

# DRAFT

## MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF TENNESSEE

January 20, 2010  
Nashville, Tennessee

A meeting of the Executive and Compensation Committee of the Board of Trustees of The University of Tennessee was held at 10:00 A.M. CDT, Thursday, January 20, 2010 at the offices of Bradley Arant Boult Cummings, 1600 Division Street, Suite 700, Nashville, Tennessee.

### **I. CALL TO ORDER**

Andrea J. Loughry, Chair-Pro Temp, called the meeting to order.

### **II. ROLL CALL**

Catherine Mizell, Secretary, called the roll, and the following members of the Executive and Compensation Committee were present:

George E. Cates  
Spruell Driver, Jr.  
Andrea J. Loughry  
James L. Murphy, III\*  
Jan F. Simek\*  
Don C. Stansberry, Jr.  
Robert S. Talbott

The Secretary announced that a quorum was present. Committee members Driver and Hall were unable to attend the meeting. Other Trustees in attendance were Doug Horne and Charles Wharton.

\*Chair Murphy and Interim President Simek were absent for the beginning of the meeting because they were called to an urgent meeting involving a legislative matter.

### **III. APPROVAL OF MINUTES OF LAST MEETING**

The Chair called for any corrections or additions to the minutes of the September 10, 2009 meeting of the Executive and Compensation Committee. There being none, Trustee Talbott moved approval of the minutes. Trustee Cates seconded the motion, and the motion carried unanimously.

#### **IV. UPDATE FROM AD HOC COMMITTEES**

##### **A. The Committee on Effectiveness and Efficiency for the Future**

The Chair called on Trustee Doug Horne, Chair of the Committee on Effectiveness and Efficiency for the Future. Trustee Horne reported that the committee last met on December 7, 2009 in Chattanooga. He discussed two of the committee's current initiatives, a long-term contract with TVA for a reduced rate for all campuses and units, in conjunction with TBR; and continuing discussions with the IT department to reach their potential \$20 million in savings. Trustee Horne stated that the budget cuts are in place for when the stimulus money runs out, these other savings initiatives discussed today, and other initiatives of the committee, are on top of those cuts. He reported that the committee continues to meet regularly to further its initiatives. He stated that he was proud of the cost savings and money given back to the University by the athletics department. He stated that the committee is thankful to Dr. Simek and each of the chancellors for their efforts and success in reducing costs. He added that Dr. Simek has done an excellent job of reducing system overhead, and he is moving forward in reviewing options to move the President's office from Andy Holt Tower.

Trustee Wharton discussed his reservations about the move due to cost and questioned the necessity in light of recent leadership changes. Trustee Horne stated that the Board would have an opportunity to review the costs in detail when a proposal is presented. He then asked Dr. Cheek to comment on the necessity of the move. Dr. Cheek stated that moving the President's office off campus promotes the appropriate differentiation in the functions and work of the campuses and the system administration, as discussed at the workshop in August.

Trustee Horne and Trustee Wharton discussed operating and efficiency metrics to measure the progress of the University. Trustee Loughry suggested utilizing the data and ratios prepared from accreditation reviews. She added that the Board will hear about an initiative from the Trusteeship Committee, at the February Board meeting, to involve the Trustees in the accreditation process for each campus. Chancellor Cheek then noted that the Governor has announced ambitions for UT Knoxville to be a top-25 University. He discussed utilizing data from a gap analysis in preparation by his administration to compare UTK to a top-25 University.

Dr. Cheek also asked that the Board consider a one-time bonus for employees. He stated that faculty compensation issues are decreasing UTK's ability to be competitive with the best, and making UTK susceptible to raiding of its best faculty. Trustee Cates suggested each campus come back to the Board with their

research for the cost of a one-time bonus.

## **B. Foundations Study Committee**

Trustee Loughry called on Trustee Wharton to update the Committee on the work of the Foundations Study Committee. Trustee Wharton discussed the composition of the committee, its due diligence visits to peer institutions, and the recommendation of the committee for an independent foundation. He discussed meetings with chancellors, deans, faculty, student representatives, constituents and legislators. He reported that an affiliation agreement has been drafted and reviewed by various parties, and a ten-year budget has been modeled. He discussed the components and assumptions of the budget. He reported that the committee continues to work on a final recommendation to present to the Board. He thanked the development office, the chancellors, and deans for their time and assistance. Trustee Cates stated his agreement with the plan for an independent foundation and thanked the committee for all of their work. He asked what the next steps for the committee entail. Trustee Wharton responded that the committee will seek endorsement by the Board and plan to announce the foundation as a top priority for the University. Trustee Cates praised the efforts of the development officers at UTHSC and stressed the need for more staff to expand their efforts and take advantage of opportunities being lost because they are understaffed. Trustee Talbott asked about hiring a chief investment officer. Trustee Wharton responded that a CIO is not included as part of the proposal, but he believes it will be necessary in the future as the endowment grows.

## **V. PRESIDENT'S REPORT**

Chair Murphy assumed chairing the meeting and called on Interim President Jan Simek. Dr. Simek discussed the Governor's proposed higher education bill, which contains provisions for changes in articulation and in the funding formula, as well as a bold, transformational expansion of the UT-ORNL relationship. He stated that, in concept, the UT administration supports the provisions of the bill, with the caveat that there are details to be sorted out, and some clarifications and tweaking to be done.

Dr. Simek reported that under the Governor's plan, institutional missions are clarified so that remedial and developmental courses are to be offered only by the community colleges. He stated that currently, our universities offer varying amounts of developmental courses. He noted that UTK has hardly any, UTM has a few, and UTC has the most. He stated that with such coursework completed before moving into academic majors on UT campuses, students will have already made the transition to college work and will be ready to enroll in credit-bearing courses that count toward graduation. The result will be a better use of student and taxpayer-parents' money. He stated that students who complete their departmental coursework at community colleges deserve a clear

transfer path to UT campuses, and the Governor's proposal clears that path in three important ways. First, it proposes dual-admission programs so when a new college student is accepted into a community college, he or she can also be accepted at the same time into one of our universities. UTM already operates such an agreement in agriculture with Dyersburg State Community College, and a similar agreement is being finalized for education majors. Second, the Governor's plan calls for a general education core that is fully transferable and which satisfies the general education core at any public community college or university in Tennessee. He noted that faculty senates at UTM and UTC have already voted to embrace this practice of block approval of general education cores, and we expect UTK's faculty senate to do the same in time for the 2010-2011 academic year. He clarified that the actual content of that core is not stipulated by the legislation, just the transferability. Third, our faculty leaders already are working on creating lower-division curricula that would be specific to academic major. This would enable community college graduates to enter our universities as juniors, with the clear opportunity to earn bachelors' degrees in another two years. The onus is on the community college to provide that course work that is necessary for the student when they arrive at a four year school.

Dr. Simek stated that the Governor's proposed legislation also promises to revise the current higher education funding formula to clarify expectations and clearly reward output – instead of increased enrollment. He stated that this is a fundamental change, and will ultimately enforce outcome as the driving force for funding.

Dr. Simek stated that the Governor's plan will expand the UT-ORNL relationship by creating an academic unit of the UTK for interdisciplinary research and education with the Oak Ridge National Laboratory. He noted that scores of graduate students who before would not have considered UT will now conduct cutting-edge research with the world's finest scientists in a PhD program in Energy Studies. He added that this center is supported with a pledge of \$6 million in seed money from the Governor.

Dr. Simek stated that higher education reform will require hard work. He stated that, we have been challenged to improve our graduation rates, and we will, fortified by this plan's provisions. Implementation windows of the proposal are appropriately short. He stated that UT administration will work to ensure details of the general education articulation, of dual-enrollment programs, and of mounting the new graduate program at Oak Ridge are worked out quickly but carefully.

A discussion ensued among the Committee regarding the outcome rates of peer universities, and the role of their selectivity and culture. Chair Murphy stated that this proposal utilizes our community college system to makes it possible to get more students through UT. Dr. Simek stated that our foremost goal is the

improvement of UT and Tennessee students' access to higher education.

Dr. Simek updated the Committee on the ongoing reorganization of the System. He reported that the advisory committee for IPS, consisting of Joe Johnson, Jack Britt, Jimmy Cheek, Joe DiPietro and Mary Jinks, made their recommendation. He stated that the committee looked at how similar entities are organized, the statewide initiatives, necessary objectivity and other factors and recommended that IPS remain under the President, and continue reporting directly to the President. He stated that the advisory committee for athletics will have a report and recommendations in the near future, after reviewing their recommendations with the athletics board. Dr. Simek discussed the recent changes in football coaches for UTK. Lastly, Dr. Simek discussed the review of the Institute of Agriculture. He stated that the recommendation was that the Institute of Agriculture would be best served by a Chancellor and not a Vice President. He noted that this will require a Bylaw amendment recommendation by the Trusteeship Committee and a vote by the Board.

Trustee Horne asked whether the IPS advisory committee reviewed the possibility of merging IPS with the Institute of Agriculture. Dr. Cheek stated that it was considered and there was no cost savings in doing so, and there was strong political support to keep IPS independent.

#### **VI. GRANT OF TENURE TO UT KNOXVILLE FACULTY UNDER EXPEDITED PROCEDURES**

Dr. Simek stated that Chancellor Cheek has recommended that he seek Board approval of expedited tenure for Dr. Frank Loeffler, Professor and UT-ORNL Governor's Chair, Department of Microbiology and Civil and Environmental Engineering, and Dr. David Madrus, Professor Materials Science and Engineering (Exhibit 1). Both are senior, experienced, and respected leaders. He reported that all steps in the normal review process have been completed for each faculty member. He reported that he fully concurs in Chancellor Cheek's recommendation and requests the Committee to approve the granting of tenure to these outstanding faculty members. Chair Murphy asked for the reason for the expedited review. Chancellor Cheek stated that it was necessary to attract and appoint these outstanding faculty. Ms. Mizell noted that the Bylaws allow the Executive and Compensation Committee to grant tenure in these exigent circumstances. Trustee Stansberry moved approval of the proposal to grant tenure to UT Knoxville faculty under expedited procedures as presented at this meeting. Trustee Talbott seconded, and the motion carried unanimously.

#### **VII. REVIEW OF UT KNOXVILLE DIFFERENTIAL TUITION PLANS FOR COLLEGES OF BUSINESS, ENGINEERING, AND NURSING**

Chair Murphy called on Chancellor Cheek to discuss the next item, review of UT

Knoxville differential tuition plans for Colleges of Business, Engineering, and Nursing to be effective Fall 2010 (Exhibit 2). Dr. Cheek explained that under the plan, juniors and seniors in the College of Nursing, undergraduates taking business courses, and all students taking engineering courses would pay differential tuition, a supplemental per-credit-hour charge in addition to university tuition. These charges would increase in the future at the same rate as university tuition increases. The extra funds are needed because these three colleges are facing extraordinary growth and need additional staffing and state-of-the-art technology to keep pace with the demand. Dr. Cheek stated that the plans have been reviewed and revised several times over the past ten months before being finalized for Board review. He noted that the process has included review by the students, faculty, administration and preliminary review by certain Trustees. He introduced the three Deans of the Colleges of Business, Engineering, and Nursing. He called on each Dean to present an overview of the differential tuition plan for their respective Colleges.

Jan Williams, Dean of the College of Business and Administration, Wayne Davis, Dean of the College of Engineering, and Joan Creasia, Dean of College of Nursing, discussed their respective presentations included in the meeting materials. Trustee Talbott asked Dean Williams whether the increase in funds to the College of Business from the differential tuition fees was enough to meet budget needs to keep faculty and meet other needs. Dean Williams discussed the current budget shortfall, but the plan will need to be reviewed after it has been in place for some time. Dr. Cheek explained that as tuition increases come, those tuition increase percentages will apply to the differential tuition fees. However, there may still be a need to come back to the Board to increase the fees if they are falling short. Dean Williams stated that the fees proposed today are a reasonable first step and a huge improvement for the College.

Chair Murphy asked each Dean to discuss student commentary during the presentations. Dean Williams then discussed College of Business meetings with students, reporting that student support was overwhelmingly in favor of paying more to maintain the quality and size of the College. Chair Murphy stated that other alternatives are increasing the tuition for everyone and directing them to these programs or cutting the size of these programs. Dr. Cheek noted that students in these programs may be more amenable to a tuition increase due to the strength of job prospects in these areas. Trustee Stansberry stressed the importance of assisting students to graduate on time. Dr. Simek stated that he is in favor of this proposal, but he is concerned about students who want to major in these programs being financially unable to do so. He noted that some of the money will be used to improve student stipends and scholarships to make the programs more affordable.

Dean Davis discussed the increase in the current differential tuition in Engineering from \$25 to \$45 and the removal of the cap at eight hours. He

added that students may take 8 to 12 credit hours per semester, and the fees will only apply to Engineering-based courses. He stated that a portion of the money from the fees is used for advising students to assist them in graduating on time. Trustee Horne asked how an average Tennessee student can major in Engineering. Dean Davis stated that UTC and UTM offer Engineering, Pellissippi State offers the first two years of Engineering, and opportunities are available in Kingsport. Dean Davis then discussed need-based aid promoting access to the College of Engineering. He closed by explaining that one of the goals of the increase in the differential tuition is to increase the number of Engineering faculty and thus become more competitive with other public institutions.

Dean Creasia discussed faculty shortage in the College of Nursing and the difficulty of persuading nurses to leave the clinical sector to teach. She stated that the proposal is to add \$90 in differential tuition per credit hour for nursing classes in the last two years of the program. Trustee Wharton asked if the fees would allow the College to grow the program, and Dean Creasia responded that it would allow for a little growth. She added that the College accommodates about 130 students each year. She stated that the proposed fee will balance the budget and allow for approximately eight more students, explaining that one new faculty member is needed for every eight students. Dr. Cheek stated that he receives enormous feedback from employers and constituents to grow this program due to the reputation of the UTK nurses in the market place.

Trustee Loughry complimented Dr. Cheek and the Deans for their excellent process, data, and presentation materials for this proposal. Dr. Cheek discussed the next steps for implementing and giving notice of the differential tuition, as well as preparing for use of the funds. Dr. Cheek thanked the Committee for their feedback; he stated that the proposal will be presented to the Finance and Administration Committee at the Winter Meeting in Martin. Trustee Hall asked for a list of any other colleges within UT that have a differential tuition.

## **VIII. PRELIMINARY DISCUSSION OF PRESIDENTIAL SEARCH**

The Chair distributed a proposed timeline for the presidential search (Exhibit 3), noting that it is not an action item for the Committee but will be voted on by the Board at the upcoming Winter Board meeting. The Chair stated that the critical point at this time is to get the search firm on board so that the search can begin after the June meeting. He stated that the search firm is a necessary component of the process and at the upcoming Board meeting the Board will be asked to authorize the administration to issue a request for proposals. He stated that based on the outcome of the RFP process, a search firm will be recommended to this Committee at the May 13<sup>th</sup> meeting. He stated that under the preliminary timeline, the board will appoint a Presidential Search Committee at its annual meeting in June. The committee will include trustees and members of the faculty. He stated that there will be a search advisory council comprised of faculty, staff,

students and alumni and appointed by the search committee will be used to advise the committee on the presidential candidates.

Trustee Stansberry asked if there were significant changes in the process since the last Presidential Search. The Chair stated that there has been a change made to the end of the search process, limiting the period of time between the public identification of candidates and when a President is selected. He stated that this change grew out of feedback from the Knoxville Chancellor search. The Chair stated that the purpose of this discussion is to collect any comments from the Committee between now and the Board meeting.

**IX. PLANNING FOR WINTER MEETING OF THE BOARD**

The Chair referred the Committee to the proposed schedule and agenda items for the February 25-26, 2010 meeting of the Board of Trustees included in the meeting materials (Exhibit 3). There were no questions or suggestions concerning the materials.

**X. OTHER BUSINESS**

The Chair called for any other business to come before the Committee. There was none.

**XI. ADJOURNMENT**

There being no further business to come before the Executive and Compensation Committee, the meeting was adjourned.

Respectfully submitted,

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Catherine S. Mizell  
General Counsel and Secretary