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4-28-2017

### 2017 April 28 - Board of Trustees Finance and Administration Committee Agenda and Minutes

Board of Trustees, East Tennessee State University

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EAST TENNESSEE STATE  
UNIVERSITY

EAST TENNESSEE STATE UNIVERSITY  
BOARD OF TRUSTEES  
Finance and Administration Committee  
APRIL 28, 2017 MEETING

2:00 PM EDT  
Friday  
April 28, 2017

President’s Conference Room  
Burgin Dossett Hall Room 206  
1276 Gilbreath Drive  
Johnson City, TN

AGENDA

- I. Call to Order
- II. Roll Call
- III. Remarks by Secretary of the Board regarding telephonic meetings
- IV. Action Items - None
- V. Discussion Items
  - A. Committee Charge, Section 4 of Bylaws (includes Attachment A)..... 2-3
  - B. Salary Increase History and Proposal for 2017-18 (includes Attachments B-D)... 4-13
  - C. History of Other Operating Expenses..... 14-15
  - D. History of Student Fees..... 16-17
  - E. Initial Review of Mandatory and Non-Mandatory Fee Requests (includes Attachments E-I)..... 18-25
  - F. Next Steps
- VI. Information Item
  - A. Requirement for Institutional Internal Control Manual..... 26-27
- VII. Other Business



EAST TENNESSEE STATE UNIVERSITY  
BOARD OF TRUSTEES

DISCUSSION ITEM

DATE: April 28, 2017

ITEM: Committee Charge

PRESENTED BY: B.J. King, Acting Chief Financial Officer

Bylaws for the ETSU Board of Trustee's Finance and Administration Committee outline the committee's scope of responsibility which is comprised of fourteen (14) areas which includes approving and recommending to the Board the university operating budgets and student tuition and fee rates. See Attachment A Committee Charge — Section 4 of Bylaws.



**SECTION 4.**

**Finance and Administration Committee**

The Finance and Administration Committee shall:

- A. Formulate policies and recommend their adoption by the Board in all matters relating to finance, business, and administration, including the investment of University funds;
- B. Approve and recommend to the Board guidelines governing the administration's submission of a proposed annual operating budget and appropriations request to state agencies and officials;
- C. Approve and recommend to the Board the University's proposed capital outlay budgets and requests for capital outlay appropriations prior to their submission to other state agencies and officials;
- D. Approve and recommend to the Board the final operating and capital outlay budgets for the next fiscal year after the General Assembly has enacted annual appropriations for the University;
- E. Approve and recommend tuition and fee rates for adoption by the Board;
- F. Approve and recommend to the Board the construction of specific buildings and other capital improvements;
- G. Approve and recommend to the Board the facilities master plan;
- H. Approve and recommend to the Board or to the Executive Committee the acquisition of any interest in real property, including acquisition by gift or devise if the acquisition obligates the University or the State of Tennessee to expend state funds for capital improvements or continuing operating expenditures;
- I. Approve and recommend to the Board or to the Executive Committee conveyance of the University's interest in real property by sale in fee, easement or right-of-way; provided, however, that in the case of an interest acquired by gift or devise, the President, upon recommendation of the appropriate vice president, shall have authority to approve the sale at or above the appraised value. All sales of real property acquired by gift or devise shall be reported annually to the Finance and Administration Committee, which in turn shall report the sales to the Board;
- J. Oversee all matters involving ordinary repairs, changes, adjustments and improvements for the purpose of putting and keeping in good condition the buildings, grounds and equipment of the University, wherever located, for their efficient use are committed to the University administration, subject to compliance with all applicable state laws and University policies;
- K. Approve and recommend to the Board any personnel policy matter requiring Board approval;
- L. Approve and recommend to the Board University rules required to be promulgated under the Tennessee Uniform Administrative Procedures Act, except rules governing student conduct, rights, and responsibilities, which shall be approved and recommended by the Academic Affairs and Student Success Committee;
- M. Recommend to the Board any necessary policies related to private gifts; and
- N. Recommend to the Board the naming of University buildings.



EAST TENNESSEE STATE UNIVERSITY  
BOARD OF TRUSTEES

DISCUSSION ITEM

DATE: April 28, 2017  
ITEM: Salary Increase History and Proposal for 2017-18  
PRESENTED BY: B.J. King, Acting Chief Financial Officer

Bylaws for the ETSU Board of Trustee’s Finance and Administration Committee outline the committee’s scope of”. The Governor’s budget can be found at [https://www.tn.gov/assets/entities/governor/attachments/2017-18\\_Budget-Proposal-Volume-1.pdf](https://www.tn.gov/assets/entities/governor/attachments/2017-18_Budget-Proposal-Volume-1.pdf). The appropriation in the Governor’s budget which is dedicated to this 3.0 percent salary pool is 60% of the funding needed because the university has other forms of funding available. This leaves an unfunded portion as shown below which has to be made up with an increase in fees to support the pool.

	\$ Needed for 3% Pool	Governor’s Proposed 3% Pool	Funded through Student Fees
Main Campus	\$3,305,500	\$1,983,300	\$1,322,200
Pharmacy	156,000	156,000	156,000
Total	\$3,461,500	\$2,139,300	\$1,478,200

The university has a Market Salary and Equity Committee that considers the Governor’s budget proposal, required institutional funding, the university salary history (Attachment B), makes a recommendation for implementation to the President each year (Attachment C), and updates the equity pay plan methodology (Attachment D).



Attachment B  
*University Salary History*

Year	Across the Board Increase			Equity Increase To Market		Service Bonus		
2017-18	(1)	2.0%	\$500 min	(2)	1% pool	\$3,000 ceiling		
2016-17		2.0%	\$500 min	(2)				
2015-16		2.0%	\$500 min	(2)	Pharmacy faculty only			
2014-15		0.0%						
2013-14		1.5%	\$250 min	(2)	4.25%			
2012-13		2.5%	\$750 min	(2)	8.50%	\$5,000 ceiling		
2011-12		3.0%	\$750 min	(2)			\$1,000.00	2 years + (3)
2010-11		0.0%			Pharmacy faculty only			
2009-10		0.0%						
2008-09		0.0%					\$400.00	3 years + (3)
2007-08		3.0%			12.50%		\$500.00	(3)

(1) Proposed 2% across the board increase with a \$500 minimum. The remaining 1% increase would apply through an equity increase with a \$3,000 maximum.

(2) Employees with annual performance evaluations which are either unsatisfactory or performance far below expectations do not participate in salary increases.

(3) Service bonus is prorated based on percentage of contract.



Attachment C  
2017-18 Salary Recommendation and Approval



EAST TENNESSEE STATE  
UNIVERSITY

920 W Maple Street  
Johnson City, TN 37614  
P (423) 439-6593

Planning and Decision Support

April 24, 2017

To: Dr. Brian Noland, President ETSU  
From: Dr. Michael Hoff, Chair Market Salary & Equity Committee  
Re: 2017 – 2018 Salary Enhancement Recommendations

Dr. Noland,

Per the Equity Pay Plan, the Market Salary & Equity Committee is required to advise the university annually on the implementation of the equity plan. The Market Salary & Equity Committee met in-person Thursday 4.6.2017 and electronically the week of 4.17.2017 and did not have changes to the equity methodology as proposed for 2016 (attached). According to TBR guideline P-043, we do not need to seek approval from TBR this time since we are not recommending any changes to the methodology. Upon your approval, the ETSUBT Finance and Administration Committee will review and approve this methodology and the following recommendations, and forward to the ETSUBT for final approval for 2017-18. The ETSUBT will approve the salary enhancements as part of the budget. In regards to the distribution of the 3% salary pool, we have two recommendations:

1. We recommend 2% of the available pool be distributed in across the board salary enhancements with a floor of \$500
2. We recommend 1% (or the remainder of above whichever is greater) be distributed according the salary equity plan, with a cap of \$3,000

I have attached and updated version of the methodology to acknowledge the 2017-2018 period of implementation.

I approve this committee recommendation with the enclosed Equity Pay Methodology and forward to the Board of Trustees Finance and Administration Committee for approval and submission to the full Board:

Dr. Brian Noland, President ETSU

4-25-17

Date

Sincerely,

Michael Hoff, Chair Market Salary & Equity Committee

ETSU.EDU



East Tennessee State University  
Equity Pay Plan Methodology  
April 2017

ETSU is committed to providing competitive salaries and wages for faculty and staff. Due to budgetary limitations equity deficits have continued to increase.

Summary of the ETSU Salary Equity Plan:

1. In September 2000 the Tennessee Board of Regents (TBR) approved ETSU's Salary Equity Plan (three-phased plan).
2. In January 2001 Phase 1 was implemented (paid in 25 percent increments).
3. In July 2002 Phase 2 was implemented (paid in 25 percent increments).
4. Phase 3 of the Plan was scheduled for implementation in January 2003. Because of budget restraints Phase 3 was not implemented until October 1, 2004 (paid in 25 percent increments).
5. In October 2007 Equity implemented (paid in 12.5 percent increments).
6. In October 2010 Equity implemented for faculty only in the Gatton College of Pharmacy, a private entity.
7. In October 2012 Equity implemented (paid in 8.5 percent increments).
8. In October 2013 Equity implemented (paid in 4.25 percent increments).

On January 19, 2011 the University President established a Salary Equity Task Force to review the institutions then current (2010) Equity Pay Plan. The Task Force's charge was to review the current university salary equity plan and make recommendations for changes. Membership on the Task Force included the Vice President for Finance and Administration (chair); Vice President for Health Affairs/COO; Provost/Vice President for Academic Affairs; Director, Employee Relations, Compensation, and Development; three (3) members appointed by the Faculty Senate; and, three (3) members appointed by the Staff Senate. The Task Force met on a regular basis and completed its review in October 2011. In March 2013 updates were made to the Plan per discussions between the Vice President for Finance and Administration, senior leadership, and the Faculty Senate President, and approved by the University President. In November 2013 updates were made to the Plan per discussions with the Task Force and Faculty Senate, and approved by the University President. In March 2015 updates were made to the Plan per the recommendations from the Market Salary & Equity Committee, and approved by the University President. In March 2016 a minor wording, change was made to the Plan per the recommendations from the Market Salary & Equity Committee, and approved by the University President.





### Administrative/Professional and Classified Staff

The ETSU Salary Equity Plan for administrative and classified staff made use of data supplied by the ETSU Bureau of Business and Economic Research (Rockmore Study). The Plan had completed its original three-year life span before the university could reach full implementation. To stay current with cost-of-living increases the university was required to increase the Rockmore study targets for Phase 2 and Phase 3 by 2.5% and 3% increments respectively. This procedure led to questionable data validity.

A new Equity Plan for administrative and classified staff was established and approved in 2005 and updated in 2012. Market targets for each classification/pay level are determined using a subscription to the web-based system "CompAnalyst Job Analyzer." The system allows current market data to be used to benchmark positions within the Equity Plan. The market target will be CompAnalyst's 60th percentile of the competitive market rate for each job (adjusted for 37.5 hours per week). The 50th percentile represents the data's midpoint.

Averaging targets for several positions within an ETSU pay level determine one market target for each pay level. Positions that are difficult to fill and are sensitive to market pricing, i.e., OIT analysts, public safety officers, research specialists, etc., are approved prior to advertisement to hire at a market rate. Because these positions are advantaged at hire and are close to or at full market target, they will not require individual targets within the equity plan.

### ETSU Faculty (Academic Campus)

The Equity Plan for faculty will compare salaries to three sources and determine the "higher market target." All data is from CUPA-HR's current *Faculty in Higher Education Salary Survey*.

(1) Salaries are first compared to a CUPA-HR Data on Demand Report for ETSU Peer institutions. See Appendix A. (2) Salaries are then compared to a CUPA-HR Data on Demand Report for institutions matching the following criteria: Institutions that are classified as Public; Institutions classified at ETSU's CUPA-HR Budget Quartile; Institutions are not community colleges; Institutions are not "system offices" or similar units that do not actually offer instruction or award degrees; Peer Institutions; Institution is not ETSU. The listing may also include specific additional institutions recommended by departmental faculty, provided that these recommendations are justified on specific grounds of comparability to ETSU. See Appendix B. (3) Salaries are also compared to current national public data from the CUPA-HR *Faculty Salary Survey*, Institution is not ETSU. The "higher market target" of the three sources is used as comparison data.

Faculty increases are based upon rank and discipline (4-digit CIP). Faculty are defined as those persons whose appointments are for a complete academic or fiscal year (to include Lecturers, Post-Doctoral Fellows, Visiting Professors, etc.) Market target will be 60th percentile data.



### ETSU Library Faculty

When determining peer equity, the Committee acknowledges that Library faculty in peer institutions currently proposed in the Equity Plan perform comparable teaching/academic support roles to those at ETSU and are not professors offering instruction in the discipline of Library Science.

### Intercollegiate Athletics

The Equity Plan will not include coaching or athletic training positions. Increases in salaries for these positions are approved through a separate TBR process.

### Executive Staff

The Equity Plan for executive positions will compare salaries to three sources and determine the "higher market target." All data is from CUPA-HR's current *Administrators in Higher Education Salary Survey*. (1) Salaries are first compared to a CUPA-HR Data on Demand Report for ETSU Peer institutions. See Appendix A. (2) Salaries are then compared to a CUPA-HR Data on Demand Report for institutions matching the following criteria: Institutions that are classified as Public; Institutions classified at ETSU's CUPA-HR Budget Quartile; Institutions are not community colleges; Institutions are not "system offices" or similar units that do not actually offer instruction or award degrees; Peer institutions; Institution is not ETSU. The listing may also include specific additional institutions recommended by departmental faculty, provided that these recommendations are justified on specific grounds of comparability to ETSU. See Appendix B. (3) Salaries are also compared to current national public data from the CUPA-HR *Administrators in Higher Education Salary Survey*; Institution is not ETSU. The "higher market target" of the three sources is used as comparison data.

### University High Faculty

In September 2003 the TBR approved a "Pay Plan for the University School." The plan brings ETSU University School faculty to parity with their Washington County contemporaries. Through this plan University School faculty are not eligible for equity, percentage, or across-the-board raises received by other university faculty.

### College of Medicine (COM) Faculty

The Equity Plan for faculty compares salaries to the current Association of American Medical Colleges (AAMC), Southern Region data. Veteran's Administration (VA) and Medical Education Assistance Corporation (MEAC) salaries are added to ETSU salaries to determine a grand total salary. Deficits are paid in accordance with the percentage of time worked at ETSU versus the VA. Faculty increases are based upon rank and discipline.



### College of Pharmacy (COP) Faculty

The Equity Plan for faculty will compare salaries to the current annually published, national faculty salary survey data published by the American Association of Colleges of Pharmacy. The market target will be 60th percentile data. The Plan will also review internal department and College equity. Faculty increases are based upon rank and discipline.

### Post-Doctoral Administrative Staff

Post-doctoral administrative staff are hired in accordance with ETSU Policy PPP-65, *Postdoctoral Recruitment and Education Policy (Basic and Clinical Sciences)*, and are not eligible for equity payments.

### Special Issues:

Stipend and At-Risk/Incentive Pay: The Equity Plan will remove stipend/at-risk payments from the base salaries of ETSU and College of Pharmacy faculty, and all administrators and support staff. College of Medicine faculty stipends remain in their base salary and are considered a necessary part of their total compensation for AAMC comparisons.

Longevity: Longevity payments will not be included in any employee base salary because longevity is considered a bonus payment for lengthy service and must be approved annually by the State Legislature.

Data Substitution: Senior Staff approval is required for use of faculty salary comparison sources other than the CUPA-HR databases specified in this policy.

Budget Considerations: The Equity Plan will be implemented yearly when the budget permits. Deficits will be paid in increments as the budget permits.

Appeal Process: Employees who disagree with their equity pay calculations may appeal in writing to the Office of Human Resources through their appropriate chain of command.

Plan Exclusions: Equity increases are not available for adjunct faculty, post retiree faculty, temporary employees, coaches, athletic trainers, medical school residents, graduate assistants, student workers, University School faculty, employees on terminal leave, and employees receiving an unsatisfactory annual evaluation.

Plan Implementation: The Market Salary & Equity Committee shall advise the University President on Plan implementation.



Appendix A (2016):

Ball State University IN  
Central Michigan University MI  
East Carolina University NC  
Florida Atlantic University FL  
Georgia Southern University GA  
Indiana State University IN  
Marshall University WV  
Oakland University MI  
Old Dominion University VA  
Sam Houston State University TX  
Southern Illinois University (Edwardsville) IL  
Texas Woman's University TX  
University of Arkansas at Little Rock AR  
University of Missouri (Kansas City) MO  
University of North Carolina at Charlotte NC  
University of North Carolina at Greensboro NC  
University of Northern Colorado CO  
University of South Alabama AL  
Wright State University (Main Campus) OH

Appendix B (2016):

Ball State University IN  
Boise State University ID  
Bowling Green State University OH  
California Polytechnic State University-San Luis Obispo CA  
California State University-Fullerton CA  
California State University-Long Beach CA  
Central Michigan University MI  
City Colleges of Chicago IL  
College of William & Mary VA  
East Carolina University NC  
Eastern Michigan University MI  
Florida Agricultural and Mechanical University FL  
Florida Atlantic University FL  
Georgia Southern University GA  
Grand Valley State University MI  
Illinois State University IL  
Indiana State University IN  
James Madison University VA  
Kent State University Main Campus OH  
Louisiana State University Health Sciences Center LA  
Miami Dade College FL



Middle Tennessee State University TN  
Montana State University - Bozeman MT  
Montclair State University NJ  
Northern Arizona University AZ  
Northern Illinois University IL  
Oakland University MI  
Old Dominion University VA  
Portland State University OR  
Sam Houston State University TX  
Southern Illinois University Carbondale IL  
Southern Illinois University Edwardsville IL  
Texas State University - San Marcos TX  
Texas Woman's University TX  
The University of Akron, Main Campus OH  
The University of Montana - Missoula MT  
The University of Texas at El Paso TX  
Towson University MD  
United States Air Force Academy CO  
University of Alaska Fairbanks AK  
University of Arkansas at Little Rock AR  
University of Arkansas Main Campus AR  
University of California-Riverside CA  
University of California-Santa Cruz CA  
University of Idaho ID  
University of Maryland Baltimore County MD  
University of Massachusetts Medical School MA  
University of Mississippi MS  
University of Missouri - Kansas City MO  
University of Nevada-Las Vegas NV  
University of Nevada, Reno NV  
University of New Hampshire NH  
University of North Carolina at Charlotte NC  
University of Northern Colorado CO  
University of North Dakota Main Campus ND  
University of Tennessee Health Science Center TN  
University of Texas at Arlington TX  
University of Texas at Dallas TX  
University of Texas at San Antonio TX  
University of Toledo OH  
University of Vermont VT  
University of Wyoming WY  
Utah State University UT  
Western Kentucky University KY  
Wright State University Main Campus OH



Appendix B inclusions (additions based upon departmental faculty recommendations (2012/13/14) :

Additions in 2012:

Health Professions:

Midwestern State University TX  
The Ohio State University OH  
University of Nebraska Omaha NE  
University of Alabama AL  
University of South Alabama Mobile AL

Arts and Sciences:

Appalachian State University NC  
University of North Carolina Asheville NC  
Radford University VA  
Morehead State University KY  
Eastern Kentucky University KY  
The University of Memphis TN

Additions in 2013:

Marshall University, WVA  
Virginia Commonwealth University, VA  
University of North Carolina-Greensboro, NC  
University of North Carolina-Wilmington, NC  
George Mason University, VA  
Ohio University, OH

Additions in 2014:

University of Kentucky, KY



EAST TENNESSEE STATE UNIVERSITY  
BOARD OF TRUSTEES

DISCUSSION ITEM

DATE: April 28, 2017

ITEM: History of Other Operating Expenses

PRESENTED BY: B.J. King, Acting Chief Financial Officer

The university presents expenditures using two classification methods, by natural classification and by function. Expenditures for the five most recent years are presented below.

**Expenditures and Transfers by Natural Classification**

	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
Salaries	\$168,562,471	\$160,645,421	\$163,166,361	\$159,245,925	\$153,015,000
Benefits	58,795,000	55,340,010	61,108,149	59,745,026	50,983,451
Travel	4,227,155	3,624,058	3,856,998	4,036,305	4,255,296
Printing Shipping	1,750,163	2,119,278	2,252,149	2,555,075	2,443,222
Maintenance & Repairs	5,462,834	1,938,228	1,546,034	564,279	715,817
Professional Services	18,600,046	21,757,453	19,392,792	22,036,572	21,772,467
Supplies	18,244,600	17,001,254	14,327,807	16,318,636	17,283,470
Rental and Insurance	2,376,921	2,339,498	2,521,999	2,387,119	2,034,721
Utilities and Fuel	9,842,379	10,452,777	10,400,272	10,718,936	8,920,129
Other Expenses	2,042,119	1,109,891	2,837,411	4,042,482	3,405,038
Depreciation	12,729,180	12,770,811	16,643,711	15,177,378	16,016,903
Scholarships	23,408,205	23,958,671	25,495,501	27,592,119	29,027,894
<b>Total</b>	<b>\$326,041,073</b>	<b>\$313,057,350</b>	<b>\$323,549,184</b>	<b>\$324,419,852</b>	<b>\$309,873,408</b>



**Expenditures and Transfers by Function**

	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
Instruction	\$146,979,057	\$143,146,909	\$148,431,432	\$146,770,407	\$137,218,646
Research	9,908,820	8,816,635	9,722,539	11,030,741	10,542,169
Public Service	23,944,435	22,346,832	21,943,591	22,592,451	22,108,205
Academic Support	28,627,740	27,277,272	27,140,634	26,928,690	25,522,788
Student Services	25,305,601	24,765,606	23,387,009	22,145,338	20,424,599
Institutional Support	18,827,736	19,263,127	20,877,623	20,108,742	19,025,100
Oper. & Maint. Plant	26,488,002	23,683,371	21,527,334	23,951,563	25,204,150
Scholarships	23,408,205	21,518,902	23,063,153	24,659,684	23,976,059
Auxiliary	9,822,297	9,467,885	10,812,158	11,054,858	9,834,789
Depreciation	12,729,180	12,770,811	16,643,711	15,177,378	16,016,903
Total	<u>\$326,041,073</u>	<u>\$313,057,350</u>	<u>\$323,549,184</u>	<u>\$324,419,852</u>	<u>\$309,873,408</u>





EAST TENNESSEE STATE UNIVERSITY  
BOARD OF TRUSTEES

DISCUSSION ITEM

DATE: April 28, 2017

ITEM: History of Student Fees

PRESENTED BY: B.J. King, Acting Chief Financial Officer

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

**Maintenance Fees**

	2012-13	% Incr	2013-14	% Incr	2014-15	% Incr	2015-16	% Incr	2016-17	% Incr
Austin Peay	\$5,694	4.2%	\$5,874	3.2%	\$6,198	5.5%	\$6,348	2.4%	\$6,522	2.7%
East Tennessee	5,922	8.3%	6,198	4.7%	6,630	7.0%	6,828	3.0%	7,002	2.5%
Middle Tennessee	5,898	6.8%	6,222	5.5%	6,552	5.3%	6,756	3.1%	6,930	2.6%
Tennessee State	5,772	5.6%	5,844	1.2%	6,198	6.1%	6,378	2.9%	6,528	2.4%
Tennessee Tech	5,748	4.1%	6,096	6.1%	6,474	6.2%	7,182	10.9%	7,380	2.8%
University of Memphis	6,978	8.2%	7,410	6.2%	7,410	0.0%	7,686	3.7%	7,860	2.3%
UT Chattanooga	5,722	6.0%	6,065	6.0%	6,430	6.0%	6,624	3.0%	6,768	2.2%
UT Knoxville <sup>1</sup>	7,802	8.0%	8,648	10.8%	9,493	9.8%	10,190	7.3%	10,858	6.5%
UT Martin <sup>2</sup>	5,978	6.0%	6,336	6.0%	6,716	6.0%	6,918	3.0%	7,375	6.6%
University Average	\$6,168	6.5%	\$6,521	5.7%	\$6,900	5.8%	\$7,212	4.5%	\$7,469	3.6%

1 - The 2013-14 to 2016-17 maintenance rates for students admitted in the Fall 2013 or later at UT Knoxville are flat rates for 15 semester credit hours, regardless of the number of credit hours taken by the student. This policy was approved in 2012 by the UT Board for introduction in Fall 2013. Eventually, each class will be charged for 15 credit hours and tuition increases will be applied to cohorts. The rates represented here are weighted averages.

2 - The 2016-17 tuition rate for full-time students who have completed fewer than 60 credit hours is a flat rate for 15 hours a semester regardless of how many hours the student is enrolled in. Part-time students and full-time students who have completed more than 60 credit hours are charged a flat rate for 12 hours regardless of how many hours the student is enrolled in. The rates represented here are weighted averages.



## Mandatory Fees

	%		%		%		%		%	
	2012-13	Incr	2013-14	Incr	2014-15	Incr	2015-16	Incr	2016-17	Incr
Austin Peay	\$1,224	0.0%	\$1,284	4.9%	\$1,264	-1.6%	\$1,453	15.0%	\$1,473	1.4%
East Tennessee	1,075	1.1%	1,345	25.1%	1,355	.7%	1,504	11.0%	1,597	6.2%
Middle Tennessee	1,594	6.4%	1,618	1.5%	1,636	1.1%	1,648	0.7%	1,660	.7%
Tennessee State	930	5.7%	930	0.0%	1,026	10.3%	1,039	1.3%	1,039	0.0%
Tennessee Tech	1,200	1.9%	1,287	7.3%	1,511	17.4%	1,171	-22.5%	1,171	0.0%
University of Memphis	1,256	0.8%	1,256	0.0%	1,563	24.4%	1,583	1.3%	1,637	3.4%
UT Chattanooga	1,490	12.9%	1,490	0.0%	1,708	14.6%	1,732	1.4%	1,776	2.5%
UT Knoxville	1,290	10.1%	1,414	9.6%	1,510	6.8%	1,758	16.4%	1,810	3.0%
UT Martin	1,103	2.3%	1,178	6.8%	1,308	11.0%	1,408	7.6%	1,408	0.0%
University Average	\$1,240	4.7%	\$1,311	5.7%	\$1,431	9.1%	\$1,477	3.2%	\$1,508	2.1%

## Total Maintenance and Mandatory Fees

	%		%		%		%		%	
	2012-13	Incr	2013-14	Incr	2014-15	Incr	2015-16	Incr	2016-17	Incr
Austin Peay	\$6,918	3.4%	\$7,158	3.5%	\$7,462	4.2%	\$7,801	4.5%	\$7,995	2.5%
East Tennessee	6,997	7.2%	7,543	7.8%	7,985	5.9%	8,332	4.3%	8,599	3.2%
Middle Tennessee	7,492	6.8%	7,840	4.6%	8,188	4.4%	8,404	2.6%	8,590	2.2%
Tennessee State	6,702	5.6%	6,774	1.1%	7,224	6.6%	7,417	2.7%	7,567	2.0%
Tennessee Tech	6,948	3.7%	7,383	6.3%	7,985	8.2%	8,353	4.6%	8,551	2.4%
University of Memphis	8,234	7.0%	8,666	5.2%	8,973	3.5%	9,269	3.3%	9,497	2.5%
UT Chattanooga	7,212	7.3%	7,555	4.8%	8,138	7.7%	8,356	2.7%	8,544	2.2%
UT Knoxville <sup>1</sup>	9,092	8.3%	10,062	10.7%	11,003	9.4%	11,948	8.6%	12,668	6.0%
UT Martin <sup>2</sup>	7,056	5.0%	7,514	6.5%	8,024	6.8%	8,326	3.8%	8,783	5.5%
University Average	7,406	6.1%	7,833	5.8%	8,331	6.4%	8,690	4.3%	8,977	3.3%

1 - The 2013-14 to 2016-17 maintenance rates for students admitted in the Fall 2013 or later at UT Knoxville are flat rates for 15 semester credit hours, regardless of the number of credit hours taken by the student. This policy was approved in 2012 by the UT Board for introduction in Fall 2013. Eventually, each class will be charged for 15 credit hours and tuition increases will be applied to cohorts. The rates represented here are weighted averages.

2 - The 2016-17 tuition rate for full-time students who have completed fewer than 60 credit hours is a flat rate for 15 hours a semester regardless of how many hours the student is enrolled in. Part-time students and full-time students who have completed more than 60 credit hours are charged a flat rate for 12 hours regardless of how many hours the student is enrolled in. The rates represented here are weighted averages.



EAST TENNESSEE STATE UNIVERSITY  
BOARD OF TRUSTEES

DISCUSSION ITEM

DATE: April 28, 2017

ITEM: Initial Review of Mandatory and Non-Mandatory Fee Requests

PRESENTED BY: B.J. King, Acting Chief Financial Officer

Requests for increases in fees are presented in Attachments E – I.



	Maintenance Fee Per Semester					Revenue Generated	Justification
	2016-17		2017-18		Prior Increase		
	Actual	Proposed	\$ Increase	% Increase			
Undergraduate @ 15hrs	\$3,501	\$3,612	\$111	3.17%	2.50%		
UG Out of State	9,048	9,335	287	3.17%	2.50%	\$3,460,000	Unfunded salary pool \$1,322,200, scholarship increases with tuition, enrollment decline \$1.8M
Graduate @ 9hrs	3,996	4,123	127	3.18%	2.50%		
Grad Out of State	7,128	7,355	227	3.18%	2.50%		
College of Medicine M1, M2, M4	15,469	15,779	310	2.00%	3.00%	\$130,200	Cost study conducted
College of Medicine M3	20,574	20,986	412	2.00%	3.00%	\$59,400	Cost study conducted
College of Pharmacy	17,519	18,045	526	3.00%	3.00%	\$340,000	Cost study conducted



<u>Description</u>	<u>Current</u>	<u>Request Proposed</u>	<u>Increase</u>	<u>Student Exposure to Proposal</u>	<u>Prior Increase</u>	<u>Revenue Generated</u>	<u>Justification</u>	<u>Staff Rec.</u>
Facilities Fee	\$0	\$40/\$5 per hr	\$40/\$5 per hr	Discussed with SGA Executive Committee. Executive Committee was supportive of increase.	None	\$1,120,000	Create a designated pool for specific campus renovation or constructions projects including classroom enhancements and campus improvements.	Support
Technology Access Fee	\$112.50	\$120.50/\$15 per hr	\$8/\$1 per hr	Discussed with SGA Executive Committee. Executive Committee was supportive of increase.	Increased from \$100 to \$112.50 in FY2000-01	\$224,000	Upgrade network to facilitate increased online activity, and increase technology network access control security.	Support
Student Activity Fee	\$143	\$156/\$20 per hr	\$13/\$2 per hr	Discussed with SGA Executive Committee. Executive Committee was supportive of increase.	\$25/\$3 credit hr FY15-16 Culp operating	\$364,000	\$7 - Operation of Library 24/5, adding card swipes to monitor entry to building during late night operations, providing security for building during late night operations. \$6 - Expand programing at Center for Physical Activity for expanding intramural activity and outdoor adventure.	Support



Attachment G  
Nonmandatory Fee Request

<u>Description</u>	<u>Current</u>	<u>Proposed</u>	<u>Increase</u>	<u>Revenue Generated</u>	<u>Prior Increase</u>	<u>Justification</u>	<u>Staff Rec.</u>
Establish credit card convenience fee	\$0	2.7% of charges		Cost avoidance	N/A	Pass on credit card charges for online payments. Currently costing the university approximately \$500,000. Average charge is \$635, total charges are \$25M.	Support
Increase meal plans per Sodexo	\$1,675	\$1,718	\$43/silver plan	\$55,000	FY2015-16	Food Services is a 100% auxiliary enterprise operation in contract with Sodexo. The increase is 2.54% and is based on the consumer price index for Meals Away From Home. This increase is part of the contract with Sodexo to provide food service for the campus, including residential students.	Support
Increase Appalachian Studies individual instruction	\$150/credit hr	\$175/credit hr	\$25/credit hr	\$6,000 to \$8,000	Increased from \$100 /cr to \$150 one credit applied and \$250 for two-credit applied in FY2005-06	Support individual music instruction, purchase and maintenance of instruments	Support
Appalachian Studies recording lab fee	\$0	\$25/credit hr	\$25/credit hr	\$3,000 to \$5,000	N/A	Class sessions as well as assignments outside of class	Support
Chemistry lab fee	\$30/credit hr	\$40/credit hr	\$10/credit hr	\$8,000	Increased from \$25 to \$30 per lab course in FY2012-13	Will be used to meet the increasing costs of chemicals and glassware	Support
Communication and Performance class fee	\$0	\$5/credit hr	\$5/credit hr	\$15,000	N/A	To support costs of teaching materials, guest artist, debate and forensics support, recording	Support
Increase Geosciences field lab fee	\$35/flat	\$45/flat	\$10/flat	\$4,500	Established FY2013-14	To fund software and increased cost of field trips	Support



<u>Description</u>	<u>Current</u>	<u>Proposed</u>	<u>Increase</u>	<u>Revenue Generated</u>	<u>Prior Increase</u>	<u>Justification</u>	<u>Staff Rec.</u>
Increase Applied Music fee	\$150/credit hr	\$200/credit hr	\$50/credit hr	\$20,000 to \$22,500	Increased from \$100 /cr to \$150 one credit applied and \$250 for two-credit applied in FY2005-06	Supplement payments to professional accompanists, increased cost of instruction, music instruments rental, care and replacements	Support
Ensemble Music Fee - excludes Marching Band	\$0	\$25/credit hr	\$25/credit hr	\$8,000	N/A	Ensemble music, attire and equipment needs	Support
Increase Computing Specialized Course Fee	\$10/credit hr	\$40/credit hr	\$30/credit hr	\$501,144	FY16-17 implemented fee	Continue to provide student support - faculty & staff salaries and benefits, student services, instructional resources, software, equipment and facilities improvement. Funding to support Assistant Professor in Cyber Security.	Support
Increase Engineering Technology course fee	\$20/credit hr	\$60/credit hr	\$40/credit hr	\$308,560	Established FY2009-10	Purchase and maintain needed equipment, purchase supplies needed for student lavatory experiences, and enhance student support services. Funding to support Assistant Professor in Manufacturing and Electronics.	Support
Exercise Science Cardiovascular Testing and EKG fee	\$0	\$20/student	\$20/student	\$4,400	N/A	To cover supplies related to this lab course as well as purchase and service of equipment for teaching use related to the course curriculum	Support
Increase Graduate School application fee	\$45/domestic \$55/international	\$55/domestic \$65/international	\$10/application	\$51,000	Domestic increase from \$45/55 in FY2016-17 FY11-12 \$10/application	Will be used toward the application system/CRM annual costs	Support



<u>Description</u>	<u>Current</u>	<u>Proposed</u>	<u>Increase</u>	<u>Revenue Generated</u>	<u>Prior Increase</u>	<u>Justification</u>	<u>Staff Rec.</u>
Increase Online course fee	\$25/undergrad \$35/grad	\$40/undergrad \$50/grad	\$15/course	\$450,000	Undergraduate increased from \$13/cr to \$25 cr hr and Graduate increased from 19/cr to \$35 in FY2010-11	Increased costs, online growth initiatives and changes associated the TN eCampus. D2L increased price, WebEX costs, marketing increase and the securing of a Customer Relationship Management (CRM) for the campus.	Support
Global Sports Leadership cohort fee for academic cohort 18-19	\$575/cr hr in-state \$630/cr hr out-of - state	\$615/cr hr in-state \$670/cr hr out-of - state	\$40/credit hr	\$16,320	Established in FY2015-16	To cover the increased costs of the required student travel, increases in instructional costs, recruitment expense and increase in faculty salary and benefits.	Support





<u>Type of Fee</u>	<u>Campus Request</u>	<u>Revenue Generated</u>	<u>Prior Increase</u>	<u>Staff Rec.</u>
Residence halls	No change requested	\$ -	No change requested for FY17	Support
Apartments	No change requested	\$ -	No change requested for FY17	Support



Attachment I  
Summary of Maintenance and Mandatory Fees

Appropriation <u>Unit</u>	Current Maintenance <u>Fee Per Year</u>	Current Other <u>Mandatory</u>	Total <u>Mandatory</u>	Requested Other <u>Mandatory</u>	Total Before Maintenance <u>Increase</u>	% increase Before <u>Maint Inc</u>	Projected Maintenance <u>Increase</u>	Total <u>Increases</u>	Projected Total <u>Mandatory</u>	% Increase for Total <u>Mandatory</u>
ETSU Undergrad	\$ 7,002	\$1,669	\$ 8,671	\$122	\$ 8,793	1.4%	\$ 222	\$ 344	\$ 9,015	3.97%
COM M1, M2, M4	30,938	2,009	32,947	122	33,069	0.4%	620	742	33,689	2.25%
COM M3	41,148	2,672	43,820	122	43,942	0.3%	824	946	44,766	2.16%
COP	35,038	1,434	36,472	122	36,594	0.3%	1,052	1,174	37,646	3.22%



EAST TENNESSEE STATE UNIVERSITY  
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: April 28, 2017

ITEM: Requirement for Institutional Internal Control Manual

PRESENTED BY: B.J. King, Acting Chief Financial Officer

Recent revisions to Tennessee Code Annotated (T.C.A.) require the university to develop and maintain an Internal Control Manual.

**State of Tennessee – Tennessee Code Annotated (TCA)**

TCA 9-18-102. Internal controls -- Management assessment of risk.

- (a) Each agency of state government and institution of higher education along with each county, municipal, and metropolitan government shall establish and maintain internal controls, which shall provide reasonable assurance that:
- (1) Obligations and costs are in compliance with applicable law;
  - (2) Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
  - (3) Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.
- (b) To document compliance with the requirements set forth in subsection (a), each agency of state government and institution of higher education shall annually perform a management assessment of risk. The internal controls discussed in subsection (a) should be incorporated into this assessment. The objectives of the annual risk assessment are to provide reasonable assurance of the following:
- (1) Accountability for meeting program objectives;
  - (2) Promoting operational efficiency and effectiveness;
  - (3) Improving reliability of financial statements;
  - (4) Strengthening compliance with laws, regulations, rules, and contracts and grant agreements; and
  - (5) Reducing the risk of financial or other asset losses due to fraud, waste and abuse.

The Tennessee Legislature amended TCA Section 9-2-102 in 2015 to require local governments to establish and maintain internal controls in accordance with guidance issued by the U.S. Government Accountability Office (GAO). East Tennessee State University is considered a locally governed institution.

The management of the university must design and implement a system of internal controls sufficient to meet the three objectives of internal controls 1) produce reliable reports, 2) conduct efficient and



effective operations and 3) ensure compliance with applicable laws, regulations, contracts and grant agreements.

Management will be bringing additional policies and the completed Internal Control Manual to the committee for review at the next meeting of the Finance and Administration Committee.



EAST TENNESSEE STATE UNIVERSITY  
BOARD OF TRUSTEES  
FINANCE AND ADMINISTRATION COMMITTEE

MINUTES

April 28, 2017  
Johnson City, Tennessee

The East Tennessee State University Board of Trustees Finance and Administration Committee held its first meeting at 2 p.m. on Friday, April 28, 2017, in the President's Conference Room in Burgin Dossett Hall on ETSU's main campus in Johnson City, Tennessee.

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; however a quorum does 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 up to the committee the following circumstances that necessitated the reason for holding the meeting:

- ETSU will undergo an accreditation visit by the Southern Association of Colleges and Schools Commission on Colleges on May 15-17.
- It is necessary for the Finance and Administration Committee of the Board of Trustees to meet in order to review the committee charge and proposals with history of salary increases and fees on today's agenda to better understand the trustees' role prior to the visit by SACS.
- 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 Ron Ramsey made the motion that a necessity did exist for the meeting to proceed. It was seconded by Chair DeCarlo and received unanimous approval.

Trustees in attendance were:

Steven DeCarlo, chair (via WebEx)  
Dorothy Grisham (via WebEx)  
James Powell (via WebEx)  
Ron Ramsey  
Nathan Farnor (non-voting)

Guests in attendance included Dr. B.J. King, acting CFO; Deputy Secretary Nathan Dugger; and Kristen Swing of University Relations (taking minutes).

### **III. Remarks by Secretary of the Board regarding telephonic meetings**

Secretary Linville asked Chair DeCarlo and Trustees Powell and Grisham (all participating electronically) two questions in accordance with Tennessee Code 8-44-108 section (c)(3). He asked them if they were able to clearly hear the individuals in the President's Conference Room, to which they all said yes. He asked if trustees physically present could hear the three individuals electronically participating. Trustees Ramsey and Farnor affirmed. Secretary Linville also asked Chair DeCarlo and Trustees Powell and Grisham to identify any persons present in the room with them. Trustee Grisham said she was alone in her office. Trustee Powell said he was alone in his residence in Limestone, Tennessee. Chair DeCarlo said he was alone as well.

### **IV. Action Items**

There were no action items on the agenda for the meeting. Chair DeCarlo pointed out there would be no voting on anything at this meeting.

### **V. Discussion Items**

#### **A. Committee Charge, Section 4 of Bylaws**

Dr. B.J. King explained that the committee's scope of responsibility is comprised of 14 areas including approving and recommending to the full Board of Trustees the university operating budgets and student tuition and fee rates. She said the meeting would focus in three areas included in the committee's scope of responsibility:

1. Approve and recommend to the Board guidelines governing the administration's submission of a proposed annual operating budget and appropriations prior to their submission to other state agencies and officials.
2. Approve and recommend tuition and fee rates for adoption by the board.
3. Approve and recommend to the Board of Trustees any personnel policy matter requiring Board approval (i.e.: salary increases).

Dr. King said she did not have the budget documents for the committee today, but felt the meeting was laying the groundwork for the decisions that the group will have to make at its next meeting. At the next meeting of the committee, the

budgets will be available for ETSU main campus, College of Medicine, College of Pharmacy and Family Practice.

Chair DeCarlo asked how far in advance of that meeting committee members will receive those documents for review. Dr. King said the university is supposed to submit its budget to the Tennessee Board of Regents one week from April 28. At that time, she said she would have the information to bring forward to the committee. Dr. King said budget documents are ready for the College of Medicine, College of Pharmacy and Family Practice but the main campus budget is still being worked on. Next Friday (May 5), Dr. King said she would submit to the TBR, which is required for review of debt service coverage and technical correctness. TBR then submits the budgets to the Tennessee Higher Education Committee.

Dr. King said she hopes to be on a different timeline next year, with the Board of Trustees recommendation on tuition and fees being ready in March to go along with the student recruitment season.

**B. Salary Increase History and Proposal for 2017-18**

Dr. King explained that the university received Governor Bill Haslam's recommended budget in which he outline a 3 percent salary pool. The state's appropriation covers approximately 60 percent of what is needed for a 3 percent pool and ETSU must come up with the other 40 percent. In total, the 3 percent salary pool equates to \$3.3 million, with approximately \$2 million coming from Haslam and \$1.3 needed from the university. Dr. King said the only way to fund that is through an increase in tuition and fees. She pointed out that the Governor fully funded the College of Medicine and Family Practice pool and the College of Pharmacy does not receive state appropriations so it had to come up with the \$156,000 it would take for a 3 percent salary pool. The College of Pharmacy came up with the funds through a student fee increase.

Dr. King said it is very hard to receive a budget recommendation from the governor and not fund it because employees believe it will be funded. She said a committee on campus decides how salary increases are implemented. That committee recommended a 3 percent pool with institutional funding to make up the difference. That same committee recommended the funds be used for a 2 percent across-the-board increase with a minimum/floor of \$500 to take care of the employees at the bottom of the pay scale. The recommendation for the remaining 1 percent is that it be put in a pool to be allocated through a market equity increase. There would be a \$3,000 cap, meaning the largest payment out of that pool would be \$3,000, which would allow for more funds to be distributed to people in lower ranks. Dr. King said that committee's proposal was taken to ETSU President Brian Noland, who agreed with it and signed off on it.

Dr. King provided a document sharing ETSU's equity pay plan methodology. The document included data put together for the university's compensation plan. She said it is updated each year.

The committee, at its next meeting, will look at the proposal and vote on it to recommend to the full Board of Trustees at its June 9 meeting.

Trustee Grisham asked if this proposal is similar to what has been done in the past regarding the equity route. Dr. King affirmed that this is standard operating procedure and said the committee that reviews the methodology is not new to the university. Chair DeCarlo asked about the Board committee's role in the process versus the university committee's role. Dr. King said Dr. Noland signed a document saying the TBR is not required to approve the recommendation of the institution's Market Salary & Equity Committee because there has been no change in methodologies. In the future, Dr. King said, if the university changes its methodology, it would go before the Board of Trustees for approval. She said the university does feel it needs to look at the methodology every year and decide if it needs to change.

Trustee Ramsey asked if the campus decides how to distribute the 1 percent. Dr. King said yes, adding that Human Resources does a lot of work to figure it out.

Dr. King said the plan is to implement in October with it being retroactive to July 1. Chair DeCarlo asked if that was normal and Dr. King said yes. She explained that the institution does not know what funding it will have until August because it is dependent on student fees. October has traditionally worked well for the payroll department and Human Resources has all the data by then. The equity portion takes data crunching and gets verified by both HR and Internal Review.

Chair DeCarlo made an observation that the governor is supporting his 3 percent pool with, in essence, 2 percent funding. Trustee Ramsey compared it to what the state does in K-12 school systems. He said, often, school systems have more teachers than the minimum required by the state, but the state only gives them money for the 3 percent for the minimum required. It is up to the school systems to decide if it will make up the rest or give a smaller salary increase to all of its teachers. Dr. King said that is how it works at ETSU as well. She said the university has the latitude to not go with the 3 percent pool, but it'd be very hard to tell employees that. She said she is even concerned that it may be being perceived as a 3 percent across-the-board salary increase rather than a 3 percent pool.

Trustee Powell said this is the time for this committee to learn how this process operates and not make any changes to it. Trustee Ramsey agreed, saying there are changes that they could recommend but this year, they should go with what they've got in front of them. Chair DeCarlo and Trustee Grisham agreed.



Dr. King said, in the future, it would be good to schedule a committee meeting later in the year where they bring in an HR person to walk through the whole thing.

### **C. History of Other Operating Expenses**

Dr. King pointed out that salaries and benefits are the biggest expenses at the university. She provided a five-year comparative of operating expenses by natural classification and by functional/program classification. She said those are two different ways to look at the expenditures (Pages 14 and 15 of materials).

Dr. King addressed some variances seen on the Expenditures and Transfers by Natural Classification chart.

- A salary increase between 2011-12 and 2012-13, and another between 2012-13 and 2013-14, were related to across-the-board salary increases of 3 percent. She said all of the institution's restricted and grant funds also participated in the salary increase.
- The significant increase in benefits from 2011-12 to 2012-13 was due to a requirement to reclassify the university's graduate assistant tuition remissions as an employee benefit instead of being put in the scholarship line.
- A change in the benefits line from 2013-14 to 2014-15 was due to a change in the way the institution reported pensions. Dr. King said it was a huge shift required under governmental standards. She also said the State of Tennessee is one of the top five states in this country in the funding of pensions, noting that the pension fund is 93-97 percent funded. Trustee Ramsey compared that to Illinois, where the pension fund is 23 percent funded. In Tennessee, Ramsey said the fund is approaching \$40 billion and the state saw a 13 percent return on that last year. Chair DeCarlo said it was amazing the state has done that. Trustee Ramsey said in the 1970s, the state went to the TCRS system and almost everybody is in it.
- Chair DeCarlo asked about the maintenance and repair growth between 2012-13 and 2015-16. Dr. King said the university started working on maintenance projects that fell by the wayside in bad years and also got more state appropriations for those projects. Chair DeCarlo asked if it is going to be a big number for the next three to five years. Dr. King said we've got a lot of capital projects going on.
- Dr. King pointed out that utilities went down last year due to a cost decrease for natural gas.
- Dr. King said the institution had been depreciating buildings over 40 years, but decided it was more reasonable to depreciate them over 60 years, making for the decreased number in that line.

Dr. King addressed some variances seen on the Expenditures and Transfers by Function chart, pointing out that instruction is our No. 1 function on campus, as it

should be. Trustee Farnor asked where benefits fall in and Dr. King said they fall under instruction.

#### **D. History of Student Fees**

Dr. King said that although we are severing from the TBR, we still are operating under the auspices of THEC. THEC, in the fall, came up with what they think the appropriation should be and what our tuition and fee increase should be for mandatory fees. That information is given to the governor's office and sets the stage for the governor to make his recommendation. Then we get the governor's budget and he may be above or below THEC's recommendation for the state appropriation. This year, the governor budgeted \$7 million more than THEC recommended, which meant a \$450,000 impact for ETSU. THEC waits for the legislative session to close and then comes out with a binding tuition limit, which is expected to occur on May 10 or May 11. The university must stay within that binding limit. Dr. King said we have been told this year their range is 0-4 percent, meaning the maximum increase in maintenance and mandatory fees would be 4 percent (calculated at 15 credit hours). Dr. King said if we went with the 4 percent increase that is still one of the lowest we have had in the last 25 years. In the last five years, the increase at ETSU has been 3.2 percent in 2016-17; 4.3 percent in 2015-16; 5.9 percent in 2014-15; 7.8 percent in 2013-14; and 7.2 percent in 2012-13. Dr. King provided charts to show ETSU increases in maintenance and fees as compared to other Tennessee universities (Page 17 of materials).

Dr. King said she is proposing that, next year, this talk take place in February and is finalized in March. She said if we could come up with what our Board of Trustees wants by then, that allows prospective students to know what the tuition and fees will be to come to ETSU in the fall.

Dr. King said the university only gets revenue from two places: the state and from students. She said they are trying to keep costs as low as possible. She noted that a 1 percent tuition increase generates \$1.1 million. THEC expects a 2.7 percent inflation rate at the university, which would mean a 1.7 percent fee increase just to cover inflation. Then we need to come up with 40 percent of the salary pool. At a minimum, that means we need \$3.2 million from tuition and fees. The \$464,000 in additional appropriations gets us down to \$2.7 million that we need. The proposal brings in \$3.46 million, making the institution net better by \$750,000 on a \$200 million budget. Tuition increases proposed for the College of Medicine and College of Pharmacy are based on cost studies, Dr. King added.

With maintenance fees, there is a 3.17 percent increase. Last year it was a 2.5 percent increase. The 3.17 percent increase equates to \$111 per semester more.

#### **E. Initial Review of Mandatory and Non-Mandatory Fee Requests**

##### *Mandatory Fee Requests*

Dr. King shared a chart detailing mandatory fee requests (Page 20). She said all of them have been discussed with the Student Government Association's executive

committee. She explained that leaders always ask the SGA for input when proposing mandatory fee requests. Dr. King pointed out that ETSU is one of the few schools without a facilities fee, which allows for a pool of funds for basic classroom and campus renovations (i.e.: upgrades to classrooms and sidewalk repair). The proposal is for a \$40 fee per term that will generate \$1.1 million. Existing fees for which increases are proposed include the technology access fee and the student activity fee. The technology access fee has not been increased since 2001. An increase of \$13 per semester is being proposed for the student activity fee, with \$7 for library operation, to have the library open 24 hours per day, five days a week, and \$6 for program expansion at the Center for Physical Activity. Dr. King said the executive staff has approved all three proposed mandatory fee increases and SGA has supported them.

#### *Non-mandatory Fee Requests*

Dr. King explained that when THEC does its binding limit process, those are things all students should pay. Non-mandatory fees are fees that students pay based on their program of study, specific courses they are taking, etc. Dr. King shared a chart outlining non-mandatory fee requests (Page 21 of materials). The first two items listed are not non-mandatory fee requests, but Dr. King wanted to address them.

The establishment of a credit card convenience fee is being recommended. Dr. King said the university has never done this before because TBR would not allow it. This would pass on credit card charges for online payments to the end user. Currently, the university eats the cost, to the tune of \$552,000 last year alone. \$500,000 of that, Dr. King said, is related to transaction fees. She pointed out that the University of Tennessee already does this. It reduces expenses the university is bearing. Trustee Ramsey agreed with the proposal saying it is not a cost the university can afford to eat.

Dr. King also addressed an increase to meal plans at a rate of 2.54 percent. This is in the contract the university has with Sodexo and while it will generate \$55,000, the university is really just a pass-through because that money goes to Sodexo.

Twelve non-mandatory fee requests are also proposed. They include increases to Appalachian Studies individual instruction; chemistry lab fees; geosciences field lab fee; applied music fee; computing specialized course fee; engineering technology course fee; graduate school application fee; online course fee and Global Sports Leadership cohort fee. New non-mandatory fees are being proposed in areas including Appalachian Studies recording lab; Communication and Performance; ensemble music; and exercise science cardiovascular testing and EKG.

Chair DeCarlo asked if the list includes only non-mandatory fees for which increases are being requested. Dr. King said yes and pointed out that others asked for increases but, this year, the institution went through structured budget hearings

from major elements of campus. Groups presented wish lists to a budget advisory group and these fees percolated up through that process. Some were determined that could be paid for in another way, Dr. King said. She called the budget hearings process “the most thoughtful process we’ve had in place in a number of years.” Chair DeCarlo pointed out that this proposal included four new fees and 10 increases and asked how many other fees we charge. Dr. King was not sure of the exact number, but said she felt it was triple that many. Chair DeCarlo noted that this was a proposed increase of \$2 million in fees and he felt more time needed to be spent on the fee process. Trustee Powell said there were probably opportunities to reduce costs, but also noted that these are necessary items that the state will not fund. Trustee Powell also noted that ETSU is so much cheaper than a private school. Chair DeCarlo said it is the committee’s responsibility to understand the increase in fees in the aggregate and he was trying to look at the big picture, which is that fees are going up by \$2 million. He specifically pointed out the proposal for an increase in the online course fee and a portion of the justification for that fee being a Customer Relationship Management (CRM) for the entire campus.

**F. Next Steps**

Dr. King said the group needs to see what it is comfortable recommending. Chair DeCarlo said the committee needs to meet again before the June 9 full Board of Trustees meeting. He said May 26 was originally proposed, but with it being the Friday before the Memorial Day holiday, it might be better to look at a date before or after the holiday weekend. He said staff will reach out to the group to see what is available for everyone. Trustees Ramsey and Grisham aired their preferences for morning meetings.

**VI. Information Item**

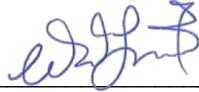
Dr. King let the committee know that state law was revised in 2015 to require local governments to establish an internal control manual for the institution. All of that is in flux with the severance from the TBR, but it is Dr. King’s understanding that the university is required to have one each for the university, the Foundation and the Research Foundation. In the process of working those up, Dr. King will be bringing to upcoming meetings policies for the committee’s review and approval. At the latest, the manual will be to the group by the June 9 meeting so it can be recommended for approval.

**VII. Other Business**

There was no other business.

Chair DeCarlo adjourned the meeting at 3:53 p.m.

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.