



**Middle Tennessee State University  
Board of Trustees  
Finance and Personnel Committee**

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Tuesday, February 27, 2024

MEC Training Room – 2<sup>nd</sup> Floor  
Miller Education Center  
503 East Bell Street  
Murfreesboro, Tennessee 37130





**Middle Tennessee State University  
Board of Trustees**

**Finance and Personnel Committee**

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February 27, 2024

**AGENDA**

Call to Order and Opening Remarks

Roll Call

Approval of Minutes (Action) ..... Tab 1

Governor’s Budget and Legislative Budget Hearings Update (Information)..... Tab 2

Capital Projects Update (Information) ..... Tab 3

Closing Remarks

Adjournment





**Middle Tennessee State University  
Board of Trustees**

**Finance and Personnel Committee**

**Action Item**

DATE: February 27, 2024

SUBJECT: **Approval of Minutes**

PRESENTER: Pete DeLay  
Committee Chair

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**BACKGROUND INFORMATION:**

The Finance and Personnel Committee met on November 14, 2023. Minutes from this meeting are provided for your review and approval.



**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 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 16<sup>th</sup> 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 16<sup>th</sup> 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 16<sup>th</sup> 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 16<sup>th</sup> 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

DRAFT





**Middle Tennessee State University  
Board of Trustees**

**Finance and Personnel Committee**

**Information Item**

DATE: February 27, 2024

SUBJECT: **Governor's Budget and Legislative  
Budget Hearings Update**

PRESENTER: Alan Thomas  
Vice President Business and Finance

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**BACKGROUND INFORMATION:**

Alan Thomas, Vice President for Business and Finance, will update the Committee on how the Governor's 2024-25 Budget will impact the University.

As you are aware, Governor Lee held his State of the State Address on Monday, February 5, 2024, at which time he presented the 2024-25 State Budget. After a preliminary analysis of the budget in relation to higher education, a summary of the financial impact to MTSU was sent out to all Board members and the campus.

Analysis prepared by the Tennessee Higher Education Commission (THEC) on the budget was released, showing the impact to all higher education. These communications are included in the materials for your information and review.

Two committees of the General Assembly scheduled budget hearings for the University. A budget hearing with the House Finance, Ways and Means Committee was held on Wednesday, February 14. The budget hearing with the Senate Education Committee is scheduled for Wednesday, March 6.

We are waiting to hear from the General Assembly on the appearance before other committees before the anticipated approval of the Governor's Budget in late April or early May.



**From:** Kimberly Edgar  
**Sent:** Tuesday, February 13, 2024 11:50 AM  
**To:** University  
**Subject:** Message from President McPhee regarding Governor Lee's 2024-25 Budget

Dear Colleagues:

Governor Lee presented his 2024-25 budget to the 113<sup>th</sup> Tennessee General Assembly on Monday, February 5, 2024. We have conducted a preliminary analysis of the details of the Governor's Budget and I wanted to outline how his proposed budget could affect our University operations, if approved by the General Assembly.

Highlights of the budget as they relate to MTSU's institutional needs and priorities are as follows:

- Net operating appropriations for our University, which includes adjustments made through the funding formula, will increase by \$2.4 million.
- The Governor's Budget included partial funding for a 3.0 percent salary pool for MTSU in the amount of \$3.8 million. As in years past, this is only partial funding and the University will need to fund \$2.1 million from our current budget, which will be a challenge. The University will receive an additional \$1.55 million to cover group health insurance premium increases for a partial year.
- The Governor recommended \$50 million in capital maintenance funding for all higher education. Of the thirteen (13) capital maintenance projects submitted by MTSU, only one was funded. The one funded project totals \$2.5 million and will provide upgrades for fire alarm systems, fire sprinkler systems, life safety systems, and all related work across the campus.
- The budget also included \$66.4 million in capital improvement funding for all higher education. The capital project submitted by the University was not included in the budget. The Governor proposed funding only one of the twelve (12) capital projects recommended by THEC.

As the General Assembly moves the Governor's Budget through various committees, I will keep the campus updated on any impact to the University.

Sincerely,  
Sidney A. McPhee  
President






STATE OF TENNESSEE  
**TENNESSEE HIGHER EDUCATION COMMISSION**  
**TENNESSEE STUDENT ASSISTANCE CORPORATION**  
312 ROSA L. PARKS AVE., 9<sup>TH</sup> FLOOR  
NASHVILLE, TN 37243  
(615) 741-3605

**MEMORANDUM**

**To:** Tennessee Higher Education Commission Members

**From:** Dr. Steven Gentile 

**Subject:** Administration's FY 2024-25 Proposed Higher Education Budget

**Date:** February 5, 2024

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This evening, Governor Bill Lee presented his 2024-25 budget proposal to the 113<sup>th</sup> General Assembly. This year's budget includes an operating improvement of \$17.2 million to fund the outcomes-based funding formula and \$40.0 million to partially fund a 3.0 percent salary increase at our universities, community colleges, and the Tennessee Colleges of Applied Technology—a total of \$57.2 million for formula units.

The budget proposal also includes \$15.8 million to enhance opportunities for students to enter and transition into healthcare careers in rural communities and \$1.0 million to offset inflationary cost increases at the medical units and

Finally, the Governor's budget includes funding for over \$146.3 million in capital improvements. The budget proposes \$96.4 million in appropriations to fund one new capital outlay project and \$49.9 million for capital maintenance. See below for additional details.

***Recurring Institutional Improvements (\$97.3 million)***

- \$17.2 million to fully fund growth in outcomes at the universities and community colleges and growth in enrollment at the TCATs.
- \$40.0 million for salary increases—equal to a 3.0 percent salary pool—at UT, TBR, and LGI formula units.

- \$15.0 million for salary increases—equal to a 3.0 percent salary pool— at all specialized units.
- \$7.2M to annualize the state share of a 5.0 percent group health insurance premium increase for January 1, 2024.
- \$12.7 million to annualize the state share of an 8.2 percent group health insurance premium increase for January 1, 2025.
- \$3.2 million for staffing and operations at the Blue Oval City TCAT.
- \$1.0 million to offset inflationary cost increases at the medical units.
- \$1.0 million to provide funding to maintain federal match requirements for Tennessee State University's Institute of Agricultural and Environmental Research.

***Nonrecurring Institutional Improvements (\$15.8 million)***

- \$15.8 million to THEC to provide funding for the Rural Health Care Pathways Program.

***Capital Improvements & Maintenance (\$146.3 million)***

- \$96.4 million for 1 Capital Outlay project
  - UTC Fletcher Hall Addition and Renovation
- \$49.9 million for 17 capital maintenance projects

**THEC 2024-25 State Appropriations Distribution Recommendation  
November 2023**

Academic Formula Units	2023-24 Appropriation	2024-25 Formula Calculation	Outcomes Formula Adjustments	Share of New Funding	2024-25 Changes	2024-25 Recommendation	<b>FTE</b>
<b>LGI Universities</b>							
Austin Peay	74,622,000	110,991,300	(806,500)	910,300	103,800	74,725,800	<b>7,217</b>
East Tennessee	97,348,300	146,352,200	(15,800)	1,200,300	1,184,500	98,532,800	<b>11,764</b>
Middle Tennessee	138,312,300	209,021,600	698,900	1,714,300	2,413,200	140,725,500	<b>16,124</b>
Tennessee State	53,322,300	76,648,500	(2,346,700)	628,600	(1,718,100)	51,604,200	<b>8,163</b>
Tennessee Tech	76,988,500	114,925,100	(556,800)	942,600	385,800	77,374,300	<b>8,736</b>
University of Memphis	167,759,900	254,895,500	1,760,000	2,090,600	3,850,600	171,610,500	<b>16,645</b>
<b>Subtotal LGI Universities</b>	<b>608,353,300</b>	<b>912,834,200</b>	<b>(1,266,900)</b>	<b>7,486,700</b>	<b>6,219,800</b>	<b>614,573,100</b>	<b>68,649</b>
Community Colleges	382,407,400	565,212,000	(6,509,600)	4,635,900	(1,873,700)	380,533,700	<b>45,373</b>
UT System	454,458,400	694,763,400	7,598,400	5,698,200	13,296,600	467,755,000	<b>48,513</b>
<b>Total Colleges and Universities</b>	<b>1,445,219,100</b>	<b>2,172,809,600</b>	<b>(178,100)</b>	<b>17,820,800</b>	<b>17,642,700</b>	<b>1,462,861,800</b>	<b>162,535</b>





**Middle Tennessee State University  
Board of Trustees**

**Finance and Personnel Committee**

**Information Item**

DATE: February 27, 2024

SUBJECT: **Capital Projects Update**

PRESENTER: Alan Thomas  
Vice President Business and Finance

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**BACKGROUND INFORMATION:**

The following information is a status update on MTSU's capital projects.





## Selected Capital Project Milestone Dates

February 2024



Project	Project Cost	Project Approval (SBC)	Design Start	Design Complete	Construction Start	Construction End
<b>Aerospace Campus</b>	62,200,000	July 2022	October 2023	October 2024	January 2025	November 2026
<b>Applied Engineering Building</b>	74,800,000	August 2021	September 2021	November 2022	February 2023	May 2025
<b>KOM and Rutledge Hall Renovations</b>	54,300,000	July 2022	September 2022	May 2024	August 2024	June 2026
<b>Student Athlete Performance Center</b>	66,000,000	October 2021	February 2022	October 2022	February 2023	July 2025
<b>Tennis Facility Improvements</b>	7,900,000	August 2021	September 2021	May 2022	July 2022	February 2024