

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

June 6, 2008  
Nashville, Tennessee

The Executive and Compensation Committee of the Board of Trustees of The University of Tennessee met at 1:00 p.m., CDT, Friday, June 6, 2008 in Nashville, Tennessee, at the offices of Waller, Lansden, Dortch and Davis.

**I. CALL TO ORDER**

Andrea J. Loughry, Chair, called the meeting to order.

**II. ROLL CALL**

Catherine Mizell, Secretary, called the roll, and the following members were present at the meeting location:

Mr. William Carroll  
Mr. Spruell Driver  
Ms. Andrea J. Loughry  
Dr. John Petersen  
Mr. Don C. Stansberry, Jr.

The Secretary noted the presence of a quorum at the meeting location. The following members participated in the meeting by telephone:

Dr. Rhynette Hurd  
Mr. James L. Murphy, III  
Mr. James L. Wolford

Each Committee member participating by teleconference could hear and be heard by each member of the Committee. Each confirmed that no one else was present at the location from which they were participating in the meeting. The Secretary noted that because members of the Committee were participating by telephone, all votes taken must be by roll call.

Also in attendance at the meeting were Trustees Charles Anderson, Anne Holt Blackburn, John Schommer, Bob Talbott and Charles Wharton, Senior Vice President and Chief Financial Officer Gary W. Rogers, Vice President for Public and Government Relations Hank Dye, Chief of Staff to the President Margie Nichols, representatives of the media, and representatives of various groups supporting the Department of Audiology and Speech Pathology at UT Knoxville, including the department head, faculty, graduate and undergraduate students, users of the department's clinical services, and donor organizations. Also attending by telephone were a representative of the Associated Press and Karen Collins, Director Media Relations for UT Knoxville.

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

The Chair called for any corrections or additions to the minutes of the May 8, 2008 meeting of the Executive and Compensation Committee. None being noted, Mr. Driver moved approval of the minutes. Mr. Stansberry seconded. The Chair called for a roll call vote, and the motion carried unanimously.

### **IV. DISCUSSION OF FY 2008-09 APPROPRIATIONS AND POTENTIAL TUITION/FEE CHANGES FOR FY 2008-09**

The Chair stated that the purpose of the called meeting was to discuss 2008-09 appropriations and potential tuition/fee changes for 2008-09. She stated that the Board is charged with voting on student fees and tuition in June and recent reductions in state funding necessitate critical decisions by the University. The Chair called an Executive and Compensation Committee meeting because each Committee of the Board will be affected by the decisions. She then recognized President Petersen to address the subject.

Dr. Petersen stated that with the downturn of the economy, the Governor rescinded FY 2008 money from other state agencies but not from k-12 and higher education. By the end of the session, however, a \$55.8 million cut to higher education budgets was required. The University's share of that cut was \$21.2 million. In discussions with the Governor, the administration determined not to put the entire burden of the budget reduction on parents and students. Instead, the proposal is to reallocate internally and hold the tuition increase to 6%, the same as last year.

Models of 4% to 8% tuition increases were reviewed. At 7.5 % to 8%, the operating budget would be near last year's level before inflation. At 6%, it would be below last year's levels. Various tuition models are included in the meeting materials. The 6% recommendation negates over 50% of the budget cuts but does not include increases for inflation or general salary increases.

Dr. Petersen noted that nearly 50% of the budget is allocated to non-formula units, such as the Health Science Center, IPS, and parts of the Institute for Agriculture, in which tuition is not a substantial portion of the operating budget, and therefore, these units cannot replenish cuts to their budgets. Even though the University's cuts average 4.1%, only 2% was assessed to non-formula units, 5.7% to formula units, and 4.1% to administration.

In response to a question from the Chair, Dr. Petersen stated that the decision to remain at a 6% tuition increase was made to re-capture a reasonable amount of the cuts to the budget while limiting the burden on students and parents in this economy. Mr. Anderson asked how the proposed increase compared to peer institutions. Dr. Petersen responded that comparison to other state universities

should factor in differences in funding from their states and tax structures. Based on peer comparisons for each campus, each UT campus is below the average in terms of tuition. For the most part, many states are going through the same process at this point. Mr. Wharton asked about peer institution faculty and staff compensation.

Dr. Petersen stated that many will have a down year and that UT was fortunate last year to have a good year with the state and make up some ground in that area.

Mr. Stansberry asked Dr. Petersen how budget cuts were handled by each campus. Dr. Petersen stated that each campus started by examining available operating budgets, vacant positions, and expected turnover. He stated that UT Martin and UT Chattanooga strategically eliminated vacant positions and later in the year will identify other long-term cuts. UT Knoxville needed to cut over \$11 million, which is comparable to terminating three entire colleges such as Law, Social Work, and Architecture. UT Knoxville began by cutting 3.4% from the campus administration; 2% to 4% of the total cut for the Knoxville campus was then assigned to the colleges and other non-administrative units based proportionately on their budgets. Three colleges proposed elimination of programs: in Arts and Sciences, the Department of Audiology and Speech Pathology; in Business, the graduate program in Industrial Organizational Psychology; and in Education, Health and Human Development, a minor in Dance. Dr. Petersen described each of the programs and reasons for their selection. He noted that the Business program is a small program that is atypical to peer business schools. The Dance program is also a small program that is not part of a creative dance curriculum but rather an exercise program. He noted that the largest program proposed for termination is the Department of Audiology and Speech Pathology. He described the negative impact to over 5,000 students if the College of Arts and Science were to alternatively take an across-the-board cut. He stated that the leadership of the Knoxville campus had very difficult decisions to make and that he is confident in their leadership and supports their decisions. He discussed the rationale for closing the Audiology and Speech Pathology Department. He stated that the department does not contribute to the general education program of the UT Knoxville and that there are only a few concentrations in the department that overlap with other degree programs. He stated that there are four other public and one private institution in the state providing the same program. He added that the Department does not generate a large amount of research dollars.

Dr. Petersen stated that he supports the strategic cuts recommended by UT Knoxville and noted that if the University continues to have budget years like this one, which is very possible, across-the-board cuts would cripple the colleges and make recovery very difficult.

The Chair asked the Committee if there were any other questions regarding the proposed tuition level increases before continuing with discussion on specific cuts.

Mr. Talbott asked Dr. Petersen to discuss the University's ability to fund operational cost increases, such as utility costs. Dr. Petersen stated that approximately 3.5% of tuition increases cover fixed cost increases and if costs increase further, the University will realign the budget to cover the increased costs. Mr. Talbott asked Dr. Petersen to discuss administration cuts compared to academic cuts. Dr. Petersen responded that in areas in which there is no tuition or academic function, including the System administration, the full 4.1% was assessed. In addition to the 4.1% assessed to the System administration, there will be an approximate \$900,000 reduction in charge back to the campuses by the System. In response to a question regarding housing costs, Dr. Petersen stated that housing and similar auxiliary operations dictate their own prices. There is no state money in these auxiliary operations.

The Chair asked if tuition discounts were reviewed. Dr. Petersen stated that cutting down on packages that promote broad access would be a long-term detriment for the state. The Chair asked if there would be any other student fee increases. Dr. Petersen stated that other student fee increases would be minimal.

In response to a question from the Committee, Dr. Petersen stated that a 1% increase in tuition was equivalent to approximately \$1.4 million for the Knoxville campus. Dr. Petersen stated that there are just over \$11 million in cuts for the Knoxville campus, and a 6% tuition increase is approximately \$8.4 million. Mr. Talbott stated that the administration needs to be looking at a multiple year plan for possible continued revenue cuts. Dr. Petersen stated that the administration is working on that possibility. He mentioned the lean management program in the College of Business as a resource to be used in the planning process.

Dr. Schommer asked whether shielding parents and students from a significant tuition increase is already taken care of by lottery scholarships. Dr. Petersen stated that while the lottery scholarships have had a significant impact on student access, retention rates for lottery scholarships necessitate lower tuition to retain students.

Mr. Stansberry stated that he admires the courage and commitment of those pursuing strategic cuts for the long-term good of the University rather than eroding all programs to mediocrity. However, he asked what steps were taken to determine that the right programs were recommended for termination. Mr. Anderson also asked for assurance that the programs recommended for termination are weaker programs than other programs. Dr. Petersen responded that the programs proposed for termination are all quality programs; however, for the reasons mentioned earlier, they have been identified for termination. He stated that the University would not continue a program that is not a quality program and that the decisions are very difficult but necessary for the University to be able to retain staff and deliver quality programs long-term. Dr. Petersen stated he supported the strategic decisions made by the Knoxville staff.

Mr. Driver asked whether the department could be realigned with another college or the Health and Science Center. Dr. Petersen that the campus looked very closely at realigning the department. He stated that the Health and Science Center has fewer tuition dollars and the addition of this department would require increased budget cuts for that campus and would be detrimental to other programs. Mr. Driver asked about the ranking of the program. Dr. Petersen reported that US News ranks UT as 24 in Audiology and 30 in Speech Pathology. He also reported the rankings of the other state programs offered. Mr. Driver stated that Vanderbilt may be cost prohibitive and University of Memphis is not geographically positioned for many students.

Mr. Wharton stated that the program fills a real need across the state. He asked whether ETSU and Memphis have the capacity to add the number of students that UT Knoxville has to their respective programs. Dr. Petersen stated that there is a shortage in this field, similar to the shortages for nurses and pharmacists; however, he said it is not necessary for every institution to be in every industry. He added that virtually every program at UT has an impact on the state, and it is essential for UT and the state for UT to deliver quality programs. He stated that campus leaders can be contacted to respond to specific questions about the department.

Mr. Carroll asked if private funding might be available for the base funding for the department. Dr. Petersen stated that the University does not use private funds for base program funding, doing so would affect state funding for the University and greatly affect tuition and student access.

Ms. Blackburn asked that the Board receive assurance that the decision to terminate this particular program was the appropriate program to cut. She requested the Board receive a report of the other options. Mr. Stansberry stated that he believed there is a consensus among the Committee to make strategic cuts rather than across-the-board cuts. He further noted, however, that there is also a general concern that Trustees be assured that the right program is being eliminated. Dr. Petersen stated that his remarks to the Committee were an attempt to outline the overall rationale for the decisions to terminate the identified programs, but that more specific information can be provided by campus leadership.

In response to a question from Mr. Murphy, Dr. Petersen stated that the Clinic loses over \$300,000 annually. Mr. Murphy asked what the per patient subsidy is and whether the administration considered asking patients to pay for services from the clinic. Dr. Petersen stated that the Chancellor's office can respond to those specifics, and the University can further query the private market in Knoxville about these issues. Mr. Murphy asked whether students admitted to the program for the upcoming school year would be admitted. Dr. Petersen stated that he believed they would be, but the Dean could confirm that. Mr. Murphy asked how the campus will

fund the program for the four-year, phase-out period. Dr. Petersen stated that for the short-term, there is enough one-time money in the budget from vacancies, reduced travel, etc. to meet the cuts. He stated that the campus will recover the money from the other program cuts and from this program after four years to recapture critical funds used to immediately offset the cuts. Mr. Murphy stated that he has received emails alleging that the program is being cut because of the clinic's location in the football stadium. Dr. Petersen stated that the location in the stadium was absolutely not a factor in the termination decision.

Mr. Wolford asked Dr. Petersen to discuss the use of vacant positions to meet the cuts for the campuses. Dr. Petersen stated that there is faculty turnover of approximately 5% every year. He added that a college may search a couple of years to replace fulltime faculty and in the meantime use temporary adjunct faculty while conducting the search. He stated that continued and expansive use of temporary faculty saves money in the short-term, but it does not improve the quality of programs for the long-term. He stated that the elimination of vacant positions is a short-term fix while each unit reviews strategic cuts to right-size UT for the economy.

The Chair stated that due to the unique circumstances of the time frame for the call of the meeting, she would ask for a vote from the Committee to waive the normal procedures for addressing the Committee and allow Dr. Ilsa Schwarz, head of the Audiology and Speech Pathology Department, to speak to the Committee. Mr. Stansberry moved approval for Dr. Schwarz to address the Committee. The motion was duly seconded and unanimously approved by roll call vote.

Dr. Schwarz introduced herself and called attention to the many constituents who accompanied her to the meeting. She stated that the Department of Audiology and Speech Pathology is nationally recognized for academics and clinical services. She added that it has two of the top three nationally ranked programs in the College of Arts and Sciences. She stated that the department serves a critical need in the state by providing highly qualified audiologists and speech pathologists to hospitals, nursing homes, schools, preschools, etc. across the state, a need that cannot be met by other state institutions. She stated that all the other state institutions named by Dr. Petersen have different degree options and missions than the UT department. She added that heads of all of those institutions will assure the Board that they cannot meet the needs of the state left by the termination of this department. She stated that faculty at Vanderbilt will tell the Board that most of their graduates leave the state. She stated that there was no notice of the decision to terminate the department, no consultation with faculty and staff, and no survey of constituent needs. She stated that eliminating the department will have a significant impact on East Tennessee and the City of Knoxville. She noted that in Knox County schools alone, more than half of the over 70 speech pathologists are UT graduates and demographics will tell us that those positions will become vacant in years to come. She stated that, in the clinic, some clients drive more than two hours to

receive services, and that no other practice is able to receive more TennCare clients. She stated that closing the department will have a significant long-term impact on the state. She stated that the department makes a major contribution in research within the discipline and that only access to medical institutions, not co-articulation is required for research. She added that many of the best programs in the country are situated like this department, in a major research university with access to medical institutions. She reviewed the best practices for department terminations from the Southern Association of Colleges and Schools, stating that she believed the recommendations of best practice were not followed. She identified representatives of faculty, staff, students, clinic service recipients and supporters who traveled to the meeting to support the department. She stated that the department has been touched, humbled and energized by the outpouring of support they have received. She asked the Board to consider the full impact of closing the department and to fully explore the rationale, impact and consequences of this decision.

## **V. ADJOURNMENT**

The Chair thanked everyone for their time. She stated that the Board will have many difficult and critical decisions at its upcoming meeting and most likely in the years to follow due to the economy.

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

Respectfully submitted,

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Catherine S. Mizell  
Vice President, General Counsel and Secretary