

**MINUTES OF THE
FINANCE AND PERSONNEL COMMITTEE**

The Finance and Personnel Committee met on Tuesday, November 13, 2018 at the MTSU Miller Education Center.

Call to Order and Roll Call

Committee Chair Joey Jacobs called the meeting to order at 11:15 a.m. A quorum was present with the following Committee members in attendance: Joey Jacobs, Steve Smith, J.B. Baker, Pete DeLay, Tony Johnston and Peyton Tracy. Trustee Darrell Freeman was unable to attend. Also present were Trustees Chris Karbowskiak, Pam Wright and Andy Adams; Sidney A. McPhee, President; Alan Thomas, Vice President for Business and Finance; Mark Byrnes, University Provost; Bruce Petryshak, Vice President for Information Technology and Chief Information Officer; Joe Bales, Vice President for University Advancement; Debra Sells, Vice President for Student Affairs and Vice Provost for Enrollment and Academic Services; Andrew Oppmann, Vice President for Marketing and Communications; Heidi Zimmerman, University Counsel and Board Secretary; and Brenda Burkhart, Chief Audit Executive.

Approval of Minutes – Action

The first item on the agenda was approval of the minutes from the August 28, 2018 Finance and Personnel Committee meeting. Trustee Johnston moved to approve the minutes and Trustee Baker seconded the motion. A voice vote was taken and the motion to approve the minutes from the August 28, 2018 Finance and Personnel Committee meeting carried.

2019-20 Capital Outlay and Capital Maintenance Requests Update - Information

Bill Waits, Assistant Vice President for Campus Planning, provided the Committee with an update on the School of Concrete and Construction Management (SCCM) project submittal that was approved

by the MTSU Board of Trustees in June of this year. He informed the Committee that MTSU's SCCM project ranked #3 overall in the Tennessee Higher Education Commission's (THEC) ranked priority list of projects. In addition, it was the top ranked Locally Governed Institution (LGI) project on the list. While there is no certainty the project will be included in the 2019-20 Governor's Budget, the number three (3) ranking provides some optimism for receiving funding for the project. Mr. Waits then provided an update on the five (5) capital maintenance projects approved by the Board in June for the 2019-20 fiscal year with a total budget of \$8.1 million. The University was informed in late September that THEC requested an additional \$30 million in capital maintenance funding for higher education. This resulted in an additional \$2,030,000 in funding for MTSU bringing the total recommended funding amount to \$10 million. This enabled the University to increase existing project budgets for the Kirksey Old Main mechanical, HVAC, lighting, and ceiling upgrades. Additionally, the scope of work was revised to include window replacements and phase one of the campus-wide storm water project. Phase one of the sidewalk repair and replacement project was moved from 2020-21 to 2019-20.

THEC 2019-20 Operating Recommendations - Information

The next item on the agenda was a report from Vice President Thomas on the recommendations made by THEC at its fall meeting. The recommendation for MTSU on 2019-20 operating appropriations was a \$4.5 million (4.4%) increase over the 2018-19 appropriations. The net increase resulted from a combined decrease of \$1.5 million in the outcomes formula and a \$6 million increase in proposed new formula funding. Mr. Thomas explained that the increase does not come to the University as totally unrestricted operating appropriations. As in prior years, some of the increase could become funding for mandated salary increases. An update on any proposed funding and salary increases will be provided when the Governor's Budget is presented in early 2019. Mr. Thomas further informed the Committee that THEC is recommending a zero to two-and-a-half percent guidance range for tuition (maintenance fee) as well as a zero to two-and-a-half percent guidance range for tuition and mandatory fee increases combined. This guidance will allow the University to start developing a recommendation for any increase in tuition and fees. A final binding tuition range will be approved by THEC once the Governor's Budget is approved in late spring. Mr. Thomas explained to the Committee how improvement in the funding formula metrics resulted in a \$1 million gain in funding for the University. Dr. McPhee noted how the metrics are

negatively affected by the (low) number of masters and specialist degrees offered by the University, which is the result of a change by the state in teacher pay raises for advanced degrees, and the significant decline in research services due to the loss of a \$27 million grant from the state. He emphasized that even though the University is working hard to make progress in both of these areas, there are still many issues with the funding formula process that must be addressed by the state to make the process more equitable. Much discussion ensued concerning the factors that contribute to the University being disadvantaged under the current funding calculation. Board Chair Smith pointed out the necessity of developing a constructive plan to address these issues during the next legislative session. Dr. McPhee informed the Committee that he is currently working with the firm hired to represent the University on legislative strategies for the upcoming session.

2018-19 October Revised Budget – Recommendation

The next agenda item was a recommendation for approval of the 2018-19 October Revised Operating Budget. Mr. Thomas presented information to the Committee regarding the following changes made since the July (Original) Budget:

- includes the remainder of the 2.84 % tuition increase approved at the June Board meeting,
- reflects actual fall enrollment,
- reflects adjustments for tuition benefits,
- adjusts expenditure budgets, and
- includes adjustments for new information regarding state appropriations obtained since the July Budget submission.

He noted that the total University Budget increased \$1.6 million from July to October.

Discussion ensued concerning the process for endowment income payouts for the Chairs of Excellence and the classification of restricted and unrestricted private gifts in relation to the budget. Mr. Thomas explained that the Chairs of Excellence funding is held at the state level and not reflected in the University's budget. Only the payout of interest earnings, currently set at 4%, is reflected in the budget each year. Chairman Jacobs called for a motion to approve the 2018-19 October Revised Operating Budget. The motion was made by Trustee Johnston and

seconded by Trustee DeLay. A voice vote was taken and the motion to approve the 2018-19 October Revised Operating Budget carried.

Compensation Update – Information

Mr. Thomas asked Assistant Vice President Kathy Musselman to provide an update on the \$6.1 million salary pool allocation approved by the Board on May 30, 2018. Ms. Musselman reported the following information to the Committee:

- Awarded a 1.5% or \$500 cost of living adjustment (COLA), whichever is greater, for regular employees, both full and part-time, on the payroll as of June 30, 2018, effective July 1, 2018.
- The remaining allocation of the mandated salary pool, along with an addition \$2 million, was used to fund market adjustments and related benefits based on the University's compensation plan for employees on the payroll as of June 30, 2018, effective October 1, 2018.
- Faculty increases were funded at 37% of the predicted salary based on 2014-15 CUPA data by academic discipline. Administrative and classified increases were funded at 37% of the predicted salary based on MTSU years of experience.
- Salary ranges for Classified and Administrative employees were increased by 14.01% based on 2014-15 CUPA data.

Ms. Musselman stated that although progress was made with the COLA salary increases and the market adjustments, the majority of MTSU employees are still compensated below their predicted salary based on 2014-15 CUPA data. It would cost an additional \$4.8 million plus benefits to fully implement the plan. She informed the Committee that a comparison of the adjusted salaries to the current CUPA data for 2017-18 would be presented at the next Committee meeting. Dr. McPhee indicated that feedback from the faculty concerning the Board's decision to address the market salary issues had been very positive. He asked Faculty Senate President, Dr. Pippa Holloway, to provide information concerning the Faculty Senate's role in providing consultation and feedback in the planning and implementation of the salary

plan. Dr. Holloway provided a brief report to the Committee and indicated that possible recommendations for phase two of the plan are currently being discussed.

Regional Scholars Program – Recommendation

The next agenda item concerned a recommendation for expanding the Regional Scholars Program for both undergraduate and graduate students to include the entirety of Border States. Mr. Thomas provided the Committee with a brief overview of the current program requirements as outlined in the background information in the meeting materials. He then presented the following undergraduate scenarios for consideration in expanding the program to include the entirety of all Border States:

- Maintain the current academic requirement of a minimum 25 ACT
- Revise the academic requirement to a minimum ACT of 23
- Remove the ACT academic requirement altogether

Mr. Thomas directed the Committee to a financial analysis of each proposed scenario provided in the meeting materials. After explanation of the calculated budget impact of each scenario, Mr. Thomas stated that the University is recommending approval of expanding the program to include the entirety of Border States for both graduates and undergraduates and maintaining the current 25 ACT requirement for undergraduates. He indicated with the reduced tuition rates and higher scholarships, it is feasible to believe enrollment will exceed the requirement of increasing from 9 students to 25 students over a four year period to remain revenue neutral. Dr. McPhee also stated that based on recent recruiting trips, he is optimistic that the University will exceed this projection. Mr. Thomas then drew the Committee's attention to the graduate program calculation under the proposed scenario. He noted that an increase from 6 to 11 students over a four year period would be necessary for the graduate program to remain revenue neutral. Trustee DeLay moved to approve the expansion of the Regional Scholars Program for both undergraduate and graduate students to include the entirety of all Border States and to maintain the current academic requirements for both undergraduate and graduate students. Trustee Johnston seconded the motion. A voice vote was taken and the motion carried. Dr. McPhee thanked the Committee for approving the recommendation.

Tuition Transparency Act – Recommendation

The final agenda item concerned the Tuition Transparency Act passed in the 2018 legislative session which requires university boards to develop a list of factors to be considered when developing recommendations to increase tuition and mandatory fees. The following list of factors was presented for the Committee's approval:

- 1) Tennessee Higher Education Commission (THEC) binding tuition and mandatory fee increase ranges;
- 2) Level of state support;
- 3) Total cost of attendance (which includes tuition cost, mandatory fees, room and board, books, and other educational expenses);
- 4) Efforts to mitigate the financial effect on students; and
- 5) Other factors deemed appropriate by the University such as enrollment goals, market factors, new facility costs, new program costs, and costs related to general campus operations.

Mr. Thomas noted that the first two factors were taken directly from the Tuition Transparency Act, and the others were developed in conjunction with the other Locally Governed Institutions (LGIs) and the Tennessee Board of Regents (TBR). He indicated these factors will be used in recommending increases in tuition and mandatory fees starting with the 2019-20 academic year. Trustee Baker moved to approve the list of factors and Trustee Johnston seconded the motion. A voice vote was taken and the motion to approve the list of factors to be considered when developing recommendations for increases in tuition and mandatory fees carried.

The meeting adjourned at 12:13 p.m.

Respectfully submitted,
Finance and Personnel Committee