

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION COMMITTEE
MAY 2019 SPECIAL CALLED MEETING

MINUTES

May 29, 2019
Johnson City, Tennessee

The East Tennessee State University Board of Trustees Finance and Administration Committee met at 9:30 a.m. on Wednesday, May 29, 2019 in the President's Conference Room in Burgin E. Dossett Hall on main campus in Johnson City, Tennessee. Participation by electronic or other means of communication was necessary due to the prompt scheduling of the meeting.

I. Call to Order

Trustee Steven DeCarlo, chair of the Finance and Administration Committee, called the meeting to order at 9:35 a.m.

II. Roll Call

Deputy Secretary Mr. Nathan Dugger read the special instructions for telephonic meetings and called the roll.

Committee members in attendance were:

Steven DeCarlo, chair (via web conference)
Dorothy Grisham (via web conference)
Ron Ramsey

Deputy Secretary Dugger 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), Dugger offered to the committee the following circumstances that necessitated holding the meeting:

- To review and approve tuition and fees on the agenda, review the estimated and proposed budgets, and approve the 2020-21 capital budget prior to the full Board of Trustees meeting in 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, Deputy Secretary Dugger contended that participation by a quorum of the committee for members by electronic or other means of communication is necessary.

Mr. Dugger 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. Trustee Grisham made a motion that a necessity did exist for the meeting to proceed. It was seconded by Trustee Ramsey and received unanimous approval by a roll call vote.

III. Tuition and Mandatory Fees for 2019-20

Previously, the Board of Trustees established criteria it must consider when reviewing an increase in tuition and mandatory fees. Dr. BJ King outlined the current year assessment beginning with state support. She said the Higher Education Price Index (HEPI) indicates an inflation factor of 2.26% for higher education institutions in the southeast region, therefore ETSU's inflation would be \$6 million. Governor Lee's budget provided \$3.4 million, leaving a \$2.6 million gap to keep pace with inflation, King explained. The university would require a 2.6% tuition and fee increase to generate funding to keep up with inflation, she said, but the Tennessee Higher Education Commission (THEC) set a 2.5% binding limit on tuition and fee increases.

Dr. King discussed the total cost of attendance and referred to tables on pages 4-5 of the meeting materials comparing tuition and fees at other public institutions. ETSU is below average and in range with Tennessee schools, in particular, the Locally Governed Institutions (LGIs), she added.

The university is taking a methodical approach to reviewing the costs associating with attending ETSU, King noted. The university has invested in systems to assist in analyzing and finding efficiencies within colleges and units; and is also looking at cost reduction in administrative areas in order to use resources more effectively.

THEC approved the 2.5% tuition and mandatory fee on May 17 and ETSU is proposing a 2.3% tuition and mandatory fee increase, King said. She also noted that the university's enrollment has remained relatively flat over the last couple of years, therefore tuition and fees must remain competitive. Dr. King highlighted the declining number of high school graduates in the region and increased competition. The recommended increase will not apply to the additional out-of-state tuition and fees in order to remain competitive. The university will begin an assessment of out-of-state tuition and fees this summer.

In April, the Board of Trustees approved a 2% salary increase for the entire university. Historically, the state has funded 60% of the salary increase and the rest was funded from

tuition, approximately a 1% increase, but no specific funding for a salary increase was included in the governor's budget, King noted.

Dr. King said facility costs have increased with the addition of the Millennium Center and D.P. Culp Center renovations and the forthcoming Martin Center for the Arts and will be addressed as the 2020 budget is developed.

As noted on page 5 of the meeting materials, the proposed 2.02% increase in undergraduate tuition and 2.13% increase in graduate tuition will generate \$2 million in revenue, which will go toward:

- Across the board salary increase
- Salary increase for graduate assistants
- Faculty tenure and promotion funding
- Inflationary costs for facilities and operations

Mandatory fee requests per semester are outlined on page 6 of the committee meeting materials:

- SGA Fee - Year one of a two year request to improve the quality and availability of spring and fall concerts
- Student Activity Fee for ID Bucs to improve facility access
- Technology Access Fee – Year three of five requested
- Parking/Student Campus Access to purchase Millennium Center parking garage and includes increase in faculty/staff parking decals

Dr. King said the table on the bottom of page 6 summarizes the fee request per academic year of \$150 in tuition for undergraduates at 15 credit hours and \$64 in mandatory fees for a total of \$214.

When asked about ETSU's proposed tuition and fee increase in comparison to other LGI's, Dr. King said she was unsure which institutions had made their proposed increases public, but foresees increases to range from 1.8-2.3%. She said the University of Tennessee at Chattanooga is implementing a 15 in4 model so their increase for incoming new students will be larger than the binding limit. Trustee Grisham said the tuition and fee increase equates to about \$17 a month and is not a large annual cost. Trustee Ramsey reminded the committee that a decade ago tuition and fee increases were in the double-digits and much higher than the 2.3% requested.

Trustee Ramsey motioned to recommend the adoption of tuition and mandatory fees for 2019-20. It was seconded by Trustee Grisham and unanimously approved by a roll call vote.

IV. Estimated 2018-19/Proposed 2019-20 Operating Budgets

The university has three budget cycles, Dr. King explained, and each spring an estimated budget is prepared to close out the fiscal year and a proposed budget is prepared for the next fiscal year. These budgets are being presented for approval and the third budget with October revisions will be presented for approval later this year.

Dr. King provided an overview of the estimated budget on pages 8-11 of the meeting materials and noted \$195,700 revenue increase and \$276,800 expenditures and transfers increase for the main campus. There were no changes in revenue for the College of Medicine and a \$700 decrease in expenditures. Family Medicine and the College of Pharmacy decreased revenue and expenditures in their estimated budgets. These are nominal changes, King said, and the actuals will be included in financial statements that will be reviewed at a future meeting in the fall.

In terms of the proposed budget, the main campus, College of Medicine and Family Medicine had a total appropriation increase from the governor's budget of almost \$4.7 compared to \$5.6 million last year, King noted. College of Medicine and Family Medicine each received an appropriation for its salary pool, whereas main campus did not. The proposed budget includes the salary increase for main campus because it will be applied across the board and equates to \$1 million or a 1% tuition increase. Over \$11 million of capital maintenance was requested by THEC for ETSU and \$5.6 was funded in the amended budget. The proposed capital outlay project to construct a new Humanities building was not funded, but could move higher on the list next year and be included in the governor's budget for fiscal year 2020-21, she said.

Dr. King reminded the committee that increases in tuition for Colleges of Medicine and Pharmacy were approved by the Board of Trustees earlier this year because those programs start before the new fiscal year begins. The proposed main campus budget is based on the projection that fall enrollment will be down 100 students. King said the budget is balanced and within available resources and the undergraduate tuition increase is trending the lowest in 20 years.

Dr. King guided the committee through the proposed budget for main campus with a \$3.3 million appropriation increase and a \$2 million maintenance fee increase. The required scholarship increase and projected enrollment are deducted, as well as investments in the salary pool, the GA base pay increase, faculty promotion and tenure pool and facilities and operational inflation, she said. The total increase in revenue is \$8 million as shown on page 12 of the meeting materials. She reminded committee members that the decreases shown between the estimated and proposed budget in the expenditure categories account for the carry forward funds.

Maintenance and required fees is the number one driver of revenue, King said, with state appropriations second (26%). The following revenue categories are primarily driven by:

- Maintenance and required fees (52%) – regular maintenance
- Non-mandatory fees (5%) – course and material fees
- Sales and services (4%) – athletics
- Grants and contracts (2%) – local; related to contract to operate University School
- Auxiliaries (10%) – housing and food service
- Other services (1%)

Next, Dr. King reviewed the allocation of net new funding on main campus and how the salary pool, operations and scholarships will be divided among the functioning units of the university. Instruction has the largest impact on expenditures (41%). She also mentioned that main campus is requesting 15 new positions, most are support for growth in the College of Nursing.

The proposed budget for the Quillen College of Medicine is on page 13 of the meeting materials and has a \$3 million increase in revenue with several negative expenditures accounting for the carry forward funds in the October budget, King stated. The Medical Education Assistance Corp (MEAC) is the number one driver of revenue, she said, followed by state appropriations (32%) and tuition and fees (9%). King reiterated that revenue from MEAC does not run through the university's books or financial statements, but are shown separately in the financial report provided to the committee annually. Instruction is the largest expenditure (68%) and the college is requesting nine new positions, primarily faculty.

The proposed budget for Family Medicine is on page 14 of the meeting materials and has a \$500,000 increase in revenue and \$100,000 total increase in expenditures. State appropriations is the number one driver of revenue (45%), King said, followed by clinical revenue (29%) and resident participation (21%). Instruction is the largest expenditure (65%) and the department is repurposing unfilled support positions to faculty and not requesting any new positions.

The proposed budget for Gatton College of Pharmacy is on page 15 of the meeting materials and has a \$50,000 increase in revenue, none from state appropriations, and a \$737,000 decrease in expenditures to account for carry forward funds in the October budget revisions, King explained. Tuition and fees account for almost 100% of revenue for the college and instruction is the largest expenditure (61%). There are no new position requests.

Trustee Ramsey motioned to approve the estimated 2018-19 and proposed 2019-20 operating budgets. Trustee Grisham seconded and the resolution was unanimously approved by a roll call vote.

V. Capital Project Approval

Deputy Secretary Dugger presented the action item on behalf of Mr. Jeremy Ross. Annually, the university recommends funding of projects in two programs: capital outlay and capital maintenance, for submission to THEC. On page 17 of the meeting materials is a list of the proposed projects for both categories. The Humanities building will be re-submitted as a proposed capital outlay project because it was not funded this year, Dugger stated.

Trustee Grisham asked what needed to be done to re-submit the Humanities building for consideration. Dr. Noland said THEC reviews and scores proposed projects each year based on their alignment with the commission's strategic plan, therefore the Humanities building will be reviewed again this year. The State of Tennessee paid cash to fund three higher education capital outlay projects, Trustee Ramsey said.

Trustee Ramsey made a motion to approve the submission of the capital outlay, capital maintenance, and disclosed projects as presented in committee to the Tennessee Higher Education Commission. Trustee Grisham seconded and a roll call vote resulted in unanimous approval of the resolution.

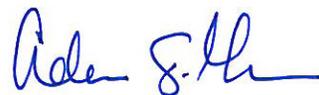
VI. Other business

No other business was brought before the committee.

VII. Adjournment

Trustee Ramsey made a motion to adjourn the meeting at 10:50 a.m.

Respectfully submitted,



Adam Green
Secretary of the Board of Trustees

Approved by the Board of Trustees at its September 20, 2019 meeting.