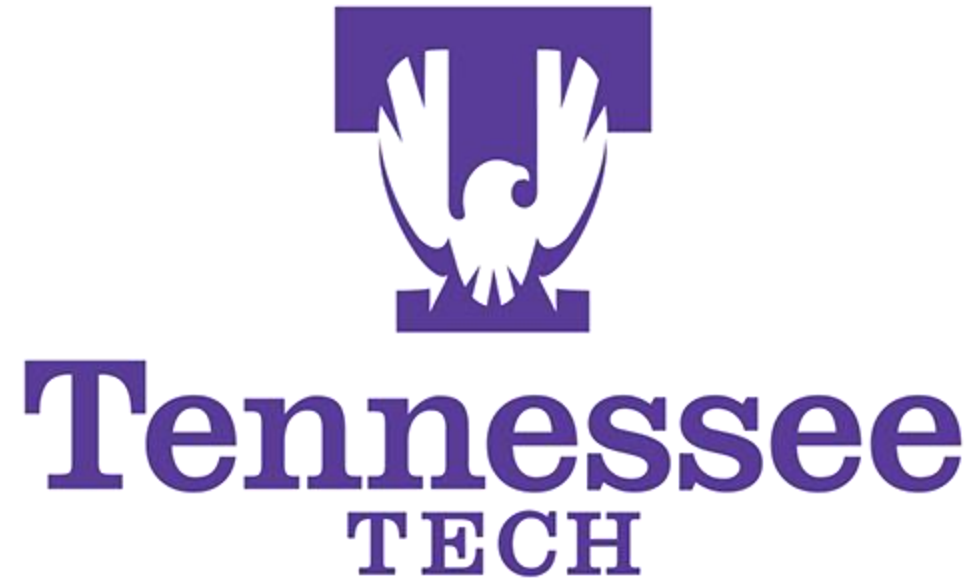


Presentation to Audit & Business Committee
Board of Trustees

March 6, 2025





Update on Governor's Budget



Capital Outlay

- New buildings and major renovations
- Universities required to provide matching funds
 - 8% match for new buildings
 - 4% match for major renovations
- Annual requests are coordinated through THEC
 - THEC no longer prioritizes capital outlay projects
 - Institutions may submit more than one project annually
 - Governor asked presidents for their 1st priority during budget hearing
 - Institutions allowed to substitute projects as their priority during budget hearings



2025-26 Capital Outlay

Academic Formula Units Locally Governed Institutions	Project	2025-26 THEC Recommendation			2025-26 Governor's Budget Recommendation			2025-26 Gov Budget vs THEC
		Request for State Funding	Institution Match/Resources	Total	Request for State Funding	Institution Match/Resources	Total	Not funded
Austin Peay	Military Academic Building	\$26,621,340	\$5,378,660	\$32,000,000			\$0	(\$32,000,000)
East Tennessee	Brown Hall Renovation Phase II	51,302,563	2,137,607	53,440,170	\$51,325,000	\$2,116,000	53,441,000	830
East Tennessee	Main Campus Utility Infrastructure	15,936,000	1,024,000	16,960,000			\$0	(16,960,000)
Middle Tennessee	Civil Leadership and Applied Humanities	103,590,000	8,910,000	112,500,000			\$0	(112,500,000)
Middle Tennessee	Addition and Renovation to the Murphy Center	Substitute Project			53,000,000	66,000,000	119,000,000	119,000,000
Tennessee State	New Engineering Building Phase II 2	143,875,800	9,694,200	153,570,000			0	(153,570,000)
Tennessee Tech	Social Science Building	92,027,600	8,002,400	100,030,000			0	(100,030,000)
Tennessee Tech	Inflationary funding for Advanced Construction & Manufacturing Engineering	25,024,000	2,176,000	27,200,000	25,024,000	2,176,000	27,200,000	0
University of Memphis	Research Modernization	70,500,000	4,500,000	75,000,000	70,500,000	4,500,000	75,000,000	0
University of Memphis	Science Research Building	68,060,000	13,940,000	82,000,000			0	(82,000,000)
University of Memphis	Business and Economics Renovation	2,500,000	0	2,500,000			0	(2,500,000)
Subtotal		\$599,437,303	\$55,762,867	\$655,200,170	\$199,849,000	\$74,792,000	\$274,641,000	(\$380,559,170)



Capital Maintenance, ADA, Safety & Security

- Capital Maintenance
 - THEC determines each university's share of annual request based on Sherman Dergis formula
 - National formula based on aggregate size, age, and use of facilities
 - THEC requested \$334.9 million for FY 2025-26 (UT System, TBR, LGIs)
 - TTU's share of \$334.9 million request was 5.05% or \$16.9 million
 - Governor's budget recommended funding \$49.8 million of the \$334.9 million requested
 - THEC recommended \$25 million funding for ADA
 - THEC recommended \$30 million funding for Safety & Security
 - ADA and Safety & Security recommended for UT System, TBR, and LGIs
 - TTU's recommended share of ADA & Safety & Security was 5% of each



2025-26 Capital Maintenance, ADA, Safety & Security

Academic Formula Units Locally Governed Institutions	2025-26 THEC Recommendation				2025-26 Governor's Budget Recommendation				2025-26 Gov Budget vs THEC
	Maintenance	ADA	Safety & Security	Total Request for State Funding	Maintenance	ADA	Safety & Security	Total Recommended State Funding	Not funded
Austin Peay	\$11,460,000	\$860,000	\$1,026,000	\$13,346,000	\$2,000,000	-	-	\$2,000,000	(\$11,346,000)
East Tennessee	23,490,000	1,790,000	2,104,000	27,384,000	3,500,000	-	-	3,500,000	(23,884,000)
Middle Tennessee	23,470,000	1,570,000	2,102,000	27,142,000	3,500,000	-	-	3,500,000	(23,642,000)
Tennessee State	15,570,000	1,280,000	1,395,000	18,245,000	2,320,000	-	-	2,320,000	(15,925,000)
Tennessee Tech	16,920,000	1,360,000	1,515,000	19,795,000	2,520,000	-	-	2,520,000	(17,275,000)
University of Memphis	39,420,000	3,050,000	3,530,000	46,000,000	5,880,000	-	-	5,880,000	(40,120,000)
Subtotal	\$130,330,000	\$9,910,000	\$11,672,000	\$151,912,000	\$19,720,000	\$0	\$0	\$19,720,000	(\$132,192,000)



Governor's Capital Budget Recommendations – Tennessee Tech-Specific Projects FY2025-26

- **Capital Outlay** **\$ 25,024,000**
 - Incremental Adjustment for ACME Building
 - TTU incremental required matching is \$2.2M

- **Capital Maintenance** **\$ 2,520,000**
 - Multiple Buildings Air Handler Replacement \$ 1,080,000
 - Multiple Buildings Roof Replacement \$ 1,440,000

**These amounts could be subject to change until the Legislature passes the Governor's recommended budget.*



Funding for Operations

- THEC recommends annual funding for operations based on results of outcomes formula
- Components of outcomes formula
 - Student progression (completion of 30, 60 and 90 credit hours)
 - Student graduation
 - bachelor, masters, doctoral degrees
 - 6-yr graduation rate
 - Degrees per 100 FTE
 - Research, service and sponsored programs
 - Fixed cost (15%)
 - Quality Assurance (5.45%)



THEC Outcomes Formula

Tennessee Tech	2024-2025 Points	2025-2026 Points	Difference
Weighted Outcomes*	2150	2164	14
Fixed Cost	289	300	11
Quality Assurance **	<u>133</u>	<u>125</u>	<u>(8)</u>
Total Points	2572	2589	17
<p>*Points generated by outcomes are weighted by each institution's mission. Weighted outcomes include student progression, student graduation, dollars generated by research, service and sponsored programs</p>			
<p>**Tech earned 100% of available points for Quality Assurance in 2024-25</p>			



2025-26 Governor's Budget vs. THEC Recommendation Comparison - Operating

Academic Formula Units Locally Governed Institutions	2024-25	2025-26 THEC Recommendation*			2025-26 Governor's Budget Recommendation					2025-26 Gov Budget vs THEC
	Recurring Appropriations	Outcomes Adjustment	Share of New funding	Total Recurring	Outcomes Adjustments	Outcomes New Funding	Health Ins Increases	Salary Increases	Total Recurring	New Funding Difference
Austin Peay	\$76,665,300	(\$877,900)	\$1,889,200	\$77,676,600	(\$877,900)	\$803,600	\$656,700	\$1,692,100	\$78,939,800	\$1,263,200
East Tennessee**	101,670,500	(1,301,600)	2,501,900	\$102,870,800	(1,301,600)	1,064,300	1,190,800	2,241,000	\$104,864,900	\$1,994,100
Middle Tennessee	145,221,700	(1,207,900)	3,589,800	\$147,603,600	(1,207,900)	1,527,000	1,412,300	3,215,500	\$150,168,600	\$2,565,000
Tennessee State	53,740,700	(952,400)	1,315,900	\$54,104,200	(952,400)	559,700	628,500	1,178,600	\$55,155,200	\$1,051,000
Tennessee Tech**	79,378,900	(251,000)	1,972,400	\$81,100,300	(251,000)	839,000	762,600	1,766,700	\$82,496,200	\$1,395,900
University of Memphis	176,657,700	1,862,900	4,450,000	\$182,970,600	1,862,900	1,892,900	1,503,200	3,985,900	\$185,902,600	\$2,932,000
Subtotal	\$633,334,800	(\$2,727,900)	\$15,719,200	\$646,326,100	(\$2,727,900)	\$6,686,500	\$6,154,100	\$14,079,800	\$657,527,300	\$11,201,200



Governor's Operating Budget Recommendations – Tennessee Tech FY2025-26

Outcomes Growth (new funding)	\$839,000
Group Health Insurance	762,600
Partial Salary Pool w/ Fringe Benefits (State funded 55% of a 2.6% increase)	<u>1,766,700</u>
Total Recommended <u>New</u> Operating Appropriations	3,368,300
THEC's Reallocation of Base Outcomes	<u>(251,000)</u>
Net Increase in Operating Appropriations (recurring and non-recurring)	\$3,117,300
Non-Recurring Funds that were not included in Governor's recommended budget:	
Rural Reimagined (non-recurring)	(\$1,000,000)
Crossville TAP Property (non-recurring)	(\$1,000,000)

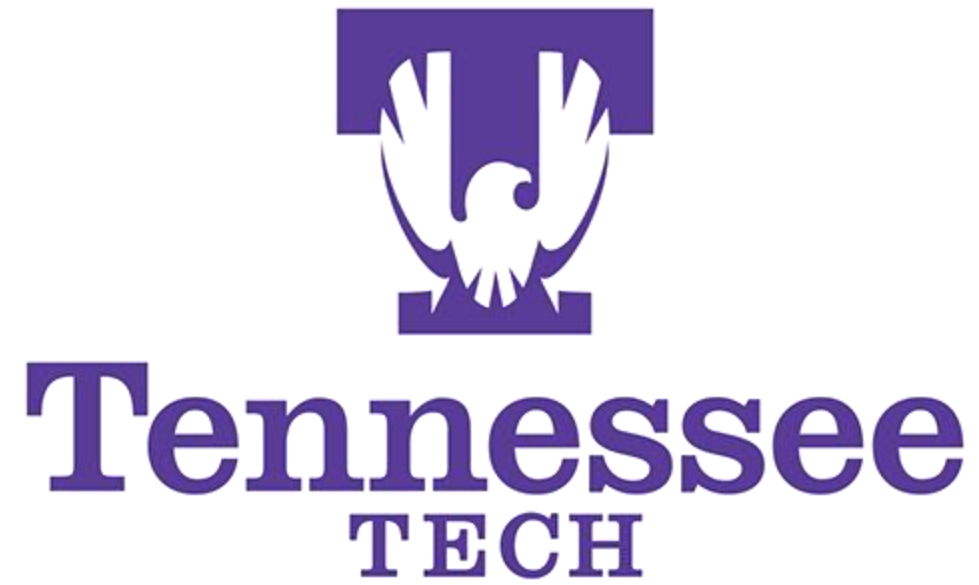
Note: These amounts could be subject to change until Legislature passes the Governor's recommended budget.



TTU Estimated Cost Increases FY2025-26

2.6% Salary Pool w/ Fringe Benefits	\$2,721,036
Scholarships – State Mandated and Presidential Scholars Program	1,741,695
Utilities	581,000
Group Health Increases	762,600
Other Inflationary Cost	1,117,300
Faculty Promotions	300,000
Software Contracts	<u>400,000</u>
Total estimated cost increases	\$7,623,631
State Recommended Increase in Operating Funding	\$3,117,300
To be addressed with tuition and other resources	\$4,506,331





Compensation Plan



FY 2026 Compensation

Pending approval of Governor's FY 2025-26 budget

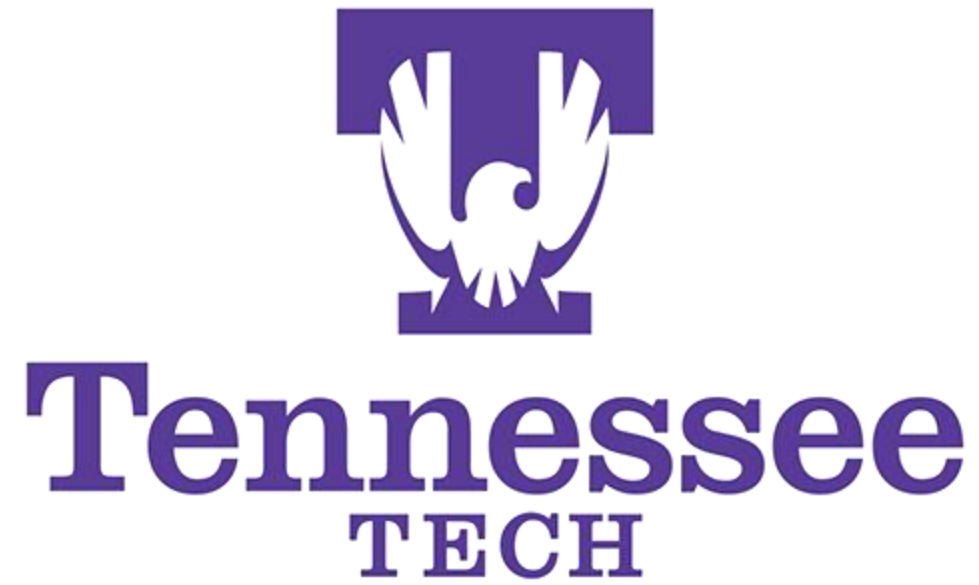
- 2.6% (\$2,109,330*) for recurring salary increases
 - Implement Phase 3 of Market Study with merit component incorporated Effective July 1, 2025
 - Employees with satisfactory or better evaluation are eligible for raise
 - Employees who are on or were on a Performance Improvement Plan (PIP) for FY 2025 are ineligible.
 - Employees hired on or before 12/31/2024 and still employed on 7/1/2025 are eligible
 - Minimum award of 1% to Maximum award of 10%
- Faculty promotions, job reclassifications and new-hire salaries handled outside of this proposal
- *Fringe benefits will be incremental cost of the salary increases



Two Component Salary Plan (Proposed)

- Step 1:
 - Implement Phase 3 of Market Compensation Plan
 - Non-Faculty \$274,075
 - Adjust current annual salary levels for non-faculty permanent employees based on position service time within pay grade range of minimum and midpoint
 - Estimate **88** employees to receive market adjustment based on position service time
 - Faculty \$224,100
 - Address areas of need for salary competitiveness relative to market median
- Step 2:
 - Merit Increases \$1,611,155
 - Applied after step 1
 - All eligible employees including those getting step 1 increases





Non-Mandatory Fees



Non-mandatory Fee Proposal 2025-26

- Non-mandatory fees are not required of all students. They are charged based on a variety of factors: residency, academic program, course selection, incidentals, participation in TN eCampus, etc.
- Non-mandatory fees are not subject to THEC binding rates
- Generally, requests are reviewed and brought to the Board for approval once each year



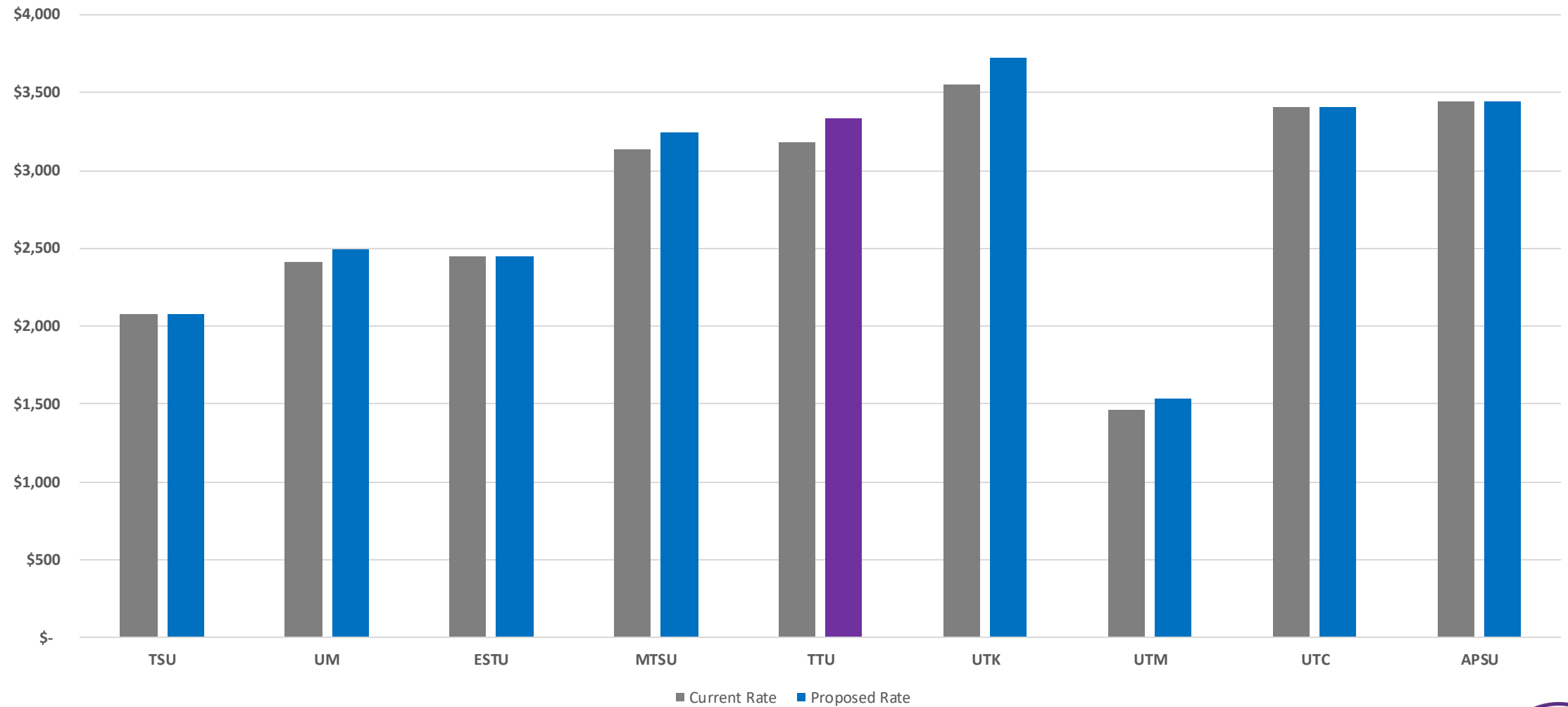
Non-mandatory Fee Proposal - Housing

Effective Fall semester 2025

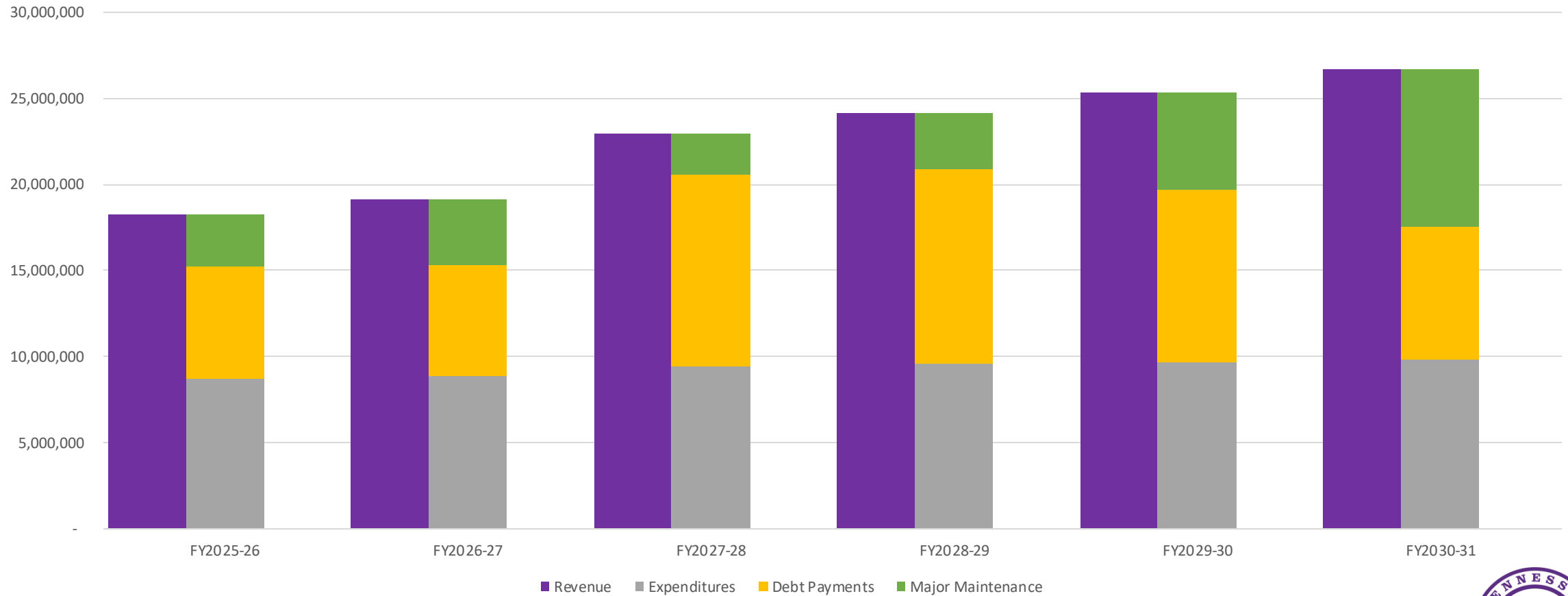
- 5% annual increase for residence halls and Tech Village apartments for the next five years
 - Offset rising operating costs
 - Fund deferred maintenance projects
 - Sufficient to service debt
 - Competitive with other TN public universities
- Change in rate for single occupancy room
 - Setting a premium above the base rate is more transparent and easier to communicate
 - Properly value the price for single rooms based on demand and competitors
 - Creates a systematic standard to adjust the rate moving forward
- Residential halls occupancy
 - Fall 2024 94.4 % Residence Halls 97.4% Tech Village
 - Spring 2025 89.98 % Residence Halls 93.8% Tech Village



Non-Mandatory Fees - Housing



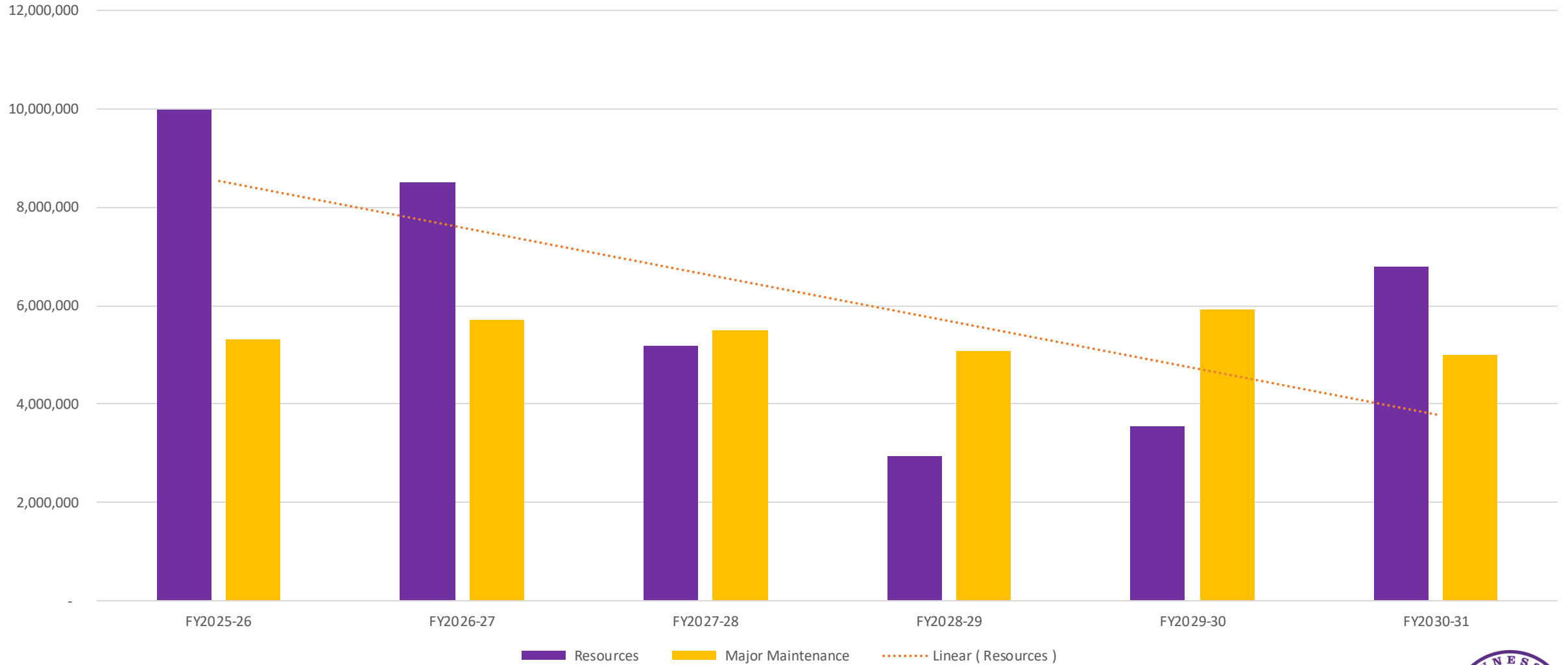
5 Year Plan Housing Revenues vs. Expenditures, Debt Payment and Major Maintenance

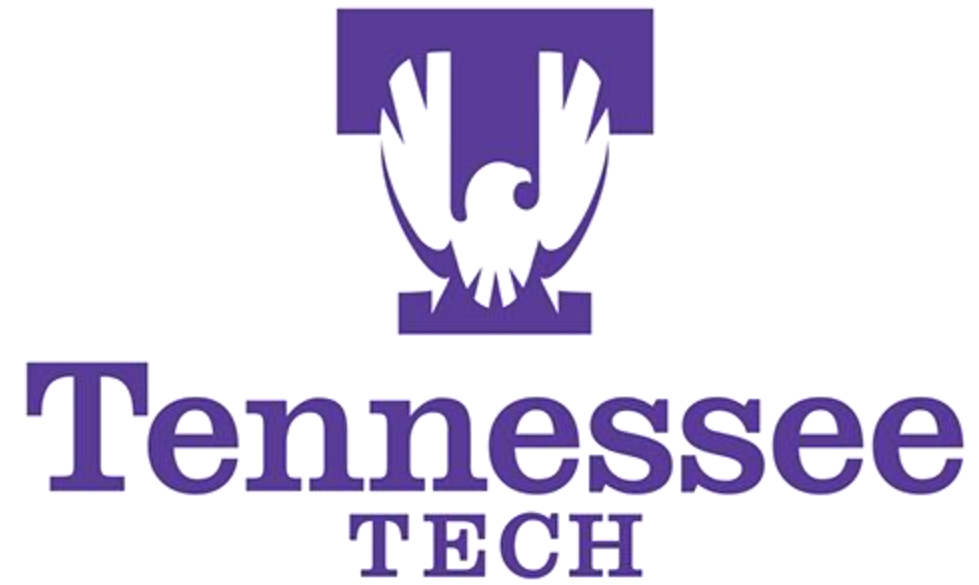


Assumptions for annual increases: Revenue 5%; Salaries and Benefits 3%; Operating expenditures 2%



5 Year Plan for Major Maintenance





Tuition & Mandatory Fees



Tuition and Mandatory Fees Anticipated Recommendation

- Undergraduate Tuition
 - Up to a 5% increase
 - Stay within THEC binding range (not yet set)
 - Will be used to address matching on 2.6% salary pool, inflationary costs, and scholarships
- Mandatory Fee
 - Up to a 5% increase
 - Fitness Center fee increase by \$20 per semester
 - Salary match, inflationary costs, equipment maintenance and replacement
 - Facilities Development Fee increase by \$15 per semester
 - Maintenance, development, and renovation of student centric spaces



Tuition and Mandatory Fees Anticipated Recommendation

- Graduate Tuition
 - Up to a 5% increase
 - Not subject to THEC binding range
 - Will be used to address matching on 2.6% salary pool, inflationary costs, and scholarships



Comparison to Other Tennessee Schools

- Other LGIs (except TSU)
 - Majority are looking at 4% to 5% increase
- TBR Community Colleges
 - Estimate at least a 3.2% increase to address additional costs
- UT Campuses
 - Between 2% and 3%
- TSU
 - Possible 5.2%



Tuition Increase Estimates

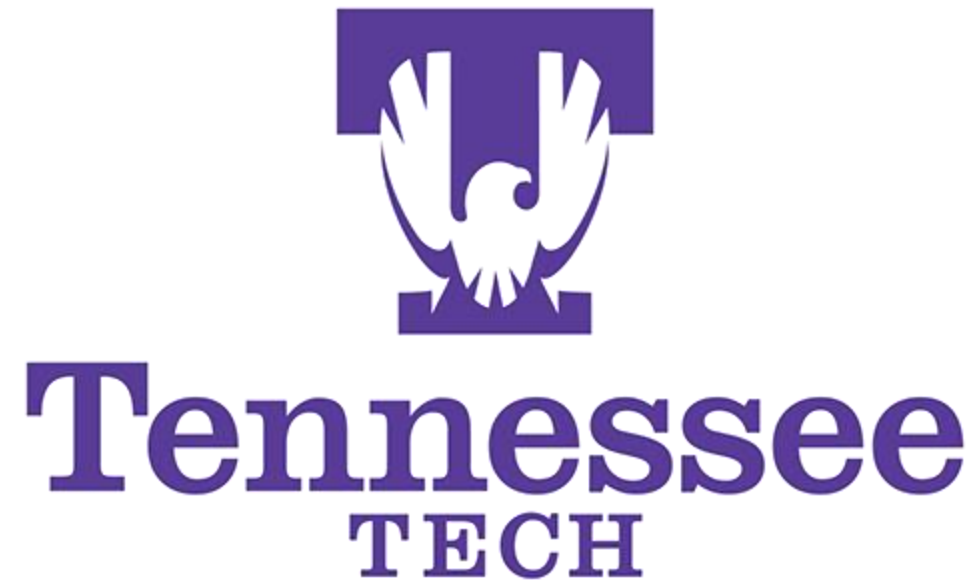
Potential cost to students per semester			
Undergraduate (UG)	UG Tuition	Mandatory Fees	Total
1%	\$ 45	\$ 7	\$52
2%	90	14	104
3%	135	21	156
4%	195	28	223
5%	240	35	275
Graduate (GR)	GR Tuition	Mandatory Fees	Total
1%	\$ 62	\$ 7	\$69
2%	114	14	128
3%	176	21	197
4%	228	28	256
5%	286	35	321



Revenue Increase Estimates FY2025-26

<u>Increase</u>	<u>UG Tuition</u>	<u>GR Tuition</u>	<u>Mandatory Fees</u>	<u>Total</u>
1%	\$ 743,829	\$ 107,817	\$ 127,879	\$ 979,526
2%	1,487,658	198,245	255,759	1,941,663
3%	2,231,487	306,063	383,639	2,921,190
4%	3,223,260	396,491	511,519	4,131,270
5%	3,967,089	497,352	639,398	5,103,841





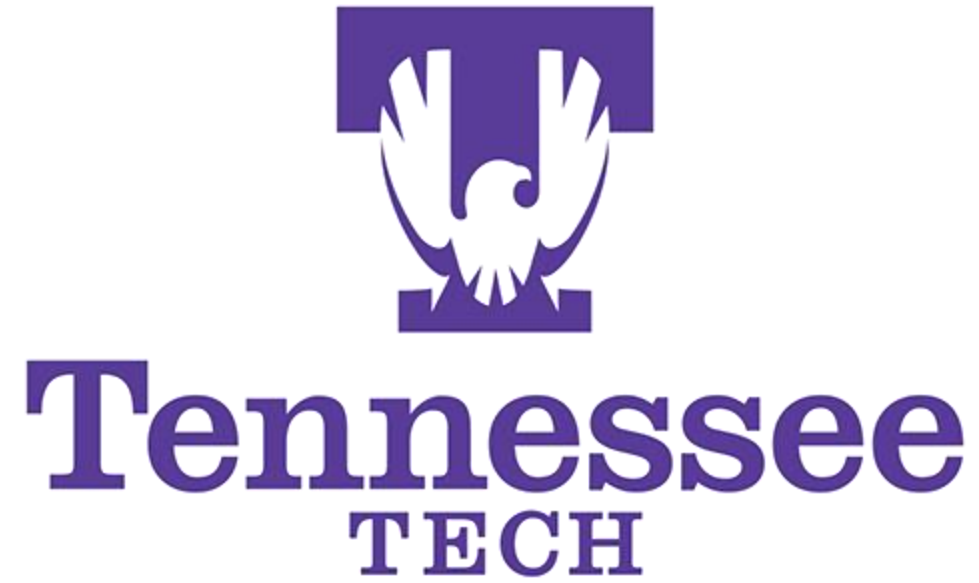
Disclosed Project



Disclosed Project

Project	Project Cost	Project Description
Hooper Eblen Center Sound System Replacement	\$2,620,000	Replace the sound system in Hooper Eblen Center including acoustic wall panels and acoustic ceiling elements and all related work.
Total Request	\$2,620,000	





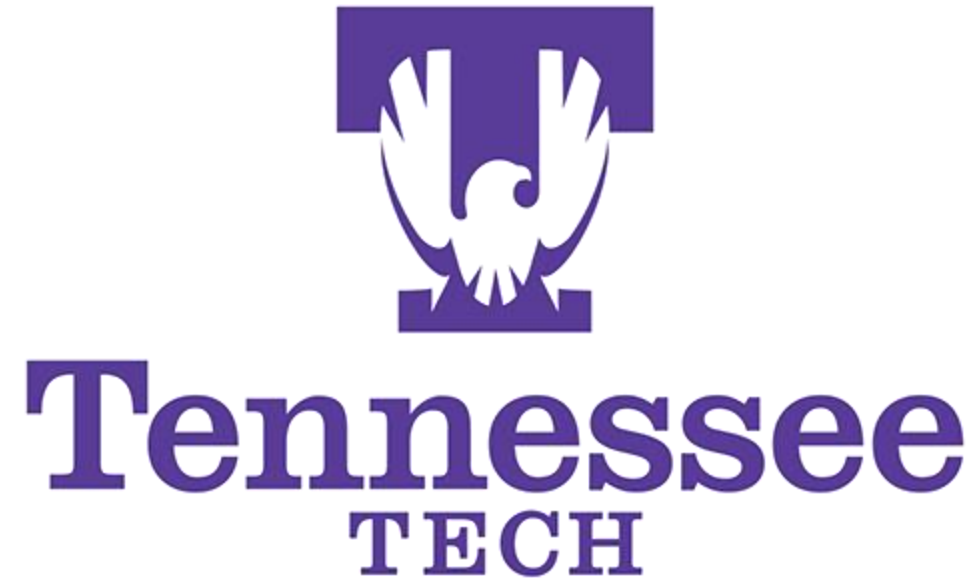
FY2024 State Audit





Notice of Responsibilities for Preventing, Detecting and Reporting Fraud, Waste and Abuse

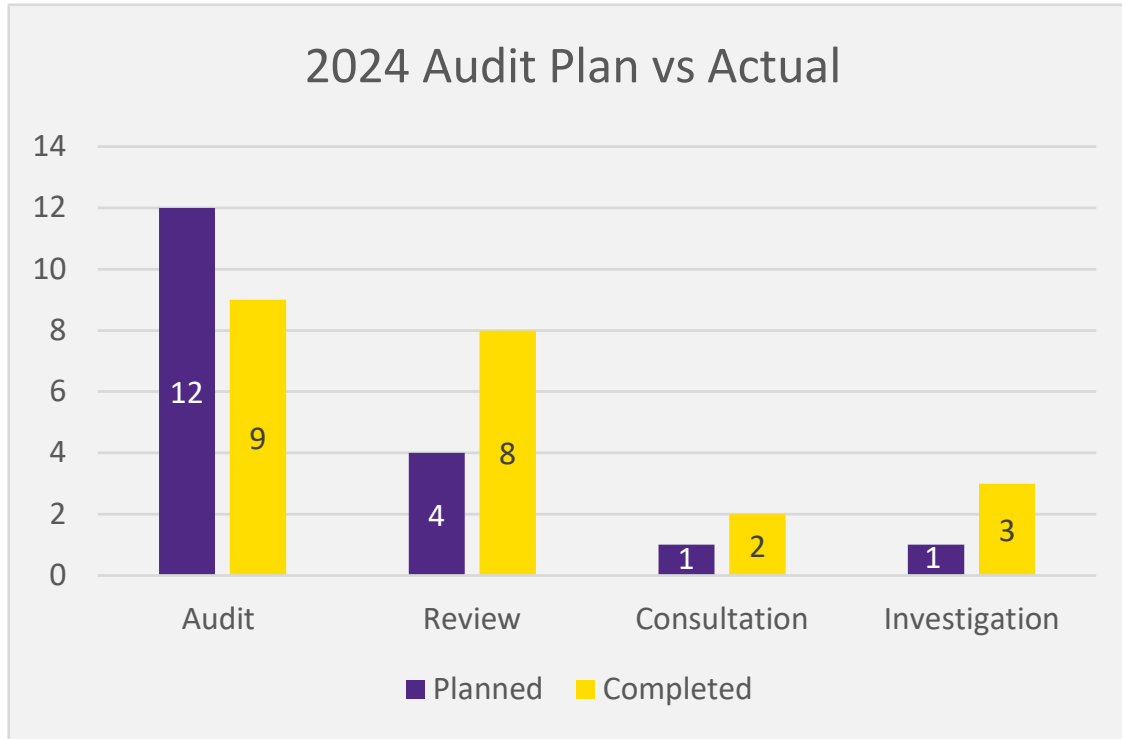




Annual Internal Audit Report



2024 Audit Plan Analysis



Project Type	Planned	Actual	Difference
Audit	67%	41%	-26% ↓
Review	22%	36%	14% ↑
Consultation	5%	9%	4% ↑
Investigation	6%	14%	8% ↑
Total	100%	100%	

- Decrease in audits due to increase in reviews, consultations and investigations.
- Goal is to balance audit with advisory work (reviews & consultations).
- Investigations are estimated and performed as allegations are received throughout the year.
- Advisory work is usually requested, risk-based and provides increased value to the university.



Additional 2024 Internal Audit Work

- Chief Audit Executive transition – relationship-building with faculty, staff and leadership
- Requested Business Office research on policy requirements for university foundation funds and travel
- 22 non-fraud, waste or abuse (FWA) allegations
- Significant new and required Institute of Internal Auditors standards work
- Expanded audit scope in response to evolving risks
- Participation in various Tech Committees:
 - *Conflict of Interest Committee*
 - *Compliance/IT Security Committee*
 - *IT Security Manager Search Committee*



2024 Audit Plan

As of December 2024

2024 Audit Plan Project	Original Plan	Type	Status
Inventory Observations 6-30-24	Planned	Audit	Complete
President's Office Expenses 2023-24	Planned	Audit	Complete
NCAA Student Assistance/Academic Enhancement Funds	Planned	Audit	Complete
Technology Access Fee	Planned	Audit	Complete
Chemical Inventory Audit	Planned	Audit	Complete
Emergency Systems & Procedures	Planned	Audit	Replaced
Lab Safety	Planned	Audit	Deferred
Residential Life	Planned	Audit	Replaced
Admissions - International & Domestic	Planned	Audit	Replaced
Procard Audit October 2023 to April 2024	Planned	Audit	Complete
Follow-up to 2022-23 State Audit	Planned	Audit	Replaced
Follow-up to Internal Audits	Planned	Audit	Complete
Risk Assessment Internal Controls	Planned	Consultation	Complete
Enterprise Wide Risk Assessment	Planned	Review	Complete
Sponsored Program Review(s)	Planned	Review	Complete
Monthly, Quarterly, and Special Reviews (5)	Planned	Review	Complete
Coordination with IT External Auditors	Planned	Audit	Complete
Investigations	Planned	Investigation	Complete
Procard Audit April to June 2024	Added	Audit	Complete
External Sunset Audit Review	Added	Consultation	Complete
Investigation #2	Added	Investigation	Complete
Investigation #3	Added	Investigation	Complete
Quality Assurance Internal Program Assessment	Added	Review	Complete

Status	Description
Planned	Original 2024 audit plan project
Added	New project added during 2024
Replaced	Project canceled
Deferred	Project moved to next year's plan





Approval Internal Audit Charter

