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2018 March 29 - Board of Trustees Finance and Administration Committee Minutes

Board of Trustees, East Tennessee State University

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

MINUTES

March 29, 2018
Johnson City, Tennessee

The East Tennessee State University Board of Trustees Finance and Administration Committee held a special called meeting at 3 p.m. on Thursday, March 29, 2018, 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 called the roll. Committee members in attendance were:

Steven DeCarlo, chair (via video conference)

Jim Powell (via telephone)

Nathan Farnor

Absent were Trustees Dorothy Grisham and Ron Ramsey.

Secretary Linville noted to Chairman DeCarlo that he did not detect a physical quorum, however a quorum did exist by the inclusion of those members participating by electronic means. In accordance with Tennessee Code § 8-44-108 section (b) (2), Secretary Linville offered up to the committee the following circumstances which necessitate the reason for holding this meeting:

- It is necessary for the Executive Committee of the Board to meet in order to review the appeal filed with the Board.
- 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 members by electronic or other means of communication is necessary, and then asked that a motion be made and a roll call vote be taken for a determination on the necessity of holding the meeting. Trustee Powell made a motion recognizing the necessity of the meeting. It was seconded by Trustee Farnor and unanimously approved via a roll call vote.

Secretary Dr. David Linville noted that, because some committee members were calling in for the meeting, he was required to ask each member if they can hear the meeting clearly on

the phone and if anyone is present in the room. Trustees DeCarlo and Powell both confirmed they could hear the meeting and were alone in their respective offices.

Others in attendance included: Dr. B.J. King, Dr. Brian Noland, Mr. Nathan Dugger, Ms. Kristen Swing, Ms. Margaret Pate, Ms. Kathy Glover, Ms. Amanda Mowell, Ms. Sue Taylor, Ms. Sherry Armitage, and Mr. Zach Vance (of the Johnson City Press).

III. Approval of Salary Increase for 2018-19

Dr. B.J. King explained that the Governor's proposed budget contains a 2.5 percent salary increase, with the governor providing approximately \$1.8 million of that cost and ETSU having to contribute approximately \$1.2 million. The university's contribution of \$1.2 million equates to a tuition increase of 1.75 percent.

For reference, Dr. King noted that the university had a 3 percent salary pool last year that was used for a 2 percent across-the-board increase and the other 1 percent went to an equity pool for increases based on market equity research. This year, Dr. King said executive leadership has decided to use the entire 2.5 percent for across-the-board raises (with a \$500 floor). Meanwhile, she said, a Human Resources consultant is helping the university look for a compensation plan that will allow leaders to do something different next year.

Trustee Powell moved that the Finance and Administration Committee recommend the adoption by the full Board of Trustees of the proposed salary increase for 2018-19 as it was presented, contingent on the approval of the Governor's budget and the approval of the THEC binding fee limit in May. It was seconded by Trustee Farnor and unanimously passed via roll call vote.

IV. Approval of Mandatory and Non-Mandatory Fees for 2018-19

Dr. B.J. King shared that, last year, ETSU approved a maintenance fee increase of 3.17 percent and a total maintenance and mandatory fee increase of 3.97 percent, which was in line with THEC's binding limit of 4 percent. She warned that this legislative session is not yet complete, but said the university is anticipating receiving the funding outlined in the Governor's budget in January as well as a THEC binding limit of 3 percent. She reminded trustees that anything they approve today to move forward to the full Board of Trustees is contingent on the Governor's budget as it was presented in January and THEC establishing and confirming the 3 percent binding limit at its meeting in May. Worst-case scenario, she said, is that the full Board of Trustees approves something in April and then THEC reduces its binding limit. In that case, she said, there would need to be called meetings of the committee and full board to reduce the budget for this year.

The proposed total tuition and mandatory fees increase for 2018-19 is 2.91 percent, with 2.7 percent of that in maintenance fees and the remainder in mandatory fees, which will go toward a facilities fee (approximately two-thirds) and a technology access fee (approximately one-third). Dr. King said the 2.74 percent in maintenance fees should equal approximately \$3.3 million in revenue to go to the general fund. It will be used for salary increases and

anticipated scholarship increase while also accommodating a projected 100-student enrollment decline and a small inflationary factor.

The Quillen College of Medicine is proposing a 2 percent increase and the Bill Gatton College of Pharmacy is proposing a 3 percent increase, Dr. King also noted.

Offering some context, Dr. Brian Noland explained that the university will have to have a 1.75 percent fee increase for mandated salary increases and said the remaining balance is nominal. He said the university is taking a conservative approach to fees as well as the proposed budget. He also emphasized the historic timing of the process this year, noting that it is the first time in modern history that students will have a sense of the next year's tuition and fees before departing for the summer.

Dr. King next addressed the mandatory fee requests, noting again that these generate revenue for the facilities fee and technology access fee. She said Mr. Jeremy Ross would be present, hopefully in September, to talk about last year's facilities fee and what it was used for. She said last year was the first time for the facilities fee. The technology fee, she added, will go toward bandwidth costs, storage costs and access controls on the network.

On Page 9 of the materials, Dr. King noted that it should be labeled Non-mandatory fees and said these are fees related to specific courses. On Page 10, Dr. King noted a fee in Business and Technology that had changed. It is a fee related to a one-hour course for international students. On Page 11, Dr. King noted the Global Sports Leadership cohort fee, saying that it was presented last year but would not start until this fall so it was put into the materials just for clarity.

Trustee Powell moved that the Finance and Administration Committee recommend to the full Board of Trustees the adoption of the proposed mandatory and non-mandatory fees for 2018-19 as presented, contingent on the approval of the Governor's budget and the approval of the THEC binding fee limit in May. It was seconded by Trustee Farnor and unanimously passed via roll call vote.

V. 2018-19 Budget Proposals

Dr. King said the Governor's total increase for the entire university is \$5.5 million, with \$500,000 of that related to an insurance increase. That leaves \$5 million, of which \$3.4 million is designated for the salary pool and leaving a \$1.7 million operating increase from the Governor. The Governor also included \$8.6 million in five maintenance projects at ETSU. The proposed humanities building, she noted, was not funded this year. Trustee Powell asked what the Governor provided for maintenance projects last year and Dr. King said it was around \$9.4 million. She said the \$8.6 million is not bad and that she believed ETSU came out well on maintenance projects this year.

In terms of the new locally governed institutions (LGIs), the University of Memphis had the largest appropriation followed by MTSU and then ETSU. Dr. King said ETSU has been very pleased with what Gov. Bill Haslam has given over the last few years. She noted that we are the first institution to have meetings on tuitions and fees and added that ETSU is decreasing

its tuition-and-fees increase by over 1 percent this year over last year. She also said we are coming in more in line with our peers with average tuition and mandatory fees.

Dr. King summarized that the budget is balanced and within available resources; tuition increases continue to trend low and are in line with peers; there are compensation increases; and approximately \$5 million in appropriations (net of health insurance). She said budget hearings started within colleges in the fall, reached the VP level in December and hearings with the VPs took place in January and February. A diverse committee is now going through the budget review process, she added.

In discussing main campus unrestricted funds, Dr. King noted that the university's \$260 million budget is funded by tuition and fees to the tune of \$150 million. State appropriations make up a little over \$65 million; grants and contracts account for approximately \$5.4 million; sales and services represent almost \$12 million; auxiliaries are \$25.6 million and other sources found \$1.4 million. She noted that the materials show revenues going up and expenditures going down, however this relates to carry-forward funds and encumbrances. She assured the trustees that the revenues and expenditures are almost identical and the budget is balanced. Dr. King shared a slide showing revenue by source. The slide showed that 53 percent of the university's revenue budget – the largest source of revenue – comes from maintenance and required fees. In terms of non-mandatory fees, the largest contributor is specialized course fees. In sales and services, the number one contributor of revenue is athletics. For grants and contracts, the largest revenue source is local due to the funding received for the operation of University School. In auxiliaries, housing is the largest source of funds but food service is growing.

In a slide regarding the allocation of new net funding on the main campus, Dr. King explained that \$2.5 million will go to a salary pool while other funds will be used for new positions as well as travel and operating expenses. There is \$4.1 million in total allocation in new funding on the main campus -- \$3 million will be put into salary increases and \$1.1 million will go into new positions and new operating monies.

Dr. King said instruction is 40 percent of ETSU's budget and scholarships are approximately 13 percent of the budget. As far as natural classification, salary and benefits are the largest portion of expenditures.

Chair DeCarlo asked how many positions would be funded through the \$733,000 allocated. Dr. King said, in total, we are asking for 10.5 new positions however four of them are being self-funded by one college. So, that means the \$733,000 is to fund 6.5 positions, including salaries and benefits.

At the Quillen College of Medicine, both the revenues and expenditures are at \$61 million, representing a \$2.5 million increase in revenue. Dr. King said this is in line with last year's proposal, adding that the medical school is increasing expenditures in instructional areas. She said MEAC provides \$39 million to the unit, representing approximately 39 percent of the total budget. State appropriations for Quillen are \$3.4 million. Like the main campus, the

number one expenditure at Quillen is instruction (salary/benefits by natural classification). Tuition and fees will go up 2 percent.

In Family Medicine, revenue is going up about \$500,000 and the budget is balanced. State appropriations are about 44 percent of the Family Medicine budget. Family Medicine is very dependent on clinic and residency revenues, Dr. King noted.

At the College of Pharmacy, there is a proposed 3 percent tuition increase, which equates to another \$300,000 in revenue. The budget is balanced. The pharmacy school does not receive a state appropriation and is almost entirely dependent on tuition and fees.

Summarizing, Dr. King said there has been a thorough budget hearing process; we are recommending low tuition increases with stable state appropriation revenue; investments are being made in employees through a salary increase; and the state has continued investing in campus infrastructure for maintenance projects.

Trustee Powell asked whether pharmacy could help with revenues by following a method similar to medicine with private practice. Dr. Noland pointed out that practice plan options at Quillen College of Medicine are structured around them seeing patients and the nature of independent pharmacists in a clinic setting is different. From a revenue perspective, Dr. Noland said clinical operations for Gatton are possible but he hesitated to say they'd lead to revenue like that at the medical school. Secretary Linville also pointed out the work ETSU's Academic Health Sciences Center is doing with the national Aligned Institutional Mission project from with the Association of Academic Health Centers. He said ETSU and the University of Kansas are the only two universities in the country to be a part of the project, which is taking a deep dive into the clinical operations across the health sciences at ETSU. He said the project will help identify opportunities and synergies that exist to improve the bottom line.

Chair DeCarlo asked about the status of the pharmacy school tuition issue related to the UT pharmacy school. Dr. Noland said the issue traces its roots to changes at UT that now allow an Alabama resident to pay less to attend UT than a Tennessee taxpayer pays to attend Gatton College of Pharmacy. A bill is currently proposed in the state legislature to provide \$2.5 million in scholarships and Dr. Noland said that while he recognizes this is a longer conversation, he is hopeful that the legislation will generate discussion.

In conclusion, Chair DeCarlo said this committee would discuss this again on April 27 prior to the full Board of Trustees meeting that afternoon where it will be presented to the full board.

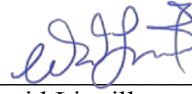
VI. Other Business

None

IX. Adjournment

Chair DeCarlo adjourned the meeting.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'David Linville', is positioned above a horizontal line.

David Linville
Secretary of the Board of Trustees

Approved by the Board of Trustees at its April 27, 2018 meeting.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION COMMITTEE
MARCH 2018 SPECIAL CALLED MEETING

3:00-4:00pm EDT
Thursday
March 29, 2018

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

AGENDA

- I. Call to Order
- II. Roll Call – special instructions for telephonic meetings
- III. [Approval of Salary Increase for 2018-19](#)
- IV. [Approval of Mandatory and Non-Mandatory Fees for 2018-19](#)
- V. [2018-19 Budget Proposals](#)
- VI. Other Business
- VII. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: March 29, 2018

ITEM: Salary Increase Proposal for 2018-19

COMMITTEE: Finance and Administration Committee

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

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

The Governor's Budget was released in conjunction with the State of the State address on January 29, 2018. The budget related to higher education can be found at <https://www.tn.gov/content/dam/tn/governorsoffice-documents/governorsoffice-documents/sots-2018/2019BudgetDocumentVol1.pdf>.

The Governor has recommended a 2.5% salary pool for higher education. The dollar appropriation for the 2.5% salary pool is 60% of the funding required to implement the pool. The remaining 40% will be funded through student fee increases.

	\$ Needed for 2.5% Pool	Governor's Proposed 2.5% Pool	Funded through Student Fees or Other Sources
Main Campus	\$3,000,000	\$1,842,30000	\$1,157,700

The university is currently engaging the services of a consultant to review all functions in Human Resources, including compensation. Management is recommending an across the board 2.5% salary increase for fiscal year 2018-19. We anticipate discussing the consultant recommendations on compensation with the committee when a report is prepared.

The table below shows the salary increase implementation for the past ten years.

Year		Across the Board Increase			Equity Increase To Market		Service Bonus		
2018-19	(1)	2.5%	\$500 min	(2)					
2017-18		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)

(1) Proposed 2.5% across-the-board increase with a \$500 minimum.

(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.

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

RESOLVED: The proposed salary increase for 2018-19 is approved as presented in the meeting materials contingent on the approval of the Governor's budget and the approval of the THEC binding fee limit in May.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: March 29, 2018

ITEM: Mandatory and Non-Mandatory Fee Proposals for 2018-19

COMMITTEE: Finance and Administration Committee

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

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

	% 2013-14		% 2014-15		% 2015-16		% 2016-17		% 2017-18	
		Incr		Incr		Incr		Incr		Incr
Austin Peay	\$5,874	3.2%	\$6,198	5.5%	\$6,348	2.4%	\$6,522	2.7%	\$6,696	2.67%
East Tennessee	6,198	4.7%	6,630	7.0%	6,828	3.0%	7,002	2.5%	7,224	3.17%
Middle Tennessee	6,222	5.5%	6,552	5.3%	6,756	3.1%	6,930	2.6%	7,176	3.93%
Tennessee State	5,844	1.2%	6,198	6.1%	6,378	2.9%	6,528	2.4%	6,726	2.76%
Tennessee Tech	6,096	6.1%	6,474	6.2%	7,182	10.9%	7,380	2.8%	7,656	3.77%
University of Memphis	7,410	6.2%	7,410	0.0%	7,686	3.7%	7,860	2.3%	8,064	2.15%
UT Chattanooga	6,065	6.0%	6,430	6.0%	6,624	3.0%	6,768	2.2%	6,888	1.77%
UT Knoxville ¹	8,648	10.8%	9,493	9.8%	10,190	7.3%	10,858	6.5%	11,110	1.93%
UT Martin ²	6,336	6.0%	6,716	6.0%	6,918	3.0%	7,375	6.6%	7,818	1.8%
University Average	\$6,521	5.5%	\$6,900	5.8%	\$7,212	4.4%	\$7,469	3.4%	\$7,706	2.66%

Mandatory Fees

	% 2013-14		% 2014-15		% 2015-16		% 2016-17		% 2017-18	
	Incr		Incr		Incr		Incr		Incr	
Austin Peay	\$1,284	4.9%	\$1,264	-1.6%	\$1,453	15.0%	\$1,473	1.4%	\$1,529	3.8%
East Tennessee	1,345	25.1%	1,355	.7%	1,649	21.7%	1,669	1.2%	1,791	7.31%
Middle Tennessee	1,618	1.5%	1,636	1.1%	1,648	0.7%	1,660	.7%	1,772	5.48%
Tennessee State	930	0.0%	1,026	10.3%	1,039	1.3%	1,039	0.0%	1,050	1.06%
Tennessee Tech	1,287	7.3%	1,511	17.4%	1,171	22.5%	1,171	0.0%	1,217	3.93%
University of Memphis	1,256	0.0%	1,563	24.4%	1,583	1.3%	1,637	3.4%	1,637	0.0%
UT Chattanooga	1,490	0.0%	1,708	14.6%	1,732	1.4%	1,776	2.5%	1,776	0.0%
UT Knoxville	1,414	9.6%	1,510	6.8%	1,758	16.4%	1,810	3.0%	1,860	2.76%
UT Martin	1,178	6.8%	1,308	11.0%	1,408	7.6%	1,408	0.0%	1,418	0.71%
University Average	\$1,311	6.1%	\$1,431	9.4%	\$1,477	4.7%	\$1,508	1.4%	\$1,508	2.8%

Total Maintenance and Mandatory Fees

	% 2013-14		% 2014-15		% 2015-16		% 2016-17		% 2017-18	
	Incr		Incr		Incr		Incr		Incr	
Austin Peay	\$7,158	3.5%	\$7,462	4.2%	\$7,801	4.5%	\$7,995	2.5%	\$8,225	2.88%
East Tennessee	7,543	7.8%	7,985	5.9%	8,477	6.2%	8,671	2.3%	9,015	3.97%
Middle Tennessee	7,840	4.6%	8,188	4.4%	8,404	2.6%	8,590	2.2%	8,948	3.93%
Tennessee State	6,774	1.1%	7,224	6.6%	7,417	2.7%	7,567	2.0%	7,776	2.76%
Tennessee Tech	7,383	6.3%	7,985	8.2%	8,353	4.6%	8,551	2.4%	8,873	3.77%
University of Memphis	8,666	5.2%	8,973	3.5%	9,269	3.3%	9,497	2.5%	9,701	2.15%
UT Chattanooga	7,555	4.8%	8,138	7.7%	8,356	2.7%	8,544	2.2%	8,664	1.4%
UT Knoxville ¹	10,062	10.7%	11,003	9.4%	11,948	8.6%	12,668	6.0%	12,970	1.93%
UT Martin ²	7,514	6.5%	8,024	6.8%	8,326	3.8%	8,783	5.5%	9,236	1.65%
University Average	\$7,833	5.6%	\$8,331	6.3%	\$8,706	4.3%	\$8,985	3.1%	\$9,268	2.72%

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.

The Tennessee Higher Education Commission has proposed a binding limit on maintenance and mandatory fees of 3%. The binding limit will be finalized at the May 17th THEC meeting. The limit last year was 4% and the university increased these fees 3.97%. This year the university is proposing a 2.91% increase, which would be 2.74% in maintenance fee increase and the remainder in mandatory fees.

Any committee approved or Board approved fees are contingent on the approval of the Governor's budget and the approval of the THEC binding fee limit in May. Should the Governor's budget or the THEC binding limit be lowered after Board approval of fees, the Board and the university will lower fees accordingly and adjust the budget for fiscal year 2019.

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

RESOLVED: The proposed mandatory and non-mandatory fees for 2018-19 is approved as presented in the meeting materials contingent on the approval of the Governor's budget and the approval of the THEC binding fee limit in May.

Maintenance Fee Request - Per Semester

	2017-18 Actual	Proposed	2018-19 \$ Increase	% Increase	Prior Increase	Revenue Generated	Justification
Undergraduate @ 15 hrs	\$3,612	\$3,711	\$99	2.74%	3.17%		
UG Out of State	9,339	9,591	252	2.70%	3.22%	\$3,330,000	Unfunded salary pool \$1.2M, scholarship increases with tuition \$1.2M, budgeted enrollment decline 100 students \$760k, inflation
Graduate @ 9 hrs	4,122	4,230	108	2.62%	3.15%		
Grad Out of State	7,353	7,560	207	2.82%	3.16%		
College of Medicine M1, M1, M4	15,779	16,095	316	2%	2%	\$130,000	Cost study conducted
College of Medicine M3	20,986	21,406	420	2%	2%	\$59,000	Cost study conducted
College of Pharmacy	18,045	18,586	541	3%	3%	329,000	Cost study conducted

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

<u>Description</u>	<u>Current</u>	<u>Request Proposed</u>	<u>Increase</u>	<u>Prior Increase</u>	<u>Revenue Generated</u>	<u>Justification</u>
Facilities Fee	\$40/\$5 per hr	\$60.00	\$20/\$2.5 per hr	Established 2017-18	\$493,000	Increase funds for the designated pool for specific campus renovation or constructions projects including classroom enhancements and campus improvements.
Technology Access Fee Year 2 of a 5 year request	\$120.50/\$15 per hr	\$132.50	\$12/\$2 per hr	2017-18 \$8/\$1 per hr	\$296,000	Increased bandwidth costs, Storage Area Network (SAN) for backup and student network storage, Network Access Control (NAC) technology improvements.

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

<u>Description</u>	<u>Current</u>	<u>Request Proposed</u>	<u>Per Hour Increase</u>	<u>Prior Increase</u>	<u>Revenue Generated</u>	<u>Justification</u>
Bluegrass Band Fee	\$100 flat	\$100 per hr	From flat to cr hr charge	2015-16 \$50 increase to \$100 flat	\$7,000	Advanced bands are 2 credit courses, others are 1 hour. Account for additional instruction and supervision costs.
Studio Art Fee	\$30 per hr	\$50 per hr	\$20	2015-16 \$10 increase	\$50,000	Cover rising costs of materials, equipment, technology, and related repairs and replacements. Make fee consistent with fee for Graphic Design courses. Comparable South Alabama at \$45/hr. Eastern KY ranging from \$30-75 hr.
Art Appreciation Fee	NA	\$15 flat	\$15 flat	NA	\$3,600	Apply similar fee to this new course consistent with previously approved Art History courses.
Social Work Field Practicum Fee	\$50 flat	\$75 flat	\$25 flat	Established 2013-14	\$7,000	Used to support field education activities including liaison to sites. Expansions to Asheville and Abingdon have increased overall support costs.
Specialized Business Fee	\$30	\$35	\$5	2016-17 \$5 increase	\$162,051	Address increase costs in providing educational support. To continue to support faculty salaries in business disciplines, support for student services, instructional resources

provided to the students, and facilities improvements. Increase in fees would allow the college to support the university enrollment growth goal.

<u>Description</u>	<u>Current</u>	<u>Request Proposed</u>	<u>Per Hour Increase</u>	<u>Prior Increase</u>	<u>Revenue Generated</u>	<u>Justification</u>
Accelerated Masters in Business Administration	\$25,000	\$30,000	\$5,000	2014-15 \$5,000 increase	\$150,000	Approx. 30 students per year. To address increase in costs associated with the program: faculty/staff salaries, text books, premium facilities, and other state of the art resources.
CBAT Course Fee for 1 hour credit courses designed for international students	NA	\$150	\$150	NA	\$87,000	Assessed to one-hour credit course for approx. 290 students per semester. To support current international students in the college, as well as pursue growth in the college.
Extended hours course section fee for ENGL 1020	NA	\$100	\$100	NA	\$2,000	Create an extended-hours course section fee of \$100 that will allow departments to offer sections of courses that meet up to 5 hours a week but award the same credit as sections that meet the customary 3 hours a week. ADDITIONAL BENEFITS: Charging a \$100 fee for an extended-hours course section would lower costs for our international students, who currently pay nearly \$300 –if they get

the in-state rate—for ENGL 1009, a 1-credit lab.

Support a strategic growth agenda that maximizes the student experience both inside and outside the classroom;
Expand the foundation for excellence and innovation in all disciplines;
Support community engagement and service.

Health Science Course Fee	\$40	\$50	\$10	Established 2013-14	\$671,670
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<u>Description</u>	<u>Current</u>	<u>Request Proposed</u>	<u>Per Hour Increase</u>	<u>Prior Increase</u>	<u>Revenue Generated</u>	<u>Justification</u>
Silver 7 day Meal Plan	\$1,718	\$1,758	\$40/term	\$43/term	Revenue pass through to Sodexo	Food Services is a 100% auxiliary enterprise operation in contract with Sodexo. The increase is 2.33% 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.
Global Sports Leadership cohort fee - approved in June 2017	\$575/cr hr in-state \$630/cr hr out-of -state	\$615/cr hr in-state \$670/cr hr out-of -state	\$40.00	Established in FY2015-16	\$16,320	To cover the increased costs of the required student travel, increases in instructional costs, recruitment expense and increase in faculty salary and benefits.

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>	<i>Projected</i> Maintenance <u>Increase</u>	Total <u>Increases</u>	<i>Projected</i> Total <u>Mandatory</u>	% Increase for Total <u>Mandatory</u>
ETSU Undergrad @15	\$ 7,224	\$1,791	\$ 9,015	\$64	\$ 9,079	0.71%	\$ 198	\$ 262	\$ 9,277	2.91%
COM M1, M2, M4	31,558	2,131	33,689	64	33,761	0.19%	632	696	34,385	2.07%
COM M3	41,972	2,834	44,806	86	44,902	0.19%	840	926	45,732	2.07%
COP	36,090	1,556	37,646	64	37,718	0.17%	1,082	1,146	38,792	3.04%

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

DISCUSSION ITEM

DATE: March 29, 2018

ITEM: 2018-19 Budget Proposals

COMMITTEE: Finance and Administration Committee

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

Main Campus Summary Budget Request

	Estimated 2017-18	Proposed 2018-19	Increase (Decrease)
Revenue	\$ 251,328,810	\$ 260,016,840	\$ 8,688,030
<u>Expenditures and Transfers</u>			
Instruction	\$ 106,490,300	\$ 105,195,100	\$ (1,295,200)
Research	3,157,300	1,149,700	(2,007,600)
Public Service	2,563,900	2,476,400	(87,500)
Academic Support	24,664,100	23,560,500	(1,103,600)
Student Services	25,475,100	25,819,400	344,300
Institutional Support	16,929,400	17,118,000	188,600
Facilities	17,469,700	17,301,300	(168,400)
Scholarships	30,109,300	32,483,200	2,373,900
Total before transfers	226,859,100	225,103,600	(1,755,500)
Debt Service	3,400,260	3,754,590	354,330
Non-Mandatory Transfers	5,808,710	5,328,810	(479,900)
Auxiliaries Exp & Tnfrs	26,116,260	25,646,730	(469,530)
Total	\$ 262,184,330	\$ 259,833,730	\$ (2,350,600)

College of Medicine Summary Budget Request

	Estimated 2017-18	Proposed 2018-19	Increase (Decrease)
Revenue	\$ 58,833,400	\$ 61,390,700	\$ 2,557,300
<u>Expenditures and Transfers</u>			
Instruction	\$ 43,299,900	\$ 44,889,600	\$ 1,589,700
Research	5,090,900	3,919,300	(1,171,600)
Academic Support	6,601,300	6,652,600	51,300
Student Services	1,709,900	1,679,600	(30,300)
Institutional Support	2,826,200	2,858,500	32,300
Facilities	6,652,700	6,656,500	3,800
Scholarships	260,000	260,000	-
Total before transfers	66,440,900	66,916,100	475,200
Debt Service	88,300	88,300	-
Non-Mandatory Transfers	(5,858,100)	(5,641,400)	216,700
Total	\$ 60,671,100	\$ 61,363,000	\$ 691,900

Family Medicine Summary Budget Request

	Estimated 2017-18	Proposed 2018-19	Increase (Decrease)
Revenue	\$ 16,726,800	\$ 17,151,000	\$ 424,200
<u>Expenditures and Transfers</u>			
Instruction	\$ 11,128,700	\$ 11,482,800	\$ 354,100
Research	352,000	334,800	(17,200)
Academic Support	3,395,500	3,601,600	206,100
Institutional Support	1,573,600	1,626,800	65,100
Facilities	394,000	377,000	(23,000)
Debt Service	262,900	262,900	-
Transfer from R&R	(200,000)	(545,000)	(345,000)
Transfer from COM	(100,000)	-	100,000
Total	\$ 16,806,700	\$ 17,140,900	\$ 334,200

College of Pharmacy Summary Budget Request

	Estimated 2017-18	Proposed 2018-19	Increase (Decrease)
Revenue	\$ 11,168,300	\$ 11,489,200	\$ 320,900
<u>Expenditures and Transfers</u>			
Instruction	\$ 6,850,000	\$ 6,899,300	\$ 49,300
Research	472,800	296,700	(176,100)
Academic Support	1,530,400	1,665,300	134,900
Student Services	677,900	661,400	(16,500)
Institutional Support	792,400	632,800	(159,600)
Facilities	527,400	521,100	(6,300)
Scholarships	410,000	215,000	(195,000)
Total before transfers	11,260,900	10,891,600	(369,300)
Debt Service	661,000	661,000	-
Nonmandatory Trfs	246,400	(63,500)	(309,900)
Total	\$ 12,168,300	\$ 11,489,100	\$ (679,200)



EAST TENNESSEE STATE
UNIVERSITY



ETSU 2018-19 Budget Proposal

ETSUBT Finance Committee
March 2018

Governor's Budget Recommendations

	Main Campus	COM	FM	Total
Operating Increase	\$ 1,708,000	\$ -	\$ -	\$ 1,708,000
Salary 2.5% Pool	1,842,300	1,186,800	337,800	3,366,900
Insurance Increase				
Increased revenue and expense	396,300	82,500	15,000	493,800
Total Increase	<u>\$ 3,946,600</u>	<u>\$ 1,269,300</u>	<u>\$ 352,800</u>	<u>\$ 5,568,700</u>

Governor's Budget - Capital

State Funds

Capital Maintenance

Campus HVAC Upgrades	\$ 2,740,000
CEB HVAC Repairs	1,800,000
Campus Water Lines Ph 1	1,500,000
Roof Replacements	1,000,000
Code Deficiencies Mem Ctr	1,600,000
	<hr/>
	\$ 8,640,000

Capital Outlay

None Included



Salary Improvements Included in Budget Request

- Governor's budget includes a 2.5% salary pool for each appropriation unit
- Proposed 2.5 % across-the-board pay adjustment, with a floor of \$500

Fall 2018 Enrollment Projection

ETSU Fall 2018 Enrollment Outlook						
Student Category	Fall 14	Fall 15	Fall 16	Fall 17	F18	% Change Yr. to Yr.
Main Campus	13,822	13,727	13,419	13,764	13,664	-0.73%
COM	288	284	282	277	277	0.00%
COM (Residents)	249	251	260	254	254	0.00%
COP	324	323	321	311	311	0.00%
COP (Fellow)	2	2	3	2	2	0.00%
Total	14,685	14,587	14,285	14,608	14,508	-0.68%
Fall 18 is projected and is the number used to project the budget impact to ETSU						

- Applications support the current projection
- Proposed budget anticipates an enrollment decline of 100 students

**State Appropriations for Tennessee Public Higher Education Formula Units
2012-13 through 2018-19**

Institution	2012-13	2013-14	2014-15	2015-16	2016-17	Estimated 2017-18	2017-18
Former TBR Universities							
University of Memphis	87,346,700	89,106,400	89,331,900	98,871,200	102,487,500	110,827,200	116,739,900
Middle Tennessee State University	77,193,600	81,024,600	82,830,300	86,020,200	90,791,800	97,003,700	102,904,100
East Tennessee State University	45,772,200	48,685,000	48,048,900	51,547,600	55,391,900	61,099,800	65,025,400
Tennessee Technological University	37,288,600	39,559,500	38,394,000	39,386,900	42,692,700	47,731,100	51,066,700
Austin Peay State University	28,537,600	32,995,000	34,239,800	37,040,500	40,393,800	44,621,700	47,403,200
Tennessee State University	30,810,900	32,610,800	32,088,900	32,954,100	34,773,400	36,757,500	39,010,700
Former TBR University Total	306,949,600	323,981,300	324,933,800	345,820,500	366,531,100	398,041,000	422,150,000
UT Universities							
University of Tennessee-Knoxville	153,343,900	174,335,300	179,044,900	188,226,200	199,956,000	223,270,000	231,152,000
University of Tennessee-Chattanooga	34,601,800	36,128,500	37,501,400	41,771,200	45,847,400	51,005,300	55,002,000
University of Tennessee-Martin	24,609,100	25,243,000	26,249,700	27,962,700	30,804,000	32,495,400	34,000,000
UT University Total	212,554,800	235,706,800	242,796,000	257,960,100	276,607,400	306,770,700	320,154,000



Maintenance/Tuition Proposal

Campus Per Term	17-18	Request	Increase	%	Prior
Undergraduate @15	\$ 3,612	\$ 3,711	\$ 99	2.74%	3.17%
UG Out of State	9,339	9,591	252	2.70%	3.22%
Graduate @9	4,122	4,230	108	2.62%	3.15%
Grad Out of State	7,353	7,560	207	2.82%	3.16%
To fund \$1.2M unfunded salary pool, increases in scholarships, and adjust for inflation and budgeted enrollment decline					
COM M1, M2, M4 *	15,779	16,095	316	2.00%	2.00%
COM M3 *	20,986	21,406	420	2.00%	2.00%
Pharmacy *	18,045	18,586	541	3.00%	3.00%
* Adjustments based on cost study of peer institutions					

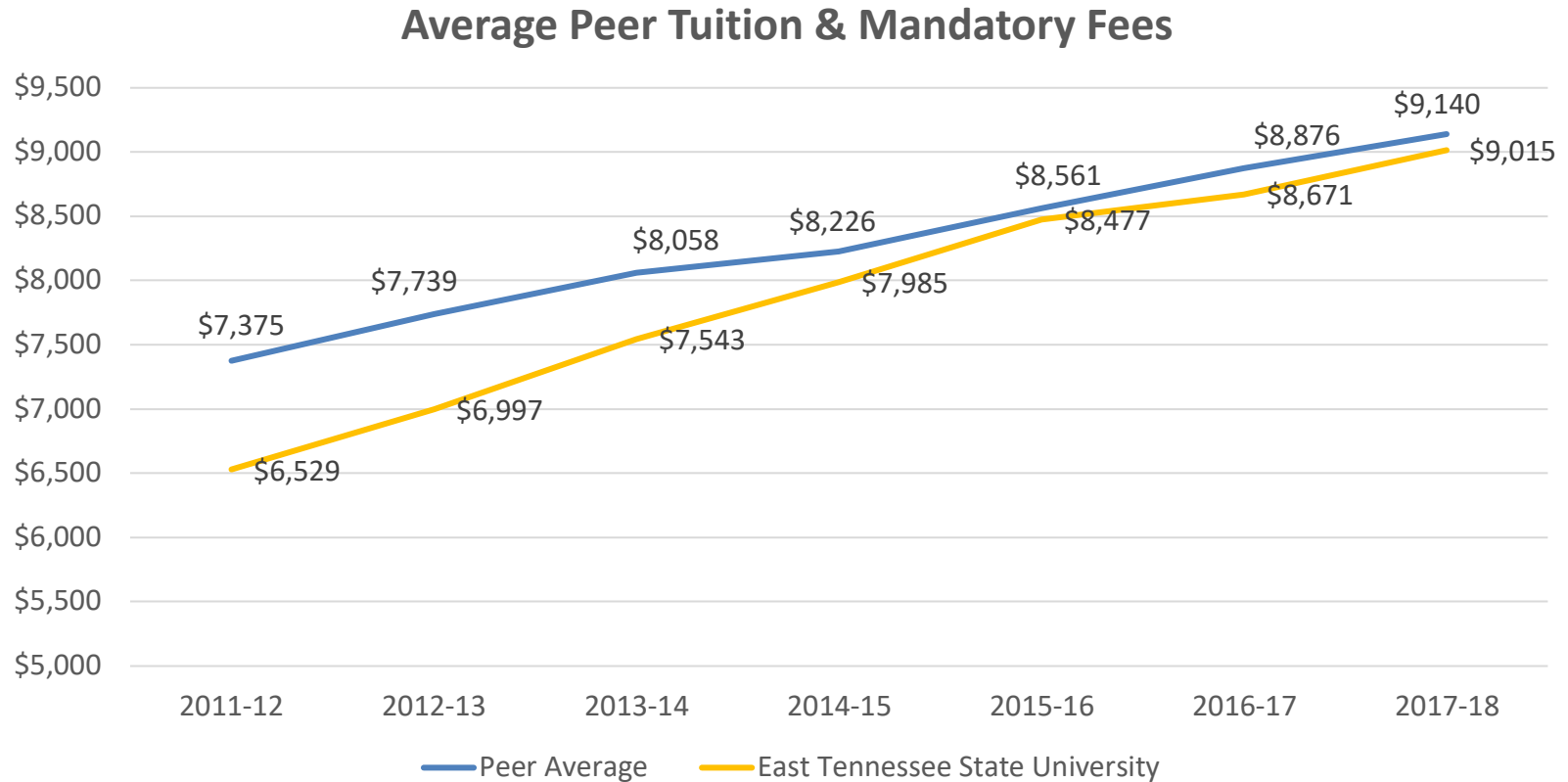


**Annual Undergraduate Tuition and Mandatory Fees
Based on 15 Hour Enrollment for Fall and Spring Semesters**

Institution	Last Year	Current Year		
	2016-17	2017-18	\$ Increase	% Increase
Locally Governed Institutions				
Austin Peay State University	\$7,995	\$8,225	\$230	2.88%
East Tennessee State University	8,671	9,015	344	3.97%
Middle Tennessee State University	8,610	8,948	388	3.93%
Tennessee State University	7,567	7,776	209	2.76%
Tennessee Technological University	8,551	8,873	322	3.77%
University of Memphis	9,497	9,701	204	2.15%
UT Universities				
University of Tennessee-Chattanooga	\$8,544	\$8,664	\$120	1.40%
University of Tennessee-Martin	8,783	8,927	144	1.64%
University of Tennessee-Knoxville (15/4)	12,668	12,970	302	2.38%
ETSU Proposed Annual Undergraduate Tuition and Mandatory Fees Based on 15 Hour Enrollment for Fall and Spring Semesters				
Institution				
	2017-18	2018-19	\$ Increase	% Increase
East Tennessee State University 2018-19	\$9,015	\$9,277	\$262	2.91%



Tuition and Mandatory Fees



ETSU Budget

- The FY2019 Proposed Budget is balanced & within available resources
- Undergraduate tuition increases continue trending lowest in 20 years and in line with our peer institutions
- Funding for faculty & staff salary increases
- Unrestricted state funding up \$5,074,900 for four combined ETSU budget units



EAST TENNESSEE STATE
UNIVERSITY



Main Campus Proposed Budget 2018-19

Main Campus Appropriation and Maintenance Fee Revenue from Budget Call

Revenue and Adjustments:	Original
Appropriation increase	\$ 3,550,300
Maintenance fee increase 2.74%	3,329,670
Required Scholarship Increase	(1,290,300)
Projected enrollment decline - 100	(759,300)
<i>Campus Investments</i>	
Salary Pools @ 2.5%	(3,000,000)
GA Base Increase – 2 years	(220,000)
Faculty promotion and tenure pool	(250,000)
Non-instructional job audit pool	(250,000)
Allocated to new positions	(733,450)
Allocated to travel and operations	(366,550)
Unallocated	<hr/> \$ 10,370 <hr/>



Main Campus Unrestricted Funds 2018-19 Revenue Budget

<u>Revenues by Source</u>	<u>%</u>	<u>Amount</u>
Tuition and Fees	57.89%	\$ 150,516,540
State Appropriation	25.02%	65,046,400
Grants and Contracts	2.07%	5,393,680
Sales and Services	4.61%	11,985,740
Auxiliaries	9.86%	25,645,700
Other Sources	0.55%	1,427,780
		<u>\$ 260,016,840</u>



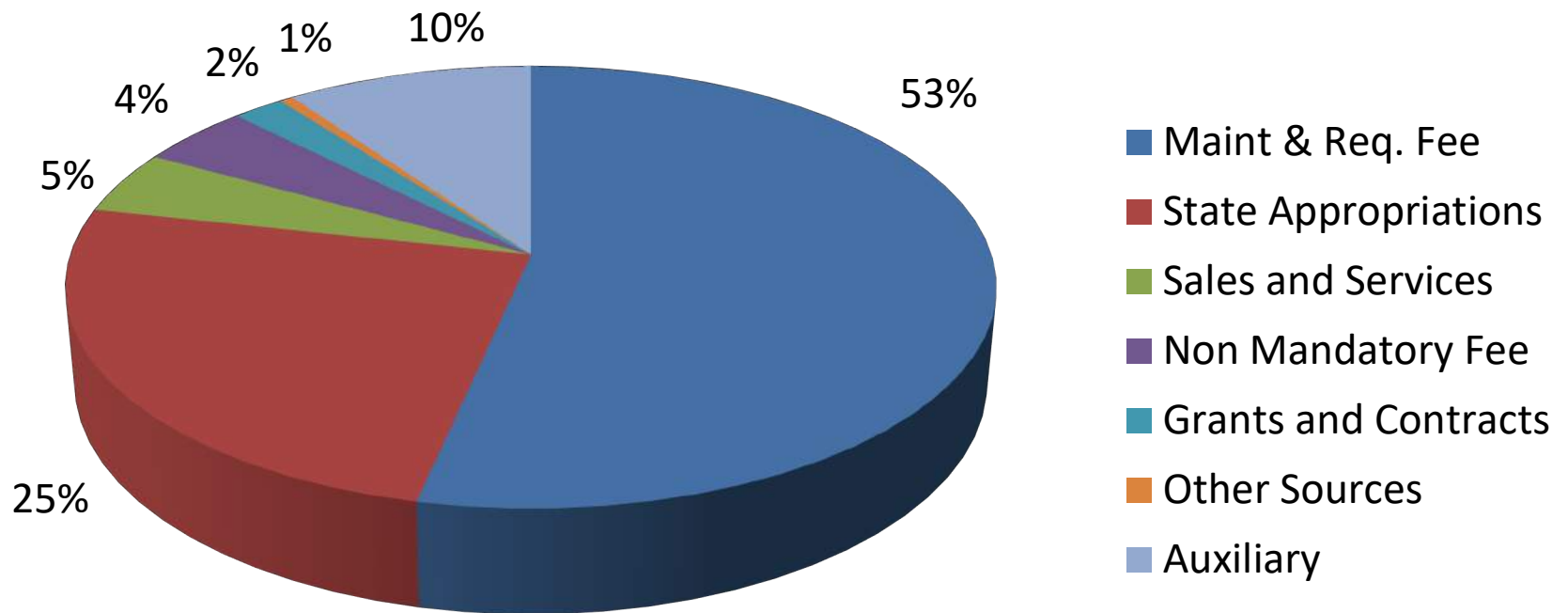
Main Campus Proposed Budget

	Estimated 17-18	Proposed 2018-19	Increase (Decrease)
Revenue	\$ 251,328,810	\$ 260,016,840	\$ 8,688,030
<u>Expenditures and Transfers</u>			
Instruction	\$ 106,490,300	\$ 105,195,100	\$ (1,295,200)
Research	3,157,300	1,149,700	(2,007,600)
Public Service	2,563,900	2,476,400	(87,500)
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Student Services	25,475,100	25,819,400	344,300
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Facilities	17,469,700	17,301,300	(168,400)
Scholarships	30,109,300	32,483,200	2,373,900
Total before transfers	226,859,100	225,103,600	(1,755,500)
Debt Service	3,400,260	3,754,590	354,330
Non-Mandatory Transfers	5,808,710	5,328,810	(479,900)
Auxiliaries Exp & Tnfrs	26,116,260	25,646,730	(469,530)
Total	\$ 262,184,330	\$ 259,833,730	\$ (2,350,600)



FY 18-19 Revenue Budget

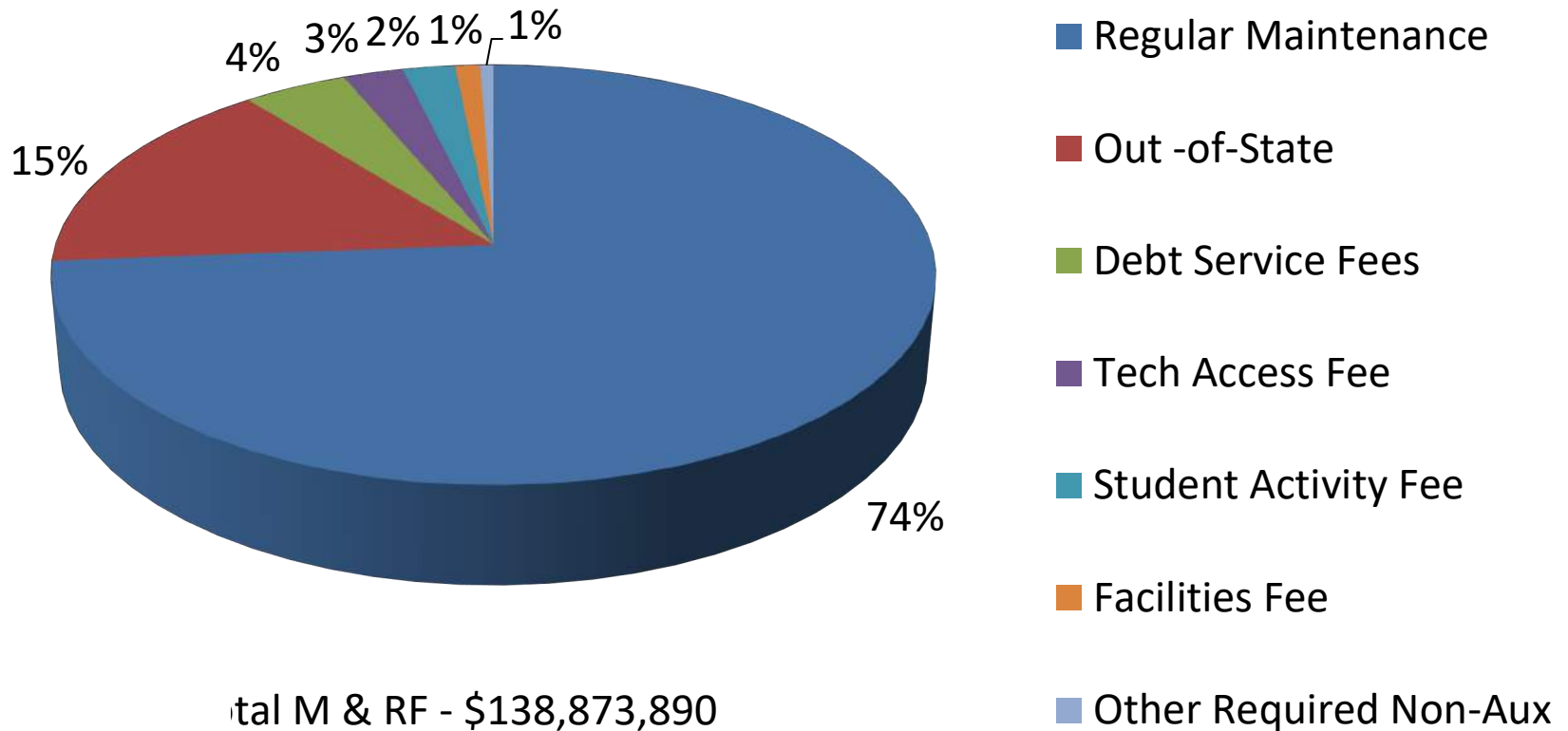
Revenue by Source



Total Revenue - \$260,016,840

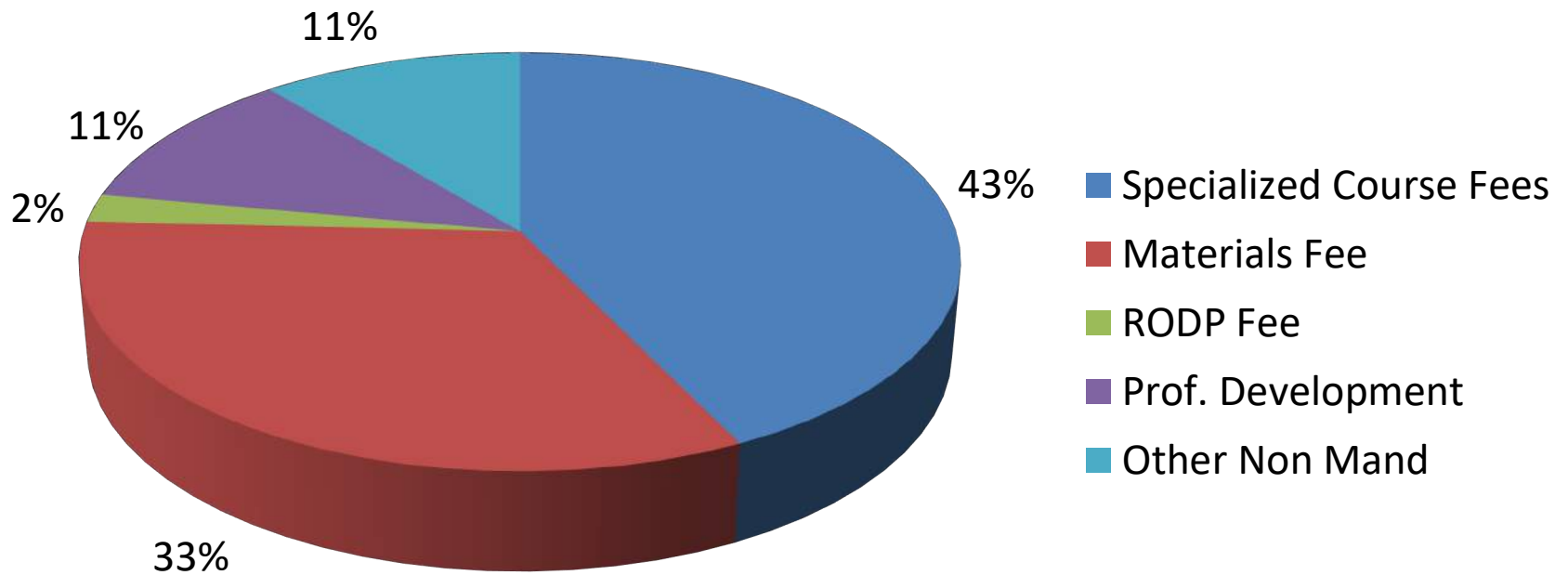
FY 18-19 Revenue Budget

Maintenance and Required Fees (53%)



FY 18-19 Revenue Budget

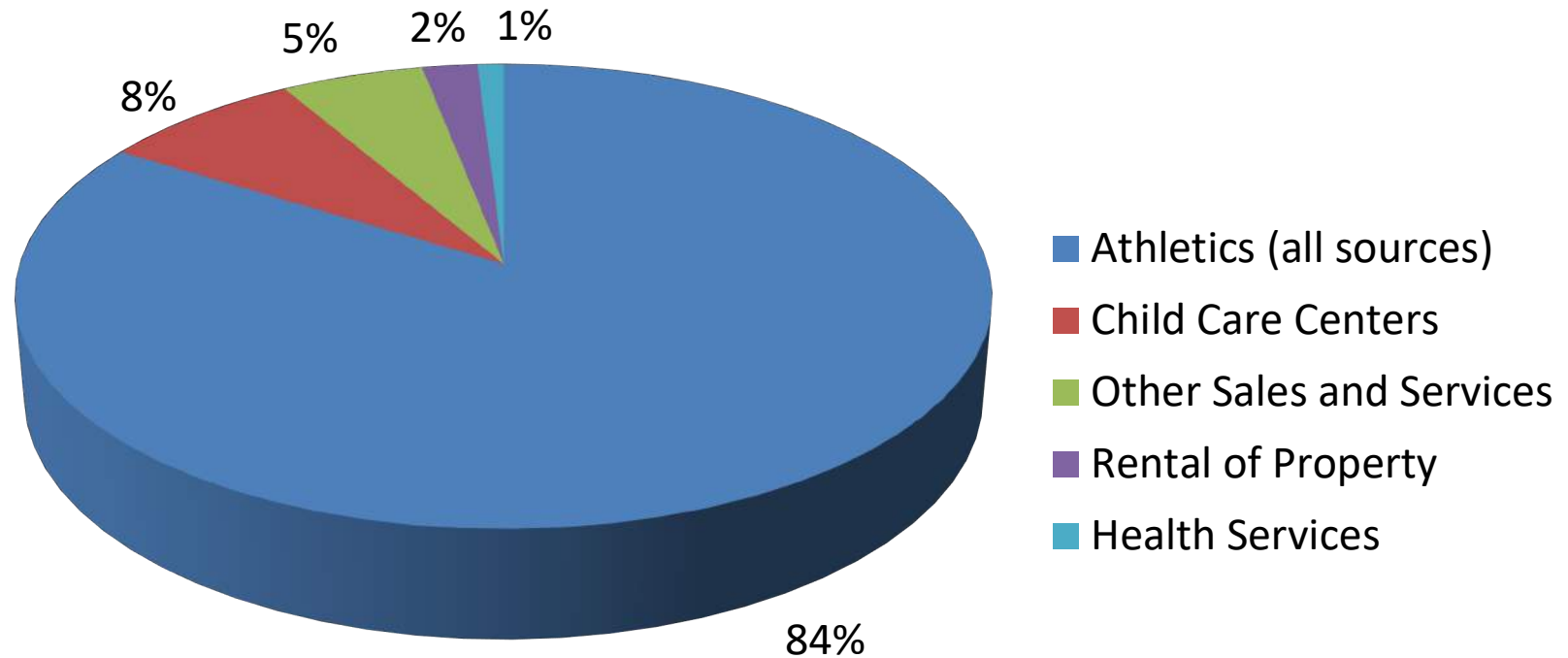
Non Mandatory Fees (4%)



Total NMF - \$11,642,650

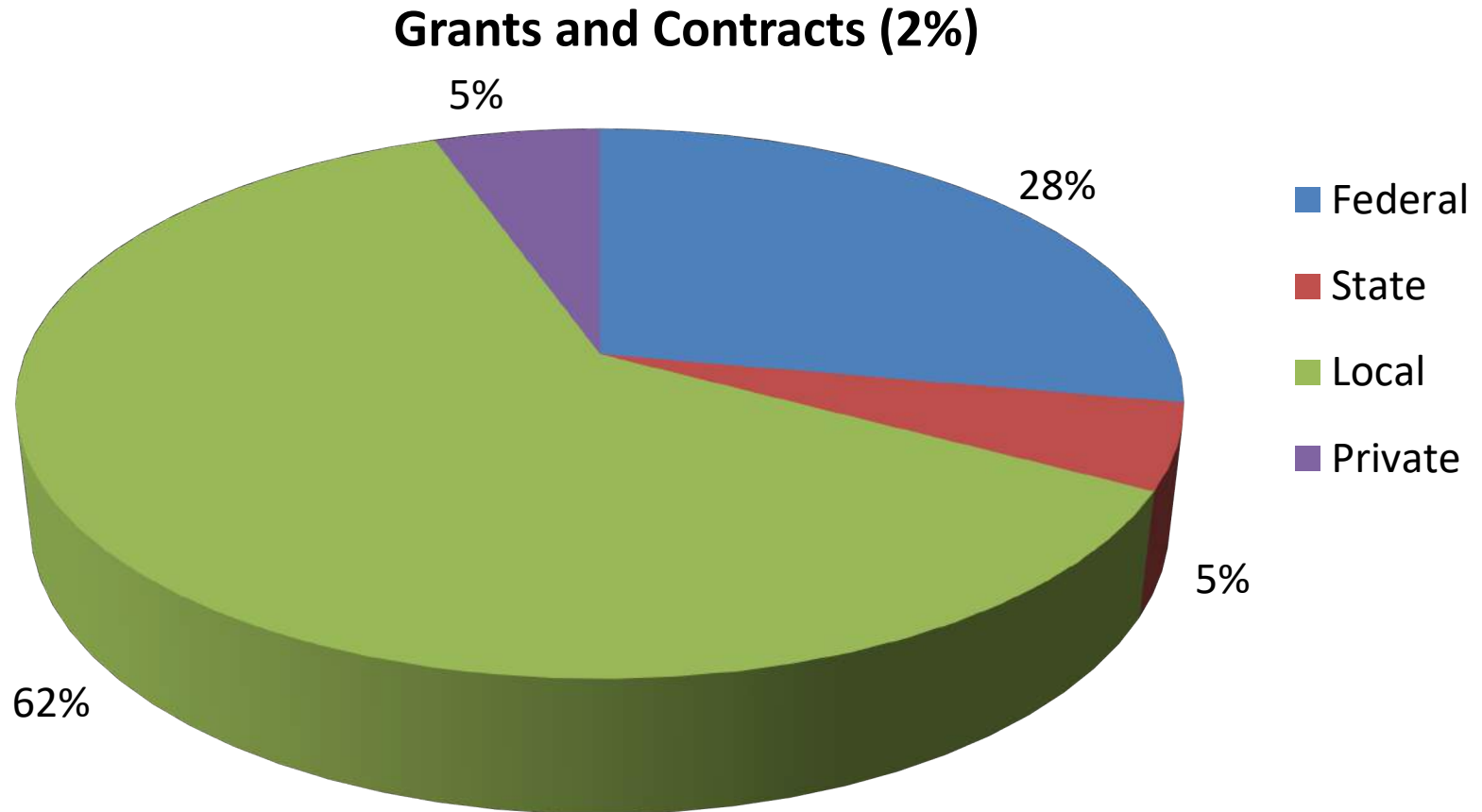
FY 18-19 Revenue Budget

Sales and Services (4%)



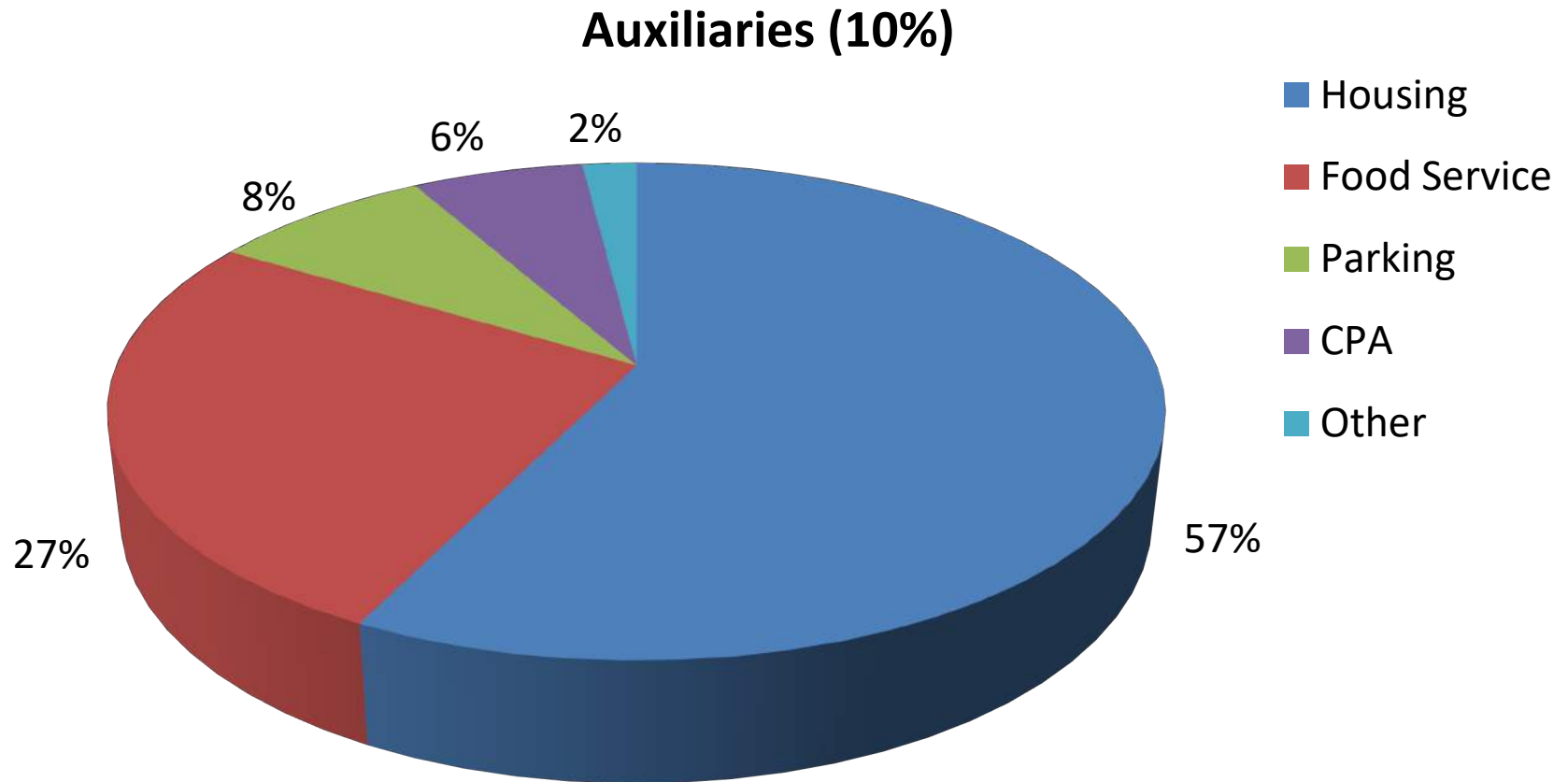
Total Sales and Services - \$11,985,740

FY 18-19 Revenue Budget



Total Grants and Contracts - \$5,393,680

FY 18-19 Revenue Budget



Total Auxiliaries- \$25,646,700

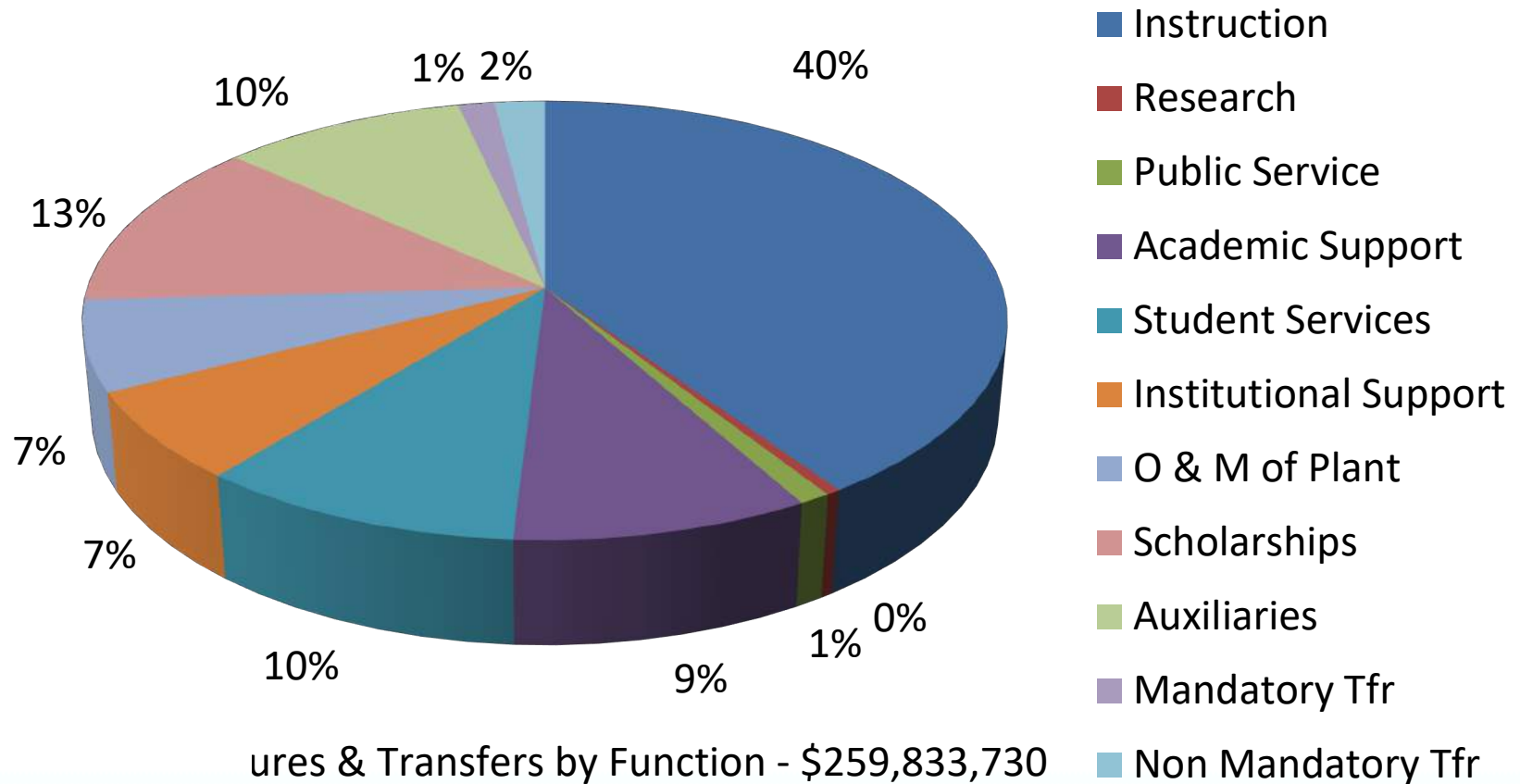
Allocation of Net New Funding – Main Campus

Function	Salaries and Benefits				Total
	2.5% Pool	New Positions	Travel	Operating	
Instruction	\$1,623,830	\$165,970	\$12,000	\$59,210	\$1,861,010
Research	20,580				20,580
Public Service	32,450				32,450
Academic Support	362,080	-			362,080
Student Support	352,000	62,220	15,000	66,000	495,220
Institutional Support	385,210	289,880		195,300	870,390
Operation and Maintenance	223,850	215,380		19,040	458,270
Total Expenditures	\$3,000,000	\$733,450	\$27,000	\$339,550	\$4,100,000



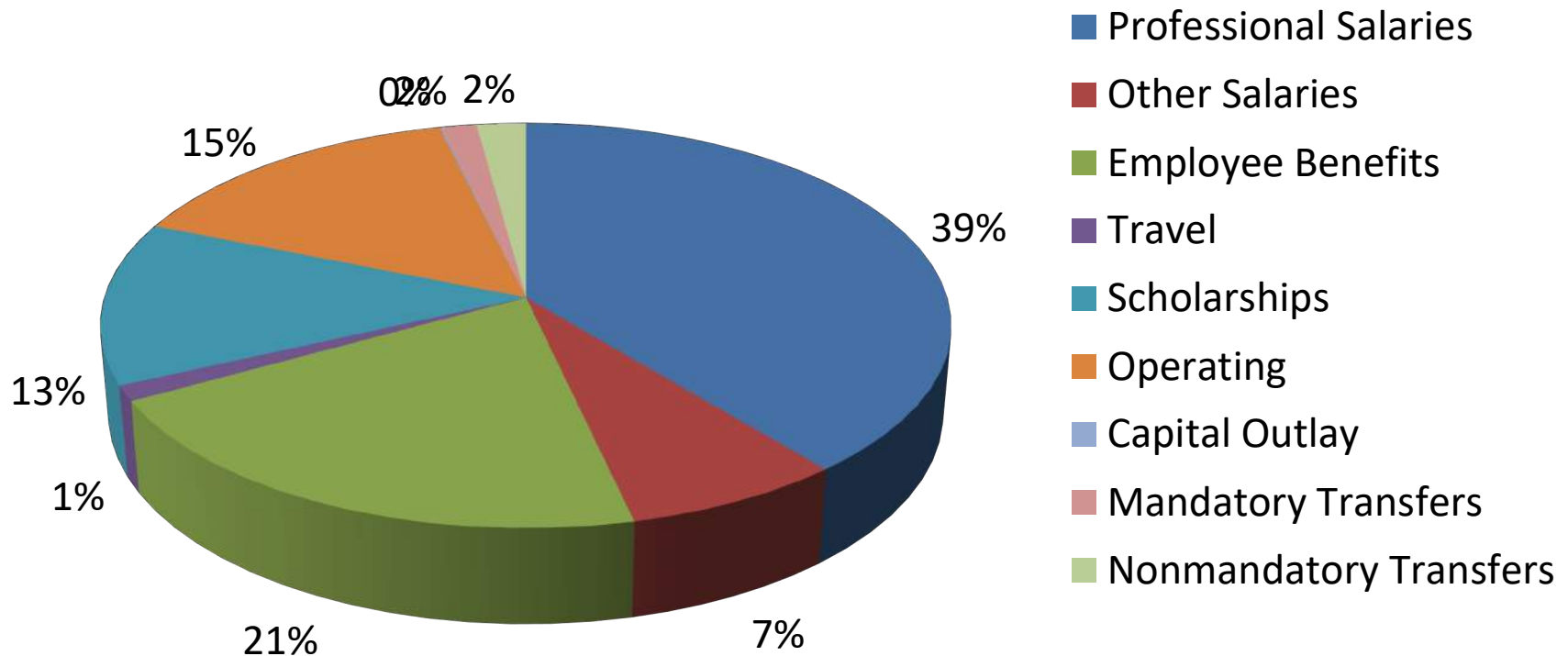
FY 18-19 Expenditure Budget

By Function



FY 18-19 Expenditure Budget

By Natural Classification



Natural Classification - \$259,833,730



EAST TENNESSEE STATE
UNIVERSITY



Quillen College of Medicine Proposed Budget 2018-19

College of Medicine 2018-19

	Estimated 17-18	Proposed 2018-19	Increase (Decrease)
Revenue	\$ 58,833,400	\$ 61,390,700	\$ 2,557,300
Expenditures and Transfers			
Instruction	\$ 43,299,900	\$ 44,889,600	\$ 1,589,700
Research	5,090,900	3,919,300	(1,171,600)
Academic Support	6,601,300	6,652,600	51,300
Student Services	1,709,900	1,679,600	(30,300)
Institutional Support	2,826,200	2,858,500	32,300
Facilities	6,652,700	6,656,500	3,800
Scholarships	260,000	260,000	-
Total before transfers	66,440,900	66,916,100	475,200
Debt Service	88,300	88,300	-
Non-Mandatory Transfers	(5,858,100)	(5,641,400)	216,700
Total	\$ 60,671,100	\$ 61,363,000	\$ 691,900



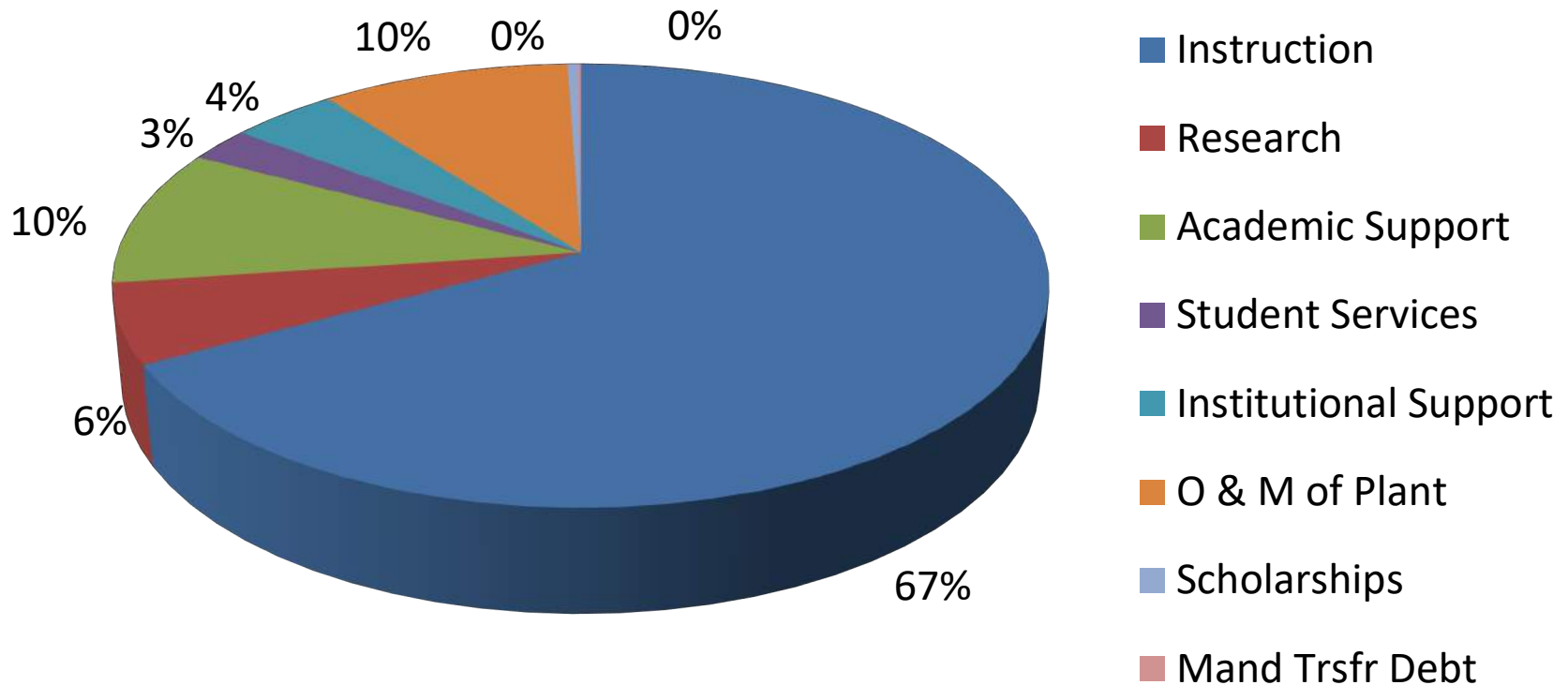
COM and MEAC Revenue Budget

<u>Revenues by Source</u>	<u>%</u>	<u>Amount</u>
State Appropriations	34.35%	\$ 34,535,500
Tuition and Fees	9.92%	9,971,100
Grants and Contracts	1.40%	1,405,000
Residents Participation	15.15%	15,228,100
Other Sources	.25%	251,000
		<u>\$ 61,390,700</u>
Medical Education Assistance Corp	38.93%	<u>39,137,200</u>
Total		<u>\$100,527,900</u>



COM FY 18-19 Expenditure Budget

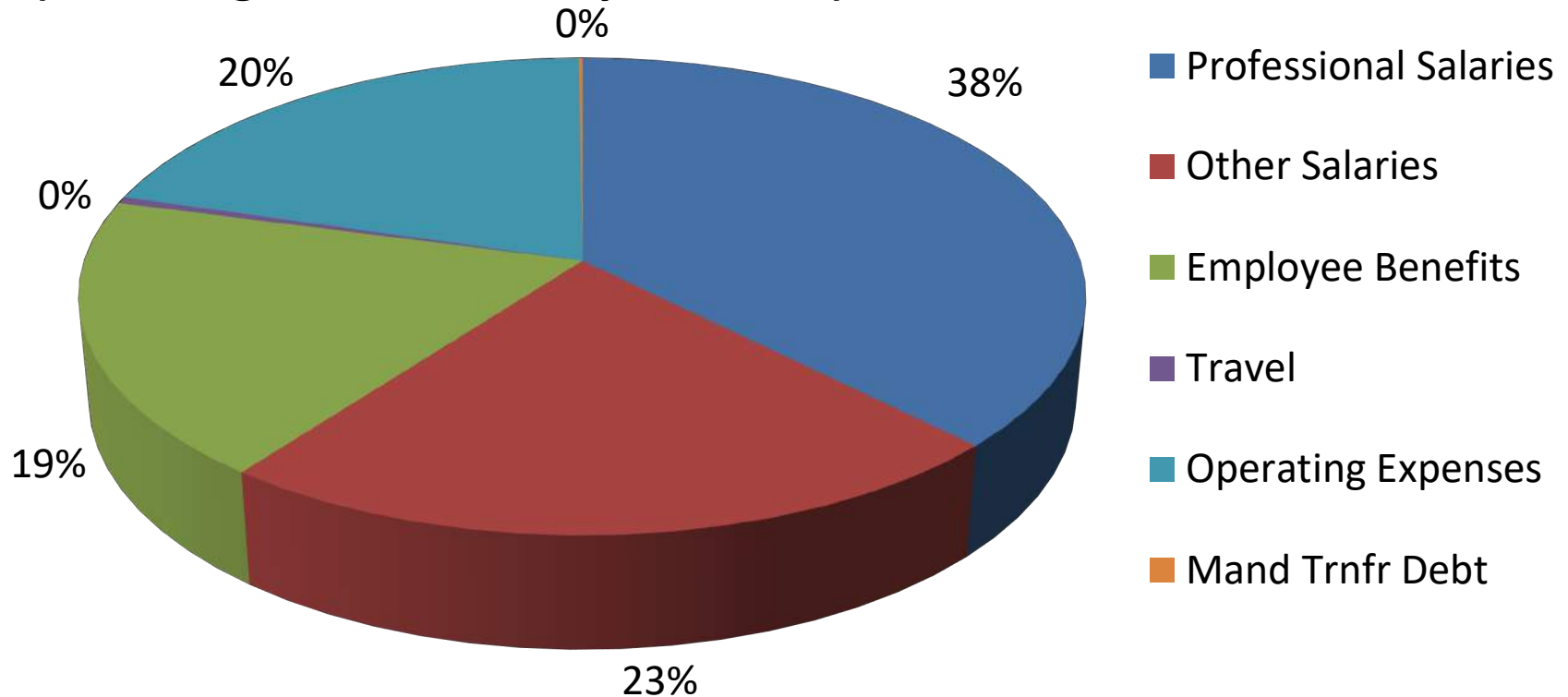
By Function (Excluding Non-mandatory Transfers)



ures by Function - \$67,004,400

COM FY 18-19 Expenditure Budget

By Natural Classification (Excluding Non-mandatory Transfers)



al Classification - \$67,004,400



EAST TENNESSEE STATE
UNIVERSITY



ETSU Family Medicine Proposed Budget 2018-19

Family Medicine 2018-19

	Estimated 2017-18	Proposed 2018-19	Increase (Decrease)
<u>Revenue</u>	<u>\$ 16,726,800</u>	<u>\$ 17,151,000</u>	<u>\$ 424,200</u>
<u>Expenditures and Transfers</u>			
Instruction	\$ 11,128,700	\$ 11,482,800	\$ 354,100
Research	352,000	334,800	(17,200)
Academic Support	3,395,500	3,601,600	206,100
Institutional Support	1,573,600	1,626,800	53,200
Facilities	394,000	377,000	(17,000)
Debt Service	262,900	262,900	-
Transfer from R&R	(200,000)	(545,000)	(345,000)
Transfer from COM	(100,000)	-	100,000
<u>Total</u>	<u>\$ 16,806,700</u>	<u>\$ 17,140,900</u>	<u>\$ 334,200</u>



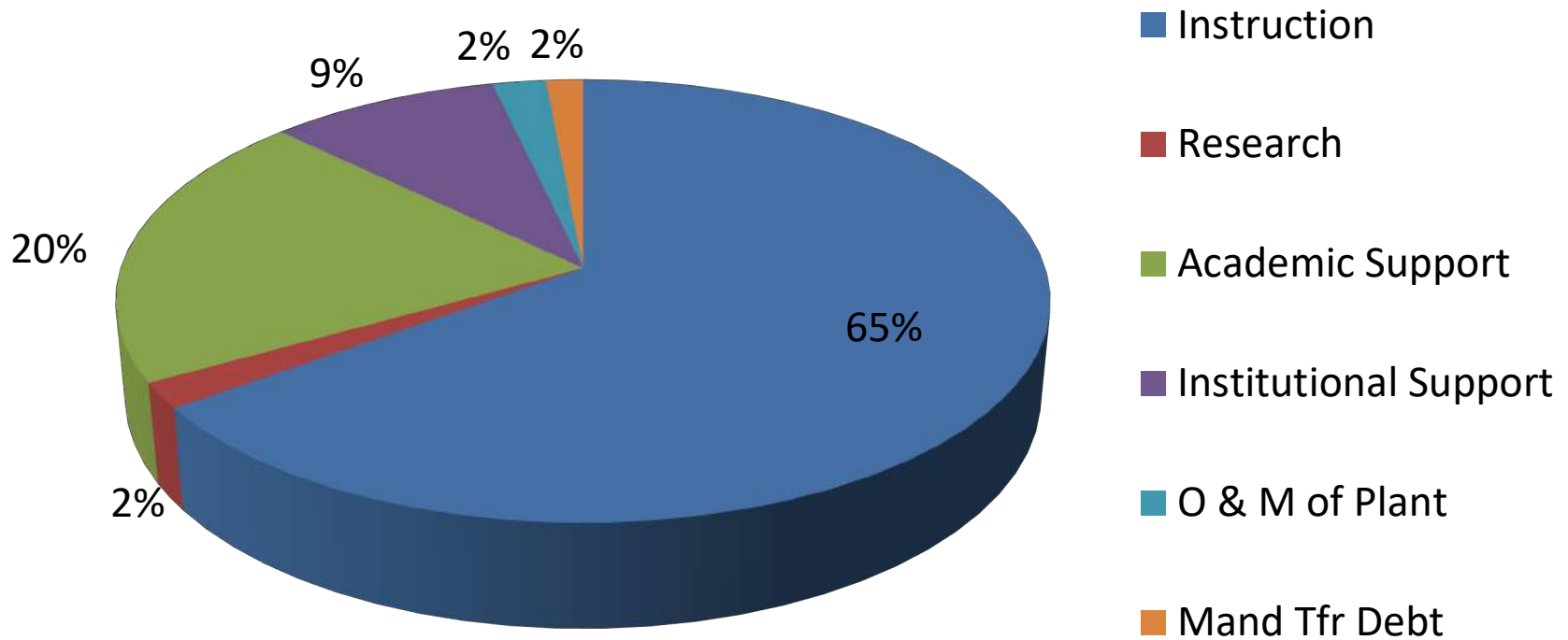
FM Revenue Budget

<u>Revenues by Source</u>	<u>%</u>	<u>Amount</u>
State Appropriations	44.08%	\$ 7,560,000
Clinical Revenue	30.84%	5,290,000
Resident Participation	21.84%	3,745,000
Other Sources	3.24%	556,000
		<u>\$ 17,151,000</u>



FM FY 18-19 Expenditure Budget

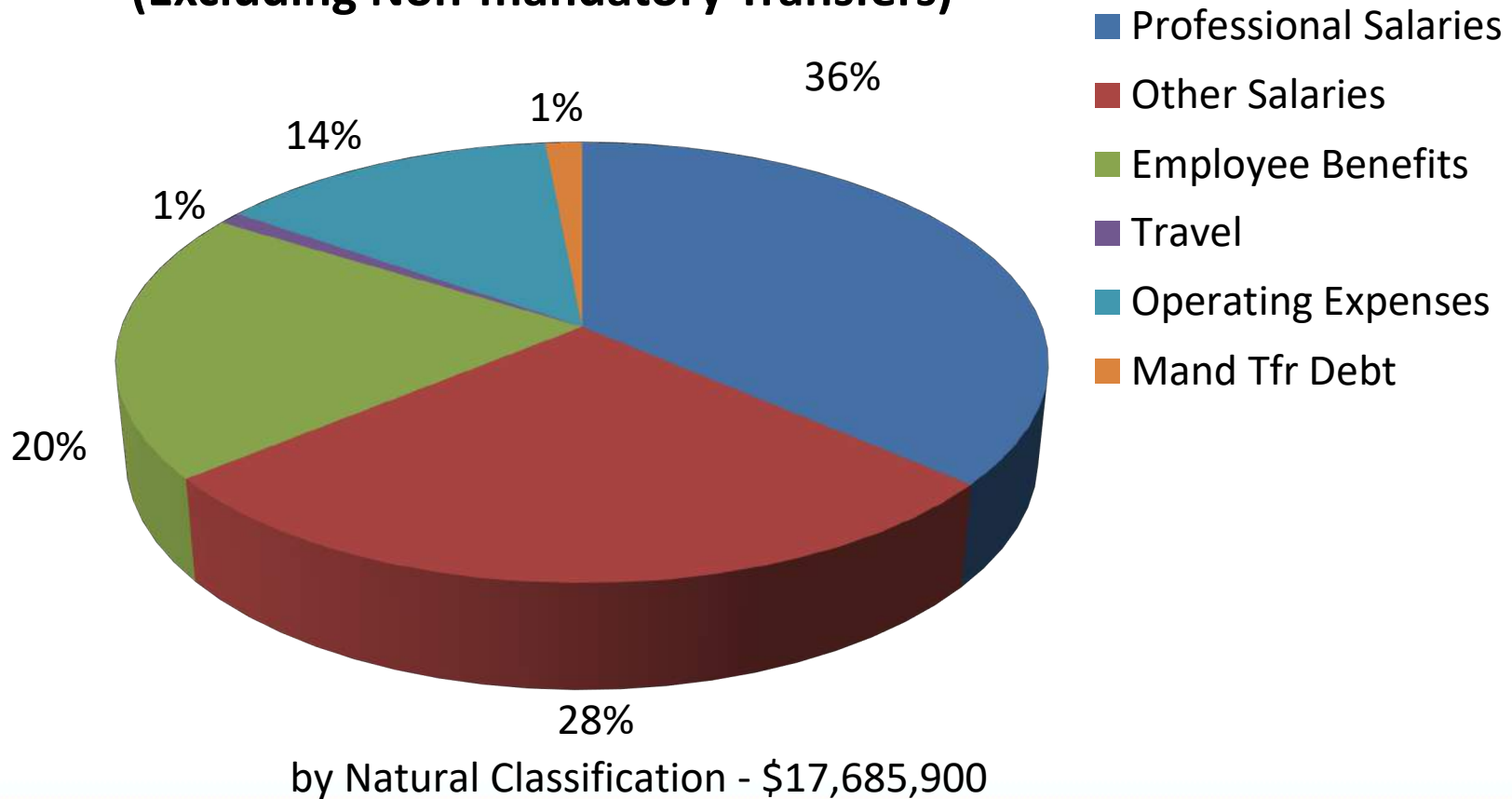
By Function (Excluding Non-Mandatory Transfers)



Expenditures & Mandatory Transfers by Function - \$17,685,900

FM FY 18-19 Expenditure Budget

By Natural Classification (Excluding Non-mandatory Transfers)





EAST TENNESSEE STATE
UNIVERSITY



Bill Gatton College of Pharmacy Proposed Budget 2018-19

College of Pharmacy 2018-19

	Estimated 17-18	Proposed 2018-19	Increase (Decrease)
Revenue	\$ 11,168,300	\$ 11,489,200	\$ 320,900
<u>Expenditures and Transfers</u>			
Instruction	\$ 6,850,000	\$ 6,899,300	\$ 49,300
Research	472,800	296,700	(176,100)
Academic Support	1,530,400	1,665,300	134,900
Student Services	677,900	661,400	(16,500)
Institutional Support	792,400	632,800	(159,600)
Facilities	527,400	521,100	(6,300)
Scholarships	410,000	215,000	(195,000)
Total before transfers	11,260,900	10,891,600	(369,300)
Debt Service	661,000	661,000	-
Nonmandatory Trfs	246,400	(63,500)	(309,900)
Total	\$ 12,168,300	\$ 11,489,100	\$ (679,200)



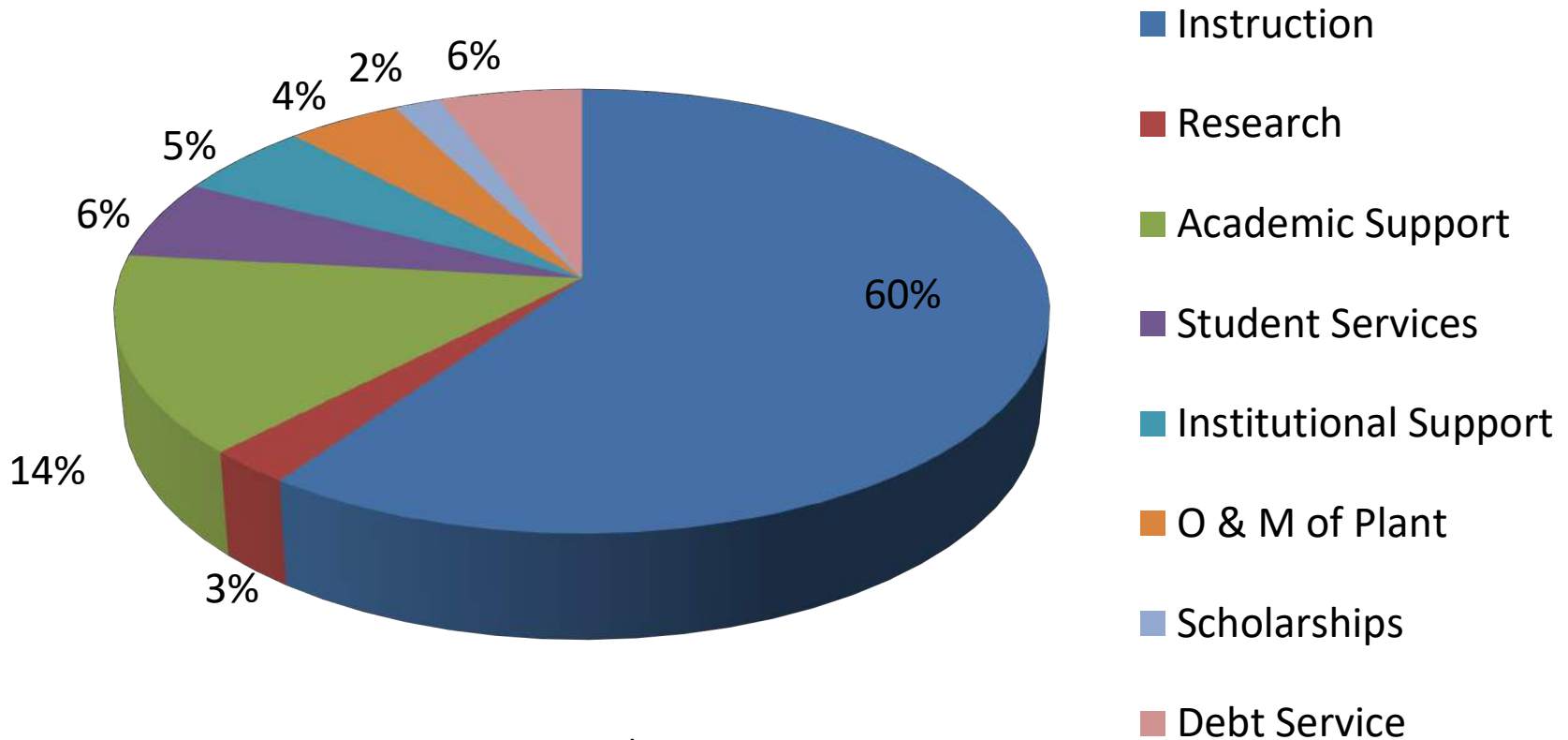
COP Revenue Budget

<u>Revenues by Source</u>	<u>%</u>	<u>Amount</u>
State Appropriations	0%	\$ 0
Tuition and Fees	99.69%	11,474,200
Other Sources	0.31%	15,000
		<u>\$ 11,489,200</u>



COP FY 18-19 Expenditure Budget

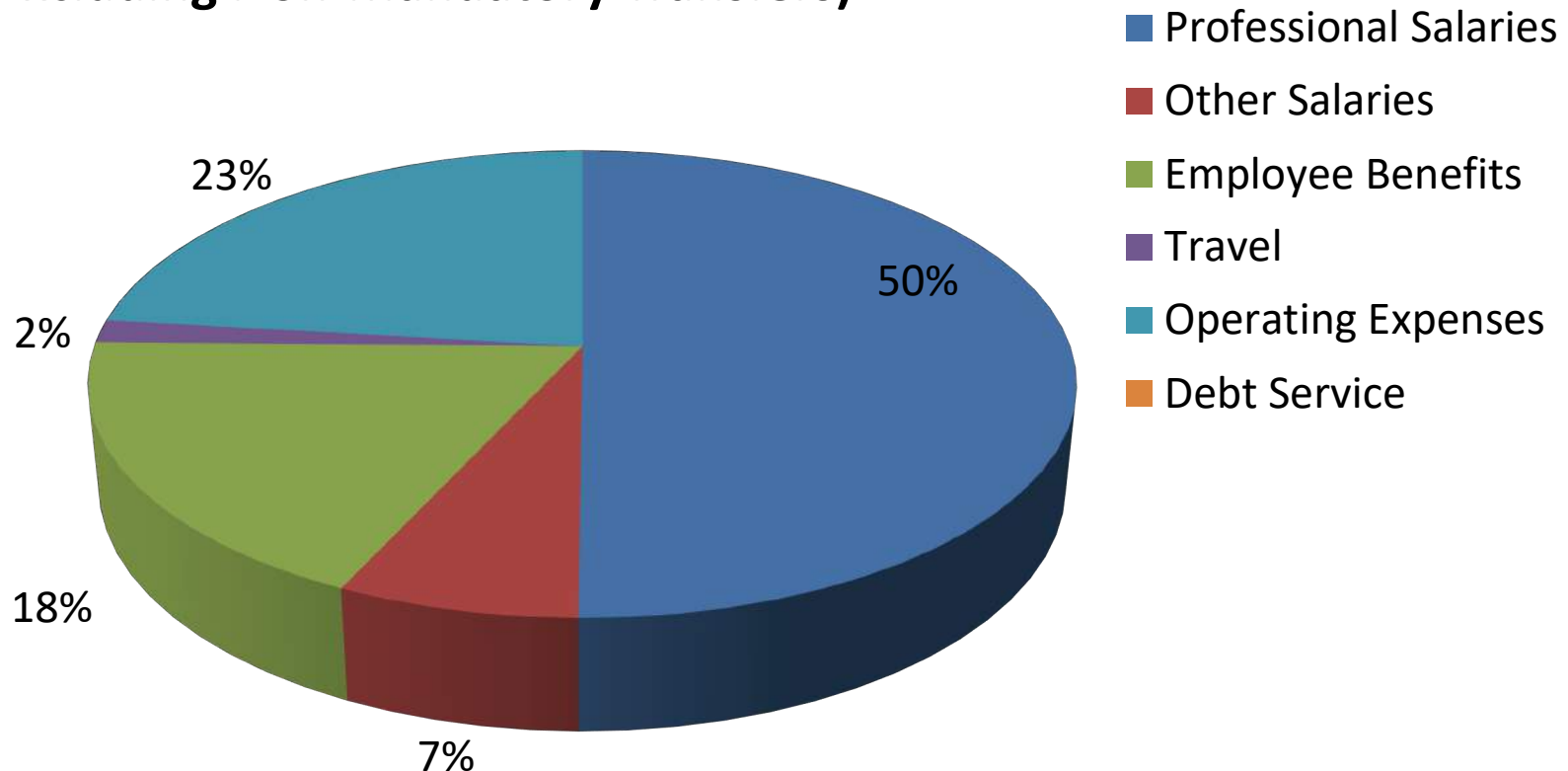
By Function (Excluding Non-mandatory Transfers)



Expenditures by Function - \$11,552,600

COP FY 18-19 Expenditure Budget

By Natural Classification (Excluding Non-Mandatory Transfers)



by Natural Classification - \$11,552,600



Summary

Summary

- Thorough budget hearing process
- Recommending low tuition increases with stable state appropriation revenue
- Investments of significant institutional resources in ETSU employees with 2.5% salary pool
- State continued investment in campus infrastructure for several maintenance projects