



Performance Based Compensation

Presentation to Board of Trustees

December 2019



Performance Based Compensation Model

- **Two-pronged approach**
 - **1% pool for performance base salary increase**
 - Effective January 1, 2020
 - Total cost = \$921,200 (including fringe benefits)
 - **1% pool for one-time performance bonus**
 - Receive December 20, 2019
 - Total cost = \$921,200 (including fringe benefits)



Performance Based Compensation Model

- **1% Pool for Performance Base Salary Increase**
 - **Eligibility**
 - **Faculty** = Performance Evaluation Score of 4 – 5
 - **Staff** = Performance Evaluation Score of 3 – 4
 - Hire date before December 31, 2018 – employees are eligible for a maximum increase of 6%
 - Hire date between January 1 – April 30, 2019 – employees are eligible for a maximum increase of 1%



Performance Based Compensation Model

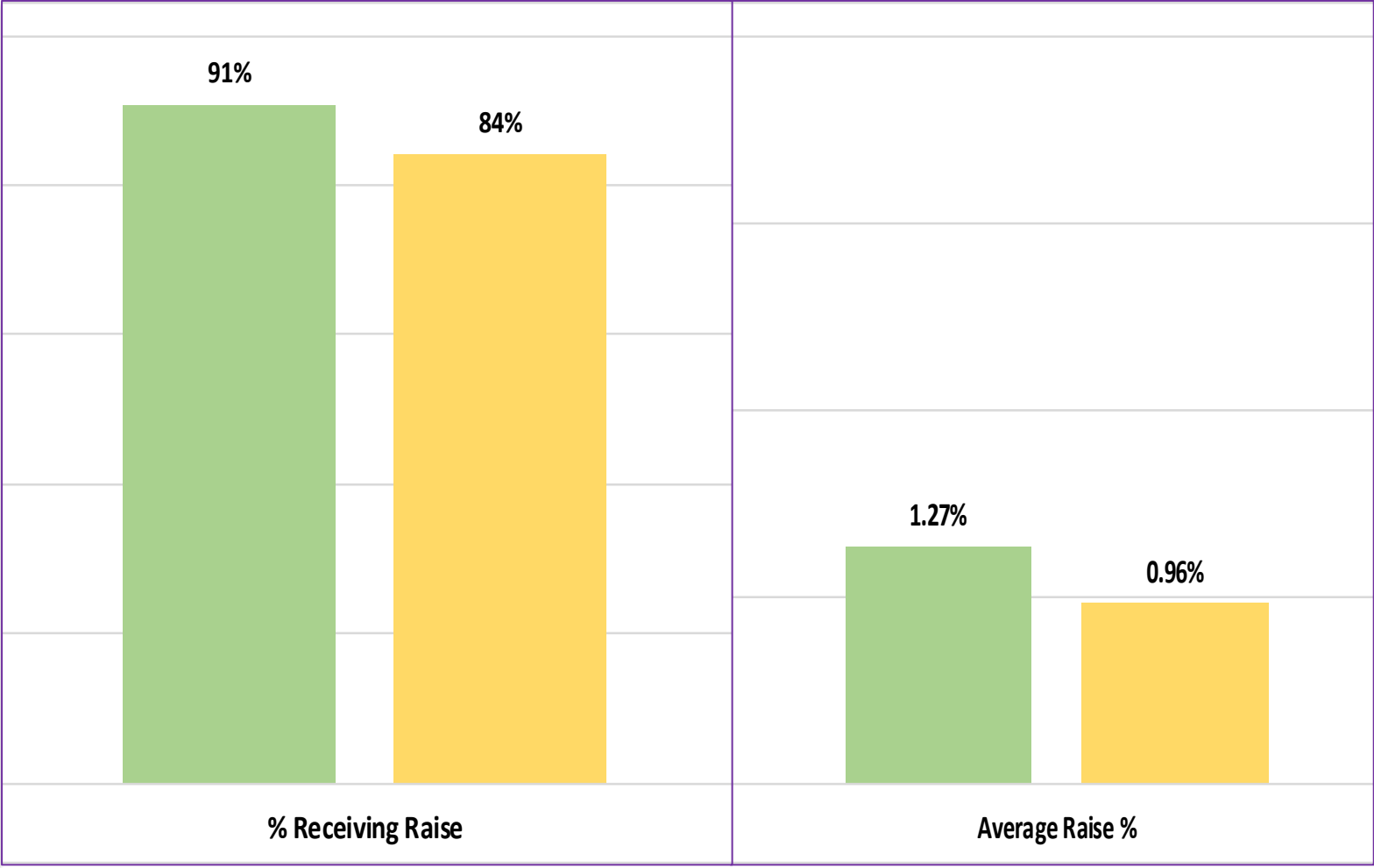
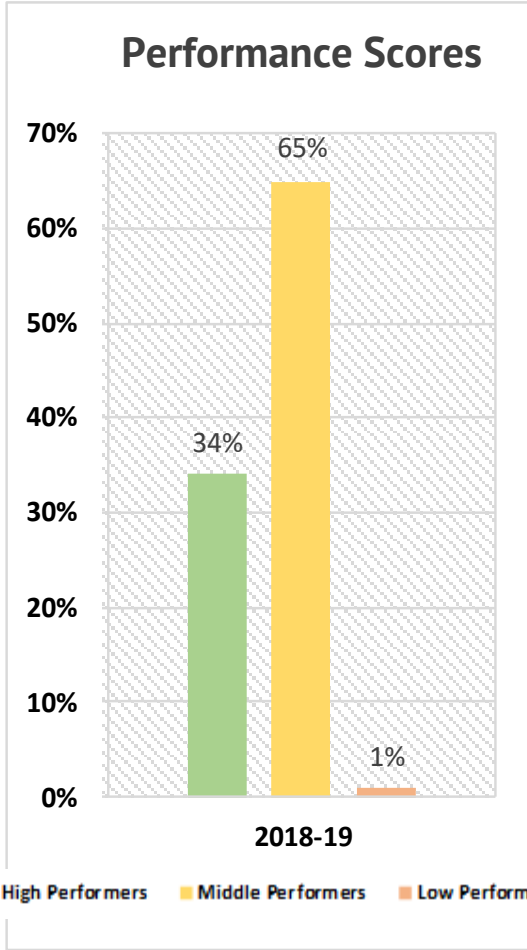
- **1% Pool for One-Time Performance Bonus**

- **Eligibility**

- **Faculty** = Performance Evaluation Score of 5
 - **Staff** = Performance Evaluation Score of 3.5 – 4
 - Hire date before December 31, 2018
 - Maximum award = 10%
 - Supporting comments required for proposed employees
 - Bonuses limited to only 25% of eligible employees
 - Eligible employees are those who have gone above and beyond in the performance of their job duties



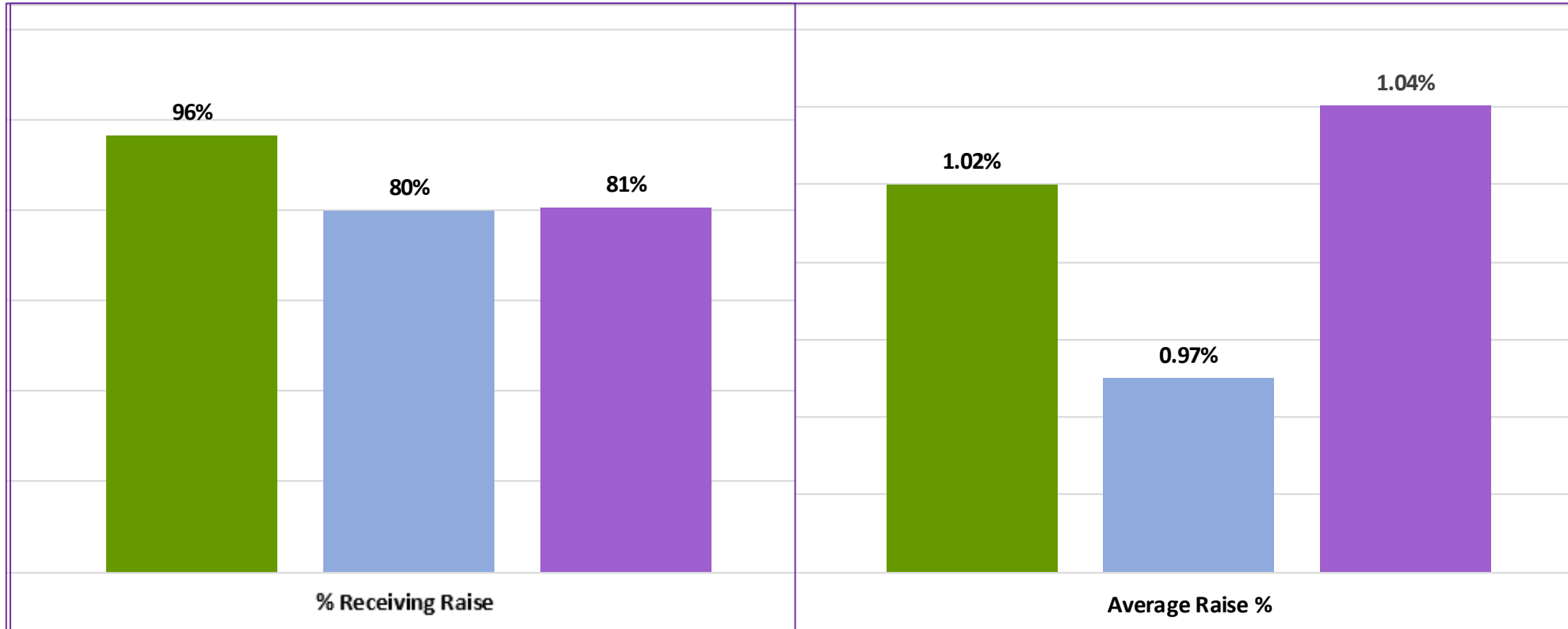
Staff – Proposed Distribution of Base Salary Increase By Category



■ High Performers ■ Middle Performers ■ Low Performers



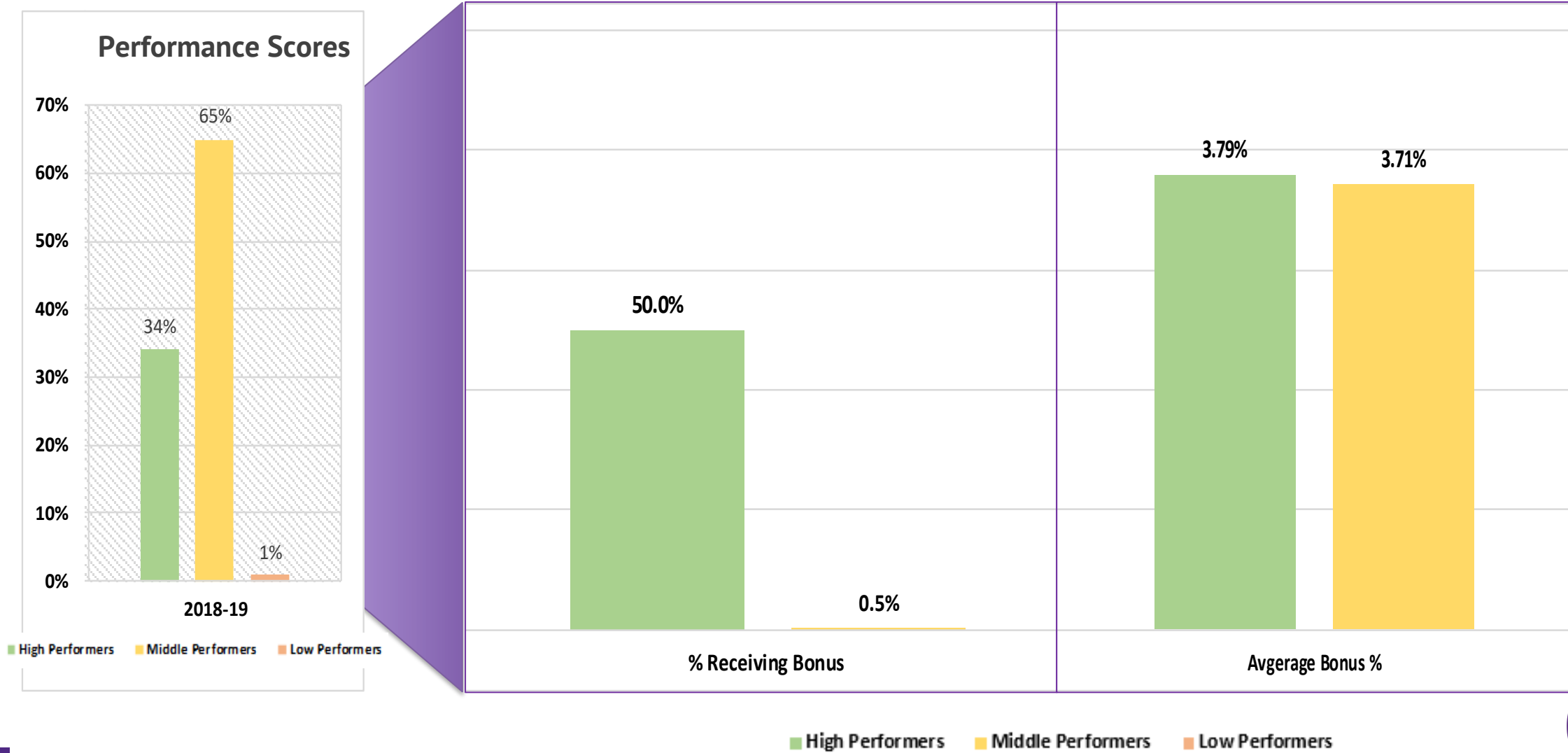
Staff – Proposed Distribution of Base Salary Increase (By Classification)



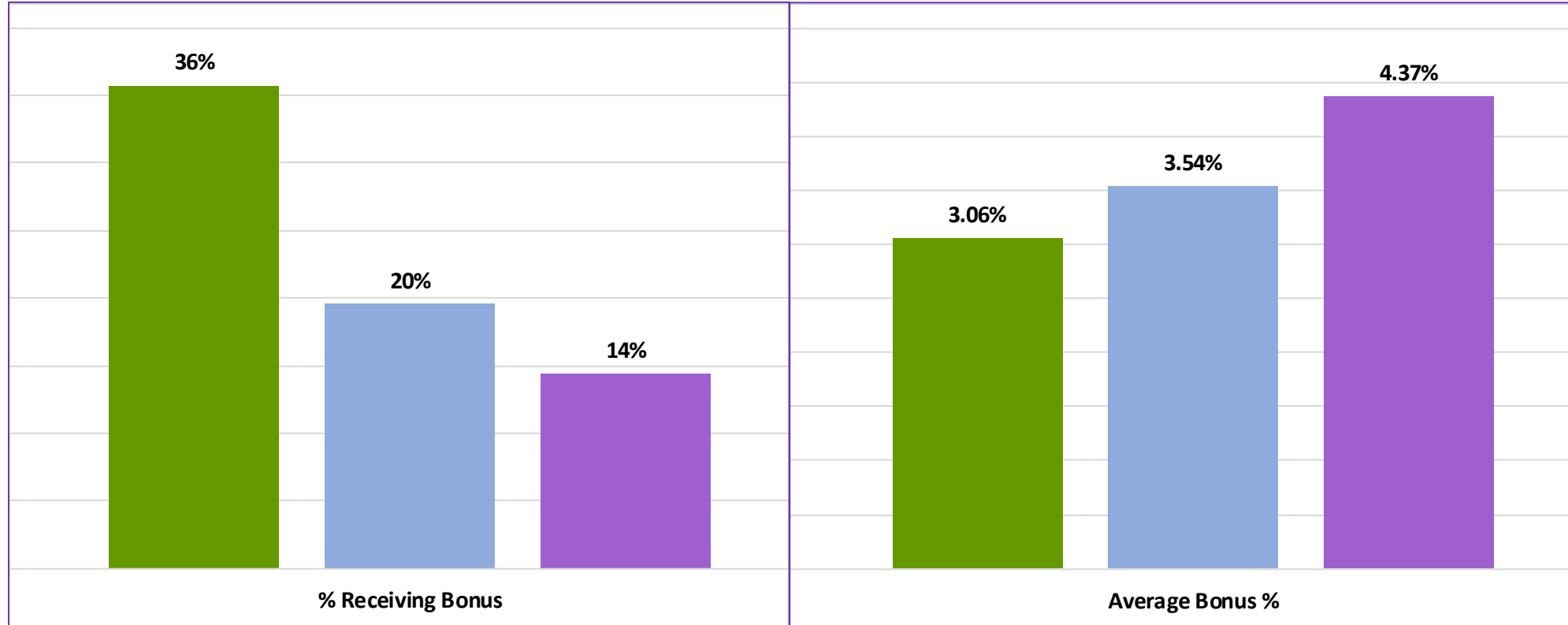
■ Executive ■ Administrative ■ Clerical & Support



Staff – Proposed Distribution of One-Time Bonus By Category



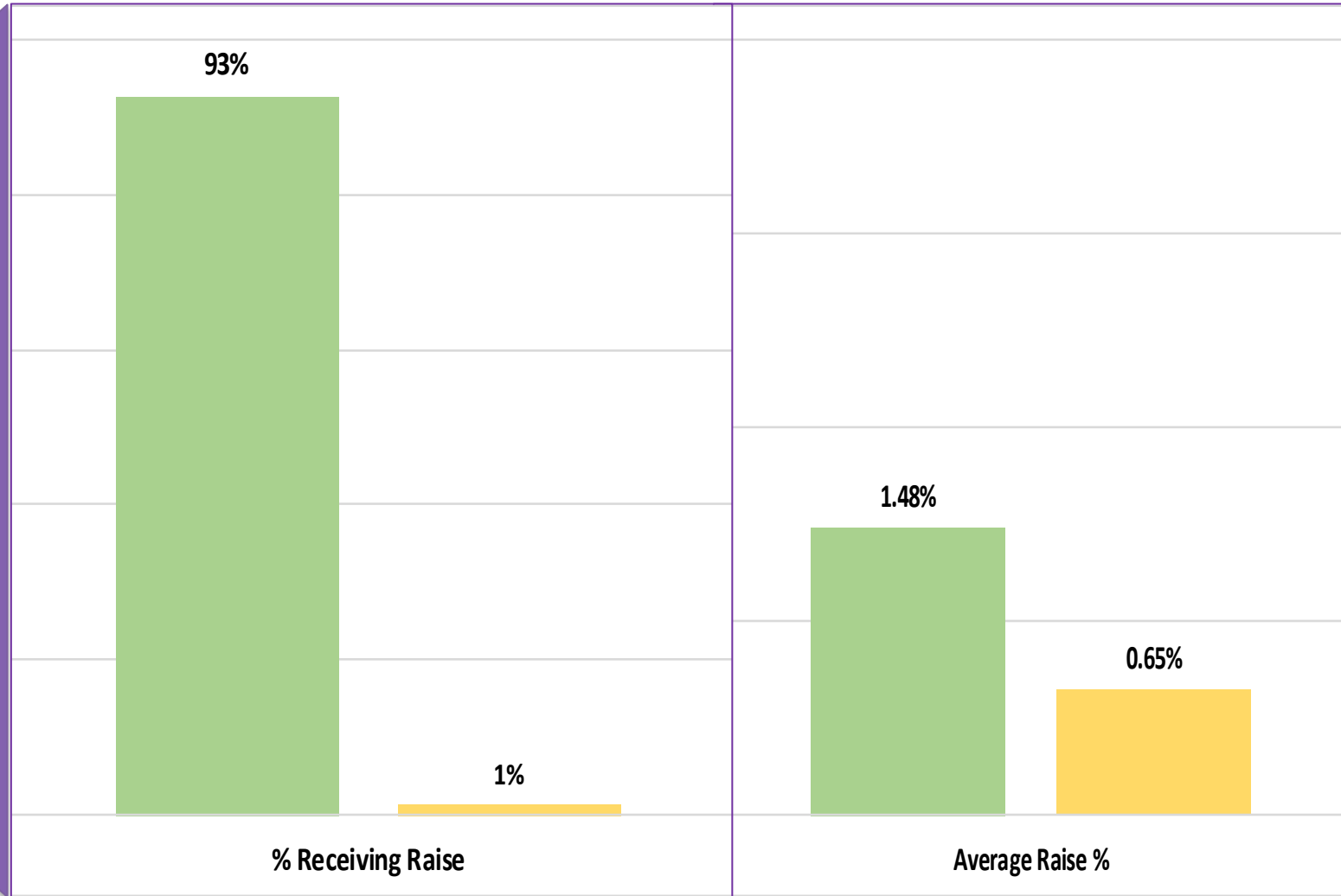
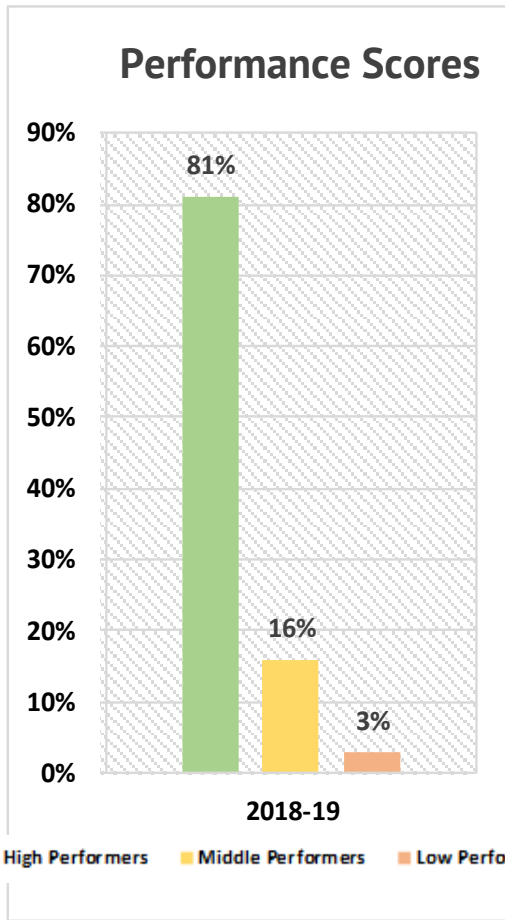
Staff – Proposed Distribution of One-Time Bonus (By Classification)



■ Executive ■ Administrative ■ Clerical & Support



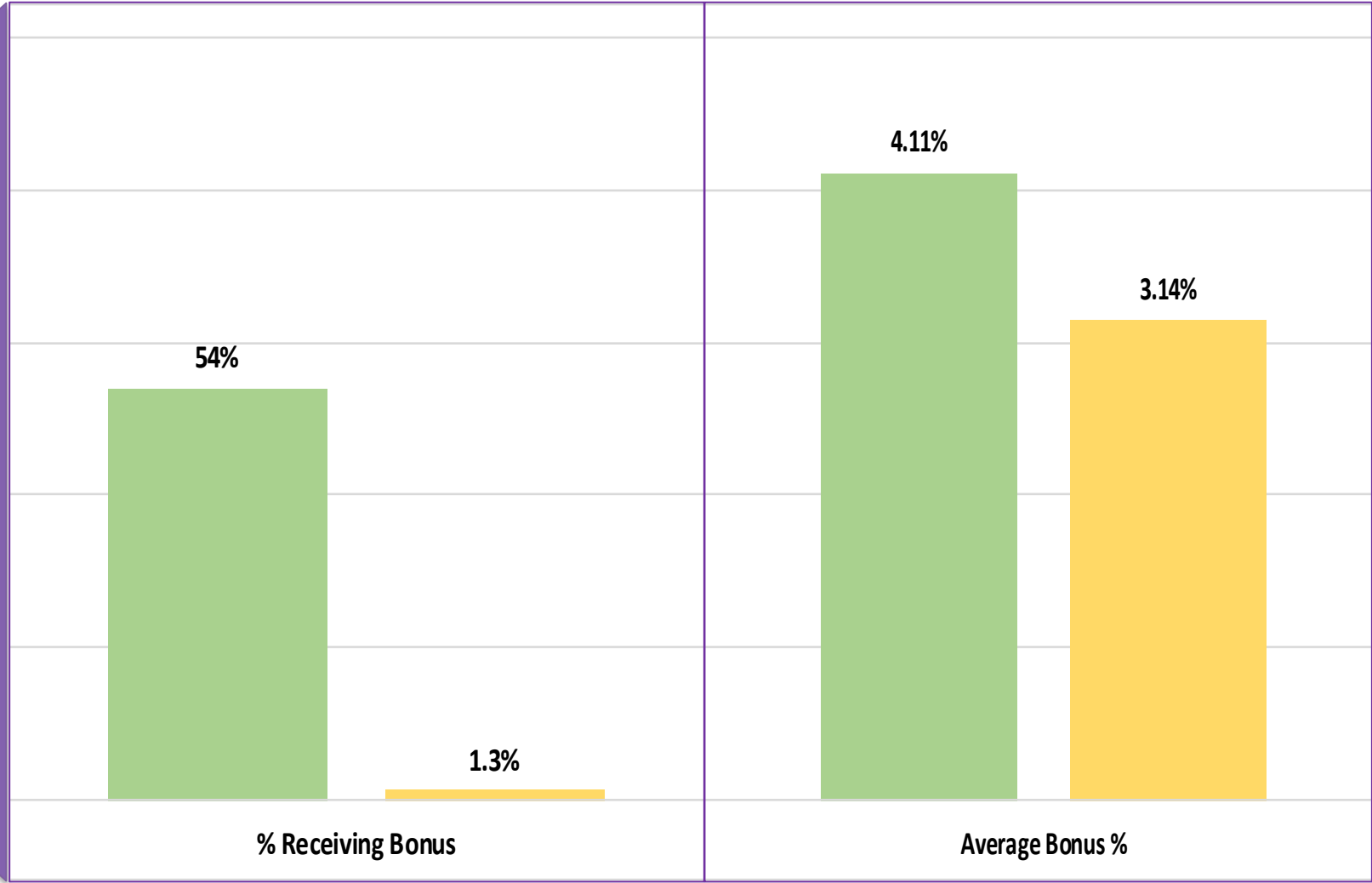
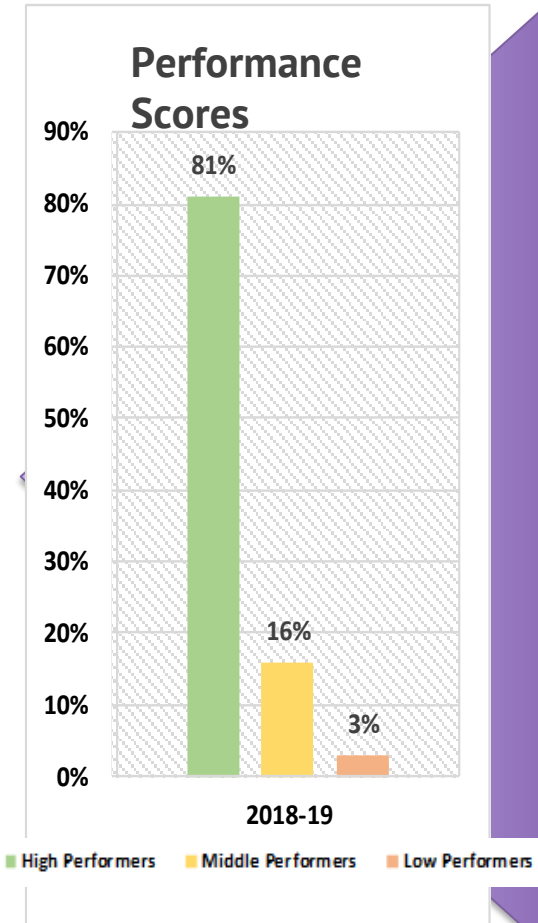
Faculty - Proposed Distribution of Base Salary Increase By Category



■ High Performers ■ Middle Performers ■ Low Performers



Faculty - Proposed Distribution of One-Time Bonus By Category



■ High Performers ■ Middle Performers ■ Low Performers



Bonus Distribution


	Total Emp in Class	# Bonuses Proposed	% Received Bonus
Total Staff	690	125	18%
Total Faculty	408	90	22%
Total Employees	1098	215	20%



Bonus Outcomes



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Staff Salary Equity Study

- Salary equity study
- Internal review indicated very minor compression/inversion issues
- Total equity adjustments = \$12,683
 - * 0.72% of Staff
 - * 0.036% of Total Staff Payroll



Fair Labor Standards Act Adjustments

- Effective January 1, 2020
- Raises the Exempt salary threshold to \$35,568
- 19 employees impacted that will remain exempt based on duties test; remaining will be transitioned to non-exempt
 - * 4.7% of Exempt Staff
- University Funding = \$52,491
 - * 0.2% of Total Exempt Payroll





Tennessee
TECH

Fiscal Year 2019-20

October Revised Budget



Reconciliation of Changes in E&G revenues

	Actuals FY2018-19	Proposed Budget FY2019-20	Difference	Revised Budget FY2019-20	Difference
Tuition and Fees	95,852,464	94,100,800	(1,751,664)	97,640,600	3,539,800
State Appropriations	56,172,876	59,187,800	3,014,924	59,396,600	208,800
Other Activities	14,303,704	11,708,600	(2,595,104)	11,746,600	38,000
Total Revenues	166,329,044	164,997,200	(1,331,844)	168,783,800	3,786,600



E&G Revenues Reconciliation of Difference

Actual vs Proposed

- Tuition and Fees \$(1,751,664)
 - Proposed budget was based on conservative estimates for tuition revenues \$(1,825,000)
- State Appropriations \$3,014,924
 - Formula adjustment \$814,300
 - \$900,000 recurring from Carnegie class change
 - New state appropriations for outcomes funding \$2,653,800
 - Adjustments for OPEB, TCRS, Risk Management, Health insurance \$1,291,600
 - FY2019 Fee waiver reimbursement \$(245,100)
 - FY2019 OPEB \$(2,399,676)
- Other Revenue \$(2,595,104)
 - Budgeted decline in grants revenue \$694,000
 - Budgeted less in proposed budget for interest income \$1,500,000
 - Athletics \$200,000 decline in student fees

Proposed vs Revised

- Tuition and Fees \$3,539,800
 - In-state tuition estimates increased by \$350,000 based on larger enrollment than our conservative estimate.
 - Out-of-state tuition estimates increased by \$649,000 based on better fall enrollments than our conservative estimate.
 - Addition of new Online and Alternate Delivery Fee \$2,140,000
- State Appropriations \$208,800
 - Adjustments for OPEB, TCRS, Risk Management, Health Ins. \$208,800



Change in Expenses

	Actuals FY2018-19	Proposed Budget FY2019-20	Difference	Revised Budget FY2019-20	Difference
Instruction	69,577,550	74,951,100	5,373,550	81,774,300	6,823,200
Research	2,369,134	2,730,200	361,066	3,878,200	1,148,000
Public Service	2,305,792	2,224,600	(81,192)	2,478,500	253,900
Academic Service	12,197,099	12,661,600	464,501	13,275,200	613,600
Student Services	19,885,215	19,128,000	(757,215)	21,127,000	1,999,000
Institutional Support	15,159,752	16,372,500	1,212,748	17,443,600	1,071,100
Oper. & Maint. of Plant	12,891,610	14,458,600	1,566,990	14,737,800	279,200
Scholarships & Fellowships	<u>15,096,058</u>	<u>17,351,100</u>	<u>2,255,042</u>	<u>17,396,200</u>	<u>45,100</u>
Total Expenses	149,482,210	159,877,700	10,395,490	172,110,800	12,233,100

Reconciliation of Change in Expenses

Actual vs Proposed

- FY 2018-19 unspent budgets \$3,979,193
- FY2018-19 unspent special fees \$4,604,488
- Lapse salaries from unfilled faculty and staff positions in FY 2018-19 \$2,582,677
- Scholarships Unspent \$2,255,042
 - Unspent general scholarship \$1,826,681
 - Unspent athletic scholarship \$719,256
 - Over spent mandated scholarships 290,895
- Proposed budgeted included potential for 2.5% salary plus benefits \$(1,830,100)
- Faculty promotions, software escalation costs, scholarships budgeted in proposed \$(886,300)
- Utilities budget increase for Science Building and FIT coming online in FY20-21 \$(500,000)

Proposed vs Revised

- Re-budget of carryforward amounts \$ 7,036,700
 - SACF \$1,328,833
 - Faculty Research & Indirect Cost \$783,331
 - SAF \$658,709
 - TAF \$753,334
 - Engr State Appropriation funds \$1,866,612
 - Strategic Investment Fund-Lapse-\$1,172,792
 - Other department requests \$473,098
- Advertising and Marketing \$450,000
- Athletics \$795,900
- Faculty & academic support \$248,800
- On-line course expenses \$1,286,800
- Removed Contra account balances to SAF and TAF \$2,737,875





Tennessee
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Revised Mandatory Fee Structure



What are Mandatory Fees?

- Mandatory Fees are paid by both undergraduate and graduate students.
- Mandatory Fees are paid on a per hour rate up to a maximum per semester.
- Mandatory Fees have been introduced over a period of many years which has created inconsistencies and unintentional complexity for students.
- There are 4 Mandatory Fees:
 1. Debt Service
 2. General Access
 3. Facilities
 4. Student Government (SOLO) FEE



Inconsistency of Current Mandatory Fees

- Current Mandatory Fees
 - Debt Service
 - Instituted prior to 1976
 - Undergraduate \$11 per hour, maximum of \$129 @ 12 hrs.
 - Graduate \$13 per hour, maximum of \$129 @ 10 hrs.
 - General Access (Athletics, Fitness, TAF, and Student Mental Health)
 - Instituted in 2001 (Athletics – 2003, Fitness – prior 1991, TAF – 1993, and Student Mental Health – 2018)
 - Undergraduate and Graduate \$62 per hour, maximum of \$429 @ 7 hrs.
 - Facilities Fee
 - Instituted in 2013
 - Undergraduate and Graduate \$5 per hour, maximum of \$51 @ 11 hrs.
 - Student Government (SOLO) Fee.
 - Instituted in 2010 (Student Government – prior 1991 and SOLO – 2010)
 - Undergraduate and Graduate \$3 per hour, maximum of \$30 @ 10 hrs.



Inconsistency of Current Mandatory Fees

Current Mandatory Fee Assessment Structure						
Hours Per Semester	Debt Service	General Access	Facilities Fee	Student Government	Cumulative Fees Paid	
1	\$ 11.00	\$ 62.00	\$ 5.00	\$ 3.00	\$ 81.00	
2	\$ 11.00	\$ 62.00	\$ 5.00	\$ 3.00	\$ 162.00	
3	\$ 11.00	\$ 62.00	\$ 5.00	\$ 3.00	\$ 243.00	
4	\$ 11.00	\$ 62.00	\$ 5.00	\$ 3.00	\$ 324.00	
5	\$ 11.00	\$ 62.00	\$ 5.00	\$ 3.00	\$ 405.00	
6	\$ 11.00	\$ 62.00	\$ 5.00	\$ 3.00	\$ 486.00	
7	\$ 11.00	\$ 57.00	\$ 5.00	\$ 3.00	\$ 562.00	
8	\$ 11.00	\$ -	\$ 5.00	\$ 3.00	\$ 581.00	
9	\$ 11.00	\$ -	\$ 5.00	\$ 3.00	\$ 600.00	
10	\$ 11.00	\$ -	\$ 5.00	\$ 3.00	\$ 619.00	
11	\$ 11.00	\$ -	\$ 1.00	\$ -	\$ 631.00	
12	\$ 8.00	\$ -	\$ -	\$ -	\$ 639.00	
Fee Max	\$ 129.00	\$ 429.00	\$ 51.00	\$ 30.00	\$ 639.00	



Proposed Mandatory Fee Resolution – Max @ 6 Hours

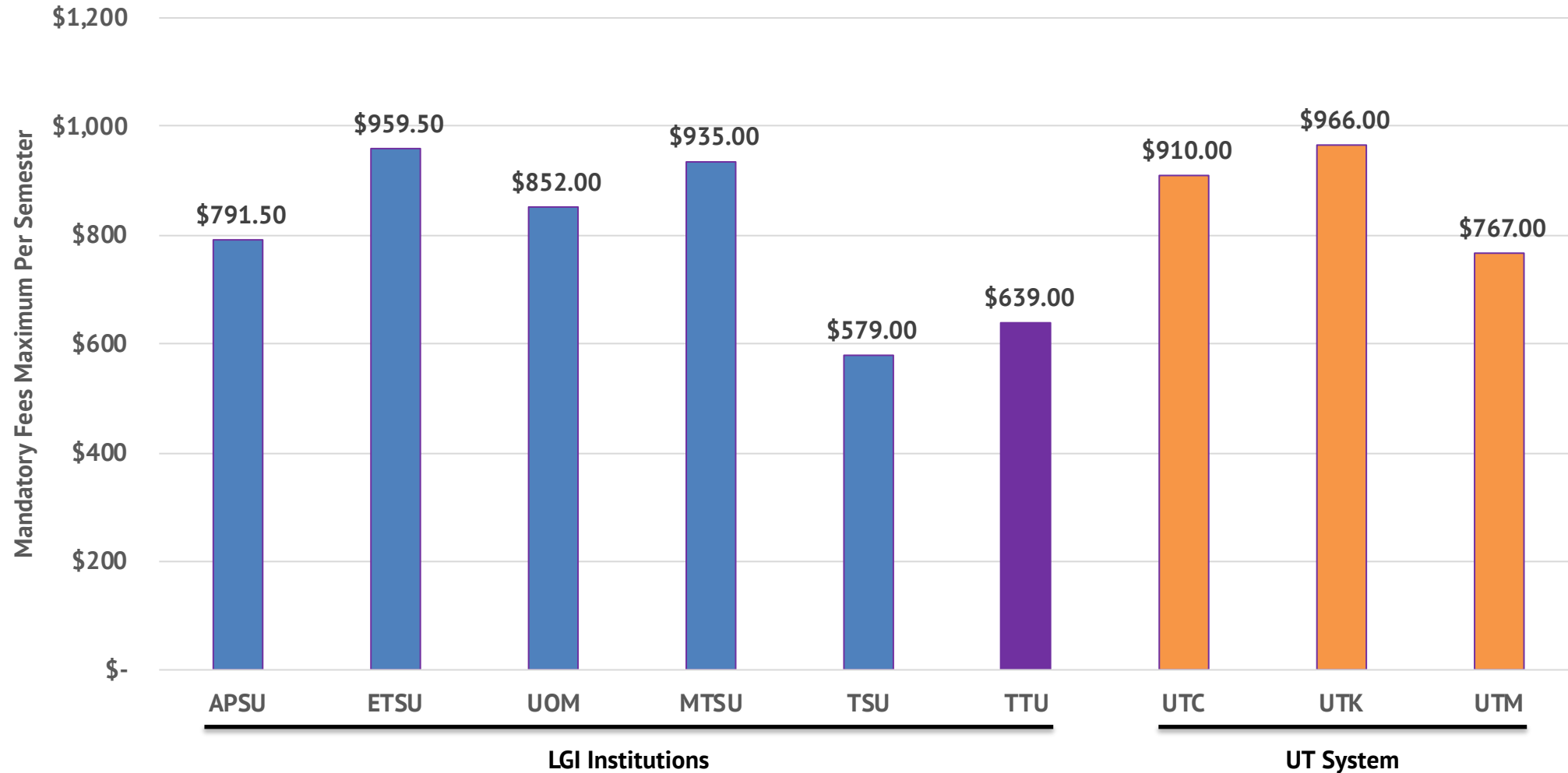
Proposed Mandatory Fee Assessment Structure					
Hours Per Semester	Debt Service	General Access	Facilities Fee	Student Government	Program Service Fees Paid
1	\$ 22.00	\$ 72.00	\$ 9.00	\$ 5.00	\$ 108.00
2	\$ 22.00	\$ 72.00	\$ 9.00	\$ 5.00	\$ 216.00
3	\$ 22.00	\$ 72.00	\$ 9.00	\$ 5.00	\$ 324.00
4	\$ 22.00	\$ 72.00	\$ 9.00	\$ 5.00	\$ 432.00
5	\$ 22.00	\$ 72.00	\$ 9.00	\$ 5.00	\$ 540.00
6	\$ 19.00	\$ 69.00	\$ 6.00	\$ 5.00	\$ 639.00
7	\$ -	\$ -	\$ -	\$ -	\$ 639.00
8	\$ -	\$ -	\$ -	\$ -	\$ 639.00
9	\$ -	\$ -	\$ -	\$ -	\$ 639.00
10	\$ -	\$ -	\$ -	\$ -	\$ 639.00
11	\$ -	\$ -	\$ -	\$ -	\$ 639.00
12	\$ -	\$ -	\$ -	\$ -	\$ 639.00
Fee Max	\$ 129.00	\$ 429.00	\$ 51.00	\$ 30.00	\$ 639.00

- **TCA § 49-8-109** consideration in making facilities accessible.
 - Facilities must be made available to students in 6 hours or more.
- Other institutions have instituted a “Program Service Fee” which collapses all these fees into one rate, with the budget still being allocated across the various components.
 - Reduces complexity and confusion.



LGI & UT System vs. TTU

Maximum Mandatory Fees Per Semester



Mandatory Fee Proposal Resolution

- Max all mandatory fees at 6 hours.
- Hold mandatory fee cumulative maximum at \$639 per semester.
 - Debt Service : \$129 – no change in maximum per semester
 - General Access: \$429 – no change in maximum per semester
 - Facilities: \$51 – no change in maximum per semester
 - Student Government (SOLO) FEE: \$30 – no change in maximum per semester
- Package all mandatory fees into one fee named “Program Service Fee” to reduce complexity and confusion.





Out-of-state Tuition Rate



Current Domestic Out-of-State Tuition (OST) Rates

- Domestic Out-of-state tuition cost for FTE = \$12,348 per semester
 - \$661 premium per hour in addition to in-state tuition for hours ≤ 12
 - \$132 premium per hour in addition to in-state tuition for hours > 12
- R250 tuition cost for FTE = \$7,090 per semester
 - \$256 premium per hour in addition to in-state tuition for hours ≤ 12
 - Applies to students who graduate within 250 miles of TTU.
 - Calculated annually based on state appropriations and fall enrollment.
- E-Rate tuition cost for FTE = \$6,420 per semester
 - \$160 premium per hour in addition to in-state tuition for all credit hours.
 - Rate for all students taking only online classes.
 - Calculated annually at 50% of in-state tuition.



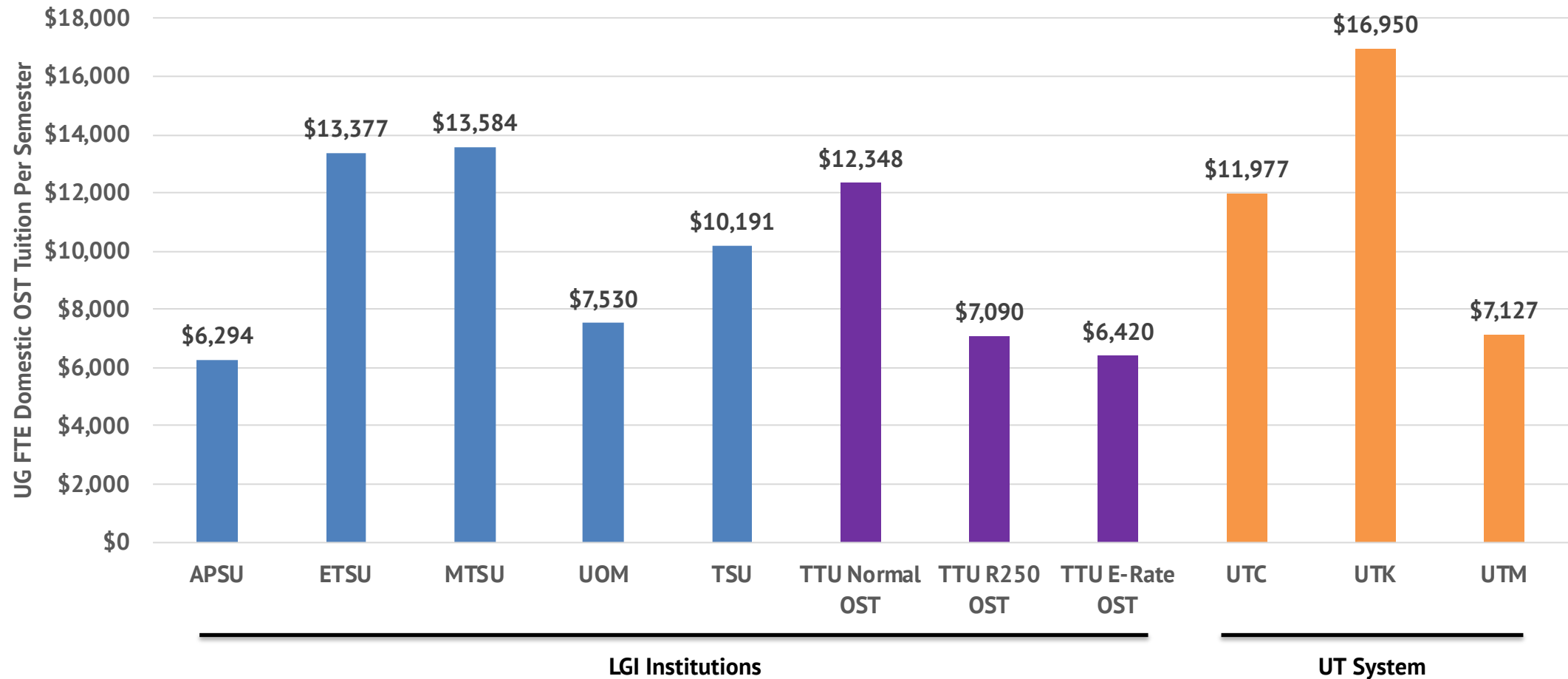
Challenges of TTU's Domestic Out of State Tuition (OST)

- Currently, TTU's out-of-state tuition (OST) is not competitive compared to other LGI's, the UT System, and to universities in surrounding states.
 - Competitive disadvantage
 - Limits access to new markets
 - Creates diversity challenges



Current Rates Market Analysis (Tennessee Public Universities)

Domestic Out-of-State Tuition

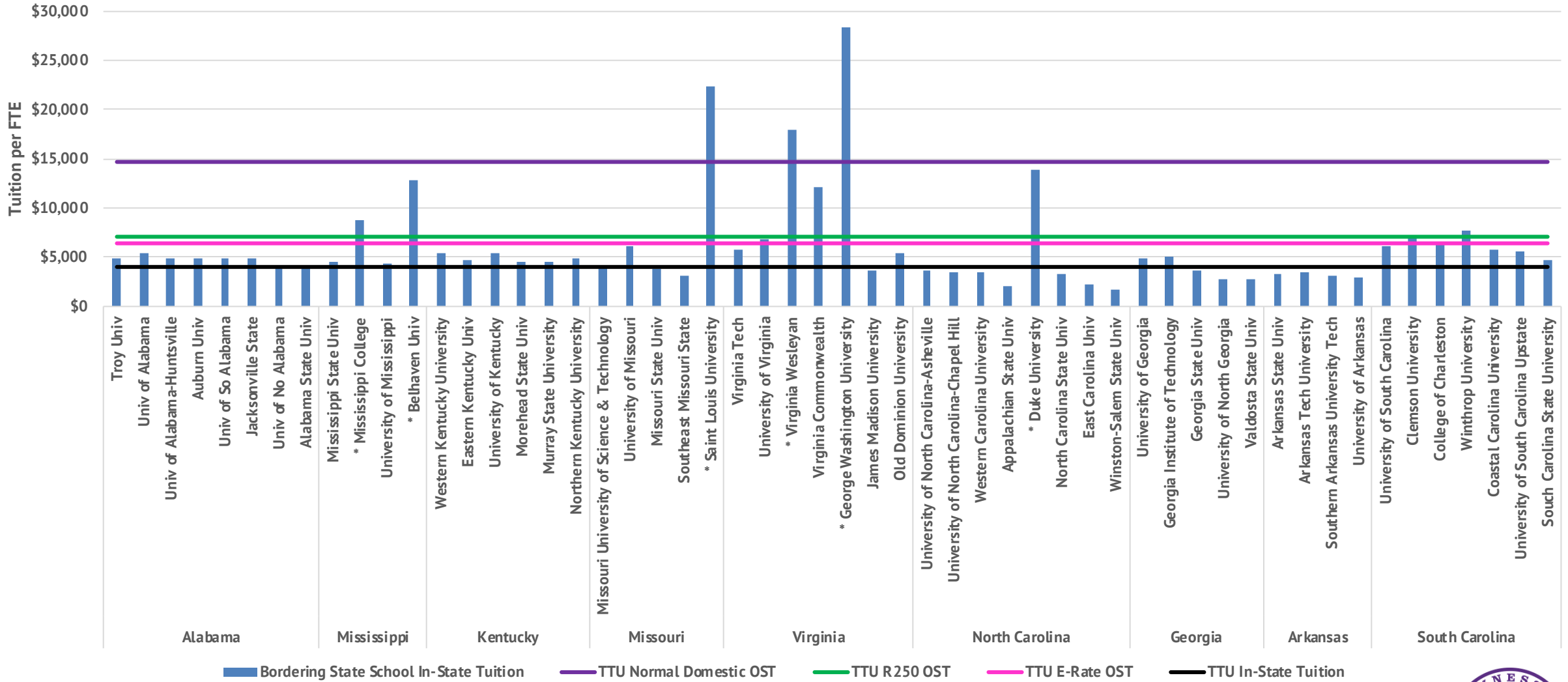


- All amounts shown are based on a student enrollment of 15 credit hours per semester.
- All amounts shown include in-state tuition and out-of-state tuition.
- Assumes tuition for all schools is based on their UG Domestic Out-of-State Rate except for Tennessee Tech.



Current Rates Market Analysis (Target Markets)

Domestic Out-of-State Tuition



* Indicates private institution



Can we eliminate out-of-state tuition?

- Yes, based on TCA § 49-8-102(b)(1)
 - “Nonresidents of the state who meet the conditions for entrance to any of the institutions under the control of the board of regents or a state university may be admitted on payment of tuition rates that the respective board prescribes.”
- TTU Board of Trustees prescribes out-of-state tuition rates.
- Out-of-state tuition rates are not constrained by THEC.

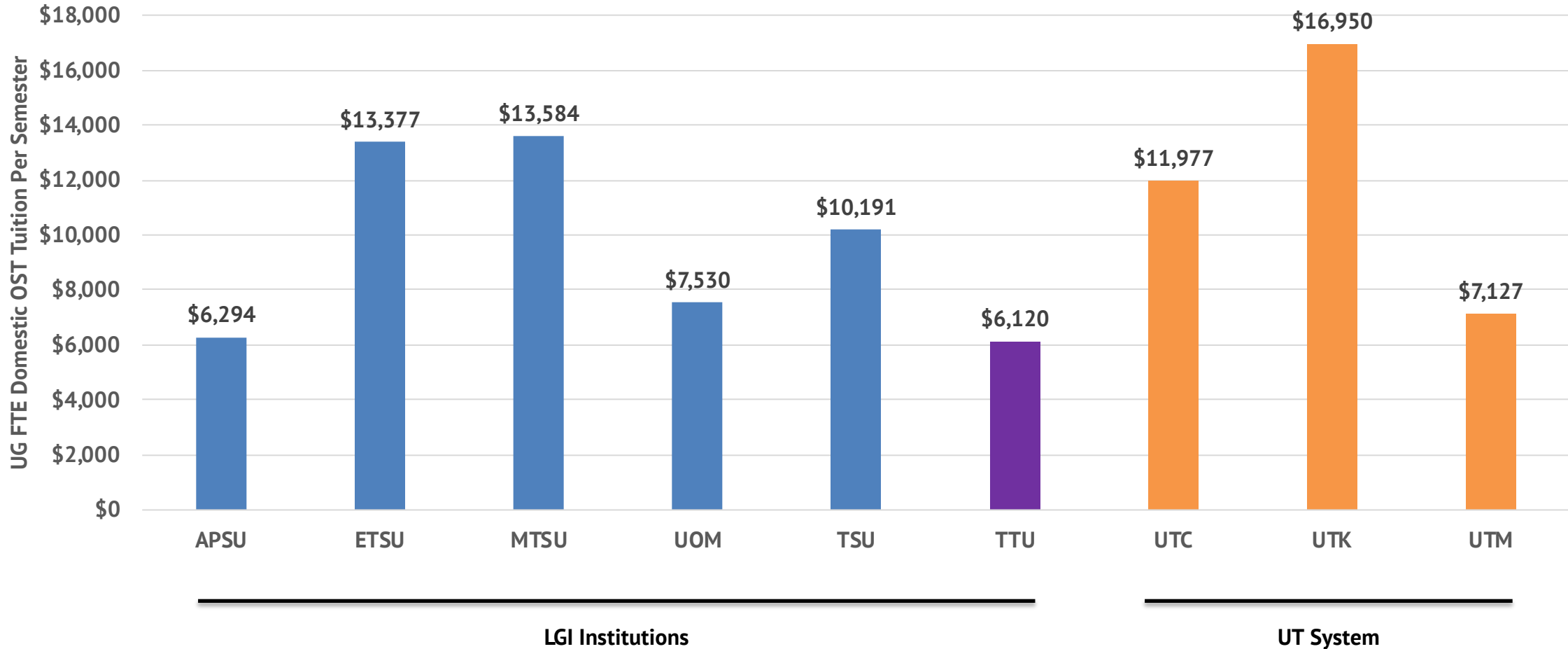


Domestic Out-of-state Tuition Proposal

- Lower out-of-state tuition and simplify.
 - Set a single premium for domestic out-of-state tuition for both undergraduate and graduate students.
 - Charge out-of-state tuition based on part-time/full-time structure.
 - Do not base out-of-state tuition rates on dynamic calculations.
 - Target the surrounding states for growth in diversity and new markets.



Market Analysis (Tennessee Public Universities) Proposed Domestic Out-of-State Tuition

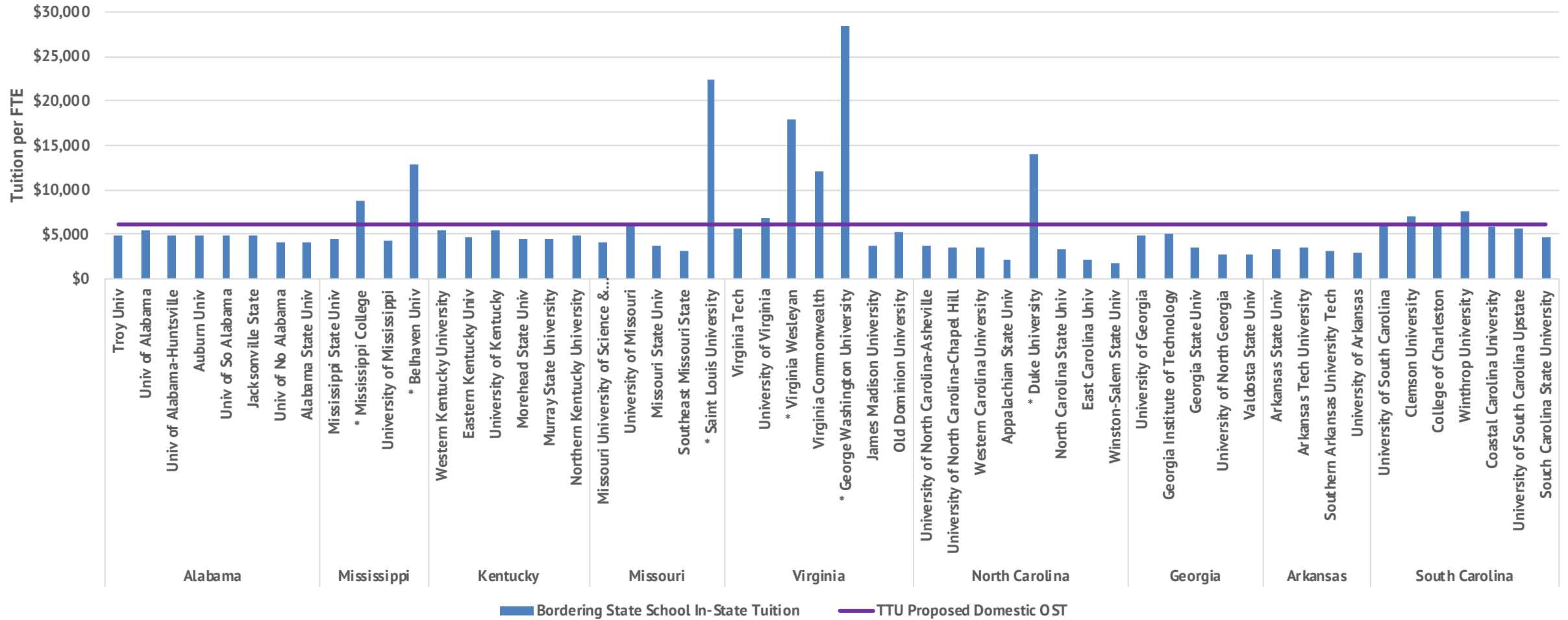


- All amounts shown are based on a student enrollment of 15 credit hours per semester.
- All amounts shown include in-state tuition and out-of-state tuition.
- Assumes tuition for all schools is based on their UG Domestic Out-of-State Rate except Tennessee Tech.
- Tennessee Tech's tuition is based on proposed Domestic Out-of-State Rate of \$140 for Part-time and flat rate of \$2,100 for Full time.



Market Analysis (Target Markets)

Proposed Domestic Out-of-State Tuition



* Indicates private institution



Domestic Out-of-state Tuition Resolution

- Lower out-of-state tuition and simplify.
 - Set a single premium for domestic out-of-state tuition for both undergraduate and graduate students.
 - Charge out-of-state tuition based on part-time/full-time structure .
 - Undergraduate
 - Part-time: \$140 premium per hour (enrollment up to 11 hours)
 - Full-time: Flat rate premium of \$2,100
 - Graduate
 - Part-time: \$140 premium per hour (enrollment up to 9 hours)
 - Full-time: Flat rate premium of \$1,680
 - Do not base out-of-state tuition rates on dynamic calculations.





Tennessee
TECH

Full-time/Part-time Tuition Model



Current Undergraduate Tuition Model

- Pay \$319 per credit hour up to 12 hours
- Student taking more than 12 hours
 - Pay \$319 per hour up to 12 hours
 - Pay additional \$64 per hour for all hours over 12



Full-time/part-time tuition model

- Part-time students pay tuition based on credit hours they are taking
- Full-time students pay a flat tuition amount regardless of the number of hours they take
 - Designed to encourage students to take 15 credit hours per semester
 - 15 credit hours each semester/30 credit hours each academic year to complete a 120 credit hour degree in 8 semesters
- Applies to undergraduate students only



National Best Practice

- Improved graduation rates for students
- Improved retention rates for students
- Improved student GP
- The UT System has already transitioned to this model.
- THEC is in favor of adoption of this model.



Financial advantages to students

- Long-term cost savings
- Opportunity to pursue a minor or certification at no additional cost
- Students could avoid the additional cost of taking summer courses to stay on track to graduate



Other Advantages for Students

- Cost of attendance more predictable and understandable for students and their parents
- Helps students and parents plan better financially
- May reduce student loan debt
- Helps students changing majors during their undergraduate career by not charging them for additional classes to catch up



More Time = More Money!

Student Graduates in...	Approximate Tuition & Fees	Beyond Four Years Cost	Average Salary Lost	Total Extra Cost & Salary Lost
4 Years	\$44,556			
5 Years	\$56,193	\$11,637	\$55,000	\$66,637
6 Years	\$68,037	\$23,481	\$110,000	\$133,481

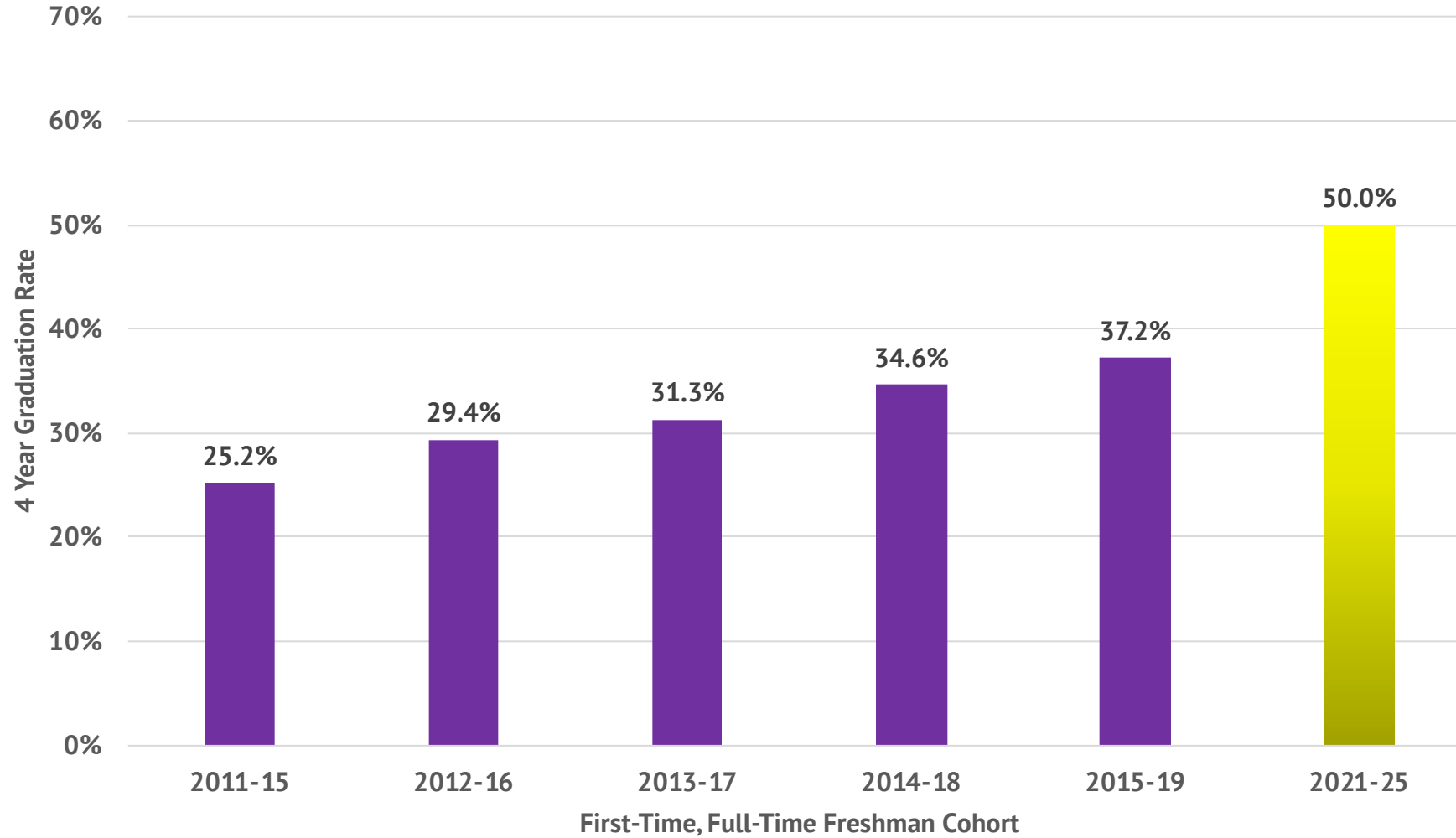
*All amounts shown are based on a student enrollment of 15 credit hours per semester and fees assessed through a Full-time/Part-time Fee Model.

*Assumes a 2% tuition fee increase for year 2, year 3, year 4, year 5, and year 6.

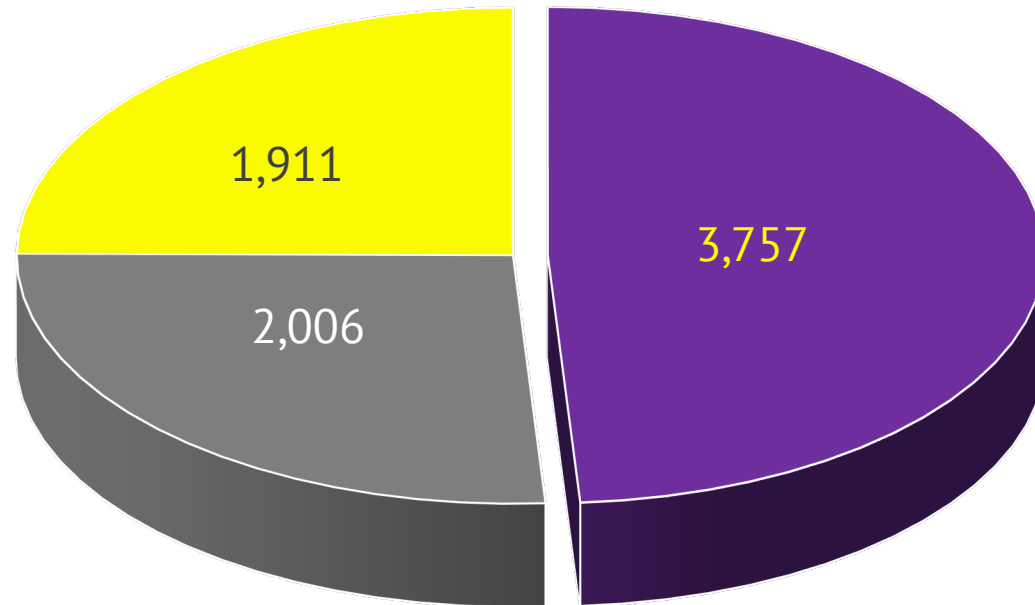


4 Year Graduation Rates

First-Time, Full-Time Freshman



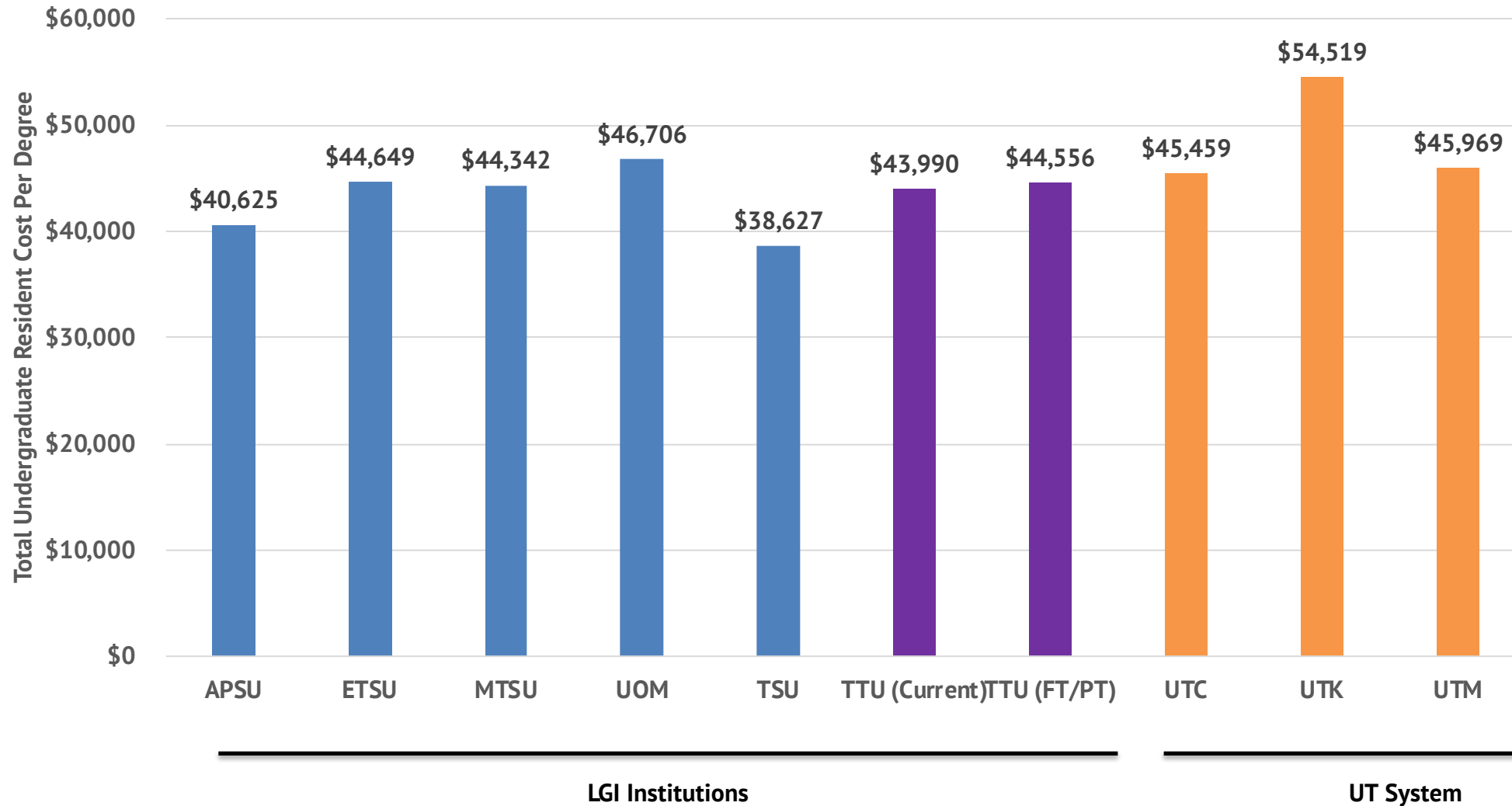
Current Full-Time UG Student Behavior - Fall 2019



■ Student Hours 12 - 14 ■ Student Hours = 15 ■ Student Hours > 15



Probable Market Analysis (per degree)



*All amounts shown are based on a student enrollment of 15 credit hours per semester.

*Assumes a 2% tuition fee increase for all schools in Fall 2020, Fall 2021, Fall 2022, Fall 2023, and Fall 2024. Tennessee Tech FT/PT does not include 2% increase in Fall 2020.

*Assumes all schools currently have an average time to degree to 9 semester (4.5 years) except for UT Knoxville and Tennessee Tech FT/PT.



Other Factors to Consider

- Increase in hours during Fall and Spring semesters (at least 15 hours)
 - Increased tuition cost each semester offset by savings through fewer semesters to complete
 - Possible barrier to part-time employment while a student.
 - Increased course load for 49% of current undergraduate full-time student population.
- Potential decrease in Summer course load.
 - Students no longer needing summer semesters to achieve 30 hours per year can realize significant savings.
 - Summer could be leveraged to take advantage of Co-ops, internships, and study abroad opportunities without sacrificing time to degree.



Administrative Considerations

- Revenue estimates uncertain for a few years
- Providing support for students impacted by change
- All academic and administrative units must be onboard with the change



Impact on Revenues

- Estimated overall tuition revenue may increase based on an analysis conducted with the current undergraduate rate
- Revenue projections will be less predictable for a few years
- Very conservative approach for budget preparation in the future years



Metrics for Measuring Success

- Decrease time to degree for students
- Increase in first-year retention rates
- Increase in progression metrics
- Increase in average number of student credit hours
- Increase in 4-year graduation rate



Do the benefits outweigh the risks? We think they do

- Student Success
 - More students persist to graduation
 - Students graduate quicker
 - Students pay less overall for their degree
 - Students enter job market quicker
- THEC formula rewards student success
- National best practice
- Short-term impact on enrollment

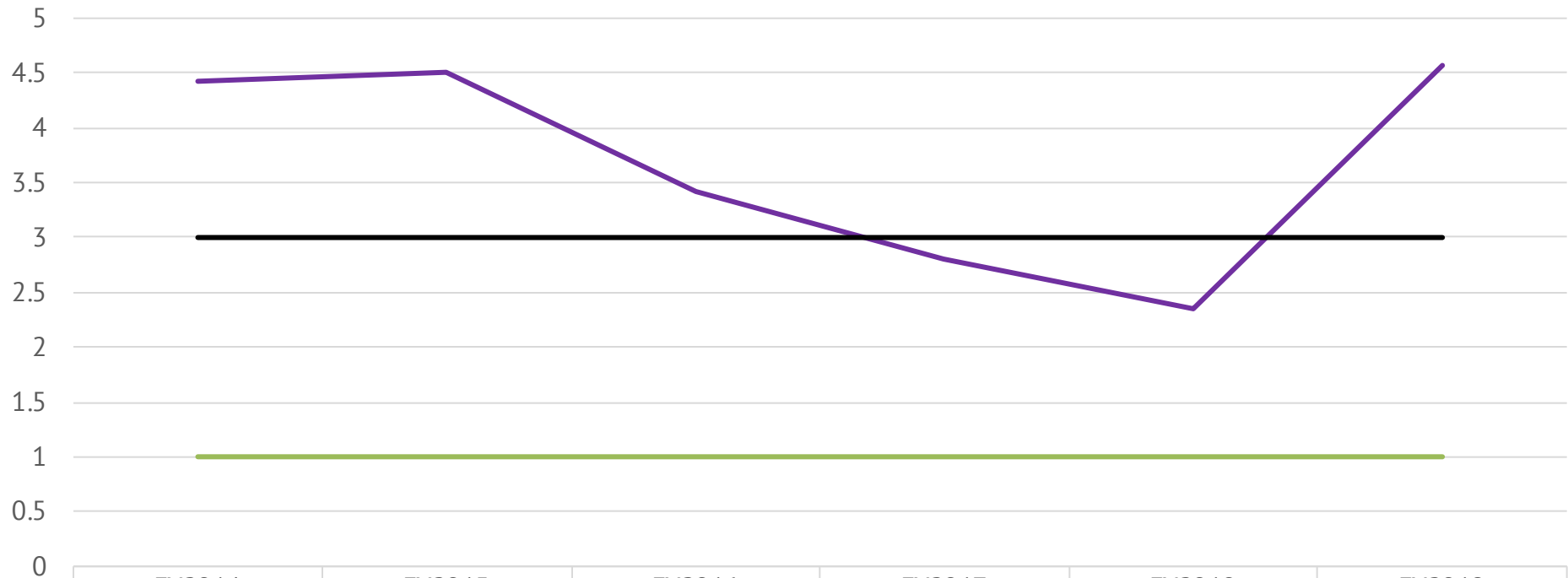


Financial Review

Fiscal Year 2018-19
Audit and Business Committee
December 5, 2019



Consolidated Financial Indicator (CFI)

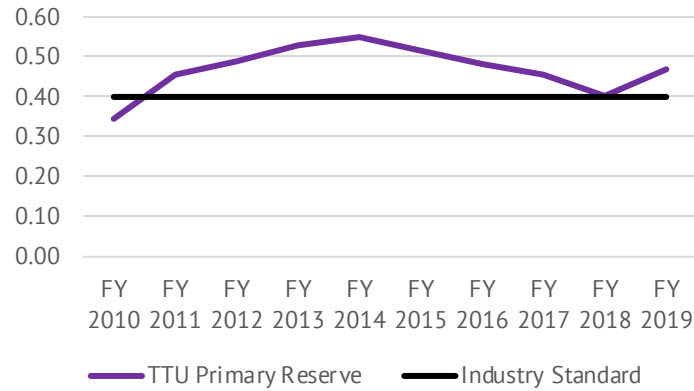


	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
TTU (University Only)	4.43	4.50	3.42	2.81	2.35	4.57
Expected	3	3	3	3	3	3
Watch	1	1	1	1	1	1

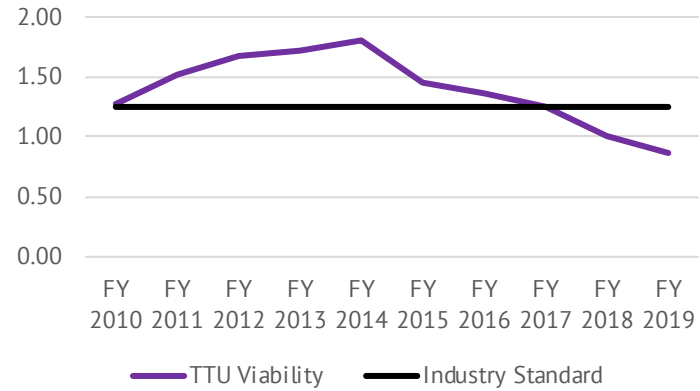
— TTU (University Only)
 — Expected
 — Watch



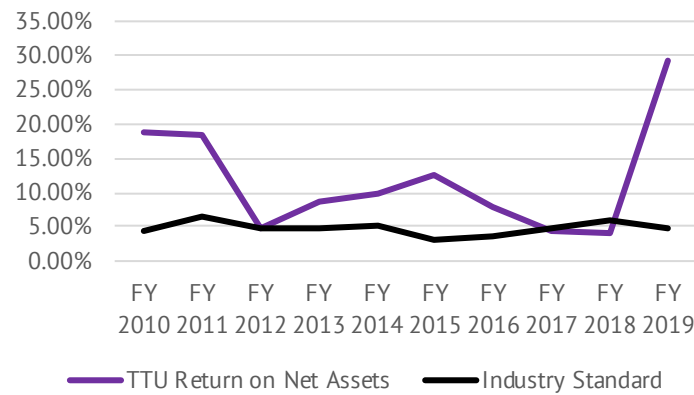
Primary Reserve



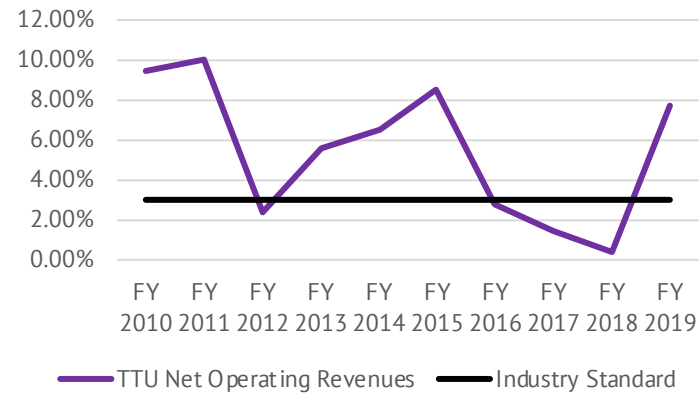
Viability



Return on Net Assets



Net Operating Revenues



Components of CFI

- Primary Reserve – Indicates the sufficiency of resources and their flexibility
 - Industry standard of .40 represents about 5 months of expenses
 - At this level a reasonable level of facilities maintenance can be expected
 - Watch level – A ratio of .133 (less than 1.5 months of expenses in ready assets) or less
 - Less flexibility to meet unexpected demands
- Viability – Indicates the capacity to repay debt through reserves
 - Industry standard is 1.25 or greater
 - Ratio of expendable net assets over plant debt – coverage of plant debt with expendable assets
 - Watch level – a ratio of .41 or less
 - Decreased flexibility to respond to unforeseen events or opportunities

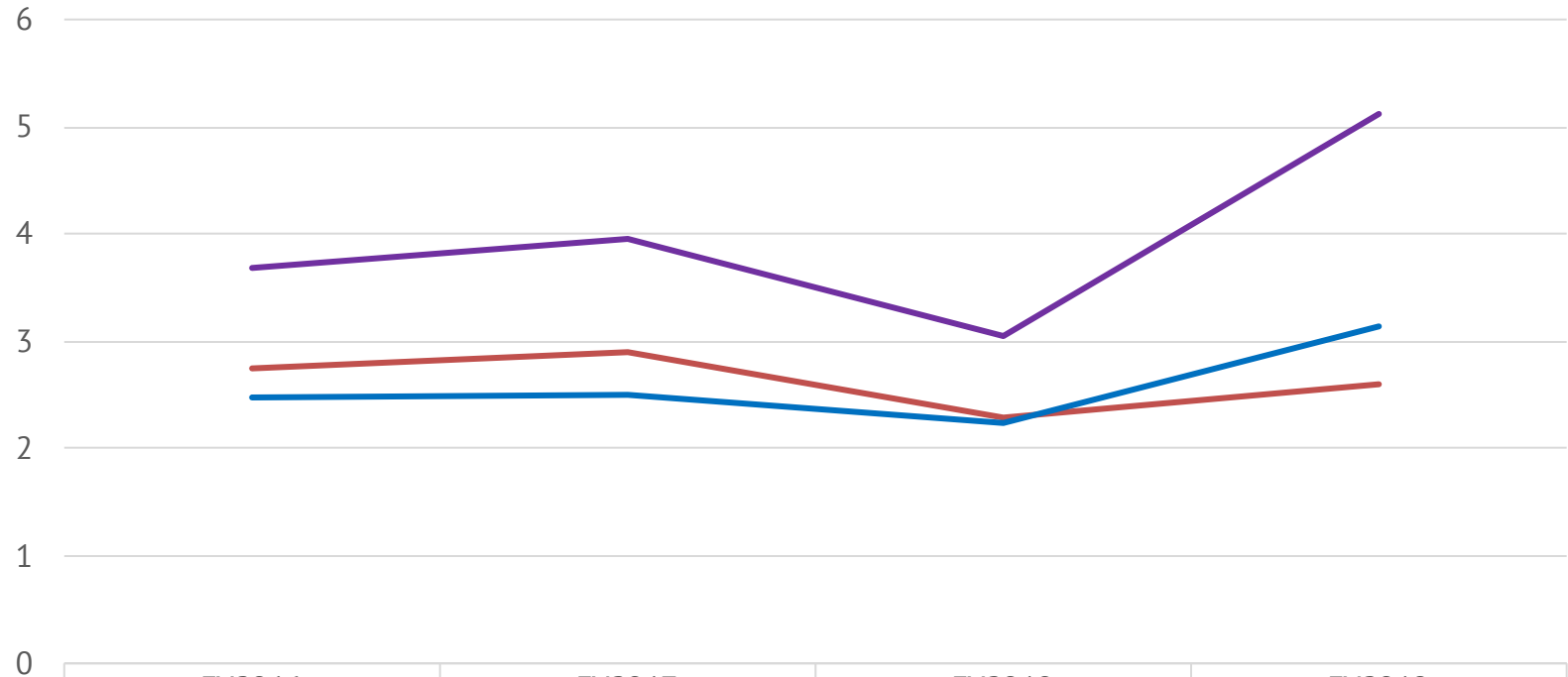


Components of CFI

- Return on Net Assets – Measure of total economic return similar to ROE
 - Industry standard is 3% above CPI
 - Are we better off this year? Strategic direction correct?
 - Watch level – anything below rate of inflation is reduction of the institution's asset base in real dollars
- Net Operating Revenues – Indicates whether institution is living within available resources
 - Industry standard is 4%
 - Did we balance operating expenses with available resources?
 - Watch level – Consistently below zero.
 - Deficits for one year not an issue. Deficits over several years suggest the institution's mission can't be sustained



CFI Comparison to other LGIs and UT



	FY2016	FY2017	FY2018	FY2019
TTU w/Foundation	3.68	3.96	3.05	5.12
UT AVG w/Foundation	2.75	2.90	2.29	2.61
LGIs AVG w/Foundation (excluding TSU)	2.48	2.51	2.24	3.14



