Meeting of the Tennessee State University Board of Trustees
Finance Committee Meeting
March 12, 2025
Tennessee State University – President's Conference Room

MINUTES

Board Members Present: Trustees Charles Traughber, Jeffery Norfleet (virtual), and Dakasha Winton (virtual). Other Board members present: Trevia Chatman (virtual), Marquita Qualls, Dimeta Smith Knight (virtual), Artenzia Young-Seigler (virtual), Tyler Vazquez (virtual)

University Staff Present: Interim President Dwayne Tucker; Ginette Garza Brown, Interim General Counsel and Board Secretary; Dr. Robbie Melton, Acting Interim Provost & Vice President for Academic Affairs; Bradley White, Interim VP of Business and Finance; Sterlin Sanders, Chief Information Officer; LoLita Toney, Associate Vice President of Institutional Advancement; Jim Grady, Alvarez & Marsal; Ingrid Gardner, Alvarez & Marsal; and Chris Geary, Alvarez & Marsal

I. CALL TO ORDER

The Trustee Traughber called the meeting to order at 3:05 p.m.

II. ROLL CALL/DECLARATION OF A QUORUM

Board Secretary and General Counsel Ginette Brown conducted the roll call. The following committee members were present: Chair Winton, Trustees Traughber and Norfleet.

III. APPROVAL OF NOVEMBER 21, 2024, FINANCE COMMITTEE MINUTES

The minutes from the November 24, 2025, meeting of the Finance Committee were approved as submitted, with Trustee Norfleet making the motion and Chair Winton seconding the motion. The motion passed unanimously.

IV. GRANTS UPDATE

Trustee Traughber asked Jim Grady of Alvarez & Marsal to provide an update on the status of federal grants.

Mr. Grady reported that in February, Tennessee State University ("TSU") experienced disruptions to its federal grant funding. At that time, the university had approximately 70 active federal grants from USDA/NIFA, totaling $45 million. These grants were suspended, and the university was unable to draw down funds. On March 3, approximately $23 million of the suspended funds were restored. However, $22 million remains suspended, which includes about $1 million in undrawn expenses. Of the $23 million reinstated, $18 million is tied to a NIFA grant, with $14.4 million in remaining funds and $890,400 in undrawn expenses. Mr. Grady noted that if these grants are reinstated within their period of performance, undrawn expenses would be eligible for reimbursement.

He then provided background on TSU's federal grant portfolio. The university currently has an available balance of approximately $115 million in federal grants that could be subject to future suspensions or freezes. These are multi-year grants, and data from Human Resources and Payroll indicates that 52 employees are fully funded by these grants, and approximately 112 employees are partially funded. The indirect cost recovery rate is approximately 15%, which could equate to a loss of $1 to $2 million.

To mitigate risk, TSU leadership paused all federal grant spending from February 28 to March 12 while the situation was assessed. Under President Tucker's leadership, the university's federal grants team has met daily to monitor the evolving situation and determine next steps. Based on internal discussions and feedback from federal offices, TSU has been informed that the $14.4 million NIFA grant will likely be suspended indefinitely. The university is currently identifying other grants and cost areas that may be impacted over the next 90 days.

Chair Winton asked whether the suspension of grant funding would require changes to faculty, staff, or programs. Mr. Grady responded that individuals tied to the impacted grants would remain in place over the next 90 days. General Counsel Brown confirmed that once a formal notice of suspension is received, the university would be required to provide 30 days' notice, thereby avoiding unnecessary financial obligations. President Tucker added that the university is preparing to meet this requirement in a timely manner.

Trustee Norfleet asked whether the affected grants would impact any scholarships or graduate assistantships. Mr. Grady stated that he was not aware of any impact to scholarships. President Tucker clarified that while no students would be affected this year, the changes would impact students next year. The impact includes 6 graduate assistants and 33 undergraduate students. General Counsel Brown stated that the university is currently exploring options to offset any related deficits.

Trustee Norfleet followed up with a question regarding the 52 fully funded employees, asking whether the suspension of the $14.4 million grant would directly affect them. Mr. Grady confirmed that it would.

Trustee Smith Knight asked whether employees are aware that their positions are tied to grant funding, and whether any were specifically hired for those grant-related roles. Mr. Grady confirmed that they were.

Trustee Traughber inquired about any lobbying efforts or coordination with other universities in similar situations. President Tucker responded that longstanding relationships in Washington, D.C., particularly in the agricultural sector, are being leveraged to assist in this matter. Additionally, he has spoken with several U.S. senators. While the discussions remain confidential, he assured the Board that the information being shared is both current and accurate.

V. STATE BUILDING COMMISSION UPDATE

Trustee Traughber asked Interim President Tucker to provide an update on the status of the State Building Commission.

Interim President Tucker began by highlighting the progress made since the last presentation in December. He emphasized the importance of maintaining credibility by following through on commitments and noted that cash flow projections remain consistent with previous reports. He spoke to the support provided by Tennessee Higher Education Commission ("THEC") in restructuring Financial Aid to improve student experience and perception of the university, as well as the ongoing audit support from TBR, which would be further detailed in the Audit Committee meeting the following day. He also mentioned efforts to rebuild the finance and accounting team with support from Mr. Grady and Alvarez & Marsal.

President Tucker explained that, following individual meetings with commission members, the administration tailored the final presentation to align with their priorities. The target figure of $544 million emerged from this process, which he believes is an appropriate estimate for the University's long-term sustainability plan.

Mr. Grady then provided a structured overview focused on three main areas: the funding need, TSU's proposed steps, and financial projections. He clarified that the initial $250 million was already appropriated by Governor Lee and the legislature, and TSU is requesting access to the remaining $150 million for deferred maintenance and, crucially, operational use to help the university bridge to sustainability.

Mr. Grady outlined a total deficit reduction plan ranging from $32 million to $37 million. The plan includes:

Scholarships: A targeted reduction of $18–$20 million by capping aid for new freshman classes beginning in the fall, while continuing to support existing recipients.

Personnel Costs: Savings of $11–$13 million, with a focus on reducing non-instructional and some instructional roles.

Non-Personnel Costs: Additional savings of $3–$4 million.

A deep dive into scholarship data showed that TSU's discount rate increased significantly in 2023, peaking at 50%. The forecast assumes a 20% cap on discounts for future freshman classes. Scholarship obligations are expected to decline from $32 million in 2025 to $13 million by 2027.

On academic staffing, the university is evaluating underperforming programs and optimizing faculty workloads.

Mr. Grady presented a five-year pro forma forecast, projecting a $95.7 million need through FY29. He stated TSU is expected to reach break-even or a positive margin by 2029–2030, positioning the university for long-term sustainability. Additional slides detailed the scholarship impact and future expense trends, aligning with the $544 million request.

Grady then reconciled the $151 million vs. $154 million figures. The discrepancy stems from how ARPA funds were counted. While TSU received $32.2 million in ARPA funding, the state valued the project at $35 million, resulting in a $3 million difference.

President Tucker clarified that this discrepancy was not due to an increase in the building's cost, but due to how the state assigned value to the reallocated funds.

President Tucker emphasized the importance of establishing a "bridge to sustainability" to reassure current and prospective students—as well as donors—that TSU will remain operational through graduation. He noted that financial uncertainty negatively impacts recruitment, retention, and fundraising efforts. He added that once the financial strategy is finalized, the university can begin communicating its improved position more publicly.

Trustee Young-Seigler questioned the ARPA funding discrepancy, and Mr. Grady said he would follow up with a more precise explanation.

Trustee Traughber asked how scholarship reductions might affect enrollment. Grady responded that while they had not conducted a specific study, historical data showed that in years like 2018–2020, TSU had 6,400 FTEs with significantly lower scholarship spending, indicating the university has operated under similar conditions before. President Tucker added that the goal is to reach a 20–25% scholarship cap. He acknowledged the challenges this poses for departments like Athletics but noted that other areas such as the band are already within this range. He also emphasized improved academic quality among incoming students.

Another trustee asked about the $250 million appropriation and whether delaying originally planned projects would create risks. Grady stated that TSU had consulted with the Facilities team, which believes current plans can carry the university through the next 12 months. However, longer-term needs would require further funding from the remaining $544 million, pending continued progress and demonstrated credibility.

President Tucker also addressed plans for a capital campaign, noting strong initial support with seven prominent individuals already committed to serving on the advisory board. He stressed the need to first finalize the financial framework, as many potential donors are hesitant to give without assurance of the university's stability. He also mentioned feedback from alumni who are willing to re-engage if improvements in communication and accountability are evident.

Trustee Young-Seigler asked whether the revenue forecast includes tuition and fee increases. Grady confirmed that a modest 3% tuition increase is built into the forecast and includes a shift toward a single out-of-state rate.

President Tucker concluded by discussing changes to the budget development process, moving away from a top-down approach. Beginning that week, individual cabinet-level budget meetings would begin. The process includes reviewing organizational charts to reduce unnecessary hierarchy and improve efficiency. The goal is to limit organizational layers and broaden spans of control, allowing for more strategic decisions about staffing and resource allocation. President

Tucker emphasized that this new process would help restore credibility and align TSU's budget structure with industry best practices.

VI. BUDGET VS. ACTUAL UPDATE

Mr. Jim Grady presented the Budget vs. Actual update. He walked through slides reflecting financial activity from July 1, 2024, through January 31, 2025, focusing on unrestricted E&G accounts.

He explained that while tuition and fees were budgeted at $80 million, actual recognized revenue is approximately $75 million, excluding adjustments for bad debt, which may reach $5–6 million by year-end. State appropriations appear higher due to the early disbursement of May and June payments in August. The ARPA funds total $32.23 million.

On the expense side, Mr. Grady noted that January represents 58% of the fiscal year. Salaries and wages were tracking slightly below that at 56%, which he said is reasonable. Operating expenses show greater variance due to timing and reconciliation of JLL invoices. He expects the final figures to remain on or under budget. Scholarships were budgeted at $35 million, with $30.6 million disbursed as of January. He projects a final amount near $33 million.

Mr. Grady then reviewed auxiliary operations, highlighting a variance in operating expenses tied to pending Aramark invoices. The university is resolving outstanding fall invoices and continues to process spring payments.

He discussed the June 30 balance sheet and clarified that monthly balance sheets offer limited insight due to year-end entries for capital assets, depreciation, and pension-related liabilities. As of June 30, current assets totaled $54 million, including $8 million in cash. Current cash is now between $35–37 million. Payables are under $4 million, all within 60 days. Accrued liabilities, totaling $9 million at year-end, were primarily related to payroll.

Trustee Smith Knight expressed appreciation for the update but asked whether some of the year-end entries, such as cash and liability breakdowns, could be estimated throughout the year as part of the accrual process. Mr. Grady responded that the current $35–37 million is entirely operating cash and confirmed that vendor liabilities have decreased significantly—down to $4 million from $14–16 million carried over from the previous year. He will follow up regarding estimates.

A trustee referenced a discussion from the November board meeting regarding forecasting challenges and asked if there has been improvement. Mr. Grady explained that the current team joined in June and worked from a pre-existing budget. A revised budget was submitted in October with further refinements. He noted that Tennessee allows for three reforecasts annually, which will support a more transparent and accountable budgeting process moving forward.

President Tucker emphasized that this was a condensed version of the report, given the late start to the current budget cycle. Mr. Grady confirmed that a recast budget will be presented in April with updated projections for FY 2025.

VII. TUITION UPDATE

Mr. Jim Grady provided the Tuition Update, beginning with a general financial overview. He noted that Spring enrollment has exceeded projections by approximately 600 students. Additionally, the Governor's FY2025 budget for higher education includes $52.8 million for TSU. Of that amount, TSU is slated to receive $1.7 million in new outcomes-based funding, as well as a partial salary pool funding of 2.6%. TSU will also receive $628,500 to address insurance premium adjustments, with other partial funding increases included in the budget. Moreover, TSU was awarded $2.3 million in capital maintenance funds for upgrades to building systems and equipment at the Avon Williams campus.

Mr. Grady emphasized the importance of this funding context when considering tuition increases. He presented a historical overview of tuition and fee increases across TSU and other public universities in the Local Government Institutions ("LGI") and University of Tennessee ("UT") systems, as shown in the accompanying presentation slides.

In November 2024, THEC adopted a preliminary tuition and fee increase range of 0% to 4% for FY2026. THEC had planned to finalize this range during its February 6–7, 2025 meeting, but the decision was deferred to a special-called session scheduled for March 19. Until that meeting, TSU is presenting this information for planning purposes only. Once THEC finalizes the range, TSU intends to convene a special Board meeting to vote on a proposed tuition and fee increase for FY2026.

Mr. Grady outlined the three-step framework for determining tuition increases:

1. Estimate the Total Funding Need, which includes:
    a. Funding for the university salary policy,
    b. Fixed cost inflationary increases, and
    c. Specific institutional needs.
2. Determine the level of student revenue required to meet that total funding need.
3. Translate the student revenue requirement into a per-credit-hour maintenance fee rate.

In terms of non-personnel inflation, TSU uses a blended metric derived from the Higher Education Price Index ("HEPI") and the Consumer Price Index ("CPI"). HEPI, which is more directly related to higher education costs, was 3.41%, while the CPI was 3.00%. Averaging the two yields 3.2%, of which only 80% (or 2.57%) is applied to encourage institutional efficiency. Mr. Grady discussed TSU's personnel costs.

Since the passage of the FOCUS Act in 2017, LGI institutions have had the authority to set their own out-of-state tuition rates, which are not subject to THEC's binding range. While Tennessee Code does not mandate separate rates for in state and out-of-state students, it clearly allows for differential pricing based on residency.

TSU currently maintains three out-of-state tuition categories:

1. Standard Out-of-State (Full Freight) Rate: $11,727/semester

2. Scholar Rate: $8,991/semester
3. 250-Mile Radius Rate: $7,491/semester

These rates are based on a 15-credit-hour semester, consistent with THEC's standard methodology.

Mr. Grady then reviewed how TSU's out-of-state rates compare to peer institutions. He reviewed scenarios and reviewed a five-year model.

Mr. Grady next presented a summary of non-mandatory course fees, including proposed changes based on departmental requests. The only fee significantly higher than peer averages was the biology lab fee. No increase is proposed for meal plans. A 4% increase is recommended for housing rates in FY2026. Mr. Grady reiterated that this presentation is informational only, and no Board action is required at this time. A special meeting will be called once THEC finalizes the binding tuition range.

President Tucker confirmed that benchmarking showed TSU's proposed non-mandatory fees are consistent with peer institutions, aside from the biology lab. He noted that the Board could choose to vote on tuition changes during the June meeting, as done previously.

A trustee inquired about how the "calculation of need" factors in state and federal funding. Mr. Grady clarified that the tuition model presented only includes revenue from tuition and fees—it excludes state appropriations and federal funding.

Further discussion took place about the financial impact of implementing a blended rate. Mr. Grady referred to Scenario 1, where in-state tuition increases by 4% and out-of-state rates are reduced to $8,000. He noted this scenario would lead to a significant revenue reduction—potentially several million dollars—due to the drop from the standard out-of-state rate of $11,727.

VIII. SCHOLARSHIP PROPOSAL UPDATE

Mr. Jim Grady provided an update on the Scholarship Proposal. He began by revisiting the historical context of institutional aid and discounting practices, referencing the chart provided, in which the sky blue represents institutional aid, and the dark blue indicates net tuition revenue. He noted that in Fiscal Year 2019-2020, enrollment was approximately 6,495 students, and institutional aid was about $9.5 million.

Mr. Grady explained that during the COVID-19 pandemic, particularly in FY2021–2022, the institution utilized Higher Education Emergency Relief Fund ("HEERF") resources, represented in the dark blue section. Following the expiration of HEERF funds in FY2023—and in conjunction with a sharp increase in enrollment—institutional aid rose significantly, comprising nearly 50% of total tuition revenue from FY2023 through FY2025. Despite recent enrollment declines in FY2024–2025, the level of institutional aid remained flat, contributing to the university's current budgetary challenges. He referenced a previous THEC presentation which included a comparative analysis with LGIs and reiterated the plan to cap institutional aid at 20% as shown in the Pro Forma.

Mr. Grady stated that actual scholarship expenditures for the current fiscal year are projected to total $33 million. H reviewed more specific scholarship data.

For FY2026, Mr. Grady reviewed the 20% scholarship cap for first-time freshmen. He explained that the gross tuition and fee projection for the incoming freshman class (Fall 2025) is $12 million, resulting in a scholarship cap of approximately $2.4 million for that group. The total scholarship budget reflected in the pro forma is $26 million, which accounts for both continuing commitments (i.e., awards to current upperclassmen) and the 20% cap for incoming students. The existing aid commitments total approximately $14 million.

Mr. Grady reviewed enrollment assumptions for Fall 2025, estimated between 950 to 980 first-time freshmen. If enrollment exceeds projections, the total available scholarship pool would increase accordingly. He noted that scholarship awards began as early as November–December, and the university is working to reconcile offered awards with the pro forma budget. The chart provided illustrates the running total of offered amounts, forecasted obligations, and remaining budget.

President Tucker stated that as of the current meeting, institutional scholarships are estimated to comprise 25% of tuition and fees—an improvement from the previous 50% but still above the 20% target. He acknowledged the challenge ahead and emphasized the need for further reductions, estimating that approximately $600,000 in additional cost offsets would be needed to reach the goal.

Trustee Smith Knight asked whether the scholarship figures include all aid or are limited to tuition and fees. Mr. Grady clarified that the discussion focused on unrestricted, unfunded scholarships provided through institutional discounting. If foundation or third-party resources are used, those would be considered separately.

A trustee inquired whether housing and food are included in these awards. Mr. Grady confirmed that the figures under discussion do not include room and board, and that the prior trustee's understanding was accurate.

IX. INSTITUTIONAL ADVANCEMENT REPORT

Dr. LoLita Toney provided the Institutional Advancement update. She began by noting that the university has raised approximately $4.3 million to date, against a fiscal year goal of $10 million. While this leaves a gap of about $5.6 million, she emphasized that despite the challenges outlined by President Tucker, the university is on track to exceed giving totals from prior years. Before her arrival, annual giving typically hovered around $5 million. Although the $10 million goal may not be met, current projections indicate the university is likely to reach approximately $6 million.

Dr. Toney reported that the primary area of decline has been in corporate and foundation giving. Her team is working diligently to rebuild trust and reassure partners about the future direction of TSU, emphasizing that their investment remains both valuable and impactful. She noted that ongoing donor engagement efforts continue, including personal notes from the President, regular meetings, and active stewardship.

One significant highlight is an increase in alumni giving—the first such increase since fiscal year 2019. For the past several years, alumni giving had been trending downward. The current upward trend is an encouraging signal of renewed faith and commitment from alumni. Dr. Toney noted that several alumni have made substantial contributions, including first-time gifts in the $20,000 to $25,000 range. Dr. Toney and President Tucker have engaged alumni through travel and outreach events in cities such as Memphis and Chicago. These engagements have yielded positive feedback and strong indications of support, even among major donors.

Dr. Toney also addressed the need for a development software platform to streamline fundraising operations.

Trustee Qualls asked a follow-up question from the November meeting concerning the structure of the alumni association. She noted that some alumni are affiliated with chapters while others are not. She requested a review of the alumni association model, including examples from other institutions, to explore ways TSU might better connect with its entire alumni base. Dr. Toney responded that President Tucker shares this concern, and they have discussed alternative models, as several universities have moved away from the traditional structure. Trustee Qualls requested a study and report on a potential new model to be presented at the June meeting.

Trustee Young-Seigler asked about a reported $620,000 year-over-year decline and inquired about historical trends in corporate and alumni giving. Dr. Toney responded that she has tracked these trends and previously shared the data with President Tucker. She noted that fiscal year 2021 saw a spike in corporate and foundation giving due to gifts from organizations such as FedEx, HCA, and Amazon. However, corporate giving began to trend downward in subsequent years, while alumni giving had declined since FY2019—until the recent improvement.

Trustee Traughber requested visual data to accompany future reports, including charts reflecting trends over five to ten years. He emphasized the importance of understanding the University's financial trajectory, particularly in light of President Tucker's broader institutional advancement strategy. He also asked whether there were any organizational gaps that could hinder fundraising success.

Dr. Toney replied that acquiring the development software is a critical step, as current systems do not allow her team to run reports independently. Instead, they must rely on another department for data access. The new system would eliminate that dependency and enhance their ability to respond to data requests. She also noted that staffing remains a challenge. The office lacks a dedicated annual fundraiser and a prospect researcher. Currently, Dr. Toney and two other staff members handle fundraising, prospect research, and stewardship. She indicated that a capital campaign would require staffing expansion rather than a traditional launch, and this request will be brought forward during upcoming budget discussions.

Trustee Traughber recommended that an organizational chart be provided to better illustrate staffing gaps and inform planning for the capital campaign. President Tucker agreed and confirmed that the chart would be shared.

Trustee Smith-Knight asked whether colleges and departments conducting independent fundraising efforts report to the Office of Institutional Advancement. Dr. Toney explained that while those units do not report directly to her office, there is collaborative coordination. For example, her team has worked with Dr. Melton and department heads on efforts involving Amazon, Regions Bank, and other partners. These collaborations involve multiple units across the university, including Career Services, Athletics, and Media Relations. Her office serves a central coordinating role and engages with IT to manage gift conflicts or overlaps.

Trustee Young-Seigler asked how gifts are categorized, particularly when a donor specifies a gift to a particular foundation account. Dr. Toney responded that all philanthropic gifts are processed through the TSU Foundation. Donors make checks payable to the Foundation with a memo indicating the designation—e.g., Bradley Scholarship, Alumni Fund, or Unrestricted. All such contributions are recorded accordingly.

Trustee Young-Seigler followed up to confirm whether all private dollars flowing into the Foundation are included in the Institutional Advancement gift totals. Dr. Toney confirmed that they are.

X. ADJOURNMENT

Trustee Traughber moved to adjourn, with the motion seconded by Trustee Winton. A roll call vote was taken, with Trustees Traughber, Winton, and Norfleet voting in favor of the motion. The meeting was adjourned.