

**MINUTES OF THE COMMITTEE ON
EFFECTIVENESS & EFFICIENCY FOR THE FUTURE (EEF)
THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES
DECEMBER 7, 2009**

The Committee on Effectiveness & Efficiency for the Future (EEF) of the Board of Trustees met at 1:30 p.m. EST, Monday, December 7, 2009 in the Chattanooga Room of the University Center in Chattanooga.

- I. **Call to Order**—Mr. Douglas Horne, Committee Chair, called the meeting to order and made the following introductory remarks:
 1. While the public is invited and welcome at all Board meetings, our meetings are “in the public” but not “public meetings.”
 2. The Chair will recognize to speak only members of the Committee, other Trustees, and members of the senior staff.
 3. The Committee has a set agenda and prepared materials for that agenda. No “new business” has been brought to the Chair’s attention prior to the meeting; so it is assumed there is none.
 4. Lastly, the name of the Trustee making any motion and the second will be announced to help in the preparation of minutes.

- II. **Roll Call**—Chair Horne asked Dr. Gary Rogers, Senior Vice President and CFO to call the roll. He did so and advised the Chair that a quorum was present.

Present

Douglas Horne, Committee Chair
Charles Anderson, Committee Member
William Carroll, Committee Member
Crawford Gallimore, Committee Member
Andrea Loughry, Committee Member
Jan Simek, Acting President
Charles Wharton, Committee Member

Absent

Jim Murphy, Vice Chair of Board

Also present was Senior Vice President and CFO Gary Rogers, and other members of staff.

- III. **Approval of Minutes**—Chair Horne noted that the minutes for the September 3, 2009 meeting were very detailed and called for consideration of those minutes, including any corrections or additions. Chair Horne asked if the words “new investigators” were correct on page 14. Dr. Rogers explained that the term refers to the principal investigators (faculty members) that perform the research which generates the returned overhead to pay the debt service. With no corrections or additions noted, on a motion made by Trustee Carroll, and seconded by Trustee Gallimore, the minutes were unanimously approved as presented.
- IV. **President’s Update Re: Governor’s Budget Hearing**—Chair Horne asked Dr. Simek to present his report. Dr. Simek discussed the Governor’s Budget Hearing which was held on November 20, 2009. The President’s statement delivered at the hearing is online, as is a recording of the entire hearing on the State’s website.

The budget meeting was not a discussion about new money; rather it was about the efforts of Higher Education to absorb budget cuts scheduled for fiscal year 2012. Martin and Chattanooga have record enrollments—more than 8,000 students at Martin and more than 10,000 at Chattanooga.

Some parts of the University’s mission need to be improved. The Governor was particularly interested in how to increase graduation rates at Tennessee colleges and universities. That could be translated into changes in the state funding formula focusing on retention and graduation rates. While the University of Tennessee has the highest retention and graduation rates in the state, the graduation rates need to be improved. Everyone understands that goal needs to be pursued. Simply, we need to work harder with the students that we have to graduate them.

The Governor asked if changing the formula would actually increase graduation rates. The formula right now focuses on enrollment numbers at an institution rather than graduation rates. Dr. Simek suggested that focusing on enrollment rewards growth, while focusing on graduation rates rewards productivity. The University is comfortable with such a change but some issues exist within the Tennessee Board of Regents institutions. The role of two-year community colleges in the whole process was a topic of conversation as well.

In terms of the budget, plans have been prepared and submitted to reduce spending more than \$100 million in baseline funding effective with fiscal year 2012. This is offset with Maintenance of Effort (MOE)

and American Recovery and Reinvestment Act (ARRA) funds, referred to as stimulus funds for fiscal years 2009, 2010 and 2011. None of those funds will be available in fiscal year 2012. The University faces a precipice. In the long run, the number of jobs or positions that will be impacted by those budget cuts will be in the hundreds. The stimulus funds allow us to look at attrition, and movement of people from position to position, so that the number of actual people affected is smaller by the time the stimulus funds run out. In the end, the University of Tennessee will have a smaller workforce in faculty, staff and administration by the time the final budget process is complete.

Reduced funding is being addressed through the elimination of positions, cost cutting, efficiencies, and changing processes. The University is preparing for larger classes, fewer sessions of classes, and changes in programs. Students are not going to be able to move through their programs as easily as they could in the past. Campuses will have to do a better job of advising students to make sure they understand what courses they need, when those courses are offered, and how they can make timely progress. The Chancellors are fully aware of this and this is an aspect of change that they will have to manage on their campuses to meet future challenges. Differential tuition is being reviewed between programs. Some programs are more expensive to operate and students that graduate from those have a much better opportunity for financial standing almost immediately upon graduation. Thus, some programs can command a higher tuition rate. It is not the intention to raise tuition dramatically but it is one of the few ways of increasing revenue in these difficult times. In the long run, the University will be faced with more budget cuts and will have to find means to generate revenue.

Work continues on articulation agreements. The Governor is very interested in making sure higher education entities in the state of Tennessee have better articulation agreements. The Governor was very clear that he understood that in many ways the higher education systems can only go so far in articulation to encourage graduation. Work needs to be done in K-12 to make students college-ready. Education in general in the state of Tennessee is in a period of diminishing resources and more and more challenged to produce more and better students. Budget reductions challenge UT to do the best job that it can and adjust to continue its important mission.

Trustee Horne thanked Dr. Simek for his well-prepared remarks.

- V. **UTC Presentation Regarding Measures/Actions Taken**—Chair Horne then asked Chancellor Brown to report on the effectiveness and efficiency efforts of the University of Tennessee at Chattanooga.

Chancellor Brown said that UTC has taken the charge of this Committee very seriously. Shortly after the Board decided to form the Effectiveness and Efficiency Committee, Vice Chancellor Brown presented the idea that the campus needed a parallel structure to the EEF Committee to institutionalize the idea of constantly looking for ways to be effective and efficient and to cut costs wherever possible. The body was formed and it is under the leadership of Dr. Deborah Arfken. Every department was asked to think seriously about how they do their jobs and how those jobs could be done better with less cost. So far, 250 ideas have been received. Items ranged from turning off the lights to going to a full year with three (3) equal semesters. Suggestions ranged from modest savings to significant ones.

One of the items is not a brand new initiative but one that has been remarkably successful and will continue to be. It is in the area of energy efficiency. The last few years all have seen energy costs go up significantly while state funding has declined. TVA has had some rate cuts recently and that will help all of us. A few years ago, UTC started to automate the building controls in such a way that the use of heating and cooling was reduced by a dramatic amount.

Another idea was simply to discontinue the luncheon that is provided to our faculty and staff to welcome them back to campus after the summer. It was the faculty and staff that came back and said that the campus could no longer afford to do the luncheon and so it was eliminated. So they took seriously the idea of looking for every dollar that can possibly be saved.

He then discussed the broad based review of campus positions. Succession planning is particularly being looked at in areas where important retirements are going to take place so that UTC can move seamlessly through the personnel process.

Trustee Wharton asked what metrics were being used to point UTC in the direction of these changes. Chancellor Brown said that foremost, metrics from the THEC Peer Set have been used. Additionally, data published by CUPA (College and University Professional Association) was used. They publish extensive metrics regarding staff sizes, salary levels, etc. Within the institution, Provost Oldham has put together metrics for student hours taught per fulltime faculty member of a department. That is the kind of comparative data that helps garner internal equity information from department to department to show which departments are making the most use of their faculty in producing student credit hours. That is something that must be looked at closely. The music and visual arts departments may only be working with a few students in a particular study. Whenever it makes

sense, metrics from department to department are used. UTC will show the average from the college, the average across the University and then the department heads and deans will be asked to explain why their colleges are different from those averages.

Trustee Horne asked a question directed to UTC and UTK regarding the size of the initiative for distance learning at their campuses and commented that it should alleviate some overhead. Chancellor Brown agreed that it can reduce overhead and that they are not doing enough. Trustee Horne added that a focus is needed because it would tie in nicely with Senator Alexander's three-year program. Some students do not want to spend four or five years getting a degree and some would like to be able to graduate within three years. Chancellor Brown said that he and Chancellor Cheek had not compared notes. He went on to say that it is a viable delivery model; some students will be adults returning to college after many years and will not have the freedom to come to campus or be a resident. Many of the UTC population, much more than Knoxville, are working students. Clearly, they need this kind of convenience factor in order to be able to move toward a career. Trustee Horne agreed and said it needs to be pursued. Dr. Brown noted that a few graduate programs are offered totally online.

Trustee Gallimore asked if any historical data was available going back ten years showing the ratio of faculty to students and also the staff ratio. In order for any organization to be successful it needs to be able to scale efficiently. While looking at other organizations' metrics the University needs to look at the growth inside its organization and its efficiency. Chancellor Brown asked Dr. Arfken to report what information is available regarding those metrics. Dr. Arfken explained that there is a wealth of historical data under the Provost's home page on UTC's web site and titled Department Profiles (<http://www.utc.edu/Administration/PlanningEvaluationAndInstitutionalResearch/DepartmentalProfiles.php>). It shows every academic program and provides detailed information over a period of years, how many students were in the program, how many graduated and what the teaching profile looks like. Trustee Gallimore asked if the support staff was included and Dr. Arfken replied that she believed that information is included.

Trustee Loughry referred to the accreditation being within a two-year framework and asked if there were areas within the campus going through the peer evaluation. She asked Chancellor Brown to address how that experience provides data. Chancellor Brown said that within the College of Business, Nursing and Education, the specific discipline accreditation bodies have gathered national statistics on what these

departments and courses need to look like. They enforce their own standards regarding preferred faculty/student ratios and support staff. Trustee Horne noted that as the money dries up some of the metrics will shoot up or down and it may not be a static thing.

Trustee Anderson asked how much stimulus money UTC is receiving. Dr. Richard Brown answered by saying this year UTC will receive approximately \$10.2 million and then another \$11.8 million the following year so altogether around \$22 million. Trustee Anderson asked if time should not be spent figuring out how to replace the \$10.2 million and Dr. Brown said they are working on that. Chancellor Brown said that one of the ways is by continuing to bring down the utilities costs. UTC has saved those costs on an annual basis since fiscal year 1998. By far, this is the largest and most dramatic area in using efficiency measures to cut operating dollars. Trustee Horne and the President agreed that they are going to the Tennessee Valley Authority and speak to President and Chief Executive Officer Tom Kilgore about getting a better contract rate for the University of Tennessee. Chancellor Brown mentioned that Trustee John Foy sits on the EPB Board which is the local municipal board and knows a great deal about this subject. Trustee Loughry asked if a date had been set for this meeting. Trustee Horne said that he would go himself if need be but Dr. Simek said it was going to happen.

Chancellor Brown explained that the next suggestion was to review positions. It is true that we need to make sure that we are correctly sized to fulfill the mission. We will continue to pursue these departmental profiles and find additional and better metrics to measure if we are succeeding.

Chancellor Brown noted that the next suggestion was regarding printers. It seems insignificant until you realize that there are thousands of printers across every campus. For many years, it was true that every staff and faculty member felt they had to have their own printer. We are learning that it is not the most efficient way to proceed. Three years ago UTC contracted with Icon Corporation to centralize and manage the printers with an estimated savings of \$50,000 just on network printers and reducing the costs of toner cartridges for desktop printers.

Chancellor Brown proceeded to the next suggestion which is a relatively small savings of \$20,000. Traditionally, three (3) commencement services have been held on this campus. The August commencement is one that the Faculty has thought for sometime could be eliminated. We consulted with the Executive Team, faculty and students and have determined to phase out the August

commencement beginning with August 2012. August 2011 will be the last planned summer commencement unless the Board does not approve.

Chancellor Brown then brought up the welcome back luncheon for faculty and staff in late August. He thought it was well worth the \$18,000 but the faculty and staff said that it could be eliminated to economize. The luncheon was not held in August 2009.

The next suggestion related to the number of computer labs. We are now able to network and link computer labs so a redundancy of labs in every building is too expensive and inefficient. We are reducing the number of labs and still maintaining coverage of our students and their needs at an optimal level.

Finally, UTC has a regional tuition discount approved by the Board. Because of the success at the Junior/Senior undergraduate level we are actually achieving some new revenue. We are hopeful that the Board and President's decision to support the expansion of that program to our graduate students is going to achieve a net revenue gain. It has been discussed that there will be economic improvement by having students graduate and stay in the state. We believe that is also true for the students that live two miles down the road in North Georgia. Many of them are going to get their graduate degrees and stay in Chattanooga. They will pay taxes in Tennessee and build up the economy in the state. We are hoping to demonstrate to the Board in the next two years that this program in itself will become a revenue center for this campus.

Trustee Horne brought up Trustee Anderson's question regarding the full cuts to be made after the stimulus money runs out. He questioned whether what was presented is on top of that and Chancellor Brown said yes. He went on to say that 95 full time positions have been eliminated. Trustee Horne asked how much that totaled and Dr. Richard Brown replied over \$8 million. Dr. Rogers asked Dr. Brown if additional employees that are on the two-year funding in positions will go away at the end of the two years unless natural attrition occurs. Dr. Brown said they expected natural attrition to allow some positions to go away. A great deal of the stimulus money is being spent on the part-time instructional budget and as the Provost resizes the Institution it will be looked at over the next two years. We have a good assessment and good planning in place and should be able to meet our goals. Trustee Horne said that tuition has increased 112% over the last few years and asked Dr. Brown how the students feel about the increases. Chancellor Brown said that UTC is still in the middle of the pack with its Peers in the cost of attending school. It is an impact on students for

accessibility but all of the University of Tennessee campuses are an incredible bargain in higher education; however, UTC clearly has students that are on the margin of affordability that will be impacted by every tuition increase.

Trustee Wharton asked if UTC is working hand-in-hand with what Chief Information Officer Scott Studham is doing. Chancellor Brown answered yes and clarified that they want to have a consultant to come in and discuss the way UTC has divided its functions into academic and business. We want to know if that is the best organizational arrangement for IT but in every case we will have the System IT Plan in front of us to make sure that no matter what we do is in concert with the CIO's plans. Trustee Anderson asked if the consultant was a UT person. Chancellor Brown replied that they are currently looking at the Gartner Group, national consultants on the use of IT. Trustee Anderson then asked if there was that kind of talent within the UT System. Dr. Brown said that would be part of the IT presentation.

Vice Chancellor Brown began by saying he wanted to present slides that would give an overview of IT at the campus level and the fact that we all are working collaboratively with CIO Scott Studham on the overall University of Tennessee IT Strategic Plan. CIO Studham has visited all the campuses to begin an internal assessment of the IT program as a part of his broad overview of the entire IT program. We are looking at a campus strategic plan as well that will gauge IT from 2010-2015 and is in-line with what is being done with the overall program.

The requirement for this plan is looking across teaching and research service as well as administrative support units and governance. To get back to this process we want some idea of where IT should sit. We think that IT will drive the effectiveness and efficiency for the University in the years to come whether we are doing administrative, teaching or on-line services. The IT infrastructure will be critical to that as we move every campus within the UT System forward. We needed two executive sponsors for this assessment and Provost Oldham and I will work collaboratively with administrative and academic folks during this process. The Committee co-chairs are Dr. Karen Adsit, who is the guru for teaching and learning on the campus, and Monty Wilson who is the CIO for the UTC campus. The Committee members consist of key players recommended by the Dean's Council, Provost's office and the Executive Team here at UTC to get the review completed and coordinate with CIO Scott Studham. We are already on our way in the timeline. We are finishing the RFP now and hoping that it will go out sometime in January and by March the Consultant work will be completed if all goes well. In April we hope these findings will be ready

and be folded into the University's Strategic Plan and budgeting process July 1, 2010. The new Banner Information System is being installed with UTC being the first to be brought up. Communication and network infrastructure are key, as well as technology support.

Learning Systems such as Blackboard are integral to on-line education. Card Accessing, Library, Housing, Engineering, SimCenter Research and Academic and Research Computing Services (ARCS) all go into what we call distributed IT but has an impact on the entire Institution. Trustee Loughry asked if we are looking at electronic text books under any of these categories. Vice Chancellor Brown said that they will be looking at that and integrate that notion into IT Services on the administrative side. Most of those come through the book store and are outsourced services but will be looked at. Trustee Loughry then asked which of the categories would the electronic text books come under. He replied more than likely Monty Wilson's shop has those but would imagine Karen Adsit could have under learning programs because she is active in that process.

Vice Chancellor Brown reported that the campus is looking for a planned strategy and partner with all IT administrators and organizations. IT should be operated to provide effective, reliable, scalable, robust IT services as we move forward in the next five years. Our action plan says we will include effectiveness and efficiency and collaborate with all customers to establish a governance process. We feel like a strategic plan is needed for all of IT. Every UT campus must work to benchmark these particular numbers to get at real data, real numbers and assessment information.

Looking at the IT features on this campus, growth has occurred. You will also find that at Martin, Memphis and perhaps at Knoxville. For the past five years on this campus IT continues to drive demand. There has been a 26% increase in teaching podiums in classrooms. These are tools that faculty use to access the internet to deliver on-line quality services and drives costs. Wireless access over the past five years has increased by 94.7% on this campus. In 2004, there were only twelve (12) wireless ports and today there are 228. Students will tell you that they want more ports for the flexibility of sitting out in the courtyard accessing databases from a wireless position. That is the standard today – if they want it you have to produce it. The issue becomes: can it be done as a centralized system or can we control those costs by economy of scale? Internet Bandwidth is the pipe that drives the access that data flows through. Two kinds of data exist, one is administrative data. I can wake up and have budget information in real time in order to run the campus every day. Second is internet access and it consists of everything from downloading computer files

to research in the library. This campus has increased bandwidth 85% in five years. We have gone from 30 MB to 200MB and the Internet 2 access at 1 GB. This access has been driven largely by the UT System and we thank the System for that. This is good for the campus because it allows us to do business in an efficient way. In order to run data you have to have a pipe big enough to let the data flow through. The demand is still there and growing. Those are red flag cautions we should be aware of.

In 2004, there were 14,915 e-mail accounts and today there are 21,623. That is a 31% increase and it is still growing. The issue becomes do we go to Google Mail for students to off-load some of that or is there something that can be done on all campuses. That is the challenge that we have put before CIO Studham. What do we do about e-mail accounts and administrative e-mail? We live with it every day but can we flow it to Google or some other types of innovation. These are the challenges.

The number of computers on this campus has increased by 23.3%. In 2004, there were 3,513 and in 2009 we are dealing with 4,410 and that number is still growing. By the way, a large part of our stimulus funds are being looked at to upgrade our technology for both faculty and staff. We are replacing technology very quickly now to make sure every faculty member and every administrator has an efficient computer in their hand as we move to the next three years. At the end of this process when operating funds fall off we are hoping that technology will be at a peak. Now, we are working on how to determine that and what is the economy of scale to be driving that for the System. We are making sure that we are spending these dollars wisely.

We have struggled with telephone lines over the past ten years. Who should run the telephone system? UTC runs a small in-house system with almost 3,000 telephone ports and Knoxville has a machine that has almost 10,000 ports on it. We need to determine if this is economy of scale. Does each campus need to run its own phone system or should that be centralized but give each campus the flexibility to have its own identity and that it doesn't fail? Those are some of the issues that need to be reviewed going forward.

The UTC campus has 18,404 wired network ports. That is a 45.8% increase in four years. How many ports do we really need as we bring on new facilities at a cost of \$300 per port? Is there a way to control that particular access?

Over the past five years we have not added any additional IT staff. We have discussed the growth in the IT areas but there has not been a growth in staffing levels. Generally, the students' supported technology fee pays for over a third of the IT staff. If it weren't for the students' technology fee our campus would be at a deficit in terms of spending. This cannot sustain going forward as we look at controlling the real cost of education. Without having an increase in IT staff in five years how do we get economy of scale? Certainly, moving forward it will require hiring more people.

When you look at the campus funding growth, the unrestricted side of the house grew some 27%. Over that same period the tech fee grew 28% but the actual additional expenditures in IT were 3%. We didn't put a lot of money in IT on the campus. We are asking for a real five-year strategic plan for IT. These are the things that we are looking for and the campus is driving when we begin to talk about IT at Chattanooga.

One, we want to become customer centered and directed. We do need to get in touch with the customer, the faculty member, and ask how we should be delivering services and what are the real priorities when we are customer centered. Currently, on most campuses we are just reactionary but we need to be proactive. We need to develop a unified governance structure that eliminates silos. We have one on this campus with people operating their own IT division. We need to avoid cost duplication and achieve synergy of management. All of that spells savings. We want to control costs and efficiency of design and systems integration. That is a long way of saying can we do things as a system that lowers the cost for all of us. Do we all have to have IT security or can we do that on a central level or can it best be handled on the individual campus. IT will provide leading edge technology and capacity to support on-line instruction, research systems, administrative systems, and global connectivity. We are a global university and will be competing on a global level. On-line education will become critical for all universities in the next five years. We must have the infrastructure to get that done. UTC does not have the infrastructure in place and UT at Martin has a limited infrastructure. I submit to you that the University of Tennessee needs a broad plan for on-line education that is quality and competitive. Develop also a five year financial plan to support innovation and sustainable growth. This is one of the things that we will ask CIO Studham to look at. We want to make sure that every dollar we invest in IT is a dollar well invested and have good ROI on that particular investment over the next five years. On this campus there is not a dollar to waste and IT is critical. If the System is going to supply it we do not want to spend that dollar

twice because they are all UT dollars and they all belong to the State of Tennessee.

Technology alignment with campus priorities -- we want to make sure that we reduce institutional costs while we enhance services from the IT Division. Long range, our focus is going to be looking at practices, how we apply technology and data assessment. Right now we don't do that well at all across the University. We have a lot of data but that data is not very accessible, does not read well, use well and not user friendly. We want to make sure that data is accessible and has a user friendly component for it to provide business intelligence for us.

Finally, enterprise systems management – many of our systems are there and operate independently but these enterprise systems ought to talk to each other transparently. The whole notion of a University portal system is critical not only to access but competitiveness as we move all campuses forward but especially at UTC. These are issues we struggle with as we move forward.

Vice Chancellor Brown informed the Committee that he had done a SWOT (strengths, weaknesses, opportunities, threats) Analysis on the UTC IT. Some of the strengths are; a talented staff, new fiber backbone, integrated to a degree on some of our systems, we have a student technology fee and the UT System is helping with some core support. Some of the weaknesses are decentralized silo IT functions and we still have pockets of resistance. Those walls must be pushed down and make sure the campus is functioning. He then went on to say that there is no governance structure for decision making and that reflects on him because he is in charge of IT, not all of them. There is really no financial plan going forward and must have that. When saying there is no System leadership it is referring to the notion that we must have a person on this campus working with the CIO in terms of design. When it is not there the campus loses confidence in what it is doing and that further breaks you apart. The opportunities that exist are creating a five-year IT strategic plan. We think there are new revenue opportunities with on-line education. Enhancing teaching, research and student services and creating a sustainable financial plan are all opportunities.

The threats consist of outsourcing of all IT functions. Some systems are sitting back saying let's go to people who know how to do this. The waste of limited resources, decentralization and silos, loss of strategic positioning, continued growth in customer dissatisfaction are all threats that affect IT's success.

VI. **UTK Report on Academic Effectiveness and Efficiency Task Force**—Trustee Horne then asked Chancellor Cheek to present UTK's report. Chancellor Cheek began by saying that he has visited with each Trustee since the June meeting to discuss a Task Force that has been established at UTK for Academic Effectiveness and Efficiency. That work continues but he wanted to share some preliminary recommendations that have been developed by the Task Force. The most valuable resource a university has is the faculty and the courses they teach and the academic and research programs they deliver. This Task Force looks at the very heart of the university academic enterprise. Questions asked include:

- What should be done to improve the current policies regarding dropping courses?
- How can we increase access to bottleneck courses?
- How many hours should we allow a student to preregister for? The concern for preregistration is if the student preregisters and does not take the course they have tied it up during registration and another student may not get that course.
- Should we start tracking courses of students early in their curriculum or majors and if so how? If a student is majoring in engineering and avoids math in the first semester there might be a problem. How do you test the students early in their curriculum so if they decide they don't like calculus they can select another major that doesn't require it?
- What should we do to incentivize throughput? We are completely dissatisfied with our four-year, five-year and six-year graduation rates. It is the best in the state but is not as high as it ought to be. We want to benchmark ourselves as one of the best Universities in the country. So instead of the graduation rate being at 63% it ought to be at 80% at six years.
- We need to have more students graduated at the end of four years. What can we do from an academic perspective to do that? That is important because the sooner you can move students through the educational program—the more you can admit.
- What can be done to incentivize summer school enrollment? We have a huge infrastructure at the University but we don't utilize it very well in the summer.

- What can we do to improve articulation with community colleges and other four-year institutions so when the students come to us they are ready for the university curriculum and can graduate in a timely manner?

These are scenarios that the Task Force has been looking into. Chancellor Cheek asked Susan Martin, Chair of the Task Force to report on preliminary findings.

Provost Martin familiarized the Committee with the Task Force's work. The group consists of faculty, students and appropriate staff who administer some of the most important retention and success programs in the University's Student Success Center, Registrar's office and other support functions. We have been reviewing data and policies in light of Chancellor Cheek's charge to the Task Force. We have arrived at several conclusions. Some of them overarching about the way we communicate with students from the very beginning of our time with them. Others are more tactical and detailed.

She began with the larger concerns first. In talking to students and among ourselves, we realized that we don't send the message we want students to hear at Freshman Orientation. We spend about six weeks in two-day sessions with parents and students discussing academics and life at UT. We have discovered that we probably aren't sending the message we need to be sending which is we want to show you how to use the tools that we have available to graduate in four years. Fifteen hours a semester, 120 hours, and four years--we love you but think you should be gone. That doesn't mean students can't stay longer but four years should be the norm. We are in the process and have been all fall of determining how we can improve the academic component of orientation. There has already been some major restructuring of the time we use in orientation to communicate with students about academics and helping them to learn how to be good users of the tools we have, including the degree audit report system. Also, help them understand the resources that are available to help them plan. Restructuring orientation and developing a unified message about the need to plan for graduation in four years is number one.

Number two, we just had a visit from consultants at the University of Florida who have developed something called Universal Tracking. It is a system which asks students early on to either declare a major or an area of interest and then requires them to make progress semester by semester when they register for courses. So if I, as an engineering major, do not register for that critical math course for example, a hold will be placed on my registration and then I will not be able to move

forward until speaking with an advisor. This is a valuable consultant's visit and there are lots of benefits from such a system that allow you to get students on track early and then monitor their progress. It allows doing it in a way that saves personnel in many instances. It is an automated system but it is very high touch and allows a lot of interactions with students, albeit a great deal in automated fashion. We are very supportive of the notion that the Hope Scholarship should be made available for students during the mini-term and summer semesters. We have spoken to a lot of students about this. To a person, they all agree using their scholarship in the summer would allow them to catch up and would allow us then to begin to plan summer school in an intentional way that will help them catch up. For example, if we know that students are going to need to use the summer to fulfill general education requirements, we make sure that those sessions are heavy on general education courses. It will be a way that students can improve their progress towards graduation and again get out in four years. No matter what they were able to do during that actual academic year, they can catch up in the summer.

We have examined drop policies at several universities and looked at our own. We have found that our drop policy is both permissive and overly complex. It has a lot of hoops to it but students can pretty well drop classes up until the 84th day of the semester. That does not make a lot of sense. We are now in the process of revising a drop policy that will restrict students' ability to drop courses somewhere between two and six courses during the time of their degree. We believe that this will make students more efficient in planning their academic courses and will make them think seriously about their semester course load as well as the decision to drop courses. Different situations arise in which students need to drop courses and we understand that but this should allow us to avoid the situation where we have a lot of excess capacity that is wasted because of students dropping courses.

We are compiling a list of bottleneck courses. These are courses that seem to prevent students from timely progress because they can't get the courses. We will be looking at ways we can reallocate resources in the University or perhaps through the assistance of the Chancellor finding ways to allocate resources such as they might become available towards freeing up bottleneck courses by offering more of those courses during the summer. We are also looking at our room scheduling program and the efficiency with which we use our physical resources on campus. We do schedule courses beginning at 8:00 a.m. even though students may not wish to attend classes at that time; we are open and available and working very hard on the efficiency with which we allocate those resources. I think we will be able to make some good recommendations based on that.

We are revising the way we do advising in the Arts and Sciences Advising Center as well as across campus. We have an advising leadership group that has been working for several years now in making recommendations but we are about to implement some policies which will generate a more intrusive advising policy for students who have either not declared a major or who are in academic trouble within the first 30-40 hours to make sure that they get and stay on track. We are implementing a new model of Arts and Sciences Advising that will give students more satisfaction in their advising experience.

Finally, we are looking at the kinds of information that the Banner System can extract when it is implemented. We do believe that among other things Banner will allow students through its portals to have a much more holistic look at all of the business they do with the University, not only academic planning, and degree audit but also their financial billings. We think Banner will be a powerful tool to help the students plan their success as well at the University of Tennessee.

This is where we are at the end of the first semester. We will begin working hard on implementing some of these suggestions and gaining approval for others. A long list of issues still needs to be examined.

Dr. Simek asked if Provost Martin had any idea how many bottleneck courses there are and if it was a large number. She said yes and Lab Sciences are notoriously the most difficult because of the facilities that are required. It is one of the first places we are looking at real bottlenecks and also at problems with room scheduling to see if there is any way to use the lab resources to allow us to get more students in and out of there. Again, perhaps in some cases we can make use of more in summer session. It is not surprising that many of the basic general education courses that are used for students to fulfill their general education degree requirements fill up very quickly. We monitor them but we do run out of resources at some point in courses such as history, philosophy and political science. In terms of majors, many of the curricula in the College of Communication and Information are also experiencing some bottlenecking. It is an extensive list.

Trustee Carroll asked Provost Martin what the Board needed to do to get the Hope Scholarship funded for summer school. She replied by saying it requires a legislative change and I think we all agree it is something we need to pursue. Dr. Cheek stated that it currently provides the scholarship for ten semesters and that is five years and asked if that is really the right message to send when we are trying to graduate students in four years. We think as the Task Force has

looked at this maybe the Hope Scholarship needs to be looked at and pay for summer school but not a fifth year. We need to use the University's infrastructure more in the summer. We are fully utilized in the fall and spring but drop off substantially in the summer. The University should be more like a business in running at full capacity in the summer. Then it would incentivize students because they could get their Hope Scholarship in the summer as well. Trustee Horne added that is something for our legislative people to work on.

Trustee Horne expressed that it was a good report on graduation and retention and that there would be more advising changes to come. Dr. Cheek noted that the Provost had also mentioned something significant that caused us to look at ourselves from the standpoint of how we orient students. They decided after looking at it that we haven't talked to students enough about what the academic resources are at the University and the idea that you need to be registering for fifteen hours per semester in order to graduate. That is a message that has been coming but I have had one or two Trustees share with me that the message is something more like you should be taking twelve hours. We need to clarify the message. We have learned something and if the Task Force doesn't find anything else that is an important lesson. Dr. Rogers interjected that part of the issue is that financial aid is keyed on twelve hours required for full-time status.

Trustee Wharton told Dr. Cheek that when you come to the Board with a request for differential tuition – it is easier for me to justify something if the cost of providing a discipline is more expensive than others. So if you had information on cost per student or cost per hour for engineering versus English versus math or whatever and you proposed differential tuition and demonstrate that you can't effectively teach these courses at the lower price – you have made your case. Chancellor Cheek informed the Committee that differential tuition will be discussed at the Executive and Compensation Committee meeting in January and then it will be brought before the full Board.

- VII. **IT Report on Cost Effectiveness and Organization**—Chair Horne advised the group that we are attempting to use the CIO position to manage IT and reduce costs. CIO Studham noted that UTC's number one strategy may take a little longer but it is the only one that will fix the core with sustainable long-term results. IT will become a customer centered and customer directed organization. IT has historically done what IT determined best rather than what its customers desire to do. As a result, the customers and faculty have gone out and hired their own staff. There was a question earlier regarding whether or not the strategies were aligned and the answer is yes they are aligned. There was also a question about whether or not there are competencies at

UT to perform an assessment on IT. The College of Business teaches graduate courses in Information Technology so we absolutely do have the resources. That being said, unfortunately we may not be willing to listen to their advice. I strongly support Vice Chancellor Brown bringing in an external consultant to supply a report that UTC needs. The report will probably not have anything too shocking for him in it but an external report will be one that is more palatable to his faculty and staff.

He then noted that he would be consistent with the IT Roadmap slide. The first action item is to fix the core so it is a credible solution. I have identified some challenges inside the core of UT. I am referring to the IT staff that reports to me which is about 40% of the total IT staff at the University. One of the biggest challenges is the staff is defensive and concerned about talking to their customers and they have become insular. There are some skill gaps but nothing that wouldn't be atypical to an IT organization.

The next item is to have customers drive the direction of IT so it is what they need. This is what Vice Chancellor Brown just went over. I do believe that this is the long-term strategy that will work.

The final item is to reduce duplication and increase value from existing IT expenditures. I understand that this is the focus of this Committee and it is the third bullet on the list. We can do a great deal of things to cut costs today but it will hurt us and increase costs long-term if we focus on that today. University-wide operations or the System spends about 50% of the central funding and UTK spends less than 25%. Each campus has its own different struggles. UT Martin has a very well run IT organization. We are looking at UTK and the System more as one integrated organization because of proximities. We are looking at ways to save positions by having one manager of the networking organization rather than having one for the UTK campus and the System when they sit next door to each other. The System and UTK parts answer to me directly. Each campus has been asked to do a local plan.

Today, I am mostly going to speak about the System and the UTK plan. Trustee Wharton asked if this presentation includes a comprehensive requirements definition. CIO Studham said yes and Trustee Wharton replied I don't see it. CIO Studham replied that he will be talking about the process of doing the comprehensive requirements. Trustee Wharton then asked when you do that requirements definition will you send a copy to this Committee. CIO Studham replied that he would. He went on to say that they are not at the point where they have begun the requirements definition because

the customers have not been identified yet and what budget each of them has. For example, if we went to the students at UTK and asked them what their requirements are they would come back with everything under the sun. As of this month, we are the point that we can go to them and say you have roughly \$5 million to spend and this is what you have done in the past, what are your requirements definition for the future?

He presented a project timeline and milestones and noted he would present it again at the conclusion of the presentation. A lot of where we have spent our time is realigning IT with its customers. Following that is making it more strategic regarding their requirements. What are the services that need to be statewide and consistent across the state such as common identities, not necessarily centralized identities but each campus should be able to recognize other campuses' identities. That is critical to be able to share services across the campuses.

Finally, improve budget efficiency and value. This is the process we are going through in terms of identifying and quantifying the costs. We are starting with central and distributed costs and moving through an expenditure review process to locate duplication. Finally having a process where customers have enough control over the IT organization that they don't have to spend more decentralized dollars on IT services.

Progress is being made and there are pluses and minuses each month. The last couple of months have definitely been in the plus column. To my knowledge there are no major setbacks as of last month. The focus has shifted from total IT costs are not fully known that seemed to be the exclusive conversation two months ago and now people are having active conversations about looking at the actual process of going through and identifying duplications and how do we move forward. That is incredibly positive with the energy going in that direction. This is recognition on my part it may not possible to quantify distributed IT costs. We have lots of people that are in IT pay bands that might not be fully doing IT and people that are fully doing IT and are not in IT pay bands. You can't undo arrangements like the phones and everyone has their own e-mail server examples and those kinds of things that are already sunk costs and are sunk investments. We can set the process in place moving forward where we percolate those conversations up to the front in light of really trying to do away with duplications. Our focus is on action and results using a method that will result in sustainable change. That is where I want to make sure that we keep our focus on a long-term strategy. It may not necessarily be what will work this week. Trustee Horne interjected but we are still looking for the big savings like the \$20 million you mentioned earlier,

otherwise we need to stay decentralized maybe. CIO Studham said yes we are looking for an opportunity for big savings and then said he wanted to pull the \$20 million in savings off the table that it was ill advised of him to put a goal out there until it is fully quantified. Trustee Horne said the Committee heard the number and that is the mistake you made but we are looking for savings.

Mr. Studham said this is a “squeezing a water balloon” problem. We have been able to quantify central IT costs to a tune of \$58.8 million. We have not been able to quantify decentral IT costs. I hate to use that term because they were necessary at the time because the central organization was not doing a good enough job. This is where the easy relief costs come from. We have not been able to identify decentral costs yet. It is an ongoing process to refine a method.

Dr. Ken Brown, Executive Vice Chancellor at the UT Health Science Center asked where the \$58.8 million came from regarding the central IT costs. Peter Aamodt answered that it was a number that he captured from a calculation of fiscal year 2009 actual looking at several different funds. It involves everything that is IT plus other core IT Systems such as IRIS. The goal is to try to capture all of the central costs that we have in each one of the units where there are fund numbers that are dedicated to IT operations.

CIO Studham then informed the Committee that he would go into more detail on each bullet point in the IT Roadmap and focus mostly on the second and third ones since that is where the Committee’s interests are. Fix the core so it is a credible solution. He mentioned that he wanted to re-enforce the complexity of the IT environment. For instance, it needs to be realized that the phone system is incredibly interwoven into the IT environment. We are looking at the idea of removing UTK off of an insource student e-mail system and using an external e-mail provider. That sounds like something we should be able to do in a quarter or two. But, the e-mail system is incredibly intertwined. There are many complexities that make these actions complicated to change. With that being said, I am fully confident that we will do things like outsource student e-mail at UTK within the next year.

We have completed the reorganized central IT managers from 40 to 20 and we changed the complete focus of the organization. Instead of a vertically run line organization where each line had its own mission there are now four major homerooms; networking, applications, support, and systems; projects span horizontally across these organizations with customers controlling them. Trustee Loughry asked if the 20 eliminated positions are now working within the campus

organization or are the positions truly eliminated. What is our net? CIO Studham replied that the 20 managers are no longer managers. Many of them are still with the University and have assumed a technical role. Some of the managers were some of our best technical contributors.

Trustee Horne added that Trustee Loughry had a good point. Most large bureaucratic government organizations don't eliminate people they just move them around. Trustee Horne then asked how many people are no longer with IT and CIO Studham said that he has had conversations with ten (10) individuals so far. These are people that are no longer on payroll at the University. There are another 10 plus positions that had vacancies and we closed the positions. That is to date but we have further to go inside the central organization with future budgets. Trustee Horne said that is the unfortunate reality and that all members of the committee know about this subject. Unfortunately you are going to have to do Jack Welch's Six Sigma where you let go some of the lower performers. We have to work on that for the future because come fiscal year 2012, beginning July 1, 2011, we are going to be up against the wall in regards to money. So we must eliminate people that aren't performing that well. CIO Studham said that is a challenge given our current reduction in force policies. Our reduction in force policies are based on seniority instead of using performance. Trustee Horne commented that the policies need to be looked at because it should be performance oriented almost entirely. CIO Studham went on to say that one of the failures in the IT organization was we had not properly documented performance cases. We are currently doing quarterly performance reviews for all IT staff so that performance is documented appropriately. Trustee Horne said that you can eliminate any low performer as long as you document. CIO Studham said that is what we are doing over this two-year period while there is stimulus money. The ones that have been dismissed so far are ones that may or may not have been contributing but that entire organization is no longer needed for the University.

The next critical part is how we are going to get to the process of documenting the requirements to have customers drive the direction of IT so it is what they need. We have been through the process of identifying 100 services that are offered by IT. We have grouped them into eight (8) major categories. The \$30 million or so that exists at UTK and UWA is roughly spent doing these applications (application services, cable TV & telephone services, end user services, IT operations, IT projects, network services, security services, system services). We have gone to all 300 staff that report to me and asked them to allocate by customer and by each one of these 100 services what they spend their time on. We went through each of the expenses and did the same thing. We had a 300 (staff) X 100 (services) X 5

(customers) matrix. This is what we are doing within the IT organization right now. I am not saying this is what our customers wanted us to do but we had to start somewhere.

The first conversation that we have with our customers about what they would like for us to do moving forward will be foreign to them. They are not accustomed to us having that conversation with them and we need to take a list to that includes what we have been doing for them and how they would like to improve that. We spend approximately \$6 million on applications; the central organization of UTK/UWA has \$30 million in central accounts. UTK has about \$10 million in activities and we can now have a conversation with the UTK faculty, staff and administration on what would you like us to do with that \$10 million. We now have a process by which the customer can control what is happening within the central IT organization. That is how we will go through the process of gathering information requirements from the advice of our customers. This is cornerstone to the strategy. We have to get this right for distributed IT staff.

Mr. Studham said we need to reduce duplication and increase value from existing IT expenditures. He then gave examples of actions to date given by the campus IT organizations to identify some of the low hanging fruit. The Institute of Agriculture was able to move from Lotus Notes to Exchange; that not only improves the cost efficiency of IT expenditures at the campus but it also improves the organizational efficiency as well. Vice Chancellor Brown mentioned IT will be cornerstone to improving the efficiencies by having them integrated into the same e-mail and calendaring system as the rest of the University; it will be easier to collaborate, schedule meetings and other sorts of actions. The next example is cost avoidance and not a cost savings. The UT Health Science Center a couple of years ago began the process of using Thin Clients instead of having desktop PCs; it requires less system administration. It is a major risk reduction for the University as a whole because there is so much healthcare information in Memphis. By having these Thin Clients instead of having disc drives on people's desktops they have been able to reduce the overall risk for the University not to mention the \$312,000 cost savings in just hardware. The Health Science Center also instituted some Lean Principles and has eliminated seven (7) staff positions. They have also insourced Blackboard. Many people tend to outsource many things because they think there will be cost savings.

One of the major activities that we are working on at UTK is outsourcing of student e-mail. We are working with Google and Microsoft to allow students an option of which provider they prefer. We are going to work with Microsoft first because it is easier for us to move

from the onsite Microsoft to the offsite Microsoft. Our long-term plan is to support both in their standing. It will consist of two phases one with Microsoft and then what would it cost to have additional support. Trustee Horne confirmed that Microsoft and Google would both be providing at no charge. CIO Studham said that is correct only for students. The \$300,000 that we had to spend and budgeted for \$500,000 is for the faculty/staff upgrade.

UT Chattanooga has been able to make some significant improvements in the implementation of Blades which is changing the way their servers are run. It is one major server that has multiple small servers inside of it. That is good because it improves the overall efficiency of the data center and is significantly less cost to operate long-term. It does require some changes to be made.

UT Martin has implemented GoogleApps for students. It is the first campus to actually outsource their student e-mail. It was done last summer without a major issue.

UTSI over the last couple of months has been able to decommission their internal phone system and utilize UT Knoxville's phone system. Vice Chancellor Brown mentioned earlier that each campus was running its own phone system and that was a decision from years past. It has provided cost avoidance for UTSI to utilize UTK's phone system instead of providing their own. It also provides us the flexibility to use five digit dialing for Knoxville. Trustee Wharton asked if there was any disfunctionality at all with respects to Google or any other exchange for the e-mail system. CIO Studham replied that he was sure there could be some kind of disfunctionality in it but not significant. I think that Martin had to make that decision last year and looking at where other campuses are going now it is more favored to use Microsoft. Trustee Wharton then asked if people at Martin communicated as easily as the other campuses. CIO Studham said yes the students at Martin will not be able to look up students at Chattanooga and Knoxville without an additional step taken by the IT staff. It is not a monumental step and other than that it is a seamless e-mail and one would not know which one they are using.

He then went into the project timeline and milestones and sub-topics. First, Realign IT with its customers – we did the reorganization where we moved 40 managers to 20, moved from a vertical run to a horizontal run organization. The IT Roadmap was released and we begun the process of documenting services our Customers require referred to as requirements documents we call them service level grades. That is where we are right now. The next step is the customer IT plans. Vice Chancellor Brown is in the process of developing UTC's

IT plan. It will be done in a way that it integrates in with the system IT plan. It is a microculture here with different requirements.

State-wide Strategic Systems – the Student Information System is referred to as Banner. Chattanooga was the first campus to go live with Banner. That was presented at the last Board meeting and since that meeting we have had the second milestone of the project which UTK upgraded Financial Aid from Version 7 to Version 8. Knoxville had already provided Version 7 to Financial Aid and to upgrade them to the same level as everyone else was a major task to do. It went off without major events. We did have a half day outage associated with it but overall it was a successful upgrade. It will not give us an automated push where you can drop a student from one campus to another kind of thing but we will for the first time have a truly comparable consistent system across the campuses. It is a lot easier to share information with each other if you are all using the same type of file.

Research Information System – research continues to grow at the University. What we are missing is a push button dashboard for the Department of Defense. How much money we are bringing in from the Department of Energy? Where are the grants coming into the University broken down by colleges? Different people account for the term Research and there are committed dollars, dollars that are pledged by the Department of Energy to do something and they may change their mind. We need an information system that allows us to have a research dashboard. Trustee Horne said that is a great point and do we have a recovery mechanism for revenue versus cost. Dr. Rogers responded yes and the University recovers the allowable portion of the indirect cost. The schedule of Expenditures of Federal Awards is done annually so information is available by minute detail, grant by grant. Trustee Horne asked if the money for the Research Foundation is separate and Dr. Rogers replied yes it is a totally different budget.

CIO Studham proceeded by saying that next time he would like to give a demonstration of the Student Information and Research Information Systems. He added that next summer he would like to show live data from UT and what it will be like when we have those two systems online. Trustee Horne explained that this is a continuing committee and we would love for you to present in the summer. Trustee Wharton said that he thought CIO Studham should be at every meeting.

Identify and justify duplication – Mr. Studham said he had spoken today about how the campuses have accomplished cost avoidance or have been actually able to eliminate some positions or equipment.

There are conversations going on right now about the review of IT purchases. Nobody wants people monitoring what they are doing but we must monitor large purchases of equipment. We need people that have visibility across the entire organization and campuses to sit and review for duplication. It is not to say those people reviewing have veto authority about what the faculty or administration is going to do but it is to say they must have visibility in the process to be able to go back to the purchaser and say it is a duplication. It is the same for IT positions.

President Simek added that this is at the interface between trust and nontrust and history and present. When the central IT function failed, the decentralized units went and took care of their own needs. It wasn't that they were off the page on their own but they had to operate and that is what they did. We have to build a process of trust with a more rational approach. Trustee Horne said we all know organization dynamics working with central staff is a tough assignment. You have to sell yourself and let them know that you will work with them and you are reasonable. CIO Studham went on to say that he wants to demonstrate that trust by letting all know what central IT is spending. When they come back and say central organization shouldn't be buying that thing because we already own one at this campus is something that I want to know about. We want that review to go both ways. Trustee Horne said that you need to have ties to the department heads and deans so that they don't think you only talk to staff personnel. You need to have a relationship with the line managers.

Trustee Wharton asked if there was a trail of all the points of understanding recorded somewhere in the event that something happens to you. CIO Studham said that he had been asked that by the Chair of the Faculty Council. I have four Associate CIOs that work with the customers. Their job is to identify duplication and make sure that we are as efficient as possible. That is what their performance is based on and their job is based on strategy outside the central organization and documented decisions that they make. Each of those four people have the capability of doing this as well as the history of what is going on to keep it going forward.

The next steps are:

- To continue to quantify central and total IT costs so our customers can make informed IT decisions.
- Create process for review (not approval) of IT purchases and new hires to ensure the cognizant manager is aware of existing services.

- Focus near-term efforts on UTK/UWA. That is not to say the other universities don't deserve critical attention but most of the opportunity exists at UTK/UWA and it is well over half the pot. If we can get that ship going in the right direction it will be easier to pull the rest in the same direction. Work with UTK colleges to transition work responsibility of IT staff on stimulus money. It is the responsibility of two of the Associate CIOs to make sure that UTK is going well and eliminate duplications. They go out and meet with the department heads and deans and say you have put John Doe on stimulus money. They then asked if that position is one that you plan on eliminating or is that a function you think the central IT organization should be doing for you. Those conversations are being held right now with delicacy because when the distributed staff sees those individuals going around then they think they are trying to cut their jobs.
- Continue to implement performance management in OIT and consistently improve on quality of IT services. This is the conversation about implementing a performance culture by doing quarterly performance evaluations.

In summary, progress is being made on reducing duplication and increasing value. Realignment of IT organization to "customer driven" is our focus because it is the best way to eliminate costs long-term and reduce them short-term. The IT Roadmap is our strategy on how we will work; we are now at a state where we can hear what our customers want us to do.

Trustee Wharton asked what would be done if we found individuals purchasing things that were not in the future plans. CIO Studham said that we would respond to that individual's chief business officer and advise them and then it is up to the CBO and that individual to set up a meeting with us to work through it.

Trustee Loughry said this is a cultural change at the University of Tennessee. It is very exciting. I have heard "who are our customers" and "what do they want" and "how do we do this in a cooperative method." We are seeing examples of a culture change. Thank you for making it happen. I am not saying that just to CIO Studham but to all of the people in this room. I just happen to think this is a good example and it is very exciting. Trustee Horne said that is a great statement and will make sure that it is in the minutes. That is what we are after is cultural change.

Trustee Gallimore commented that when you are finished with this process you are going to have a big notebook with tremendous data that would be great for a request for proposal. As part of this process,

what are your plans to look at outsourcing bits and pieces? You had said earlier the experience was not good probably because it was not done properly. In order to do it right, I think we may very well find bits and pieces of this that other people can do better. Is this part of your thinking? CIO Studham said that he has a good staff that has made a career out of working at the University of Tennessee. Those individuals are good at their jobs but I am focused on making it as cost effective as possible. There are functions that we do that are true commodities that commercial vendors can do better than we can do. We need to go through a deliberate and methodical process evaluating whether we should be doing those things or not and whether they should be outsourced.

- VIII. **Summary of Measures/Actions Taken To Date**—Chair Horne asked Dr. Rogers to go over the next agenda item. Dr. Rogers explained that the materials include a tabulation of efforts by campus with estimated savings. One column indicates additional non-monetary benefits. So as you read through this you will see things that have been done on individual campuses and things being planned. In some cases you will not see a dollar figure but a “to be determined” notation because it is ongoing. A subtotal is provided for every location as well as a grand total at the end—some \$13 million. The amount of paper that has and is being cut out of the system is reflected in the following pages. A couple of pages list the items where efficiencies have been achieved and in fact speed things up and reduce the handling and generation of paper. Some of this has been done through imaging and more imaging projects are underway.

Vice Chancellor Brown and others have spoken to you about employees being put on what we refer to as stimulus money; that money is going to go away in fiscal year 2012. The tabulation shows some 469 people on these funds at this point. UTHSC has additional people that will be moved to those funds as they work through their plans and most of it is put together. The numbers will grow both in terms of employees as well as the amount. So far this fiscal year for the period ending in November, we have spent \$8.2 million on this group of employees. Projected throughout the rest of the year it totals almost \$20 million. At the end of the year, it will be considerably more than \$20 million because UTHSC will add their numbers. The amount includes money that has been used for employee buyouts and those are noted by the asterisks on the Experiment Station, Extension and UTSI. Those positions will be gone at the end of the stimulus period or there will be turnover where some of those people will still have a job. The natural attrition will in effect be the job that is gone.

IX. **State Revenues/Appropriations Reductions**—Dr. Rogers informed the group that the State is still facing financial difficulty; therefore difficulties face the University. The red barred graph shows how far the actual revenue is below the budgeted revenue within the state's general fund since April 08 up through current. Every month it has been below and in some cases significantly below. When you see April falling that far below it is a real problem because it is the state's biggest month. The purple barred graph shows a two-year look. Rather than looking at how far behind we are with 09 base—this graph looks at the cumulative effect against the 08 base. That is the base that the federal government used for the states to add money back in what was called Maintenance of Effort money to restore states' budgets in higher education. This is the period where the state is really behind and therefore when we get to fiscal year 2012 which begins July 1, 2011 the excess is in the amount of \$112 million that will be out of the whole system. That is what we have to be prepared to handle.

He then went over a chart that shows by location and by year what that difference is of the distribution of those recurring cuts. We had the money replaced in 09, 10 and in 11 through the Maintenance of Effort money but that money all goes away in fiscal year 2012. That is a big chunk—we started out in the neighborhood of \$500 million and we are going to be under \$400 million when we get to fiscal year 2012 in recurring state appropriations. Trustee Horne said we have talked about this before but do we have an idea of how we are going to accommodate that? Dr. Rogers said yes and that is what all these cuts related to. This information shows you by campus. In fiscal year 2011 column there is another \$25 million that is coming out and equals 6%. The rest of the state's agencies are looking at 9%. Additional information shows what the base appropriations were and that is the raw base coming from the state.

Finally, a ten-year history is provided by campus that the Chair asked for on tuition and mandatory fees. The fees are separated from the tuition so that you can see the effects of pure tuition and also the mandatory fees totaled. That is what the Chair referred to earlier a 112% change at UTC over that ten-year period. That is a lot of information but is the basis for the plans that we have to make.

Trustee Wharton asked if we had completed the detailed list of deferred maintenance on buildings, equipment, etc. Dr. Rogers said that he had just reviewed a draft earlier in the morning of the first Phase of that and will be sending it out to the Board very soon. Trustee Wharton then asked what the ballpark estimate was. Dr. Rogers explained that this part won't have numbers on it but a best

that he had just reviewed a draft earlier in the morning of the first Phase of that and will be sending it out to the Board very soon. Trustee Wharton then asked what the ballpark estimate was. Dr. Rogers explained that this part won't have numbers on it but a best guess would exceed \$½ a billion. Trustee Wharton asked if it was all deferred maintenance. Dr. Rogers said no, it was not all deferred maintenance. Generally, deferred maintenance indicates undone critical items. This is a full blown maintenance list. Things that need to be done but not all are critical. A list of items totaling over \$50 million will be submitted to THEC and the State Building Commission where we will actually be able to use a portion of the ARRA federal stimulus money to address many of the projects campuses see as the most important maintenance issues. That is real helpful when we can address some of the maintenance issues – we can't use it for capital improvement – but we can use it for capital maintenance. Trustee Wharton said so it is a drop in the bucket. Dr. Rogers said these are things that have to get done.

Trustee Horne explained that the Board members are not paid any compensation or expense money. The next meeting will be at the Institute of Agriculture.

- X. **Other Business**—Committee Chair Horne asked if anyone had any other business to discuss; none was noted.
- XI. **Adjournment**—Committee Chair Horne adjourned the meeting at 3:30 p.m. EST.



Charles M. Peccolo
Treasurer and Chief Investment Officer/
Acting Chief Financial Officer