Appendix B – Finance and Budget Committee - TSU Budget Narratives

Tennessee State University Policy 05.01 recognizes budgeting as the process whereby the plans of the University are translated into itemized, authorized, and systematic plans of operation, expressed in dollars, for a given period. The original budget for each fiscal year, known as the *Proposed Budget*, is prepared in the spring of each year. It incorporates the annual budget recommendations proposed by the Governor of the State of Tennessee. The *Estimated Budget*, also prepared in the spring, is the final budget of the year. It captures the final budget adjustments and revisions made throughout the fiscal year and projects the actual final year-end revenues and expenditures. The Estimated Budget is compared to the year-end actual amounts once they become available. The Proposed and Estimated budgets are submitted together for approval by the Board of Trustees at the June meeting.

Tennessee State University generates revenue from various sources. *Tuition and Fee* revenue projections are based on historic student enrollment data and other observable student revenue activity patterns. In addition to Tuition and Fee revenue, the University receives a formula-based annual *Appropriatio*n from the State of Tennessee to subsidize the cost of educating students. *Federal, State, and Private Grants and Contract* revenue is generated from the indirect costs to the University for providing administrative support on grants and other sponsored activities. Tennessee State University also generates revenue from the *Sales and Services of Other* activities, such as major athletic events, and from miscellaneous sources such as childcare services, recycling, facility rentals, etc. Fiscal conservatism is always incorporated into the revenue projections.

Budgeted expenditures are divided between the education and general classifications of Instruction, Research, Public Service, Academic Support, Student Services, Institutional Support, Operation and Maintenance of Plant, and Scholarships. Mandatory and non-mandatory transfers for retirement of debt, renewals and replacements, and unexpended plant are also part of the annual budget.

The budgetary fund balance is part of the equation for balancing the budget and is comprised of allocation for encumbrances, working capital, special allocations, and unallocated balances. To achieve a balanced budget, beginning fund balances are added to the revenues, less expenditures and transfers, to either increase or break even with the ending fund balance.

The Auxiliary Enterprise budgets are self-supporting and are separated from the education and general fund. The revenues and expenditures are controlled on a profit or break-even basis. As with E&G, auxiliary revenues are budgeted conservatively and in consideration of observable historic patterns. Auxiliary Enterprises generates its revenue from areas such as Bookstore, Student Housing, Food Service, and other miscellaneous revenues such as Post Office, Parking, Vending, etc. Auxiliary Enterprise expenditures, plus transfers, are budgeted at levels that balance against projected revenues. Auxiliary fund balances are included with the fund balance totals for E&G.

FY23 Estimated Budget – Education and General

E&G Revenue

The FY23 Estimated Budget for E&G funds reflects a revenue increase over the FY23 October Revised Budget. October Revised E&G total revenues were budgeted for $158,032,400 and the Estimated Budget revenues are projected to be $155,573,400 based on revenue collection data available for the Estimated budget cycle. The overall E&G revenue budget decreased by $2,459,000.

Maintenance and Tuition Mandatory Fee revenue and the State Appropriation remained flat between the Revised Budget and the Estimated. The revenue budget decrease was primarily due to:

- $222,700 net increase in Non-Mandatory Fees due to increase in College of Business Fee, Late Registration Fees, and On-Line Course Fees

- $2,840,200 decrease in *Sales & Services of Other Activities* category due to Athletics fundraising, ticket sales, and miscellaneous revenue falling short of projected collections

- $15,000 increase in revenue collections in the Child Care Center in the *Sales and Services of Education Departments* category

- $143,500 net revenue increase in Career Development and Facilities Rentals

E&G Expenditures

Education and General expenditures for FY23 Revised were budgeted at $180,800,000 and were increased to $187,482,100 for the Estimated. The details of this $6,682,100 net increase in expenditures are as follows by functional category:

- $2,207,600 decrease in Instruction due to reallocation of unused salaries and benefits from vacant positions to Scholarship budget

- $85,500 decrease in Research due to moving a position and benefits into the correct category

- $265,500 increase in Public Service due to promotions with increase in salary and benefits and hiring of temporary employees

- $746,600 decrease in Academic Support due to reallocation of unused salaries and benefits from vacant positions to scholarship budget

- $1,748,400 increase in Student Services due to $1.3m given to Athletics for operational use and Nissan Stadium expenditures, Homecoming expenditures and contracts

- $8,449,800 decrease in Institutional Support for a budget correction in the Information Technology Recovery account and reallocation to Scholarship budget

- $336,400 net increase in Operations & Maintenance for JLL contract expenditures
- $15,821,300 net increase in Scholarships due to unprecedented enrollment increase

E&G Transfers

Mandatory transfers, budgeted at $2,292,900, did not change between the FY23 Revised and Estimated budgets. For Non-Mandatory Transfers, Renewal & Replacements also remained the same at $150,000. Transfers from Unexpended Plant increased from ($15,570,900) to ($24,804,100) due to increase in

- Transfer-In from Unexpended Plant increased from $15,570,900 to $24,804,100 due to $9,233,200 scholarship expenditures exceeding budget

FY23 Estimated Budget – Auxiliary Enterprises

Auxiliary Revenues

Auxiliary Enterprise revenues increased from $40,735,200 in the Revised Budget to $51,761,700 in Estimated, an increase of $11,026,500. This net increase in the Estimated projected revenue was due to:

- $6,533,000 increase in Food Service revenue (meal plans, etc.) from increased enrollment
- $2,470,000 increase in Housing for House of God and Shuttle expenditures
- $53,500 increase in Post Office services and P.O. box revenue from increase in student enrollment
- $1,970,000 increase to Other Auxiliary revenue due to Aramark commissions and awards

Auxiliary Expenditures

Auxiliary Enterprise expenditures were increased from $43,180,800 in the Revised budget to $53,393,700 for the Estimated Budget, an increase of $10,212,900. This increase is attributed to:

- $49,000 net increase in salaries and benefits for Graduate Assistants and Temp Employees
- $51,400 net increase in travel for transportation needs
- $1,127,800 increase in operating for Housing for House of God, hotels, and student shuttles
- $8,900,000 increase in Food Service expenditures due to increased demand from enrollment increase
- $84,700 net increase in equipment account for expected purchases (vehicles, etc.)

Auxiliary Transfers

Auxiliary mandatory transfers, Retirement of Indebtedness, was budgeted for $1,316,800 for FY23 Revised and increased to $2,960,700 in the FY23 Estimated Budget. This change stems from debt incurred for student housing and fire safety upgrade projects. The Non-Mandatory transfer for Renewal and Replacement was $1,525,600 for FY23 Revised and increased to $1,612,000 for FY23 Estimated. This transfer is 5% of Auxiliaries' gross margin and changes with any change in Auxiliaries' revenue. The Auxiliaries Transfer from Unexpended Plant increased from ($5,288,000) in FY23 Revised to ($6,204,700) for FY23 Estimated. This $916,700 increase was due to increased housing expenditures exceeding revenues.

Fund Balance

The beginning FY23 Estimated fund balance for E&G and Auxiliaries combined totaled $17,113,400 and did not change from the FY23 October Revised. The beginning fund balance of $17,113,400 added to combined E&G and Auxiliary revenues of $207,335,100, less total expenditures and transfers of $216,882,600 leaves a net operating balance of $7,565,900. Reconciling this amount against the FY23 Estimated ending fund balance of $7,565,900 represents a balanced budget.

FY 2023-24 Proposed Budget – Education and General

E&G Revenue

The FY24 Proposed Revenue for E&G is $157,092,000, which reflects a net increase of $1,518,600 over the FY23 Estimated Budget of $155,573,400. Revenue performance will be analyzed in the Fall 2023 semester and may be adjusted as necessary in the FY24 October Revised Budget. The $1,518,600 increase over the FY23 Estimated revenue is attributed to:

- $3,496,500 decrease in total **Tuition and Fee** revenue
  - $3,454,400 decrease in Maintenance and Tuition Mandatory Fee projections based on a 1.5% fee increase, but an expected 5% decrease in student enrollment compared to the FY 22-23 Academic Year

  - $42,100 decrease in Non-Mandatory Fee projections; Due to anticipated enrollment decrease, Payment Plan Fee and Priority Registration projections were reverted to original budget levels, but may be readjusted for the FY24 October Revised budget

- $4,001,300 increase in **State Appropriation** for FY24 Proposed
  - $2,779,500 increase to supplement cost of 5% salary pool for across-the-board pay increases
  - $1,693,500 increase due to net adjustments within the student outcomes formula. Student outcome performance is measured based on matriculation and degree completion.
  - $303,400 increase for in group insurance rate increases
  - $775,100 decrease for state adjustments made to 401(k) enhanced match

- $40,000 decrease in **Sales and Services of Educational Departments;** Based on revenue performance, Child Care Centers and Test Fee projections were reverted to original budget levels
- $1,063,800 increase in projections for **Sales and Services of Other Activities**
  - $1,219,000 increase in Athletics revenue due to additional contracts for game guarantees and expected increase in Football and Basketball ticket sales

  - $155,200 decrease in expected revenue for Career Development Fairs and Facilities Rentals

- $10,000 net decrease in **Other Sources**; Decrease stems from reverting miscellaneous revenue to original budget levels, and an expected increase in Wellness Incentive revenue

E&G Expenditures

FY24 Proposed E&G expenditures are budgeted for $165,437,000, while FY23 Estimated was budgeted for $187,482,100. The details for this $22,045,100 increase are:

- $329,600 net increase in Instruction for salaries and benefits for 5% across-the-board pay increases and other salary equity adjustments. Adjunct budget was also adjusted to normal budget levels

- $195,500 increase in Research due to 5.5% across-the-board and faculty salary increases

- $223,000 increase in Public Service due to 5.5% across-the-board salary increases

- $929,000 increase in Academic Support due to 5.5% across-the-board salary increase

- $1,286,700 net decrease in Student Services after funding 5% ATB salary increases and reverting operating budgets back to normal budget levels. FY23 operating budgets reflect higher amounts due to funding provided for emergency/urgent requests. These amounts are no longer reflected in Proposed budget

- $1,111,800 increase in Institutional Support due to 5.5% across-the-board increases for current employees and establishment of new positions as part of the new Customer Service division and a Chief Operations Officer

- $1,623,000 net increase in Operations and Maintenance to fund 5.5% salary increases and JLL contract. Funds from discontinued TSU Facilities operations were reallocated to offset part of the cost of the new contract.

- $25,170,300 decrease in the Scholarship function for expected decrease in student enrollment and expected reduction in eligible awardees'

E&G Transfers

The FY24 Mandatory Retirement of Debt transfer was budgeted at $1,834,900 and decreased from the FY23 Estimated budget mandatory transfer of $2,292,900. This decrease reflects the annual amortization of debt for principal and interest on projects such as the Indoor Practice Facility, Research & Sponsored Program building, and the Health Sciences Building,

For Non-Mandatory Transfers, Renewal & Replacements remained unchanged at $150,000 between FY23 Estimated and FY24 Proposed. A transfer from Unexpended Plant is the amount required to offset the expenditures that exceed projected revenues to achieve a balanced budget.

Transfers from Unexpended Plant were ($24,804,100) in FY23 Estimated and decreased to ($9,870,900) in FY24 Proposed. The $14,933,200 difference is due to:

- $9,547,500 decrease in beginning fund balance carried from FY23 Estimated ending fund balance
- $1,518,600 increase in projected revenue over FY23 Estimated
- $22,045,100 decrease in budgeted expenditures
- $458,000 decrease in Principal and Interest Transfer
- $459,000 decrease in ending fund balance attributed to a reduction in proposed encumbrances and special allocations

FY24 Proposed Budget – Auxiliary Enterprises

Auxiliaries Revenue

Auxiliary Enterprise FY24 Proposed revenue is budgeted for a total of $44,429,700 which reflects a decrease from the FY23 Estimated total revenue budget of $51,761,700. The $7,332,000 revenue decrease is attributed to:

- $144,800 decrease in Bookstore revenue due to expected decrease in demand for Book Bundle sales tied to an expected decrease in student enrollment

- $4,515,000 decrease in budgeted Food Service revenue due to expected decrease in demand for meal plans tied to student enrollment

- $728,700 net decrease in budgeted Housing revenue; A 2.41% rate increase was included in the budget, but was partially offset due to expected decrease in enrollment

- $1,943,500 net decrease in Other Auxiliary revenue; Other Auxiliary revenue is being reverted to previous budget levels due to the uncertainty of expected amounts for licensing agreement commissions. Trends also reflect an increase in parking fine revenue collections.

Auxiliaries Expenditures

FY24 Proposed Auxiliary Enterprise expenditures are budgeted for $36,893,200, which is a decrease from the FY23 Estimated budget of $53,393,700. The $16,500,500 decrease is a result of:

- $63,400 net decrease in total salaries and benefits due to temporary positions not being funded in original budget; includes graduate assistants, temps, and student employee salaries. The 5.5% across-the-board salary increase pool is included in this figure.

- $147,200 decrease for reduction in confirmed travel plans

- $15,831,700 decrease in operating budgets; adjusted down based on expected decrease in student enrollment and a reduced need for off-site housing (hotels, etc.), which previously represented major expenditures; Planned use of hotels is reduced to two for FY24.

- $458,200 decrease in planned equipment and other capital outlay purchases

Auxiliary Transfers

Auxiliary FY24 Proposed mandatory transfer for Retirement of Indebtedness is budgeted for $5,770,000. This $2,809,300 increase over FY23 Estimated is due to new debt on the New Residence Facility. Auxiliaries' non-mandatory transfer for Renewal & Replacement is 5% of Auxiliaries' gross margin. The Aux R&R transfer increased from $1,612,000 for FY23 Estimated to $1,766,500 in FY24 Proposed. This $154,500 increase represents the growth in the gross margin over FY23 Estimated.

The non-mandatory transfer from Unexpended Plant decreased to $0 for FY24 Proposed from ($6,204,700) for FY23 Estimated. This $6,204,700 change is attributed to:

- $7,332,000 decrease in revenues
- $16,500,500 decrease in expenditures which offsets the revenue decrease
- $2,809,300 increase in Principal and Interest
- $154,500 increase in the R&R transfer

Fund Balance

The beginning FY24 Proposed fund balance for E&G and Auxiliaries combined was $7,565,900 and is derived from the ending FY23 Estimated fund balance. This amount of $7,565,900, plus total combined E&G and Aux revenues of $201,521,700, less total expenditures and transfers of $201,980,700 leaves a net operating balance of $7,106,900. Reconciling this amount against the FY24 Proposed ending fund balance of $7,106,900 represents a balanced budget.

Tennessee State University manages the land-grant agricultural budgets for the Institute of Agricultural and Environmental Research, Cooperative Extension, and Forestry. The McMinnville Nursery Crop Research Station is also included with this although it is not part of the land grant. These budgets are allocated their own individual non-formula annual appropriations from the State of Tennessee. *State Appropriations* are the only source of revenue for these budgets. Expenditures and transfers for these units are budgeted within the classifications of Research or Public Service and may only be utilized for the designated purpose of each unit. The same budgeting concept applied to the E&G fund balances is also applied to these. However, for these budgets, excess funds carried forward from the previous fiscal year as an unallocated fund balance are moved into the operating budgets each year.

McMinnville Nursery Center – FY23 Estimated Budget

McMinnville's FY23 Estimated Budget state appropriation is $1,514,200. This amount was decreased from $1,547,800 in FY23 Revised. The $33,600 decrease is due to:

- $33,600 net decrease for TCRS adjustments and risk management claims

McMinnville's FY23 Estimated expenditures were budgeted for $2,336,000 and were decreased from the FY23 Revised Budget of $2,369,400. This $33,400 difference stems from:

- $33,400 net decrease from reduction in budgeted temporary salaries and benefits and minor increases in travel and operating

There were no transfers budgeted to compare for McMinnville's FY23 Revised or Estimated budgets.

McMinnville's FY23 Estimated beginning fund balance of $1,163,600 was the same as FY23 October Revised. The beginning fund balance of $1,163,600 added to appropriation revenue of $1,514,200, less expenditures of $2,336,000 leaves a net operating balance of $341,800. Reconciling this amount to McMinnville's FY23 Estimated ending fund balance totaling $341,800 represents a balanced budget.

Institute of Agricultural and Environmental Research – FY23 Estimated Budget

Agriculture's FY23 Estimated state appropriation is $4,984,400 and increased from the FY23 October Revised Budget of $4,966,600. This $17,800 increase is due to:

- $17,800 net increase for TCRS adjustments and risk management adjustments

Agriculture's FY23 Estimated expenditures are budgeted for $16,245,300. FY23 October Revised was budgeted for $16,230,600, a $14,700 increase. This increase is due to:

- $14,700 net increase in salaries and benefits due to budget adjustments for new hire salaries

Agriculture had no transfers budgeted to compare for the FY23 Estimated and FY23 October Revised budgets.

Agriculture's FY23 Estimated beginning fund balance is $12,124,600 and did not change from the FY23 October Revised budget. The beginning fund balance of $12,124,600 added to appropriation revenue of

$4,984,400 less expenditures of $16,245,300 leaves a net operating balance of $863,700. Comparing this amount to the FY23 Estimated ending fund balance of $863,700 represents a balanced budget.

Cooperative Extension – FY23 Estimated Budget

Extension's FY23 Estimated Budget state appropriation is $6,082,100. FY23 October Revised was budgeted for $6,065,400, representing a $16,700 increase over Revised. The increase is due to:

- $16,700 net increase for TCRS adjustments and risk management adjustments

Extension's expenditures were budgeted for $12,781,400 for FY23 October Revised and increased to $12,793,700 for the FY23 Estimated Budget. This $12,300 increase is due to:

- $283,800 net decrease in salaries and benefits for reduction in temporary and student employee appointments and salary reallocations to other funding sources

- $296,100 increase in salaries and benefits for equity pay adjustments for Extension Agents

Extension had no transfers budgeted to compare for the FY23 Estimated or FY23 October Revised budgets.

Extension's FY23 Estimated beginning fund balance is $7,710,800 and did not change from the FY23 October Revised budget. The beginning FY23 Estimated fund balance of $7,710,800 added to appropriation revenue of $6,082,100, less expenditures of $12,793,700 leaves a net operating balance of $999,200. Reconciling this amount against the FY23 Estimated ending fund balance of $999,200 represents a balanced budget.

Forestry – FY23 Estimated Budget

Forestry's FY23 Estimated Budget state appropriation is $215,400 and increased from the FY23 October Revised Budget of $213,800. This $1,600 increase stems from:

- $1,600 TCRS rate adjustments

Expenditures for FY23 Estimated were budgeted for $1,150,500 and increased from the FY23 October Revised Budget of $1,149,000. This $1,500 increase is due to:

- $1,500 increase to hire additional student employee

Forestry had no transfers budgeted to compare for the FY23 Estimated or FY23 October Revised budgets.

The beginning fund balance of $945,900 added to Forestry's appropriation revenue of 215,400, less expenditures of $1,150,500 leaves a net operating balance of $10,800. Comparing this amount to the FY23 Estimated ending fund balance of $10,800 represents a balanced budget.

McMinnville Nursery Center – FY24 Proposed Budget

The McMinnville Nursery Center's FY24 Proposed Budget state appropriation is $1,547,200, which represents an increase over the FY23 Estimated budget of $1,514,200. This $33,000 increase is due to:

- $7,500 decrease for 401(k) adjustments
- $40,500 increase to subsidize cost of across-the-board salary increases

McMinnville's FY24 Proposed expenditures were budgeted for $1,542,700, a decrease from FY23 Estimated expenditures of $2,336,000. The $793,300 decrease is attributed to:

- $23,600 decrease in salaries and benefits due to graduate assistant, temporary, and student salaries not being funded in the original budget; 5.5% pay increase is included but is offset by other reductions

- $769,700 decrease in operating to revert to original budget level; Carryforward from previous fiscal year will be determined after year-end and updated in the FY24 October Revised budget

There were no transfers budgeted for McMinnville's FY24 Proposed or FY23 Estimated budgets.

McMinnville's FY24 beginning fund balance is derived from the ending fund balance for the FY23 Estimated budget. The beginning fund balance of $341,800 added to appropriation revenue of $1,547,200, less expenditures of $1,542,700 leaves a net operating balance of $346,300. Reconciling this to McMinnville's FY24 Proposed ending fund balance of $346,300 represents a balanced budget.

Institute of Agricultural and Environmental Research – FY24 Proposed Budget

Agriculture's FY24 Proposed Budget appropriation is $5,000,700, an increase over the FY23 Estimated budget of $4,984,400. This $16,300 increase is due to:

- $7,500 decrease for 401(k) match adjustments
- $18,500 increase to subsidize cost of across-the-board salary increases

The FY24 Proposed expenditures are budgeted for $4,985,400, a decrease from FY23 Estimated expenditures of $16,245,300. This $11,259,900 decrease is due to:

- $679,700 net decrease in salaries and benefits; Graduate assistant, student, and temporary salaries are not funded in the original budget; 5.5% pay increase is included but offset by other reductions

- $100,000 decrease in travel budget due to decrease in expected travel

- $10,480,200 decrease in operating; Operating budget is reverted to original budget levels until the carryforward from the prior fiscal year is determined. The adjustment is usually made in the October Revised budget.

Agriculture had no transfers budgeted for the FY23 Estimated or FY24 Proposed budgets.

Agriculture's FY24 Proposed Budget beginning fund balance is derived from the FY23 Estimated Budget ending fund balance. The beginning fund balance of $863,700 added to appropriation revenue of $5,000,700, less expenditures of $4,987,500 leaves a net operating balance of $876,900. Reconciling this amount to Agriculture's FY24 Proposed ending fund balance of $876,900 represents a balanced budget.

Cooperative Extension – FY24 Proposed Budget

Extension's FY24 Proposed Budget state appropriation is $6,151,200. FY24 Estimated Budget appropriation was $6,082,100 representing a $69,100 increase. The increase is due to:

- $11,900 decrease for 401(k) match adjustments
- $81,000 increase to subsidize cost of across-the-board salary increases

Extension's FY24 Proposed expenditures were budgeted for $6,296,800 and were budgeted for $12,793,700 for FY23 Estimated representing a $6,496,900 decrease. This decrease is attributed to:

- $275,000 net increase in salaries and benefits for 5.5% across-the-board pay increases and graduate assistant, student and temp employee appointments not funded in the original budget
- $850,000 decrease in travel for reduction in expected travel
- $5,921,900 decrease in operating; Operating budget is reverted to original budget levels until the carryforward from the prior fiscal year is determined. The adjustment is usually made in the October Revised budget.

Extension had no transfers budgeted for the FY24 Proposed or FY23 Estimated budgets.

Extension's FY24 Proposed beginning fund balance is derived from the FY23 Estimated ending fund balance. The beginning fund balance of $999,200 added to appropriation revenue of $6,151,200 less expenditures of $6,296,800 leaves a net operating balance of $853,600. Reconciling this amount to Extension's FY24 Proposed ending fund balance of $853,600 represents a balanced budget.

Forestry – FY24 Proposed Budget

Forestry's FY24 Proposed Budget state appropriation is $223,400, an increase over the FY23 Estimated appropriation of $215,400. This $8,000 increase is due to:

- $8,000 increase to subsidize the cost of across-the-board salary increases

Forestry's expenditures for FY24 Proposed were budgeted for $223,100, which is a decrease from FY23 Estimated expenditures of $1,150,500. The $927,400 decrease is due to:

- $183,400 net decrease in salaries and benefits as graduate assistant and student employee appointments are not funded in original budget; 5.5% across-the-board increase is included but is minimal and is offset by other decreases

- $15,000 decrease in travel; planned travel is funded on as-needed basis by Unit

- $699,000 decrease in operating; Budget is reverted to original budget levels until the carryforward from the prior fiscal year is determined. The adjustment is usually made in the October Revised budget.

- $30,000 decrease in capital outlay due to planned reduction in equipment purchases

Forestry had no transfers to compare for the FY24 Proposed or FY23 Estimated budgets.

Forestry's FY24 Proposed beginning fund balance is derived from the FY23 Estimated ending fund balance. Forestry's beginning fund balance of $10,800 added to appropriation revenue of $223,400, less expenditures of $223,100 leaves a net operating balance of $11,100. Reconciling this amount to Forestry's FY24 Proposed ending fund balance