

MINUTES OF THE WINTER MEETING

BOARD OF TRUSTEES

THE UNIVERSITY OF TENNESSEE

February 3, 2000  
Memphis, Tennessee

The winter meeting of the Board of Trustees of The University of Tennessee was held at 2:00 p.m., Thursday, February 3, 2000 in Room 305, Randolph Student Center, The University of Tennessee, Memphis campus. Governor Don Sundquist, Chairman of the Board, presided. Mrs. Lucy Y. Shaw gave the invocation.

**Summary of Items Requiring Action and Action Taken:**

**Approval of Minutes:**

Motion was made by Mr. James Haslam, II, seconded by Mrs. Susan Williams and unanimously carried to approve the minutes of the October 9, 1999 fall Board meeting and the December 20, 1999 Executive Committee meeting.

**Approval of Streamlining Committee Report:**

Motion was made by Mrs. Johnnie Amonette to approve the Streamlining Report as presented by Vice President Bill Rice. The motion was seconded by Mr. Arnold Perl and unanimously carried. Board members asked that the Committee continue to refine the plan and report back to them on a periodic basis.

**Approval of Bylaws Amendments:**

Motion was made by Mr. Roger Dickson to amend the Bylaws revision before the Board to include in the voting membership of The University of Tennessee at Chattanooga and The University of Tennessee at Martin Liaison Committees a student member, a faculty member and the Chancellor of the respective campus. The motion was seconded by Ms. Brandi Wilson and unanimously carried.

Motion was made by Mr. Roger Dickson to adopt the Bylaws amendments as amended. The motion was seconded by Mr. J. Steven Ennis and unanimously carried.

**Authorization for the Executive Committee to Act for the Board to Make Initial Committee and Council Appointments.**

Motion was made by Mrs. Susan Williams to authorize the Executive Committee to act for the Board in making initial appointments to Board Committees and Councils as set

forth in the Bylaws amendment. The motion was seconded by Mr. Roger Dickson and unanimously carried.

**Approval of FY 1999-2000 Revised Budget:**

Motion was made by Mr. Roger Dickson that the revised FY 1999-2000 budget be approved. The motion was seconded by Mr. J. Steven Ennis and unanimously carried.

**Authorization to Sell Gift Property:**

Motion was made by Mrs. Susan Williams to sell recommended gift properties. The motion was seconded by Mr. Frank Kinser and unanimously carried.

**Authorization to Convey an Easement to the City of Knoxville:**

Motion was made by Mr. James A. Haslam, II to convey a permanent easement as requested to the City of Knoxville. The motion was seconded by Mrs. Susan Williams and unanimously carried.

**Approval of the Naming of the UTC Sports Arena:**

Motion was made by Mr. Roger Dickson to name the UTC Sports Arena the McKenzie Arena. The motion was seconded by Mr. Frank Kinser and unanimously carried.

**Ratification of Investment Transactions:**

Motion was made by Mrs. Susan Williams to ratify investment transactions for the period ending December 31, 1999. The motion was seconded by Mr. J. Steven Ennis and unanimously carried.

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The Secretary called the roll and the following were present:

Governor Don Sundquist  
Mrs. Johnnie Amonette  
Dr. William Blass  
Mrs. Barbara Castleman  
Mr. B. C. "Scooter" Clippard  
Mr. Roger W. Dickson  
Mr. J. Steven Ennis  
Dr. J. Wade Gilley  
Mr. James A. Haslam, II  
Mr. Jerry Jackson  
Mr. D. Lynn Johnson  
Mr. Frank J. Kinser  
Mrs. Andrea J. Loughry  
Mr. R. Clayton McWhorter

Mr. Arnold E. Perl  
Dr. Richard Rhoda  
Mr. William B. Sansom  
Mrs. Lucy Y. Shaw  
Commissioner Dan Wheeler  
Mrs. Susan R. Williams  
Ms. Brandi Wilson

The Secretary announced that a quorum was present.

Also present were President of the American Council on Education Dr. Stanley Ikenberry; Chief Executive Officer of the Battelle Memorial Institute Dr. Douglas Olesen; State of Tennessee Attorney General Paul Summers; President of the National Alumni Association Ronald H. Kirkland; immediate past president of the Memphis campus Faculty Senate Dr. Dianne Greenhill; President of the Memphis campus Student Government Association Roopa Andhare; Secretary of the Board of Trustees Beauchamp E. Brogan; Vice Presidents Jack Britt, Emerson H. Fly, Dwayne McCay, Catherine S. Mizell, John Peters, Sammie Lynn Puett, William R. Rice, and Jack E. Williams; Associate Vice President Sylvia Davis; Assistant Vice President Gary McKillips; Chancellors Philip Conn and Bill Stacy; Chief of Staff Katie High; Treasurer Charles M. Peccolo, Jr.; Executive Director John Clark; Director Thomas B. Ballard; Equity and Diversity Administrator Theotis Robinson; members of the Executive Committee of the National Alumni Association; Development Council members; Faculty Senate heads and Student Government Presidents from each of the University's campuses, and emeritus Trustees; Assistant Secretary Linda Logan, and members of the news media.

Governor Sundquist thanked Arnold and Mary Lynn Perl for hosting the previous evening's reception and dinner at his home and called on Dr. J. Wade Gilley for introductions.

Dr. Gilley introduced Dr. Ronald Kirkland, President of the National Alumni Association, and invited his comments.

Comments by President of the National Alumni Association Dr. Ronald Kirkland. Dr. Kirkland thanked the Board for the opportunity to offer comments at the meeting. He said he and his wife, Carol, have had a wonderful time traveling across the country on behalf of the University representing its association of former students. Dr. Kirkland said meeting so many successful alumni across the country reinforces in his mind what the UT family really means. He said he looks forward to hearing Dr. Gilley's aspirations for The University of Tennessee. Dr. Kirkland thanked those who served on the strategic planning committee. No university constituency has a greater stake in the outcome of the decisions made regarding the University's future than do its alumni. Faculty and staff come and go. Administrators change. Students are in transition to becoming alumni, but alumni are forever. They are the guardians of the traditions, the heritage and the reputation of any institution. From their accomplishments and contributions to society, the University's reputation is forged. Conversely, the value of alumni degrees and, to some extent, personal success of the University's alumni is dependent upon the University's stature and reputation in the marketplace.

Three months ago at the inauguration of Dr. J. Wade Gilley, those present heard Noble Prize Laureate, Dr. James Buchanan, talk about the UT that might yet be. Dr. Kirkland said while he does not personally agree with all Dr. Buchanan's perceptions of The University of Tennessee, he does fully agree that UT has not yet met its full potential. The problem has not been a lack of leadership nor quality faculty nor anything except funding. During that brief period when then Governor Lamar Alexander dramatically increased funding for higher education in Tennessee, the University became a model public institution, a leader in the South. Now at a time when other schools are literally pouring money into higher education, Tennessee is falling farther and farther behind its peers. The damage may be great, the wound near fatal and the restoration of the patient's health very expensive and time intensive. All in all, Dr. Kirkland said he believes it to be a short sighted strategy on the part of the State legislature. Students, faculty, administration and alumni in a coordinated effort probably never seen before in Tennessee have done their best to educate and persuade the leaders in Nashville that higher education allocations are an investment, not an expense and partly in response to this effort Governor Don Sundquist has just proposed a significant increase in funding for higher education. Dr. Kirkland thanked the Governor for his proposal. The University of Tennessee is now in an effort to streamline itself to become leaner and meaner and to impress those legislative leaders so they will in fact provide the necessary funding. President Gilley has been forthright with the alumni leaders and has proved himself and his plan worthy of support. Dr. Kirkland said alumni join with Dr. Gilley and the Board of Trustees in working to see that The University of Tennessee will become the UT it might yet be.

Dr. Gilley introduced the Mr. King W. Rogers, emeritus Trustee and long time member of the Development Council, to offer comments on behalf of the Development Council in place of Development Chairman John Thornton who was unable to be present.

Comments by Mr. King W. Rogers, representative of the UT Development Council. Mr. Rogers said he has had the privilege of serving on the UT Development Council for three terms. Sixty five men and women who are very committed to the University serve on the Development Council. He said their job is made much easier by the ability to work with individuals like the Governor, President Wade Gilley, deans, faculty, students and alumni leaders. Mr. Rogers said one would tend to think that after the University's successful capital campaign which ended in 1998 fundraising at the University would stop, but it did not. At the end of the capital campaign over \$432 million had been generated in gifts and pledges to the University and its programs. For the fiscal year 1998-99, the Development Office of The University of Tennessee was able to generate \$82 million in addition to the money that was raised in the Campaign, a feat which far exceeded anything that was expected. Mr. Rogers said for the first six months of the current fiscal year, over \$40 million has already been raised. Yearly totals should exceed those of the previous year. Mr. Rogers said there are many individuals who feel very strongly about the University, and they are supporting it in record numbers and with record gifts. The University development staff has decided to place increased concentration on major donor activity, and the purpose of the endowments will be to support scholarships and professorships. Funding for higher education in Tennessee has received a great deal of attention. Mr. Rogers said regardless of the specific area of interest of those committed to UT, the University has a strong base with strong commitment.

Dr. Gilley introduced Dr. Dianne Greenhill, the immediate past president of the Faculty Senate of the Memphis campus of The University of Tennessee.

Comments by Dr. Dianne Greenhill, immediate past president of the Faculty Senate on the Memphis campus of UT. Dr. Greenhill welcomed the Governor, President Gilley and the Trustees to the Memphis campus on behalf of the faculty and expressed appreciation to the Governor and the Board for their work on behalf of higher education and specifically UT. The faculty are committed to making The University of Tennessee one of the best institutions in the country and support the efforts being done on their behalf. Dr. Greenhill said the faculty members in Memphis would be happy to answer questions should any Board member wish to talk with them or wish to see some part of the Memphis campus.

Dr. Gilley introduced Ms. Roopa Andhare, President of the Student Government Association of the Memphis campus of The University of Tennessee.

Comments by President of the Student Government Association of Memphis campus of the University, Ms. Roopa Andhare. Ms. Andhare welcomed those in attendance and said the students in Memphis are particularly pleased to be hosting the first Board meeting of the millennium. She said students in Memphis are proud to be UT students and are committed to UT and will do what it takes to make the legislature and the citizens of the State aware of the students and their needs and how important they are in terms of higher education and health care. Ms. Andhare said the students in Memphis have been focused on a public awareness campaign and a legislative campaign this year. She said Memphis students have met with the legislature twice, once at the student-legislative night in November which was organized as a combined effort by all the students on the Memphis campus and again when the Faculty Senate invited students to attend their legislative night which was held in January. Legislators appear to be supportive and encouraged the students to be more public about the issues that are important to them.

Introduction of Special Guests. Dr. Gilley said a forum on higher education will be hosted by Governor Don Sundquist at the Peabody Hotel Thursday evening. He introduced Dr. Stanley Ikenberry, President of the American Council on Education, who will serve as the keynote speaker for the Forum.

Dr. Gilley said later in the Board meeting Dr. Doug Olesen, Chief Executive Office of the Battelle Memorial Institute, a worldwide research organization, will offer his thoughts on The University of Tennessee's future. Dr. Gilley introduced Dr. Olesen, a graduate of the University of Washington and a civil engineer who heads the University's Committee on the Future.

Dr. Gilley introduced Mr. Paul Summers, State of Tennessee Attorney General and Mr. Mark Musick, President of the Southern Regional Education Board. He also introduced members of the Executive Committee of the National Alumni Association, Development Council members, Faculty Senate heads from each of the University's campuses, Student Government Association presidents from each campus of the University, Emeriti Trustees, and members of the Governor's Staff.

Governor Don Sundquist introduced Mrs. Mary Lynn Perl and thanked her and her husband, Arnold, for hosting the reception and dinner for Trustees at their home.

Approval of Minutes. Governor Sundquist called for the reading of the minutes and Mr. James A. Haslam, II made the following motion:

I move that the reading of the minutes of the following Board meetings be omitted and the minutes be approved in accordance with the transcript of said minutes mailed to the members of the Board by the Secretary, as required by the Bylaws, and as they appear in the Minute Book:

The October 8, 1999 fall Board meeting held in Knoxville, and  
the December 20, 1999 Executive Committee meeting held in Knoxville.

The motion was seconded by Mrs. Susan R. Williams and unanimously approved.

Comments by the President. Dr. Gilley said his report is divided into three parts. He said when he first met the members of the Search Committee of The University of Tennessee in Washington he asked the Committee for their vision for The University of Tennessee. He said Jim Haslam said the University's academic reputation should be better than its athletic reputation. At that time the football team had won the national championship and the Lady Vols were playing in the Final Four which meant Mr. Haslam had set a very high standard. Dr. Gilley said as he has traveled around the state since becoming President of the University and has talked with legislators, business leaders, alumni and faculty. Again and again there is great aspiration for all of higher education in Tennessee, but among The University of Tennessee family there is especially high aspiration for the University, particularly in light of the funding problems that have been in place over the years. He said in his first meeting with members of the General Assembly, Senator Rochelle asked Rich Rhoda, Charles Smith and him to tell him what it would take to be the best of the best. Dr. Gilley said he has heard the same challenge over and over. He said in early fall the decision was made to look at UT from two or three perspectives. The first is where is the University at this point in time, where does it stand. Among its peers in the South, UT is not at the top but it's not at the bottom. UT has had difficult times. The idea was adopted that UT would strive to be one of the top 25 public universities in the country. Dr. Gilley said the decision was made to take a long term look at the University. He appointed a Committee on the Future consisting of representatives appointed by the heads of each of the University's campuses and institutes, representatives of the faculty and staff and approximately six representatives from the community. He said Dr. Doug Olesen, Chief Executive Office of the Battelle Memorial Institute, was asked to chair the committee. A seasoned UT administrator, Bill Rice, was asked to chair a Committee on Streamlining. Dr. Gilley said as he talked with legislators and others about the University's needs, the question of legitimate need always reappeared. As a result he said the Committee on Streamlining was formed in order to determine how the University could operate more efficiently and effectively and demonstrate to the Governor, the General Assembly and the business community that the University would do its part in coming up with needed resources. Dr. Gilley said a three point game plan has been developed to address some of the challenges. He said deciding to be a top twenty-five university is not unique to

The University of Tennessee. Clemson wants to be top twenty. Texas A & M went through a similar study and decided they want to be in the top ten. All across the country universities are trying to determine where they are and how they can reach out and be better. Dr. Gilley said if the University is smart and focused in its approach and with the right kind of support from the state and targeted efforts, it can be in the top twenty five universities in six or eight years easily. He asked Dr. Doug Olesen to provide insight into the study of the Committee on the Future.

Comments by Dr. Doug Olesen, Chairman of the Committee on the Future and Chief Executive Officer of the Battelle Memorial Institute. Dr. Olesen said the competition UT and Battelle went through for the management of the Oak Ridge National Laboratory was a great experience. He said he is delighted to serve as chair for the Committee for the Future. The Committee has a very diverse membership representing a cross section of leadership in the University itself as well as individuals from the private and public sector which provides a comprehensive view of the University and also what the State expects and needs from the University. The Committee has been working for a couple of months. The Committee is on a very fast track and has had only two months to prepare its initial report to the Board. Dr. Gilley is setting an aggressive goal for the institution and is asking for a very frank assessment of where the institution stands, not just locally and not just regionally, but nationally. Some of the data compiled by the Committee does not make UT look solid in some places, but it is a great institution with a lot of power and a strong foundation from which to grow. In order to put resources where they belong in the future, a careful examination must be made of where the University stands at present. The Committee has identified the gaps between the goal of becoming a top twenty-five public university and where UT stands today and is helping set priorities and recommending a plan of action. Dr. Olesen said his presentation will concentrate on those gaps and some of the key things that are suggested by the gaps in terms of where the University and the State really have to focus attention.

Dr. Olesen said one of the questions to be answered is why does a university aspire to be among the top twenty-five (Exhibit 1). A top tier university is a magnet to retain the best and brightest students in Tennessee and attract bright people to the State from outside Tennessee. Once those individuals come to the State a majority of them tend to stay. Dr. Olesen said a great university is an economic engine for growth in all kinds of ways -- ideas for new business, support for existing business and the ability to attract new business. Every day newspapers feature stories about the kind of economy that is growing in the United States, a knowledge based economy. That kind of economy runs on an educated work force. A high quality educated work force comes out of a high quality university system. Dr. Olesen said a top-tier university is a vital element in a vibrant state economy. He said the goal Dr. Gilley has set for becoming a top tier public university is the right one and it represents a great opportunity for the State. Dr. Gilley alluded to raising the bar. The plan to go from Tennessee's current rank to a top twenty five university substantially raises the performance bar across the board for the University. It also raises many challenges. The challenges can be met if the right resources and right direction come together. The goal to become a top twenty five university is a huge challenge because universities throughout the country are also setting similar goals. Throughout the country universities are working to either maintain their top twenty five status or become one of the top twenty five universities. The goal will take considerable commitment by

the entire state. It will take a great deal of money. It will take time. It is not a problem that is solved this year or next. It takes leadership and an ability to differentiate The University of Tennessee from all those other universities that are striving to be top twenty-five institutions.

Dr. Olesen said UT starts with some significant strengths (Exhibit 2). It has strong outreach programs in a number of areas like agriculture and public service. It has strategic assets. The newest of those, the Oak Ridge National Laboratory, is not insignificant and there are many other opportunities to team or leverage off the Oak Ridge National Laboratory and the relationship the University has with it. The economies of the states that border Tennessee are growing from an industrial standpoint, especially the auto industry which is concentrating in this part of the country. The University of Tennessee, its President and Trustees, have a governing structure that allows them to look at the total integrated assets of the University and work to take advantage of all those. It has the scope and range of academic programs that are consistent with being a top twenty five university. They are broad and comprehensive. It has twenty-one doctoral programs that are ranked in the National Research Council's survey which puts UT on the low end of the range of top twenty-five public universities in terms of numbers of doctoral programs which may actually be an advantage because it will allow UT to focus and concentrate on its programs. UT operates across the State which will allow it to leverage relationships and assets that exist across the State. The statewide presence also provides an opportunity to serve all the citizens of the state in terms of continuing education and in terms of bringing the entire work force up to a higher level education. With its strengths the University has the ability to contribute to the vitality of the economy across the entire state. It is also blessed with very loyal alumni who are committed.

Dr. Olesen provided a list of the current top twenty-five public universities (Exhibit 3). He said the list from *U.S. News and World Report* is the ranking of undergraduate universities. He said what the University is discussing is not exactly this list. The Committee will be refining the list to determine who the actual benchmark institutions will be. As that is done institutions that are on the list that are totally undergraduate institutions will probably come off and a number of the larger public graduate universities may go on the list. Dr. Olesen said the benchmarks represent a very high standard of performance. Many of the universities on the top twenty five list rank among the top universities, public or private, in the world.

Dr. Olesen said in examining the top twenty five universities The University of Tennessee must look at certain parameters (Exhibit 4 ). The quality of the undergraduate student body is examined as is the quality of the faculty and the quality of the university's graduate and professional programs. Research revenues and financial strength are also reviewed. Dr. Olesen said a university does not get into the top twenty five by being good at part of the parameters. The top twenty five universities perform well against all the benchmarks. They are strong across the board plus in most cases they have distinctive areas of excellence. The benchmarks are self supporting. If a university is strong in one area, the strength will spill over into other areas. High performance in all areas also lends credibility and strength to some of the other things the State might rank the University against, such as the quality of state outreach.

Dr. Olesen said the Committee has done the best job it could do in the time allotted to collect

data. It is not finished and the data may very well change. He said the first point on which a university is ranked is the quality of its undergraduate student body (Exhibit 5). The figures used in the ranking compare the averages for the undergraduate student body of top twenty-five institutions versus the quality of the student body for the Knoxville campus of The University of Tennessee. Dr. Olesen said while the ACT scores for students entering the top twenty five universities ranged between 24 and 29, those for freshman entering UT were between 21 and 26. In top twenty five universities 57 percent of the students come from the top ten percent of their high school graduating class while students in the top ten percent of their high school graduating class account for only 25 percent of the undergraduate student body at UT. Of the students who applied to top twenty five universities 61 percent were accepted and of those who applied to UT 76 percent were accepted. Graduation rates at UT are lower than those at top twenty five universities. Dr. Olesen said UT is doing better than average in its alumni giving rate which is higher than the average of the top twenty five universities. He said the conclusion from the data is that selectivity is the major driving force with respect to the quality of the student body.

Dr. Olesen compared the faculty at UT to the average of those at top twenty five universities (Exhibit 6). The three dominant national societies are in the areas of science, engineering and medicine. In terms of attraction of funded research the percent of UT faculty who actually attract funded research is substantially lower than at top twenty five institutions, as are salaries and average salary increases. Dr. Olesen said the student-faculty ratio is on the high end of teaching load for faculty members. He said the conclusion is that faculty are a key competitive battle ground for universities. Competition for the stars is fierce and intense. The amount of money needed to attract an established star and those who surround such an individual is significant. Moving up in the area of faculty is a challenging assignment.

With regard to graduate and professional programs Dr. Olesen said typically greater than 75 percent of the doctoral programs of the top twenty five colleges are ranked in the top fifty of the National Research Council survey (Exhibit 7) and several of the top twenty five schools have a number of doctoral programs in the top quartile. Only half of UT's graduate programs are ranked in the top half and none in the top quartile. Of the top twenty five universities, one or more professional programs are usually included in the *U.S. News and World Report*. Professional programs in law and education are ranked in the top fifty by *U.S. News and World Report*. Dr. Olesen said this area needs to receive attention in the short term because the next National Research Survey is in 2002. After that there is not another survey for a substantial period of time. The quality of doctoral, graduate and professional programs is largely related to faculty quality. Improving faculty quality is of utmost importance.

Dr. Olesen presented graphs setting forth research revenues over the years (Exhibit 8). The UT research graph shows that in the last few years research revenue has leveled off or gone down. Another graph on market share of research and development money, both federal and total, shows a downward trend for the University. The losses in market share are not really focused in any one part of the University but tend to be across the board in the major areas where research is available in terms of medicine, engineering, and sciences. The trend needs to be turned around substantially

and moved back into an actual growth mode relative to the national scene so that UT is gaining and not losing market shares. Dr. Olesen said this is another area of intense market competition among universities. It is not an easy area to attack.

Dr. Olesen presented a graph showing financial strength of universities dealing only with tuition and state appropriations (Exhibit 9). Because universities have a variety of revenue sources, the graph does not represent a total revenue comparison but is a relative comparison. In general, the higher the rank of a university the more tuition it can charge and the more it will attract out-of-state students. Generally, the higher the rank of the university the more the state is willing to invest in its university. UT's revenue from state appropriation and tuition is 73 percent of the benchmark average. In terms of state appropriations it is 80 percent of the average and in terms of tuition it is 63 percent of the average.

Dr. Olesen said the priorities that can be determined from the strengths and weaknesses of the University include improving the quality of undergraduates, enhancing the quality and performance of faculty, reinvigorating the research programs, growing graduate and professional programs so they are more highly ranked and increasing revenue from all its sources (Exhibit 10).

Dr. Olesen said all the top universities do well in all the ranked areas and UT must also do that to break into the top twenty five, but top universities also have areas of distinctiveness and differentiation. It is important that attention is paid to the differentiation themes. UT has a number of directions it might go in order to capitalize on themes for UT distinctiveness (Exhibit 11). The ORNL contract is a unique asset for UT and one on which UT should capitalize. The auto industry has become strong in the State and is an area where the University might want to focus attention. Dr. Gilley has talked a great deal about pushing UT forward in the information technology area which is very important area for the future. Biotechnology is another area which could be an area of distinctiveness for UT. St. Jude's Medical Center, Knoxville, Memphis, ORNL all have pieces that if brought together in the right way have a potential for biotechnology distinctiveness. In terms of serving the State there is an opportunity in the area of continuing education.

Dr. Olesen said there is much work to be done in examining the data and trying to break it down to specifics in terms of recommendations and themes. Priorities must be defined, general recommendations for action must be developed and a draft report is tentatively scheduled for completion at the end of March. Dr. Olesen said the Committee for the Future will work to come up with a package that matches Dr. Gilley's expectations and provides a foundation from which to move the University up to another level.

Comments by Vice President William Rice, Chairman of the Committee on Streamlining.

Mr. Rice distributed a printed copy of the Phase II Report of the Administrative Streamlining Committee (Exhibit 12). He thanked the members of the Streamlining Committee for their input and efforts. Mr. Rice said the objectives of the committee include:

- (1) to reconfigure The University of Tennessee to fully realize its potential as the only statewide, public, land grant, comprehensive research university,

- (2) to reconfigure UT to significantly enhance the University's ability to project its influence throughout the State for the benefit of the citizens of Tennessee,
- (3) to strengthen UT Martin and UT Chattanooga so their unique academic programs may better serve their respective regions,
- (4) to increase the efficiency and effectiveness of the administration, and
- (5) to decrease administrative costs so that they may be reallocated to the academic functions of the University.

Certain assumptions must be made to do the streamlining quickly and those assumptions include:

- (1) There should be no more than three administrative levels between the faculty and the campus chief executive officer,
- (2) the application of technology in administrative processes can significantly reduce labor,
- (3) certain administrative functions can achieve increased efficiency and effectiveness at lower cost by being centralized and others by being decentralized,
- (4) no more than 9 percent of the university's resources should be allocated to institutional support,
- (5) all personnel titles and unit names should be simple, descriptive and clearly communicate the functions served,
- (6) the use of "assistant to" or similar staff positions should be kept to a minimum,
- (7) the university should be as "flat" as possible (managers should be expected to supervise multiple director reports), and
- (8) reorganizations which affect accredited elements with the University will require notification to the appropriate accrediting agency.

Mr. Rice said the strategy for implementing the recommendations includes:

- (1) Reorganize the University administrative's structure to facilitate streamlining,
- (2) merge units engaged in similar or identical functions,
- (3) whenever possible replace labor intensive processes with technological solutions, and

- (4) streamline the reorganized structure by eliminating redundancies and reducing or discontinuing operations which have been augmented or replaced with technological solutions.

Vice President Rice said the Committee's primary recommendations include reconfiguring The University of Tennessee system into three separately accredited universities -- The University of Tennessee, The University of Tennessee at Martin, and The University of Tennessee at Chattanooga.

Mr. Rice called attention to a chart (Exhibit 13 ) setting forth the configuration of The University of Tennessee at present. Currently, the University has seven operating divisions, four separately accredited campuses and three institutes. The Committee's desire in the new alignment is to provide greater autonomy for UT Martin and UT Chattanooga. In order to do so, the Committee is recommending that special Board liaison committees be formed for UT Martin and UT Chattanooga. The Liaison Committees would consist of Board of Trustees members who reside in the respective area as well as citizen leaders in the areas who are close to the needs of the region. The UT system would then become three programmatic units rather than seven -- The University of Tennessee which would encompass the Memphis campus, the Knoxville campus, the Tullahoma campus, the Institute of Agriculture and the Institute for Public Service; The University of Tennessee at Martin; and The University of Tennessee at Chattanooga.

Mr. Rice said in The University of Tennessee structure the Committee is recommending the President would have several entities reporting directly to him, namely Institutional Research, Athletics (both men's and women's), Affirmative Action and Internal Audit. A number of vice presidents would also report to the President including the Vice President and General Counsel; Vice President for Health Affairs; Vice President for Agriculture; Vice President for Academic Affairs; Vice President for Advancement; Vice President for Public Service, Vice President for Research and Information Technology; and Vice President for Finance and Administration.

Mr. Rice said the Committee has several specific recommendations for various parts of UT. He said during his presentation he would outline only three of those because they demonstrate what is recommended throughout the University (Exhibit 14). He referred to the organization for UT Knoxville with its current set up, including the Chancellor position which will no longer be in place. Under the Streamlining Committee recommendations, women's athletics and men's athletics would report directly to the President. University relations, institutional research and affirmative action would report directly to the President. The various vice chancellors on the Knoxville campus would be reassigned. The Vice Chancellor for Research and Information Infostructure would report to the Vice President for Research and Information Technology. Development and alumni affairs would report to the Vice President for Advancement. The Vice Chancellor for Business and Finance would be split, with administrative functions reporting to the Vice President for Academic Affairs and the remaining functions reporting to the Vice President for Business and Finance. The student affairs functions for Knoxville would report to the Vice President for Academic Affairs. Mr. Rice said a similar process will take place in Memphis.

Mr. Rice said the new Office of the Vice President for Research and Information Technology

was made up by transferring administrative functions from what is now UT Knoxville, UT Memphis, UT Space Institute, the Institute of Agriculture to some degree, and the Institute for Public Service. He said in looking at UT Knoxville, UT Memphis, the Institute of Agriculture and the Space Institute, there is a great deal of biotechnology involved. UT does not currently have those aligned administratively to encourage collaboration. The new organization will achieve that goal in a much better fashion.

Mr. Rice said the Committee believes if the recommended steps are taken UT can reduce between 142 and 254 administrative and administrative support staff positions. He said detail would not be given at the meeting on a position by position account. He said if the minimum recommendation were implemented the annual recovery will be at least \$8 million per year. It could be more with a more aggressive program. Mr. Rice said the minimum can certainly be achieved and can be done in an 18 to 24 month period. The minimum would allow institutional support costs to go down to 9 percent of total educational and general expenses rather than the 10 plus percent at present. Mr. Rice said the Committee did not come forward with its report to the Board to name names and make marks across organizational charts. 142 administrative positions over an 18 to 24 month period in reduction is not too difficult to achieve through attrition and retirement. He said in comparison the Memphis campus reduced costs by \$5 million in 1994 over a two year period with no lay offs. The goals set forth can be achieved and can be achieved without forced lay offs most of the time. Minimal terminations may be necessary.

In order to implement the Streamlining Committee's plans, detailed plans will have to be used and the administration will have to be somewhat opportunistic in looking at positions that may come through retirements.

Mr. McWhorter asked if the reorganization added any administrative costs to UT Martin and UT Chattanooga.

Mr. Rice said there are specific tentative recommendations for each of those campuses in terms of how they might change their organizations to reduce their costs internally and specific recommendations about how shared services can be reduced. Certain functions will continue to be shared functions -- the treasury function, management information systems, legal services and other services of that nature.

Mr. Kinser said in the interest of continuity since there is no chancellor in Knoxville what would be the reason for not having a vice president for Chattanooga or Martin instead of a chancellor.

Mr. Rice said the Committee looked at Martin and Chattanooga in two different ways. One of them was as two more operating units of the University that should have vice presidents like Knoxville and Memphis. He said that approach seems to miss the mission point. If the missions of Martin and Chattanooga are to be termed like the mission of the rest, the new structure would be organized differently and not only at the chancellor or vice presidential level, but all the way through

the organization. The missions of Chattanooga and Martin are significantly different and therefore an accredited university should be maintained in each location to deal with those specific missions. Mr. Rice said the Committee looked at the Knoxville campus, the Memphis campus, the Agricultural Institute, the Space Institute and the Institute for Public Service, which combined, would make the State's comprehensive public land-grant research university. All those entities must be combined to form a top twenty-five public research university. He said the Committee looked at Chattanooga and Martin as having regional missions primarily. Mr. Rice said a public university is thought of as having three missions. Two are common to all public universities. They provide a higher educational opportunity for the citizens of whatever public it may be. The public university should support economic, social and cultural development of the people. The third mission depends on the university. The university may have a research mission given to it by the governmental entity. Mr. Rice said in looking at higher education across the State, there appear to be regional universities designed and put in place to support the region in which they are located. He said in looking at what Chattanooga and Martin do and past budgets and programs approved or disapproved by the UT Board of Trustees and by THEC, it appears that Chattanooga and Martin should concentrate on their regional mission. Mr. Rice stressed when the Committee says regional mission it is certainly not saying second class at all. The principal campus at Knoxville has two missions -- a statewide mission with programs where it is unique in the State and a regional mission which is to the Knoxville region. The campus in Knoxville has a statewide mission that no other university in the State has. Accreditation, organization and titles are driven by the mission.

Mr. Dickson said the Chattanooga campus welcomes the autonomy. He expressed concern that with a combination President of the UT system and President of UT, the comprehensive land grant campus will become the primary campus when decisions are being made as to how funding is to be allocated between the three campuses, Chattanooga and Martin may not have the same place at the table as the "primary campus." He said he would not say this is a bad reorganization scheme, but he said the Board will have to be very vigilant in how the changes are effectuated and how it will work. If Board members and Liaison Committee members in Chattanooga are not very active and very vigilant, if they do not have the ear of those people who run the system wide Board, Chattanooga might not be at the table when the time comes to make allocations of resources. He said that is a great concern.

Mr. Rice said he understood the logic behind Mr. Dickson's concern, but the Committee's assumption is that the Board of Trustees will be equitable. The Board of Trustees will look out for the missions of all three. Mr. Rice said that is the only assumption the Committee can make. He said organizationally and administratively, the report submitted to the Board is the Committee's recommendation.

Dr. Gilley said state funds for Chattanooga and Martin come through the formula and are appropriated directly to those campuses.

Mr. Dickson agreed that State funding is formula driven. He said the Board has capital allocations and decisions it makes at every meeting that set priorities for the different campuses. Capital maintenance matters and capital projects are the areas of concern. He said the

recommendation can work but the Board must be very careful of the perception in Chattanooga and Martin and how the reorganized structure actually functions after the fact.

Mr. Rice said the organization should be mission driven. He said if the Board feels the Committee has its missions incorrect, the recommendation should be trashed and work should begin anew. He said the Committee feels the approach presented is the correct one and recommended the reorganization as presented to the Board for consideration.

Mr. Jackson asked Vice President and General Counsel Catherine Mizell if there are any legal problems with changing the names and realigning the campuses as set forth.

Ms. Mizell said State law does not require the University to be organized in a particular way.

Mr. Jackson asked if the diploma for a student graduating from The University of Tennessee at Martin or The University of Tennessee at Chattanooga would read as it presently does showing all students as graduates of The University of Tennessee.

Mr. Rice said he supposed it would remain.

Mrs. Amonette commended Mr. Rice and the Committee for their outstanding work on a very difficult assignment. She moved to approve the Report as presented by the Committee on Streamlining. The motion was seconded by Mr. Arnold Perl and unanimously carried. Board members asked that the Committee continue to refine the plan and report back to them on periodic basis.

Dr. Gilley said the information presented by Dr. Doug Olesen compared UTK by itself against the other universities. With the change in structure of The University of Tennessee to include the Memphis campus some of the comparisons will change significantly making the long term goals much easier. He said the venture fund for academic excellence and the \$150 million endorsed by Governor Sundquist in his budget is predicated on the University's cost savings of \$30 million. Dr. Gilley said what the University hopes to do with the \$150 million is have a very intensive program to recruit the best and brightest students in Tennessee to The University of Tennessee -- National Merit Scholars, National Achievement Scholars, and top ten high school graduates. Approximately \$10 to \$15 million of the \$150 million will go into that effort. Another \$20 million will be allocated to supporting and building the faculty across the University's campuses. The remaining funds can be leveraged into additional monies over the next four or five years. Dr. Gilley said he told the Governor and the General Assembly that all the University's savings and all the money the University raises will go into a special account handled by the University administration, the University will not spend the state money the Governor has allocated until it has been matched four to one and each year the Governor and the General Assembly will receive an accounting of how much money goes into the fund, where it came from, how much was spent from the funds, and what the expenditures represented. Dr. Gilley said all his recommendations are predicated on better base support from the State as the Governor has

recommended. Dr. Gilley thanked Dr. Olesen for his analysis and recommendations and Vice President Bill Rice for his streamlining efforts.

Bylaws Amendments. Mrs. Susan Williams said last fall Dr. Gilley appointed a committee consisting of Charlie Coffey, Lynn Johnson, Eli Fly, Katie High, Catherine Mizell and herself to review the Board of Trustees committee functions and to make a recommendation to him for streamlining the committee structure. She said he charged the committee to look at the items that require formal action and propose a structure for the committee that would minimize the number of committees and to propose a way to allow the Board to focus specifically on the needs of the Chattanooga and Martin campuses and highlight areas of interest to the Board that might not necessarily require formal Board action.

Mrs. Williams said the proposals in front of the Board would require the adoption of the amendments and authorization for the Executive Committee to act for the Board to make initial Committee and Council appointments under the amended Bylaws.

Mrs. Williams said the amended Bylaws would reduce the number of the standing committees of the Board of Trustees from nine to five -- the Executive Committee, the Finance and Administration Committee, Academic Programs and Planning Committee, The University of Tennessee at Chattanooga Liaison Committee, and The University of Tennessee at Martin Liaison Committee. In addition to the five standing committees there would be two councils, the Advancement and Outreach Council and the Faculty and Student Council. Mrs. Williams said only the Finance and Administration Committee and the Academic Programs and Planning Committee would routinely meet in conjunction with Board meetings. The Liaison Committees for Chattanooga and Martin would probably meet on those campuses and at times other than at regular Board meeting times. The Councils could meet, if they choose to do so, at regular Board meetings or they also could meet at other times. The Bylaws provide for Committee appointments to be made routinely at the annual meeting in June. Dr. Gilley would like to have the Committee structure in place as soon as possible so Mrs. Williams said action will be requested to allow the Executive Committee to act for the full Board to make the initial Committee and Council appointments. Mrs. Williams said the Board of Trustees Organizational Model (Exhibit 15) describes each of the Committees, the numbers of members and what their jurisdiction is.

Ms. Brandi Wilson recommended the Liaison Committees for Martin and Chattanooga include a student from the Martin and Chattanooga campuses.

Mr. Dickson recommended the addition of three members, a faculty member, a student member and the Chancellor from the respective campuses, which mean each Committee would have ten members.

Mr. Dickson moved to amend the Bylaws revision to include in the membership of The University of Tennessee at Chattanooga and The University of Tennessee at Martin Liaison Committees a student as suggested by Ms. Wilson, a faculty member and the Chancellor of the respective campus with all being voting members of the Committees. The motion was seconded by

Ms. Brandi Wilson. The motion was carried unanimously.

Mr. Jackson asked if the Board is specifying which particular student will be appointed.

Mrs. Williams said the motion is for a student, not a specific student.

Dr. Blass asked a question with regard to the membership of the Faculty and Student Council. The proposed make up includes one faculty and one student representative from each campus. He asked which campuses are being referenced.

Dr. Gilley said there would be a representatives from Memphis, Tullahoma, Knoxville, Chattanooga and Martin.

Mr. Roger W. Dickson made a motion that the Bylaws Amendments be approved as amended. The motion was seconded by Mr. J. Steven Ennis and carried unanimously.

Authorization for the Executive Committee to Act for the Board to Make the Initial Committee and Council Appointments. Mrs. Susan R. Williams made a motion that the Executive Committee be authorized to act for the Board to make the initial appointments to the Board Committees and Councils as set forth in the Bylaws amendment which the Board previously approved. The motion was seconded by Mr. Roger W. Dickson and unanimously carried.

Report of the Finance Committee. Mr. Roger W. Dickson, Chairman, said the Finance Committee met earlier in the day to consider the following items of a financial nature.

Approval of FY 1999-00 Revised Budget.

That the revisions to the FY 1999-00 budget as reflected in the FY 1999-00 budget document mailed to members of the Board of Trustees be approved, as set forth in Exhibit 16 to the minutes.

The motion was made by Mr. Dickson, seconded by Mr. J. Steven Ennis, and unanimously carried.

Discussion of FY 2000-2001 Funding Recommendations. Mr. Dickson thanked Governor Sundquist for the capital projects included in the budget. He said the recommendation represents a change in the trend the University has seen in the past. Higher education is an investment that needs to be made in Tennessee. Mr. Dickson said the Governor's budget shows a commitment to make the necessary investment, and he again thanked the Governor.

Vice President Fly said one of the things recommended in the FY 2000-2001 budget is a six percent increase in faculty salaries. The increase is very important to The University of Tennessee. UT faculty are approximately twelve to fifteen percent below peer institutions, which is a significant amount to be behind when the University is approaching a period when about fifty percent of the

currently tenured faculty will reach retirement age in five years. If faculty retire at the rate they have been retiring, 33 percent of the faculty will retire which means UT will have to replace 33 percent of the currently tenured faculty in a relatively short time frame. Such a recruiting effort will be almost impossible to accomplish with any degree of quality unless salaries are increased.

Mr. Fly said current base appropriations from the state are \$374.2 million. Governor Sundquist has recommended additional state appropriations of \$53.5 million for the University's operating budget which represents a 14.3 percent increase. Mr. Fly said the University is grateful for the recommendation. The recommended increase would bring the University's total appropriations to over \$427.7 million (Exhibit 17). The breakdown of the Governor's recommended increase includes the 6 percent faculty salary increase which would cost \$15.1 million (Exhibit 18). Approximately \$14.6 million would be used for operating improvements and operating increases. Special funding for equipment would require \$9.7 million. \$15 million would be used as a first installment for research initiatives. Technology initiatives, primarily directed to distance learning, would require \$2.4 million. \$5.8 million would go to provide salary improvements for non-faculty employees of the University, and another \$300,000 would be used as an operating increase for the Centers of Excellence. Mr. Fly said \$53.5 million of the needed money for increases would come from State appropriations; another \$7.6 million would be gained from a 5 percent fee increase and the final \$1.8 million would come from administrative cost cutting efforts (Exhibit 19). The \$62.9 million from the various sources will be a first step in putting the University on the road to becoming a top twenty-five university.

Vice President Fly said the University is very pleased to receive the Governor's capital funding recommendation of \$74.5 million. The recommendation represents the most capital outlay money The University of Tennessee has ever had recommended for it in any budget (Exhibit 20).

Governor Sundquist said a challenge lies ahead. He said first a budget containing his recommendations must be passed. He said faculty raises at the rate he has proposed for three straight years would make The University of Tennessee competitive in its faculty salaries. Such funding would require a tax structure that would allow Tennessee to invest in the future. Governor Sundquist said Tennessee has a tax structure that has very little elasticity because it is based on sales tax. Tennessee's sales tax is much too high, and it is a dying tax. He said he needs help in reforming the tax structure so the structure will have some elasticity to allow Tennessee to invest in education. Governor Sundquist says if the State has a 3.75 percent flat tax on income above a certain level of adjusted gross income, reduces the State portion of the sales tax from 6 percent to 3.75 percent, reduces the Hall Income tax from 6 percent to 3.75 percent, and eliminates the State portion of sales tax on food, the net result would mean Tennesseans in total would pay less taxes than they are paying now and the State would pick up \$400 to \$450 million in revenue. Such a system is one that grows. Governor Sundquist said if an improved tax structure for the future is passed, if a budget the University desperately needs is passed, he and his administration and University Trustees have to work together to get votes in Nashville. He said the State's entire higher education system is at stake. Governor Sundquist said after the election in November, the gubernatorial campaign for 2002 will begin and no candidate will be willing to make a similar proposal. He said he needs the help of the Board of Trustees and the University community.

Authorization to Sell Gift Property.

That the University administration be authorized to sell the following gift properties at or above the appraised value, as set forth in Exhibit 21:

James E. and Delores property	Fulton County, Georgia
Rebecca Murphy Shelton property	Weakley County, Tennessee
Bettie B. Bragg property	Meigs County, Tennessee
Jerry Hays property	Sevier County, Tennessee

The motion was made by Mrs. Susan Williams, seconded by Mr. Frank J. Kinser, and unanimously carried.

Conveyance to the City of Knoxville.

That the Board of Trustees authorize the University administration to convey to the City of Knoxville the permanent easement, as set forth in Exhibit 22.

The motion was made by Mr. James A. Haslam, II, seconded by Mrs. Susan Williams, and unanimously carried.

Naming of the UTC Sports Arena.

That the Board of Trustees approve the naming of the UTC Sports Arena The McKenzie Arena in recognition of outstanding contributions by Brenda and Toby McKenzie, as set forth in Exhibit 23.

The motion was made by Mr. Dickson, seconded by Mr. Frank J. Kinser, and unanimously carried.

Ratification of Investment Transactions for the Period Ending December 31, 1999.

That the Board of Trustees ratify and confirm the investment transactions for the period ending December 31, 1999, as set forth in Exhibit 24.

The motion was made by Mrs. Susan Williams, seconded by Mr. J. Steven Ennis, and unanimously carried

Report of Graduates. The Secretary reported graduates at the commencements held in Chattanooga on December 19, 1999 (Exhibit 25); Knoxville on December 18, 1999 (Exhibit 26); Martin on December 12, 1999 (Exhibit 27); and Memphis on December 3, 1999 (Exhibit 28).

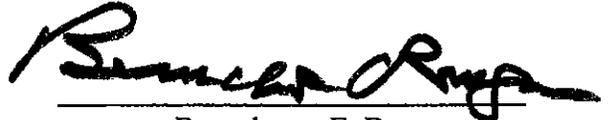
Future Board Meeting Dates. Mr. Brogan called attention to the future Board meeting dates. The annual meeting will be held in Knoxville June 21-22, 2000 and the fall meeting will be held

October 19-20, 1999 in Knoxville.

Mr. Haslam thanked the Governor for coming to the meeting and invited to attend the Board meeting any time his schedule would allow.

Mr. Haslam made a motion that the Board go on record as thanking the Governor for his proposed budget. The motion was seconded by Mr. Jerry Jackson and unanimously carried.

There being no further business to come before the Board, the meeting was adjourned at 4:30 p.m.

A handwritten signature in black ink, appearing to read "Beauchamp E. Brogan", written over a horizontal line.

Beauchamp E. Brogan  
Secretary