

Budget Advisory Committee
January 29, 2021 1:30 p.m.
Via TEAMS

Members Present:

Phil Oldham	Claire Stinson
Tom Payne	Lisa Zagumny
Rob Owens	Kevin Braswell
Brandon Johnson	Jennifer Taylor
Yvette Clark	Deanna Metts
Karen Lykins	Chuck Roberts
Joseph Slater	Paul Semmes
Holly Stretz	Sandi Smith-Andrews
David Larimore	Jeff Roberts
Lee Wray	Aaron Lay
Emily Wheeler	Katherine Friedrich
Terri McWilliams	Emalee Hamblen
Lori Bruce	Mark Wilson
Alice Camuti	Jeanette Luna
Greg Holt	Dewayne Wright
Ed Lisic	Alfred Kalyanapu
Ann Davis	Steve Isbell
Jason Beach	Bedelia Russell
Mark Stephens	

Members Absent:

Deanna Metts

Others:

Carol Holley

Dr. Claire Stinson called the meeting to order at 1:31 p.m. and thanked everyone for their attendance. The agenda and minutes of the October 8, 2020 meeting were distributed previously via email to committee members.

Approval of Agenda: Dr. Stinson asked for a motion for the approval of the agenda. Lisa Zagumny moved to approve the agenda, Sandi Smith-Andrews seconded, there was no discussion and the agenda was approved unanimously.

Approval of Minutes: Dr. Stinson asked for a motion to approve the minutes for October 8, 2020. Lisa Zagumny moved to approve the minutes and Sandi Smith-Andrews seconded. Dr. Stinson asked for discussion. Aaron Lay requested spelling correction of his first name in the members present section. Jeff Roberts stated on page four in regards to athletics budget cuts an additional zero needed to be added. These requested corrections were made. The minutes were approved unanimously.

Remarks by President Oldham: Dr. Oldham thanked everyone for their work on the sub-committees and is excited to have more proactive input into the long-term budgeting process. State finances are in decent shape and awaiting to hear the Governor's State of the State. Enrollment has been stable, which has not been the case for many universities.

Update on State Budget, Spring enrollment and COVID-19 funds: Dr. Stinson advised she had no official information about the state budget at this time. The State of the State address is scheduled for February 8th. THEC's recommendation included \$1,700,000 new money for Tennessee Tech and a reallocation of funds based on the formula, we will lose \$430,900. The loss from the funding formula was a result of Austin Peay Associate degrees. Austin Peay had been able to receive points on the associate degree and then get points on the bachelor degree as well. This was an unintended consequence within the formula and THEC is aware and will be addressed by the formula review committee.

Spring enrollments have been monitored since December. The fourteen-day census purge is today. As of this morning head count was down 56 students, FTE was down 266.8 and graduate FTE was up 103.4 giving a net of 163.38 FTE. The FTE is how revenue is calculated. From undergraduate tuition alone, it will be a loss a little over \$1,000,000 and graduate revenue is up \$530,000. Net reduction in revenue is estimated at \$625,000.

The university was awarded \$13,533,000 in new supplemental federal COVID funding. Of this amount \$4,356,000 is designated for student grants. The student grant categories have expanded from the previous funding. Part of the criteria is students that receive PELL will get larger amounts. This time students that are both on campus and 100% distance education can receive funds. The Business Office and Enrollment Management have been working together for awarding those grants and will distribute to students within a week. The remaining \$9,176,000 is for the institution to use and includes lost revenues and reimbursement of expenses associated with COVID. Information is still needed from the Department of Education on what is allowable. The effective date is December 27, 2020.

Budget Advisory Sub-Committee Progress Update:

Emerging Opportunities & Threats- Mr. Wright advised the subcommittee had met with Stephen Gentile at THEC to discuss the projected enrollment cliff. The committee came up with opportunities in the next five to ten-year window: more online classes, building minority communities on campus, embedded certificates, engage donors, events for fundraising and recruiting events from academic departments, diversity scholarships, professional school and determine what we want to be known for. The threats that were determined were state funding drop, high school enrollment cliff, younger generation not sure if they need to go to college, attracting minorities to a STEM and rural institution, inefficiencies in software and processes, technology and money needed to obtain and

maintain, maintaining level of IT infrastructure established using CARES funds once those funds are exhausted, need to diversify revenue streams and organizational indecision. Mr. Wright provided graphs on public high school graduates class of 2008 to 2037 projections for the U.S, south and Tennessee. Threats associated with the enrollment cliff included increased competition from other states' schools, increased threat of UTK, significant drop in white high school graduates, identify correct plan for short-term growth and long-term contraction. The enrollment cliff could provide the following opportunities: target Hispanic and black graduates, expected growth in most of Tech's top 20 feeder counties, engage with counties to increase graduation rate, target adult learners in counties that have some college credit. Graphs were provided on TN public high school graduation projections by race.

Effectiveness & Efficiency- Ms. Lykins provided the update. The subcommittee discussed they needed to receive a lot of input and get an understanding from the front line where these efficiencies lie. They aligned their meeting with strategic plan goal three since it aligns with the purpose of this committee. The Strategic Goal priority actions are to improve efficiency and effectiveness of operational/administrative processes and procedures, increase the size and effectiveness of scholarship endowments, and continue to develop, implement, and evaluate a dynamic long-term budget model that informs effective financial management and consistent strategic investment. The tactics were looked at two levels: process and structural. One of the topics that came out of the process conversation was a forms audit. There seem to be a lot of forms that are being used but might not need to be and have some administrative title inadequacies. The unawarded scholarship structure was discussed by looking at the descriptions and what can be changed to make sure we are using the most efficient way to use them as a recruitment tool. Another tactic discussed was to educate the university community on the budget model, good work has already begun on this, but will look closer at improving the communication process. The committee also discussed reviewing purchasing and ITS policies about buying. Structurally two topics that were discussed were resource allocations for effectiveness. Academic Affairs is held to the standard of allocations depending on showing effectiveness and measures but the administrative side does not have that same type of structure, if there was a better way to look at that. The other structural topic discussed was looking at functions and seeing how best performed in a decentralized manner or centralized manner. Ms. Lykins discussed the possibility of sending out a survey to collect information on some potential inefficiencies.

Five-year Strategic Budget Planning Committee- Dr. Stinson advised this subcommittee had been in place for some time and was requested by the Board of Trustees Audit & Business Committee as they wanted a five-year budget. The committee has been working on the budget model. When the current budget model was implemented it was to incentivize departments and it has not done that. The committee has had several meetings discussing contribution margins, are resources being distributed where most productivity is and if that is what needs to be done, how to determine what is a proper subsidy from one unit to another unit within academic and non-academic areas, how to measure in the contribution margin the contribution of research in addition to teaching. The current budget model concentrates on the teaching piece. There have been

discussions on what were the appropriate measures for the non-academic side. The committee is working on making a new budget model and will share with the Budget Advisory Committee when more progress is made. Dr. Stinson asked the other committee members for their comments. Dr. Isbell added that a lot of time was spent discussing what the contribution margins meant, should they be targeted or not, the model may have placed too much emphasis on it. Instead of using those numbers as a goal can be measures and should not necessarily be thought of as a target, which made the committee rethink how it should be used or not. Dr. Bruce added there were conversations on how to define success of a unit and how to define what drives revenues and reduces costs. Revenue drivers looking at various metrics that align with THEC metrics and how to create effective metrics that become budget drivers, such as enrollment, graduation rates and retention rates. Dr. Davis stated that in addition to looking at metrics on the academic side there were also discussions on measures to look at the administrative side. Dr. Stinson stated some data has been gathered from ABC that looks at personnel for the non-academic area. The best measure for non-academic is a measure of personnel compared to other similar institutions. Ms. McWilliams added that over 40 schools are in the ABC data and we can select different peers based on different areas.

Facilities and Infrastructure- Dr. Taylor advised when the subcommittee met they discussed needs, planning for those needs and how-to asses the needs. Two working groups were formed. Dean Slater stated his working group created a rubric for prioritizing investments. If an item is safety or regulatory related it must rank high. The return must contribute to strategic plan and goals, increased enrollment, student success, increased research and scholarly activity, increased university recognition, and can it contribute to actual dollars in the future. Key areas of expenditure and resource needs included: maintenance, strategic investments and student context. A score card for the rubrics was created. Categories on the score card was source of funds, cost, aligns with strategic plans and goals, impacts enrollment, improves research and scholarship, improves rankings/recognition and improves future costs. For example, to help prioritize source of funds if the department had the funds already they could receive a five but if new money was being requested in the budget it could receive a one. Dr. Stinson added for planning purposes capital projects have a longer timeline, which units will need direction for any requests they want to submit. For example, we are currently going into the process for operating budget for FY21-22 but at the same time capital budget is being prepared for FY22-23. Ms. Clark shared the second working group was the IT infrastructure. Items discussed: regular schedule to replace office computer hardware, classroom teaching technology, regular review of software, replacement or new contract for ERP system, access control doors, security cameras and technology infrastructure replacement & renewal. For the access door control six criteria was discussed: access to an area where sensitive information is stored, access to an area where increased security is necessary, access to an exterior building door, access to an area where shared departmental assets are located, access to an area where students will require entry in absence of faculty/staff and access to resident living space. The funding source based on the criteria for items 1-3 would be funded by the university and 4-6 funded by individual department/college. Ms.

Clark provided an example calculation for the access control R & R, Maintenance and Software plan.

Adjournment: Dr. Stinson thanked everyone for their attendance and work. The meeting adjourned at 4:25 p.m.