I. Call to Order
Mr. Steven DeCarlo, chair of the Finance and Administration Committee, called the meeting to order.

II. Roll Call
Secretary Dr. David Linville informed Chair DeCarlo he did not detect a physical quorum present but noted that a quorum did exist by the inclusion of those members participating by electronic means. In accordance with Tennessee Code 8-44-108 section (b) (2), Secretary Linville offered to the committee the following circumstances that necessitated holding the meeting:

- To review and approve fees on the agenda, review the budget proposal for 2017-18, and approve necessary policies and rules prior to the full Board of Trustees meeting on June.
- The prompt necessity of this committee’s meeting did not provide adequate time for this committee’s membership to make necessary arrangements to be physically present for a quorum.
- For these reasons, Secretary Linville contended that participation by a quorum of the committee for members by electronic or other means of communication is necessary.

Secretary Linville asked Chair DeCarlo that a motion be made and a roll call vote be taken for a determination on the necessity of holding the meeting. An affirmative vote, he explained, signifies that a necessity does exist for the meeting to proceed while a dissenting vote signifies that a necessity does not exist for the meeting to proceed.

Trustee Jim Powell made the motion that a necessity did exist for the meeting to proceed. It was seconded by Trustee Ron Ramsey and received unanimous approval.

Trustees in attendance were:
Steven DeCarlo, chair (via WebEx)
James Powell
Absent committee members were:
Dorothy Grisham
Nathan Farnor

Guests in attendance included: ETSU President Brian Noland; Dr. B.J. King, acting CFO; Board of Trustees Secretary Dr. David Linville; Deputy Secretary Nathan Dugger; Joe Smith of University Relations; Ramona Williams, vice provost for Enrollment; Quillen College of Medicine’s Doug Taylor; Brian Henley, director of Admissions; Margaret Pate, associate vice president for Budget and Financial Planning; Kathy Feagins, director of the Scholarship Office; Gordon Anderson, dean of the College of Arts and Sciences; Dr. Rich Rhoda, interim dean of the College of Education (via telephone); WJHL reporter Will Morris; Johnson City Press reporter Nathan Baker; and Kristen Swing of University Relations (taking minutes).

Remarks by Secretary of the Board regarding telephonic meetings: Secretary Linville asked two questions in accordance with Tennessee Code 8-44-108 section (c)(3). He asked Chair DeCarlo (participating electronically) if he was able to clearly hear the individuals in the President’s Conference Room, to which he said yes. He asked if the trustees physically present could hear Chair DeCarlo. Trustees Ramsey and Powell affirmed.

III. Approval of the Finance and Administration Committee Minutes of April 28, 2017

Trustee Powell made a motion to accept the minutes from the April 28, 2017, meeting of the Finance and Administration Committee. Trustee Ramsey seconded the motion and the minutes were unanimously approved via roll call.

IV. Adoption of Finance and Administration Policies
a. Deposit and Investment of Funds
b. Cash Receipts, Deposits and Petty Cash
c. Collection of Accounts Receivable
d. General Purchasing, Receipt of Materials and Payment of Invoices
e. Employee Performance Evaluation Procedures

Dr. B.J. King, acting chief financial officer, explained that five policies related to Finance and Administration were before the committee for adoption, four of which are related to the finance side and one that is a Human Resources/Employee policy. She said that policies would be working their way through committees and the full Board of Trustees as part of the process of transitioning to a new governing structure. She noted that none of the policies presented had changed substantially and all had been reviewed by staff. Chair DeCarlo asked whether there would be more policies going forward. Dr. King affirmed, noting that staff was working as quickly as possible to move them through the process. She noted that the five presented to the committee would be placed on the June 9 agenda for approval by the full Board of Trustees.
Trustee Jim Powell made a motion to adopt the policies for recommendation to the full Board of Trustees. It was seconded by Ron Ramsey and unanimously approved by roll call vote.

Following the vote, ETSU President Brian Noland further explained that other policies would be coming out of the other board committees and would also be included in the agenda materials for the full Board of Trustees. He projected that these types of adjustments to policies would be coming to the Board of Trustees at every meeting for the next year. Dr. King added that staff has prioritized the policies, bringing forth the most critical policies first. Secretary Linville pointed out that after the initial round, policy changes will not have to go to the Board for approval unless they substantially change the policy.

V. Rule on Residency Classification
Dr. King explained that there are certain policies that are actually considered rules and must be taken as separate items by the committee. The Rule on Residency Classification, because it has a financial impact, was brought to the Finance and Administration Committee (rather than the Academic and Student Affairs Committee since it is a student policy). Quillen College of Medicine’s Doug Taylor informed committee members that he has dealt with the current residency guidelines at ETSU since 1975 and noted there has been a problem with them since that time. He said they are very difficult to understand and interpret, and noted they have had to implement “rules of thumb” to deal with things in a fair and equitable way. With the change in governing structure, Mr. Taylor sat down with others at the institution to restructure and improve the rule. He said they clarified a number of definitions and made substantial changes to make it more understandable. He said the definitions from the old guidelines are from 1975. The proposed changes include adjustments to definitions of such words as “parent,” “continued enrollment” and “emancipated person.” The changes also removed referral to other Tennessee Board of Regents schools. The changes also introduced sections addressing those serving in the military and clarified what is considered “evidence” of residency. In further explaining a rule versus a policy, Secretary Linville noted that any policies that involve individuals who are not part of the ETSU community already are considered a rule. As such, a rule must be filed with the Secretary of the State and Attorney General’s offices. Chair DeCarlo asked whether each of the former TBR universities will start to handle this differently, to which Secretary Linville said yes, noting that a lot of it is related to unique geographical locations. Trustee Powell made a motion to approve the Rule on Residency Classification. It was seconded by Trustee Ramsey and unanimously approved via roll call vote.

VI. Approval of 2017-2018 Salary Increase Proposal and April 2017 Equity Pay Plan Methodology
Dr. King explained that the committee had gone through the methodology in detail during its April 28 meeting at which time Dr. King showed the processes ETSU goes through to allocate funds put into place by the governor of Tennessee for pay increases. She reminded the committee that the recommended 3 percent pool will be partially funded by
the state appropriations and partially funded by the university. As proposed, it will include a 2 percent across-the-board salary increase with a $500 minimum increase. The remaining 1 percent will be used in an equity pool, with a $3,000 maximum increase. Dr. King explained that the committee was being asked to approve the proposed pay methodology for the next fiscal year. Chair DeCarlo pointed out that the $156,000 line on Page 47 listed under the College of Pharmacy should actually be a 0 and Dr. King affirmed. Trustee Powell made a motion to approve the pay methodology. It was seconded by Trustee Ramsey and unanimously approved by a roll call vote.

VII. Approval of Mandatory and Non-Mandatory Fee Requests
Dr. King explained that the institution is proposing a 3.97 percent increase in mandatory fees, which is within the Tennessee Higher Education Committee range and its cap of 4 percent. She noted that there is also a proposed 2 percent fee increase for the Quillen College of Medicine and a proposed 3 percent increase for the Gatton College of Pharmacy. In addition to the mandatory fee increases, Dr. King said a number of non-mandatory fee increases are being proposed that do not affect every student. The non-mandatory fees are fees such as course fees, lab fees or materials fees that students pay depending on the classes they are taking. They are additional fees placed on courses and programs that are more expensive to operate. Dr. King informed the committee that this is the methodology THEC prefers the university use in increasing fees. Trustee Powell made a motion to approve the mandatory and non-mandatory fee requests. It was seconded by Trustee Ramsey and unanimously approved by roll call vote.

VIII. Discussion Items
A. 2017-18 Budget Proposals
Dr. King provided a Powerpoint presentation titled “ETSU 2017-2018 Budget Proposal.” It included a review of the governor’s budget recommendations. The main campus total recommended increase is approximately $4.3 million; the recommended increase for Quillen College of Medicine is $1.5 million; and the recommended increase for Family Medicine is nearly $400,000. The total for the university in increased state appropriations is $6.3 million. The governor’s budget also included funding for capital, including $17.25 million for Lamb Hall renovations and another $8.7 million for capital maintenance projects. Dr. King briefly reviewed the salary improvements proposed and just approved by the committee. Going back to the Lamb Hall money, Trustee Ramsey asked whether the $5.7 million match needed from the university was in the bank. Dr. Noland said no and noted that he had made the decision to hold off on initiating a fundraising campaign until after the state money was in hand.

Dr. King then discussed the Fall 2017 enrollment projection, which is based on an enrollment decline of 250 students. She said she is hopeful the decline will not occur, but noted the budget was based on that decline to remain conservative. Additional slides showed that we were in the middle of state institutions when it came to the amount of state appropriations awarded this year. Another slide indicated we consistently have stayed beneath the peer average for tuition and mandatory fees, peers being those across the nation. She also shared a slide that
showed ETSU is consistent with other schools in Tennessee as far as mandatory fee increases last year. A recap of the tuition and fees proposal showed the increase for an undergraduate student at $111 per term. In summary, Dr. King said that our proposed budget is balanced; the increase is one of the lowest in 20 years at the university; the institution’s unrestricted state funding is up $3.4 million; and funding is being made available for faculty and staff salary increases.

Chair DeCarlo asked if, in the past, the university was able to know what other universities were doing as far as increases in tuition and fees. Dr. King said that will be a change with the new governance structure because, in the past, that was information the institution knew on the forefront and now it will not be verified until after ETSU has made its decision on increases. She did, however, note that CFOs at the institutions are having weekly phone calls and discussing it.

In looking more closely at the main campus budget process, Dr. King noted that a budget call took place based on the ideas of what was going to happen over the next year. She said the institution is looking at $6.5 million in additional revenues (from appropriation, fee increases) and deductions from an enrollment decline and expanded scholarship programming. She pointed out the main revenues for the institution, with the main drivers being tuition and fees at 65.07 percent and state appropriations at 27.08 percent. Other slides showed that non-mandatory fees are mostly course and materials fees; athletics is driving sales and services; the vast majority of grants and contracts are local (for example, University School); and housing is the largest auxiliary revenue.

In addressing the allocation of the $6.5 million in net new funding, Dr. King explained that budget hearings and a lot of dialogue across campus helped to determine how it would be used. Most of the new money will go to invest in the people who work at the university, with $3.3 million going to salary increases and $2.7 million going to fund new positions, the majority of which are in instruction.

In terms of the expenditure budget, the largest expenses are instruction and student services.

In looking at the Quillen College of Medicine budget, Dr. King reported a revenue increase of $1.8 million and an expenditure increase of $731,000. She shared information related to the College of Medicine and MEAC revenue budget, noting that MEAC runs the institution’s family practice groups and represents 42 percent of the revenue. State appropriations make up roughly 32 percent of the revenue and residents participation makes up 14 percent of the revenue. Instruction, meanwhile, is the largest expenditure at 67 percent.

In looking at the Family Medicine budget, Dr. King reported a revenue increase of $400,000 for the year. State appropriations represent 43.59 percent of the revenue budget and the largest expenditure is instruction (66 percent).
In looking at the Gatton College of Pharmacy, Dr. King noted that the pharmacy school is self-funded and receives no state appropriations. The Gatton College of Pharmacy has a revenue increase of $173,000 and an expenditure budget decrease of $101,000. The pharmacy school is almost entirely tuition and fee dependent and instruction is the No. 1 function.

Trustee Ramsey asked about the University of Tennessee’s pharmacy school and its proposal brought to THEC recently. Dr. Noland said UT has brought to THEC a proposal in which out-of-state students within a 200-mile radius of any UT teaching site ultimately can pay $10,000 less to attend UT than a Tennessee resident pays to go to the Gatton College of Pharmacy. The original agreement to create the Gatton College of Pharmacy indicated the school would be self-funded and receive no state appropriations. Committee members indicated it may be time to reevaluate that original agreement as UT’s policy takes effect for this year’s incoming class. As UT drops its rates for out-of-state students, it becomes more attractive, Dr. Noland said. He also said ETSU is looking at proposing a base appropriation for the college of pharmacy of $1.7 million to $2 million. The proposal would need to be done in early fall to get it to the state and potentially included in the governor’s budget announced in November 2017. Trustee Ramsey noted that the rules have changed and there is no reason not to do it. He also noted that a difference of $10,000 per year to attend would mean it costs the average pharmacy student $40,000 more to attend ETSU than UT for the four years of pharmacy school. The Gatton College of Pharmacy has a projected class size of 82. In the fall of 2016-17, there were 513 applicants that resulted in 169 offers extended to ultimately make up the class of 80 students. Dr. Noland emphasized the importance of ensuring a level of quality in the students selected to attend Gatton.

In summary of the budget process for the university, Dr. King said it was a lengthy and thorough process with low tuition increases recommended. She said the committee will have another meeting on June 9, prior to the full board meeting, where she hopes they will vote on the budget.

Chair DeCarlo asked a question about the Quillen College of Medicine budget’s natural classification where it showed 21 percent for “other salaries.” Dr. King explained that 21 percent represents salaries for residents and clerical support staff. Chair DeCarlo also asked about the possibility of attracting the 250 students that the institution has projected as an enrollment decline. Dr. Noland said that, for the past three years, enrollment has been within 20 to 50 students of the projection. He said staff is working toward flat enrollment, but noted that every indicator suggests enrollment will be down 200-250 students. However, he noted there is an unknown in the number of students who will transfer after completing Tennessee Promise. Dr. Noland said it would be very difficult to be down any more than what the enrollment decline the budget has been built upon.
B. Proposal for a Pilot In-State Equivalent Tuition Rate for Community Colleges of Appalachia

Dr. Richard Rhoda, interim dean of the College of Education, presented via telephone a proposal to create a three-year pilot program in which faculty and staff of Community Colleges of Appalachia member institutions can enroll in three graduate higher education programs for the in-state equivalent tuition cost. The three programs that would be involved in the program would be the Master of Education in Student Personnel; the Doctor of Education in Postsecondary and Private Sector Leadership; and the Certificate in Community College Leadership. All coursework in those programs is done online. Dr. Rhoda said this would hopefully bring out the best at ETSU and the Community Colleges of Appalachia organization. He said he has spoken with the seven Tennessee institutions that are part of the CCA as well as the TBR and all think this would be a great experiment. Dr. King said this would allow these individuals to go through the program and be charged an in-state rate. The university will then be able to pull data and see the performance of the programs in the pilot and the impact financially to the university. Trustee Ramsey asked if the only impact would be a positive one to which Dr. King said that was the hope. Dr. Rhoda said enrollment would be modest at first, but hopefully would be 25 new students for a new cohort. Dr. Noland said the realization of 25 new students would equate to a net revenue of $212,000 as a result of the pilot. Chair DeCarlo asked if this had been done anywhere else, but Dr. Rhoda said it may be new. Dr. Noland noted that being linked to the CCA provides an opportunity to help market the programs as the preferred programs of the organization. The proposal will be brought to the full board in June and will return to the committee in June as well.

C. Proposal for a Pilot In-State Equivalent Tuition Rate for Social Work BSW and MSW Programs in Asheville and Abingdon

Dr. Gordon Anderson, dean of the College of Arts and Sciences, presented on a proposal that would allow students enrolling in the BSW or MSW programs at ETSU sites in North Carolina and Virginia to do so at the in-state tuition rate equivalent even if they live beyond the region to do so. The idea would be that in-state tuition rate is given based on the students being enrolled at those sites rather than where they live. Both the MSW in Asheville and the BSW in Abingdon require students to work about 50 percent online and 50 percent on site. With cohorts of anywhere between 12-20 students, Dr. Anderson said adding another group at each location would mean the addition of 24-36 new students at ETSU. The three-year pilot program would help prevent ETSU from pricing itself out from getting out-of-state students, Dr. King said. Dr. Noland added that, the Board of Trustees will likely be presented with a holistic repackaging of out-of-state fees, likely next year, for consideration. The complete restructuring of out-of-state fees is in part a result of the state Promise programs being created in surrounding states.

IX. Other Business

There was no other business.
X. **Adjournment**
Chair DeCarlo adjourned the meeting.

Respectfully submitted,

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David Linville
Secretary of the Board of Trustees

Approved by the Board of Trustees at its June 9, 2017 meeting.