generates operational efficiencies that result in improved operations. In comparison, a weak risk culture displays significant fragmentation in expected behaviors as well as a low level of accountability for decisions and actions.

Therefore, it's important to create a strong risk culture that emulates, according to the firm, displays "a unified approach to risk and a high degree of accountability for it." These types of cultures fuel engagement, inspire innovation and deter fraud and abuse.

Boards play a crucial role in creating a strong risk culture through:

- Setting an example of this culture through being transparent and openly discussing concerns and dissenting views as part of the decision-making process
- Selecting an institutional president who is committed to and has a proven track record of building and maintaining a strong risk culture.
- Requesting information to gauge the understanding of the institution's middle levels and front lines in relation to risk.
- Regularly having candid discussions with the executive team and middle management about risks.
- Designing a compensation plan and targets that reward taking the *right.* Whereas compensation plans are usually considered the purview of corporate America, more and more higher ed institutions are doing employment contracts with senior cabinet members (beyond that of the president). The metrics against which their performance is based can influence in a large way risk planning and culture.

Four Critical Enterprise Risk Management Questions

In today's turbulent society, it is important for every higher education institution to undertake enterprise risk management planning. Board members and administrators need to understand their specific roles, create a transparent plan to consider the institutional assets and risk appetite, and then make this part of the accountability process.

Ultimately, boards need to work closely with the administration to answer four critical questions:

1. How much risk are we willing to accept?
2. What constitutes a material risk to our institution?
3. What is the range of acceptable variance from our key performance and operating metrics?
4. How will we define our terms to evaluate the likelihood of risk events and the impact that they might have on our institution so that we can map our potential risk events to our heat map?

This **ERM planning process should be integrated with the institution's strategic planning process** to create a workable plan that protects students, faculty, and staff, as well as institutional assets. This effort also helps leaders and key staff begin to prepare for potential crises—and provides legal protection to both the board and leaders when and if a crisis does emerge.

Summary – Bringing Enterprise Risk Management and Planning Together

Enterprise Risk Management is increasingly an important part of higher education's landscape. This effort is critical as institutions simultaneously face the implications of increasingly diverse disruptors, such as COVID-19, Black Lives Matter, the MeToo! Movement, cybersecurity issues, state and federal policy decisions, and international decisions that affect international students.

Board members and higher education administrators have specific roles to play in ERM that, when combined, create a synergy that ensures that risk management is efficient and effective, while also ensuring both the board and the institution have addressed their legal responsibilities and fiduciary duties. This effort also involves identifying potential risk and institutional assets, considering risk appetite, and developing an operational schema for when a risk emerges.

The old adage—"The best offense is a good defense"—holds here. By creating an enterprise risk management system, higher education boards and leaders are positioning their institutions to successfully navigate the ensuing chaos, no matter the type of risk—governmental, technological, societal, or hazards/accidents—is faced.

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