Presentation to Audit & Business Committee
Board of Trustees

March 7, 2024

Legislative Update

Update on Governor's Budget

2024-25 Governor's Budget vs. THEC Recommendation Comparison - Capital

Academic Formula Units	2024-25 THEC Recommendation						2024-25 Governor's Budget Recommendation						2024-25 Gov Budget vs THEC
	Capital Outlay	Capital Maintenance	Demolition	ADA	Safety & Security	Total	Capital Outlay	Capital Maintenance	Demolition	ADA	Safety & Security	Total	New Funding Difference
Locally Governed Institutions													
Austin Peay	$23,055,590	$8,490,000	-	$3,700,000	$896,000	$36,141,590	-	$2,000,000	-	-	-	$2,000,000	($34,141,590)
East Tennessee	47,520,000	16,940,000	230,000	8,280,000	2,184,000	75,154,000	-	1,600,000	-	-	-	1,600,000	(73,554,000)
Middle Tennessee	91,579,000	17,400,000	-	8,080,000	1,876,000	118,935,000	-	2,500,000	-	-	-	2,500,000	(116,435,000)
Tennessee State	116,916,600	10,000,000	100,000	5,600,000	1,400,000	134,016,600	-	2,000,000	-	-	-	2,000,000	(132,016,600)
Tennessee Tech	83,168,000	12,870,000	-	16,400,000	1,484,000	113,922,000	-	2,570,000	-	-	-	2,570,000	(111,352,000)
University of Memphis	65,800,000	29,290,000	670,000	7,730,000	3,444,000	106,934,000	-	3,300,000	-	-	-	3,300,000	(103,634,000)
Subtotal	$428,039,190	$94,990,000	$1,000,000	$49,790,000	$11,284,000	$585,103,190	-	$13,970,000	-	-	-	$13,970,000	($571,133,190)

Governor's Capital Budget Recommendations – Tennessee Tech Specific Projects FY2024-25

- **Capital Maintenance**   **$ 2,570,000**
  - Bryan Fine Arts Auditorium Upgrades $ 2,570,000

  These amounts could be subject to change until Legislature passes the Governor's recommended budget.
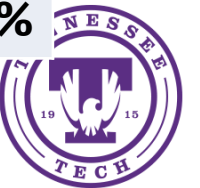
2024-25 Governor's Budget vs. THEC Recommendation Comparison - Operating

Academic Formula Units	2023-24 Recurring Appropriations	2024-25 THEC Recommendation			2024-25 Governor's Budget Recommendation				2024-25 Gov Budget vs THEC New Funding Difference
		Outcomes Adjustment	Share of New Funding	Total Recurring	Outcomes Adjustment	Outcomes/ Productivity	Health Ins Increases	Salary Increase	
Locally Governed Institutions									
Austin Peay	$74,622,000	($806,500)	$910,300	$74,725,800	($720,000)	$823,800	$701,700	$1,682,400	$1,595,900
East Tennessee	97,348,300	(15,800)	1,200,300	98,532,800	98,200	1,086,300	1,290,700	2,751,300	$2,637,300
Middle Tennessee	138,312,300	698,900	1,714,300	140,725,500	861,800	1,551,400	1,552,600	3,795,600	$3,632,700
Tennessee State	53,322,300	(2,346,700)	628,600	51,604,200	(2,287,000)	568,900	692,400	1,751,100	$1,691,400
Tennessee Tech	76,988,500	(556,800)	942,600	77,374,300	(467,200)	853,000	821,100	1,839,600	$1,750,000
University of Memphis	167,759,900	1,760,000	2,090,600	171,610,500	1,958,600	1,892,000	1,636,600	4,525,500	$4,326,900
Subtotal	**$608,353,300**	**($1,266,900)**	**$7,486,700**	**$614,573,100**	**($555,600)**	**$6,775,400**	**$6,695,100**	**16,345,500**	**$15,634,200**

TTU FY24-25 Formula Analysis

Outcome	Effect	Outcome Change
Students Accumulation 30 hours	$22,251	2.2%
Students Accumulating 60 hours	($109,478)	-5.1%
Students Accumulating 90 hours	($69,478)	-1.4%
Bachelors and Associates	($746,919)	-3.9%
Masters/Ed Specialist Degrees	$418,907	11.5%
Doctoral/Law Degrees	$106,621	8.2%
Six- Year Graduation Rate	($129,106)	-1.1%
Degrees Per 100 FTE	($184,002)	-2.9%
Research, Service and Sponsored Programs	$202,789	4.6%
Fixed Costs	($194,897)	N/A
Quality Assurance	$209,912	N/A
	$(473,400)	**-1.0%**

Governor's Operating Budget Recommendations – Tennessee Tech FY2024-25

Outcomes Growth (new funding)	$853,000	
Salary Pool*	$1,839,600	
Group Health Insurance	$821,100	
Total recommended new operating appropriations		**$3,513,700**
Reallocation of Base Outcomes	($467,200)	
Net increase in operating appropriations (recurring and non-recurring)		**$3,046,500**
Non-Recurring Funds that were not funded and will impact programs:		
Rural Reimagined (non-recurring)		($1,000,000)
NSF Matching – CEROC (non-recurring)		($200,000)
*Salary pool is funded at 55% of required amount for 3% increase *Note: These amounts could be subject to change until Legislature passes the Governor's recommended budget.*		

5 Year History Outcomes Formula Funding

Outcomes Formula Funding					
	Actual	Actual	Actual	Actual	Proposed
	2020-21	2021-22	2022-23	2023-24	2024-25
New Dollars	*	$1,768,800	$4,380,400	$7,320,100	**$3,513,700
THEC Base Adjustment	404,200	(430,900)	(497,500)	251,900	(467,200)
Total Outcomes Distribution to TTU	$404,200	$1,337,900	$3,882,900	$7,572,000	$3,046,500

*$1,876,800 was originally appropriated, but then rescinded in June 2020 by Legislature.

**Only $385,800 resulted from outcomes formula

Estimated Cost Increases
FY2024-25

3% salary pool w/fringe benefits (55% provided by State)	$3,394,500
Other Inflationary Cost Increases	$3,380,824
Total estimated cost increases	**$6,775,324**

Compensation Study Results

Compensation and Classification Summary of Findings

March 7, 2024

LaCinda Glover, Senior Principal
Matthew Mullen, FSA, Senior Principal

welcome to brighter

1. Project Status Update

2. Final Job Architecture

3. Compensation Benchmarking Results for Faculty and Staff

4. Compensation Program Objectives and Priorities

Agenda

Project Status Update

Project Objectives: Develop a contemporary classification and compensation program that will allow TN Tech to attract, recruit, develop, and retain the best talent to support the institution's growth and success

- Assess current state to understand business needs / requirements to consider in design of future state job architecture and compensation program
- Develop a job architecture and catalogue to which all jobs and staff can be aligned and update job descriptions
- Conduct market compensation analysis for faculty and staff benchmark jobs
- Develop a market-referenced salary structure for staff
- Conduct outlier analysis and identify cost of structure implementation
- Deliver rollout strategy and implementation roadmap for ongoing use of the job architecture and compensation program

Project Overview *(Four Phases)*:

1 Project Planning and Strategy Development

February 2023 – June 2023

2 Job Architecture and Job Descriptions for Staff

April 2023 – December 2023

3 Compensation Philosophy, Benchmarking, and Salary Structure for Staff & Faculty

September 2023 – March 2024

4 Strategies and Implementation Planning

February 2024 – March 2024
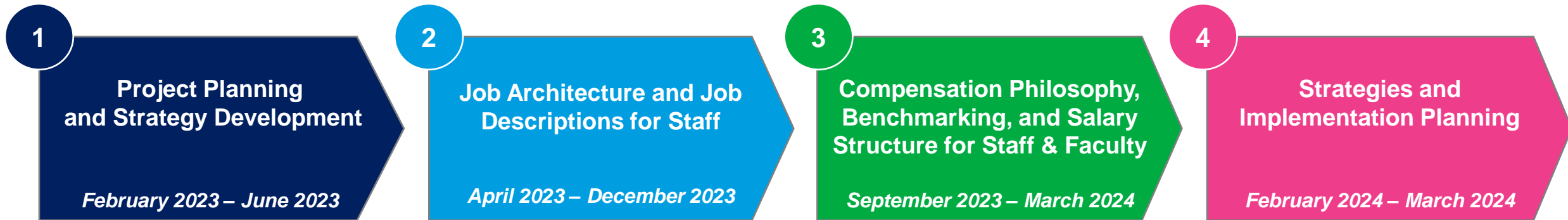
Co-creation in action: integration of stakeholder feedback for strategy development, drawing on supervisors' insights for job mapping, and collaboration with core and extended project teams to drive innovation and shared outcomes.

Final Job Architecture

Element	Recommended Design	Rationale
FAMILIES & SUBFAMILIES	**14 Job Families & 61 Sub-Families** • Separate out the type of work being performed from the department or team	• Creating a new classifications of how jobs are grouped allows for a clearer career progression and role in the institution • Job families and sub-families are tailored to the institution's unique needs

CAREER STREAMS	**4 Career Streams**
	• Separate career streams for individual contributors and people managers
	  – Distinction between executives and management
	  – Distinction between people managers and individual contributors
	  – Distinction between support and professional jobs
		• It is important for TN Tech to recognize a path for Individual Contributors as well as people managers
		
		• Developing narrower, differentiated career streams will help classify types of jobs and career paths across the institution

CAREER LEVELS	**11 Career Levels**
	• Levels represent moderate jumps in career progression across career streams
	  – 3 Executive levels
	  – 4 Management levels
	  – 5 Professional levels
	  – 4 Support levels
		• TN Tech needs more standardization of work levels to underpin structures and pay
		• Staff need more structure to develop career paths and opportunities for advancement at TN Tech
		
		• TN Tech does not currently have consistent job titling practices across departments, which required additional assessment of how to compare levels of work across the institution
		
		• Alignment to Mercer's standard levels helped to determine which typical levels of work currently exist at TN Tech and to clearly align them to the market

LEVEL FACTORS
Which factors will be used to describe the career levels?
	5 Factors
	• Leverage competencies to create leveling factors
	  – Institutional Impact
	  – Innovation & Complexity
	  – Communication & Influence
	  – Leadership & Talent Management
	  – Knowledge & Experience
		• TN Tech staff need a clearer understanding of what is expected of them in their current role as well as what may be expected of them as they progress in their career
		
		• These factors represent best practice criteria in the market to differentiate expectations among career levels

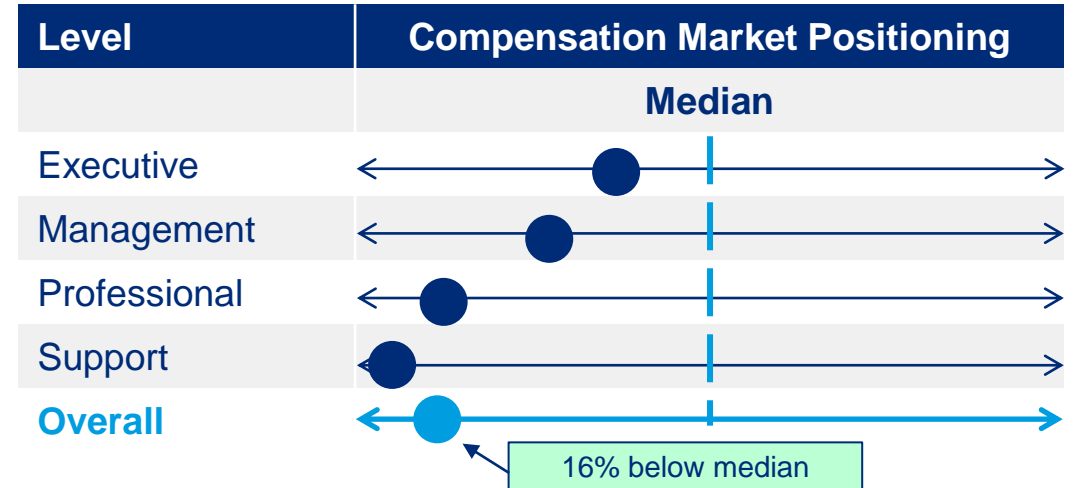**Mercer**

Compensation Benchmarking: Approach and Methodology

	Faculty	Senior-level Staff	Other Staff
Market Comparison Groups	• Higher Education only • Academic Peers *(i.e., public institutions in Tennessee and public institutions in surrounding states with a Carnegie classification of R2 or D/PU)*	• 50/50 Blend of Higher Education and Broader Industry • <u>Higher Education</u>: Academic Peers • <u>Broader Industry</u>: organizations of similar size (i.e., generally ½ to 2X TN Tech's operating budget)	• 50/50 Blend of Higher Education and Broader Industry • <u>Higher Education</u>: Regional Peers *(i.e., 4-year public institutions in surrounding states)* • <u>Broader Industry</u>: all organizations (not scoped to size)
Geography	• Factored into Academic Peers	• Factored into Academic Peers • Geographic differential of -5% applied to broader industry data[1]	• Factored into Regional Peers • Geographic differential of -5% applied to broader industry data[1]
Target Market Positioning	• Generally the **median**; however, emphasis will be placed on areas and activities directly supporting TN Tech's strategic plan		

Current Overall Market Compensation Competitiveness

Faculty

College	Compensation Market Positioning
	Median
College of Ag and Human Ecology	
College of Arts and Sciences	
College of Business Administration	
College of Education	
College of Engineering	
College of Fine Arts	
College of Interdisciplinary Studies	
University Library	
Whitson Hester School of Nursing	
Overall	

5% below median

Staff

Level	Compensation Market Positioning
	Median
Executive	
Management	
Professional	
Support	
Overall	

16% below median

Go-Forward Compensation Program Objectives

1

Improve market positioning by implementing new pay grades

- Mercer developed a new, market-based salary structure *for staff* that anchors jobs to pay grades/ranges that closely align to the market median
- Jobs were slotted to pay grades/ranges based on the compensation benchmarking and internal equity
- *Faculty* do not have a salary structure because each rank and discipline were individually benchmarked to market

2

Maintain competitive pay levels that align with TN Tech's compensation philosophy over time

FY 2024 – FY 2027 Compensation Priorities

FY 2024 Priorities

- Bring all employees to at least $15/hr *(retroactive to January 1, 2024)*

- Bring faculty and staff to within a competitive range of market for their rank/discipline (faculty) or role (staff), with a focus on key areas that align with TN Tech's strategic plan *(will span FY 2024 and FY 2025)*

FY 2025 Priorities

- Bring faculty and staff to within a competitive range of market for their rank/discipline (faculty) or role (staff), with a focus on key areas that align with TN Tech's strategic plan *(will span FY 2024 and FY 2025)*

- Provide at least a 1% increase to eligible faculty/staff
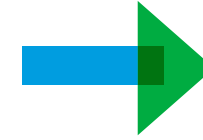
FY 2026 – FY 2027 Priorities

- Align faculty and staff salaries with their expected positioning in the new pay grade based on time in role and performance

- The near-term investment is focused on progressing employees who are performing on track or above average to the appropriate market positioning

- Provide at least a 1% increase to eligible faculty/staff

Mercer

Compensation Plan

1st Step to Address Market Study

- 2% ($1,763,564) retained in FY2023-24 to address market study
  - Retroactive to January 1, 2024
  - Bring all permanent employees to ≥ $15/hour
  - Employees who are on or were on a Performance Improvement Plan (PIP) for FY 2023 are ineligible
  - Move the university as a whole toward market median
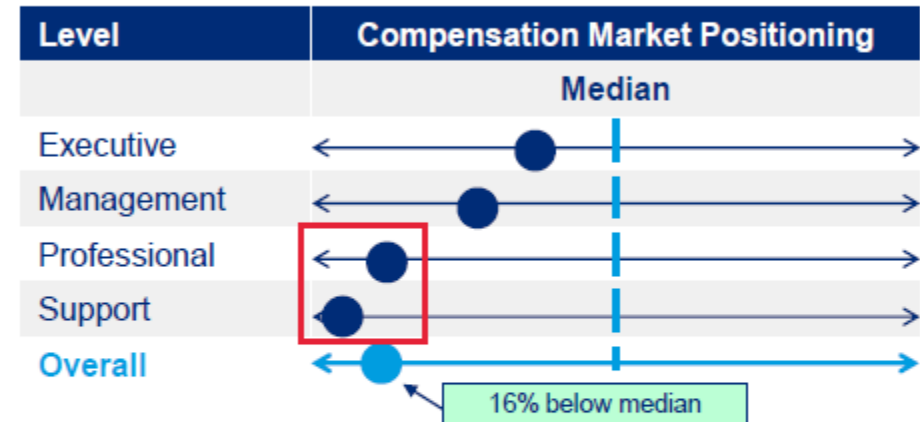 - Focus on areas of competitiveness

Current Overall Market Compensation Competitiveness
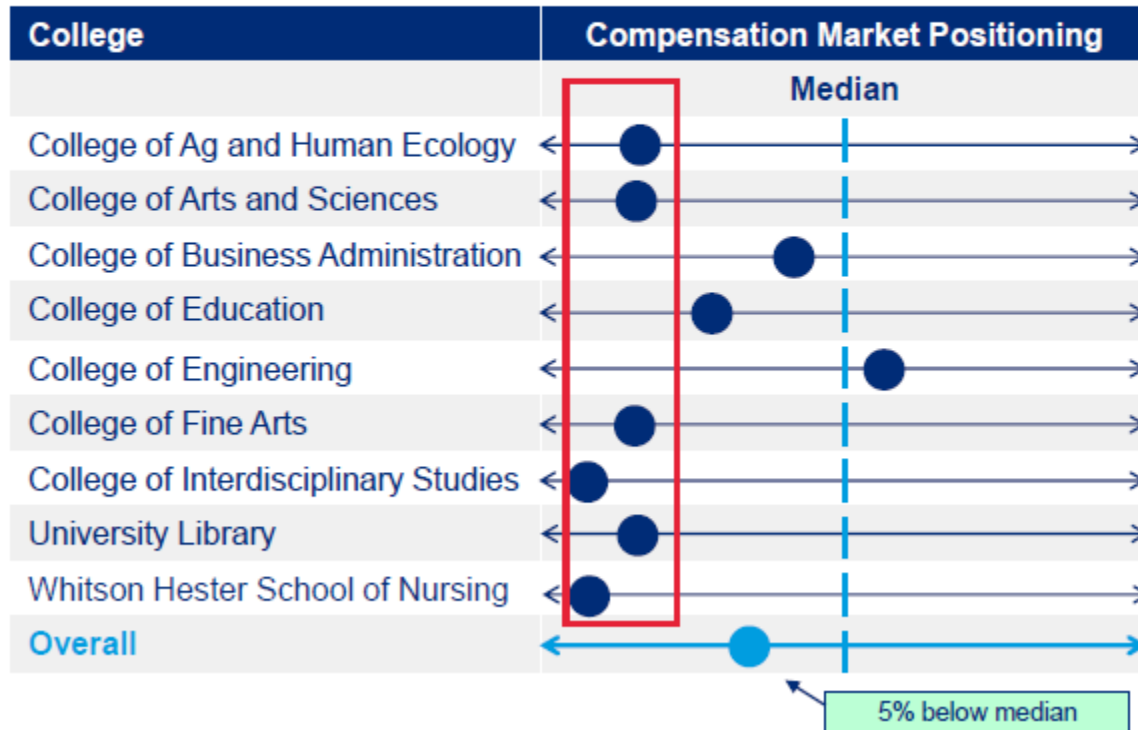
2nd Step to Address Market Study
(Pending Approval of Governor's FY2024-25 Budget)

- 3% ($2,277,557) pool for recurring salary increases
  - Address market study with merit component incorporated
    - Effective July 1, 2024
    - Employees with satisfactory or better evaluation are eligible for raise
    - Employees who are on or were on a Performance Improvement Plan (PIP) for FY 2024 are ineligible.
    - Employees hired prior to 4/1/2024 and still employed on 7/1/2024 are eligible
    - Minimum award of 1% to Maximum award of 10%

    - Faculty promotions, job reclassifications and new-hire salaries handled outside of this proposal

Going Forward...Beyond FY2025

- Continue to address market study incorporating merit component
- Align salaries with expected position in the new pay grade
  - Based on time in role and performance
- Strategically focus on employees who are:
  - Performing on track or above average
  - Below market median
- Potential to need annual salary pools up to 5%

Non-Mandatory Fees

Non-mandatory Fee Proposal 2024-25

- 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 - E & G
Effective Fall semester 2024

– Modification to Ready-to-Teach specialized academic fee

- Undergraduate
  - Current fee is $165 per semester or $14/credit hour
  - Proposed fee is $250 per semester or $21/ credit hour
- Graduate
  - Current fee is $165 per semester or $17/credit hour
  - Proposed fee is $250 per semester or $25/ credit hour

- Inflationary Costs
  - Salary and fringe benefit increases for master clinicians and student teacher supervisors
  - Performance-based assessment for teacher candidates
  - Mileage for travel to teaching sites

Non-mandatory Fee Proposal - Housing Effective Fall semester 2024

- 3% increase for residence halls and Tech Village apartments
  - Offset rising operating costs
  - Competitive with other TN public universities

- Residential halls occupancy
  - Fall 2023   88.3 % Residence Halls 97.4% Tech Village
  - Spring 2024   84.5 % Residence Halls 96% Tech Village

Non-Mandatory Fees - Housing

- Comparison to other universities in Tennessee
  - APSU, ETSU, MTSU, TSU, U of Memphis, UTK, UTC, UTM
  - TTU proposed rates comparable to LGIs and UT system

RES Hall Rate Comparison - Prepared Spring 2024 vs. TTU Rates proposed for Fall 2024 (per semester)										
	TTU (Proposed)	TTU (Current)	APSU*	ETSU*	MTSU*	TSU*	UofM*	UTK*	UTC*	UTM*
Single Traditional	$3,378	$3,280	$4,210	$4,710	$3,356	N/A	$3,465	$4,932	N/A	$2,745
Double Traditional	$3,177	$ 3,084	$3,370	$2,684	$2,856	$1,979	$2,745	$3,501	$4,032	$1,857
*average of various halls offered										
			Eagles Landing	Campus Edge						
Tech Village	$2,329	$2,261	$2,630	$2,800						
Eagles Landing and Campus Edge are furnished and include utilities										

Tuition & Mandatory Fees

Tuition Increase Estimates
FY2024-25

Potential Revenue to be generated (Fall & Spring):	
1% Tuition Increase	$685,800
2% Tuition Increase	$1,371,700
3% Tuition Increase	$2,057,500
4% Tuition Increase	$2,743,300
1 % Mandatory Fee Increase	$123,200
2% Mandatory Fee Increase	$228,800
3 % Mandatory Fee Increase	$334,400
4 % Mandatory Fee Increase	$457,600

Tuition Increase Estimates
FY2024-25

Potential Cost to students per semester:	
1% Tuition Increase	$45.00
2% Tuition Increase	$90.00
3% Tuition Increase	$135.00
4% Tuition Increase	$180.00
1% Mandatory Fee Increase	$7.00
2% Mandatory Fee Increase	$13.00
3% Mandatory Fee Increase	$19.00
4% Mandatory Fee Increase	$26.00

Disclosed Project Modification

Disclosed Project Modification

Fiscal Year	Project	Project Cost	Project Description
Original Disclosure			
2021-22	Agricultural Technology Innovation Center	$1,000,000	Renovate existing loafing barn at Shipley Farm to enhance agriculture engineering & technology academic program.
Revised Disclosure			
2023-24	**Agricultural Technology Innovation Center**	**$1,195,000**	**Demolish existing loafing barn and build new building. More economical due to renovation costs.**

Naming Opportunity

Report of Audit Activity

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

FY2023 State Audit