

THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES

MINUTES OF THE WINTER MEETING  
February 26, 2015  
Memphis, Tennessee

The Winter Meeting of The University of Tennessee Board of Trustees was held at 12:45 p.m. CST, on Thursday, February 26, 2015, on the UT Health Science Center campus in Memphis, Tennessee.

**I. CALL TO ORDER AND INVOCATION**

J. Brian Ferguson, Vice Chair of the Board, called the meeting to order. Dr. Orpheus Triplett, D.D.S., Director of Community Relations and Outreach in UTHSC College of Dentistry, offered the invocation.

**II. ROLL CALL**

Secretary Catherine S. Mizell called the roll, and the following members were present:

J. Brian Ferguson, Vice Chair  
Charles C. Anderson, Jr.  
Jalen K. Blue  
Shannon A. Brown  
George E. Cates  
Russ Deaton  
Joseph A. DiPietro  
Spruell Driver, Jr.  
John N. Foy  
D. Crawford Gallimore  
David A. Golden  
Julius T. Johnson  
Raja J. Jubran  
Brad A. Lampley  
Bonnie E. Lynch  
James L. Murphy, III  
Sharon J. Pryse  
Rhedona Rose  
Julia T. Wells  
Charles E. Wharton  
Tommy G. Whittaker  
Thaddeus A. Wilson

The Secretary announced the presence of a quorum. Governor Haslam, Commissioner McQueen, and Ms. Gregg were unable to attend the meeting. Members of the administrative staff and media representatives were present. The meeting was also webcast for the convenience of the University community, the general public, and the media.

### **III. INTRODUCTIONS**

Vice Chair Ferguson thanked Chancellor Schwab and his team for their gracious hospitality during the Board's meetings and for hosting the reception the evening before.

Vice Chair Ferguson introduced new Non-Voting Student Trustee Jalen K. Blue and presented him with a Trustee lapel pin. He also presented Trustee Evans, attending his first Board meeting, with a Trustee lapel pin.

### **IV. PRESIDENT'S REPORT**

Vice Chair Ferguson recognized President DiPietro for his report, "Funding for the Future," (Exhibit 1).

President DiPietro first informed the Board he would bring a proposal forward at the June meeting relating to changes in the organizational structure of his staff. The proposal is in response to a recommendation in his four-year comprehensive review to afford him more time to focus on major issues facing the University. He said he also hopes to bring a recommendation in June for oversight for the statewide UT Institute for Public Service. Currently, Dr. Herb Byrd serves as interim Vice President for Public Service.

President DiPietro's report followed up on the discussion in prior meetings and the 2014 workshop concerning changes to the University's business model. He reported that the Governor's proposed budget is favorable to the University, but work still needs to be done. He discussed a \$377 million funding gap over the next 10 years, an increase from the \$155 million projected earlier. The gap is based on the 3-3-0 model: an average inflation rate of 3% annually; tuition increases of no more than 3%; and no change in state appropriations. As the conditions have been reviewed further, however, other factors such as operating expenditures increasing at the inflation rate, salaries increasing to address market gaps, and significant deferred maintenance produced the larger gap of \$377 million over the next 10 years.

He reported that the Budget Advisory Group has been meeting over the last several months and has provided feedback to form an action plan for the campuses and institutes. He said he is presenting the plan for the next two budget cycles to the Board for endorsement because their support is needed. He described the as providing ways to enhance revenue and cut costs in way that is least painful for our students, faculty and staff

while maintaining excellence. The campus and institute leaders will have latitude to use a variety of methods to make changes as long as they remain within several internal boundaries. These changes will be implemented over the next two budget cycles, starting with FY16.

President DiPietro discussed the following action plan for the campus and institute leaders and the expected impact of various actions:

- Program realignment and consolidation: campuses will address low-performing programs to fund program reinvestment and perform a feasibility analysis and develop a plan for program consolidations to save costs.
- Allocation and reallocation plans: set aside 3 percent of base year's total unrestricted E&G expenditures to address strategic initiatives, address deferred maintenance and identify cost savings from voluntary retirement and other workforce development options.
- Unfunded mandates for tuition waivers and discounts: the system administration will study these discounts, estimated to be \$7.4 million annually System-wide.
- Tuition structure review: Options include expanding differential tuition, increasing enrollment of out-of-state students with higher academic profiles than in-state students, the 15-4 tuition plan, and regional tuition rate programs.
- Non-formula fee structure: Non-formula units (Health Science Center, Institute for Public Service, and Institute of Agriculture) will review whether outreach efforts are capturing actual cost of delivery and determine whether fees should be charged.
- Tenure and post-tenure review process: The system administration will conduct a comprehensive review of the University's established tenure and post-tenure review process, including consideration of compensation adjustments for high performers as a result of post-tenure review and termination of unsatisfactory performers. In conducting the review, the system administration will keep the Faculty Council tuned in.

With the Board's endorsement, the leadership will move forward with this plan to enhance revenue and cut costs, beginning with FY 2016. He closed by saying that University leadership is taking ownership of the current situation and knows it is the University's problem to solve. He noted that some decisions may be unpopular and may upset people. In the end, however, the University will be better for dealing with the unsustainable business model now rather than waiting for a crisis.

At the conclusion of his report, Dr. DiPietro highlighted the accomplishments of a dentistry graduate from UTHSC, Dr. Christina Rosenthal, who owns her own dental clinic and started the "D.D.S., Determined to be a Doctor Someday" program to introduce promising low-income students to opportunities for careers in health care. She is currently earning her master's degree in public health at Harvard University.

Dr. DiPietro called for questions or comments. Trustee Wharton asked for information about the incremental increase in revenue resulting from increased out-of-state enrollment. Dr. DiPietro provided an estimate for each campus. Trustee Wharton also asked for information comparing tuition increases at the University of Alabama with those at UT to see if Alabama's practice of admitting a large number of out-of-state students has resulted in lower tuition increases. Trustee Wilson raised the question of whether a significant portion of the increased revenue from out-of-state tuition is negated by scholarships and other institutional support. Vice Chair Ferguson said increasing out-of-state enrollment is not just a revenue measure, noting that it will provide the University with a broader pool of high quality students and foster economic development by increasing the intellectual capital of the state.

Trustee Evans discussed the importance of continuing to send a message that state support is still necessary and that critical and hard choices and consequences occur when funding is decreased. Vice Chair Ferguson said this plan will put the University in a better position with state government because we are acting proactively and responsibly.

The Vice Chair brought the discussion to a close by stating that the Board stands ready to support Dr. DiPietro with this plan and provide its best advice. Trustee Murphy added that Dr. DiPietro has kept the Board fully engaged so he has buy-in from the Board when it comes time to make some of hard choices. The Board can then assist with discussions with constituents that may be upset about these difficult choices. Trustee Jubran wanted it to be clear that Dr. DiPietro can go forward to implement the boundaries plan immediately. Vice Chair Ferguson agreed.

## **V. ELECTION OF THE VICE PRESIDENT FOR DEVELOPMENT AND ALUMNI AFFAIRS**

Vice Chair Ferguson recognized President DiPietro to recommend a candidate for election for the position of Vice President for Development and Alumni Affairs. Dr. DiPietro stated that following a national search, he recommends the election of Rickey N. McCurry as the Vice President for Development and Alumni Affairs, effective May 15, 2015. He reviewed the search process for the position, the proposed compensation package and Mr. McCurry's previous experience in higher education development and alumni relations. He noted Mr. McCurry's previous experience with the UT System, having served as Associate Vice Chancellor for Development and Alumni Affairs at UT Knoxville for seven years

(including one year in which he also served as the Vice Chancellor in an interim capacity).

Vice Chair Ferguson invited Mr. McCurry to address the Board. Mr. McCurry stated that he was honored to have this tremendous opportunity to work for UT to develop relationships and generate resources and return home to Tennessee.

Vice Chair Ferguson called for a motion. As a member of the Search Committee, Trustee Pryse discussed the search process and recommendation for Mr. McCurry. She moved that the Board elect Rickey N. McCurry as Vice President for Development and Alumni Affairs, with the initial compensation presented in the meeting materials (Exhibit 2). Trustee Driver stated that he would be honored and privileged to second the motion, and it was unanimously approved.

Dr. DiPietro then recognized Mr. Lofton Stuart for serving as interim director during the vacancy, and the Board offered a round of applause.

## **VI. ACTION ITEMS FROM THE FINANCE AND ADMINISTRATION COMMITTEE**

Vice Chair Ferguson recognized Trustee Anderson to report on two items of business from the Finance and Administration Committee.

### **A. Amendment of Rule on Use of University Property – Roll Call Vote**

Trustee Anderson reported that at the Finance and Administration Committee meeting yesterday, the Committee considered the amendment of two University rules under the UAPA. First, the proposed amendment of Rule on Use of University Property, which would further clarify the authorized uses and permissible uses of University property and establish standards for the issuance, appeal, and enforcement of a “no-trespass notice,” which is a written directive requiring a person to leave and/or not enter all or part of University property; and Establish restrictions on the use of unmanned aircraft on University property. He stated that the Committee recommends that the proposed amendment of this rule be adopted by the Board.

Trustee Anderson moved that the Board of Trustees adopt the amendment of Chapter 1720-01-2 of the Rules of The University of Tennessee as presented in the meeting materials (Exhibit 3). Trustee Wharton seconded the motion, a roll call vote was taken, and the motion passed.

### **B. Amendment of Rule on Residency Classification – Roll Call Vote**

Trustee Anderson stated that the Finance and Administration Committee

recommended that the Board approve the proposed amendment of Rule on Residency Classification and housekeeping changes as included in the meeting materials. In response to recent state and federal legislation, the University Rule on classifying students as in-state or out-of-state must be revised. Trustee Anderson briefly outlined the changes made for veterans and other clarifications.

Trustee Anderson moved that the Board of Trustees adopt the amendment of Chapter 1720-1-1 of the Rules of The University of Tennessee as presented in the meeting materials (Exhibit 4). Trustee Driver seconded the motion, a roll call vote was taken, and the motion passed.

## **VII. REPORT OF THE AUDIT COMMITTEE**

Vice Chair Ferguson recognized Trustee Gallimore to report on the last meeting of the Audit Committee.

Trustee Gallimore stated that the Audit Committee met in December and reviewed the results of the entity wide risk assessment conducted to comply with the Tennessee Financial Integrity Act. This year, the Office of Audit and Compliance added risks and mitigating controls for two areas, uniform guidance and the Patient Protection and Affordable Care Act. As part of the work to comply with the Act, the Internal Audit team also conducts a self-assessment of controls using a web based questionnaire. The University reviews the controls for two areas each year. In 2014 they evaluated procurement of goods and services and sponsored projects. Of about 600 departments, 173 departments identified 281 control weaknesses all were corrected and no material weaknesses were noted for the University. The results of the risk self-assessment and the other work conducted to comply with the Act were submitted to the Tennessee Comptroller and the Commissioner of Finance and Administration.

The next item the Committee covered was the State Audit. The State Auditors issued the University Audit report on February 5th. The University received an unqualified opinion and there were no findings. The Auditors will present their report to the Audit Committee at the next meeting. Trustee Gallimore commended Mr. Peccolo, Mr. Maples, their team, and the chief business officers at the campuses and institutes for their excellent work in achieving an unqualified opinion with no findings.

Trustee Gallimore noted that Audit and Compliance team members are being recognized in their field. In June Bill Moles, Director Institutional Compliance, and Assistant Vice Chancellor Robin Nobles of UTK will present the University's compliance program at the leading compliance conference for higher education. Their presentation will highlight the benefits of a consistent framework across the entire system and how it helps to ensure accountability and adequate oversight of regulatory compliance.

In closing, Trustee Gallimore commended the leadership of Sandy Jansen as Executive Director of Audit and Compliance. He also noted that she is representing the University as President of the Association of College and University Auditors, the National trade group for University Auditors. He thanked Ms. Jansen for her service to the University, and the Board offered a round of applause.

## VIII. CONSENT AGENDA

The Vice Chair directed the Board's attention to the Consent Agenda. He stated that most of the items were considered and approved in Committee meetings. He noted that item B included revised dates for the 2015 Fall Meeting. He called for any requests to remove items from the Consent Agenda. Hearing none, the Vice Chair called for a motion to approve the Consent Agenda, consisting of the following items:

- A. Minutes of the Last Meeting
- B. Revised Dates for the 2015 Fall Meeting (Exhibit 5)
- C. Acquisition of 20 Dudley Street, Memphis (UTHSC) (Exhibit 6)
- D. Acquisition of 45 S. Dudley Street, Memphis (UTHSC) (Exhibit 7)
- E. Acquisition on 1302 White Avenue, Knoxville (UTK) (Exhibit 8)
- F. FY 2015 Revised Operating Budget (Exhibit 9)
- G. 2015 UTC Voluntary Retirement Incentive Program (Exhibit 10)
- H. Revised Policy on Approval of Student Fees (Exhibit 11)
- I. UTHSC Regional Tuition Rate Program for Certain Degree Programs in Nursing and Health Professions (Exhibit 12)
- J. Honorary Degree, Doctor of Humane Letters, UT Knoxville (Exhibit 13)
- K. Honorary Degree, Master of Fine Arts in Acting, UT Knoxville (Exhibit 14)
- L. Grant of Tenure to two UT Knoxville Faculty Members under Expedited Procedures (Exhibit 15)
- M. Revised UT Martin Faculty Handbook (Exhibit 16)
- N. Proposal for a Program of Study Leading to the Degree of Master of Science in Strategic

Communication at UT Martin (Exhibit 17)

- O. Revision of Math Unit Requirements for Undergraduate Admission to UT Martin (Exhibit 18)
- P. Revised Affiliation and Services Agreement with UT Foundation, Inc. (Exhibit 19)
- Q. Designation of The University of Tennessee/West Institute for Cancer Research as a Foundation Authorized to Receive and Hold Gifts for Support of Cancer Research and Education at the UT Health Science Center (Exhibit 20).

A motion was made to approve the Consent Agenda, seconded, and carried unanimously.


#### **XI. ANNOUNCEMENTS**

The Vice Chair announced that future meeting dates of the Board were included in the meeting materials and were available on the website and available in Diligent. He thanked the staff for coordinating logistics.

#### **XII. ADJOURNMENT**

With no further business to come before the Board, the meeting was adjourned.

Respectfully Submitted,

  
Catherine S. Mizell, Secretary