

HOUSE BILL 738

By Daniel

AN ACT to amend Tennessee Code Annotated, Title 3; Title 4; Title 12 and Title 49, relative to efficiency audits of public higher education systems and institutions.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 3, Chapter 15, is amended by adding Sections 2 through 8 as a new part.

SECTION 2. The general assembly finds that:

- (1) It is the objective of this state that institutions of higher education deliver a quality education to students in the most reasonably efficient manner possible;
- (2) In light of rising costs and limited state resources, the current business model for higher education is not sustainable; and
- (3) If affordable public higher education that meets the needs and benefits the citizens of this state is to continue and flourish, then the public higher education systems and public institutions of higher education must be audited to determine the efficiency of the personnel systems and institutions in accomplishing their missions and to eliminate any operational inefficiencies and uneconomical practices.

SECTION 3.

(a) As used in this part, "efficiency audit" means an audit to determine whether a public higher education system or public institution of higher education:

- (1) Is managing and utilizing its resources, including state funding, personnel, property, equipment, and space, in an economical and efficient manner;

(2) Has waste, inefficiencies, or uneconomical practices, including inadequacies in management information systems, wages and salaries, internal and administrative procedures, organizational structure, use of capital and human resources, allocation of personnel, purchasing, policies, and equipment; and

(3) Can modify its operations to operate more efficiently and conserve state resources.

(b) An "efficiency audit" is not a financial audit. The efficiency audit shall determine the cause of inefficiencies and uneconomical practices and shall include recommendations on implementing strategies and plans to improve efficiency.

#### SECTION 4.

(a) There is created the joint higher education efficiency audit committee referred to in this part as the joint committee.

(b) The joint committee shall be composed of nine (9) members as follows:

(1) Three (3) members of the senate, to be appointed by the speaker of the senate;

(2) Three (3) members of the house of representatives, to be appointed by the speaker of the house of representatives;

(3) The comptroller of the treasury, or the comptroller's designee;

(4) The executive director of the Tennessee higher education commission, or the executive director's designee; and

(5) The state treasurer, or the treasurer's designee.

(c) The first meeting of the joint committee shall be convened on a date to be determined by the speaker of the senate and speaker of the house of representatives no later than July 1, 2017.

(d) At its first meeting, the joint committee shall elect from its membership a chair, a vice chair, and other officers as it considers necessary.

(e) The joint committee shall meet as necessary, but not less than four (4) times prior to September 30, 2017, and as necessary in calendar year 2018. The committee's recommendation as to the hiring of an audit consultant shall be made as soon as possible, but no later than November 30, 2017.

SECTION 5. The joint committee has the authority to:

(1) Request the assistance of the Tennessee higher education commission in coordinating and accomplishing its mission;

(2) Employ staff to assist the joint committee in performing its duties, subject to the availability of funds;

(3) Request assistance from departments, agencies, and other governmental entities, including the office of the comptroller of the treasury, in performing its duties.

The departments, agencies, and other governmental entities shall assist the joint committee upon request;

(4) Conduct hearings within the scope of its duties;

(5) Subject to subsection (b) of Section 6, enter into contracts for technical or professional services, subject to the availability of funds;

(6) Create subcommittees related to its purposes; and

(7) Perform such other duties as are required to achieve its objectives of making public higher education systems and institutions operate more efficiently and to make use of state resources in the most efficient manner.

SECTION 6.

(a) In performing its duties, the joint committee shall:

(1) Define the scope of each audit. The joint committee may, at its discretion, issue a request for proposal (RFP) for consulting services in defining and setting the scope of an audit prior to issuing an RFP for the audit. The joint

committee may issue requests for information and requests for qualifications in determining the scope of an audit;

(2) Issue one (1) or more RFPs with respect to an audit of each institution or system;

(3) Review the proposals submitted in response to an RFP;

(4) Select an entity to perform the audit based on the joint committee's review of the proposals;

(5) Request authorization and funding by the general assembly to implement the efficiency audit;

(6) Review the audit's findings and recommendations to determine:

(A) The economic feasibility and expected cost savings to the state anticipated from any recommended changes;

(B) Whether recommended changes pursuant to subdivision (a)(6)(A) result in more efficient use of state resources;

(C) The extent that the changes will contribute to student access to academic programs and services that will be beneficial to them and to the state; and

(D) The extent to which proposed changes contribute to the goals, priorities, and higher education strategies of the state and the institution; and

(7) Recommend actions to be taken as the result of the findings and conclusions of the audit and the manner in which these acts shall be implemented.

SECTION 7. Pursuant to § 12-3-102(b), the joint committee may request the assistance of the central procurement office in performing its duties.

## SECTION 8.

(a) The joint committee shall select an entity for consulting services and make its recommendation to the legislature by November 30, 2017.

(b) The state shall, after authorization by the general assembly, contract for the performance of efficiency audits of the public higher education systems and public institutions of higher education with the objectives of making systems and institutions operate more efficiently and making use of state resources in the most efficient manner.

(c) The joint committee shall publish reports at the beginning of the 2018 session of the one hundred tenth general assembly and the 2019 session and 2020 sessions of the one hundred eleventh general assembly that summarize the joint committee's activities and operations. The reports shall include the efficiency audits of the public institutions of higher education undertaken prior to each session, the efficiency audits completed together with the findings, conclusions, and recommendations of the joint committee, and the efficiency audits underway, but not completed.

(d) The joint committee shall submit its annual report to the members of the general assembly, the governor, the Tennessee higher education commission, the systems for which audits have been completed or are underway, and the institutions and their governing bodies for which audits have been completed or are underway. The joint committee's duties shall be completed and dissolved when all institutions of higher learning in this state have been audited and the consultant's recommendations have been implemented and completed.

(e) The joint committee shall use the efficiency audits to determine whether inefficiencies exist in the higher education systems and at the institutions. Inefficiencies include, but are not limited to, resource allocation, underutilization of assets, staffing, and human resources, wages and salaries, duplication of services, excessive

administrative personnel and layers of administration, inefficient purchasing practices, and expensive, unnecessary course offerings of little benefit to students or the public.

(f) The joint committee shall issue written recommendations to the general assembly for legislation that leads to more efficient use of state resources by the higher education systems and institutions and that results in more beneficial outcomes for the students and public.

(g) The joint committee shall make recommendations to the person or entity that will implement its efficiency recommendations and the joint committee shall oversee that person or entity.

SECTION 9. Efficiency audits of the University of Tennessee system and its institutions and the University of Memphis, including the University of Memphis Lambuth, shall be scheduled and contracted as the first audits procured by the joint committee with the remaining audits conducted as the committee determines. The audit of the board of regents system shall be conducted last.

SECTION 10. This act shall take effect upon becoming a law, the public welfare requiring it.