

**UPRAC  
Minutes  
May 2, 2016**

Richard Brown thanked the committee for their engagement and feedback in the budget process.

In his welcoming remarks, the Chancellor noted that the budget rebalancing that the university went through last year made the budget process easier this year. We will have a tuition increase of 2.2%. 3% would have been nice, but 2.2% is the higher education inflation rate and we don't want to go above that.

Dr. Ainsworth noted the budget process was started earlier. The Executive Leadership Team started talking about the budget in the summer, and started talking to the individual departments in September. Will continue this process. Obviously, all requests don't make the final budget, we have to set priorities. He remarked that we have to be careful with the budget discussion. Don't want to be secretive, but also can't talk too soon or people will assume something is going to happen that doesn't make the final cut. Important to keep people informed. In the rebalancing process the university merged departments, eliminated some academic concentrations, moved others to new areas. The UT system asked us to look at productivity, both quantitatively and qualitatively. Will give report at June BOT meeting. Share documentation about where we are. UTC is in a good place. We are tying budget and student success together. We are not finished, but we have good information.

Dr. Brown noted that the political landscape is challenging and this informs how we conduct business and fiscal planning.

The Chancellor noted that several tuition freeze proposals were discussed legislatively; some multi-year, some increase tuition for freshman only and then they pay that same amount all four years. The State must try to fund the THEC formula, which requires financial flexibility. We must pay attention to the HEPI rate even though the cost of doing business increases 2-3% every year. State supported construction and facilities upgrades have seen a large increase. Need to hold tuition affordable. UT Martin is using the 15/4 model where they charge for 15 credit hours. UTC is not in position to do this for fall of 2017. We need more time to study the impact, so maybe fall of 2018. What we would offer students in this model? we need to have a discussion with SGA. UT Martin is bringing an 11% tuition increase to the Board. Reduced out-of-state tuition by 50%. Is sustainability of the Hope Scholarship/TN Promise really there? We will talk about the 15/4 model next year. Dr. Elwell requested clarification regarding how much students receive if they attend another institution for 2 years before transferring to UTC. Yancy confirmed that they get a reduced rate in years 1 and 2, but that increases to \$4,500 in years 3 and 4. Students get \$3,500 per year if they are at UTC all four years.

Dr. Brown took the floor to walk the committee through the FY 2016-2017 Proposed Operating Budget. Please refer to the PowerPoint presentation that is available on the Business & Financial Affairs website. UTC is the #2 performer in the state regarding the Tennessee Complete College Act. The competitive market has changed for higher education. We have to move toward more online education. Need to invest in marketing and communications. The university can't afford to be the state's best kept secret anymore. We need to find new sources of revenue. Investments going forward must align to the four goals in the Strategic Plan.

The proposed new revenue for UTC is a good story. \$7.6 million inclusive of tuition/fees and state appropriations, and based on continuing high performance within the Tennessee Complete College Act.

Proposed expenditures for 2016-2017 include a majority investment in Academic Affairs. This represents major investments in quality instruction and academic support. Additional institutional expense investment is mostly in scholarships.

E&G Proposed Revenue breakdown is 66% from tuition and fees and 30% from state appropriations.

E&G Proposed Expense shows 43% in instruction. If you aggregate all academic expenses, 70% goes to the primary mission of the University to deliver high quality instruction. We will need to invest more on research in the out year budget cycles.

**Highlights of proposed budget allocations by division:**

(See slides and handout “Proposed Cost Going Forward & Investment Plan”)

Note: Includes 3% across-the-board salary pool. Dr. Brown confirmed that 3% means 3% in the paycheck of employees, benefits have been budgeted separately. An \$800 minimum has been set for employees whose 3% would be less than that amount to bring them closer to the competitive compensation benchmark.

Chancellor – Staff writer, operating funds for Community Partnership and Title IX.

Academic Affairs – 6 new faculty positions in Engineering and Business, staffing and operating support, enhance support for Career Services.

Athletics – Partial funding for head basketball coaches salary adjustments, operating funds for recruiting, team travel, tennis facility.

Communications and Marketing - Marketing funds for student recruitment. Associate Vice Chancellor, Director of Editorial Services, Director of Integrated Marketing and Webmaster positions. Note: Webmaster will be for the entire campus.

FOIT – New positions in Purchasing/Surplus, Emergency Management Planner, two additional police officers (9 additional officers were requested, but will need phasing over time), skilled craftsman position and two custodial positions. Includes additional operating funds for Facilities given new square footage.

Student Development – Judicial Investigator and Victims Advocate positions, operating funds for DRC.

Institutional - \$100,000 to support Diversity Initiatives. (Chancellor Angle has requested that this allocation be given to Academic Affairs in support of diversity efforts to enhance faculty recruitment and retention). Voice Over Internet Protocol (VOIP) will start in the State Office Building and migrate to entire campus. Budget includes a moderate FLSA salary pool. The new DOL salary threshold for exempt employees is being increased from \$23,600 to \$47,892. Hoping this will be phased. If DOL comes in at \$40,000 we would be in good shape. The university may take the opportunity to reclassify some positions that do not meet the criteria for being exempt. Exempt employees may be moved to non-exempt, which makes them eligible for overtime, so there is a cost associated with that change.

Scholarships & Fee Waivers – New Gold scholarships, increase Graduate Assistant stipend, increase institutional scholarship and grant-in-aid for tuition increase.

Auxiliary – Maintenance, operating and reserve funds for meal plans and parking decals.

**Three new Board approved fees:** International Education fee, Doctorate of Physical Therapy Differential Fee, Doctorate of Occupations Therapy Differential fee. These fees will be specifically for these programs.

**Presidential approved fees:** Lab fee adjustments for Education, Environmental Science, Interior Design, Communications.

**Chancellor approved fees:** Nurse Practitioner and PT seat fees, 3% increase for parking and 4% increase for meal plans. Note: Dr. Brown has asked Aramark to consider not moving forward with this. Don't want to price ourselves out of the market.

A comparison of university "specialized" fees in Tennessee indicates that UTC is a bit higher than some institutions and about in the middle of the pack with others. Some of the increase in student support fees was due to THEC instructing us to move athletics off of E&G funding and into student fee based funding many years ago. The increase in the transportation fee is for the new parking deck.

UTC needs to find the "sweet spot" on out-of-state tuition. How can we stay competitive if out of state tuition remains non-competitive in the market and very high?

We need to close the gap between tuition revenue and state appropriations. State appropriations increases to also improve access and Drive to 55 goals.

**BAG Update:** Good story at UTC for internally reallocated funds. Strong indicators to the state legislature that we are looking at how we manage our own funds.

**FY 2017 Funded Capital Projects** include the academic classroom renovation of Lupton/Fine Arts and roof replacements, including McKenzie Arena.

**FY 2018 Capital Project priorities** include the Health Sciences Building, West Campus utility connections and building envelope repairs.

Health Sciences Building – the Chancellor noted that this will be a joint effort with UT Health Sciences Center, located at 3<sup>rd</sup> and Palmetto adjacent to the new Children's Hospital. This will require a multi-year lobbying effort. Construction on Children's Hospital is scheduled to begin December 16<sup>th</sup>. Parking will be tight. We are working with Hamilton County for use of Health Department lot. Health Science Building would allow UTC to put all health related programs together in one place and free up other campus buildings for expanded use.

**E&G Fund Balance** – THEC requires a minimum 2% fund balance, UTC's FY 2015 balance is over 4%. Shows we are healthy and good steward of our resources. This fund balance is managed through the UT system cash pool.

**Notes & Bonds Payable** – will increase in 2018 for West Campus Housing and parking garage project. Tyler Forrest estimates that our annual debt service is \$3 - \$3.5 million.

**FY 2013-2017 Compensation Plan** – since 2011 to date, we have added \$9 million. UTC still has a compensation gap. It costs more to recruit new employees than to retain them.

The comparison of UTC faculty compensation with peer institutions indicates we are close to the peer benchmark with the Professor and Associate Professor positions. Compensation for Instructors and Lecturer is still quite low. There is a competitive salary issue here.

FY 2012-2016 Physical Plant square footage is growing. Have to put money into plant to maintain quality and service.

FY 2012-2016 Residence Hall Occupancy Rates – there is a risk if available housing is not filled. There is a lot of housing around campus now.

### Discussion

Presenting proposed budget to President Joe DiPietro on Wednesday and the Board will decide in June, including the compensation plan. The Chancellor noted that next year there may be a merit pool.

Dr. Elwell remarked that lecturers are the backbone of most departments and that many are being hired away by other schools. A suggestion was made to possibly offer multi-year contracts for lecturers, but we need clarification on whether this is forbidden by the faculty handbook as written.

Dr. Pack asked about staff that are paid at 80% of the market rate. Dr. Brown agreed that a compensation gap closure is needed. A national study was done by Sibson Consultants. Dr. Brown noted that our turnover rate is about average, and that low level is driven by great benefits. IT is a large area of turnover and organizational transition. IT positions are very competitive and it is difficult to keep good employees. Dr. Brown suggested Dr. Pack speak with Laure Pou in Human Resources regarding the Sibson compensation surveys.

Tonia Martin asked about the benefit difference between faculty and staff regarding the additional cost for differential tuition. Dr. Ainsworth replied that it was off the table, no campus voted to support it. Tonia noted that many staff take courses at other institutions because it is less expensive than taking them at UTC. Dr. Brown said he would bring this matter back to the UPRAC committee. Dr. Ainsworth said it is a campus by campus decision and he would be interested to know how many staff are affected. Dr. Rausch suggested investing in a better benefits statement. Education benefit is huge. We cannot waive the fees because they are Board approved, but the institution can cover them.

The Chancellor announced that Hannah Turcotte will be graduating on Saturday and thanked her for all she has done as SGA President.

The meeting was adjourned at 3:30pm.