

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

MINUTES

March 26, 2021
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Finance and Administration Committee met on Friday, March 26, 2021, at 10 a.m. Due to the extraordinary circumstances surrounding the COVID-19 pandemic, the meeting was conducted via teleconference, and public attendance to the meeting was available via livestream.

I. Call to Order

Steve DeCarlo, Chairman of the Finance and Administration Committee, called the meeting to order at 10 a.m.

II. Roll Call

Deputy Board Secretary Nathan Dugger led the roll call. In accordance with Tennessee Code § 8-44-108 section (c) (3), he asked the members of the committee for the record if they could clearly hear so that they could participate in the meeting, and if they would identify any persons present in the room with them from which they were participating in the meeting. All of the committee members who were present reported that they could hear and that they were alone.

Committee members present (all via teleconference) were:

Trustee Austin Ramsey (non-voting student member)
Trustee Ron Ramsey
Board Chairman Scott Niswonger
Trustee Kelly Wolfe
Committee Chairman Steve DeCarlo
Absent: Trustee Dorothy Grisham

Although a physical quorum was not present, Mr. Dugger reported to Chairman DeCarlo that a quorum did exist by inclusion of committee members participating electronically.

III. Approval of Determination of Necessity of Holding This Meeting

In accordance with Tennessee Executive Order 78 permitting safe, open, and transparent public meetings by electronic means, Mr. Dugger offered up to the board the following reasons that necessitated this meeting:

- Business critical to the operations of the institution are slated for this meeting such approval of the proposed salary pool as well as tuition and mandatory fees for budget development. Initial budget presentations also will take place;
- Due to the COVID-19 virus outbreak and subsequent recommendations from the Centers for Disease Control and Prevention as well as Governor Bill Lee, physical distancing measures and a limit on group gathers are being observed.

For these reasons, Mr. Dugger contended that participation by a quorum of the Board members by electronic or other means of communication is necessary and asked that a motion be made and a roll call vote be taken for a determination on the necessity of holding the meeting.

Board Chairman Scott Niswonger made a motion that the necessity exists for the meeting to continue. Trustee Ron Ramsey seconded the motion. The motion unanimously passed by a roll call vote.

Mr. Dugger noted that there was a quorum and the need for the meeting had been voiced. In addition to the members of the Finance and Administration Committee, the following Trustees were also present for the meeting: Virginia Foley, Linda Latimer and Melissa Steagall-Jones.

IV. Approval of Proposed Salary Pool for FY22 for Budget Development

Dr. B.J. King, Chief Financial Officer for Business and Finance, reviewed the proposed salary pool for FY22, which is contingent on approval of Governor Bill Lee's budget and supplemental appropriation.

- She began the discussion with an overview of salary options, which are proposed in a two-step process. The first pool of funds is for an increase effective January 2021. She noted that at this time, there is no funding source for this pool. Staff anticipates the pool will be supported with a supplemental appropriation from the State. However, ETSU may not get notification of that until late in this fiscal year or even early next fiscal year. Staff is exploring the possibility of a one-time bonus if funding for the FY21 increase is provided via a supplemental

appropriation. ETSU is not planning to allocate any funding for a retroactive increase until such time as a supplemental appropriation is approved and proper notice is received.

- The second pool of salary increase funding, which is for FY22, was included in the Governor's proposed budget. That pool is funded at approximately 55 percent, meaning to fully fund this salary pool from institutional funds would require a tuition increase for main campus. To match those funds, the requirement would be about \$2.5 million.
- Dr. King opened the floor for questions. There were no questions.

Trustee Kelly Wolfe made a motion that the Committee recommend adoption of the following resolution by the Board of Trustees: *The proposed salary pools for 2021-2022 are approved as presented in the meeting materials contingent upon the approval of the Governor's Budget.* Trustee Ron Ramsey seconded the motion. After a roll call vote, the motion passed unanimously.

V. Approval of Proposed Tuition/Mandatory Fees for Budget Development

Dr. King provided a refresh of material discussed at the last Committee meeting and contained in the Committee's agenda materials regarding the criteria that must be considered when considering a tuition and mandatory fee increase.

She provided an overview of the landscape of tuition and fees in the state of Tennessee. Dr. King reminded the Committee that last year, ETSU and its Board of Trustees were the first in the state to propose no tuition and fees increase. However, this year ETSU needs to look at tuition increases in order to help fund the percent of Governor Lee's proposed salary increase that is not funded through state appropriations.

The Tennessee Higher Education Commission (THEC) has proposed a tuition and mandatory fee increase with a maximum of 2 percent, so range is 0-2 percent. THEC will vote on a binding limit at their May meeting. With this consideration in mind:

- ETSU is proposing a 1.98 percent tuition increase, which is a \$75/term or \$150/year increase for an undergraduate student at 15 credit hours. With that increase, ETSU could generate \$2 million in revenue, which would help fund the University's match for salary increase, faculty promotion funding, funding for an SGA wellness initiative that was proposed last year and went unfunded, and employee insurance cost increases.

- ETSU is also proposing a 1.72 percent increase in program service fees, which will generate almost \$400,000 to help fund student activities and events and to improve technology bandwidth.
- The total would be a 1.93 percent increase, which would be \$183 per academic year. Even with this increase, Dr. King noted that ETSU continues to be an affordable option for public education in the state of Tennessee.

Dr. King opened the floor for questions.

- Chairman DeCarlo asked about the impact of the federal government's rescue plans and how those funds were trickling down to ETSU. Dr. King answered that those federal funds are coming directly to the institution, and ETSU received one pool of money (approximately \$11 million split 50/50 between institution and student emergency grant money) last spring. Restrictions on spending of institutional money were stringent. She noted that ETSU was able to use the institutional portion of the first pool to refund housing and institutional food services for losses that were incurred by the refunds to students in June 2020. President Trump signed legislation in December 2020 that provided additional federal funding for higher education. In that legislation, ETSU received an additional \$5.5 million for student emergency grants. Dr. King noted that ETSU was awaiting guidance on the institutional portion of the funds, which was \$12 million. That guidance was released on March 19, and the federal government is allowing ETSU to apply those funds retroactively to lost revenues from summer and fall. Finally, ETSU will receive approximately \$31 million in funding through the American Rescue Plan Act, with half required to be distributed to students in emergency grants. The institution is awaiting further direction from the US Department of Education.
- President Noland elaborated on Dr. King's responses, noting that all of the funding that ETSU has received through the stimulus process is one-time in nature. Therefore, funds would be used to cover operating losses primarily in housing and food service, which experienced significant revenue reductions as a result of safety protocols put in place as a result of COVID-19.
- In light of the money that was provided from the federal government, Chairman DeCarlo asked if ETSU found itself in a financially neutral position or negatively impacted as a result of COVID-19. Dr. King stated there is hope that the funding from the federal government will allow ETSU to remain neutral.
- Trustee Wolfe inquired of other institutions' plans for tuition and fees increases, and how ETSU's proposed increase will affect its cost placement amongst the

other Tennessee institutions. Dr. King stated that she did not presently have information for the other institutions since ETSU is the first with a public meeting to discuss tuition increases.

Trustee Ron Ramsey made a motion that the Finance and Administration Committee recommend adoption of the following resolution by the Board of Trustees: *The proposed tuition and mandatory fees for 2021-2022 are approved as presented in the meeting materials contingent on the approval of the Governor's budget and the THEC binding tuition limit.* Trustee Kelly Wolfe seconded the motion. After a roll call vote, the motion passed unanimously.

VI. Discussion of Spring Estimated and July Proposed Budgets

Dr. King reviewed the budgeting process and provided an overview of the spring estimated budget and the July proposed budget, which will be submitted to the state and go before the ETSU Board of Trustees for approval at the April 2021 meeting. She reviewed the budgets for ETSU's four units, which include:

- **Main Campus:** As staff developed the budget for 2021-22, several factors informed the planning process. The University based projections based on enrollment being down 100 students. Areas of reduction on the expenditure side for the main campus are primarily due to the permanent reductions taken in October 2020—academic units took a 4.3 percent budget reduction and administrative units took at 5.3 percent reduction. Research shows increase in expenditures due to the current year activities in FY21 and the establishment of the Center for Rural Health Research. Anticipated reductions in scholarships are present due to the new out-of-state tuition reset that was presented to the Board of Trustees in September 2020. Debt services has increased as a result of the completion of the Culp Student Center and the Martin Center for the Arts. Auxiliaries are realigning their expenditure budgets to their anticipated revenue. Main Campus is seeing a decline in 32 permanent positions, primarily due to permanent budget reductions taken in October. Faculty positions are down by 11, while all other categories are down by 21.

Dr. King opened the floor for questions about the Main Campus budget.

Chairman Niswonger asked about the number of individuals listed in support roles compared to the number listed as instructional. Dr. King noted that ETSU is about average as far as full-time, instructional numbers. She noted that reductions have been more in administrative/support/professional staff. She also mentioned that over time there has been growth in non-faculty staff, which has been driven by two factors. First, she pointed out the increased

need for support staff to meet student needs, which includes areas such as counseling services and others. Secondly, she noted the increased level of compliance and reporting that is required by higher education, which requires more staff. Finally, she noted that full-time faculty are augmented with adjuncts. Particularly, she mentioned the health sciences, which hires adjuncts who are professionals practicing in their respective fields.

Chairman Niswonger followed up, asking where adjuncts show up in the position count in the budget materials provided. Dr. King noted that adjuncts do not show up in the head count in the materials they were examining at the meeting.

President Noland elaborated, noting that the slide showed full-time, benefits-eligible faculty and staff. He stated that staff could follow up with information about adjuncts and adjunct numbers. He also pointed out one difference between ETSU and many other institutions in the state, adding that ETSU carries a full portfolio of grounds and custodial services, whereas, many institutions in the state outsource those positions; therefore, ETSU's support staff numbers will appear higher than other institutions in the state due to the decision not to outsource.

- **Quillen College of Medicine:** Dr. King reminded the Committee that ETSU's non-formula units operate differently than main campus and are funded differently by the state. Revenue for the College of Medicine is increasing, primarily resulting from the increase in state appropriation, which is primarily salary-driven. Expenditures are anticipated to increase by roughly \$865,000 in research and academic support as well as institutional support. There is a slight decrease in instruction, but a faculty member is being added in the July budget. A position is being moved from support to faculty for the college.
- **Family Medicine:** Family Medicine also received an increase in state appropriation for salaries, which was placed in their revenue. The increase will be spread across the expenditure categories. They are adding three positions to faculty and shifting one maintenance tech support position to a professional support position.
- **Bill Gatton College of Pharmacy:** The College of Pharmacy has a revenue decrease for its July budget due to an enrollment decline. Since the college is 100 percent dependent on tuition and fee support, that one-year enrollment decline will impact the budget for the next couple of years as the students move through their courses. As a result, when enrollment increases, Pharmacy will still see a decline in that revenue with this unit being 100 percent dependent on tuition and fees. Pharmacy spreads that reduction across all of

the functional areas. They are adding one faculty position, which is the only position growth included in the Pharmacy budgets.

Chairman Niswonger asked Dr. King and President Noland to what they attribute the decline in Gatton College of Pharmacy's enrollment.

President Noland explained multiple variables, including a decline in applications to pharmacy schools across the country, a significant build-up of colleges of pharmacy in the 1990s and early 2000s, and a more competitive landscape for students to move into first-year pharmacy courses. He also mentioned that there is a price component involved. The price point for tuition at Gatton College of Pharmacy is higher than the price for the University of Tennessee due to Gatton receiving no state funding. President Noland mentioned that he is hopeful that in time, Gatton College of Pharmacy will be able to receive some state support.

Chairman Niswonger asked if ETSU had evaluated an online program in Pharmacy Tech. He later commented that this could be a possible revenue stream to offset the decline in enrollment in the College of Pharmacy.

President Noland noted that they would share the feedback with Dr. Debbie Byrd, Dean of Gatton College of Pharmacy. He mentioned that since many tech programs are at the associate or certificate level, ETSU would be prevented by the state from offering such a program as associate programs are the domain of the community colleges. He said he would clarify that information and get back to the Committee on this issue.

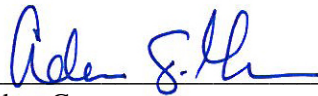
VII. Other Business

No other business was brought before the Committee.

VIII. Adjournment

Trustee Ron Ramsey made a motion to adjourn the meeting, and Trustee Scott Niswonger seconded the motion. The meeting was adjourned.

Respectfully submitted,



Adam Green
Secretary of the Board of Trustees

Approved by the Board of Trustees at its April 23, 2021 meeting.

