

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION COMMITTEE

MINUTES

April 23, 2021
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Finance and Administration Committee met on Friday, April 23, 2021, at 10:45 a.m. in the ETSU Alumni Association office located in the Model Mill, 602 Sevier Street, Johnson City. Due to the extraordinary circumstances surrounding the COVID-19 pandemic, attendance to the meeting was limited to Trustees, presenters, and support staff. The meeting was livestreamed for public viewing.

I. Call to Order

In the absence of Finance and Administration Committee Chairman Steve DeCarlo, Trustee Ron Ramsey called the meeting to order.

II. Roll Call

Deputy Board Secretary Nathan Dugger led the roll call. Because Trustee Kelly Wolfe participated remotely, in accordance with Tennessee Code § 8-44-108 section (c) (3), Mr. Dugger asked Trustee Wolfe for the record if he could clearly hear so that he could participate in the meeting, and if he would identify any persons present in the room with him from which he was participating in the meeting. He reported that he could hear and was alone.

Additionally, Mr. Dugger reported that since there are Trustees participating remotely, should any votes be taken, they must be taken by roll call.

Committee members present were:

Dorothy Grisham
Austin Ramsey (non-voting student member)
Ron Ramsey
Scott Niswonger
Kelly Wolfe (participating remotely)

Mr. Dugger reported to Trustee Ramsey that a quorum was present. In addition to the Committee members, Trustees Janet Ayers (participating remotely), Virginia Foley, Linda Latimer, and Melissa Steagall-Jones also participated in the meeting.

III. Approval of the Finance and Administration Committee Minutes of February 19, 2021 and March 26, 2021

The minutes of the Finance and Administration Committee Minutes of February 19, 2021 and March 26, 2021, were approved as submitted, with Trustee Dorothy Grisham making the motion to approve, and Board Chairman Scott Niswonger seconding the motion. The motion passed unanimously after a roll call vote.

IV. Approval of Spring Estimated and July Proposed Budgets

Dr. B.J. King, Chief Financial Officer for Business and Finance, presented the Spring Estimated and July Proposed Budgets.

- **Main Campus:** The Main Campus budget is balanced and within available resources. It includes a projected enrollment decline of 100 students. The FY 22 budget writes down revenue by \$3.7 million, which is in line with actual revenues from FY20. Primary drivers in the revenue decline are state appropriations for the current year that the university did not receive and the financial impact on auxiliary units due to the COVID-19 pandemic. Areas of reductions on the expenditure side are primarily due to the permanent budget reductions taken in the October 2020 budget (academic units took a 4.3 percent budget reduction, while administrative units took at 5.3 percent reduction). Research is expected to increase. Student Services were impacted by October permanent reductions, and have been aligned back with FY20 actuals. Scholarships reductions are anticipated with the new out-of-state tuition reset, which was presented at the September 2020 Board of Trustees meeting. Debt service has increased due to the completion of the Martin Center for the Arts and the renovation of the D.P. Culp Student Center. Non-mandatory transfers are declining because of overall budget reductions. Auxiliaries are realigning expenditure budgets to anticipated revenue budgets. Main campus has a decline of 22 positions from the July budget, primarily due to positions being removed through the permanent budget reductions.

Per the Committee's request at a previous meeting, Dr. King also presented comparative information on the benefits-eligible employees across the state in higher education and universities. She noted that ETSU's July budget is in line with the average for public higher education in Tennessee. ETSU has a lower percentage of administrative positions and a higher percentage of professional support positions compared to the Tennessee average.

She presented a graph showing the allocation by function for the University's FY 21-22 expenditure budget. Historically, the largest function is in instruction, which is 41 percent of the main campus' expenditure budget.

- **Quillen College of Medicine:** Revenue for the College of Medicine budget is increasing by \$2 million, which is impacted by state appropriations in the Governor’s budget for salary increases. Expenditures are increasing almost \$900,000, with increases in research, academic support, and institutional support. Medicine’s position count remains stable, with allocation for one additional faculty position. In their expenditure budget by Function, 66 percent is related to instruction.
- **Family Medicine:** The Family Medicine budget has an increase of state appropriations in the Governor’s proposed budget for salaries. There is a corresponding increase in expenditures across all functions as those salary pools are implemented. Three faculty positions are being added in Family Medicine, and one position will be switched from maintenance/tech support to professional support. Similar to College of Medicine, 66 percent of expenditures by function are in instruction.
- **Bill Gatton College of Pharmacy:** The College of Pharmacy budget has a decline in revenue based on a decline in enrollment that they experienced last fiscal year. That decline in first-year students will flow through as the students progress through their studies. All expenditures categories other than research and debt service have taken a reduction with the revenue decline, and one new faculty member is being added to the college. By function, 69 percent of their expenditures are related to instruction.
- Dr. King opened the floor for questions. Trustee Ramsey noted that “almost all of the difference is in the salary increases.” Dr. King agreed that salary increases is a “significant portion” of the difference.

Trustee Kelly Wolfe made a motion that the Committee recommend adoption of the following resolution by the Board of Trustees: *The estimated Spring 2020-21 and proposed July 2021-22 budgets that incorporate the previously approved salary pool by the Committee are approved as presented in the meeting materials contingent on the approval of the Governor’s budget and the THEC binding tuition limit.* Trustee Dorothy Grisham seconded the motion. After a roll call vote, the motion passed unanimously.

V. **Quarterly Financial Update**

Dr. King provided the board with tables summarizing financial activities for the university through the second quarter of the fiscal year 2020-21. The comparison is current year to prior year for the same six-month period (through Feb. 28, 2021, the last full month she could prepare before documents were sent to Committee members prior to this meeting).

In this presentation, she noted that gifts and grants were up in FY21. This is due to a gift for the STRONG Brain Institute and receipts for the operation of University School. In the overview for unrestricted auxiliaries and restricted grants and contracts, she noted revenue categories were down with the exception of the restricted funds, which were up due to state grants for coronavirus and an increase in receipts on a drug study that is being conducted by the university. Expenditures by natural and functional classification show that all natural classification expenses are down with the October budget revisions. Most functional classifications are also down. Auxiliaries have taken the hardest hit of any units on campus, but also stand to benefit the most from the flow of the Higher Education Emergency Relief Fund (HEERF) from the federal government.

Dr. King opened the floor for questions.

- Trustee Steagall-Jones asked if ETSU had spent all of the funding from the CARES Act and coronavirus grants. Dr. King answered that they have spent all the funds for HEERF I, which was CARES funding received last spring. ETSU has spent the student emergency grant portion of HEERF II. On March 19, the criteria was changed for the HEERF II funds, allowing recipients to go back and use it for lost revenue for summer 2020 and fall 2021. ETSU is working on those calculations and has prioritized auxiliary units. Dr. King is working with staff and with other public universities in Tennessee to ensure consistency in calculations since all utilize the same audit group.

President Noland followed up, noting all of the CARES funding that was provided at the close of 2020 has been distributed to students, based on criteria outlined by the federal government. The next round of CARES funding will transition to the institution in late spring/early summer 2021. This round also will have a mandatory distribution to students, which is based on financial need. The parameters for the utilization of this funding were very rigorous and very clearly defined by federal administration; in fact, they have been the most highly audited funds the university had used in decades. President Noland noted that the university would like to use some of the remaining funds to cover operating losses in auxiliaries, which includes housing, university side of food service, Center for Physical Activity, parking, vending, and athletics.

VI. Quarterly Reports of Agreements of \$250,000 or greater

As an information item, Dr. King provided the committee with a list of contracts and purchase orders that exceed \$250,000, covering the time period of January-March 2021.

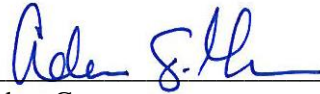
VII. Other Business

No other business was brought before the Committee.

VIII. Adjournment

Trustee Kelly Wolfe and Board Chairman Scott Niswonger made a motion to adjourn the meeting, and Trustee Dorothy Grisham seconded the motion. The meeting was adjourned at 11:17 a.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Adam Green", is written over a horizontal line.

Adam Green
Secretary of the Board of Trustees

Approved by the Board of Trustees at its September 17, 2021 meeting.