

**Meeting of the Tennessee State University Board of Trustees
Finance Committee
May 29, 2024
Tennessee State University – Electronic (via Zoom)**

MINUTES

Committee Members Present: Dwayne Tucker (Committee Chair), Jeffery Norfleet, and Charles Traugher. Other Board members present: Kevin Williams, Marquita Qualls, Artenzia Young-Seigler, Terica Smith, Trevia Chatman, Dakasha Winton, and Terica Smith

University Staff Present: President Glenda Glover; Laurence Pendleton, General Counsel and Board Secretary; Douglas Allen, Vice President of Business and Finance; Will Radford, Assistant Vice President of University Design & Construction; Dr. Curtis Johnson, Vice President of Administration; Dr. Robbie Melton, Interim Provost and Vice President of Academic Affairs; Dr. Arlene Nicholas-Phillips, Liaison to the Board of Trustees; Greg Robinson, Chief of Police; Dr. Mikki Allen, Director of Athletics; Dr. Quincy Quick, Associate Vice President for Research and Sponsored Programs; LoLita Toney, Executive Director of Development

Others Present: Leah Louallen, Kristyn Ogletree, and Peter Abernathy of the Tennessee Higher Education Commission

I. CALL TO ORDER

Committee chair Tucker called the meeting to order at 4:00 p.m. on May 29, 2024.

II. WELCOME AND INTRODUCTIONS

Trustee Tucker welcomed the attendees, including representatives from the Tennessee Higher Education Commission, TSU administrators, and other members of the Board of Trustees.

Trustee Tucker made certain findings on the record regarding the necessity for conducting the day's meeting by electronic participation without a physical quorum present. Trustee Tucker stated that the committee was scheduled to take up important matters, which required timely action by the committee, including, but not limited to, a Tennessee Higher Education Commission/Tennessee Student Assistance Corporation program review and funding update, a discussion about the Deferred Maintenance Plan and a discussion about the FY 24-25 budget discussion. Trustee Tucker moved that the committee find that participation by a quorum of the board members by electronic means of communication was necessary. The motion was seconded by Trustee Traugher. Trustees Tucker, Norfleet, and Traugher voted in favor of the motion, and the motion carried.

III. ROLL CALL/DECLARATION OF A QUORUM

Trustee Tucker next conducted the roll call. Trustee Tucker asked the committee members to state if any of the committee members could not hear or speak with each other. He further asked the

committee members to indicate if someone is present with them from the location in which they are calling. No committee members indicated there was anyone present.

Board Secretary Pendleton called the roll at the committee chair's request. The following committee members were present during roll call: Trustees Tucker, Norfleet, and Traugher. Board Secretary Pendleton announced the presence of a quorum.

IV. THEC/TSAC PROGRAM REVIEW AND FUNDING UPDATE

The first item on the agenda was a THEC/TSAC program review and funding update. Trustee Tucker stated that he had asked participants to prepare an executive summary and timeline for the committee in advance of the meeting.

Vice President Allen provided the program review and funding update. VP Allen noted that there were 24 deficiencies in a compliance review conducted by the Tennessee Student Assistance Corporation (TSAC) when it reviewed a random sample of student records of the institution's financial aid recipients for the 2022-2023 academic year. Upon receiving the compliance report TSU administration and staff created a task force to address the deficiencies. The first meeting of the task force was held on October 11, 2023, and continued to meet internally and externally with TSAC officials. VP Allen reviewed a timeline of meetings and activities conducted by TSU.

VP Allen reviewed the TSAC Executive Summary and Compliance Review Timeline, as contained in the Board materials for the May 29, 2024, meeting. As of May 29, 2024, TSAC has cleared 16/24 deficiencies, and 2/24 items are under review by TSAC. TSU has received feedback from TSAC for 6 other items. Documentation was submitted to TSAC on May 23, 2024, for certain items.

VP Allen discussed Item Nos. 7, 17, and 24. Item No. 7 was in-process. For Item No. 7, IT is compiling a report that will be submitted to THEC for its review and feedback. Item No. 17 is an ongoing item.

VP Allen discussed issues the University encountered in its software, that it has hired a Banner/Ellucian consultant to assist it with its Banner system, and to make necessary corrections in that system. VP Allen said that June 15, 2024, is the date they hope to close items out. There are some items that will continue, such as Coursework Program of Student (CPOS) verification and Item No. 24 related to the maintenance of accounts.

VP Allen stated that THEC and TSU have been working hard on this matter, and he views this as a collaborative approach. TSAC is releasing funds as they become certified. TSAC also provided an engagement letter. They will be onsite in July 2024. They will also be onsite next week. TSU welcomes them on campus and has provided TSAC full access to its systems.

Trustee Tucker asked about VP Allen's confidence in completing the outstanding 9 items by the middle of June. VP Allen thinks they will be substantially completed by mid-June but will notify the Board if he thinks they will not be completed in time.

Trustee Tucker asked what other resources are needed to get these items completed in a timely manner. VP Allen explained that additional training for internal staff is on the horizon. He stated that the process is time consuming, and there are some complexities to it.

Dr. Glover gave some additional information regarding the University's response and process.

Trustee Norfleet asked about what process or steps are being taken to be proactive with respect to CPOS. VP Allen stated that they are not making short-term changes. There are changes being made to make sure that the issues do not happen again. The University is fixing items as they encounter them.

Trustee Traugher asked about the current financial impact of this matter if not corrected by June 15, 2024. VP Allen said that if every student is certified, it is equal to about \$10 million operating dollars on an annual basis. The financial impact could range between \$7,500-\$8,000 in loss revenues per student. There is more than one source of funding tied to this. This does have a financial implication, but TSU's goal is to get every student properly certified.

Trustee Williams inquired about whether a "root cause analysis" has been done to assess this problem and will prevent these mistakes. VP Allen said that the root cause was identified by TSAC. There are numerous teams that came together on a task force to address these items. He further stated that the controls, policies, and procedures have been put in place to address the findings in the report and make sure that this does not happen again.

Trustee Tucker next invited THEC to provide any additional information to the committee. He asked whether the items identified have been remediated. Leah Louallen, Director of Compliance with THEC, shared a presentation on the Tennessee Student Assistance Corporation. Kristyn Ogletree, Senior Compliance Officer, and Peter Abernathy, Chief of Student Aid and Compliance, from THEC were also present.

Ms. Louallen gave a presentation on TSAC's program review and TSU's status. She said that 100 schools across the state are under review. On July 1, 2022, the methodology for how reviews are conducted changed. The sample size was increased. Her team ensures that each student receives the right funding at the right time. Every third academic year, 1/3 of the 100 schools receive a program review that lasts about 1 week. After they conduct reviews, follow-up meetings are conducted to review discrepancies with the institution. The institution has 30 days to remedy discrepancies.

At the close of the review, July 10-13, 2023, TSAC was on campus at TSU and determined it would be necessary to come back another week and expand the sample of students. That was done on the week of July 24-28, 2023. The discoveries were shared with TSU on October 11, 2023. This included 24 discrepancies, including 2 observations, 8 warnings and 14 findings. All of the attendees were given a full report. TSU requested an extension to the 30-day deadline to respond. An extension was granted to TSU to December 10, 2023. TSU's response was received on December 20, 2023. On January 12, 2024, TSAC responded to TSU. On February 9, 2024, TSAC started sending weekly emails to TSU to give them status updates on each item. On February 29,

2024, TSAC created a spreadsheet with all 24 findings that tells TSU what TSU needs to do to complete each item.

On May 7, 2024, TSAC and TSU entered into a MOU to allow TSAC to work directly on campus to address issues at a foundational level. Her slides show the warning and outstanding findings with high level information on what is needed to complete each item.

Ms. Louallen explained that for state financial aid programs, schools must complete a certification process in their data system. It is essentially an invoice that tells TSAC what students are enrolled at TSU and what specific award amounts for what specific programs they will be requesting. TSAC must have the invoice to know how much money to request. On May 22, 2024, THEC Executive Director Dr. Steven Gentile authorized the release of grant and scholarship payments in the amount of about \$1.1 million. Since May 22, 2024, only \$2,152.00 in Dual Enrollment Grant funds have been certified. TSAC anticipates that TSU will request approximately \$5,723,999 in additional funds based on awards offered to students in its Banner system. They do not expect this number to rise significantly. Certifications must be submitted by TSU by June 15, 2024, in order to receive payment. TSAC will be on campus with TSU next week.

Trustee Tucker asked about the certification amount. Ms. Louallen stated that from what they can see, they expected \$6.8 million to be certified. Trustee Tucker asked about Ms. Louallen's degree of confidence about the items being resolved by June 15, 2024. She said that two items are more complex and will take work beyond June 15. Some items have small work remaining. The Coursework for Program of Study is one of the two more complex items. The final finding (Item No. 24) dealing with account balances will be the most difficult item to correct.

Trustee Norfleet asked how many MOUs are needed to help a campus to resolve findings. Ms. Louallen said that since they changed their methodology in 2022, TSAC hired two people to help. They have been at one other campus and entered into an MOU with that school. TSAC is here to help. They have only had one other school experience this.

Trustee Traughber asked about the matters that are resolved, what is THEC's confidence that these items have been resolved. Ms. Louallen said they will know if the items are fixed permanently in July when they review 23-24 academic year. They can report back to the committee at that time.

Trustee Traughber asked Dr. Glover and VP Allen about the processes that have been put in place to make sure that this does not happen again. VP Allen explained that they are documenting where issues have taken place as an ongoing process. He said that this takes time; there may be some items that are repeated. He feels comfortable that they are putting procedures in place to address these matters. Dr. Glover added that this audit is a good thing for the University and will make the University better. It will help to make sure that there are standing approaches. Dr. Glover mentioned that TSU was the first university to go through THEC's more rigorous review process. She said that TSU is testing and retesting its policies to make sure there are no repeat errors.

Trustee Tucker took questions from other trustees attending.

Chair Winton asked what will happen in 2024 and the upcoming semester if the findings are not addressed, noting that the additional \$5.7 million was for 2023. Ms. Louallen explained \$1.1 million in funds will be released regardless of program review status. This was communicated in a letter from Mr. Gentile to Dr. Glover. The additional \$5 plus million funds will continue to be held, including 2024 funds, until there is resolution of all 24 items. She hopes that their work on campus will help TSU move the needle on the outstanding items. They will have very good view of this after their next on-campus meeting with the entire team in July.

A discussion took place about efforts moving forward.

Trustee Chatman asked what the potential financial implications can be for 2024 if funds are withheld. Ms. Louallen did not have a dollar amount. She noted that the 2024-2025 FAFSA process has been very interesting at every institution due to drastic changes at the federal level. They have loaded new student FAFSAs and communicated eligible students to institutions, but the number will fluctuate. By the July meeting, they may be closer to knowing what the dollar amount will be.

VP Allen stated that he thinks TSU can recognize more funds if all students are certified. A discussion took place regarding the amount of funds that they should be estimating and budgeting around.

Trustee Young-Seigler asked when the next review will be with the same standards. Ms. Louallen explained that the review is typically done every 3 years, but for institutions that that have some additional discoveries, TSAC may decide to go back and do an annual review. This will be their review in July. They will do an annual review. Depending on the discoveries in the July review concerning the 2023-2024 academic year, they will determine whether it's necessary to come back the following July. This will be determined based on what is discovered during the review. It depends on the depth of issues identified.

Trustee Tucker asked about where money is coming from while we are waiting for funding to come through from TSAC. VP Allen stated that no student has been harmed in this process. Operational funds have been used to cover expenses while these funds are held up, with the expectation that the operational funds would be reimbursed. In 2022-2023, there was close to \$10 million received. Auxiliary funds were pulled to satisfy the University's current obligations.

V. DEFERRED MAINTENANCE UPDATE AND DISCUSSION

Trustee Tucker asked Will Radford, Assistant Vice President of University Design & Construction, to present on the next agenda item, an update and discussion on Deferred Maintenance.

Mr. Radford provided a presentation to the committee. He shared a timeline of actions associated with the State Strategic Funds \$250 million. He reviewed items that were previously approved by the SBC— one for the Master Plan and one for the Davis Humanities and Boswell Hall buildings. Between April and November 2023, four additional projects were approved by the SBC. In April

2024, the TBR and THEC met with TSU to discuss the Deferred Maintenance portion of the Master Plan. TSU developed a plan focusing on deferred maintenance and infrastructure needs.

TSU worked with Woolpert, a consultant, that went through TSU's buildings and put together a comprehensive assessment report. The cost estimate was based on national prices, not local prices; however, the plans went forward. Mr. Radford discussed the scope of the assessment. A sample of all buildings on campus (28 of 69 buildings) were assessed. Mr. Radford showed how TSU is using this data dynamically.

Fabien Jolivette, Assistant Director of Planning and Design, shared information on TSU's State of Facilities. Mr. Jolivette shared that there are 5 replacement candidates and several buildings that are in poor condition. He reviewed TSU's current and future Deferred Maintenance projections.

Mr. Radford discussed the State Strategic Deferred Maintenance Plan. He reviewed projects approved by the SBC and under contract, Deferred Maintenance Projects for submissions to the SBC, and projects proposed for submission to the SBC. He reviewed proposals for the Queen Washington Building, Tom Jackson Industrial Arts Building, Robert E. Clay Education building, Humphries Hall, the Brown-Daniel Library, and Janie Elliot Hall.

Mr. Radford next discussed proposed projects and considerations, such as the Electrical Masterplan; utility tunnel, metering and power plan upgrades; enrollment and space analysis; campus migration implementation; and demolition and removal implementation.

A discussion took place regarding the Master Plan approval, the Deferred Maintenance plan, and next steps moving forward. Chair Winton raised her concern about not moving forward with the Deferred Maintenance Plan and spending the \$250 million in state allocated funding. Mr. Radford discussed SBC meetings and timeframes.

Trustee Norfleet said that he would like status updates to be provided to the Board to let the Board know where the University is in the process of projects. Mr. Radford said that this information will be provided for active projects. Trustee Norfleet asked whether the Master Plan was ready to be submitted to the Board for approval at its June 2024 meeting. Mr. Radford said that he would recommend its approval from a short-term perspective, and the Board can determine at a later date whether it wants to have a long-term plan.

Additional discussion took place regarding the University's path forward. Trustee Tucker mentioned his desire to simplify the approval process to make the process quicker. He hopes they will have more clarity around the process for the June Board meetings.

VI. BUDGET DISCUSSION

Trustee Tucker invited VP Allen to present the next agenda item, a discussion regarding the University's budget.

VP Allen discussed the University's process and what drives key revenues and expenditures. Tuition and fees account for 48.61% of total revenues. The numbers he referred to were based on

the Board approving a 5.5% tuition and mandatory fees increase. He said that 22.5% is food service, bookstore, and housing revenues. All other revenue fees equal 4.58% of the University's revenues.

VP Allen said that for FY 23-24, revenue generated is \$291 per credit hour, and with the proposed increase, the University would receive \$307 per credit hour. VP Allen referred the committee members to tuition fees data from the past five years, located in the Board materials.

He discussed a proposed 5.5% tuition and mandatory fees increase. He stated that other institutions have also gone to the maximum end of the scale [recommended by THEC]. He said that TSU has trended lower than its sister institutions in past years but is staying in line with other institutions this year. TSU is still the most affordable public institution in the state.

VP Allen reviewed the Summary of Unrestricted Current Funds Available and Applied document in the meeting materials. He reviewed the types of revenues and expenditures. The State does not provide funding for auxiliary expenses, such as housing, the bookstore, and food service.

VP Allen said that when looking at tuition and fees, he reviews the Estimated Budget as a baseline. We had \$99.2 million in the Estimated Budget. He is proposing \$105-\$106 million for tuition and maintenance, with a 5.5% increase for tuition and mandatory fees.

VP Allen reviewed various line items in the budget and what each entailed. He said that under Revenues, State Appropriations increased a bit, and the number included our performance funding model. The State provided additional resources for a 3% pool for salary increases, directly out of the Governor's budget. State Appropriations come in every month. The largest portion of our fees come in during September and February.

Trustee Qualls asked about performance metrics, which Dr. Glover described to include degree completion and retention rates. VP Allen stated that if performance improves, the appropriation could go up. Further discussion took place regarding performance metrics and budgeting. Trustee Tucker asked about metrics for the Board to review. Dr. Melton provided information regarding retention rates. Dr. Glover said that COO Evans can and does provide enrollment data, and this would be provided to the Board.

Trustee Chatman said that she would like to see more financial information underlying the budget. VP Allen stated that he provides the summary and that the budget is over 300 pages long and includes line-by-line information. He said that he can provide line-by-line item details. Trustee Chatman also asked to see financials. VP Allen stated the FY 23 financials will not be put out until the audit is completed; the audited financial statements are on the University's website. Trustee Chatman said that she would like to see a balance sheet or other information showing the financial stability of the institution and what is driving information about what the institution should charge. She wants to see cash on hand, cash flow to the institutions, assets, etc. Trustee Tucker agreed that he would like to see the balance sheet and to see the impact on the business. Trustee Chatman said she wants full financial information to make better decision-making. VP Allen said that he has this information and has no problem sharing it. Trustee Tucker said that this was a very reasonable request. He said that one of the purposes of the day's meeting was to

determine what information the trustees want to see at their June Board meeting to approve the budget.

Chair Winton asked whether we are utilizing any FAFSA consultants. VP Allen said that we are utilizing those consultants, who are offered through the Department of Education.

Chair Winton stressed that the new Board is asking for information in full context and in a timely manner, with time to review the information. Trustee Tucker stated that he was part of a 2-3 day delay in getting the information out because he wanted to make sure that the information was meeting the minimum expectations for the meeting. He said he did not expect a hold-up getting information out in the future. Trustee Chatman stated that she expected the information requested to already have been made available. She wants the Board to be a support to the University, but also wants complete transparency from the University so that the Board knows how to support the University. She hopes that trust will build. VP Allen said he is happy to comply with the requests made.

Trustee Trucker asked whether there were any other items or questions to be addressed. Chair Winton asked for additional information on tuition and fees before the meeting taking place the next week, including any additional documentation that shows how the University arrived at its position. VP Allen said that he would provide that information.

VII. ADJOURNMENT

Trustee Tucker moved to adjourn the meeting, and the motion seconded by Trustee Traugber. The motion carried unanimously by roll call vote. The meeting was adjourned at 6:30 p.m.