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2019 May 29 - Board of Trustees Finance and Administration Committee Agenda and Minutes

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

9:30-10:30am EDT
Wednesday
May 29, 2019

Telephonic Meeting
President's Conference Room
1276 Gilbreath Drive
Johnson City, TN

AGENDA

- I. Call to Order
- II. Roll Call – special instructions for telephonic meetings
- III. [Tuition and Mandatory Fees for 2019-20](#)
- IV. [2018-19 Estimated and 2019-20 Proposed Budget](#)
- V. [2020-21 Capital Budget](#)
- VI. Other Business
- VII. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: May 29, 2019

ITEM: Tuition and Mandatory Fee for 2019-20

COMMITTEE: Finance and Administration Committee

RECOMMENDED ACTION: Approve **(Roll Call Vote)**

PRESENTED BY: B.J. King
Chief Financial Officer

The Board of Trustees established certain criteria it must consider when reviewing an increase in tuition and mandatory fees. Those criteria are –

1. Level of state support;
2. Total cost of attendance;
3. Efforts to mitigate the financial effect on students;
4. Tennessee Higher Education Commission (THEC) binding tuition and mandatory fee increase ranges;
5. Other factors affecting the university's financial stability such as projected student enrollment; university enrollment goals; market and cost factors for higher education; new program or new facility cost; and cost related to operations, programs of study, or individual courses.

University management has outlined the current year assessment are as follows:

- 1) Level of state support – The Higher Education Price Index (HEPI) indicates an inflation factor of 2.26% for higher education in the southeast region. For ETSU, the HEPI indicates the university's inflation would be \$6,000,000. The Governor's budget provides an increase of \$3.4 million which can be used for salaries and/or operation expenditures per the budget documents. This would leave a \$2.6 million gap to keep pace with inflation. A 1% tuition increase will generate approximately \$1 million for the university. The university would require approximately a 2.6% tuition and fee increase to generate funding to keep up with inflation.
- 2) Total cost of attendance – the tuition and mandatory fees for FY19 at ETSU continue to be comparable to other public institutions of higher education in the state. Tables comparing the tuition and mandatory fees for the institutions are below and show that ETSU is below the university average for tuition and mandatory fees.
- 3) Efforts to mitigate the financial effect on students – the university continues to look for ways to mitigate rising costs to students through process improvements geared to reduce costs and

through efforts to limit cost increases. The university has invested in systems to assist in analyzing the efficiencies in how instructional assets are deployed. Reviews of academic and administrative areas are ongoing and should identify areas to improve services, reduce costs, or allow assets to be used more effectively for students.

- 4) Tennessee Higher Education Commission (THEC) binding tuition and mandatory fee increase ranges – THEC proposed a 0.0% - 2.5% tuition and mandatory fee limit at their November 2018 meeting. The Commission voted on a binding limit at their May 17, 2019 meeting, establishing the limit range of 0.0% - 2.5%. The university is proposing a 2.3% tuition and mandatory fee increase.
- 5) Other factors affecting the university's financial stability such as -
 - a. projected student enrollment and university enrollment goals - The university's enrollment has remained relatively flat over the last couple of years. The university is continuing efforts and activities to grow enrollment as defined in the strategic plan. Tuition and fees must remain competitive in the marketplace and students should be able to identify the value inherent in the education provided by the university over other institutions.
 - b. market and cost factors for higher education – The market for higher education shows a declining number of high school graduates in the region, while there is increased competition from community colleges, other state universities, regional private institutions and border state colleges and universities. Faculty and staff salaries are the primary cost driver for the university. Pricing for out-of-state tuition shows that the university should discontinue increasing these fees. The university will conduct a study of out-of-state tuition and out-of-state scholarships to determine appropriate levels for the future in comparison with peers.

There was no funding specifically identified for a salary increase, but the appropriations for the College of Medicine and Family Practice identified a 2.0% salary pool. The ETSU Board of Trustees approved a 2.0% across the board salary increase for the entire university at the April 26th Board meeting. Historically the state has funded 60% of the salary increase. For the main campus, the state funding for a 2% salary increase would be \$2,480,000 million and the amount to be funded from tuition would be \$957,000 or approximately a 1% tuition increase.
 - c. new program or new facility cost – Costs related to new programs are largely being absorbed in the colleges in the distributed budget model implemented in FY18. Facility costs have increased with the addition of the Millennium Center in FY19 and will increase when the D.P. Culp Student Center renovation and Martin Fine Arts Center construction are completed in FY20. Costs for the facilities will be addressed in the FY20 budget development.
 - d. cost related to operations, programs of study, or individual courses. – According to the HEPI, operational costs are increasing by 2.26% in the southeast region. The university's programs of study and some individual courses are compared to other institutions with similar programs or courses to determine the market pressures for offering the programs.

The history of student maintenance and mandatory fees for the last five years is presented below with a comparison to the Tennessee Locally Governed Institutions (LGIs) and the University of Tennessee System schools.

Tuition (Maintenance Fees)

	2014-15	% Incr	2015-16	% Incr	2016-17	% Incr	2017-18	% Incr	2018-19	% Incr
APSU	\$6,198	5.5%	\$6,248	0.8%	\$6,522	4.4%	\$6,696	2.7%	\$6,888	2.9%
ETSU	6,630	7.0%	6,828	3.0%	7,002	2.5%	7,224	3.2%	7,422	2.7%
MTSU	6,552	5.3%	6,756	3.1%	6,930	2.6%	7,176	3.5%	7,380	2.8%
TSU	6,198	6.1%	6,378	2.9%	6,528	2.4%	6,726	3.0%	6,900	2.6%
TN Tech	6,474	6.2%	7,182	10.9%	7,380	2.8%	7,656	3.7%	7,860	2.7%
Memphis	7,410	0.0%	7,686	3.7%	7,860	2.3%	8,064	2.6%	8,064	0.0%
UTK ¹	10,366	6.0%	10,678	3.0%	10,914	2.2%	11,110	1.8%	11,110	0.0%
UTM ¹	6,716	6.0%	6,918	3.0%	7,680	11.0%	7,818	1.8%	8,052	3.0%
UTC	6,430	6.0%	6,624	3.0%	6,768	2.2%	6,888	1.8%	6,888	0.0%
University Average	\$6,997		\$7,255		\$7,509		\$7,706		\$7,840	

¹ UT-Knoxville implemented 15/4 fee structure in 2013-14.

UT-Martin implemented 15/4 fee structure in 2016-17.

Fees shown represent the rates for incoming freshmen.

Mandatory Fees

	2014-15	% Incr	2015-16	% Incr	2016-17	% Incr	2017-18	% Incr	2018-19	% Incr
APSU	\$1,264	-1.6%	\$1,453	15.0%	\$1,473	1.4%	\$1,529	3.8%	\$1,583	3.5%
ETSU	1,355	0.7%	1,649	21.7%	1,669	1.2%	1,791	7.3%	1,855	3.6%
MTSU	1,636	1.1%	1,648	0.7%	1,660	0.7%	1,772	5.5%	1,826	3.0%
TSU	1,026	10.3%	1,039	1.3%	1,039	0.0%	1,050	1.1%	1,107	5.4%
TN Tech	1,511	17.4%	1,171	-22.5%	1,171	0.0%	1,217	3.9%	1,243	2.1%
Memphis	1,563	24.4%	1,583	1.3%	1,637	3.4%	1,637	0.0%	1,637	0.0%
UTK	1,510	6.8%	1,758	16.4%	1,810	3.0%	1,860	2.8%	1,896	1.9%
UTM	1,308	11.0%	1,408	7.6%	1,408	0.0%	1,418	0.7%	1,460	3.0%
UTC	1,708	14.6%	1,732	1.4%	1,776	2.5%	1,776	0.0%	1,776	0.0%
University Average	\$1,431		\$1,493		\$1,516		\$1,561		\$1,598	

Total Tuition and Mandatory Fees

	2014-15	% Incr	2015-16	% Incr	2016-17	% Incr	2017-18	% Incr	2018-19	% Incr
APSU	\$7,462	4.2%	\$7,701	3.2%	\$7,997	3.8%	\$8,225	2.9%	\$8,471	3.0%
ETSU	7,985	5.9%	8,477	6.2%	8,671	2.3%	9,015	4.0%	9,277	2.9%
MTSU	8,188	4.4%	8,404	2.6%	8,590	2.2%	8,948	4.2%	9,206	2.9%
TSU	7,224	6.6%	7,417	2.7%	7,567	2.0%	7,776	2.8%	8,007	3.0%
TN Tech	7,985	8.2%	8,353	4.6%	8,551	2.4%	8,873	3.8%	9,103	2.6%
UM	8,973	3.5%	9,269	3.3%	9,497	2.5%	9,701	2.1%	9,701	0.0%
UTK ¹	11,876	6.1%	12,436	4.7%	12,724	2.3%	12,970	1.9%	13,006	.03%
UTM ¹	8,024	6.8%	8,326	3.8%	9,088	9.2%	9,236	1.6%	9,512	3.0%
UTC	8,138	7.7%	8,356	2.7%	8,544	2.2%	8,664	1.4%	8,664	0.0%
University Average	\$8,428		\$8,749		\$9,025		\$9,268		\$9,439	

¹ UT-Knoxville implemented 15/4 fee structure in 2013-14.

UT-Martin implemented 15/4 fee structure in 2016-17.

Fees shown represent the rates for incoming freshmen.

University leadership is proposing the following increase based on the criteria for Board approval of tuition and mandatory fees.

Maintenance Fee/Tuition Request – Per Semester

	2018- Actual	2019-20 Proposed	\$ Increase	% Increase	Additional Revenue	Purpose of Funding
Undergrad Tuition @ 15 cr hr	\$3,711	\$3,786	\$75	2.02%	\$2,000,000	\$957,000 – 2% ATB salary increase; \$220,000 GA salary increase; \$250,000 faculty tenure and promotion funding;
Graduate Tuition @ 9 cr hr	\$4,230	\$4,320	\$90	2.13%		
UG Out of State @ 15 cr hr	\$9,591	\$9,591	\$0	0.0%	\$0	\$575,000 inflationary costs for facilities and other operations.
Grad Out-of-State @ 9 cr hr	\$7,560	\$7,560	\$0	0.0%		

Mandatory Fee Request – Per Semester Fee Capped at 8 credit hours

	2018-19	2019-20	\$ Increase	Additional Revenue	Purpose of Funding
	Actual	Proposed			
SGA Fee – year 1 of a 2 year request by SGA	\$20.00	\$28.00	\$8	\$224,000	Significantly increase the quality and availability for the SGA spring and fall concerts.
Student Activity Fee	\$156.00	\$158.00	\$2	\$56,000	ID Bucs - replace facility access and control equipment and expand security access control across campus.
Technology Access – year 3 of a 5 year request	\$132.50	\$144.50	\$12	\$336,000	Increased bandwidth costs, Storage Area Network (SAN) for backup and student network storage, maintenance of 10Gb equipment.
Parking/Student Campus Access	\$60.00	\$70.00	\$10	\$280,000	Purchase of Millennium Center Garage. The institution has also approved an increase to employee parking decals of \$20/year beginning September 2019.

Undergraduate academic-year costs are shown below to compare to the Tennessee public university tables on page 5 above.

Undergraduate Tuition and Mandatory Fee Request – Per Academic Year

	2018-19	2019-20		
	Actual	Proposed	\$ Increase	% Increase
Undergrad Tuition @ 15 cr hr	\$7,422	\$7,572	\$150	2.0%
Mandatory Fees	\$1,855	\$1,919	64	3.5%
Total UG Tuition and Mandatory Fees	\$9,277	\$9,491	\$214	2.3%

MOTION: I move that the Finance and Administration Committee recommend adoption of the following resolution by the Board of Trustees:

RESOLVED: The proposed tuition and mandatory fees for 2019-2020 is approved as presented in the meeting materials contingent on the approval of the Governor’s budget and THEC binding tuition limit.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: May 29, 2019

ITEM: Estimated 2018-19/Proposed 2019-20 Operating Budgets

RECOMMENDED ACTION: Approve **(Roll Call Vote)**

COMMITTEE: Finance and Administration Committee

PRESENTED BY: B.J. King
Chief Financial Officer

University leadership is presenting two budgets for approval. Each spring the university prepares an Estimated Budget to close out the fiscal year and a Proposed Budget for the next fiscal year. Those two budgets are being presented today for approval. The Estimated Budget was prepared using actual data which is then projected forward to June 30 to include transactions in the last quarter of the fiscal year. The Proposed Budget has been prepared with the salary increases approved in the April Board meeting and the tuition and mandatory fee increases presented today.

The university has continued to implement a process of campus budget hearings, the results of which are presented by Vice Presidents for each division to the President and the Budget Advisory and Strategic Planning Committee. The purpose of the budget process is to:

- Align budget and resources with the University's strategic plan, mission, vision, and goals
- Provide a multi-year plan that is reviewed and updated regularly
- Reflect differences and varying needs across diverse units
- Promote fiscal responsibility
- Engage and involve the entire ETSU community, thereby enhancing communication
- Promote collaboration among academic and administrative units
- Allow for the public presentation of budget priorities
- Assure transparency in decision making
- Follow an annual calendar and timeline
- Provide a venue to evaluate and prioritize budget proposals from across the University for which there are limited resources

Main Campus 2018-19 Estimated Budget

Revenue	October 2018-19	Estimated 2018-19	Increase (Decrease)
Tuition and Fees	\$154,458,100	\$154,295,500	\$(162,600)
State Appropriations	64,455,200	64,455,200	-
Federal Grant & Contracts	1,500,000	1,500,000	-
State Grants & Contracts	363,000	363,000	-
Local Grants & Contracts	3,328,700	3,647,100	318,400
Private Gifts/Grants & Contracts	495,000	495,000	-
Sales & Services Educ Activities	1,118,500	781,500	(337,000)
Sales & Services Other Activities	10,925,800	11,147,400	221,600
Other Sources	1,967,800	1,995,900	28,100
Auxiliaries Revenues	25,417,400	25,544,600	127,200
Total Revenue	\$264,029,500	\$264,225,200	\$195,700
<hr/>			
Expenditures and Transfers	October 2018-19	Estimated 2018-19	Increase (Decrease)
Instruction	\$113,964,500	\$111,812,900	\$(2,151,600)
Research	4,963,900	4,738,500	(225,400)
Public Service	2,520,700	2,755,700	235,000
Academic Support	26,064,800	26,886,500	821,700
Student Services	26,358,000	26,773,000	415,000
Institutional Support	18,291,800	17,831,500	(460,300)
Facilities	18,123,500	18,016,300	(107,200)
Scholarships	33,122,000	33,621,600	499,600
Total before transfers	243,409,200	242,436,000	(973,200)
Debt Service	3,809,800	3,809,800	-
Non-Mandatory Transfers	5,041,500	6,163,300	1,121,800
Auxiliaries Expenditures & Tnfrs	25,413,700	25,541,900	128,200
Total Expenditures & Transfers	\$277,674,200	\$277,951,000	\$276,800

College of Medicine Estimated 2018-19 Budget

<u>Revenue</u>	<u>October 2018-19</u>	<u>Estimated 2018-19</u>	<u>Increase (Decrease)</u>
Tuition and Fees	\$ 10,371,800	\$ 10,371,800	\$ -
State Appropriations	34,106,700	34,106,700	-
Federal Grant & Contracts	1,300,000	1,300,000	-
State Grants & Contracts	5,000	5,000	-
Local Grants & Contracts			-
Private Gifts/Grants & Contracts	267,000	267,000	
Sales & Services Educ Activities	15,512,600	15,512,600	-
Sales & Services Other Activities	110,400	110,400	-
Other Sources	170,000	170,000	-
Total Revenue	\$61,843,500	\$61,843,500	\$ -
<u>Expenditures and Transfers</u>	<u>October 2018-19</u>	<u>Estimated 2018-19</u>	<u>Increase (Decrease)</u>
Instruction	\$45,967,100	\$45,988,500	\$ 21,400
Research	4,905,500	4,906,900	1,400
Academic Support	7,378,400	7,395,100	16,700
Student Services	1,714,700	1,719,000	4,300
Institutional Support	3,087,700	3,091,900	4,200
Facilities	6,925,700	7,055,200	129,500
Scholarships	265,000	265,000	-
Total before transfers	70,244,100	70,421,600	177,500
Debt Service	88,300	88,300	-
Non-Mandatory Transfers	(6,060,700)	(6,238,900)	(178,200)
Total Expenditures and Transfers	\$64,271,700	\$64,271,000	\$ (700)

Family Medicine Estimated 2018-19 Budget

<u>Revenue</u>	<u>October 2018-19</u>	<u>Estimated 2018-19</u>	<u>Increase (Decrease)</u>
State Appropriations	\$ 7,464,200	\$ 7,464,200	\$ -
Clinical Revenue	5,285,000	4,885,000	(400,000)
Resident Participation	3,745,000	3,745,000	-
Other Sources	602,400	602,400	-
Total Revenue	\$17,096,600	\$16,696,600	\$(400,000)

<u>Expenditures and Transfers</u>	<u>October 2018-19</u>	<u>Estimated 2018-19</u>	<u>Increase (Decrease)</u>
Instruction	\$ 11,737,500	\$11,244,300	\$(493,200)
Research	336,600	361,100	24,500
Academic Support	3,645,600	3,554,600	(91,000)
Institutional Support	1,585,200	1,695,000	109,800
Facilities	494,000	439,000	(55,000)
Debt Service	262,900	262,900	-
Transfer from R&R			
Transfer from COM	(545,000)	(430,000)	115,000
Total Expenditures & Tnfrs	\$17,516,800	\$17,126,900	\$(389,900)

College of Pharmacy Estimated 2018-19 Budget

<u>Revenue</u>	<u>October 2018-19</u>	<u>Estimated 2018-19</u>	<u>Increase (Decrease)</u>
State Appropriations	\$ 0	\$ 0	\$ 0
Tuition and Fees	11,649,500	11,476,900	(172,600)
Other Sources	15,000	15,000	-
Total Revenue	<u>\$ 11,664,500</u>	<u>\$11,491,900</u>	<u>\$(172,600)</u>
<u>Expenditures and Transfers</u>	<u>October 2018-19</u>	<u>Estimated 2018-19</u>	<u>Increase (Decrease)</u>
Instruction	\$7,307,000	\$7,326,100	\$19,100
Research	357,500	357,500	-
Academic Support	1,693,600	1,693,600	-
Student Services	670,600	670,600	-
Institutional Support	609,300	609,300	-
Facilities	539,800	539,800	-
Scholarships	<u>467,600</u>	<u>467,600</u>	<u>-</u>
Total before transfers	11,645,400	11,664,500	19,100
Debt Service	661,000	661,000	-
Nonmandatory Trfrs	<u>142,000</u>	<u>(46,500)</u>	<u>(188,500)</u>
Total Expenditures and Trfrs	<u>\$12,448,400</u>	<u>\$12,279,000</u>	<u>\$ (169,400)</u>

Main Campus Proposed 2019-20 Budget

Revenue	Estimated 2018-19	Proposed 2019-20	Increase (Decrease)
Tuition and Fees	\$154,295,500	\$156,442,100	\$2,146,600
State Appropriations	64,455,200	69,572,400	5,117,200
Federal Grant & Contracts	1,500,000	1,500,000	-
State Grants & Contracts	363,000	363,000	-
Local Grants & Contracts	3,647,100	3,647,100	-
Private Gifts/Grants & Contracts	495,000	495,000	-
Sales & Services Educ Activities	781,500	773,300	(8,200)
Sales & Services Other Activities	11,147,400	11,160,100	12,700
Other Sources	1,995,900	1,760,500	(235,400)
Auxiliaries Revenues	25,544,600	26,543,600	999,000
Total Revenue	\$264,225,200	\$272,257,100	\$8,031,900
Expenditures and Transfers	Estimated 2018-19	Proposed 2019-20	Increase (Decrease)
Instruction	\$111,812,900	\$110,711,900	\$(1,101,000)
Research	4,738,500	2,949,500	(1,789,000)
Public Service	2,755,700	2,564,200	(191,500)
Academic Support	26,886,500	24,400,500	(2,486,000)
Student Services	26,773,000	26,983,400	210,400
Institutional Support	17,831,500	16,641,700	(1,189,800)
Facilities	18,016,300	17,557,500	(458,800)
Scholarships	33,621,600	34,580,500	958,900
Total before transfers	242,436,000	236,389,200	(6,046,800)
Debt Service	3,809,800	3,798,800	(11,000)
Non-Mandatory Transfers	6,163,300	5,344,500	(818,800)
Auxiliaries Expenditures & Tnfrs	25,541,900	26,503,700	961,800
Total Expenditures and Transfers	\$277,951,000	\$272,036,200	\$(5,914,800)
FT Unrestricted & Auxiliary Positions	October 2018-19	Proposed 2019-20	Increase (Decrease)
Faculty	697	699	2
Administration	49	48	(1)
Maint/Tech/Support	519	521	2
Professional Support	514	526	12
Total Positions	1,779	1794	15

College of Medicine Proposed 2019-20 Budget

Revenue	Estimated 2018-19	Proposed 2019-20	Increase (Decrease)
Tuition and Fees	\$ 10,371,800	10,550,500	178,700
State Appropriations	34,106,700	35,495,500	1,388,800
Federal Grant & Contracts	1,300,000	1,300,000	-
State Grants & Contracts	5,000	5,000	-
Local Grants & Contracts			
Private Gifts/Grants & Contracts	267,000	267,000	-
Sales & Services Educ Activities	15,512,600	16,997,800	1,485,200
Sales & Services Other Activities	110,400	110,400	-
Other Sources	170,000	170,000	-
Total Revenue	\$61,843,500	\$64,896,200	\$3,052,700

Expenditures and Transfers	Estimated 2018-19	Proposed 2019-20	Increase (Decrease)
Instruction	\$45,988,500	\$48,843,600	\$2,855,100
Research	4,906,900	4,081,700	(825,200)
Academic Support	7,395,100	6,972,000	(423,100)
Student Services	1,719,000	1,832,400	113,400
Institutional Support	3,091,900	3,116,500	24,600
Facilities	7,055,200	6,660,900	(394,300)
Scholarships	265,000	260,000	(5,000)
Total before transfers	70,421,600	71,767,100	1,345,500
Debt Service	88,300	88,800	500
Non-Mandatory Transfers In	(6,238,900)	(7,021,600)	(782,700)
Total Expenditures and Transfers	\$64,271,000	\$64,834,300	\$563,300

FT Unrestricted Positions	October 2018-19	Proposed 2019-20	Increase (Decrease)
Faculty	148	154	6
Administration	5	7	2
Maint/Tech/Support	113	113	-
Professional Support	88	89	1
Total Positions	354	363	9

Family Medicine Proposed 2019-20 Budget

Revenue	Estimated 2018-19	Proposed 2019-20	Increase (Decrease)
State Appropriations	\$ 7,464,200	\$ 7,807,500	\$ 343,300
Clinical Revenue	4,885,000	5,085,000	200,000
Resident Participation	3,745,000	3,745,000	-
Other Sources	602,400	602,400	-
Total Revenue	\$16,696,600	\$17,239,900	\$543,300

Expenditures and Transfers	Estimated 2018-19	Proposed 2019-20	Increase (Decrease)
Instruction	\$ 11,244,300	\$ 11,540,400	\$ 296,100
Research	361,100	268,400	(92,700)
Academic Support	3,554,600	3,607,100	52,500
Institutional Support	1,695,000	1,706,100	11,100
Facilities	439,000	400,000	(39,000)
Debt Service	262,900	262,900	-
Transfer from R&R		(200,000)	(200,000)
Transfer from COM	(430,000)	(350,000)	80,000
Total Expenditures & Tnfrs	\$17,126,900	\$17,234,900	\$108,000

FT Unrestricted Positions	October 2018-19	Proposed 2019-20	Increase (Decrease)
Faculty	29	31	2
Administration	-	-	-
Maint/Tech/Support	56	54	(2)
Professional Support	25	25	-
Total Positions	110	110	-

College of Pharmacy Proposed 2019-20 Budget

Revenue	Estimated 2018-19	Proposed 2019-20	Increase (Decrease)
State Appropriations	\$ 0	\$ 0	\$ -
Tuition and Fees	11,476,900	11,526,800	49,900
Other Sources	15,000	15,000	-
Total Revenue	\$11,491,900	\$11,541,800	\$49,900
Expenditures and Transfers	Estimated 2018-19	Proposed 2019-20	Increase (Decrease)
Instruction	\$7,326,100	\$7,049,200	\$(276,900)
Research	357,500	294,100	(63,400)
Academic Support	1,693,600	1,462,200	(231,400)
Student Services	670,600	608,100	(62,500)
Institutional Support	609,300	432,900	(176,400)
Facilities	539,800	528,400	(11,400)
Scholarships	467,600	467,600	-
Total before transfers	11,664,500	10,842,500	(822,000)
Debt Service	661,000	661,000	-
Nonmandatory Trfrs	(46,500)	38,300	84,800
Total Expenditures and Trfrs	\$12,279,000	\$11,541,800	\$ (737,200)
FT Unrestricted Positions	October 2018-19	Proposed 2019-20	Increase (Decrease)
Faculty	34	34	-
Administration	1	1	-
Maint/Tech/Support	13	13	-
Professional Support	15	15	-
Total Positions	63	63	-

MOTION: I move that the Finance and Administration Committee recommend adoption of the following Resolution by the Board of Trustees:

RESOLVED: The estimated budget for 2018-19 and the proposed budget for 2019-20 is approved as presented in the meeting materials.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: May 29, 2019

ITEM: Capital Project Approval

COMMITTEE: Finance and Administration Committee

RECOMMENDED ACTION: Approve **(Roll Call Vote)**

PRESENTED BY: Jeremy Ross

The overall goal of facilities planning for the Tennessee Higher Education Commission (THEC) is to provide physical facilities that enable each institution to provide a quality educational atmosphere to fulfill their role and mission. This goal is accomplished through annual recommendations for the funding of projects in two programs: capital outlay and capital maintenance.

Capital outlay projects utilize state funding in whole or in part. They include new facilities or additions required by enrollments or significant changes in programmatic requirements; major renovations which change the function, use or capacity of existing space; major expansions or conversions of central energy plants; and major renovation projects which upgrade or appreciably extend the life of an existing facility.

The capital maintenance projects recommended each year provide a multi-year commitment to protect the integrity of the building structures or bring the equipment or systems in the buildings into compliance with current federal, state and local standards.

Two years ago, a new annual scoring process was instituted by THEC to prioritize projects submitted by the TBR, UT System, and the boards of trustees from the six regional universities. Below is the list of ETSU's capital projects and priorities for fiscal year 2020-21. Last year, the Board of Trustees authorized the submission of a capital outlay project proposal for a humanities building. That proposal will be resubmitted in addition to the capital maintenance projects.

Capital Outlay

\$71,800,000 Humanities Building and Renovation of backfill spaces (Burlison/Rogers Stout)

\$71,800,000 Total

Capital Maintenance

\$3,300,000 Upgrade Primary Electrical Service for Main Campus

\$3,470,000 HVAC Repairs Phase 1

\$2,000,000 Bldgs # 2 and #4 Window Replacement/Envelope Repairs

\$2,190,000 Roof Replacements and Drainage Corrections

\$10,960,000 Total

Disclosed Projects (funded by the university without capital request to the State)

\$3,210,000 Total

MOTION: I move that the Board of Trustees adopt the following resolution, approving the submission of the capital outlay, capital maintenance, and disclosed projects as presented in committee to the Tennessee Higher Education Commission.

RESOLVED: Upon the recommendation of the Finance and Administration Committee, the Board of Trustees approves the university's submission of the capital outlay, capital maintenance, and disclosed projects to the Tennessee Higher Education Commission.

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.

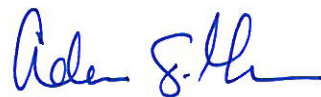
VI. Other business

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.