

**MINUTES OF THE COMMITTEE ON
EFFECTIVENESS & EFFICIENCY FOR THE FUTURE (EEF)
THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES
OCTOBER 18, 2008**

The Committee on Effectiveness & Efficiency for the Future (EEF) of the Board of Trustees met at 3:00 p.m. EDT, Saturday, October 18, 2008 in the Fourth Floor Conference Room of Andy Holt Tower in Knoxville, Tennessee.

- I. **Call to Order**—Mr. Douglas Horne, Committee Chair called the meeting to order.
- II. **Roll Call**—Chairman 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
Andrea Loughry, Committee Member
John Petersen, President
Charles Wharton, Committee Member

Absent

Jim Murphy, Vice Chair of Board
William Carroll, Committee Member
Crawford Gallimore, Committee Member

Also present was Senior Vice President and CFO Gary Rogers, other members of staff and BearingPoint consultants. The names are listed below:

Chris Cimino, System Staff
Karen Collins, UTK Staff
Hank Dye, System Staff
Katie High, System Staff
Meredith LeCroy, System Staff
Ron Maples, System Staff
Susan Martin, UTK Staff
Mark Paganelli, System Staff
Butch Peccolo, System Staff
Geoff Harkness, BearingPoint
Gautam Tulsian, BearingPoint

Chair Horne asked Dr. Petersen to share any comments with the Committee that he had regarding the EEF initiative. Dr. Petersen informed the group that in the most recent 10-year history of the University three cycles of budget and appropriation cuts have occurred similar to what we are experiencing now. He noted that these cycles

took place in 1998, 2001, 2003 and now we are experiencing a similar situation in 2008. He explained that the call for saving resources and identifying areas for improvement is nothing new.

Previously, the University encouraged ideas from employees and there was a response of 600 or so. We are now looking at the University's effectiveness and efficiency from a strategic point as permanent improvements to avoid the negative affects of fluctuating funding cycles. All staff are encouraged to be a part of this solution.

Approval of Minutes—Chair Horne called for consideration of the minutes of the September 29, 2008 meeting and any corrections or additions to the minutes. Ms. Andrea Loughry offered an addition to the minutes in order to reflect her request to research systems similar to the University of Tennessee to identify any other long-term programs initiated to improve effectiveness and efficiency, such as the University of Maryland, which is the recognized leader in such efforts. Final review and approval of the minutes was deferred until the next meeting of the Committee.

Before moving to the next agenda item, Chair Horne took the opportunity to suggest that past actions taken by Robert Berdahl, previously President at the University of Texas at Austin and later Chancellor of the University of California, Berkeley, may be applicable to UT's situation. The Chair also suggested looking at actions taken by Mark Yudof, currently President of the University of California system and previously Chancellor of the University of the University of Texas system. Both are known nationally as innovators and recognized leaders on issues facing higher education.

- III. **Review of Appropriations for FY 2008-09**—Chair Horne asked Dr. Gary Rogers to present the information regarding appropriations for FY 2008-09. Dr. Rogers reported that the education and general budget had been reduced \$21 million at the beginning of the fiscal year and an additional \$17 million reduction is now required as a result of the State's rescission of funds. A schedule of the State's receipts over the past 12 months reflects a revenue shortfall of approximately \$600 million with no signs of improvement in the immediate future. The shortage underscores the State's difficulty in funding higher education and the importance of the Committee's work as the University faces tough financial conditions.

Trustee Loughry noted the anticipated changes in student population demographics. She stressed that the national trends should overlay with operating budgets and the thought process should be on long-term planning and objectives.

Dr. Rogers reviewed capital appropriations, which also decreased in this current fiscal year budget, and noted that no capital outlay dollars

are anticipated in the 2010 budget. The Biofuels and Cherokee Farm initiatives were approved in the budget for FY 2008. Dr. Rogers stressed that operating and capital dollars would likely be at a minimum for FY 2010. Trustee Anderson asked if FY 08 capital money had to be spent or could it be reallocated for other projects. Dr. Rogers explained that state-funded capital projects are appropriated project-by-project. The Legislature acts on the Governor's budget recommendations; then, projects go before the State Building Commission. President Petersen added that after July 1 architects and engineers are assigned to begin the design process.

Trustee Loughry stated that she thought Trustee Anderson's question and ideas about reallocating monies was good. She suggested that during the budget reduction process we need to carefully reallocate monies to better serve the mission. Dr. Rogers advised that the campuses could defer or reallocate approved self-funded capital projects that have not been started. Dr. Petersen added that the campuses could have priority changes but can not move debt between projects, only cash.

Dr. Rogers explained that self-funded capital projects are financed either by revenue generated from the project, student fees or cash reserves. Identified revenue streams from projects and fees collected from students can be used to support debt payments on bonds issued by the Tennessee State School Bond Authority. Capital projects such as athletic facilities, residence halls and other improvements can be self-funded in this manner. However, adequate revenue to service the debt must be identified before commencing a project and issuing debt.

Dr. Rogers then explained the Budget Timeline chart by saying that the University and Board of Trustees deal with three years of budgets at a time. All decisions move into the future budget years based on FY 08-09 ramifications.

Trustee Horne asked Dr. Petersen if he felt that we have a good handle on the current budget situation. Dr. Petersen stated that temporary dollars needed to be identified and found, but that it won't take care of the budget cuts. He stated that we must handle solutions to budget cuts in a permanent fashion and it is a lengthy and complicated process. He mentioned that Susan Martin, Provost, has worked all summer engaging constituents, etc. to find ways to lower costs at UTK. Dr. Petersen informed the group that the State was not expecting more tuition increases.

Trustee Loughry asked Dr. Petersen how the system and campus administrations are handling the latest cuts. Dr. Petersen replied that the system administration does not dictate where the campuses make their budget cuts. The President advised that the system supplies

support services such as IRIS, IT, HR and that those services would not be cut.

- IV. **Discussion of EEF's Draft Indicators and Measures**—Trustee Horne emphasized that the reason the Committee uses the word effectiveness first in the Committee's name is because it means doing the right things. He stated that preserving the academic core of the University was the goal. Trustee Horne mentioned the good guidance that the University of Maryland offered the group that visited there in September and the fact that they call their indicators and measures the Dashboard Indicators. He then asked Dr. Rogers to lead the discussion on the draft Indicators and Measures and asked that the Committee suggest any items they wanted added to the list.

Dr. Rogers informed the Committee that Maryland's indicators, UT's scorecard and ideas presented at the last EEF meeting had been incorporated into the current draft Indicators and Measures that will be presented at the Board meeting next week.

Trustee Loughry stated that even in tough times that the University of Maryland's E & E Initiative had been getting good press through the Chronicle of Higher Education.

Trustee Wharton commented that the indicators and measures will only be useful if target and performance values are determined. He called for numbers of staff ratios, students and teachers by department and campuses in order to make comparisons. Dr. Rogers commented that Mr. Wharton was correct and that creating the indicators and measures was the way to start these conversations. Trustee Wharton warned that the financial situation is precarious and that how the University is spending the money has to be understood.

Dr. Petersen told the group that institutions have norms such as class sizes, adjunct teachers, etc. The teachers also produce publications and research that bring in money to the University that shows their productivity. There are standard numbers that are readily available on most campuses. Katie High, Chief of Staff and Dr. Petersen advised the group that we have an Institutional Research department that tracks those numbers along with IPEDS and THEC.

Trustee Horne stated that we need to use the measurements down to the lowest common denominator and Dr. Rogers stated there should be a great deal of information behind each indicator item. Trustee Anderson asked if we are using the University of Maryland's Dashboard Indicators as a template. Dr. Rogers replied yes.

Trustee Horne said that through working with the staff and administration at Maryland and UT we have learned that this process has to be a continual effort from here on out. It is not just a one time

fix. As in Maryland, once the Legislature sees that the Board, administration, faculty and other constituents are all working together to make the University more efficient there will be greater likelihood that more appropriations will be allocated to the University.

Trustee Loughry noted that when the University of Maryland was faced with a critical situation they had to start from scratch and she complimented UT's staff and administration for being ahead of the curve in the process. She commented that the Scorecard that would be presented at next week's Board meeting had one year of some of the information which had already been measured.

Trustee Loughry added comments to indicators and measures number 14 that many national programs are needs and not merit based programs. Access needs to be included as part of the mission.

Chair Horne confirmed that the draft Indicators and Measures are a living document and could grow and change with each meeting. He noted that Trustee Bill Carroll was unable to attend the meeting due to a prior commitment; however he raised the question of whether or not a hiring freeze (positions other than emergency or critical to the mission) would be an action item. Dr. Gary Rogers informed the group that there had been a teleconference with all the Chancellors and Chief Business Officers advising them of the budget cuts. As of now, there has not been a directive given regarding a hiring freeze. Trustee Wharton stated that he would be reluctant to support a hiring freeze and that some flexibility is needed in critical positions. Dr. Petersen added that an administrator should base their approval plan (after cuts) on the necessity of hiring personnel to accomplish the mission and that he does not feel a directive is necessary.

Chair Horne asked if there was a possibility of areas to outsource and whether or not voluntary reductions like the State had initiated had been considered. President Petersen stated that the campuses would have to evaluate instituting reductions in workforce. He noted that the State had selected positions that were included in the voluntary reduction initiative. Mark Paganelli, Executive Director of Audit and Consulting Services mentioned that some campuses, UT Martin for one, are consolidating some areas.

Trustee Wharton questioned how many faculty had been replaced with non-tenure track teachers. Susan Martin, Provost, UTK explained that UTK has approximately 1,000 tenured faculty members. Trustee Wharton asked what percent of our courses were taught by non-tenured staffed. Dr. Petersen told the Committee that more than 55% of UT's staff is tenured. There are temporary staff teaching heavier course loads, but they generally do not have to do research or serve on any committees.

Trustee Loughry asked if there were any projections on tenured faculty that would be retiring. She stated that some portion of the retired faculty members come back to teach in some capacity. She questioned whether there could be reallocations over the next five years depending on projections. She noted that this matter is a moving target but there is a need to have some kind of analysis. Katie High, Chief of Staff, said that there is an age profile that is done. She also stated that there is not a cap for retirement age on tenured faculty. She told the Committee that it is necessary not only to look at the academic specialty but also the salary of the professor. In lots of cases it is more expensive to bring in a new faculty member rather than retaining the faculty member in place.

Trustee Anderson questioned whether or not the indicators would be able to show whether or not enrollment has been affected over the years by a decrease of appropriations. He noted that appropriation per student is going down which is 35-40% of the budget. Dr. Rogers noted that an analysis of the trends in declining appropriations and rising tuition may be revealing compared to enrollment trends.

Trustee Wharton asked if there were numbers for online courses or any other learning that did not require sitting in the classroom. Trustee Horne commented that all of these issues, suggestions, etc. should be noted and considered.

- V. **Discussion of Potential Content for Committee Website**—Chair Horne asked Hank Dye, Vice President for Public and Government Relations to update the Committee on the Committee's Website. Vice President Dye stressed to the Committee the importance and awareness of the Committee's work. He said that his group had developed a communications plan.

A news release will be launched on Monday, October 20 introducing the Committee and its mission, and seeking suggestions via the Web site. All will be encouraged to submit ideas for improvement. All ideas and correspondence will flow back to the Senior Vice President and CFO, Gary Rogers. Vice President Dye stated that this is a dynamic way to get people involved as a member of the UT family. The Web site page will have an image for Savings Ideas. Included will be a link to an online method for the anonymous submission of comments and suggestions. A summary can be tracked through the e-mail process to share with Committee and Chair.

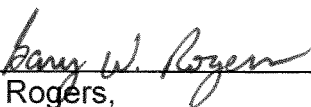
Trustee Loughry referenced the Association of Governing Body's Delta Project regarding reallocations being a major source that is already embedded and can automatically be savings. She stated that any kind of ideas to make us more effective is welcome. Trustee Loughry did stress that the Committee's purpose was not just about cost cutting that it is much more extensive than that. It is a change of culture.

Trustee Wharton questioned whether or not timelines would be included and whether or not it was necessary for the EEF Committee to have a budget. Trustee Loughry suggested possible incentives for folks with suggestions that save the University money. Trustee Horne also suggested a plaque from the Committee for those that submitted outstanding suggestions.

Trustee Anderson questioned student attrition and whether or not there were numbers that could be identified. Trustee Loughry informed the Committee that attrition is addressed and reported at the February Board meeting. She did note that Bonnie Yegidis, Vice President of Academic Affairs and Student Affairs should make a report to the new Board members regarding this subject.

Trustee Loughry mentioned the need to meet with the various student and faculty groups.

- VI. **Schedule Next Meeting**—Trustee Horne told the Committee that he felt it was necessary to meet every 4-6 weeks. After discussion, it was decided that the Committee would try to meet near Thanksgiving either in Knoxville or Nashville. Chair Horne stated that suggested meeting dates would be sent out to Committee members to check availability and schedule the meeting date.
- VII. **Other Business**—Chair Horne asked if there was any other business. Trustee Loughry mentioned the fact that Vice Chair Murphy was not at the meeting due to emergency eye surgery on Friday. Additionally, Committee Member, Bill Carroll was at a Federal Reserve meeting and could not attend the meeting.
- VIII. **Adjournment**—No other business was brought before the Committee. Chair Horne adjourned the meeting at 4:30 p.m.



Gary W. Rogers,
Senior Vice President and
Chief Financial Officer