

**MIDDLE TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES**

**FINANCE AND PERSONNEL COMMITTEE
MINUTES**

The Finance and Personnel Committee met on Tuesday, November 14, 2023, in the Miller Education Center Meeting Room at Middle Tennessee State University.

Call to Order

Committee Chair Pete Delay called the meeting to order at 10:21 a.m. and welcomed everyone in attendance.

Roll Call

Board Secretary James Floyd called the roll. The following Committee members were in attendance: J.B. Baker, Tom Boyd, Pete DeLay, Bill Jones, Mary Martin, Steve Smith, Chris Karbowski, Michael Vanek, Michael Wade, Pam Wright, and Molly Mihm. A quorum was declared.

Also present were Sidney A. McPhee, President; Alan Thomas, Vice President for Business and Finance; Joe Bales, Vice President for University Advancement; Mark Byrnes, Provost; Andrew Oppmann, Vice President for Marketing and Communications; Yvette Clark, Vice President for Information Technology and Chief Information Officer; Sarah Sudak, Interim Vice President for Student Affairs and Dean of Students; Leah Ladley, Chief Audit Executive; James Floyd, University Counsel and Board Secretary; and Kim Edgar, Assistant to the President and Chief of Staff.

Approval of Minutes – Action

The first agenda item was the approval of the minutes from the August 15, 2023, Finance and Personnel Committee meeting. Trustee Boyd moved to approve the August 15, 2023 meeting minutes, and Trustee Baker seconded the motion. A voice vote was taken, and

the motion to approve the minutes from the August 15, 2023, Finance and Personnel Committee meeting passed unanimously.

THEC 2024-25 Operating Recommendations – Information

Alan Thomas, Vice President for Business and Finance, reported on the proposed recommendations regarding operating appropriations and guiding ranges for tuition increases to be presented at THEC's November 16th meeting. He informed the Committee that THEC staff plans to recommend operating state appropriations for 2024-25 in the amount of \$140.7 million for MTSU, representing a \$2.4 million increase, or 1.7%, over 2023-24 appropriations. This net increase is a combination of an increase of \$700,000 in the outcomes formula adjustments and a \$1.7 million increase in proposed new funding for higher education. He noted that only MTSU and the University of Memphis had positive outcomes in appropriations, while the remaining four LGIs and the majority of the community colleges had reductions in appropriations; however, the UT System had significant increases under the formula outcomes. Dr. McPhee stated that the flow of funds to the UT System has been consistent since the formula was developed, and the trend will continue until changes are made in the formula. He added that he hoped THEC would take action in the next formula review. Vice-Chair Vanek asked if the action would be legislatively driven. Mr. Thomas responded that it would be a THEC decision with input from the legislature.

THEC did not include a salary component in their recurring recommendation, which allows F&A to apply the general government's salary policy to higher education in the Governor's Budget.

THEC is also requesting \$35 million in non-recurring funding for Statewide Cybersecurity to address institutional infrastructure at all of Tennessee's public colleges and universities. Mr. Thomas noted that the University must strategically spend the money since cybersecurity is ongoing and the funding is non-recurring.

Trustee Boyd asked if the student FTE numbers for each school could be added to the State Appropriations History (Attachment 1) for comparison purposes. Mr. Thomas responded that he would provide the additional information to the Committee. He also informed the Committee that based on an analysis of appropriations per degree, MTSU has the second lowest cost to the State compared to the other LGIs and the UT system. Additionally, MTSU has one of the lowest tuition rates amongst the larger public universities.

(Note: The Commission approved THEC staff recommendations for appropriations outlined above at their November 16th meeting.)

Mr. Thomas reported that THEC staff's calculation of guiding ranges for tuition only and tuition coupled with mandatory fees were both 0% to 6%. As in year's past, the Commission would have the flexibility to approve final, binding ranges later in the fiscal year once clarity on the state budget and overall impact on higher education funding is determined.

(Note: The Commission approved 0% to 4% ranges at their November 16th meeting.)

Historical data regarding prior year THEC recommendations for operating appropriations and tuition/mandatory fee ranges were included in the meeting materials.

THEC 2024-25 Capital Outlay/Maintenance Recommendations – Information

Next, Mr. Thomas reported on the 2024-25 Capital Outlay and Capital Maintenance recommendations to be presented to the Commission for approval at the November 16th meeting.

THEC's ranked priority list of recommended projects for funding in 2024-25 was included in the meeting materials.

THEC is recommending twelve (12) capital outlay projects for funding in 2024-25. The capital outlay recommendation totals \$861.6 million for all higher education. This request includes three (3) projects for the Tennessee Board of Regents (TBR), totaling \$172.3 million (20% of the total appropriation); six (6) projects for the LGIs, totaling \$428 million (49.7% of the total); and three (3) projects for the University of Tennessee, totaling \$261.3 million (30.3% of the total).

MTSU's request for a new Liberal Arts, Archives, and Museum Building is ranked the #2 project. The total project cost is \$99.5 million, of which \$91.6 million is requested from the State, with the University required to match the remaining \$7.9 million.

Dr. McPhee thanked Mr. Thomas and his staff for putting together project submittals that consistently rank at the top of THEC's priority list.

Next, Mr. Thomas informed the Committee that THEC staff is recommending funding for all higher education capital maintenance projects in 2024-25, totaling \$251.5 million, which includes the University's submittal of 13 capital maintenance projects for the 2024-25 fiscal year of \$17.4 million. In addition, THEC is requesting funding for two special initiatives – Americans with Disabilities Act (ADA) and Safety and Security – in the amount of \$145.4 million. MTSU would receive \$8.0 million for the ADA initiative and \$1.9 million for the Safety and Security initiative. He noted that both initiatives were submitted last year, but neither made it into the Governor's Budget. He stated that Board members' support is paramount in ensuring the initiatives make it to the budget this year.

(Note: The Commission approved THEC staff recommendations for capital items outlined above at their November 16th meeting.)

Compensation – Action

The next agenda item was a request for approval of compensation changes presented by Kathy Musselman, Assistant Vice President for Human Resources. Ms. Musselman informed the Committee that the University had identified additional salary pool funding of \$3 million and is now recommending market salary increases for faculty and staff. The market adjustments are based on 2020-21 CUPA data and effective January 1, 2024, for employees on the payroll as of December 31, 2023. With the allocated resources, employees whose current salary is below the market-predicted salary would receive 46.7% of the recommended adjustment per the University's approved compensation plan.

Ms. Musselman directed the Committee to the information in the meeting materials showing how the market salary adjustments affect the remaining gap between actual salaries and market salaries. She noted that the calculations were made using 2020-21 CUPA Data.

Because of the mid-year increase, one-time funding will be available to set aside for developing an employee incentive pay plan. A timeline for the development of the plan was provided in the materials.

Chairman Smith moved to approve the proposed compensation changes, and Trustee Boyd seconded the motion.

Vice-Chair Vanek asked if the University was losing employees due to the gap between actual salaries and market salaries. Ms. Musselman responded that filling positions with salary recommendations based on 2020-21 salary data is difficult. She informed the Committee that there are currently 50 vacant faculty positions and between 75 and 100 vacant administrative and classified positions. Discussion ensued concerning the issues created by partial state funding for higher education salaries and ways to address those challenges, including developing an employee incentive pay plan.

A voice vote was taken, and the motion to approve the proposed compensation changes passed unanimously.

2023-24 October Revised Budget – Action

The next agenda item was a recommendation for the 2023-24 October Revised Operating Budget approval. Mr. Thomas directed the Committee to the budget information provided in the meeting materials and briefly discussed the adjustments made to the October budget after the close of the 2023-23 fiscal year. Adjustments included increased state appropriations of \$2.0 million for the MTSU/Meharry partnership, \$2.6 million in funding for increased employee benefits and risk management premiums, tuition and fee revenue adjustments based on fall enrollment, and adjustments in the Higher Education Emergency Relief Funding (HEERF).

Trustee Baker moved to approve the 2023-24 October Revised Budget, and Vice-Chair Vanek seconded the motion. A voice vote was taken, and the motion to approve the 2023-24 October Revised Budget passed unanimously.

Research Foundation – Action

The final agenda item was a recommendation to approve the Research Foundation Agreement presented by David Butler, Vice Provost for Research and Dean of Graduate Studies. Dr. Butler informed the Committee that the purpose of the Agreement is to establish the responsibilities, authority, and relationship between the University and the Research Foundation. The Agreement also defines and establishes standards and procedures for accounting and auditing of accounts.

Trustee Boyd moved to approve the Research Foundation Agreement, and Chairman Smith seconded the motion.

Vice-Chair Vanek asked if the vote could be moved to the upcoming Board of Trustees meeting to allow more time to review the bylaws.

Chair Delay moved to postpone the vote to the upcoming Board of Trustees meeting, and Trustee Baker seconded the motion. A voice vote was taken, and the motion to postpone the vote until the upcoming Board of Trustees meeting passed unanimously.

Closing Remarks and Adjournment

Committee Chair DeLay adjourned the meeting at 11:27 a.m.

Respectfully submitted,

Finance and Personnel Committee