THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

FINANCE AND ADMINISTRATION COMMITTEE

3:15 p.m. EST	Tennessee Room
Thursday	University Center
February 28, 2013	Chattanooga, Tennessee

AGENDA

I. Call to Order

II. Roll Call

III. Minutes of Last Meeting—**Action** .... **Tab 1**

IV. Treasurer's Report on Endowment Investment Performance—**Information** .... **Tab 2**

V. Annual Report of the Treasurer, 2012—**Information** .... **Tab 3**

VI. FY 2013 Revised Operating Budget—**Action/Consent** .... **Tab 4**

A. Revised Budget Document .... **Tab 4.1**
B. Resolution .... **Tab 4.2**

VII. UTC Differential Tuition Proposal for Business, Engineering, and Nursing—**Action** .... **Tab 5**

VIII. Real Property Transactions

A. KUB Substation Easements (UTK)—**Action/Consent** .... **Tab 6**
B. Cumberland Avenue Easements (UTK)—**Action/Consent** .... **Tab 7**

IX. Report on Status of Science and Engineering Laboratories—**Information** .... **Tab 8**

X. Other Business

XI. Adjournment

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE FINANCE AND ADMINISTRATION COMMITTEE

November 8, 2012
Knoxville, Tennessee

The Finance and Administration Committee of The University of Tennessee Board of Trustees met at 3:15 p.m. EST, Thursday, November 8, 2012 in Hollingsworth Auditorium on the campus of The University of Tennessee Institute of Agriculture in Knoxville, Tennessee.

I. CALL TO ORDER

Charles C. Anderson, Chair, called the meeting to order.

II. ROLL CALL

Charles M. Peccolo, Treasurer and Chief Financial Officer, called the roll, and the following members of the Finance and Administration Committee were present:

Charles C. Anderson, Interim Chair
Joseph A. DiPietro
J. Brian Ferguson
John N. Foy
Raja J. Jubran
Don C. Stansberry, Jr.
Betty Ann Tanner

The Chief Financial Officer announced the presence of a quorum of the Committee. Other Trustees, administrative staff, members of the public, and representatives of the media were also present.

III. MINUTES OF LAST MEETING

Chair Anderson asked for any corrections to the minutes of the June 20, 2012 meeting of the Committee. Hearing none, the Chair called for a motion to approve. Trustee Foy moved approval of the minutes as presented in the meeting materials. Vice Chair Stansberry seconded the motion, and it carried unanimously.

IV. **COMMITTEE CHAIR REMARKS**

Chair Anderson noted that all action items, except item XVI, will move to the full Board of Trustees consent agenda. A call was made for any removal of agenda items from the consent agenda, and there was none.

Chair Anderson then welcomed new Finance and Administration Committee member, Trustee Raja Jubran.

V. **TREASURER'S REPORT ON ENDOWMENT INVESTMENT PERFORMANCE**

Mr. Peccolo, Treasurer and Chief Financial Officer, introduced Rip Mecherle, Executive Director of Investments, to present the report on endowment investment performance (Exhibit 1).

Executive Director Mecherle called the Committee's attention to handouts consisting of sections taken from the annual investment report. The report is no longer available in print, but is available in electronic format. The annual investment report is presented as an information item in accordance with the Investment Policies adopted by the Board of Trustees in June 2011. This report includes investment returns for the fiscal year ended June 30, 2012 and for longer periods measured against long term investment goals.

Mr. Mecherle explained how diversification works for the benefit of the endowment. In 2007 (prior to the national credit crisis) the Pool return was in the middle at 20.4%; S & P returned 18.3;% and the Global Equity Index returned 21.5%. The next year, as the market began to feel the effects of the credit crisis, the Pool was down 6.6%; the S & P was down almost 15%; and the Global Equity Index was down 12.5%. The crisis affected every asset class in the Pool, but the diversified strategies eased the brunt of it. The 2009 returns were the worst at -24.1%; S & P was down 28%; and the Global Equity Index was down 31%. In 2012 the Pool was down -2.2%; the S & P was up 5.4%; and the Global Equity Index was down -4.3%. The diversification works, and hopefully the volatility will remain muted over time and should serve also to smooth out the distribution calculations.

He also commented regarding the CIP Annual Unit Distributions vs. Inflation-Adjusted Unit Distributions, since 1994. In 1994 the University changed the pay-out formula from a current income driven to the rolling average of the previous three calendar year-end market values in the pool. 1994 was a natural starting point from which to take a fresh look at how the Pool had done with inflation over that timeframe and the University has done well. With the credit crisis and the low rate environment, there has been deterioration over the last few years. This is expected given, the rolling nature of the calculations.

The committee engaged in discussion regarding private equity. Mr. Peccolo expressed his appreciation to the Trustees who serve on the Investment Advisory Committee.

VI. TREASURER'S FINANCIAL REPORT

Chair Anderson asked Treasurer and CFO Peccolo to present the Treasurer's Financial Report (Exhibit 2). The draft June 30, 2012 financial statements were included in the meeting materials for the Committee's information. They consist of three basic financial statements along with a narrative section, "Management's Discussion and Analysis," that provides comparative financial performance information for the recently completed fiscal year. The financial information for the component units (UT Foundation, UC Foundation, and UT Research Foundation) has not been incorporated into the draft financial statements because the University is awaiting final audited statements from those entities. These statements are "draft" as the University is working with the state comptroller's office to finalize the audit. To date, management is unaware of any significant issues related to the audit.

VII. REPORT ON USE OF UHS PROCEEDS

Mr. Peccolo presented the report on use of UHS proceeds. The report was presented as an information item resulting from discussions during the June 2012 Finance and Administration Committee meeting. The schedule (Exhibit 3) provides an analysis of the sources and uses of the funds received from the lease and transfer of the UT Medical Center in Knoxville to University Health System, Inc. (UHS).

The University has received $53.3 million from UHS to date and has expended $48 million. The annual payment (due until 2020) is equal to the lesser of twenty percent (20%) net annual operating profit or $3.0 million. Outstanding commitments as of June 30, 2012 on this balance and revenue stream consist of: $1.0 million for Audiology/Speech Pathology operating support (final payment); annual net proceeds for Health Science Center Chancellor initiatives through fiscal 2015; $3.0 million Audiology/Speech Pathology capital (renovation/relocation costs); and annual tuition waiver for leased employees (to be considered next on the agenda). All uses of the UHS proceeds are presented to and approved by the Board of Trustees.

VIII. USE OF UHS PROCEEDS TO FUND FEE WAIVERS FOR LEASED EMPLOYEES AND THEIR SPOUSES AND DEPENDENTS

Mr. Peccolo presented the proposal to use UHS proceeds to fund fee waivers for leased employees and their spouses and dependents. He explained that in the 1999 Lease and Transfer Agreement under which management and operation of the UT Medical Center (UTMC) in Knoxville was transferred to University Health System, Inc. (UHS), the University agreed to continue to provide fee waivers for UTMC employees who were leased to UHS, their spouses, and their dependents. The University planned to pay for this obligation by using refunds from reserves established under the State of Tennessee Claims Award Fund for claims arising out of UTMC prior to the lease and transfer. As those claims were paid or otherwise resolved by UHS, refunds were paid to the University from the reserves. The refund of reserves ended during FY 2007, upon resolution of all pre-transfer claims; but the accumulated funds, amounting to $2,713,826.65, plus interest, covered the fee waiver obligation until FY 2010. The leased employee fee waivers continue at an approximate rate of $300,000 per year, but will decrease over time as the number of leased employees decreases by attrition.

Vice Chair Stansberry moved that the use of $557,367.67 from UHS Proceeds be approved to fund the deficit in the UTMC leased employee fee waiver account as of June 30, 2012; and that the Treasurer be authorized to fund fee waivers for employees leased to UHS, and their spouses and dependents, from UHS Proceeds on an ongoing basis. Trustee Ferguson seconded, and the motion carried unanimously.

IX. FY 2013-14 OPERATING BUDGET APPROPRIATIONS REQUEST

Mr. Peccolo presented the FY 2013-14 Operating Budget Appropriations Request and explained that each year the University has the opportunity to present a state appropriations budget request for support of operations for the new budget year. The formula funding model is used to generate funding recommendations for the Chattanooga, Knoxville and Martin campuses. As part of the request process, the University is also able to submit additional programmatic improvement requests for the non-formula units—the Health Science Center, Institute of Agriculture, Institute for Public Service, and University wide Administration (system administration).

A summary of the FY 2014 non-formula operating programmatic improvement requests submitted to the Tennessee Higher Education Commission (THEC) for consideration is attached for review and approval. This request was filed with THEC in accordance with its budget submittal instructions. Each programmatic request supports one or more of the University's Strategic Plan initiatives and is identified in the summary schedule.

The Operating Budget Submittal Guidelines approved by the Board of Trustees in June 2005 state that the Finance and Administration Committee shall review, approve, and recommend to the Board of Trustees the programmatic improvement requests submitted by the administration to THEC for consideration. To meet THEC's deadlines, the University's request must be submitted to THEC between the Annual Meeting and the Fall Meeting of the Board of Trustees. However, if the Board acts to change the University's request at the Fall Meeting, the administration will be permitted to submit an amended request to THEC for consideration.

Trustee Foy moved that the University's state appropriations budget request for support of operations of the non-formula units for the new budget year be approved as presented in the meeting materials (Exhibit 4). Trustee Tanner seconded, and the motion carried unanimously.

X. FY 2013-14 CAPITAL OUTLAY AND CAPITAL MAINTENANCE PROJECTS

Mr. Peccolo reported that in accordance with the Tennessee Higher Education Commission and State Department of Finance and Administration guidelines, the University administration has developed the Capital Outlay and Capital Maintenance Funding Requests for FY 2013-14 and subsequent years.

The five-year schedule for Capital Outlay reflects $624,307,000 in recommended state funded Capital Outlay Projects, which is net of the requisite institutional funding match (25% for UTK, UTC, UTM and 10% for all others). The five-year schedule for Capital Maintenance reflects $350,085,000 in recommended Capital Maintenance Projects.

Trustee Wharton inquired on the status of science and engineering laboratories, and Mr. Peccolo offered to provide a report at the February meeting. A discussion ensued regarding capital needs.

Trustee Tanner moved that the Capital Outlay and Capital Maintenance Funding Requests for FY 2013-14 and subsequent years be approved, with authorization to enter into contracts for design and construction for these projects within available funds (Exhibit 5). Trustee Foy seconded, and the motion carried unanimously.

XI. FY 2013-14 REVENUE / INSTITUTIONALLY FUNDED PROJECTS

The administration has developed the revenue-funded projects for inclusion in the FY 2013-14 State of Tennessee Budget Document. Identified projects total $173,200,000. Although no state funds are requested, legislative approval of the projects is required. The administration seeks approval of these projects prior to submitting them to the Tennessee Higher Education Commission to begin the legislative approval process, as well as authorization to enter into contracts for design and construction for these projects within available funds.

The administration also seeks authorization to enter into contracts for design and construction associated with revenue/institutionally funded projects subsequently identified during the fiscal year. Any subsequently identified projects will be approved by the President and reported to the Board of Trustees at its next regularly scheduled meeting.

A discussion ensued regarding borrowing funds to finance deferred maintenance. Dr. DiPietro stated that while the State is not interested in incurring debt, he is willing to discuss the issue further. Trustee Jubran asked whether we set aside deferred maintenance funds when we build. Mr. Peccolo stated that a reserve is not an authorized expenditure. The University must spend all capital money received from the state on the building.

Trustee Foy moved that the Revenue/Institutionally Funded Projects for FY 2013-14 be approved as presented in the meeting materials with authorization to enter into contracts for design and construction of these projects, within available funds, and, with the approval of the President, for other revenue/institutionally funded projects identified during the fiscal year (Exhibit 6). Vice Chair Stansberry seconded, and the motion carried unanimously.

XII. REAL PROPERTY TRANSACTIONS

A. Grant of Permanent Utility Easements to Tuckaleechee Utility District for the Benefit of the University's Dairy Farm

Mr. Peccolo presented the proposal by The University of Tennessee Institute of Agriculture and Tuckaleechee Utility District for two (2) permanent utility easements necessary for construction of two (2) new water lines to serve the Dairy Farm in Walland, Tennessee. The easements will authorize Tuckaleechee Utility District to enter upon, operate, repair and maintain utilities located within the area defined by the easement. The University reserves the right to relocate the easements at the expense of the University.

Trustee Foy moved that the permanent utility easements described in the meeting materials be granted to the Tuckaleechee Utility District (Exhibit 7). Vice Chair Stansberry seconded, and the motion carried unanimously.

B. Quitclaim of Haywood County Property to the Tennessee Department of Transportation

Mr. Peccolo presented the proposal to quitclaim certain property in Haywood County to the Tennessee Department of Transportation. He explained that in October 2009, the Board of Trustees authorized the University to play a key role in the Volunteer State Solar Initiative funded through a U.S. Department of Energy award to the State of Tennessee, which in turn was granted to the University. The Board authorized the University to use these funds to purchase approximately 200 acres of land in Haywood County as the site of the West Tennessee Solar Farm. At the same time, the Board authorized the University at a future date to convey up to 20 acres of the Haywood County property to the Tennessee Department of Transportation (TDOT) "for the purpose of locating a Welcome and Education Center and other transportation infrastructure and interchanges as may be required." In 2009, when the Board authorized this subsequent conveyance, 20 acres was thought to be sufficient for this purpose. Due, however, to the final design of the solar array and various subsequently determined infrastructure needs, TDOT has requested conveyance of a larger tract and several easements.

The proposed quitclaim consists of three parcels containing approximately 43.4 acres, three permanent drainage easements containing, and one (1) permanent access and utility easement.

Vice Chair Stansberry asked why the needed conveyance had increased from 20 acres to 43.4 acres. Robbi Stivers, Executive Director of Capital Projects, explained that no design work had been done for the Solar Farm or the Welcome Center at the time of the initial authorization for conveyance of 20 acres. Once TDOT developed their design, the ingress and egress routes and the new bridge across Interstate 40, more acreage was needed. The Welcome Center's footprint has not expanded, but how to traverse through the area and park tractor trailers and cars will require more acreage.

Vice Chair Stansberry moved that the quitclaim of property in Haywood County to the Tennessee Department of Transportation be approved as described in the meeting materials (Exhibit 8) and that this action shall supersede the Board's action in October 2009 limiting the conveyance for this purpose to 20 acres. Dr. DiPietro seconded, and the motion carried unanimously.

XIII. DISSOLUTION OF JOHN C. HODGES TRUSTS AND TRANSFER OF FUNDS TO AN ENDOWMENT

Mr. Peccolo presented the proposal for dissolution of the John C. Hodges Trusts and transfer of the funds to an endowment. He explained that Dr. John C. Hodges named The University of Tennessee, Knoxville as sole remainder beneficiary to two trusts and directed that the trusts be used to fund the Better English Fund to benefit the Department of English. The trusts have a combined total of approximately $2.7 million in assets. The University serves as trustee.

The trusts are net income trusts and limit distributions to coupon payments from bonds and cash dividends from stocks. No distributions of capital gains or principal are allowed. The trusts limit permitted investments to New York Stock Exchange traded stocks and United States Government or other high quality bonds and cash. The terms of the trusts make them cumbersome to administer and yield low distributions to the Better English Fund each year.

Since establishment of the trusts, investment practices and the laws governing the management of endowments have changed. If the funds were transferred to an endowment and managed in the University's Consolidated Investment Pool ("CIP"), the funds could yield significantly higher distributions for the Better English Fund and enhance the accomplishment of Dr. Hodge's intent to promote better English in the State of Tennessee without significantly increasing the risk for the funds. The inclusion of the funds in the CIP would permit the funds to benefit from higher yields and diversification of investment.

To accomplish dissolution of the trusts and transfer of the funds to an endowment to be known as the Better English Fund, the University proposes to enter a nonjudicial settlement with the Attorney General of the State of Tennessee under Tennessee Code Annotated § 35-15-110(d). The General Counsel's office has discussed this matter with staff of the Attorney General's office, and they have indicated support for a nonjudicial settlement regarding the Hodges Trusts. The use of the funds to benefit the Better English Fund would remain as specified by Dr. Hodges and in accordance with the Administrative Provisions.

Trustee Tanner moved that the Board of Trustees approve the dissolution of the John C. Hodges Trusts and transfer of the funds to an endowment to be known as the Better English Fund and authorize the University to enter a nonjudicial settlement agreement with the Attorney General of the State of Tennessee to accomplish this transfer (Exhibit 9). Trustee Ferguson seconded, and the motion carried unanimously.

XIV. MODIFICATION OF ADMINISTRATIVE PROVISIONS FOR THE CAESAR AND EDITH STAIR MUSIC EDUCATION FUND

Mr. Peccolo presented the UT Knoxville proposal for modification of the Administrative Provisions of the Caesar and Edith Stair Music Education Endowment (the "Stair Endowment"), which currently funds scholarships to juniors and seniors in the School of Music, with limited allowance for a scholarship for one freshman. The modified Administrative Provisions would expand eligibility for scholarships to all undergraduate and graduate students enrolled in the School of Music. The Stair family supports this change, as does the School of Music, and President DiPietro has given his approval.

The provisions of the Stair Endowment give the Board of Trustees the right to change the administrative provisions to select an appropriate use that comes as nearly as possible to fulfilling the donors' wishes if a need does not exist for the scholarships or if the terms conflict with law. These provisions indicate that the donors contemplated adapting the gift to accomplish their intent. Further, Tennessee Code Annotated § 35-10206(d) provides that if an institution determines that a restriction contained in a gift instrument on the purpose of an institutional fund is "unlawful, impracticable, impossible to achieve or wasteful," sixty days after notification to the Attorney General of the State of Tennessee, the institution may release or modify the restriction if the following criteria are satisfied: (1) the fund has been in existence more than twenty years; (2) the fund has a total value of less than $150,000; and (3) use of the fund after modifying the restriction will be consistent with the charitable purposes expressed in the gift instrument. The proposed modification of the Stair Endowment meets all of these criteria, and the use under the current provisions is impracticable.

Trustee Foy moved that the modified Administrative Provisions for the Caesar and Edith Stair Music Education Endowment be approved (Exhibit 10). Trustee Tanner seconded, and the motion carried unanimously.

XV. FY 2012 ANNUAL FLIGHT OPERATIONS REPORT

In accordance with the Board-approved policy on University Aircraft, Mr. Peccolo presented the Annual Flight Operations Report for the Board's review and approval.

Trustee Wharton asked why it costs $1,650 per hour to operate the UT Plane, but the departments are only charged $950. Mr. Peccolo explained that the system administration pays the pilots' salaries and most of the operating costs and passes those savings on to departments as a subsidy.

President DiPietro commented that he could not do the presidency justice if he did not routinely see the regional campuses face-to-face. He explained that the plane is rarely used to go to the Chattanooga campus but is a necessity for UT Martin and the UT Health Science Center. He added that there is an initiative to maximize passengers on the flight to make it efficient.

Trustee Ferguson moved that the FY 2012 Annual Flight Operations Report be approved as presented in the materials (Exhibit 11). Vice Chair Stansberry seconded, and the motion carried unanimously.

XVI. REVISED TUAPA RULE ON LIBRARY FINES AT UTC

Mr. Peccolo presented the UTC proposal to revise its rules on library fines. Interim Chancellor Bogue explained that the revised rules allow an increased fine for lost books.

Trustee Ferguson moved that the revised TUAPA rule on library fines at UTC be approved as presented in the meeting materials (Exhibit 12). The motion was seconded and carried unanimously.

XVII. REPORT OF THE COMMITTEE ON EFFECTIVENESS AND EFFICIENCY FOR THE FUTURE

No report was made at this meeting.

XVIII. OTHER BUSINESS

There was no other business to come before the Committee.

XIX. ADJOURNMENT

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

Respectfully Submitted,

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Charles M. Peccolo
Treasurer and Chief Financial Officer

THE UNIVERSITY of TENNESSEE UT

Investment Performance For Periods Ended December 31, 2012

	3 Mos.	1 year	5 year	10 year	Inception
UT - Consolidated Investment Pool	**2.4%**	**10.6%**	**0.4%**	**7.0%**	**8.5%**
Broad Policy Benchmark (20% Barclays Capital Aggregate Bond Index, 80% MSCI AC World Index)	2.2%	13.3%	0.4%	7.6%	7.2%
CPI + 5.5%	1.2%	7.1%	7.3%	7.9%	8.0%

Pool Component Asset Classes

	3 Mos.	1 year	5 year	10 year	Inception
Public Equity Composite	**5.3%**	**17.2%**	**-0.6%**	**--**	**5.5%**
MSCI ACWI IMI Index	***3.0%***	***16.4%***	***-0.7%***	**6.5%**	**5.8%**
Private Equity Composite	**--**	**5.0%**	**1.2%**	**4.4%**	**10.6%**
S & P 500	***-0.4%***	***16.0%***	***1.7%***	***7.1%***	***8.2%***
MSCI ACWI IMI Index	***3.0%***	***16.4%***	***-0.7%***	***6.5%***	***5.8%***
Hedged Equity Composite	**1.3%**	**7.9%**	**0.2%**	**5.9%**	**4.1%**
S & P 500	***-0.4%***	***16.0%***	***1.7%***	***7.1%***	***1.5%***
MSCI ACWI IMI Index	***3.0%***	***16.4%***	***-0.7%***	***6.5%***	***2.2%***
Fixed Income - High Quality/Rate Sensitive	**0.6%**	**6.1%**	**6.2%**	**5.1%**	**6.9%**
Barclays Capital Intermediate GV/CR Index	***0.3%***	***3.9%***	***5.2%***	***4.6%***	***6.3%***
Fixed Income - Credit/Distressed	**3.2%**	**14.0%**	**--**	**--**	**9.4%**
HFRI ED: Distressed/Restructuring Index	***4.1%***	***10.3%***	**3.1%**	***9.0%***	**4.1%**
Private Credit/Distressed	**--**	**14.0%**	**1.5%**	**10.9%**	**8.3%**
HFRI ED: Distressed/Restructuring Index	***4.1%***	***10.3%***	***3.1%***	***9.0%***	***8.7%***

THE UNIVERSITY of TENNESSEE

Investment Performance For Periods Ended December 31, 2012

	3 Mos.	1 year	5 year	10 year	Inception
UT - Consolidated Investment Pool	**2.4%**	**10.6%**	**0.4%**	**7.0%**	**8.5%**
Broad Policy Benchmark	2.2%	13.3%	0.4%	7.6%	7.2%
(20% Barclays Capital Aggregate Bond Index, 80% MSCI AC World Index)					
CPI + 5.5%	1.2%	7.1%	7.3%	7.9%	8.0%

Pool Component Asset Classes

	3 Mos.	1 year	5 year	10 year	Inception
Public Real Estate	**4.6%**	**24.1%**	**3.0%**	**12.0%**	**10.9%**
S & P Developed BMI Property Index	***5.8%***	***27.8%***	***0.4%***	***10.3%***	***8.9%***
Private Real Estate	**--**	**5.9%**	**-36.3%**	**-14.8%**	**-7.2%**
NCREIF Townsend Value Added Index	***--***	***9.0%***	***-7.2%***	***5.0%***	***8.1%***
Natural Resources Composite	**-1.7%**	**3.4%**	**-2.6%**	**--**	**-2.6%**
NR Hedge Fund Benchmark	***-3.4%***	***-0.3%***	***9.0%***	***--***	***9.0%***
Private Natural Resources (ex-Timber)	**--**	**5.3%**	**2.2%**	**13.6%**	**12.7%**
Venture Economics - Energy	***--***	***4.9%***	***7.1%***	***23.6%***	***20.6%***
S&P 500	***-0.4%***	***16.0%***	***1.7%***	***7.1%***	***2.9%***
Timber Composite	**--**	**0.6%**	**1.3%**	**--**	**3.0%**
NCREIF Timberland Index	***--***	***7.8%***	***2.7%***	***--***	**6.0%**
Diversifying Strategies	**2.7%**	**10.0%**	**2.9%**	**5.6%**	**5.2%**
HFRI FOF Conservative Index	***1.3%***	***3.9%***	***-1.5%***	***2.8%***	***2.9%***
Barclays Intermediate GV/CR Index	***0.3%***	***3.9%***	***5.2%***	***4.6%***	***4.9%***

THE UNIVERSITY of TENNESSEE

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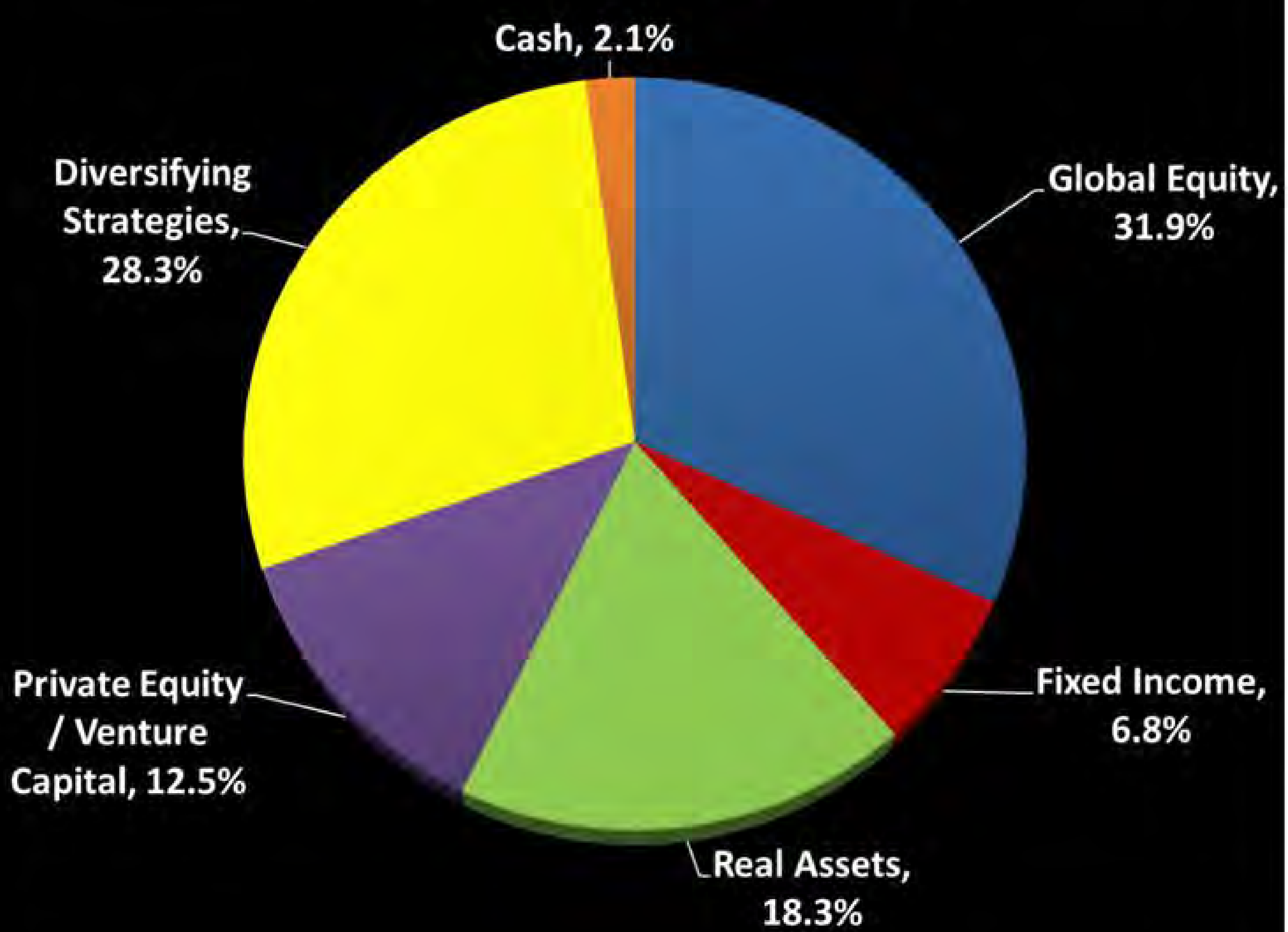
Asset Allocation as of 12/31/12



THE UNIVERSITY of TENNESSEE

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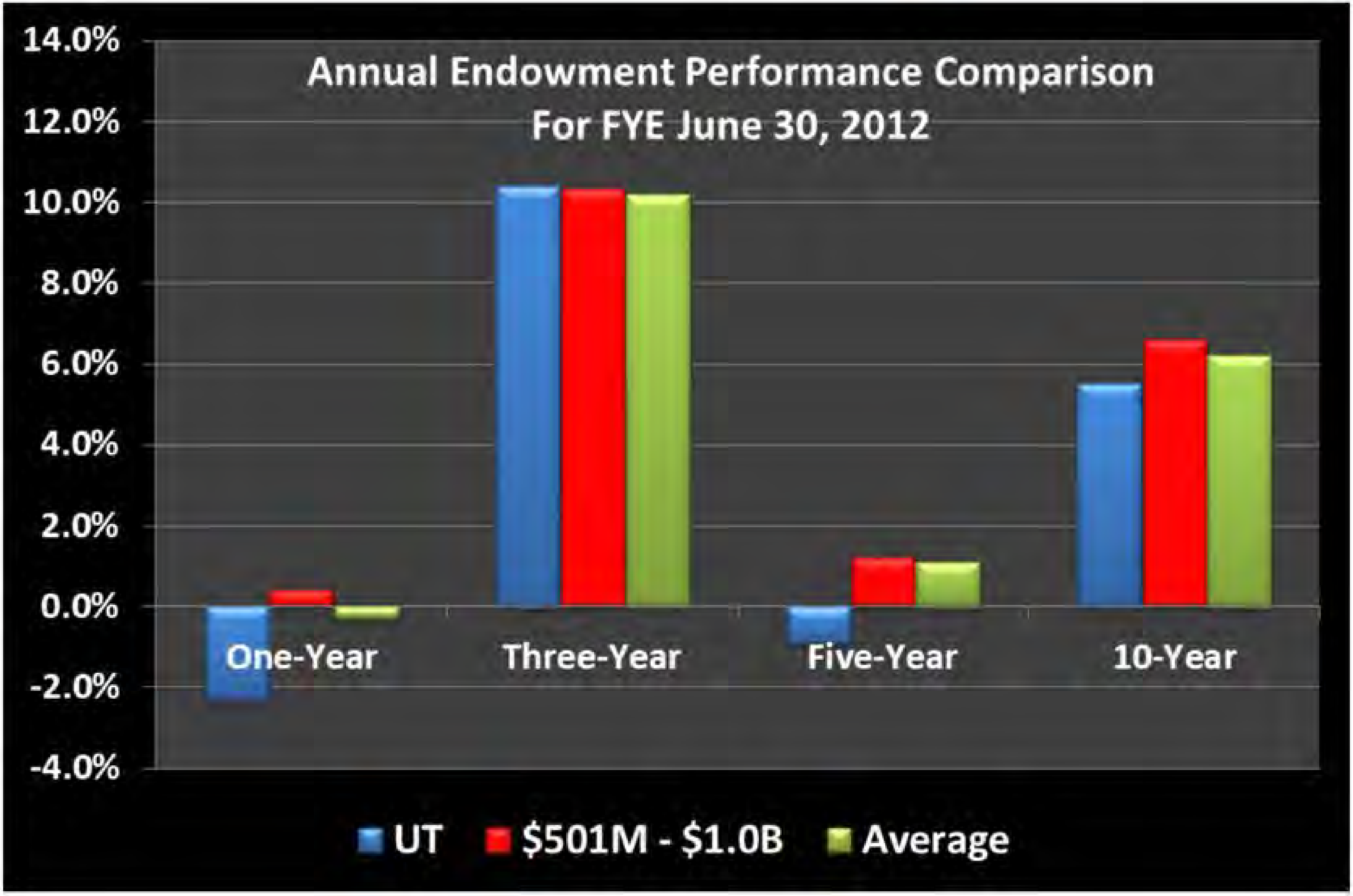

THE UNIVERSITY of TENNESSEE

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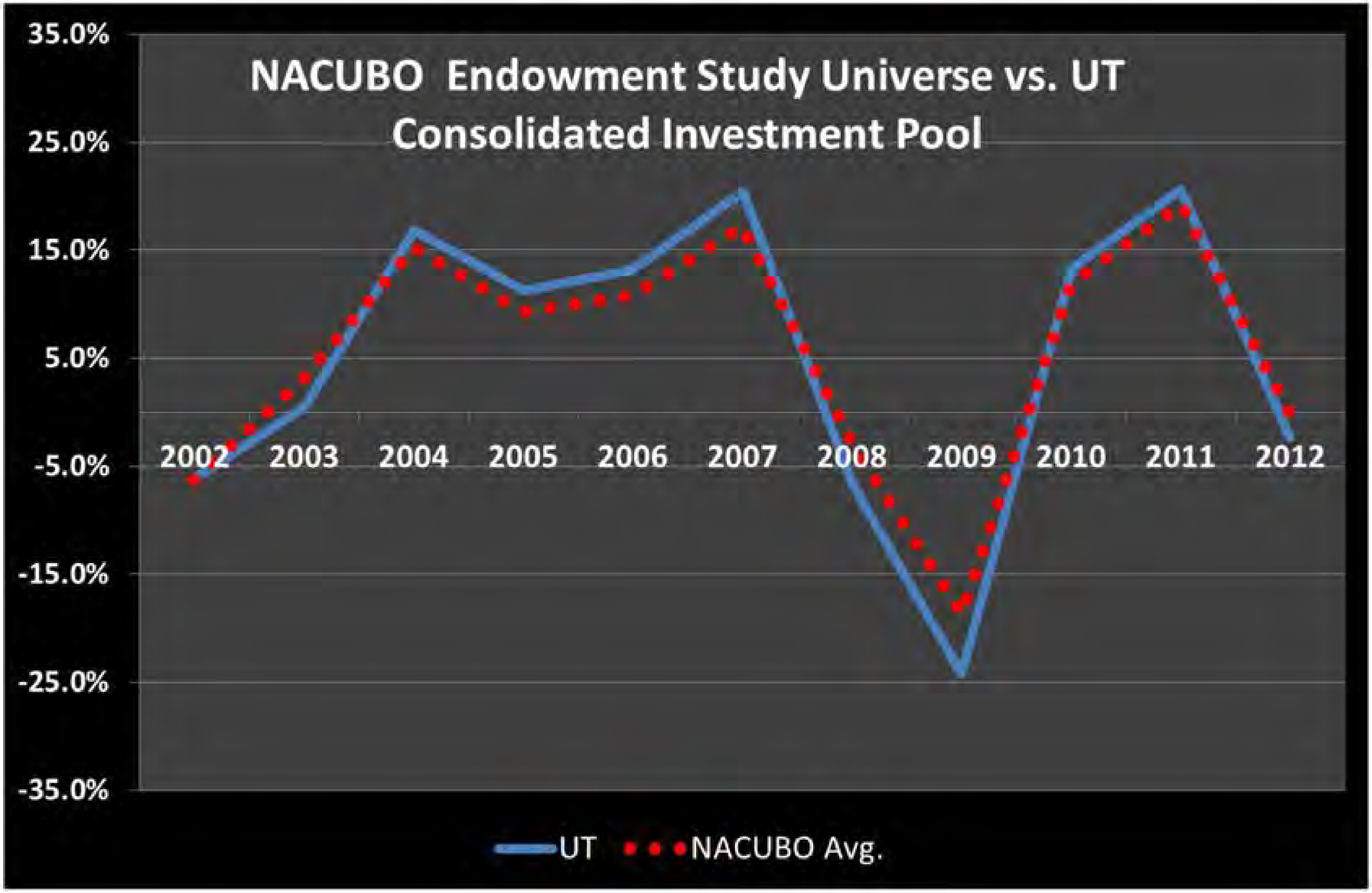

Report of The Treasurer 2012

THE UNIVERSITY of TENNESSEE

KNOXVILLE, CHATTANOOGA, MARTIN, TULLAHOMA, MEMPHIS

Report of the Treasurer 2012

Brief History of the University of Tennessee

The University of Tennessee is one of the nation's oldest institutions of higher education, in operation since 1794. Two years before Tennessee achieved statehood in 1796, the legislature of the Southwest Territory—which later became Tennessee—granted a charter to Blount College, named in honor of the territorial governor, William Blount. Located in Knoxville near today's downtown area, Blount College was nonsectarian, which was unusual for an institution of higher education at that time. The university has remained nondenominational and is believed to be the oldest such institution west of the Appalachian Divide. Blount College was all male, typical for colleges of the late 18th century, a restriction that remained in force for almost a century until the first female students were admitted in 1892.

In 1807 the state legislature changed the name of Blount College to East Tennessee College, and in 1826 the 40-acre tract known as "the Hill" became part of its campus. The name of the school changed again in 1840 to East Tennessee University. But 21 years later, the Civil War forced the university to close, and its buildings were used as a hospital for Confederate troops, then later occupied by Union soldiers.

When the war ended, East Tennessee University reopened, and in 1869 the state legislature selected the university as the state's federal land-grant institution under the Morrill Act of 1862. To comply with the terms of the act, ETU broadened its offerings to include agricultural, engineering, and military science courses.

Ten years later, East Tennessee University was chosen by the legislature to be the state university of Tennessee, and its name was changed to the University of Tennessee. The university pledged itself to the service and interest of the entire state, and the state pledged its name and reputation to the university, promising the institution a vital role in the progress of the state.

Today, the university serves the people of Tennessee from locations across the state. The medical campus, founded in Nashville and acquired by the university in 1879, was moved to Memphis in 1911. The Martin campus, established in 1900 as a private institution, became part of the University of Tennessee in 1927. In 1969 the private University of Chattanooga merged with the public university to become its fourth primary campus.

The University of Tennessee Space Institute, a graduate education and research center near Tullahoma, was established in 1964.

Three statewide units of the university—the Institute of Agriculture, the Institute for Public Service, and the Division of Continuing Education—extend the university beyond its various campuses to serve the entire state.

The administration of the university is headquartered in Knoxville, where the offices of the president and the central staff are located. A chancellor directs each primary campus.

Traditionally, Tennessee's governors and members of the state legislature have shown active interest in the development of the University of Tennessee by providing the support it needs to meet the increasing educational, research, and service needs of the people of Tennessee. As a result, many university programs have earned both national and global recognition.

Contents

Letter from the Treasurer

The financial statements on the following pages have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The management of the University of Tennessee is responsible for the integrity and objectivity of these financial statements.

Management believes that the university's highly developed system of internal accounting controls provides reasonable assurance that assets are protected and that transactions and events are properly recorded. Establishing sound fiscal policies and procedures and communicating them clearly, carefully selecting qualified financial staff, and implementing an extensive program of internal audits and management reviews ensure that the system of internal controls is maintained.

The financial statements herein have been audited by the State of Tennessee, Comptroller of the Treasury, Division of State Audit. The auditor's opinion is based on audit procedures described in their letter on page 3, which include understanding university systems, procedures, and internal controls and performing tests and other auditing procedures sufficient to provide reasonable assurance that the financial statements are not materially misleading nor do they contain material errors.

The statements contained in this report describe the university's overall financial condition and the financial performance for the year ended June 30, 2012. A separate publication, "Report of the Treasurer 2012 Supplemental Schedules and Appendices," contains detailed supporting schedules and appendices and is available for those who wish to make a more extensive analysis of university operations. The supporting schedules and appendices are designed to enable analysis of important items summarized or consolidated in the financial statements of this report.

Respectfully submitted,

Charles M. Peccolo

Treasurer, Chief Investment Officer and Chief Financial Officer

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
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Independent Auditor's Report

November 30, 2012

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol, Nashville, Tennessee 37243
and
Mr. Crawford Gallimore, Chairman
Audit Committee
Board of Trustees
The University of Tennessee
Knoxville, Tennessee 37996-0180
and
Dr. Joseph A. DiPietro, President
The University of Tennessee
800 Andy Holt Tower, Knoxville, Tennessee 37996-0180

Ladies and Gentlemen:

We have audited the accompanying basic financial statements of the University of Tennessee, which is a component unit of the State of Tennessee, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the university's management. Our responsibility is to express opinions on these financial statements, based on our audit. We did not audit the financial statements of the University of Chattanooga Foundation, Inc.; the University of Tennessee Foundation, Inc.; and the University of Tennessee Research Foundation, Inc., discretely presented component units of the university. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Chattanooga Foundation, Inc.; the University of Tennessee Foundation, Inc.; and the University of Tennessee Research Foundation, Inc., is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Tennessee and its discretely presented component units as of June 30, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 2, the financial statements include investments valued at $368,634,512.93 (14.1 percent of net assets), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The schedule and other information presented outside of the basic financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with generally accepted government auditing standards, we have also issued our report dated November 30, 2012, on our consideration of the university's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be considered in assessing the results of our audit.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

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Management's Discussion and Analysis

This section of the University of Tennessee's annual financial report presents a discussion and analysis of the financial performance of the university during the fiscal year ended June 30, 2012, with comparative information presented for the fiscal year ended June 30, 2011. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the Independent Auditor's Report, the audited financial statements, and the accompanying notes. The financial statements, notes, and this discussion are the responsibility of management.

The university is a component unit of the State of Tennessee and an integral part of the state's Comprehensive Annual Financial Report (CAFR). The financial reporting entity for the financial statements is comprised of the university and three component units. The component units are discretely presented based on the nature and significance of their relationship to the university. The reader may refer to Note 1 for detailed information on the financial reporting entity.

Using This Annual Report

This report consists of three basic financial statements. The statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows provide information on the University of Tennessee as a whole and present a long-term view of the university's finances.

THE STATEMENT OF NET ASSETS

The statement of net assets presents the financial position of the university at the end of the fiscal year and includes all assets and liabilities of the university. The difference between total assets and total liabilities – net assets – is an indicator of the current financial condition of the university. Assets and liabilities are generally measured using current values. Capital assets, however, are stated at historical cost less an allowance for depreciation.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the university's equity in property, plant, and equipment owned by the university. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the university but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the university for any lawful purpose of the institution. See Table I (opposite page).

The university had the following significant changes between fiscal years on the statement of net assets:

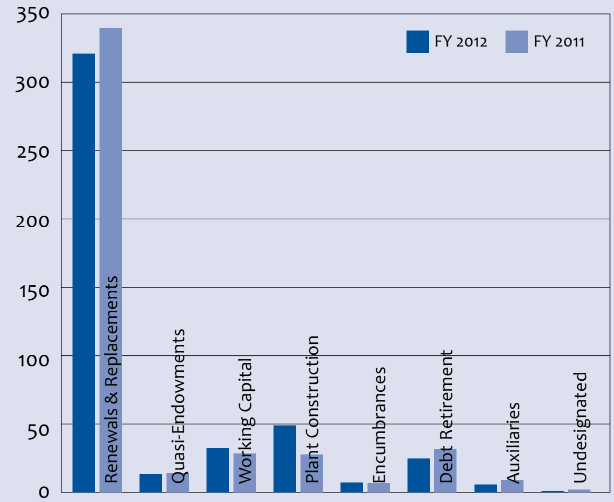
Current assets increased between fiscal years due to increases in cash and cash equivalents. The most significant increase is attributable to increased liquidity needed to meet increased current liabilities.

Noncurrent assets of accounts, notes, and grants receivable and capital assets increased between the fiscal years. Noncurrent cash and cash equivalents decreased as greater amounts were classified under the current category as

Table I. Condensed Statements of Net Assets
($thousands)

	2012	2011
ASSETS:		
Current assets	$ 548,728	$ 538,602
Capital assets, net	1,895,759	1,728,408
Other assets	1,300,352	1,330,550
Total assets	3,744,839	3,597,560
LIABILITIES:		
Current liabilities	357,676	331,767
Noncurrent liabilities	777,133	703,856
Total liabilities	1,134,809	1,035,623
NET ASSETS:		
Invested in capital assets, net of related debt	1,330,993	1,198,045
Restricted – nonexpendable	423,833	426,959
Restricted – expendable	409,920	479,175
Unrestricted	445,284	457,758
Total net assets	$2,610,030	$2,561,937

Figure A. Allocations of Unrestricted Net Assets - University
($millions)



discussed above. Investments decreased due to decreases in the book value of investments as well as decreases in the fair value for investments.

The increase in net capital assets between fiscal years is a result of significant additions to the university's capital assets. More detailed information about the university's capital assets is presented in the Capital Asset and Debt Administration section of this report.

Current liabilities increased due to an increase in accounts payable and deposits held in custody for others, even though deferred revenue decreased. Noncurrent liabilities increased between fiscal years due to increased long-term liabilities (bonds payable and other postemployment benefits) and deposits held in custody for component units. More detailed information about the university's debt is presented in the Capital Asset and Debt Administration section of this report.

The restricted-expendable net assets decreased between fiscal years as a result of spending accumulated private dollars for scholarships and fellowships, instructional department uses, and other restricted purposes and market decreases.

Many of the university's unrestricted net assets have been designated for specific purposes such as repairs and replacement of capital assets, future debt service, quasi-endowments, and capital projects. Figure A (above, right) shows the allocations. Renewals and replacements decreased from 2011 to 2012 due to spending in educational and general and auxiliaries. Plant construction balances increased as campus/units began saving for their 25% future match for new construction.

THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The statement of revenues, expenses, and changes in net assets (page 6, Table II) presents the operating results of the university, as well as the nonoperating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered nonoperating revenues according to accounting principles generally accepted in the United States of America.

The university had the following significant changes in revenues between fiscal years:

Net tuition and fees increased from 2011 to 2012 as a result of fee increases ranging from 6 to 15%. However, this increase in tuition and fee revenue was partially offset by current and new students receiving funds from the Tennessee Education Lottery Scholarship Program, which reduces tuition and fees and is shown as grants and contracts revenue.

Operating grants and contracts increased $11.3 million from 2011 to 2012 due to a continued focus on research.

Auxiliary revenues increased $4.4 million, primarily in residence halls, bookstores, and athletics.

In fiscal year 2012, state and local appropriations decreased $102 million which mainly represented a 19% decrease in state appropriations mostly due to the wind up in 2012 of the state ARRA dollars and the state's one-time appropriations in lieu of ARRA-State Fiscal Stabilization Funds in 2011.

Nonoperating gifts increased $1.8 million from 2011 to 2012, while capital grants and gifts increased $5 million for the same time period.

The decrease in investment income was due to a decrease in endowment income and an overall decrease in the capital markets.

The increase in capital appropriations for 2012 consisted of continued spending on new construction and capital maintenance funded by the state.

Table II. Condensed Statements of Revenues, Expenses, and Changes in Net Assets ($thousands)

	2012	2011
OPERATING REVENUES:		
Net tuition and fees	$ 354,821	$ 316,045
Grants and contracts	460,260	448,903
Auxiliary	188,529	184,113
Other	89,324	85,201
Total operating revenues	1,092,934	$ 1,034,262
Operating expenses	1,857,043	1,782,288
Operating loss	$ (764,109)	$(748,026)
NONOPERATING REVENUES AND EXPENSES:		
State and local appropriations	$ 438,201	$ 540,013
Gifts	34,299	32,487
Investment income	14,323	129,975
Other	196,832	220,790
Total nonoperating revenues	683,655	923,265
Income (loss) before other revenues, expenses, gains, or losses	(80,454)	175,239
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
Capital appropriations	$ 84,047	$ 66,223
Capital grants and gifts	37,127	32,220
Additions to permanent endowments	12,142	15,135
Other	7,667	7,716
Total other revenues, expenses, gains, or losses	140,983	121,294
Increase (decrease) in net assets	$ 60,529	$ 296,533
Net assets at beginning of year	2,561,937	2,265,404
Prior-period adjustment	(12,436)	
Net assets at beginning of year, as restated	2,549,501	
Net assets at end of year	$2,610,030	$2,561,937

Figure B. Revenues by Source ($millions)

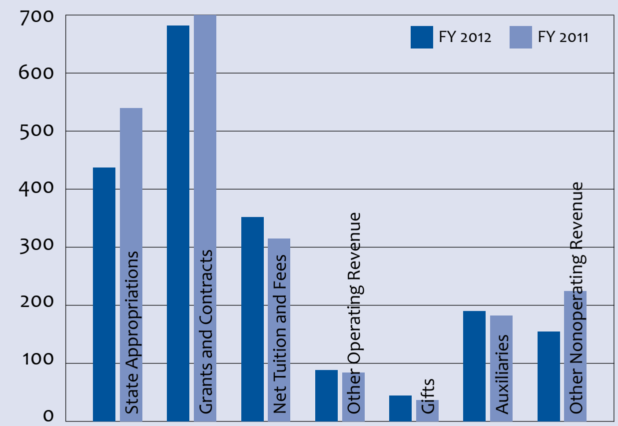
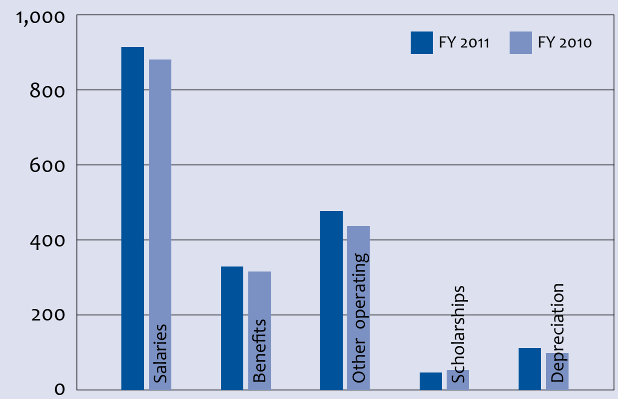


Figure C. Operating Expenses by Natural Classification ($thousands)



Additions to permanent endowments decreased by $3 million from fiscal year 2011 to 2012 due to decreased giving and the movement of endowments to the University of Tennessee Foundation.

REVENUES

The following is a graphic illustration (Figure B) of revenues by source (both operating and nonoperating), which were used to fund the university's activities for the years ended June 30, 2012, and June 30, 2011. For the year ended June 30, 2012, approximately seventy six percent of UT's revenue was attributed to state and local appropriations, grants and contracts, and tuition and fees.

EXPENSES

Operating expenses can be displayed in two formats, natural classification and functional classification. Both formats are displayed in Table III on the opposite page (in thousands of dollars).

The university had the following significant changes in expenses between fiscal years:

The increase in salary and benefit expenses from 2011 to 2012 is due to increases in staff in the instruction, research, academic support, and student services functions.

Employee benefit expenses increased slightly between fiscal years mainly as a result of increasing the number of employees and increases in health insurance premiums.

Other operating expenses increased between fiscal years due to availability of one-time funds for maintenance costs, equipment purchases, and the Solar Institute.

Scholarship expenses decreased due to increased tuition and fee discounts. Although gross scholarships increased, tuition and fee increases this fiscal year outpaced scholarship increases, resulting in a larger portion of scholarships being utilized to pay tuition and fees.

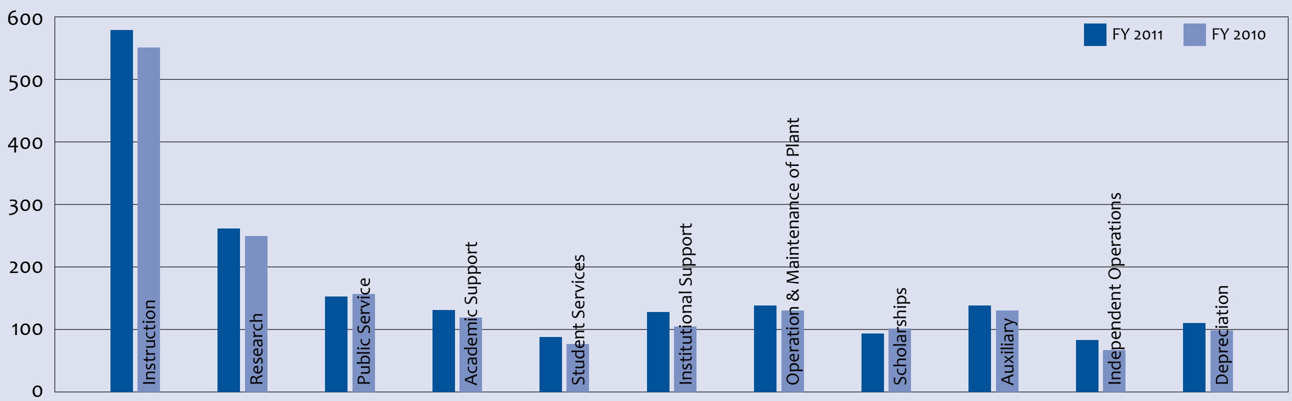
Instruction is the largest expenditure area for the university. Increases in instruction were due to increased enrollment. The increase in institutional support was primarily due to the start of

Table III. Expenses by Natural and Functional Classifications ($thousands)

NATURAL CLASSIFICATION	2012	2011
Salaries and wages	$ 902,581	$ 880,980
Benefits	320,708	314,940
Other operating	491,607	436,277
Scholarships and fellowships	38,948	51,542
Depreciation	103,199	98,549
Total expenses	$1,857,043	$1,782,288

FUNCTIONAL CLASSIFICATION	2012	2011
Instruction	$ 576,073	$ 550,996
Research	256,790	249,086
Public service	154,101	156,062
Academic support	125,727	118,549
Student services	82,308	76,490
Institutional support	123,455	104,364
Operation and maintenance of plant	132,076	129,551
Scholarships and fellowships	89,753	101,280
Auxiliaries	133,225	130,062
Independent operations	80,336	67,299
Depreciation	103,199	98,549
Total expenses	$1,857,043	$1,782,288

Figure D. Operating Expenses by Function ($thousands)



direct support payments to the UT Foundation. Beginning July 2011, independent operations includes not only UHS leased employees, but also UT Foundation leased employees.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2012, the University of Tennessee had $1,895,759,159.32 invested in capital assets, net of accumulated depreciation. Depreciation charges totaled $103,198,969.58 for the current fiscal year. Details of these assets are shown in Table IV.

Major capital additions for UT during 2011-2012 include the $40 million Electrical and Computer Engineering Facility, the $3.3 million Senter Hall Renovation, and the $900 thousand purchase of 1643 Cumberland Avenue in Knoxville; the $2.3 million Metro Building Renovation in Chattanooga; and the $1.7 million Athletic Field and Field Lights project in Martin.

Table IV. Schedule of Capital Assets, Net of Depreciation ($thousands)

	2012	2011
Land	$ 65,525	$ 64,320
Land improvements & infrastructure	46,090	26,833
Buildings	1,157,653	1,147,698
Works of art/historical treasures	3,878	3,493
Equipment	143,391	149,576
Software	7,058	9,170
Library holdings	76,554	75,378
Projects in progress	395,610	251,940
Total	$1,895,759	$1,728,408

For the next fiscal year, the state has approved $31.8 million in capital maintenance and $100.9 million in capital outlay appropriations for UT. These approved new projects are the Alexander Building Improvements - Phase II and

Multidisciplinary Simulation Center - GEB Annex in Memphis; the Science Laboratory Facility (Strong Hall Site), Electrical Distribution Systems Improvements - Phase V, Masonry Repairs - Phase V, and Roof Repair & Replacement (2012-2013) in Knoxville; Upgrade Water Distribution & Wastewater at UTSI; Clyde Austin 4-H Center Renovations and Greenhouse Renovation – West TN REC Center for the Institute of Agriculture; Chiller Replacement Upgrades and Reroof Buildings in Martin; and Grote Hall - Roof Replacement and Campus Safety & Security Improvements in Chattanooga. In addition, there are various construction and improvement projects at all campuses. More detailed information about the university's capital assets is presented in Note 5 to the financial statements.

DEBT

At June 30, 2012, the university had $575,135,598.84 in debt outstanding. Table V below summarizes these amounts by type of debt instrument.

Table V. Outstanding Debt Schedule
($thousands)

	2012	2011
Bonds-current portion	$ 27,539	$ 27,703
Bonds-noncurrent	446,033	468,044
Unamortized bond premium	7,377	7,787
Commercial paper-noncurrent	94,187	36,688
Total Debt	$575,136	$540,222

The university retired more than $30.1 million in bonds and commercial paper in fiscal year 2011-2012. The Tennessee State School Bond Authority (TSSBA), in addition to its authority to issue bonds and notes to finance capital projects, has the responsibility for approving all long-term debt of the university. TSSBA currently is rated AA by Standard & Poor's. More detailed information about the university's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

For fiscal year 2013, the University of Tennessee Board of Trustees has authorized individual campus fee increases of 4 to 10% that are expected to generate approximately $29.4 million in new funding, net of related scholarships, with a continued projected enrollment increase. State appropriations will increase $18 million with salary and benefit funds and new formula increases. The university continues to be successful in competing for grants and contracts. The capital markets remain unstable, which will affect the university's investment income.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the university's finances for all those with an interest in the university's finances. Questions concerning any of the information provided in the report or requests for additional information should be directed to Mr. Ron Maples, Controller, 201 Andy Holt Tower, Knoxville, Tennessee, 37996-0100.

Statement of Net Assets JUNE 30, 2012

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	THE UNIVERSITY OF TENNESSEE	UNIVERSITY OF CHATTANOOGA FOUNDATION INC.	UNIVERSITY OF TENNESSEE FOUNDATION INC.	THE UNIVERSITY OF TENNESSEE RESEARCH FOUNDATION INC.
ASSETS				
Current assets:				
Cash and cash equivalents (Note 2)	$ 357,964,006.51	$ 10,905,108.00	$ 1,017,591.23	$ 1,315,206.00
Investments (Notes 2, 22, 23, and 24)	92,713,239.01		5,000,000.00	
Accounts, notes, and grants receivable (net) (Note 4)	87,560,547.72	976,930.00	3,140,921.75	896,054.00
Due from the university				3,027,989.00
Inventories	6,540,746.73			
Prepaid expenses and deferred charges	3,949,897.19	53,909.00	4,835.83	270,407.00
Total current assets	$ 548,728,437.16	$ 11,935,947.00	$ 9,163,348.81	$ 5,509,656.00
Noncurrent assets:				
Cash and cash equivalents (Note 2)	$ 558,555,315.43		$ 5,253,813.89	$ 215,311.00
Investments (Notes 2, 22, 23, and 24)	556,539,119.36	$ 95,261,412.00	29,352,673.04	339,483.00
Investment in UT - Battelle, LLC (Note 14)	5,349,388.02			
Accounts, notes, and grants receivable (net) (Note 4)	102,126,350.51	1,085,550.00	51,216,402.72	
Lease payments receivable (Note 19)	47,833,735.43			
Due from primary government	29,457,982.19			
Capital assets (net) (Notes 5, 22, and 24)	1,895,759,159.32	58,714,682.00		61,450,980.00
Prepaid expenses and deferred charges	489,522.76	397,081.00		
Assets held by the university		543,205.00	49,610,470.34	
Total noncurrent assets	3,196,110,573.02	156,001,930.00	135,433,359.99	62,005,774.00
Total assets	$ 3,744,839,010.18	$ 167,937,877.00	$ 144,596,708.80	$ 67,515,430.00
LIABILITIES				
Current liabilities:				
Accounts payable (Note 7)	$ 114,542,300.53	$ 967,734.59	$ 277,907.64	$ 1,200,062.00
Accrued liabilities	46,795,887.67			
Deferred revenue	82,747,806.51	88,729.00		901,084.00
Due to component unit	447,202.39			
Deposits payable	7,122,156.28			
Annuities and life income payable (Note 8)	2,564,234.18		97,450.40	
Long-term liabilities, current portion (Notes 8, 22, 23, and 24)	70,569,256.81	1,800,000.00	671,916.08	
Deposits held in custody for others	32,887,445.89	3,935,257.00		
Due to the university		600,405.41	2,381.25	
Total current liabilities	$ 357,676,290.26	$ 7,392,126.00	$ 1,049,655.37	$ 2,101,146.00
Noncurrent liabilities:				
Deferred revenue (Notes 8 and 24)	$ 15,500,438.71			$ 19,634,977.00
Long-term liabilities, noncurrent portion (Notes 8, 22, 23, and 24)	660,390,023.54	$ 78,649,095.00	$ 733,979.26	604,922.00
Due to grantors (Note 8)	36,403,548.94			
Annuities payable (Note 8)	15,227,976.83		795,200.47	
Deposits held in custody for component units	49,610,470.34			
Total noncurrent liabilities	777,132,458.36	78,649,095.00	1,529,179.73	20,239,899.00
Total liabilities	$ 1,134,808,748.62	$ 86,041,221.00	$ 2,578,835.10	$ 22,341,045.00
NET ASSETS				
Invested in capital assets, net of related debt	$ 1,330,992,875.96			$ 40,914,919.00
Restricted:				
Nonexpendable:				
Scholarships and fellowships	191,404,855.78	$ 14,557,226.00	$ 23,628,440.88	
Libraries	13,398,983.66		311,232.15	
Research	20,355,833.89		1,416,009.81	
Instructional department uses	134,860,840.76	28,317,363.00	20,384,635.89	
Academic support	28,424,736.65	103,401.00	11,541,149.51	
Other	35,388,094.14	129,608.00	8,292,436.32	
Expendable:				
Scholarships and fellowships	94,823,145.12	509,222.00	1,962,229.29	
Libraries	9,711,732.97		17,416.72	
Research	61,381,418.82		4,051,057.38	
Instructional department uses	81,380,192.69	4,523,492.00	5,377,853.13	
Academic support	31,419,665.35	10,394.00	26,620,391.92	
Loans	10,434,737.42			
Capital projects	39,372,486.92	5,000,000.00	18,829,185.64	
Debt service	740,074.43			
Other	80,656,969.54	1,706,067.00	17,361,961.84	
Unrestricted (Note 9)	445,283,617.46	27,039,883.00	2,223,873.22	4,259,466.00
Total net assets	$ 2,610,030,261.56	$ 81,896,656.00	$ 142,017,873.70	$ 45,174,385.00

The notes to the financial statements are an integral part of this statement.

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Statement of Revenues, Expenses, and Changes in Net Assets FOR THE YEAR ENDED JUNE 30, 2012

	THE UNIVERSITY OF TENNESSEE	UNIVERSITY OF CHATTANOOGA FOUNDATION INC.	UNIVERSITY OF TENNESSEE FOUNDATION INC.	THE UNIVERSITY OF TENNESSEE RESEARCH FOUNDATION INC.
REVENUES				
Operating revenues:				
Student tuition and fees (net of $161,113,469.23 of scholarship allowances)	$ 354,820,737.48			
Contributions		$ 2,624,789.00	$ 47,857,351.20	$ 2,246,580.00
Investment return designated for operations		6,018,137.00		
Federal appropriations	14,872,025.33			
Governmental grants and contracts (Note 18)	247,946,961.79		23,326,356.00	
Non-governmental grants and contracts	212,313,200.38			2,872,561.00
Sales and services of educational departments and other activities	53,594,595.50			
Auxiliary enterprises:				
Residential life (net of scholarship allowances of $2,033,837.48; all revenues are used as security for varying revenue bonds; see Note 8)	54,277,050.48	10,798,589.00		
Food services	5,446,434.11			
Bookstore	20,036,921.34			
Parking	9,482,806.68			
Athletics (includes gifts of $22,245,530.73 from component units)	94,037,788.75			
Other auxiliaries	5,248,285.45			
Interest earned on loans to students	50,388.46			
Other operating revenues	20,807,232.70		145,787.04	
Total operating revenues	$1,092,934,428.45	$ 19,441,515.00	$ 71,329,494.24	$ 5,119,141.00
EXPENSES				
Operating expenses (Note 20):				
Salaries and wages	$ 902,581,509.61			
Fringe benefits	320,708,093.87			
Utilities, supplies, and other services	491,607,047.42	$ 3,504,703.00	$ 22,492,975.70	$ 37,557,594.00
Scholarships and fellowships	38,948,219.69			
Depreciation and amortization expense	103,198,969.58	3,246,718.00		3,310,678.00
Payments to or on behalf of the university (Notes 22 and 23)		6,018,136.00	35,534,745.19	
Total operating expenses	1,857,043,840.17	12,769,557.00	58,027,720.89	40,868,272.00
Operating income (loss)	$ (764,109,411.72)	$ 6,671,958.00	$ 13,301,773.35	$ (35,749,131.00)
NONOPERATING REVENUES (EXPENSES)				
State and local appropriations	$ 438,201,103.30			
Gifts (including gifts totaling $13,618,687.96 from component units)	34,298,530.09			
Grants and contracts	223,723,233.32			$ 37,112,649.00
Investment income (loss) (includes investment income of $1,379,993.36 from component units)	14,323,464.33	$ (7,613,963.00)	$ 484,827.42	10,650.00
Interest on capital asset - related debt	(22,350,013.46)	(4,347,398.00)		
Other nonoperating revenues (expenses)	(4,540,882.40)	(24,748.00)		(882.00)
Net nonoperating revenues (expenses)	683,655,435.18	(11,986,109.00)	484,827.42	37,122,417.00
Income (loss) before other revenues, expenses, gains, or losses	(80,453,976.54)	(5,314,151.00)	13,786,600.77	1,373,286.00
Capital appropriations	84,046,534.47			
Capital grants and gifts (including gifts from component units totaling $4,308,669.14)	37,126,582.25			24,888.00
Additions to permanent endowments	12,142,310.48	972,729.00	8,132,569.84	
Other	7,667,416.81			902,685.00
Total other revenues	140,982,844.01	972,729.00	8,132,569.84	927,573.00
Increase (decrease) in net assets	$ 60,528,867.47	$(4,341,422.00)	$ 21,919,170.61	$ 2,300,859.00
NET ASSETS				
Net assets at beginning of year, as restated for the university (Note 25)	2,549,501,394.09	86,238,078.00	120,098,703.09	42,873,526.00
Net assets at end of year	$ 2,610,030,261.56	$ 81,896,656.00	$ 142,017,873.70	$ 45,174,385.00

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	$ 355,643,858.60
Federal appropriations	14,872,025.33
Grants and contracts	420,417,498.87
Sales and services of educational activities	52,179,462.77
Payments to suppliers and vendors	(488,236,300.93)
Payments to employees	(899,967,975.74)
Payments for benefits	(306,997,124.98)
Payments for scholarships and fellowships	(38,948,219.69)
Loans issued to students	(3,414,643.79)
Collection of loans from students	3,964,784.46
Interest earned on loans to students	609,154.77
Auxiliary enterprise charges:	
Residence halls	54,277,050.48
Bookstore	20,036,921.34
Food service	5,446,434.11
Parking	9,482,806.68
Athletics	93,230,912.42
Other auxiliaries	3,914,646.72
Other receipts (payments)	21,608,447.14
Net cash provided (used) by operating activities	$ (681,880,261.44)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	$ 432,546,017.31
Local appropriations	5,655,085.99
Gifts and grants for other than capital or endowment purposes	275,650,104.80
Private gifts for endowment purposes	12,142,310.48
Split-interest transactions receipts	4,027,993.14
Split-interest transactions disbursements	(1,573,861.14)
Federal student loan receipts	294,625,204.00
Federal student loan disbursements	(287,937,515.00)
Changes in deposits held for others	28,614,374.21
Net cash balance implicitly financed (repaid)	19,164,543.09
Other noncapital receipts (payments)	7,667,416.81
Net cash provided (used) by noncapital financing activities	$ 790,581,673.69

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital debt	$ 63,085,904.86
Capital appropriations	71,371,061.06
Capital grants and gifts received	37,126,582.25
Proceeds from sale of capital assets	2,274,046.45
Purchase of capital assets and construction	(275,031,461.90)
Principal paid on capital debt and leases	(27,873,422.36)
Interest paid on capital debt and leases	(23,215,106.84)
Other capital and related financing receipts (payments)	(462,841.23)
Net cash provided (used) by noncapital financing activities	$ (152,725,237.71)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	$ 245,394,945.02
Income on investments	739,877.98
Purchase of investments	(198,209,002.10)
Net cash provided (used) by noncapital financing activities	$ 47,925,820.90
Net increase (decrease) in cash and cash equivalents	$ 3,901,995.44
Cash and cash equivalents at beginning of year	912,617,326.50
Cash and cash equivalents at end of year	$ 916,519,321.94

RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating loss	$ (764,109,411.72)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	103,198,969.58
Changes in assets and liabilities:	
Receivables, net	(11,362,149.31)
Inventories	723,828.58
Prepaid expenses and deferred charges	(713,138.83)
Accrued interest receivable	558,766.31
Accounts payable	3,833,752.62
Accrued liabilities	3,074,745.73
Deferred revenue	(33,034,133.48)
Deposits	2,148,611.38
Other Post-Employment Benefits	9,946,064.07
Compensated absences	3,303,692.96
Other additions (deductions):	
Loans to students	550,140.67
Net cash provided (used) by operations	$ (681,880,261.44)

NONCASH INVESTING, CAPITAL, OR FINANCING TRANSACTIONS

Gifts of capital assets	$ 22,571,813.90
Unrealized gain (loss) on investments	$ 4,498,263.10
Loss on disposal of capital assets	$ (3,387,743.75)

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

JUNE 30, 2012

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Note 1: Summary of Significant Accounting Policies

A. REPORTING ENTITY

The university is a component unit of the State of Tennessee because the state appoints the majority of the university's governing body and provides significant financial support. The university is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

The University of Tennessee System is comprised of the University of Tennessee, the University of Tennessee at Chattanooga, and the University of Tennessee at Martin. The University of Tennessee is comprised of the University of Tennessee Knoxville campus, which includes the Space Institute at Tullahoma; the University of Tennessee Health Science Center, including the Memphis campus, the Memorial Research Center at Knoxville, Clinical Education Centers at Chattanooga and Knoxville, and Family Practice Centers at Jackson, Knoxville, and Memphis; the University of Tennessee Institute of Agriculture, including the College of Agricultural Sciences and Natural Resources at Knoxville, the Agricultural Experiment Stations, Extension, and the College of Veterinary Medicine at Knoxville; the Institute for Public Service, which includes the County Technical Assistance Service and the Municipal Technical Advisory Service; and the System Administration. The university is governed by a board of 26 members, including one student and one faculty member, all either *ex officio* or appointed by the Governor, who also serves as chairman. The president is the chief executive officer of the university system.

The University of Chattanooga Foundation, Inc., and the University of Tennessee Foundation, Inc., are considered component units of the university. Although the university does not control the timing or amount of receipts from the foundations, the majority of resources, or income thereon, that the foundations hold and invest are restricted to the activities of the university by the donors. Because these restricted resources held by the foundations can only be used by, or for the benefit of, the university, the foundations are considered component units of the university and are discretely presented in the university's financial statements. The University of Tennessee Research Foundation, Inc., is also considered a component unit of the university because the university's board of trustees approves the foundation's administrative budget. It is also discretely presented in the university's financial statements. See notes 22, 23 and 24 for more detailed information about the component units and how to obtain their reports.

B. BASIS OF PRESENTATION

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental colleges and universities engaged in business-type activities as prescribed by the Governmental Accounting Standards Board (GASB).

C. BASIS OF ACCOUNTING

For financial statement purposes, the university is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All significant interfund transactions have been eliminated.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The university has the option of following private-sector guidance issued subsequent to November 30, 1989, subject to the above limitation. The university has elected not to follow private-sector guidance issued subsequent to November 30, 1989.

Amounts reported as operating revenues include 1) tuition and fees, net of waivers and discounts; 2) federal appropriations; 3) certain federal, state, local, and private grants and contracts; 4) sales and services of educational departments and other activities; 5) sales and services of auxiliary enterprises; and 6) other sources of revenue. Operating expenses for the institution include 1) salaries and wages; 2) employee benefits; 3) scholarships and fellowships; 4) depreciation; and 5) utilities, supplies, and other services.

All other activity is nonoperating in nature. This activity includes: 1) state and local appropriations for operations; 2) investment income; 3) interest on capital asset-related debt; 4) non-operating grants and contracts; and 5) gifts.

When both restricted and unrestricted resources are available for use, generally it is the institution's policy to use the restricted resources first.

D. CASH EQUIVALENTS

This classification includes instruments which are readily convertible to known amounts of cash.

E. INVENTORIES

Inventories are valued at the lower of cost or market, based on the retail, specific identification, average cost, or first-in, first-out basis.

F. INVESTMENTS

The university reports investments in commercial paper at amortized cost. All other investments are reported at fair value or estimated fair value.

The university holds investments in limited partnerships, limited companies, corporations, and limited liability corporations which are carried at estimated fair value provided by the management of these funds. The purpose of this alternative investment class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes. Methods for determining estimated fair values include discounted cash flows and estimates provided by general partners and fund managers. Because these investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. The estimated fair values are reviewed and evaluated by the university.

G. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, software, and library holdings, are reported in the statement of net assets at historical cost or at fair value at date of donation, less accumulated depreciation/amortization. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' useful lives are not capitalized.

A capitalization threshold of $100,000 is used for buildings, land improvements, and infrastructure. Equipment and software are capitalized when the unit acquisition cost is $5,000 or greater and the estimated useful life is one year or more. The capitalization threshold for additions and improvements to infrastructure and land improvements is also $100,000. The capitalization threshold for additions and improvements to buildings is $100,000 provided that amount exceeds 20% of the book value of the building.

These assets, with the exception of land, are depreciated/amortized using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years.

H. ACCOUNTS PAYABLE

Included in accounts payable are checks payable in the amount of $19,848,030.95 as of June 30, 2012. These amounts represent the sum of checks written in excess of the university's checking account balance because of the use of a controlled disbursement account. In this way, the university maximizes interest income by transferring from an investment account only funds necessary to cover the checks that clear the bank daily.

I. COMPENSATED ABSENCES

The university's employees accrue annual leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time. Generally, all permanent, full-time employees and certain part-time employees are entitled to accrue and carry forward calendar year maximums of 42 days annual vacation leave, except nine-month faculty members who do not accrue annual leave. The amount of these liabilities and their related benefits are reported in the statement of net assets. There is no liability for unpaid accumulated sick leave since the university's policy is to pay this only when an employee dies or is absent because of illness or injury.

J. NET ASSETS

The institution's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt: This represents the institution's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Nonexpendable Restricted Net Assets: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be expendable or added to principal.

Expendable Restricted Net Assets: Expendable restricted net assets include resources in which the university is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted Net Assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, sales and services of educational departments and other activities, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the institution, and may be used at the discretion of the institution to meet current expenses for any purpose.

K. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the university and the amount that is paid by the student and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the institution's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the institution has recorded a scholarship discount and allowance.

L. INCOME TAXES

The university, as a public corporation and an instrumentality of the State of Tennessee, is exempt from federal income taxes under Section 115 of the *Internal Revenue Code*. Contributions to the university are deductible by donors as provided under Section 170 of the *Internal Revenue Code*.

Note 2: Deposits and Investments

INVESTMENT POLICY

Cash Management Investment Pool: The University of Tennessee maintains a cash management investment pool that is available for use by all fund groups. State statutes and university investment policies authorize the university's cash management pool to invest in collateralized Tennessee bank or savings and loan association certificates of deposit, U.S. Treasury obligations, U.S. government agency obligations, repurchase agreements of those securities, highest quality commercial paper, prime bankers' acceptances, and money market mutual funds meeting certain criteria.

University policy also requires that commercial paper not exceed 35% of the portfolio in total and that no more than 10% of the portfolio's value be in the commercial paper of a single issuer. In addition, banker's acceptances cannot exceed 20% of the portfolio's value and no one bank's acceptances may exceed 10%. Money market funds cannot exceed 10% of the portfolio's total value. At June 30, 2012, the university's cash management investment pool consisted of $763,250,000.00 of certificates of deposit, $60,500,000.00 of demand deposits yielding money market rates, and $54,972,085.99 of commercial paper.

Investments: The university's assets subject to long-term investment (endowments and annuity and life income assets) use various external managers and funds consistent with investment objectives for those invested assets. A significant part of these assets is the university's Consolidated Investment Pool which is a carefully crafted portfolio of broadly diversified asset classes.

Deposits: University policy and state statute require that university funds be deposited into authorized commercial banks and savings and loan associations. State statutes also require that these financial institutions pledge securities as collateral to secure university time and demand deposits. To facilitate the pledge requirement, financial institutions can elect to either participate in the State of Tennessee Collateral Pool for Public Deposits administered by the State Treasurer or pledge securities with a third party.

CASH AND CASH EQUIVALENTS

In addition to petty cash and demand deposits, this classification includes instruments which are readily convertible to known amounts of cash.

At June 30, 2012, cash and cash equivalents consisted of $34,085,618.22 in bank accounts, $1,804,013.37 of petty cash on hand, and $878,722,085.99 in the university's cash management investment pool.

The carrying amount of the university's deposits was $857,835,618.22 and the bank balance was $857,820,267.31.

Additionally, the university maintains custodial accounts at First Tennessee Bank and Hilliard Lyons for funds contractually managed by independent investment counsel. In accordance with the custody agreements, First Tennessee Bank and Hilliard Lyons placed cash equivalents totaling $1,907,604.36 at June 30, 2012, in money market mutual funds.

CUSTODIAL CREDIT RISK—DEPOSITS

The custodial credit risk for deposits is the risk that in the event of a bank failure, the university's deposits may not be recovered. As stated earlier, state statutes require that all university deposits be in a qualified depository and secured through direct collateralization or participation in the State Collateral Pool. As of June 30, 2012, all university deposits were adequately secured as required by state statute.

INVESTMENTS

Investments in commercial paper are reported at amortized cost. All other investments are reported at fair value, including those securities with a maturity date of one year or less. As of June 30, 2012, the university had investments and maturities as shown on Table 2.1 (opposite page).

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The university does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The university's debt investments as of June 30, 2012, were rated by Moody's.

The university is authorized by statute to invest funds in accordance with University of Tennessee investment policies. Funds, other than endowment and annuity and life income funds may be invested in collateralized Tennessee bank or savings and loan association certificates of deposit, U.S. Treasury obligations, U.S. government agency obligations, repurchase agreements of those securities, highest quality commercial paper, prime bankers' acceptances, and money market mutual funds meeting certain criteria. Endowment and life income funds can be invested in equity securities and various other securities given prudent diversification. The university has no investment policy limiting its investment choice based on ratings issued by nationally recognized statistical rating agencies. As of June 30, 2012, the institution's investments were rated as shown in Table 2.2 (page 16).

CUSTODIAL CREDIT RISK – INVESTMENTS

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the university will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. At June 30, 2012, the university had $6,300,402.30 of uninsured and unregistered investments held by a counterparty but not in the school's name.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of the university's investment in a single

Table 2.1. Investment Maturities (in years)

Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	10+	Unknown	Cost
Cash Management Pool							
Cash Equivalents							
Debt Securities							
Commercial Paper	$ 54,972,085.99	$ 54,972,085.99					$ 54,920,313.89
	$ 54,972,085.99	$ 54,972,085.99					$ 54,920,313.89
Investments							
Debt Securities							
U.S. Treasury	$ 3,627,894.67		$ 2,150,277.21	$ 716,124.66	$ 761,492.80		$ 3,086,724.05
U.S. Agencies	9,730,641.33	$ 883,582.00	6,067,855.13	1,593,837.00	1,185,367.20		8,958,058.94
Corporate Bonds	16,745,056.40	4,104,249.34	6,635,177.88	5,873,992.05	131,637.13		16,039,602.29
Municipal Bonds	3,718,478.80	503,435.00	1,386,331.65		1,828,712.15		3,617,134.05
Mortgages and Notes	16,046.23		16,046.23				16,046.23
Bond Mutual Funds	29,381,525.46		2,827,819.10	21,547,291.85	2,673,696.44	$ 2,332,718.07	27,792,305.03
	$ 63,219,642.89	$ 5,491,266.34	$ 19,083,507.20	$ 29,731,245.56	$ 6,580,905.72	$ 2,332,718.07	$ 59,509,870.59
		$ 60,463,352.33	$ 19,083,507.20	$ 29,731,245.56	$ 6,580,905.72	$ 2,332,718.07	
Other Investments							
Corporate Stocks:							
Domestic	$ 24,535,085.51						$ 21,484,623.08
International	1,291,231.59						1,558,802.25
Mutual Funds—Equity	181,187,032.28						207,039,038.84
Alternative Investments:							
Real Estate Investments	20,165,058.92						16,421,161.76
Private Equity	109,022,671.82						94,563,454.92
Hedge Funds	150,588,259.77						127,086,027.70
Natural Resources	88,858,522.42						79,812,697.98
Real Estate Gifts	4,084,450.87						5,571,852.37
Assets with Trustees	6,300,402.30						7,080,151.51
Total Investments and Cash Equivalents	$ 704,224,444.36						$675,047,994.89
Less: Cash Equivalents	54,972,085.99						54,920,313.89
Total Investments	$ 649,252,358.37						$ 620,127,681.00

issuer. Other than the restrictions placed on the cash management investment pool described in the investment policies above, the university places no limit on the amount the university may invest in any one issuer. At June 30, 2012, there was no single issuer with whom the university had more than five percent of its invested funds.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or investment. The university has $1,291,231.59 invested in foreign corporate equities and $1,166,505.25 invested in foreign corporate bonds at June 30, 2012.

ALTERNATIVE INVESTMENTS

In its Consolidated Investment Pool, as part of its endowment assets, the university has investments in eighty-nine limited partnerships, limited companies, corporations, and limited liability corporations (LLCs).

These investments include forty-three private equity funds, four real estate funds, nineteen natural resource funds, and twenty-three hedge funds. The estimated fair value of these assets is $368,634,512.93 at June 30, 2012.

Total capital contributions less returns of capital equal $317,883,342.36 at June 30, 2012.

Table 2.2. Rated Debt Instruments	Fair Value	Aaa	Aa1	Aa2	Aa3	A1	A2	A3
Cash Management Pool								
Commercial Paper	$54,972,085.99					$54,972,085.99		
Investments								
U.S. Agencies	$ 9,730,641.33	$ 9,730,641.33						
Corporate Bonds	16,745,056.40	1,004,100.00			$380,019.60	$1,584,786.88	$ 1,961,180.25	$3,982,081.00
Municipal Bonds	3,718,478.80		$ 235,749.65	$ 933,384.25	1,195,224.60	205,284.00		
Mutual Funds—Bonds	29,381,525.46	1,163,056.61					1,711,600.61	
Mortgages and Notes	16,046.23							
Money Market Funds in Custodial Accounts	1,907,604.36	1,907,604.36						

Table 2.2. Rated Debt Instruments (*continued*)	Baa1	Baa2	Baa3	Ba2	B1	B2	Unrated
Investments							
U.S. Agencies							
Corporate Bonds	$ 4,244,801.09	$ 2,924,169.00	$ 586,097.60				$ 77,820.98
Municipal Bonds	503,435.00	240,832.80					404,568.50
Mutual Funds–Bonds		1,417,227.99		$2,435,827.06	$ 93,575.43	$ 498,718.68	22,061,519.08
Mortgages and Notes							16,046.23

The university believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2012. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. These investments are made in accordance with the university's investment policy that approves the allocation of funds to various asset classes in order to ensure the proper level of diversification within the endowment pool. These investments (private equity, real estate assets, natural resources, and hedge funds) are designed to enhance diversification and provide reductions in overall portfolio volatility. These fair values are estimated by the general partner of each limited partnership or manager of each corporate entity using various valuation techniques.

The methods and assumptions used in estimating fair value varies based upon the asset class, but uniformly all start with the latest audited financial statements for the funds. Most funds issue audited financial statements on a calendar year basis. Using those audited fair values as a beginning point, valuations are adjusted for net capital activity and marketplace considerations to ascertain the reasonableness of estimated fair values provided by the fund managers. Marketplace activity includes subsequent independent appraisals for real estate assets, subsequent rounds of capital financings that include new investors for private/venture equity, and asset confirmations from brokers and fund administrators for hedge funds.

Note 3: Endowment, Annuity, and Life Income Agreements

There are two categories of university assets which are subject to long-term investment: endowments and amounts held in trust under annuity and life income agreements. The investment of these funds is governed by the gift instrument and the investment policies established by the Board of Trustees.

Effective July 1, 1954, the university adopted the policy of investing endowment assets over which it had full investment discretion (and on which the donor or governing gift instrument does not require separate investment) in a Consolidated Investment Pool. This pooling of investments affords closer supervision of the investment portfolio and provides, regardless of size, the advantages of participation in a well-diversified portfolio of domestic and international equities, private equity, bonds, real estate, and hedge funds. All contributing endowments participate in the income and capital appreciation of the Pool on a per-share basis commensurate with their contributions to the

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Pool. New endowments purchase shares in the Pool at the end of each month at the then current fair value per share, determined by valuing the Pool at month end fair value and dividing by the number of pool units outstanding.

If a donor has not provided specific instructions, state law permits the university to authorize for spending the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the university is required to consider the university's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The university chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the spending plan established by the university, four and a half percent of a three-year moving average of the fair value of endowment investments has been authorized for expenditure. The remaining amount, if any, is retained to be used in future years when the amount computed using the spending plan exceeds the investment income. At June 30, 2012, net appreciation of $84,909,645.93 is available to be spent, of which $83,199,647.33 is restricted for scholarships and fellowships, libraries, instructional department uses, academic support, research, and other purposes. The per unit fair value for participating endowments was $3.069867 at June 30, 2012. Income distributed was $.13766 per share in 2012, or $26,429,645.56.

The university's consolidated investment pool is invested to maximize total return rather than current income consistent with provisions of the Uniform Prudent Management of Institutional Funds Act adopted by the State of Tennessee in 2007. The total return for fiscal year 2012 and the three and five years then ended was (2.2%), 10.5%, and (0.9%), respectively.

All endowments not invested as part of the Consolidated Investment Pool are separately invested to observe requirements or limitations imposed by donors. Income earned and distributed on separately invested endowments amounted to $611,977 for 2012.

Annuity and life income amounts held in trust are separately invested entities requiring detailed accounting to reflect specific compliance with terms of each trust and applicable federal regulations. The investment objectives as reflected in each agreement vary widely since they are affected by the age, income level, and needs of the beneficiaries as well as motives and objectives of the donors. Interest, dividend, rent, and royalty income realized on these funds for 2012 amounted to $1,523,312.29.

Note 4: Accounts, Notes, and Grants Receivable

Accounts, notes, and grants receivable included the following at June 30, 2012:

Table 4.1 Accounts, Notes and Grants Receivable	
Student accounts receivable	$ 13,938,389.01
Grants receivable	80,514,330.74
Notes receivable	3,065,310.02
Pledges receivable	43,280,806.89
TSSBA debt proceeds receivable	478,613.00
Due from component units	602,786.66
Other receivables	37,818,093.42
Subtotal	$ 179,698,329.74
Less allowance for doubtful accounts	(19,155,907.83)
Total	$ 160,542,421.91

Pledges receivable are promises of private donations that are reported as accounts receivable, and revenue, net of an estimated uncollectible allowance of $8,656,161.58.

Federal Perkins Loan Program funds included the following at June 30, 2012:

Table 4.2 Perkins Loans	
Perkins loans receivable	$ 29,144,476.32
Less allowance for doubtful accounts	—
Total	$ 29,144,476.32

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

Table 5.1

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 64,319,907.63	$ 1,237,520.42	$ —	$ (32,413.39)	$ 65,525,014.66
Land improvements & infrastructure	75,912,392.25	22,313,589.90	—	—	98,225,982.15
Buildings	1,888,056,156.51	14,930,087.67	43,432,557.13	—	1,946,418,801.31
Works of Art/Historical Treasures	3,493,450.77	385,000.00	—	—	3,878,450.77
Equipment	374,156,715.99	33,119,298.60	—	(20,810,076.69)	386,465,937.90
Software	29,094,914.77	517,926.42	—	(135,320.00)	29,477,521.19
Library holdings	129,758,408.59	14,189,190.63	—	(9,652,280.79)	134,295,318.43
Projects in progress	251,940,030.81	187,441,285.87	(43,432,557.13)	(338,302.44)	395,610,457.11
Total	$ 2,816,731,977.32	$ 274,133,899.51	$ —	$ (30,968,393.31)	$3,059,897,483.52
Less accumulated depreciation:					
Land improvements & infrastructure	(49,080,255.38)	(3,055,882.18)	—	—	(52,136,137.56)
Buildings	(740,357,802.53)	(48,408,144.75)	—	—	(788,765,947.28)
Equipment	(224,581,204.40)	(36,160,901.94)	—	17,667,229.31	(243,074,877.03)
Software	(19,924,902.29)	(2,560,392.27)	—	65,508.75	(22,419,785.81)
Library holdings	(54,380,208.87)	(13,013,648.44)	—	9,652,280.79	(57,741,576.52)
Total accumulated depreciation	$(1,088,324,373.47)	$(103,198,969.58)	—	$ 27,385,018.85	$(1,164,138,324.20)
Capital assets, net	$1,728,407,603.85	$ 170,934,929.93	$ —	$ (3,583,374.46)	$ 1,895,759,159.32

Note 6: Operating Leases

The university has entered into various operating leases for buildings and equipment. It is expected that in the normal course of business, such leases will continue to be required. Net expenses for rentals under leases were $8,351,809.41 for the year ended June 30, 2012.

Note 7: Accounts Payable

Accounts payable included the following:

Table 7.1	**June 30, 2012**
Vendors payable	$ 91,725,735.91
Payroll deductions payable	22,816,564.62
Total	$ 114,542,300.53

Note 8: Long-Term Liabilities

Table 8.1 (page 19) contains long-term liability activity for the year ended June 30, 2012.

TSSBA DEBT – BONDS

Bonds, with interest rates ranging from 1.3% to 7.15%, were issued by the Tennessee State School Bond Authority (TSSBA). The bonds are due serially to 2040 and are secured by pledges of the facilities' revenues to which they relate and certain other revenues and fees of the university, including state appropriations. (See Note 10 for further details.) The bonded indebtedness with the Tennessee State School Bond Authority included in long-term liabilities on the statement of net assets is shown net of assets held by the authority in the debt service reserve and unexpended debt proceeds. The total bonded indebtedness at June 30, 2012, was $495,966,819.18. The debt service reserve amount at June 30, 2012, was $20,895,329.45, and unspent debt proceeds were $1,499,895.95.

The university's debt service requirements to maturity for all bonds payable at June 30, 2012, are shown in Table 8.2 (page 19).

TSSBA DEBT - COMMERCIAL PAPER

The Tennessee State School Bond Authority issues commercial paper to finance the costs of various capital projects during their construction phase. When projects are placed in service, long-term, fixed-rate debt is issued by TSSBA to finance the project over its useful payback period and the commercial paper is redeemed. The amount issued for projects at the university was $94,186,946.15 at June 30, 2012.

For the commercial paper program, the Tennessee State School Bond Authority maintains an interest rate reserve fund. The university contributes amounts to the reserve fund based on the amounts drawn. The principal of the reserve will be contributed to pay off notes or credited back to the university when the notes are converted to bonds. The interest earned on the reserve is used to pay interest due during the month.

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Table 8.1 Long Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term liabilities					
Bonds	$495,746,845.95	$ 478,613.00	$ 22,653,865.17	$ 473,571,593.78	$ 27,538,739.05
Unamortized Bond Premium	7,786,895.51	—	409,836.60	7,377,058.91	—
Commercial paper	36,688,502.05	59,584,606.70	2,086,162.60	94,186,946.15	—
Total TSSBA indebtedness	$ 540,222,243.51	$ 60,063,219.70	$ 25,149,864.37	$ 575,135,598.84	$ 27,538,739.05
Capital lease obligations	650,460.75	—	650,460.75	—	—
Net OPEB obligation	66,561,306.04	24,642,000.00	14,695,935.93	76,507,370.11	—
Compensated absences	76,012,618.44	46,334,210.72	43,030,517.76	79,316,311.40	43,030,517.76
Total long-term liabilities	$683,446,628.74	$ 131,039,430.42	$ 83,526,778.81	$ 730,959,280.35	$ 70,569,256.81
Other noncurrent liabilities					
Deferred revenue	15,500,438.71	—	—	15,500,438.71	
Due to grantors	36,201,013.40	831,815.08	629,279.54	36,403,548.94	
Annuities payable	5,507,214.65	12,435,230.19	2,714,468.01	15,227,976.83	
Totals	$ 740,655,295.50	$ 144,306,475.69	$ 86,870,526.36	$ 798,091,244.83	

More detailed information regarding the bonds and commercial paper can be found in the notes to the financial statements in the financial report for the Tennessee State School Bond Authority. That report is available on the state's website at http://www.comptroller1.state.tn.us/tssba/cafr.asp.

Table 8.2 Debt Service Requirements to Maturity

Year ending June 30:	Principal	Interest
2013	$ 27,538,739.05	$ 22,296,390.49
2014	28,251,878.89	21,163,689.31
2015	24,316,952.28	20,014,056.36
2016	24,941,749.35	18,980,511.17
2017	24,679,346.21	17,880,884.20
2018 - 2022	124,300,843.68	72,428,050.66
2023 - 2027	108,908,292.99	45,860,774.66
2028 - 2032	80,748,932.73	23,537,341.69
2033 - 2037	41,098,182.87	8,072,297.95
2038 - 2040	11,181,901.13	878,784.58
	$495,966,819.18	$251,112,781.07

Note 9: Unrestricted Net Assets

Unrestricted net assets include funds that have been designated for specific purposes. These purposes are outlined in Table 9.1 below.

Table 9.1.	**As of June 30, 2012**
Working capital	$ 30,459,383.09
Encumbrances	6,033,562.03
Auxiliaries	4,702,428.87
Quasi-endowments	12,676,358.50
Plant construction	48,116,202.61
Renewal and replacement of capital assets	319,299,033.61
Debt retirement	23,996,648.75
Total	$ 445,283,617.46

Note 10: Pledged Revenues

The University of Tennessee has pledged certain revenues and fees, including state appropriations, to repay $473,571,593.78 in revenue bonds issued from September 1998 to September 2010. Proceeds from the bonds provided financing for construction and renovation projects. The bonds are payable through 2040. (See Note 8 for further details.) Annual principal and interest payments on the bonds are expected to require 4.32% of available revenues. The total principal and interest remaining to be paid on the bonds is $747,079,600.25. Principal and interest paid for the current year and total available revenues were $50,927,568.10 and $1,179,851,483.97, respectively.

Note 11: Pension Plans

A. DEFINED BENEFIT PLANS

1. TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Plan Description
The University of Tennessee contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer, defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report is available on the state's website at http://treasury.tn.gov/tcrs/index.html.

Funding Policy
Plan members are noncontributory. The university is required to contribute at an actuarially determined rate. The current rate is 14.91% of annual covered payroll. Contribution requirements for the university are established and may be amended by the TCRS' Board of Trustees. The university's contributions to TCRS for the years ended June 30, 2012, 2011, and 2010, were $44,814,905.55, $43,343,861.11, and $37,266,850.27, respectively. Contributions met the requirements for each year.

2. FEDERAL RETIREMENT PROGRAM

Plan Description
The University of Tennessee contributes to the Federal Retirement Program, a cost-sharing, multiple-employer, defined benefit pension plan administered by the Civil Service Retirement System (CSRS) for participants employed prior to January 1, 1984, and the Federal Employees Retirement System (FERS) for participants employed after December 31, 1983. Both systems provide retirement, death, and disability benefits, as well as annual cost-of-living adjustments, to plan members and their beneficiaries. All regular full-time employees of the University of Tennessee Agricultural Extension Service who hold federal appointments for 51% or more of their time are required to participate in either one of the two Federal Retirement Programs. For both systems, benefit provisions are established in federal statutes. Federal statutes are amended by the U.S. Congress.

CSRS and FERS issue publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to the Office of Personnel Management, Retirement Information Office, P.O. Box 45, Boyers, PA 16017-0045, or by calling (202) 606-0500.

Funding Policy
Participating employees, with some exceptions, are required by federal statute to contribute 7% of covered salaries to the CSRS plan. The university is currently required to contribute 7%. Contributions to CSRS for the year ended June 30, 2012, were $618,678.32, which consisted of $321,988.78 from the university and $296,689.54 from the employees; contributions for the year ended June 30, 2011, were $655,375.40, which consisted of $339,588.48 from the university and $315,786.92 from the employees; and contributions for the year ended June 30, 2010, were $795,846.34, which consisted of $411,178.79 from the university and $384,667.55 from the employees. Contributions met the requirements for each year.

Federal statute requires employees participating in FERS to contribute 0.8% of their salaries to the Basic Benefit Plan. The university is required to contribute 11.9%. In addition, the university is required to contribute 1% of each participant's salary to the Thrift Savings Plan plus up to an additional 4% depending upon employees' contributions, which can range from 0 to 10% of their salaries. Contributions for the Basic Benefit Plan were $1,101,753.98 for the year ended June 30, 2012, which consisted of $69,636.70 from employees and $1,032,117.28 from the university; $1,050,369.80 for the year ended June 30, 2011, which consisted of $67,950.44 from employees and $982,419.36 from the university; and $1,027,500.74 for the year ended June 30, 2010, which consisted of $68,500.09 from employees and $959,000.65 from the university. Contributions for the Thrift Savings Plan were $1,018,610.96 for the year ended June 30, 2012, which consisted of $611,154.96 from employees and $407,456.00 from the university; $984,569.00 for the year ended June 30, 2011, which consisted of $586,628.00 from employees and $397,941.00 from the university; and $994,264.00 for the year ended June 30, 2010, which consisted of $592,984.00 from employees and $401,280.00 from the university. Contributions met the requirements for each year.

B. DEFINED CONTRIBUTION PLANS

1. OPTIONAL RETIREMENT PLANS (ORP)

Plan Description
The university contributes to three defined contribution plans: Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), ING Life Insurance and Annuity Company, and Variable Annuity Life Insurance Company (VALIC). These plans are administered by the Tennessee Department of the Treasury. Each plan provides retirement benefits to faculty and staff who are exempt from the overtime provisions of the Fair Labor Standards Act and who waive membership in the TCRS. Benefits depend solely on amounts contributed to the plan plus investment earnings.

Plan provisions are established by state statute in Title 8, Chapter 35, Part 4, *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly.

Funding Policy
Plan members are noncontributory. The university contributes

an amount equal to 10% of the employee's base salary below the social security wage base and 11% above the social security wage base. Contribution requirements are established and amended by state statute. The contributions made by the university to the plans for the year ended June 30, 2012, were $42,961,063.63 and for the year ended June 30, 2011, were $41,479,557.03. Contributions met the requirements for each year.

2. JOINT CONTRIBUTORY RETIREMENT SYSTEM PLAN A (JCRS-A)

Plan Description

The Joint Contributory Retirement System Plan A (JCRS-A) is a defined contribution plan with minimum benefits and is administered by the Tennessee Consolidated Retirement System and TIAA-CREF. Employees who were enrolled in the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) before July 1977 are members of JCRS-A. Enrollment in this plan for new employees has been closed since July 1977.

Although JCRS-A members participate in ING, TIAA-CREF, or VALIC, they may also, under certain circumstances, receive a supplementary benefit from the State of Tennessee. Plan provisions are established by *Tennessee Code Annotated*, Chapter 35, Part 4. State statutes are amended by the Tennessee General Assembly.

Funding Policy

Plan members are noncontributory. The university's contributions for JCRS-A members were calculated using the base salary amounts of $23,563,246.91 for fiscal year 2012, and $26,209,414.76 for fiscal year 2011. Contribution requirements are established and amended by state statute. The contributions are included in the ORP amounts. University contributions to fund the state supplemental benefit totaled $3,511,390.91 in fiscal year 2012, and $3,907,605.09 in fiscal year 2011. Contributions met the requirements for each year.

C. DEFERRED COMPENSATION PLANS

The University of Tennessee offers its employees three deferred compensation plans. The university, through the State of Tennessee, provides two plans, one established pursuant to *Internal Revenue Code (IRC)*, Section 457, and the other pursuant to *IRC*, Section 401(k). The third plan is administered by the university and was established in accordance with *IRC*, Section 403(b).

These plans, available to all university employees, permit them to defer a portion of their salaries to future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All costs of administering and funding these plans, with the exclusion of the $50 monthly university match for the Section 401(k) plan, are the responsibility of plan participants.

Since Section 457 and 401(k) plan assets remain the property of the contributing employees and a third party administrator is used to administer the plan assets, they are not presented in the State of Tennessee financial statements. In fiscal year 2012, the university provided a $50 monthly match from unrestricted funds for employees making a minimum monthly contribution of $50 to the Section 401(k) plan. During the year ended June 30, 2012, contributions totaling $19,367,197.98 were made by employees participating in the plan, with a related match of $5,456,652.02 made by the university. During the year ended June 30, 2011, contributions totaling $18,503,853.21 were made by employees participating in the plan, with a related match of $5,508,820.48 made by the university. In accordance with the IRC, employee contributions through the 403(b) plan remain the assets of the employee. In addition, the amounts withheld from employees are remitted directly to third-party administrators. Therefore, these employee contributions are not reflected in the university's financial statements.

Note 12: Other Post-Employment Benefits

Healthcare is the only "other postemployment benefit" (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides postemployment health insurance benefits to eligible university retirees. This program includes two plans available to higher education employees—the State Employee Group Plan and the Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-101, *Tennessee Code Annotated*. Prior to reaching age 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, retirees who are also in the state's retirement system may participate in a state-administered Medicare supplement that does not include pharmacy. The state makes on-behalf payments to the Medicare Supplement Plan for the university's eligible retirees; see Note 21. The plans are reported in the State of Tennessee's *Comprehensive Annual Financial Report (CAFR)*. The CAFR is available on the state's website at http://tennessee.gov/finance/act/cafr.html.

SPECIAL FUNDING SITUATION

The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan that covers the retirees of other governmental entities, including the University of Tennessee. The state is the sole contributor for the university retirees that participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

FUNDING POLICY

The premium requirements of members of the State Employee Group Plan are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the State Employee Group Plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. In accordance with Section 8-27-205(b), *Tennessee Code Annotated*, retirees in the State Employee Group Plan pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service are subsidized 80%; retirees with 20 years of service but less than 30 years of service, 70%; and retirees with less than 20 years of service, 60%.

Retirees in the Medicare Supplement Plan have flat-rate premium subsidies based on years of service. Retirees with 30 years of service receive $50 per month; retirees with 20 years of service but less than 30 years of service, $37.50; and retirees with 15 years of service but less than 20 years of service, $25.

Table 12.1. Annual OPEB Cost and Net OPEB Obligation

	State Employee Group Plan
Annual Required Contribution (ARC)	$ 24,806,000.00
Interest on Net OPEB Obligation	2,662,000.00
Adjustment to the ARC	(2,826,000.00)
Annual OPEB Cost	$ 24,642,000.00
Amount of Contribution	(14,695,935.93)
Increase/Decrease in Net OPEB Obligation	$ 9,946,064.07
Net OPEB Obligation—beginning of year	66,561,306.04
Net OPEB Obligation—end of year	$ 76,507,370.11

Table 12.2. Annual OPEB Cost and Net OPEB Obligation

YEAR END	PLAN	ANNUAL OPEB COST	PERCENTAGE OF ANNUAL OPEB COST CONTRIBUTED	NET OPEB OBLIGATION AT YEAR-END
June 30, 2010	State Employee Group Plan	$26,523,000.00	37.98%	$ 55,258,636.30
June 30, 2011	State Employee Group Plan	$24,105,000.00	53.11%	$66,561,306.04
June 30, 2012	State Employee Group Plan	$24,642,000.00	59.64%	$76,507,370.11

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the university's portion of the State Employee Group Plan as of July 1, 2011, was as follows:

Table 12.3. State Employee Group Plan

Actuarial valuation date	July 1, 2011
Actuarial accrued liability (AAL)	$ 242,451,000.00
Actuarial value of plan assets	0.00
Unfunded actuarial accrued liability (UAAL)	$ 242,451,000.00
Actuarial value of assets as a percent of the AAL	0%
Covered payroll (active plan members)	$ 685,300,649.00
UAAL as percentage of covered payroll	35.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2011, actuarial valuation for each plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25% in fiscal year 2012. The rate decreases to 8.75% in fiscal year 2013, and then reduces by decrements to an ultimate rate of 5% in fiscal year 2021. All rates include a 2.5% inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

Note 13: Chairs of Excellence

Since fiscal year 1985, the Tennessee General Assembly has appropriated $22 million to a Chairs of Excellence Endowment for the University of Tennessee. The appropriations provided that the Chairs of Excellence Endowment be established as an irrevocable trust with the State Treasurer and required the university to match the appropriation on a dollar-for-dollar basis.

The university has fully matched 50 chairs as of June 30, 2012. The financial statements of the university include as expenditures the amounts expended in the current year to match the state appropriations. The university's statement of net assets does not include the amounts held in trust by the State Treasurer. At June 30, 2012, the amounts held in trust totaled $114,146,394.98 at fair value.

Note 14: Joint Ventures

UT BATTELLE

The university is a participant in a joint venture with Battelle Memorial Institute for the sole purpose of management and operation of the Oak Ridge National Laboratory (ORNL) for the U.S. Department of Energy. Each entity has a 50% interest in the venture, each having provided an initial investment of $125,000.00. The university's equity interest was $5,349,388.02

at June 30, 2012. The university and Battelle each receive a 50% distribution of the ORNL management fee after shared expenses are deducted. The fee distribution to the university for the year ended September 30, 2011 was $4,224,388.02.

During the year ended June 30, 2012, the university had expenses of $21,866,708.20 under contracts with UT-Battelle. Amounts receivable from UT-Battelle under these contracts totaled $2,422,373.33 at June 30, 2012. To review the audit report of UT-Battelle, please contact the Controller's Office, The University of Tennessee, 201 Andy Holt Tower, Knoxville, Tennessee 37996-0100.

UT LE BONHEUR PEDIATRIC SPECIALISTS

The university is a participant in a joint venture with Methodist Healthcare – Memphis Hospitals, Le Bonheur Children's Hospital, for the sole purpose of governance, management, and support of the UT Le Bonheur Pediatric Specialists, Inc. (ULPS), a nonprofit faculty group practice comprised of pediatric physicians holding hospital privileges at Le Bonheur who are employed as UT Health Science Center faculty members. The practice group was incorporated on September 9, 2010, and began operations in January 2011.

Both the university and Methodist Healthcare provided an advance to the joint venture in the 2011 fiscal year so that the faculty practice group could begin its operations. In addition, the university and Methodist Healthcare have agreed to guarantee the losses of ULPS equally and provide cash on a monthly basis to meet the operating needs of ULPS. During the 2012 fiscal year, the university remitted another $5,000,000.00 for these purposes.

To review the audit report of UT Le Bonheur Pediatric Specialists, Inc., please contact the Controller's Office, The University of Tennessee, 201 Andy Holt Tower, Knoxville, Tennessee 37996-0100.

Note 15: Insurance-related Activities

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The state purchases commercial insurance for real property, builder's risk (for construction projects starting prior to July 1, 2012) and crime and fidelity coverage on the state's officials and employees. The contractor is responsible for acquiring builder's risk insurance for all construction projects after June 30, 2012, thus builder's risk in no longer covered by the Risk Management Fund. For property coverage, the deductible for an individual state agency is the first $25,000 of losses. The Risk Management Fund is responsible for property losses for the annual aggregate deductible of $10 million for perils other than earthquakes and flood. Purchased insurance coverage is responsible for losses exceeding the $10 million annual aggregate deductible. For earthquake and flood, there is a deductible of $10 million per occurrence. The maximum insurance coverage is $750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is $50 million per occurrence. The amounts of settlements have not exceeded insurance coverage for each of the three past fiscal years.

The university participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the university based on a percentage of the university's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2012, and June 30, 2011, are presented in the *Tennessee Comprehensive Annual Financial Report*. The CAFR is available on the state's website at http://tennessee.gov/finance/act/cafr.shtml. Since the university participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the university for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund. Information regarding the cash and cash equivalents designated for payments of claims at June 30, 2012, is presented in the *Tennessee Comprehensive Annual Financial Report*, which is available at http://tennessee.gov/finance/act/cafr.shtml.

At June 30, 2012, the scheduled coverage for the university was $4,389,818,100 for buildings and $1,152,602,500 for contents.

The university also carries commercial insurance for losses related to hired and non-owned automobiles, losses related to railroad protection, and losses related to seven university-owned aircraft. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The university participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the university based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

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Note 16: Contingencies and Commitments

A. CONSTRUCTION COMMITMENT

The university has contractual obligations for the construction of new buildings and additions to and renovations of existing buildings. The outstanding commitments under such contracts at June 30, 2012, were $193,566,317.59.

B. SICK LEAVE

The university records the cost of sick leave when paid. The dollar amount of unused sick leave was $279,027,864.56 at June 30, 2012.

C. GRANTS AND CONTRACTS

The university receives grants and contracts from various federal and state agencies to fund research and other activities. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and disallowance by the granting agency. The university administration believes that any disallowance or adjustments would not have a material effect on the university's financial position.

D. NONVESTED EQUIPMENT

Equipment in the possession of the university valued at $2,549,916.33 as of June 30, 2012, is not reflected in the financial statements. This equipment was purchased with restricted grant and contract funds and other funds, and title has not yet transferred to the university.

E. LITIGATION

The university is involved in several lawsuits, none of which are expected to have a material effect on the financial position of the university.

Note 17: Lease and Transfer of UT Memorial Research Center and Hospital

On July 29, 1999, the university transferred ownership and control of its hospital located in Knoxville to University Health Systems, Inc.,(UHS), an independent, private, not-for-profit organization operating under its own *Internal Revenue Code*, Section 501(c)(3) designation. The lease and transfer of the hospital from the university to UHS was accomplished through three main agreements: the Lease and Transfer Agreement, the Employee Services Agreement, and the Affiliation Agreement. Each of these agreements is summarized below.

Lease and Transfer Agreement: pursuant to the enabling legislation, *Tennessee Code Annotated*, Section 49-9-112 and Section 49-9-1301 et. seq., UHS leased from the university the real property of the existing hospital and the Graduate School of Medicine. (See also Note 19.) The term of the lease is 50 years. The university also transferred to UHS all operating assets of the hospital. The consideration for the lease of the real property and transfer of the operating assets was payment by UHS of a) a sum sufficient to economically defease all of the debt issued by the Tennessee State School Bond Authority in the amount of $149,080,353.69, b) $25,000,000.00 paid to the university at closing, and c) a variable lease obligation of $50,000,000.00 to be paid to the university over twenty years. UHS assumed all prior hospital liabilities, known or unknown. In 2019, the university and UHS have agreed to negotiate an annual lease payment for the remaining 30 years of the lease.

Employee Services Agreement: UHS has leased from the university all hospital employees as of the date of closing. UHS has paid to the university the amounts incurred by the university to pay the direct expenses relating to the hospital employees, including wages, salaries, and fringe benefits. These payroll expenses on behalf of UHS, totaling $63,099,096.56 in 2012, are reported as operating expenses in the statement of revenues, expenses, and changes in net assets. An equal amount of operating revenue is reported in the nongovernmental grants and contracts category. The term of the Employee Services Agreement is 50 years. All persons who began service at the hospital after the date the employee service agreement was signed are employees of UHS and not university employees.

Affiliation Agreement: the university and UHS agreed that UHS will continue to support the Graduate School of Medicine by providing appropriate facilities and resources of the hospital to the faculty and students at the Graduate School of Medicine. UHS agreed to pay the university $1,500,000 at closing for the benefit of the Graduate School of Medicine. In addition, UHS must pay monthly to the university, for the benefit of the Graduate School of Medicine, the government funding, direct and indirect medical education funds, TennCare medical education funds, and other medical education funds received by UHS for the benefit of the Graduate School of Medicine. The amount payable by UHS shall be reduced by a) the fair market rental value of the space provided to the Graduate School of Medicine; b) the fair market value of the information system, telecommunication, network infrastructure, and human resource services provided by UHS to the Graduate School of Medicine; and c) retroactive adjustments made by payers to the graduate medical education payments.

Note 18: Transfer of Development Operations to the University of Tennessee Foundation

On July 1, 2011, the university transferred its Development and Alumni Affairs operations to the University of Tennessee Foundation, Inc., a not-for-profit component unit created in 2001 to support the University of Tennessee. The foundation supports the university's educational, research, and public activities by securing and administering private funds to support programs beyond the scope of the university's general budget. (See also Note 23.) Pursuant to the University of Tennessee Board of Trustees approval and the enabling legislation, *Tennessee Code Annotated*, Section 49-9-113, the university and the foundation signed an Affiliation and Services Agreement and an Employee Services Agreement to affect the transfer.

Affiliation and Services Agreement: the university and the foundation agreed that all gifts, unless directed otherwise by the donor, be deposited into the foundation bank account and that the university pay the foundation direct support and a 100 basis point endowment assessment fee as compensation for performing the fundraising function. The direct support amount is to be reviewed every two years, and the foundation President and Chief Executive Officer, who is also the university's Vice President for Development and Alumni Affairs, coordinates fundraising goals and objectives of the foundation with the university. For fiscal year 2012, the university provided the foundation direct support of $17,749,068.00 and endowment assessment fees of $5,577,288.00.

Employee Services Agreement: the foundation has paid to the university the amounts incurred by the university to pay the direct expenses relating to the Development and Alumni Affairs employees, including wages, salaries, and fringe benefits. These payroll expenses on behalf of the foundation, totaling $16,557,822.76 in fiscal year 2012, are reported as operating expenses in the statement of revenues, expenses, and changes in net assets. An equal amount of operating revenue is reported in the nongovernmental grants and contracts category.

Note 19: Capital Leases of Real Property

CAPITAL LEASE OF REAL PROPERTY TO UNIVERSITY HEALTH SYSTEMS, INC.

The university has leased the real property of the UT Memorial Research Center and Hospital to UHS for a term of 50 years. This lease is pursuant to the Lease and Transfer Agreement described in Note 17. This lease is classified as a direct financing lease. The guaranteed lease payment of $50 million will be paid by UHS in annual payments through 2019. The amount of the annual payments will equal the lesser of 1) 20% of the hospital's net operating profit for the applicable calendar year; or 2) $3 million or the greater amount resulting from the application of an index, as specified in the agreement. The payment of $50 million is guaranteed by December 31, 2019. In 2019, the university and UHS have agreed to negotiate an annual lease payment for the remaining 30 years of the lease. An annual lease payment to the university during the year ended June 30, 2012, totaled $2,432,909.00.

The university recorded a lease payment receivable in the amount of $33,691,341.80 at June 30, 2012, which represents the net present value of the guaranteed $50 million discounted at 5.75%. The minimum lease payments to be received amount has been adjusted upward to reflect a contractually required adjustment to the final required lease payment.

Table 19.1. As of June 30, 2012

Total minimum lease payments to be received	$51,173,044.64
Less: unearned income	(17,481,702.84)
Net investment in direct financing lease	$33,691,341.80

CAPITAL LEASE OF REAL PROPERTY TO MEMPHIS MENTAL HEALTH INSTITUTE

On November 5, 2005, the university entered into a facility lease agreement with the Tennessee Department of Mental Health (TDMH) to provide a new building to house the Memphis Mental Health Institute. The building is a joint project of the university, Methodist Healthcare, Shelby County Health Care Authority (The MED), the State of Tennessee, and Shelby County. This lease is classified as a direct financing lease. The guaranteed lease payments will be paid by TDMH in semiannual payments through 2027. The amount of the semiannual payments will equal the amount to retire the debt from the construction project and any other project costs incurred by the university in excess of the funds contributed by Methodist Healthcare and the MED. During the term of the lease, TDMH will be responsible for all operational and maintenance costs associated with the facility.

The university recorded a lease payment receivable in the amount of $14,142,393.63 at June 30, 2012 (Tables 19.2 and 19.3).

Table 19.2. As of June 30, 2012

Total minimum lease payments to be received	$ 19,445,370.77
Less: unearned income	(5,302,977.14)
Net investment in direct financing lease	$ 14,142,393.63

Table 19.3

Year Ended June 30	Minimum lease payments to be received	Interest	Principal
2013	$ 1,355,690.26	$ 633,056.29	$ 722,633.97
2014	1,357,185.02	600,709.01	756,476.01
2015	1,358,740.88	566,846.85	791,894.03
2016	1,360,362.08	531,399.28	828,962.80
2017	1,362,051.36	494,292.40	867,758.96
2018-2022	6,838,224.22	1,851,163.73	4,987,060.49
2023-2027	5,813,116.95	625,509.58	5,187,607.37
	$19,445,370.77	$5,302,977.14	$ 14,142,393.63

Note 20: Natural Classifications with Functional Classifications

The university's operating expenses by functional classification for the year ended June 30, 2012, is outlined in Table 20.1:

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Table 20.1 Classifications with Functional Classifications

	Natural Classification					
	Salaries	Benefits	Utilities, Supplies, and Other Services	Scholarships	Depreciation	Total
Functional Classification						
Instruction	$ 394,357,384.10	$ 118,061,400.27	$ 63,655,321.03	$ —	$ —	$ 576,074,105.40
Research	135,786,259.97	36,760,907.10	84,242,701.04	—	—	256,789,868.11
Public Service	67,460,957.01	25,404,616.44	61,234,854.84	—	—	154,100,428.29
Academic Support	70,676,047.51	25,905,628.07	29,144,736.06	—	—	125,726,411.64
Student Services	44,189,014.54	15,378,962.79	22,740,527.55	—	—	82,308,504.88
Institutional Support	51,720,394.76	21,569,854.81	50,165,193.29	—	—	123,455,442.86
Operation and Maintenance of Plant	35,761,482.32	17,418,471.33	78,896,590.35	—	—	132,076,544.00
Scholarships and Fellowships	3,074,408.26	24,768,488.15	22,962,182.08	38,948,219.69	—	89,753,298.18
Auxiliary	41,625,548.80	13,033,567.22	78,564,941.18	—	—	133,224,057.20
Independent Operations	57,930,012.34	22,406,197.69	—	—	—	80,336,210.03
Depreciation	—	—	—	—	103,198,969.58	103,198,969.58
Total Expenses	$ 902,581,509.61	$ 320,708,093.87	$ 491,607,047.42	$ 38,948,219.69	$103,198,969.58	$1,857,043,840.17

Note 21: On-Behalf Payments

During the year ended June 30, 2012, the State of Tennessee made payments of $1,022,254.02 on behalf of the university for retirees participating in the Medicare Supplement Plan. The Medicare Supplement Plan is a post employment benefit healthcare plan and is discussed further in Note 12. The plan is reported in the Tennessee *Comprehensive Annual Financial Report*. That report is available on the state's website at http://tennessee.gov/finance/act/cafr.shtml.

Note 22: Component Unit – University of Chattanooga Foundation

The University of Chattanooga Foundation, Inc., is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from revenue recognition criteria and presentation features as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of this foundation have been reformatted into a GASB format and are reported in a separate column to the right of the university's statements.

The University of Chattanooga Foundation, Inc., is a legally separate, tax-exempt organization supporting the University of Tennessee at Chattanooga. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the university in support of the University of Tennessee at Chattanooga. The 48-member board of trustees of the foundation is self-perpetuating and consists of friends of the University of Tennessee at Chattanooga. Although the university does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the University of Tennessee at Chattanooga, the foundation is considered a component unit of the university and is discretely presented in the university's financial statements.

During the year ended June 30, 2012, the foundation expended $6,018,136.00 to or on behalf of the university for both restricted and unrestricted purposes. Complete financial statements for the foundation can be obtained from the University of Chattanooga Foundation, Development Office, Department 6806, 615 McCallie Avenue, Chattanooga, TN 37403-2598.

ORGANIZATION AND NATURE OF ACTIVITIES

The foundation is a tax exempt organization under the provisions of Section 509(a)(1) of the Internal Revenue Code, dedicated to supporting excellence in higher education through special projects for the University of Tennessee at Chattanooga. Proposals for special projects are submitted by the chancellor of the university and approved by the foundation's Board of Trustees and the University of Tennessee Board of Trustees.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the foundation include the accounts of the foundation and its subsidiaries, Campus Development Foundation, Inc. (CDFI) and CDFI Phase I, LLC (the LLC). All material intercompany accounts and transactions have been eliminated in consolidation. The foundation and CDFI have fiscal years that end on June 30. The LLC's fiscal year ends on July 31 in order to reflect the operating cycle of collegiate student housing. The impact of any intervening transactions during the one-month period between fiscal year ends is not significant. At June 30, 2012, the foundation's statement of net assets reflects $543,205 of LLC deposits held at the university which were not actually transferred to the university until July 2012.

CDFI was formed by the foundation to engage in charitable, scientific, and educational projects within the meaning of Section 501 (c)(3) of the *Internal Revenue Code*. The projects include, but are not limited to, the acquisition of real property and the construction, management, and operation of dormitories for students of the university. The directors of CDFI are appointed by the executive committee of the foundation.

CDFI is the sole member of its subsidiary, the LLC. The LLC was formed to own and develop an elementary school in downtown Chattanooga and student housing at the university. The student housing consists of 1,704 bedrooms in 451 units and 666 parking spaces.

INVESTMENTS

A summary of foundation investments at June 30, 2012, is represented in the table below:

Table 22.1

Equity Securities (cost of $12,757,372)	$ 14,690,080
Mutual Funds (cost of $38,549,945)	39,111,328
Real estate	1,950,700
Limited partnerships	33,227,384
Other	14,382
Total	$ 88,993,874

The foundation also has investments restricted by the terms of the revenue bonds described below totaling $6,267,538.

PROPERTY AND EQUIPMENT

A summary of foundation property and equipment at June 30, 2012 follows in Table 22.2

Table 22.2

Land	$ 8,241,032
Buildings	74,976,370
Furniture, fixtures, and equipment	5,152,465
	88,369,867
Accumulated depreciation	(29,655,185)
Total	$ 58,714,682

REVENUE BONDS PAYABLE

During May 2005, the Health, Educational, and Housing Facility Board of the City of Chattanooga issued two series of tax-exempt revenue refunding bonds totaling $91,510,000. The LLC is the borrower on the bonds. The proceeds of the refunding bonds were primarily used to retire early the three series of tax-exempt revenue bonds issued in 2000 and 2001. The 2000 and 2001 bonds were used to acquire land, fund construction of the student housing, and develop an elementary school near the student housing.

Revenue bonds payable at June 30, 2012, consist of the following:

Table 22.3

Series 2005A revenue refunding bonds, interest rates fixed at 5.0% to 5.125% payable semi-annually, annual redemption payments due through October 1, 2035	$ 62,280,000
Series 2005B revenue refunding bonds, interest rates fixed at 5.5% to 6.0% payable semi-annually, annual redemption payments due through October 1, 2035	19,885,000
	82,165,000
Less: unamortized discount	(1,715,905)
	$ 80,449,095

Sinking fund requirements for scheduled redemptions of the revenue bonds for the next 5 years and thereafter is displayed in Table 22.4 below:

Table 22.4

Year Ended	
June 30, 2013	$ 1,800,000
June 30, 2014	1,895,000
June 30, 2015	1,990,000
June 30, 2016	2,090,000
June 30, 2017	2,200,000
Thereafter	72,190,000
	$ 82,165,000

RESTRICTED CASH AND CASH EQUIVALENTS

The revenue bonds described above restrict the use of certain cash and cash equivalents at June 30, 2012, as follows:

Table 22.5

Renewal and replacement reserves	$ 489,322
Restricted for debt service payments	3,080,597
Surplus	1,297,981
Total	$ 4,867,900

FAIR VALUE MEASUREMENTS

The foundation reports under FASB Accounting Standards Codification (ASC) Topic 820 which defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and prescribes disclosures about fair value measurements.

FASB ASC Topic 820 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements.

FASB ASC Topic 820 requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to value the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the foundation has the ability to access.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect management's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Table 22.6 (below) presents the recorded amount of assets and liabilities measured at fair value on a recurring basis.

Table 22.7 (opposite column) presents additional information about assets and liabilities measured at fair value on a recurring basis by reliance on Level 3 inputs to determine fair value.

Table 22.7. Limited Partnerships

Beginning balance	$ 29,761,154
Total realized and unrealized gains and losses included in earnings	(419,724)
Purchases, issuances, and settlements	3,885,954
Ending balance	$ 33,227,384

ENDOWMENTS

The foundation's endowment consists of approximately 300 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The board of trustees of the foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by

Table 22.6	Balance as of June 30, 2012	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
ASSETS				
Equity securities	$ 14,690,080	$14,690,080	$ —	$ —
Mutual funds	39,111,328	29,762,867	9,348,461	—
Guaranteed investment contracts	4,685,290	—	4,685,290	—
Money market accounts	1,582,248	1,582,248	—	—
Real estate	1,950,700	—	1,950,700	—
Limited partnerships	33,227,384	—	—	33,227,384
Other	14,382	14,382	—	—
Total assets	$ 95,261,412	$ 46,049,577	$ 15,984,451	$ 33,227,384
LIABILITIES				
Deposits received for the benefit of University of Tennessee at Chattanooga	$ 3,935,257	$ —	$ 3,935,257	$ —
Total liabilities	$ 3,935,257	$ —	$ 3,935,257	$ —

the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund.

(2) The purposes of the foundation and the donor-restricted endowment fund.

(3) General economic conditions.

(4) The possible effect of inflation and deflation.

(5) The expected total return from income and the appreciation of investments.

(6) Other resources of the foundation.

(7) The investment policies of the foundation.

Tables 22.8 and 22.9 represent Endowment net assets by type of fund consist of the following at June 30, 2012. Due to GASB reformatting, temporarily restricted net assets are reported as expendable restricted net assets and permanently restricted net assets are reported as nonexpendable restricted net assets on the statement of net assets

Table 22.8

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ (458,959)	$1,514,123	$43,107,598	$ 44,162,762
Board-designated funds	49,359,843	—	—	49,359,843
	$48,900,884	$1,514,123	$43,107,598	$ 93,522,605

Changes in endowment net assets for the fiscal year ended June 30, 2012:

Table 22.9

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$54,144,024	$ 1,391,878	$ 43,634,201	$99,170,103
Investment income (loss)	1,281,355	675,129	1,309,688	3,266,172
Net appreciation (depreciation)	(2,799,860)	—	(2,691,184)	(5,491,044)
Contributions	102,326	—	972,729	1,075,055
Appropriations	(3,343,787)	(1,806,946)	—	(5,150,733)
Transfers	(483,174)	1,254,062	(117,836)	653,052
Endowment net assets, end of year	$ 48,900,884	$1,514,123	$43,107,598	$93,522,605

Tables 22.10 and 22.11 contain descriptions of endowment amounts classified as permanently restricted net assets and temporarily restricted net assets:

Table 22.10. 2012 Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 43,107,598
Total endowment funds classified as permanently restricted net assets	$ 43,107,598

Table 22.11. 2012 Temporarily Restricted Net Assets

The portion of perpetual endowment funds subject to a time restriction under UPMIFA	$ 1,514,123
Total endowment funds classified as temporarily restricted net assets	$ 1,514,123

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $458,959 as of June 30, 2012. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of trustees.

Return Objectives and Risk Parameters: The foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the consumer price index while assuming a moderate level of investment risk. The foundation expects its endowment funds, over time, to provide an average annual rate of return of approximately 6% above the rate of inflation. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The foundation has a policy of appropriating for distribution each year 4.5% of each endowment fund's average balance for the last 12 quarters. In establishing this policy, the foundation considered the long-term expected return on its endowment.

Accordingly, over the long term, the foundation expects the current spending policy to allow its endowment to grow. This is consistent with the foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

RELATED PARTY TRANSACTIONS

CDFI, the LLC, and the university executed a management agreement which became effective January 1, 2009. This agreement allowed the university to assume management responsibilities related to the student housing. As a matter of convenience, cash balances needed for student housing operations are held at the university, and operating expenses are paid from these funds.

CONTINGENCIES

CDFI is involved in certain claims arising from normal business activities. Management believes that the financial position of CDFI will not be materially affected by the outcome of these proceedings.

NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The foundation's operating expenses by functional classification for the year ended June 30, 2012, are as follows:

Table 22.12 University of Chattanooga Foundation

	NATURAL CLASSIFICATION			
	UTILITIES, SUPPLIES, AND OTHER SERVICES	PAYMENTS TO OR ON BEHALF OF UT	DEPRECIATION	TOTAL
Functional Classification				
Academic programs	$ —	$1,181,231	$ —	$ 1,181,231
Professorships	—	529,565	—	529,565
Faculty development	—	123,194	—	123,194
Scholarships	—	1,955,866	—	1,955,866
Chancellor's discretionary	—	142,668	—	142,668
Other	—	2,085,612	—	2,085,612
Rental expenses	3,017,209	—	—	3,017,209
Administrative and investment fees	237,834	—	—	237,834
Legal	16,130	—	—	16,130
Tax, bad debt and audit	233,530	—	—	233,530
Depreciation	—	—	3,246,718	3,246,718
Total Expenses	$3,504,703	$6,018,136	$3,246,718	$12,769,557

Note 23: Component Unit – University of Tennessee Foundation

The University of Tennessee Foundation, Inc., is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from revenue recognition criteria and presentation features as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of this foundation have been reformatted into a GASB format and are reported in a separate column to the right of the university's statements.

The University of Tennessee Foundation is a legally separate, tax-exempt organization supporting the University of Tennessee. The foundation acts as a fund-raising organization to supplement the resources that are available to the university in support of its programs. The foundation has 13 active board members and two ex-officio members. The board of the foundation is self-perpetuating and consists of graduates and friends of the university. Although the university does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the university, the foundation is considered a component unit of the university and is discretely presented in the university's financial statements.

During the year ended June 30, 2012, the foundation expended $ 35,534,745.19 to or on behalf of the university for both restricted and unrestricted purposes. Complete financial statements for the foundation can be obtained from the University of Tennessee Foundation, Suite 100, UT Conference Center Building, 600 Henley Street, Knoxville, TN 37996.

ORGANIZATION AND NATURE OF ACTIVITIES

The University of Tennessee Foundation, Inc., is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The foundation was formed to support the University of Tennessee. The foundation was established to provide fund raising support for the university in carrying out its mission of teaching, research, and public service. The foundation receives contributions from individuals, corporations, alumni, and other donors. During the fiscal year, the university transferred its development and alumni affairs operations to the foundation. See also Note 18.

PLEDGES RECEIVABLE

Pledges receivable (reported as accounts, notes, and grants receivable on the statement of net assets) are summarized below net of the allowance for doubtful accounts:

Table 23.1

	Temporarily Restricted	Permanently Restricted
Current pledges	$ 2,547,199.16	$ 1,744,298.47
Pledges due in 1 to 5 years	22,656,272.79	18,599,556.20
Pledges due after 5 years	4,031,835.33	5,341,860.91
	29,235,307.28	25,685,715.58
Less discounts to net present value	(540,422.59)	(616,998.39)
Total pledges receivable, net	$28,694,884.69	$ 25,068,717.19

The allowance for doubtful accounts at June 30, 2012, was $641,955.97.

INVESTMENTS AND ASSETS HELD BY THE UNIVERSITY OF TENNESSEE

Investments held at June 30, 2012, were as follows:

Table 23.2

	Market Value	Cost Basis
Assets Held by the University of Tennessee		
Cash	$ 353,651.13	$ 353,651.13
U.S. equity	3,844,254.35	3,866,320.81
International equity	7,587,540.93	10,553,903.45
Fixed income	2,696,213.41	2,857,024.32
Certificates of deposit	12,215,000.00	12,215,000.00
Alternative investments:		
Private equity	6,783,538.32	6,576,321.62
Natural resources	5,530,790.06	5,551,130.69
Real estate	1,260,227.35	1,140,425.56
Other alternative investments	9,339,254.79	8,837,304.70
Total assets held by university	49,610,470.34	51,951,082.28
Gift Annuity		
Cash	7,831.60	7,831.60
Equities	1,239,968.65	1,149,764.03
Fixed income	975,476.75	945,767.57
Total gift annuity program	2,223,277.00	2,103,363.20
Certificates of deposit	5,000,000.00	5,000,000.00
Fidelity investments	613,871.14	582,405.09
Total	$57,447,618.48	$59,636,850.57

Also reported as investments on the statement of net assets are other gift assets totaling $7,683,134.00 and remainder interests of $18,832,390.90 as described herein.

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At June 30, 2012, the fair values of alternative investments are based on valuations for which a readily determinable fair value does not exist. These investments are not listed on national exchanges or over-the-counter markets, and quoted market prices are not available. The fair value of these investments is estimated based on a review of all available information provided by fund managers and general partners. These estimates are evaluated on a regular basis and are susceptible to revisions as more information becomes available.

ENDOWMENTS

Most foundation endowments are invested in the University of Tennessee Consolidated Investment Pool. The endowments are invested according to the policies of the university. Investment pool earnings for the foundation endowments are provided to the university to be used as stipulated in the endowment agreements. The book value and fair value for the endowments invested were $39,736,082.28 and $37,395,470.34, which resulted in a cumulative unrealized loss of $2,340,611.94. One endowment with a market value of $613,871.14 is separately invested. All endowments at the foundation are donor restricted. Endowment pool earnings transferred to the university were $1,379,993.36 for fiscal year 2012.

The foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the foundation classifies permanently restricted net assets as (1) the original value of gifts to the endowment, (2) the original value of subsequent gifts to the endowment, (3) accumulations to the endowment made in accordance with the gift instrument, and (4) the endowment is vested in the university's Consolidated Investment Pool. Other endowments that are not classified as permanently restricted are classified as temporarily restricted net assets.

A schedule of endowments by fund type (Table 23.3) is provided on the following page. Due to the GASB reformatting, temporarily restricted net assets are reported as expendable restricted net assets, and permanently restricted net assets are reported as nonexpendable restricted net assets on the statement of net assets.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $2,340,611.94 at June 30, 2012. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent.

The foundation uses the university's spending policy. The university calculates its spending policy by taking 4.5% of a three year fair value average each December 31.

Table 23.3 Schedule of Endowments by Fund Type

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	$ (267,240.19)	—	$31,958,243.61	$31,691,003.42
Contributions received	—	—	8,288,578.99	8,288,578.99
Investment earnings	—	—	1,457,367.23	1,457,367.23
Fair value adjustment	(2,073,371.75)	$ 31,466.05	—	(2,041,905.70)
Contributions not pooled	—	—	(3,500.00)	(3,500.00)
Disbursements	—	—	(1,382,202.46)	(1,382,202.46)
Ending balance	$ (2,340,611.94)	$ 31,466.05	$ 40,318,487.37	$ 38,009,341.48

The university's overall, long-term investment objective of the Consolidated Investment Pool (CIP) is to achieve an annualized total return (net of fees and expenses), through appreciation and income, greater than the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus any spending, thus protecting the assets against inflation.

The assets are to be managed in a manner that will meet the long-term investment objective, while at the same time attempting to limit the volatility in year-to-year spending.

The university's Investment Advisory Committee believes that investing in securities with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities. Fixed income securities and other low volatility strategies (e.g. absolute return hedge funds) will be used to lower the short-term volatility of the portfolio and to provide stability, especially during periods of negative equity markets. Cash is not a strategic asset of the portfolio, but is a residual to the investment process and used to meet short-term liquidity needs.

Disciplined management of the asset allocation is necessary and desirable. Diversification of investments among assets that are not similarly affected by economic, political, or social developments is highly desirable. The general policy shall be to diversify investments so as to provide a balance that will enhance total return, while avoiding undue risk concentrations in any single asset or investment category. Actual allocations (excluding separately invested assets) were as follows at June 30, 2012:

Table 23.4

U.S. equity	10.3%
International equity	20.3%
Fixed income	7.2%
Private equity	18.2%
Natural resources	14.8%
Real estate	3.4%
Cash	0.8%
Other alternative investments	25.0%

FAIR VALUE MEASURES

The foundation reports under FASB Accounting Standards Codification (ASC) Topic 820-10 which defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and prescribes disclosures about fair value measurements.

FASB ASC Topic 820 establishes a framework for measuring fair value and a three-level hierarchy for fair value measurements based upon the inputs to value the assets and liabilities. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data based on the best available information in the circumstances. The three levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the foundation has the ability to access.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect management's assumptions that market participants would use in pricing an asset or liability.

Table 23.5 below presents the recorded amount of assets measured at fair value:

Table 23.5

	Level 1	Level 2	Level 3	Total
Investments	$30,862,117.80	$3,671,690.16	$22,913,810.52	$57,447,618.48

Table 23.6 (page 33) presents additional information about assets measured at fair value on a recurring basis by reliance on Level 3 inputs to determine fair value.

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Table 23.6

Beginning balance	$ 18,237,658.18
Total realized and unrealized gains and losses included in earnings	1,653,851.75
Purchases, issuances, and settlements	3,022,300.58
Ending balance	$ 22,913,810.51

MORTGAGE NOTE PAYABLE

The foundation was gifted property in Weakley and Obion counties in Tennessee. The property and its contents were appraised at $376,000.00 with an attached mortgage note of $259,330.41. The property will be used and overseen by the University of Tennessee at Martin. Payment on the note, which began in January 2006, is $2,000.00 per month. The note has a 4.68% interest rate. The balance of the note payable at June 30, 2012, was $166,698.22. Future maturities of this note are as follows:

Table 23.7 Year ended June 30 2012:

2013	$ 15,141.61
2014	17,274.56
2015	18,100.58
2016	18,966.10
2017	19,873.00
2018 - 2021	77,342.37
Total	$ 166,698.22

CONCENTRATION OF CREDIT RISK

The foundation had concentrated its credit risk for cash by maintaining deposits at a bank, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The foundation has not experienced any losses in this account and believes it is not exposed to any significant credit risk to cash.

REMAINDER INTEREST

The amounts described below are reported as investments on the statement of net assets.

In December 2002, a donor conveyed to the foundation a remainder interest in a limited liability company. The asset of the limited liability company is a fee simple interest in a warehouse in South Carolina. The remainder interest was appraised at $7,740,000.00 with the interest vesting on January 1, 2021. The value on the foundation's statement of financial position will be the present value calculation at the vesting date. The IRS discount rate for December 2002 used in determining the present value was 4%. The present value of the remainder interest at June 30, 2012, was $5,545,715.38.

In September 2003, a donor conveyed to the foundation another remainder interest in a limited liability company. The asset of this limited liability company is an office building in Connecticut. The remainder interest was appraised at $22,440,000.00 with the interest vesting on January 1, 2025. The value on the foundation's statement of financial position will be the present value calculation at the vesting date. The IRS discount rate for September 2003 was 4.20%. The present value at June 30, 2012, was $13,286,675.52.

NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The foundation's operating expenses by functional classification for the year ended June 30, 2012, are as follows:

Table 23.8

Functional Classification	Utilities, Supplies, and Other Services	Payments to or on Behalf of UT	Total
Program expenses	$ 428,741.82	$35,534,745.19	$35,963,487.01
General and administrative	22,064,233.88	—	22,064,233.88
Total expenses	$22,492,975.70	$35,534,745.19	$58,027,720.89

Note 24: Component Unit – University of Tennessee Research Foundation

The University of Tennessee Research Foundation, Inc., is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from revenue recognition criteria and presentation features as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of this foundation have been reformatted into a GASB format and are reported in a separate column to the right of the university's statements.

The University of Tennessee Research Foundation is a legally separate, tax-exempt organization supporting the University of Tennessee. The foundation was created as The UT Research Corporation (UTRC) in 1934 and incorporated in January 1935. The foundation's stated purpose is, in conjunction with the university, to grow the University of Tennessee research enterprise; harvest, manage, and market University of Tennessee intellectual property; encourage and support entrepreneurial education and ventures by faculty, staff, students, and commercial partners/affiliates of the University of Tennessee; and to contribute to the well being of the State of Tennessee through economic development. In April 2003, UTRC was renamed and reorganized to the University of Tennessee Research Foundation (UTRF). Roles were redefined and the scope was expanded to include a new emphasis on entrepreneurship and economic development for technology transfer activities. A new set of bylaws and board of directors were established. The foundation has 7 voting directors and 3 nonvoting directors. Because the university's board of trustees approves the foundation's administrative budget, the foundation is considered fiscally dependent on the university. Therefore, the research foundation is considered a component unit of the university and is discretely presented in the university's financial statements.

Complete financial statements for the research foundation can be obtained from the University of Tennessee Research Foundation, Suite 211, UT Conference Center Building, 600 Henley Street, Knoxville, TN 37996-4122.

ORGANIZATION AND NATURE OF ACTIVITIES

The University of Tennessee Research Foundation, Inc., is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the *Internal Revenue Code*. The foundation was formed to promote research and hold and manage the university's intellectual property. The foundation was established to protect, manage, and commercialize university inventions and intellectual property; grow the university research enterprise; develop and support an entrepreneurial culture; and contribute to state and regional economic development.

Effective March 5, 2012, the University of Tennessee Research Foundation's wholly owned subsidiary, Genera Energy, LLC, merged with its Genera Biomass, LLC, and Genera Capital, LLC, subsidiaries to form TennEra, LLC, a wholly owned, director managed LLC. TennEra, LLC's remaining wholly owned subsidiary, Genera Solar Solutions, LLC, was dissolved prior to the merger. Genera Energy Crops, LLC, remains a 51% owned subsidiary of TennEra, LLC.

On March 15, 2012, Genera Energy, Inc., a corporation, located in Vonore, Tennessee was formed. TennEra, LLC, contracts with the corporation for overall management authority and responsibility to operate the Biomass Innovation Park and to complete TennEra, LLC's contractual obligations toward the University of Tennessee Research Foundation's State Biofuel Initiative. At June 30, 2012, TennEra, LLC, owned a majority of Genera Energy, Inc.'s stock.

TennEra, LLC's financial statements include the activity of its two subsidiaries, Genera Energy, Inc., and Genera Energy Crops, LLC.

TennEra, LLC, (the subsidiary) continues the business of developing a pilot-scale biorefinery and state of the art research and development facility, in collaboration with DuPont Danisco Cellulosic Ethanol, LLC (DDCE), for cellulosic ethanol using non-food biomass feedstocks to prove the technology and commercial viability of producing cellulosic ethanol, primarily in the State of Tennessee. The project utilizes the University of Tennessee's expertise in cellulosic feedstock production and research, as well as its work with Tennessee farmers, to develop the first dedicated cellulosic energy crop supply chain utilizing switchgrass. The subsidiary also promotes, supports, and carries out the commercialization of research outcomes and the transfer of research-generated products, ideas, processes, and other technology related to renewable energies to agricultural, commercial, and industrial enterprises. The State of Tennessee has provided $40.7 million towards the construction of the pilot-scale biorefinery and related switchgrass utilization and demonstration facilities.

The Center for Advanced Scientific Support and Engineering Technology (ASSET.TN), a wholly owned nonprofit subsidiary of the University of Tennessee Research Foundation, was formed on September 8, 2011. As of June 30, 2012, ASSET.TN's board was yet to be appointed. The management of the property, activities, and affairs of the ASSET.TN is to be vested in its board of directors. The board is to be composed of nine individuals, seven of whom are voting directors and two that are non-voting directors. As of June 30, 2012, ASSET.TN had total assets of $4,509 and total revenues of $18,118.

The Cherokee Farm Development Corporation (CFDC), a wholly owned nonprofit subsidiary of the University of Tennessee Research Foundation, was formed on October 19, 2011. The management of the property, activities, and affairs of the CFDC are vested in its board of directors. The board composition is yet to be determined. As of June 30, 2012, CFDC had no assets or revenues.

PRINCIPLES OF CONSOLIDATION

The foundation has entered into related agreements with the university and TennEra, LLC, whereby the foundation has undertaken to provide the subsidiary with working capital advances for its operational needs. The extent of the foundation's commitment is contingent upon its own ability to obtain additional funding from existing sources from which to make these advances. According to terms of the agreements, repayment of the operational funding by the subsidiary to the foundation is required only upon the occurrence of, and in preference to, other capital distributions. No interest accrues on the advances.

Because the parties contemplate capital distributions only as the consequence of a general liquidation of the subsidiary, these advances have been treated as investments in the subsidiary on the books of the foundation and as equity capital on the books of the subsidiary. These amounts eliminate upon consolidation. The foundation's consolidated financial statements include the foundation's accounts and the accounts of its wholly owned subsidiaries. All intercompany balances and transactions were eliminated in consolidation, and the increase in net assets was reduced by the portion of earnings attributable to noncontrolling interests.

PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2012 consist of the following major classifications in Table 24.1 on the opposite page.

Depreciation expense for the foundation and its subsidiary totaled $3,310,678 for the year ended June 30, 2012. Intangible assets totaling $6,596 are also reported as capital assets on the statement of net assets.

NOTES PAYABLE

The foundation had an outstanding note payable to the university of $604,922 at June 30, 2012.

DEFERRED REVENUE

As of June 30, 2012, the foundation had capitalized $22,517,192 of costs related to the construction of a pilot-scale biorefinery, which were incurred by DDCE. Based on an agreement with

Table 24.1 Property and Equipment

Research Foundation	
Office furniture and equipment	$ 198,803
Less accumulated depreciation	(92,658)
Total Research Foundation	$ 106,145
TennEra	
Land	$ 1,634,776
Buildings	40,033,770
Leasehold improvements	91,506
Machinery and equipment	25,944,966
Furniture and fixtures	234,320
Vehicles	141,427
	$68,080,765
Less accumulated depreciation	(6,742,526)
Total TennEra	61,338,239
Total	$ 61,444,384

use of a portion of the biorefinery facility. An amount equal to DDCE's total construction cost was recorded as deferred revenue through completion of the biorefinery. The total amount of deferred revenue is expected to be recognized over the life of a proposed lease between the subsidiary and DDCE. The proposed lease was to be for ten years with three possible five-year extensions. Accordingly, deferred revenue is amortized to revenue over the twenty-five years beginning January 28, 2010, the date when DDCE first occupied their portion of the facility. Revenue of $901,081 was recognized in fiscal year 2012.

FAIR VALUE MEASUREMENTS

The foundation reports under FASB Accounting Standards Codification (ASC) Topic 820 which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A valuation hierarchy has been established for disclosure of the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on management's assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value.

Registered Investment Companies: The fair value of registered investment companies (mutual funds) is based on quoted net asset values of the shares held by the foundation at June 30, 2012.

Marketable Equity Securities: The fair value of marketable equity securities is based on quoted prices times the number of the shares held by the foundation at June 30, 2012.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

At June 30, 2012, the foundation had no liabilities carried at fair value subject to re-measurement on a recurring basis. The following table provides the assets carried at fair value measured on a recurring basis as of June 30, 2012:

Table 24.2. Assets at Fair Value

	Level 1	Level 2	Level 3	Total
Registered investment companies	$ 7,742	—	—	$ 7,742
Marketable equity securities	116,564	—	—	116,564
Total	$124,306	—	—	$ 124,306

The foundation also has $215,177 of investments (equity securities) for which there is no readily determinable market value. These investments are valued at cost, as management believes that any variance in valuation from historical cost would not be material to the operations of the foundation.

NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The foundation's operating expenses by functional classification for the year ended June 30, 2012, are as follows:

Table 25.3. Natural Classification

Functional Classification	Utilities, Supplies, and Other Services	Depreciation	Total
Research	$ 3,200,006	—	$ 3,200,006
Public service	32,478,845	—	32,478,845
Institutional Support	1,878,743	—	1,878,743
Depreciation	—	3,310,678	3,310,678
Total Expenses	$ 37,557,594	$3,310,678	$40,868,272

Note 25: Prior Period Adjustment

As of June 30, 2011, the university overstated its life income net assets by $12,435,230.19. The university incorrectly reported liabilities to beneficiaries as net assets at June 30, 2011. As a result, for the year ended June 30, 2012, beginning net assets have been decreased by $12,435,230.19.

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The University of Tennessee
Required Supplementary Information Schedule of Funding Progress
For the Year Ended June 30, 2012

Actuarial Valuation Date	Plan	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/(C)
July 1, 2009	State Employee Group Plan	$ —	$269,772,000.00	$269,772,000.00	0%	$ 620,716,467.00	43.46%
July 1, 2010	State Employee Group Plan	$ —	$240,150,000.00	$240,150,000.000	0%	$ 628,383,463.00	38.22%
July 1, 2011	State Employee Group Plan	$ —	$242,451,000.00	$242,451,000.00	0%	$685,300,649.00	35.38%

The amount reported here for covered payroll relates to the fiscal year in which the valuations were performed.

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The University of Tennessee 5-Year Summary

		FY 2012		FY 2011		FY 2010		FY 2009		FY 2008
OPERATING REVENUES (,000)										
Net tuition and fees	$	354,821	$	316,045	$	279,638	$	255,578	$	239,567
Net auxiliary		188,529		184,113		178,845		165,519		157,543
Grants and contracts		460,260		448,903		395,316		397,348		377,475
Other (federal appropriations, sales and services, etc.)		89,324		85,201		85,008		83,868		88,881
Total operating revenues	$	1,092,934	$	1,034,262	$	938,807	$	902,313	$	863,466
OPERATING EXPENSES (,000)										
Salaries and wages	$	902,582	$	880,980	$	859,706	$	861,781	$	844,192
Fringe benefits		320,708		314,940		287,973		299,475		302,783
Utilities, supplies, and other services		491,607		436,277		395,969		341,053		339,439
Scholarships and fellowships		38,948		51,542		45,389		32,504		28,304
Depreciation expense		103,199		98,549		94,157		83,767		72,561
Total operating expenses	$	1,857,044	$	1,782,288	$	1,683,194	$	1,618,580	$	1,587,279
Operating income (loss)	$	(764,110)	$	(748,026)	$	(744,387)	$	(716,267)	$	(723,813)
NONOPERATING REVENUES AND EXPENSES (,000)										
State and local appropriations	$	438,201	$	540,013	$	477,120	$	503,758	$	539,634
Gifts		34,299		32,487		41,844		27,439		21,108
Investment income, gains, (losses)		14,323		129,975		97,297		(106,018)		17,528
Other		196,832		220,790		202,392		120,770		104,933
Total nonoperating revenues	$	683,655	$	923,265	$	818,653	$	545,949	$	683,203
OTHER REVENUES, EXPENSES, GAINS OR LOSSES										
Capital appropriations	$	84,047	$	66,223	$	91,551	$	105,300	$	69,592
Capital grants and gifts		37,127		32,220		23,266		28,156		41,044
Additions to permanent endowments		12,142		16,688		16,758		9,813		17,812
Other		7,667		6,162		883		712		8,772
Total other revenues, expenses, gains or losses	$	140,983	$	121,293	$	132,458	$	143,981	$	137,220
Increase (decrease) in net assets	$	60,528	$	296,532	$	206,724	$	(26,338)	$	96,610
Cash	$	916,519	$	912,617	$	792,063	$	727,599	$	627,451
NET ASSETS										
Invested in capital assets, net of related debt	$	1,330,993	$	1,198,044	$	1,075,557	$	970,344	$	868,014
Restricted expendable		423,833		479,175		419,862		402,260		541,286
Restricted nonexpendable		409,920		426,959		408,475		392,063		391,668
Unrestricted		445,284		457,758		361,510		294,013		284,050
Total net assets	$	2,610,030	$	2,561,936	$	2,265,404	$	2,058,680	$	2,085,018
STUDENT LOANS										
Notes receivable	$	31,751	$	32,754	$	34,209	$	35,127	$	35,933
Loans issued (by year)		2,299		2,038		1,822		1,748		1,729
ENDOWMENTS (,000)										
Market value	$	611,854	$	598,995	$	519,756	$	470,068	$	646,927
LIFE INCOME FUNDS										
Market value	$	42,189	$	35,377	$	30,903	$	32,293	$	42,451
CAPITAL ASSET AND DEBT ADMINISTRATION (,000)										
Capital assets, net of depreciation	$	1,895,759	$	1,728,408	$	1,609,656	$	1,494,048	$	1,335,610
Total debt	$	575,136	$	540,222	$	545,156	$	518,244	$	461,965

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5-Year Summary *(continued)*

	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
General Data					
Total enrollment	49,545	49,565	48,591	47,795	46,669
Knoxville	27,379	27,523	27,107	27,739	27,283
Chattanooga	11,438	10,781	10,526	9,807	9,558
Martin	7,913	8,469	8,101	7,578	7,173
Memphis	2,815	2,792	2,837	2,671	2,655
Degrees granted	11,058	10,330	10,132	10,032	9,330
Full-time employees	11,969	11,862	11,034	11,112	11,991
Full-time faculty	3,185	2,961	2,948	3,294	3,166
% Tenured (based on those eligible for tenure)	54.7%	54.1%	53.1%	51.5%	48.0%
Total private gifts (,000)	$ 138,867	$ 110,560	$ 109,097	$ 101,452	$ 106,800
Academic-year student fees (Knoxville)					
In state	$ 8,396	$ 7,382	$ 6,850	$ 6,250	$ 5,932
Out of state (additional)	$ 17,142	$ 15,038	$ 13,796	$ 12,658	$ 11,945
Instruction	$ 576,074	$ 550,996	$ 525,982	$ 527,273	$ 524,165
Research	256,790	249,086	235,049	206,315	204,116
Public service	154,101	156,062	124,874	130,937	133,698
Academic support	125,726	118,549	107,330	113,095	111,313
Student services	82,309	76,490	75,786	75,241	72,571
Institutional support	123,456	104,364	96,740	99,163	100,548
Operations/maintenance physical plant	132,076	129,551	141,468	115,034	99,573
Scholarships/fellowships	89,753	101,280	87,995	71,784	66,036
Auxiliary enterprises	133,224	130,062	124,451	121,290	121,374
Independent operations	80,336	67,299	69,363	74,680	81,324
Depreciation	103,199	98,549	94,157	83,768	72,561
Total	$ 1,857,044	$ 1,782,288	$ 1,683,195	$ 1,618,580	$ 1,587,279

Administration of the University of Tennessee FROM JULY 1, 2011 THROUGH JUNE 30, 2012

Board of Trustees

The Board of Trustees governs the University of Tennessee. The governor, who also serves as chair of the board, appoints board members.

The board meets at least three times a year, and its sessions are open to the public.

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THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

ACTION ITEM

DATE:	February 28, 2013
COMMITTEE:	Finance and Administration
CAMPUS/UNIT:	All
ITEM:	**FY 2013 Revised Operating Budget**
RECOMMENDATION:	Approval
PRESENTED BY:	Charles M. Peccolo, Treasurer and Chief Financial Officer

The University of Tennessee budget requires revision each year to update revenue and expenditure projections. The FY 2013 revised budget takes into consideration final fall enrollments (estimated at the time the original budget is prepared), the effect of any prior year's activities carried forward into the current year, and adjustments in state appropriations occurring since the FY 2013 budget was prepared and approved in June 2012.

The complete revised budget is presented in a separate document following this memorandum. An overview with summary information regarding the principal revisions appears at the beginning of the document. It includes adjustments to allocate significant carry-overs from FY 2012 and minor revisions to budgeted revenues.

The FY 2013 Educational and General (E&G) and Auxiliary Enterprises revised budgets are balanced and within available resources. The Revised Budget complies with all applicable policies and guidelines. Therefore, the University administration recommends Board approval of the revised budget for FY 2013 as follows:

1. The FY 2013 Revised Budget is approved with the understanding that if the General Assembly or the Department of Finance and Administration further alter the FY 2012 appropriations or if changes in estimated resources require, the budgets shall be modified accordingly so expenditures will not exceed available resources.

2. The Board of Trustees authorizes the campus, institute, and unit administrations, in response to budget reductions or a budgetary shortfall, to implement mandatory furloughs without pay, reduction of time worked, across-the-board salary

reductions, and similar salary-related measures during the remainder of FY 2013, subject to approval by the Executive and Compensation Committee, the President, and the Treasurer and Chief Financial Officer in consultation with the General Counsel and Human Resources.

3. Any remaining balance of Unrestricted Net Assets may be considered as a reserve for contingencies to be used for:

   a) Employing additional staff where enrollments and reorganization requirements warrant;
   b) Modifying departmental operating budgets where changing conditions during the year require funding adjustments;
   c) Funding to make salary adjustments for personnel as may be necessary during the year in keeping with state and university salary guidelines;
   d) Improving physical facilities for academic and research departments as opportunities arise;
   e) Mandated cost increases; and
   f) State impoundment of funds or appropriations rescission during the budget year.

A formal Resolution incorporating this recommendation follows the revised budget document.

MOTION:

That the Resolution on the Revised FY 2013 Operating Budget be adopted.

THE UNIVERSITY of TENNESSEE UT

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FY 2012-2013 Revised Budget

February 28 & March 1, 2013

THE UNIVERSITY of TENNESSEE

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FY2012-2013 Revised Budget

Significant Adjustments:

1. No significant changes in tuition or state appropriations

2. Carryovers from FY2012 added to FY2013 non-recurring expense budgets

THE UNIVERSITY of TENNESSEE UT

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Unrestricted E&G Funds

Fund Balance Summary ***($ Millions)***	**FY2012 Actuals**	**FY2013 Original Budget**	**FY2013 Revised Budget**	**Change from Original to Revised**
Revenues	$1,075.9	$1,105.2	$1,110.2	$5.0
Expenditures & Transfers	1,089.2	1,109.2	1,146.1	36.9
Fund Balance Addition/(Reduction)	**($13.3)**	**($4.0)**	**($35.9)**	**($31.9)**
Beginning Balance (July 1)	$159.2	$112.1	$145.9	$33.8
Addition/(Reduction)	(13.3)	(4.0)	(35.9)	(31.9)
Ending Balance (June 30)	**$145.9**	**$108.1**	**$110.0**	**$1.9**

FY 2012-2013 Revised Budget

THE UNIVERSITY of TENNESSEE UT

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Unrestricted E&G Revenues

Unrestricted E&G Funds (millions)	FY2013 Original Budget	FY2013 Revised Budget	Change	
Tuition & Fees	$524.6	$528.4	$3.8	0.7%
State Appropriations	431.4	431.7	0.3	0.1%
Other Revenues	149.2	150.1	0.9	0.6%
Total Revenues	**$1,105.2**	**$1,110.2**	**$5.0**	**0.4%**
Beginning Balance	112.1	145.9	33.8	30.2%
Available Funds	**$1,217.3**	**$1,256.1**	**$38.8**	**3.2%**

FY 2012-2013 Revised Budget

THE UNIVERSITY of TENNESSEE

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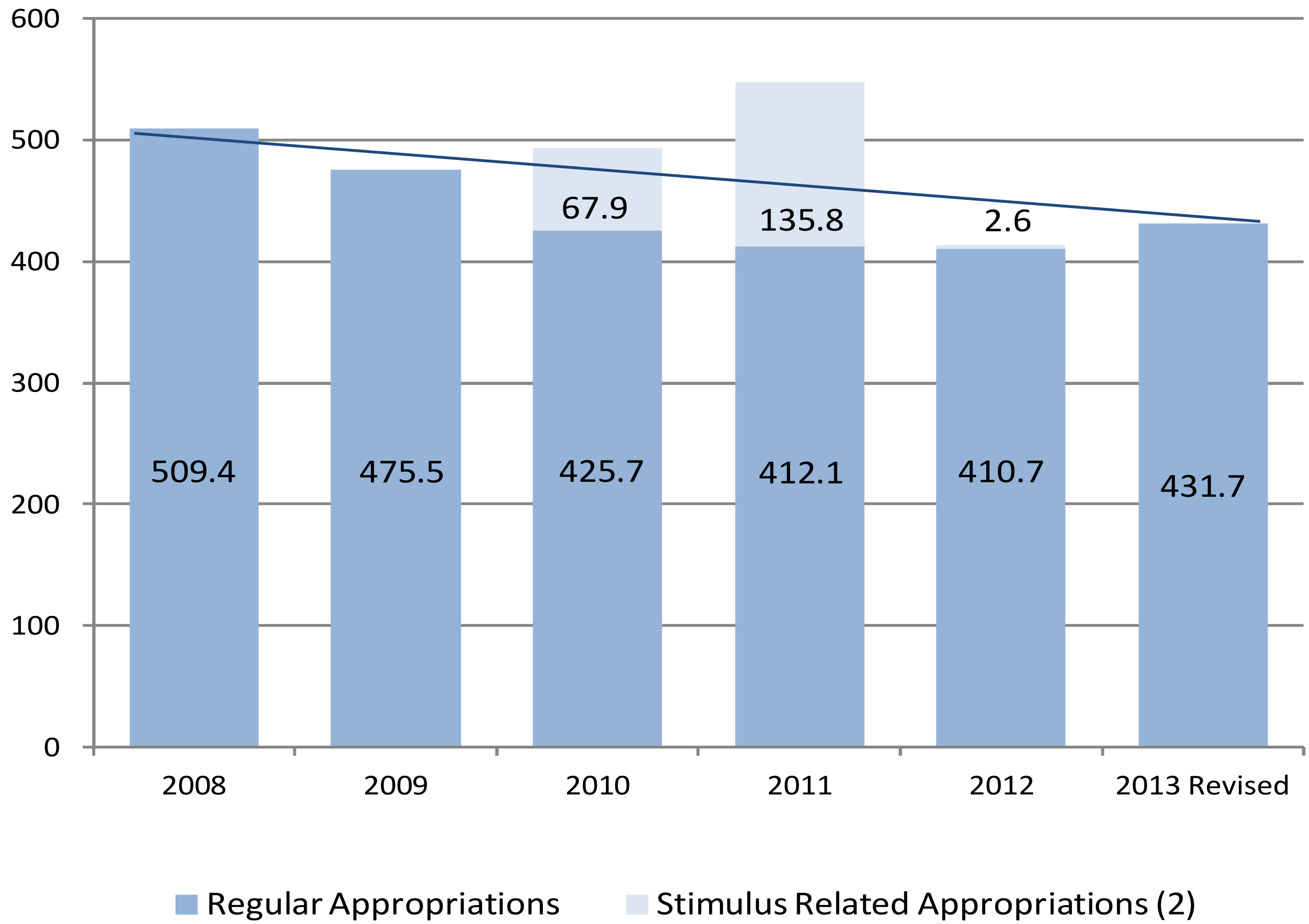
State Appropriations (1)



(1) Unrestricted E&G only. Does not include appropriations restricted for Chairs of Excellence & Governor's Chairs.
(2) Stimulus related appropriations include federal ARRA funding, MOE appropriations, and regular non-recurring state funds used to replace FY 2011 ARRA funds.

THE UNIVERSITY of TENNESSEE UT

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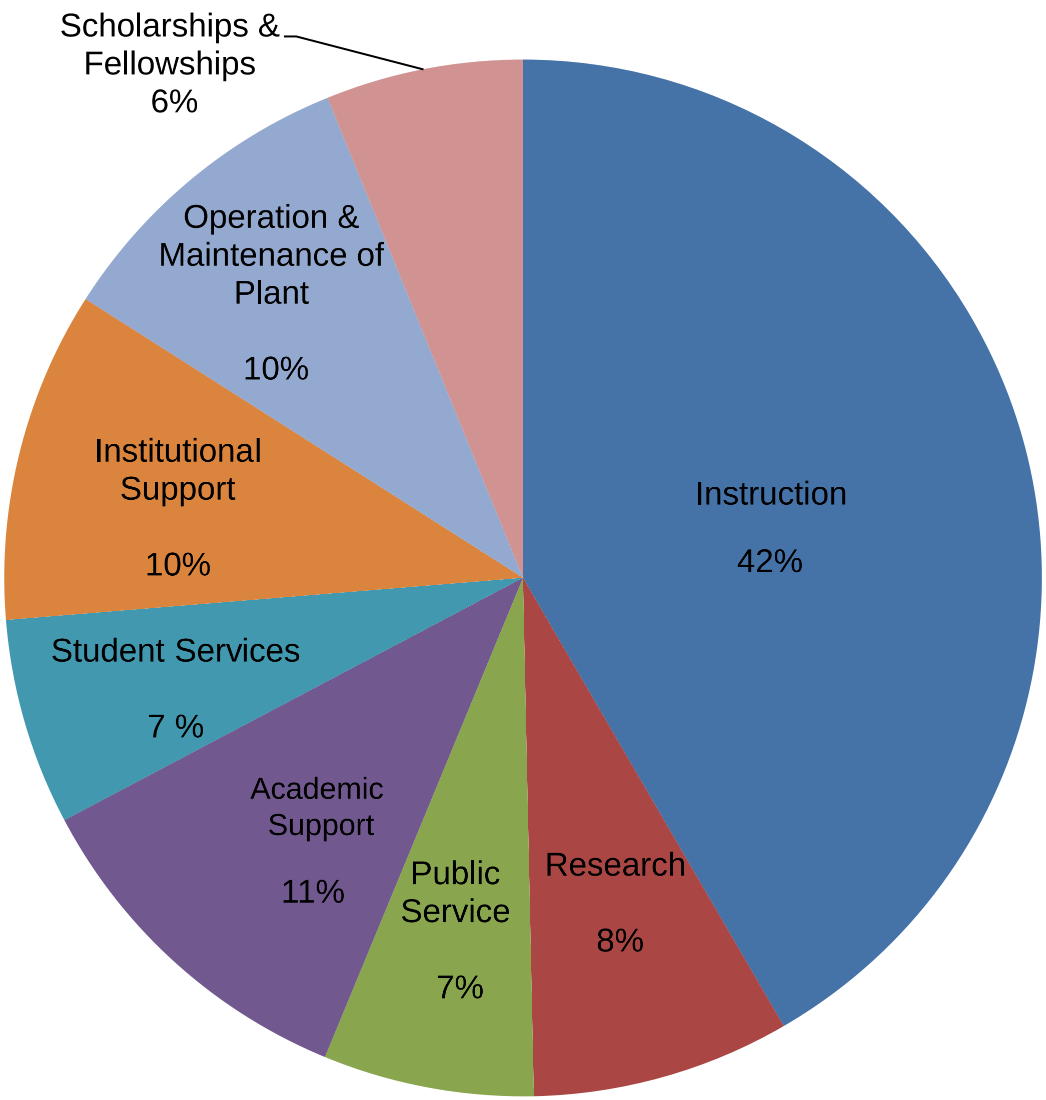
Unrestricted E&G Expenditures

$1.21 billion



FY 2012-2013 Revised Budget

THE UNIVERSITY of TENNESSEE UT

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Unrestricted E&G Expenditures

Functional Area	FY2013 Original Budget ($millions)	FY2013 Revised Budget ($millions)	Change from FY2013 Original Budget	
Instruction	$479.9	$501.8	$21.9	4.6%
Research	69.8	97.0	27.2	39.0%
Public Service	70.8	79.2	8.4	11.9%
Academic Support	121.8	132.9	11.1	9.1%
Student Services	74.9	77.8	2.9	3.9%
Institutional Support	121.9	124.6	2.7	2.2%
Operation & Maint of Plant	115.4	118.3	2.9	2.5%
Scholarships/Fellowships	73.4	74.1	0.7	1.0%
TOTAL	**$1,127.9**	**$1,205.7**	**$77.8**	**6.9%**

FY 2012-2013 Revised Budget

THE UNIVERSITY of TENNESSEE UT

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Unrestricted E&G Expenditures

Functional Area	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Revised Budget
Instruction	43%	42%	41%	40%	39%	42%
Research	7%	8%	7%	7%	8%	8%
Public Service	7%	6%	7%	6%	6%	7%
Academic Support	11%	11%	11%	12%	11%	11%
Student Services	7%	7%	8%	7%	8%	7%
Institutional Support	10%	10%	10%	10%	11%	10%
Operation & Maint of Plant	10%	10%	10%	11%	11%	10%
Scholarships/Fellowships	5%	5%	5%	6%	6%	6%
TOTAL $ AMOUNT	**$1,017.7**	**$1,024.6**	**$986.3**	**$1,041.7**	**$1,085.1**	**$1,205.7**

FY 2012-2013 Revised Budget

THE UNIVERSITY of TENNESSEE UT

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Current Fund Revenues (Unrestricted & Restricted)

All Current Funds (millions)	FY2013 Original Budget	FY2013 Revised Budget	Change	
Unrestricted E&G	$1,105.2	$1,110.2	$5.0	0.4%
Restricted E&G	623.9	607.6	-16.3	-2.6%
Auxiliary	197.4	195.0	-2.4	-1.2%
Total Revenues	**$1,926.5**	**$1,912.8**	**$-13.7**	**0.7%**
Beginning Balance	133.4	160.8	27.4	20.5%
Available Funds	**$2,059.9**	**$2,073.6**	**$13.7**	**0.7%**

FY 2012-2013 Revised Budget

THE UNIVERSITY of TENNESSEE UT

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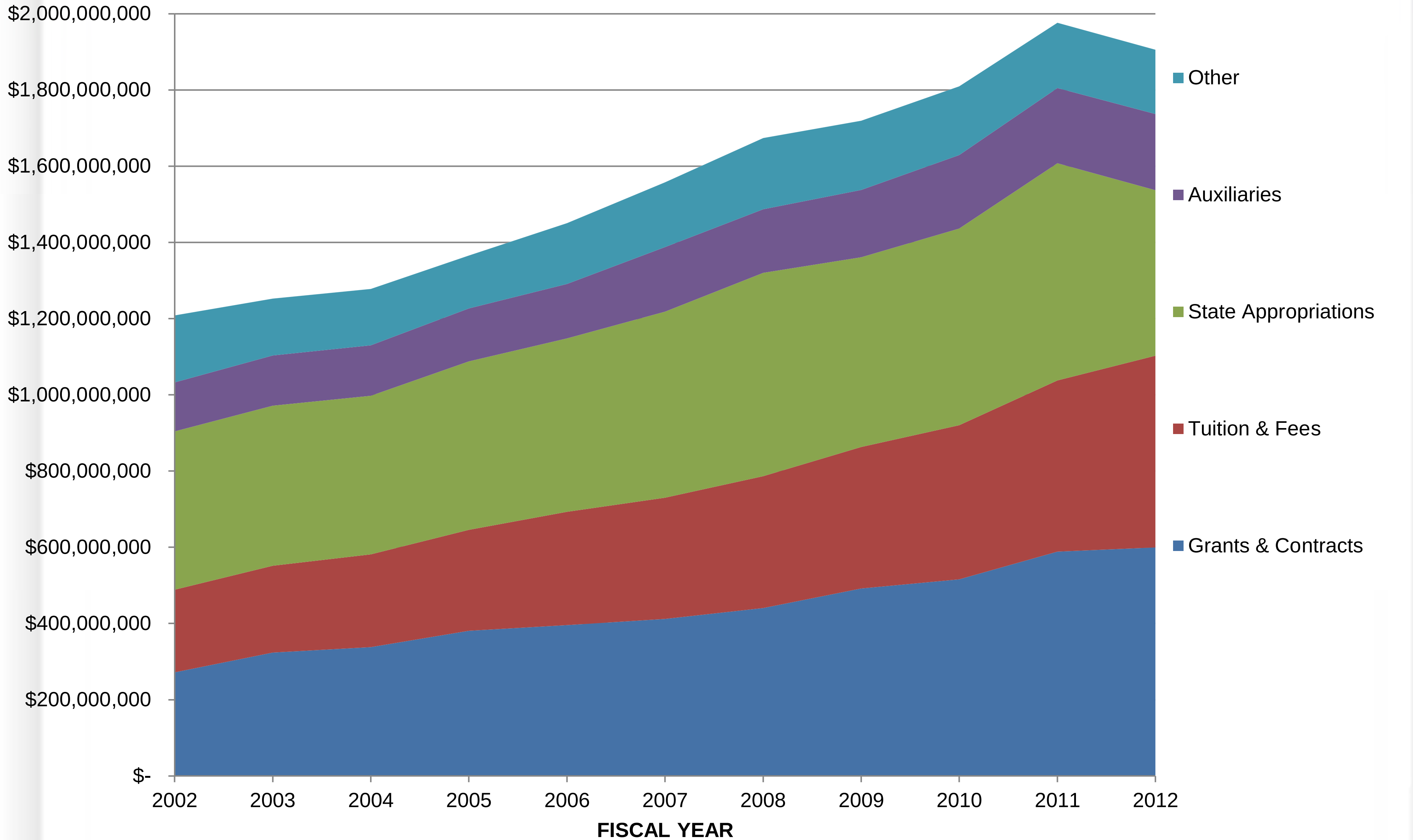
Revenue Trends

Current Unrestricted & Restricted E&G and Auxiliary Funds



THE UNIVERSITY of TENNESSEE UT

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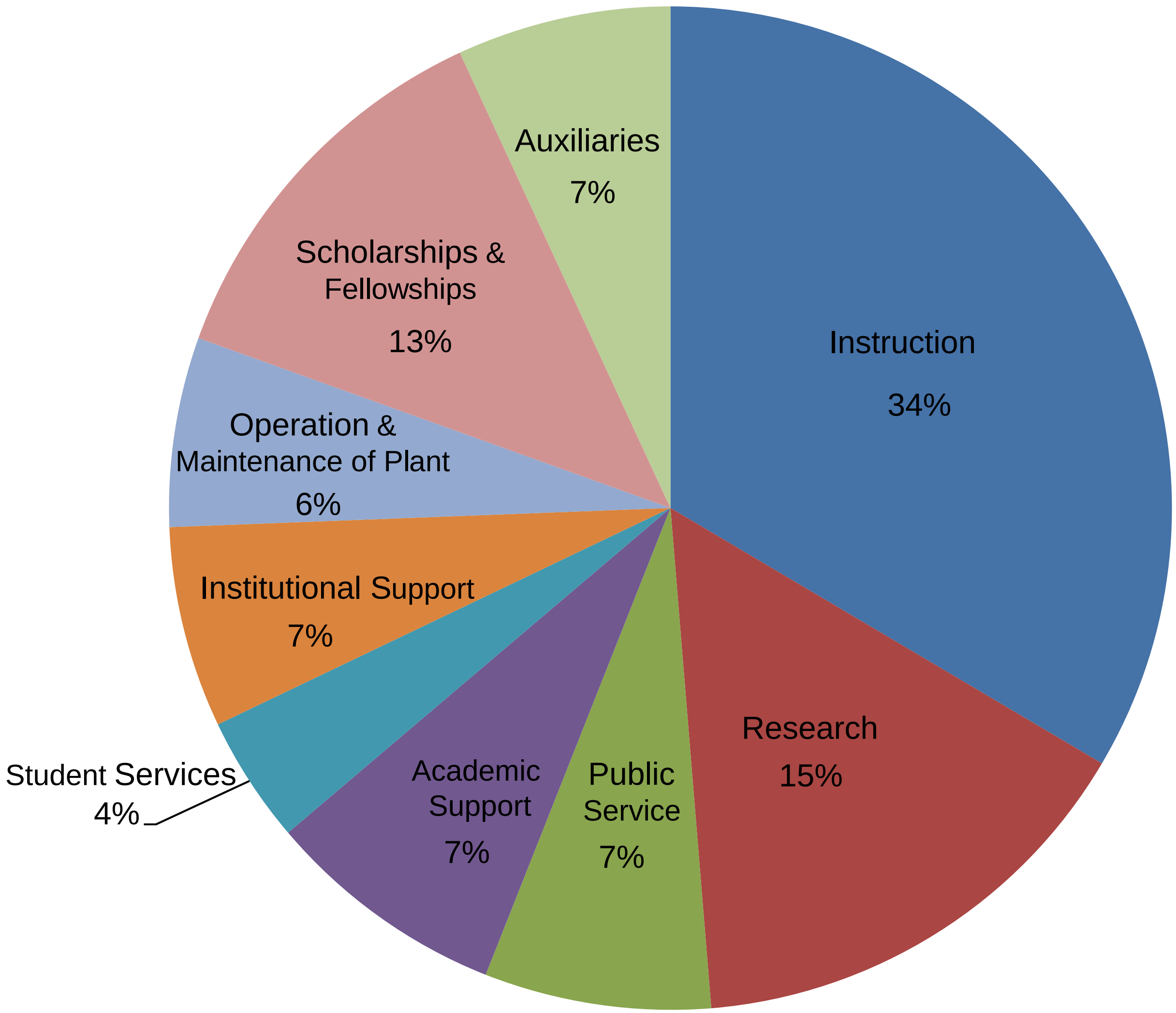
Unrestricted & Restricted Expenditures

$1.95 billion



FY 2012-2013 Revised Budget

THE UNIVERSITY of TENNESSEE UT

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Current Fund Expenditures (Restricted & Unrestricted)

Functional Area	FY2013 Original Budget *($millions)*	FY2013 Revised Budget *($millions)*	Change from FY2013 Original Budget	
Instruction	$623.2	$653.5	$30.3	4.9%
Research	252.5	296.9	44.4	17.6%
Public Service	172.2	141.5	-30.7	-17.8%
Academic Support	141.7	152.1	10.4	7.3%
Student Services	78.1	79.5	1.4	1.8%
Institutional Support	124.7	126.8	2.1	1.7%
Operation & Maint of Plant	115.8	118.5	2.7	2.3%
Scholarships/Fellowships	244.2	244.4	0.2	0.1%
Auxiliary Enterprises	137.1	134.7	-2.4	-1.8%
TOTAL	**$1,889.6**	**$1,947.9**	**$58.4**	**3.1%**

THE UNIVERSITY of TENNESSEE UT

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Current Fund Expenditures (Restricted & Unrestricted)

Functional Area	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Revised Budget
Instruction	33%	32%	32%	31%	31%	34%
Research	14%	15%	15%	15%	15%	15%
Public Service	9%	8%	8%	9%	9%	7%
Academic Support	8%	8%	7%	8%	8%	7%
Student Services	5%	5%	5%	4%	5%	4%
Institutional Support	7%	6%	6%	6%	7%	7%
Operation & Maint of Plant	6%	6%	6%	7%	6%	6%
Scholarships/Fellowships	11%	11%	13%	13%	13%	13%
Auxiliary Enterprises	8%	8%	8%	8%	8%	7%
TOTAL $ AMOUNT	**$1,581.8**	**$1,653.6**	**$1,658.7**	**$1,809.1**	**$1,869.5**	**$1,947.9**

FY 2012-2013 Revised Budget

THE UNIVERSITY of TENNESSEE UT

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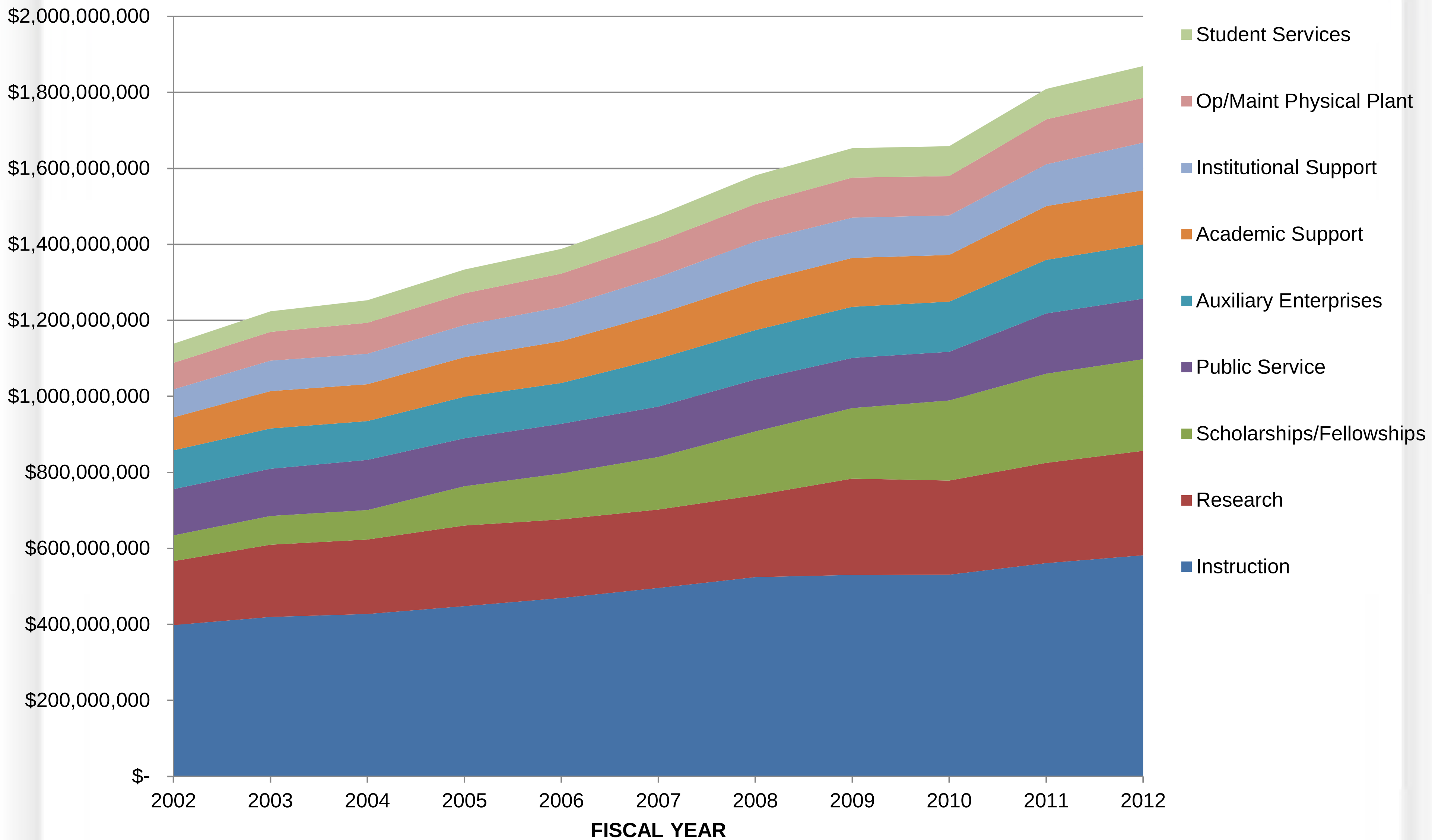
Expenditure Trends

Current Unrestricted & Restricted E&G and Auxiliary Funds



FY 2012-2013 Revised Budget

THE UNIVERSITY of TENNESSEE

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- The FY2013 Revised Budget is balanced & within available resources.

- FY2014 challenges and priorities:
  - Potential new funding:
    - $14.94 million for outcomes and productivity
    - $ 5.29 million for CCTA phase in
    - $ 7.63 million for a 1.5% raise and benefits
    - $10.96 million for special initiatives
  - No current outcome money for non formula units
  - Faculty & Staff Compensation

4.1

Revised

Budget

Document

FY 2012 – 2013

4.1

THE UNIVERSITY *of* TENNESSEE

University of Tennessee at Chattanooga

University of Tennessee, Knoxville

University of Tennessee at Martin

University of Tennessee Space Institute

University of Tennessee Health Science Center

Memphis Other Specialized Units
College of Medicine Units
Family Medicine Units

University of Tennessee Institute of Agriculture

Agricultural Experiment Station
UT Extension
College of Veterinary Medicine

University of Tennessee Institute for Public Service

Institute for Public Service
Municipal Technical Advisory Service
County Technical Assistance Service

University of Tennessee System Administration

FY2013 REVISED BUDGET

THE UNIVERSITY OF TENNESSEE

4.1

Contents

Message from the CFO

Message from the CFO

The FY 2013 revised operating budget reflects operating plans and financial projections as of October 31, 2012. The University develops a revised budget each fiscal year to adjust to the following changes that occur during the year after the original budget is adopted in June:

1. The university's original budget is developed before the end of the previous fiscal year and uses budgeted net assets as its starting point. The revised budget uses actual net assets as its starting point.
2. State appropriations are adjusted in September, requiring minor adjustments in most years.
3. Other adjustments may be needed if there are material changes to operating plans, organizational structure, revenue projections, or fixed costs.

Revised total revenues are $1.91 billion, a 0.7% decrease from the original budget. Revised expenses total $1.95 billion, a 3.1% increase. These revisions include all current funds: unrestricted educational and general (E&G) funds, restricted E&G funds, and auxiliary funds.

Unrestricted E&G funds finance the University's core recurring operations and account for the major changes between the FY2013 original and revised budgets. The revised unrestricted E&G revenue budget increased only $5.0 million or 0.4%. It is common to see revenue adjustments in this range between original and revised budgets. Budgets for recurring unrestricted E&G expenditures and transfers showed a similar modest increase of $2.3 million, but total recurring and non-recurring expenditures and transfers are up $36.8 million (3.3%), reflecting large carry-overs of unspent non-recurring funds from FY2012.

The revised budget unrestricted E&G beginning balance is $33.8 million higher than original budget. These are one-time funds that were budgeted to be spent in FY2012 that have been carried over to be spent in FY2013. Campuses and institutes will continue to follow the same strategies that were used with the non-recurring ARRA stimulus funding in FY 2010 and FY 2011 to upgrade technology in classrooms, fund energy efficiency projects, and address critical maintenance needs; prudent one-time investments that increase capacity and improve long-term effectiveness and efficiency.

Revenue and expenditure data for each operating unit is provided in this budget document. Also included is information on athletics and auxiliary budgets. A separate publication containing detailed supporting schedules is available in printed or electronic format.

The funding outlook for FY 2014 is the most favorable since FY 2008. The Governor's budget proposal adds over $42 million to the University's operating funds. Some of these funds offset cost increases, such as a 1.5% salary pool and over $3.3 million in projected health insurance premium increases, but much of the funding is available for operating improvements and new initiatives. Nearly $10.2 million is directed to the three formula units in Chattanooga, Knoxville, and Martin "to reflect greater institutional productivity, such as increases in student progression, degree production, research and service, efficiency metrics, and other outcome measures" documented through the Tennessee Higher Education Commission's outcomes-based funding formula. The Health Science Center and College of Veterinary Medicine will receive over $4.7 million directed to medical units. Nearly $11 million is provided for new initiatives to increase UTK engineering graduates, help the Health Science Center recruit pediatric physician scientists, and provide matching funds needed to compete for NSF supercomputer funding. Perhaps most important is the fact that FY 2014 is the first state budget in six years where gains like these are not offset by some kind of reduction to base recurring appropriations. We welcome this renewed commitment to higher education.

Respectfully,

Charles M. Peccolo
Treasurer & Chief Financial Officer

FY2013 REVISED BUDGET

4.1

"THE FY 2013 EDUCATIONAL AND GENERAL (E&G) AND AUXILIARY ENTERPRISES REVISED BUDGETS ARE BALANCED AND WITHIN AVAILABLE RESOURCES."

FY 2013 Quick Facts	
Enrollment (Fall 2012)	49,244
Total Revenues	$ 1.91B
Positions	14,837
Capital Maintenance	$ 32.3M

Unrestricted E&G	
E&G Revenues	$1.110B
State Appropriations	$431.7M
St. Appr. as % of Revenues	38.9%
Tuition & Fees	$528.4M
Tuition & Fees - % of Revenues	47.6%
Salaries & Benefits	$789.0M
Sal. & Ben. % of Expenditures	65.4%

Overview

The University of Tennessee FY 2013 Revised Budget revenues total $1.913 billion: $1.110 billion in unrestricted Educational and General (E&G), $607.6 million in restricted funds and $195.0 million in auxiliary funds. That represents a $13.7 million, or - 0.7 percent, decrease from the FY 2013 Original Budget. Unrestricted E&G revenues increased $5.0 million, but budgets for Restricted E&G and Auxiliary revenues were adjusted downwards. These adjustments ensure that our revised expenditure budgets for FY 2013 remain within available resources.

TOTAL REVENUES

Revenues (Millions)	FY2013 Original	FY2013 Revised	Change Amt.	Change %
Unrestricted E&G	$ 1,105.2	$ 1,110.2	$ 5.0	0.4%
Restricted E&G	623.9	607.6	-16.3	-2.6%
Auxiliaries	197.4	195.0	-2.4	-1.2%
Total	**$ 1,926.5**	**$ 1,912.8**	**$ - 13.7**	**-0.7%**

Amounts are in millions and may not add due to rounding

Unrestricted Education and General Funds (Unrestricted E&G) support the core operations of the university: instruction, research, public service, academic support, student services, institutional support, facilities operations and maintenance, and scholarships and fellowships. They are funded primarily though tuition and student fees, state appropriations, and other sources including grants and contracts, federal and local appropriations, sales and services, investment income, and endowment distributions.

Restricted funds must be used in accordance with purposes established by an external party; primarily grants, contracts, gift funds and endowments. Auxiliaries are self-supporting enterprises which furnish services to students, faculty, and staff such as housing, bookstores, food service and UTK Men's Athletics.

FY2013 REVISED BUDGET

Unrestricted E&G Revenues

The following table shows the change in unrestricted E&G revenues.

Unrestricted E&G Revenues Summary

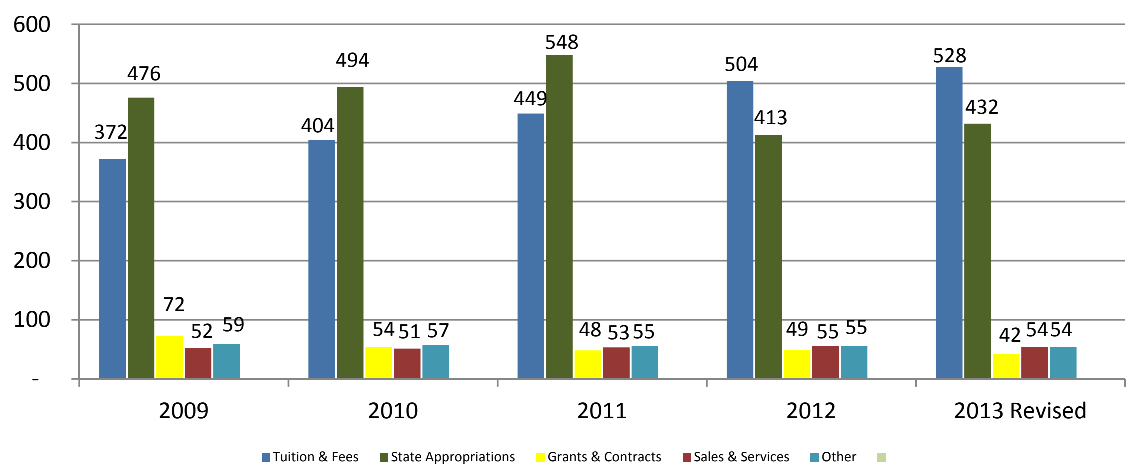
Revenues	FY2013 Original	FY 2013 Revised	Change Amount	Change %
Tuition & Fees	$ 524.6	$ 528.4	$ 3.8	0.7%
State Appropriations	431.4	431.7	0.3	0.1%
Other Revenues	149.2	150.1	0.9	0.6%
Total E&G Revenues	**$ 1,105.2**	**$ 1,110.2**	**$ 5.0**	0.4%

Revenues are rounded to millions and may not add due to the rounding

FY 2013 unrestricted E&G revenues are $5.0 million (0.4%) higher than the proposed budget, due to modest increases in Tuition & Fees, State Appropriations and Other Revenues. These kinds of minor adjustments to budgeted revenues are routinely reflected in the University's revised budget.

Unrestricted E&G revenues are categorized into five distinct areas, with state appropriations and tuition and fees making up 86.5 percent, or $960.1 million. The graph below shows the comparative revenue sources and the trends of those sources over the past five years. The most striking trend is the reversed relationship between tuition and fees versus state appropriations. In FY 2009, appropriations exceeded tuition and fees by $104 million. In FY 2013, tuition and fees exceed appropriations by $96 million.

Unrestricted E&G Revenues *(in millions of dollars)*



FY2013 REVISED BUDGET

Unrestricted E&G Revenues (Continued)

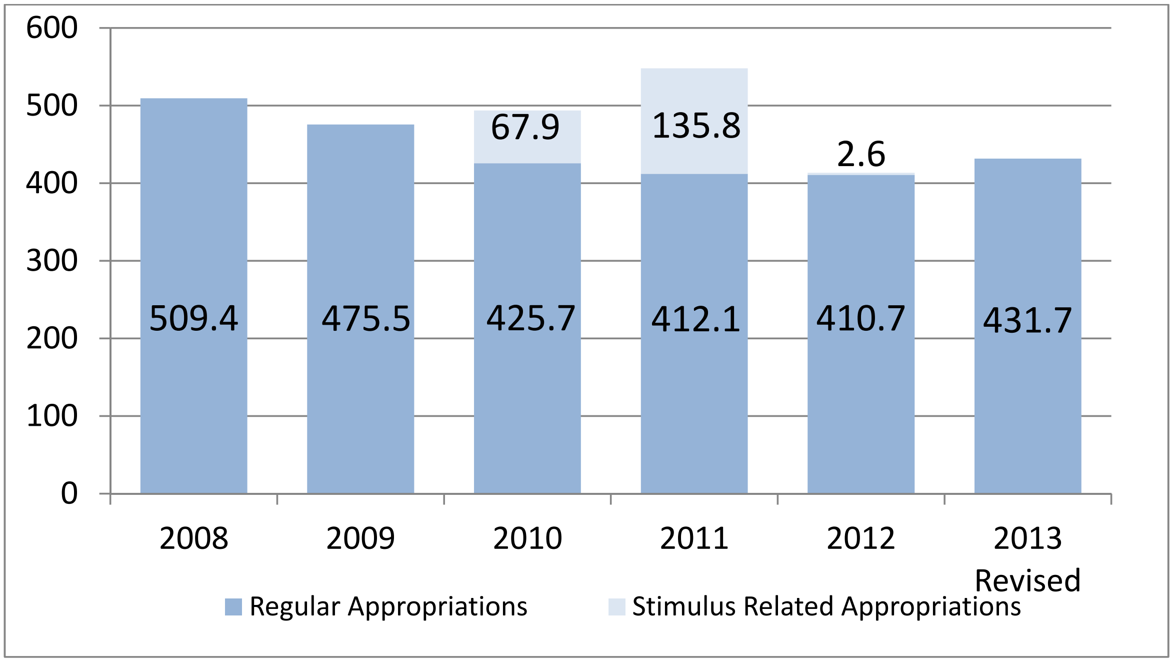
State Appropriations

Change In Unrestricted E&G State Appropriations	Base (Recurring)	Non-Recurring	Total
FY 2013 Proposed Budget	**$ 428,520,701**	**$ 2,924,175**	**$ 431,444,876**
Increase Claims Adjustments	305,292		305,292
Insurance Premium Adjustment	(300)		(300)
FY 2013 Revised Budget	**$ 428,825,693**	**$ 2,924,175**	**$431,749,868**

Minor adjustments made to state appropriations since the FY 2013 original budget was approved include claims adjustments of $305,292 for all campuses and an insurance premium adjustment.

FY 2013 revised state appropriations are $78 million (15.2 %) less than FY 2008. Base recurring reductions over this period exceed $120 million. These are offset somewhat by funding added each year to partially fund increases in employee group insurance and state retirement system costs. The state also added funds in FY 2012 and FY 2013 to partially fund salary increases.

State Appropriations
(in millions)



(1) Unrestricted E&G only. Does not include appropriations restricted for Centers of Excellence & Governor's Chairs.
(2) Stimulus related appropriations include federal ARRA funding, MOE appropriations, and regular non-recurring state funds used to replace FY 2011 ARRA funds.

FY2013 REVISED BUDGET

Unrestricted E&G Revenues (Continued)

Tuition and Fees

There is little change in budgeted tuition and fees. As shown in the table below, tuition and fees revenue totals $528.4 million, a $3.8 million, or .7% increase from the FY 2013 Original Budget of $524.6 million. Most of the increase is the result of higher than expected enrollments and revised expectations for various student fees.

Tuition and Fee Revenues

TUITION AND FEE REVENUE	FY13 Original	FY13 Revised	Change Amount	Change %
Tuition	$ 444,427,873	$ 445,833,070	$ 1,405,197	0.3%
Program and Service Fees	49,749,945	51,044,328	1,294,383	2.6%
Extension Enrollment Fees	7,541,813	7,550,734	8,921	0.1%
Other Student Fees	22,892,546	23,994,932	1,102,386	4.8%
Total Tuition and Fees	**$ 524,612,177**	**$ 528,423,064**	**$ 3,810,887**	**0.7%**

Other Revenues

There is little change in budgeted revenues from other sources; the revised budget is up 0.6%. Sales and service revenues were adjusted up by 2.5%. Grant and contract revenues are down 1.1%. The revised budget for other miscellaneous revenues is virtually unchanged from Original Budget.

Other Revenues

OTHER REVENUE	FY13 Original	FY13 Revised	Change Amount	Change %
Grants & Contracts	42,408,275	41,960,037	(448,238)	-1.1%
Sales & Services	52,825,885	54,135,060	1,309,175	2.5%
Other Sources	53,903,875	53,898,515	(5,360)	0.0%
Total Revenues	**$ 149,138,035**	**$ 149,993,612**	**$ 855,577**	**0.6%**

4.1

FY2013 REVISED BUDGET

Unrestricted E&G Expenditures

The Revised FY 2013 budget for unrestricted E&G expenditures and transfers is $1,146.1 million, a $36.8 million, or 3.3 percent increase from the Original FY 2013 budget. The increase is funded by revenue adjustments ($5.0 million) and non-recurring funds carried forward from FY2012 ($33.8 million). Base budgets for recurring transfers and expenditures increased by only $2.3 million (0.2%). This is often seen in mid-year budget revisions: non-recurring budgets for one-time projects are added after the close of the previous fiscal year, while recurring budgets for core operations show little change.

Unrestricted E&G expenditure budgets increased $77.9 million (6.9%). This increase is funded by the carry-overs discussed above plus funds of $41 million from non-mandatory transfers. Most of these transfers are non-recurring renewal and replacement funds that may be added to current fund carry-overs for one-time uses such as faculty start-ups and improvements to campus infrastructure. Examples include equipment replacement, repairs and maintenance, wireless internet upgrades, bridge funding for research operations, adjunct faculty, electronic medical records systems, energy conservation projects, lab upgrades, and graduate student fee waivers.

The functional distribution of these funds is shown in the table below and the charts on the following page.

Unrestricted E&G Expenditures By Functional Category

(in millions)

Functional Category	FY 2013 Original	FY 2013 Revised	Change Amount	Change %
Instruction	$ 479.9	$ 501.8	$ 21.9	4.6%
Research	69.8	97.0	27.2	39.0%
Public Service	70.8	79.2	8.4	11.9%
Academic Support	121.7	132.9	11.3	9.2%
Student Services	74.9	77.8	2.8	3.8%
Institutional Support	121.9	124.6	2.7	2.2%
Operations and Maintenance of Plant	115.4	118.3	2.9	2.5%
Scholarships and Fellowships	73.4	74.1	0.7	1.0%
Sub-Total E&G Expenditures	**$ 1,127.8**	**$ 1,205.7**	**$ 77.9**	**6.9%**
Transfers	(18.6)	(59.6)	(41.0)	221.5%
Total Transfers and E&G Expenditures	**$ 1,109.2**	**$ 1,146.1**	**$ 36.8**	**3.3%**

Amounts are in millions and may not add due to rounding

FY2013 REVISED BUDGET

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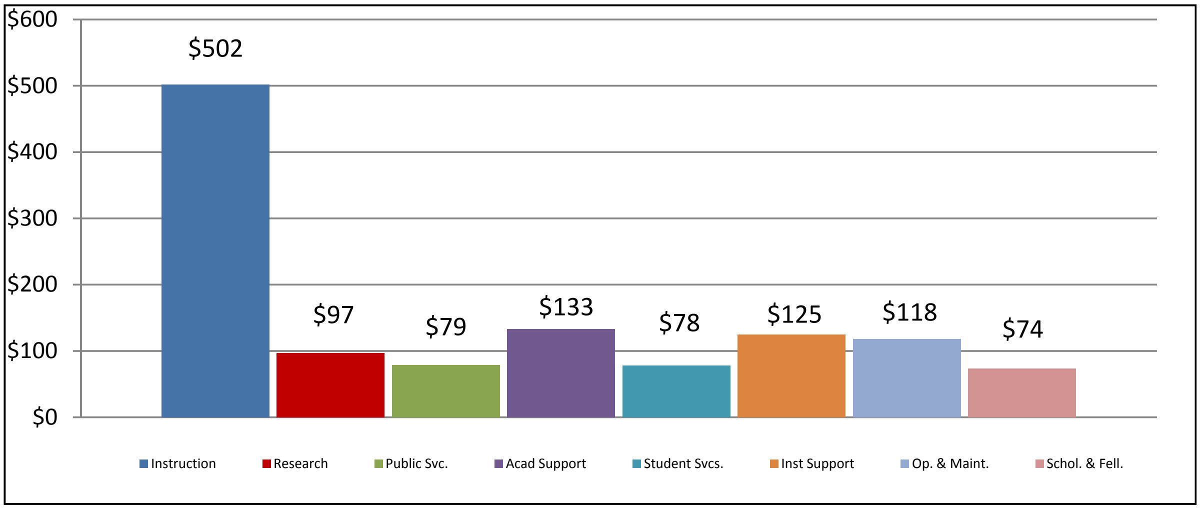
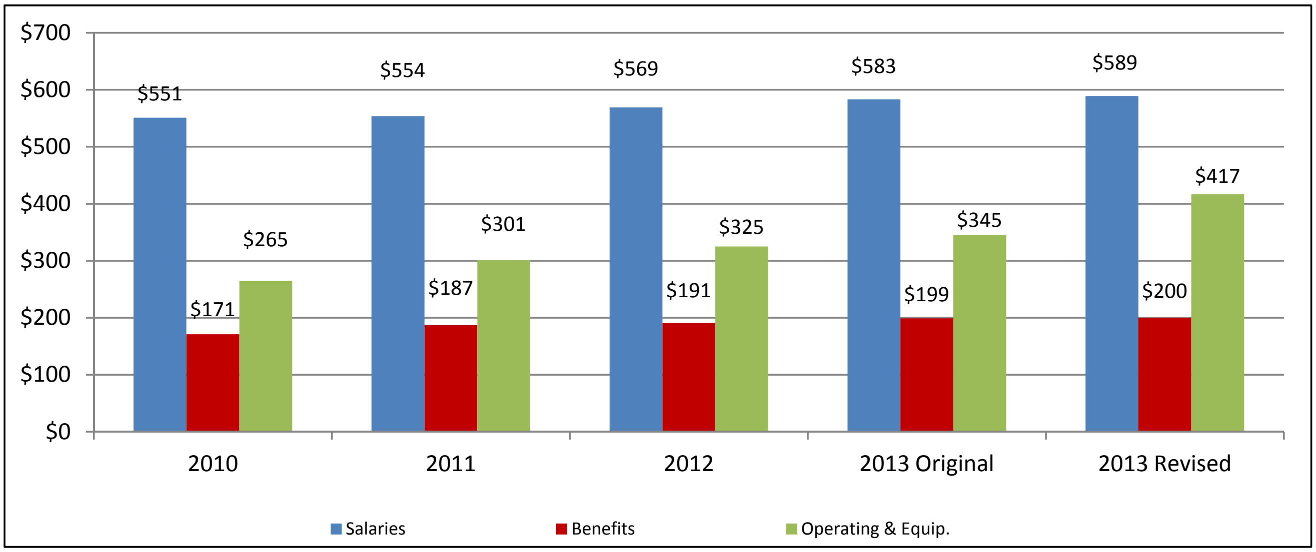
Unrestricted E&G Expenditures (continued)

Unrestricted E&G Expenditures by Function *(in millions)*



The chart below shows expenditures by natural classification for five years. Natural classification categories include salaries, benefits, operating expense, and equipment. Operating expense and equipment are combined.

Unrestricted Expenditures by Natural Classification *(in millions)*



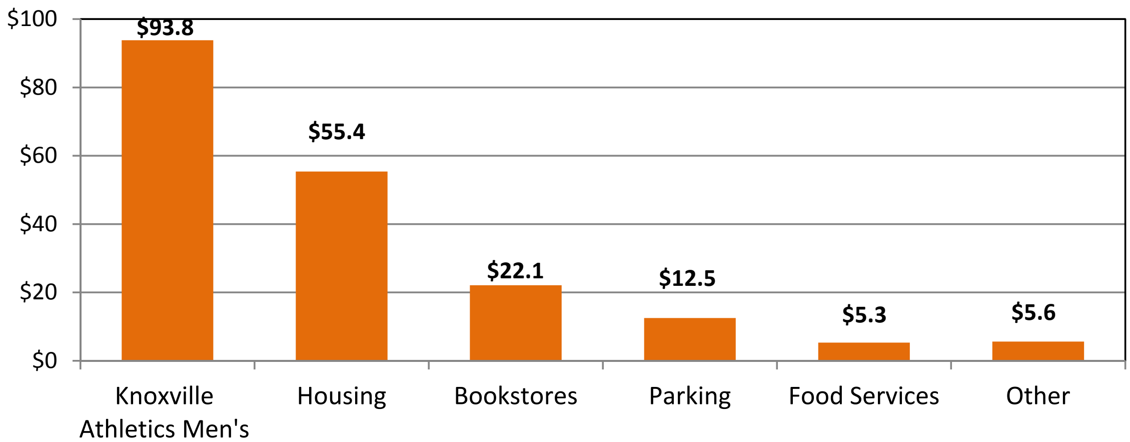
FY2013 REVISED BUDGET

4.1

Auxiliary Enterprises

Auxiliary Enterprises furnish services to the students, faculty, and staff. Each is a business that is self funded through sales, fees, and private gifts. These stand-alone operations include Housing, Food Services, Bookstores, Parking, and Other miscellaneous operations. It also includes UTK Men's Athletics since it is a self-supporting operation. Total Auxiliary FY 2013 revenues are $194.6 million, down $2.2 million (1.1%) from Original Budget. This is reflected in offsetting reductions to budgeted expenditures. The charts below reveal the relative size of each auxiliary enterprise and the change in revenue and expense from FY 2013 Original to 2013 Revised Budgets.

Auxiliary Revenues – FY 2013 Revised Budget
(in millions)

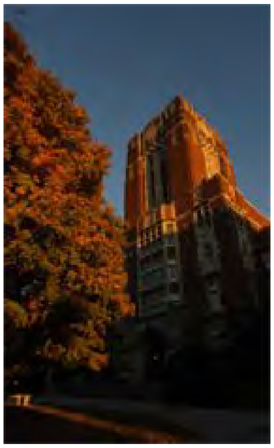


Auxiliaries Summary
(in millions)

REVENUES AND EXPENSES	FY 2013 ORIGINAL	FY 2013 REVISED	$ CHANGE	% CHANGE
Revenues	**$ 196.8**	**$ 194.6**	**$ -2.2**	**-1.1%**
Expense and Transfers				
Expense	136.7	134.3	-2.4	-1.8%
Transfers	60.1	60.3	0.2	0.3%
Total Expenditures and Transfers	**$ 196.8**	**$ 194.6**	**$ -2.2**	**-1.1%**

4.1

FY2013 REVISED BUDGET



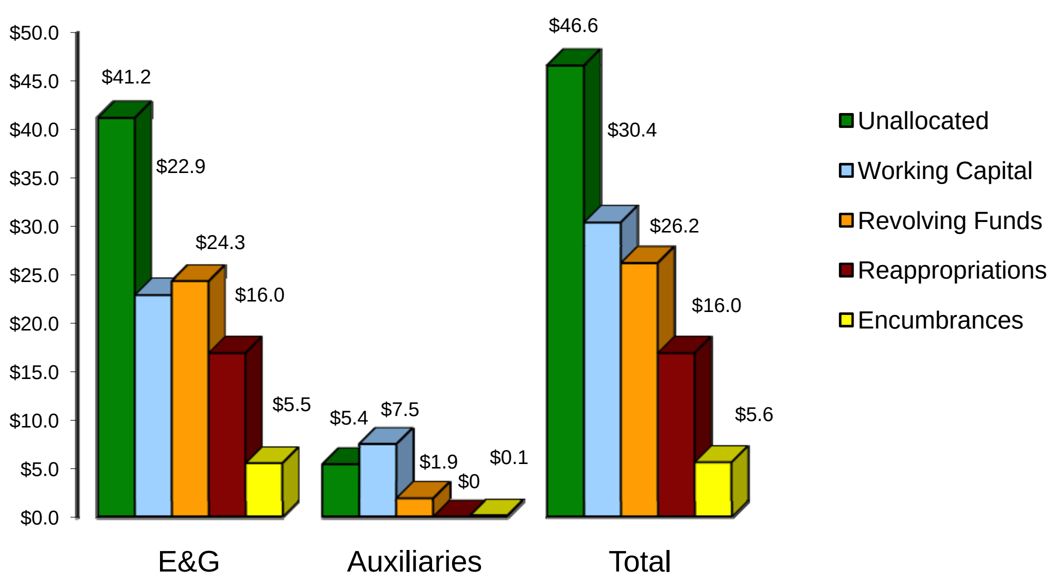
Unrestricted Net Assets

The University's practice is to maintain 2-5 percent of unrestricted Educational and General (E&G) expenditures and 3-5 percent of unrestricted auxiliary enterprise funds in its unallocated fund balance as a "rainy day" fund. It is needed in case of a downturn in enrollment, sharp decline in appropriations, or other situations that cause expenditures to exceed available revenues to provide short-term funding while adjustments are made to bring the budget back into balance.

Encumbrances are funds carried over from the previous fiscal year for purchases and commitments that were not received before the close of the fiscal year. These funds are budgeted in the appropriate expenditure accounts as the items or services are received. Reappropriations are funds reserved from FY 2012 for allocation to specific programs and initiatives in FY 2013 or in subsequent fiscal years.

The FY 2013 Revised Budget projects a June 30, 2013 unrestricted E&G unallocated fund balance of $41.2 million, or 3.59 percent of expenditures. The unrestricted auxiliary enterprises unallocated balance is $5.4 million, or 2.78 percent of expenditures, slightly below the target range for auxiliary funds. The total unallocated balance projected at June 30, 2013, is $46.6 million, which is 3.47 percent of expenditures.

FY 2013 Revised Budget Unrestricted Net Assets *(in millions)*



E&G	Auxiliaries	Total	
$41.2 million	**$5.4 million**	**$46.6 million**	**Unallocated Balance**
3.59%	**2.78%**	**3.47%**	**Percent Unallocated**

FY2013 REVISED BUDGET

Recommendation

The FY 2013 Educational and General (E&G) and Auxiliary Enterprises revised budgets are balanced and within available resources. The Revised Budget complies with all applicable policies and guidelines. The following action by the Board of Trustees is recommended:

1. The FY 2013 revised budget be approved with the understanding that if the General Assembly or the Department of Finance and Administration further alters the FY 2013 appropriations or if changes in estimated resources require, the budget shall be modified accordingly so expenditures will not exceed available resources.

2. The Board of Trustees expressly authorizes the campus, institute, and unit administrations, in response to budget reductions or a budgetary shortfall, to implement mandatory furloughs without pay, reduction of time worked, across-the-board salary reductions, and similar salary-related measures during FY 2013, subject to approval by the Executive and Compensation Committee, the President, and the Treasurer and Chief Financial Officer in consultation with the General Counsel and Human Resources.

3. Any remaining balance of Net Assets may be considered as reserve for contingencies to be used for:

   a) Employing additional staff where enrollments and reorganization requirements warrant;
   b) Modifying departmental operating budgets where changing conditions during the year require funding adjustments;
   c) Funding to make salary adjustments for personnel as may be necessary during the year in keeping with state and university salary guidelines;
   d) Improving physical facilities for academic and research departments as opportunities arise;
   e) Mandated cost increases; and
   f) State impoundment of funds or appropriations rescission during the budget year.

FY2013 REVISED BUDGET

4.1

4.1

University of Tennessee System

FY 2012-13 Revenues Unrestricted and Restricted

(In Millions)

Tuition & Fees	$ 524.6
State Appropriations	453.6
Grants & Contracts	568.3
Sales & Services	54.1
Other	113.3
Auxiliaries	195.0
Total Revenue	$ 1,912.8

Fall 2012 Headcount Enrollment

Knoxville	26,533
Chattanooga	11,660
Martin	7,751
Space Institute	137
Health Science Center	2,815
Veterinary Medicine	348
TOTAL	**49,244**

FTE Positions

(Unrestricted & Restricted)

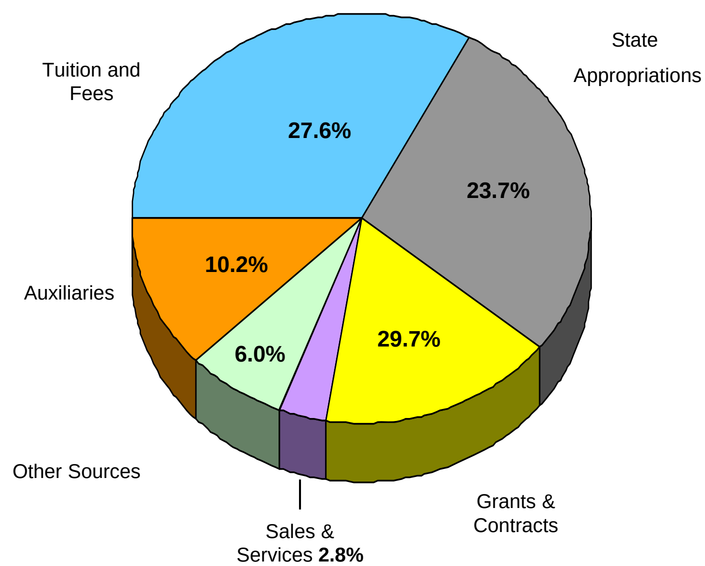
October 31, 2012

Faculty	4,075
Administrative	790
Professional	3,937
Cler/Tech/Maint	6,034
TOTAL	**14,837**

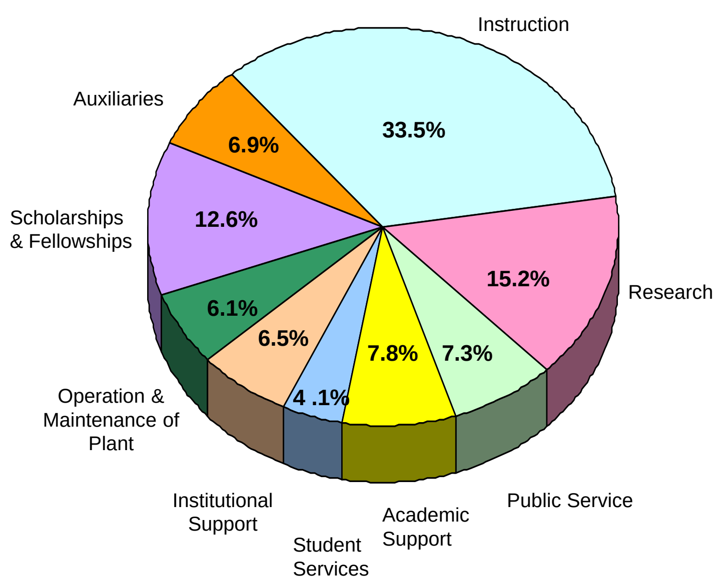
FY 2012-13 REVISED BUDGET

Total Unrestricted and Restricted Current Funds

Revenues



Expenditures



4.1

University of Tennessee System

FY 2012-13 Revenues
Unrestricted E&G
(In Millions)

Tuition & Fees	$ 528.4
State Appropriations	431.7
Grants & Contracts	42.0
Sales & Services	54.1
Other	53.9
Total Revenue	**$ 1,110.2**

Fall 2012 Headcount Enrollment

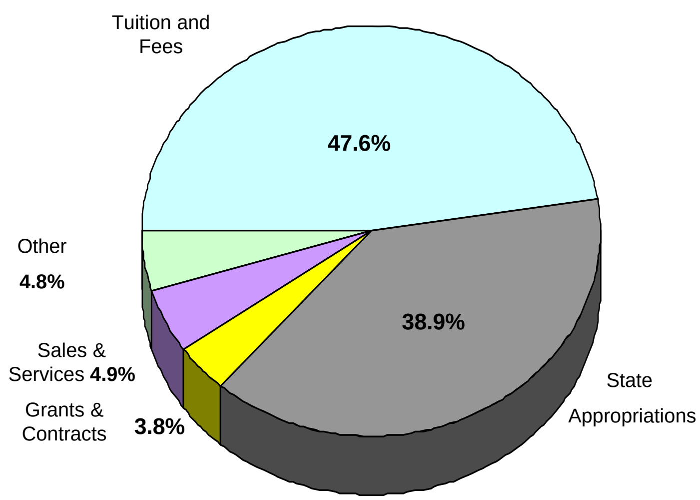
Knoxville	26,533
Chattanooga	11,660
Martin	7,751
Space Institute	137
Health Science Center	2,815
Veterinary Medicine	348
TOTAL	**49,244**

FTE Positions
(Unrestricted E&G)
October 31, 2012

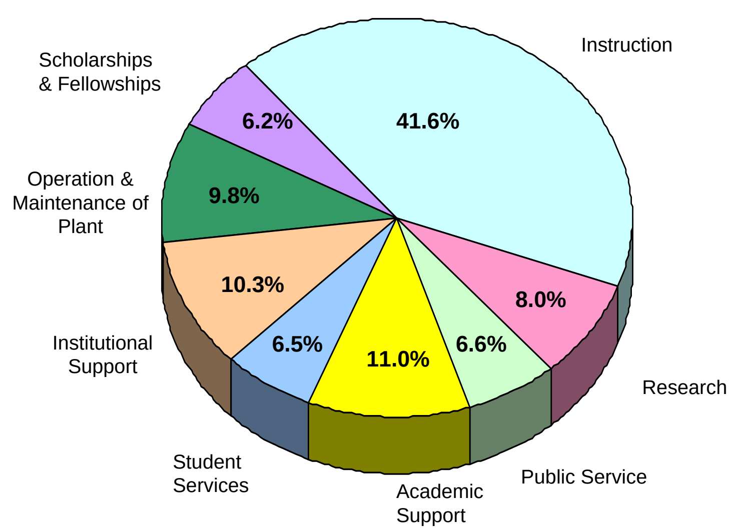
Faculty	3,090
Administrative	641
Professional	1,878
Cler/Tech/Maint	3,820
TOTAL	**9,429**

FY 2012-13 REVISED BUDGET
Unrestricted E&G Only
Total Unrestricted Current Funds

Revenues



Expenditures



4.1

University of Tennessee System

FY 2013 Revised State Appropriations Summary

Unrestricted Current Funds (Educational and General)

	FY 2012 ACTUAL	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED Amount	%
STATE APPROPRIATIONS					
Chattanooga	$ 35,088,738	$ 35,497,564	$ 35,505,864	$ 8,300	0.0
Knoxville	147,947,704	156,240,800	156,334,850	94,050	0.1
Martin	25,195,511	26,145,717	26,213,217	67,500	0.3
Space Institute	7,392,569	7,684,651	7,695,901	11,250	0.1
Health Science Center					
Memphis Other Specialized Units	*$ 64,831,856*	*$ 67,376,707*	*$ 67,383,500*	*$ 6,793*	*0.0*
College of Medicine Units	*44,093,363*	*44,845,300*	*44,934,400*	*89,100*	*0.2*
Family Medicine Units	*9,386,338*	*9,880,800*	*9,882,100*	*1,300*	*0.0*
Sub-Total Health Science Center	$ 118,311,558	$ 122,102,807	$ 122,200,000	$ 97,193	0.1
Agricultural Units					
Agricultural Experiment Station	*$ 23,333,760*	*$ 24,462,723*	*$ 24,480,573*	*$ 17,850*	*0.1*
Agricultural Extension Service	*28,160,380*	*29,560,066*	*29,580,016*	*19,950*	*0.1*
College of Veterinary Medicine	*14,823,603*	*15,719,622*	*15,720,772*	*1,150*	*0.0*
Sub-Total Agricultural Units	$ 66,317,743	$ 69,742,411	$ 69,781,361	$ 38,950	0.1
Public Service Units					
Institute for Public Service	*$ 4,368,582*	*$ 5,062,659*	*$ 5,058,459*	*(4,200)*	*(0.1)*
Municipal Technical Advisory Service	*2,571,285*	*2,738,469*	*2,737,969*	*(500)*	*0.0*
County Technical Assistance Service	*1,534,985*	*1,650,969*	*1,650,969*		*0.0*
Sub-Total Public Service Units	$ 8,474,852	$ 9,452,097	$ 9,447,397	$ (4,700)	0.0
System Administration	4,614,770	4,578,828	4,571,278	(7,550)	(0.2)
State Appropriations	$ 413,343,445	$ 431,444,875	$ 431,749,868	$ 304,993	0.1

Does not include appropriations for Centers of Excellence, Research Initiatives, or ARRA appropriations spent on plant fund projects.

Schedule 1

4.1

University of Tennessee System

State Appropriations Five Year History

Unrestricted Current Funds (Educational and General)

	FY 2009 ACTUAL	FY 2010 ACTUAL	FY 2011 ACTUAL	FY 2012 ACTUAL	FY 2013 REVISED	CHANGE FY 2009 TO FY 2013 AMOUNT	%
STATE APPROPRIATIONS							
Chattanooga	$ 43,330,000	$ 45,848,095	$ 48,591,279	$ 35,088,738	$ 35,505,864	$ (7,824,136)	-18.1%
Knoxville	183,109,300	190,749,695	226,416,954	147,947,704	156,334,850	(26,774,450)	-14.6%
Martin	31,480,300	33,629,883	35,319,979	25,195,511	26,213,217	(5,267,083)	-16.7%
Space Institute	7,955,900	8,304,400	9,013,601	7,392,569	7,695,901	(259,999)	-3.3%
Health Science Center							
Memphis Other Specialized Units	*$ 70,001,900*	*$ 70,224,887*	*$ 77,546,026*	*$ 64,831,856*	*$ 67,383,500*	*$ (2,618,400)*	-3.7%
College of Medicine Units	*46,745,500*	*46,280,784*	*51,848,114*	*44,093,363*	*44,934,400*	*(1,811,100)*	-3.9%
Family Medicine Units	*9,713,100*	*9,929,437*	*11,096,225*	*9,386,338*	*9,882,100*	*169,000*	1.7%
Sub-Total Health Science Center	$ 126,460,500	$ 126,435,108	$ 140,490,365	$ 118,311,557	$ 122,200,000	$ (4,260,500)	-3.4%
Agricultural Units							
Agricultural Experiment Station	*$ 24,093,200*	*$ 26,753,807*	*$ 25,635,108*	*$ 23,333,760*	*$ 24,480,573*	*$ 387,373*	1.6%
Extension	*29,009,600*	*31,614,019*	*31,082,557*	*28,160,380*	*29,580,016*	*570,416*	2.0%
Veterinary Medicine	*16,277,800*	*16,219,185*	*17,416,903*	*14,823,603*	*15,720,772*	*(557,028)*	-3.4%
Sub-Total Agricultural Units	$ 69,380,600	$ 74,587,011	$ 74,134,568	$ 66,317,743	$ 69,781,361	$ 400,761	0.6%
Public Service Units							
Institute for Public Service	*$ 4,835,100*	*$ 5,150,772*	*$ 4,920,285*	*$ 4,368,582*	*$ 5,058,459*	*$ 223,359*	4.6%
Municipal Technical Advisory Service	*2,628,000*	*2,796,101*	*2,925,338*	*2,571,285*	*2,737,969*	*109,969*	4.2%
County Technical Assistance Service	*1,540,000*	*1,669,011*	*1,708,028*	*1,534,985*	*1,650,969*	*110,969*	7.2%
Sub-Total Public Service Units	$ 9,003,100	$ 9,615,884	$ 9,553,651	$ 8,474,852	$ 9,447,397	$ 444,297	4.9%
System Administration	4,773,400	4,485,900	4,384,283	4,614,770	4,571,278	(202,122)	-4.2%
Total State Appropriations	$ 475,493,100	$ 493,655,976	$ 547,904,680	$ 413,343,444	$ 431,749,868	$ (43,743,232)	-9.2%

Does not include appropriations for Centers of Excellence and Research Initiatives or ARRA appropriations spent or budgeted on plant fund projects.

Schedule 2

4.1

University of Tennessee System

FY 2013 Revised State Appropriations Summary

Access & Diversity (Educational and General)

	FY 2012 ACTUAL	FY 2012 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED Amount	%
STATE APPROPRIATIONS					
Chattanooga	$ 638,219	$ 632,464	$ 632,464		0.0%
Knoxville	2,235,104	2,214,950	2,214,950		0.0%
Martin	538,674	533,817	533,817		0.0%
Space Institute	85,169	84,401	84,401		0.0%
Health Science Center					
Memphis Other Specialized Units	*$ 1,480,683*	*$ 1,467,332*	*$ 1,467,332*		*0.0%*
College of Medicine Units					*0.0%*
Family Medicine Units					*0.0%*
Sub-Total Health Science Center	$ 1,480,683	$ 1,467,332	$ 1,467,332		0.0%
Agricultural Units					
Agricultural Experiment Station	*$ 109,460*	*$ 108,473*	*$ 108,473*		*0.0%*
Agricultural Extension Service	*106,981*	*106,016*	*106,016*		*0.0%*
College of Veterinary Medicine	*314,003*	*311,172*	*311,172*		*0.0%*
Sub-Total Agricultural Units	$ 530,444	$ 525,661	$ 525,661		0.0%
Public Service Units					
Institute for Public Service	*$ 13,682*	*$ 13,559*	*$ 13,559*		*0.0%*
Municipal Technical Advisory Service	*1,785*	*1,769*	*1,769*		*0.0%*
County Technical Assistance Service	*1,785*	*1,769*	*1,769*		*0.0%*
Sub-Total Public Service Units	$ 17,252	$ 17,097	$ 17,097		0.0%
System Administration	75,055	74,378	74,378		0.0%
Total State Appropriations	$ 5,600,600	$ 5,550,100	$ 5,550,100		0.0%

Schedule 3

4.1

University of Tennessee System

Educational and General Unrestricted Net Assets

	Total System	Chattanooga	Knoxville	Martin	Space Institute	Health Science Center	Institute for Agriculture	Institute for Public Service	University-Wide Adminitration
FY 2010-11 ACTUAL									
Estimated Net Assets at Beginning of Year	**$ 148,997,429**	**$ 9,473,489**	**$ 42,561,537**	**$ 9,851,003**	**$ 677,380**	**$ 36,188,736**	**$ 17,743,177**	**$ 1,101,472**	**$ 31,400,635**
Operating Funds									
Revenue	$ 1,152,920,441	$ 123,079,906	$ 531,169,514	$ 91,035,861	$ 11,273,097	$ 236,023,970	$ 119,943,092	$ 16,510,759	$ 23,884,242
Less: Expenditures and Transfers	(1,142,737,404)	(122,769,407)	(546,972,187)	(87,085,617)	(11,394,916)	(218,499,101)	(115,542,652)	(16,389,661)	(24,083,863)
Carryover Funds To/(From) Net Assets	$ 10,183,037	$ 310,499	$ (15,802,673)	$ 3,950,244	$ (121,819)	$ 17,524,869	$ 4,400,440	$ 121,098	$ (199,621)
Net Assets Detail:									
ALLOCATED									
Working Capital	$ 18,734,053	$ 2,504,906	$ 5,360,302	$ 1,057,202	$ 80,265	$ 5,363,231	$ 1,140,799	$ 144,111	$ 3,083,237
Revolving Funds	25,756,137		(81,188)			2,768,684			23,068,641
Encumbrances	7,620,592		3,213,085	215,263		2,298,036	1,766,317		127,891
Unexpended Gifts	20,437	20,437							
Reserve for Reappropriations	62,390,292	1,708,901		9,000,000		33,425,947	13,999,884	$ 470,000	3,785,560
Total Allocated Net Assets	$ 114,521,511	$ 4,234,244	$ 8,492,199	$ 10,272,465	$ 80,265	$ 43,855,898	$ 16,907,000	$ 614,111	$ 30,065,329
UNALLOCATED	**$ 44,658,955**	**$ 5,549,744**	**$ 18,266,666**	**$ 3,528,782**	**$ 475,296**	**$ 9,857,707**	**$ 5,236,617**	**$ 608,459**	**$ 1,135,685**
Total Net Assets	**$ 159,180,466**	**$ 9,783,988**	**$ 26,758,864**	**$ 13,801,247**	**$ 555,561**	**$ 53,713,605**	**$ 22,143,617**	**$ 1,222,570**	**$ 31,201,014**
*Percent Unallocated of Expend. & Transfers **	*3.91%*	*4.52%*	*3.34%*	*4.05%*	*4.17%*	*4.51%*	*4.53%*	*3.71%*	*2.95%*
FY 2011-12 ACTUAL									
Estimated Net Assets at Beginning of Year	**$ 159,180,466**	**$ 9,783,988**	**$ 26,758,864**	**$ 13,801,247**	**$ 555,561**	**$ 53,713,605**	**$ 22,143,617**	**$ 1,222,570**	**$ 31,201,014**
Operating Funds									
Revenue	$ 1,075,944,729	121,422,086	484,607,071	83,342,196	9,383,600	223,570,831	115,502,448	$ 15,532,363	22,584,136
Less: Expenditures and Transfers	(1,089,231,971)	(122,638,346)	(482,513,686)	(87,885,870)	(9,427,724)	(226,026,302)	(117,819,155)	(15,305,240)	(27,615,648)
Carryover Funds To/(From) Net Assets	$ (13,287,242)	$ (1,216,260)	$ 2,093,385	$ (4,543,674)	$ (44,124)	$ (2,455,471)	$ (2,316,707)	$ 227,123	$ (5,031,512)
Net Assets Detail:									
ALLOCATED									
Working Capital	$ 22,930,461	$ 3,203,156	$ 8,448,428	$ 923,610	$ 78,773	$ 5,881,237	$ 990,036	$ 106,841	$ 3,298,379
Revolving Funds	24,315,982		644,510			3,119,955			20,551,517
Encumbrances	5,915,349	25,571	1,927,537	369,553		2,286,799	1,305,890		
Unexpended Gifts									
Reserve for Reappropriations	49,047,440			4,500,000		30,189,000	12,826,700	750,000	781,740
Total Allocated Net Assets	102,209,232	3,228,727	11,020,475	5,793,163	78,773	41,476,991	15,122,626	856,841	24,631,636
UNALLOCATED	**$ 43,683,992**	**5,339,000**	**17,831,776**	**3,464,409**	**432,664**	**9,781,143**	**4,704,284**	**592,852**	**1,537,866**
Total Net Assets	**$ 145,893,224**	**$ 8,567,727**	**$ 28,852,251**	**$ 9,257,572**	**$ 511,437**	**$ 51,258,134**	**$ 19,826,910**	**$ 1,449,693**	**$ 26,169,502**
*Percent Unallocated of Expend. & Transfers **	4.01%	4.35%	3.70%	3.94%	4.59%	4.33%	3.99%	3.87%	3.96%
FY 2012-13 REVISED BUDGET									
Estimated Net Assets at Beginning of Year	**$ 145,893,224**	**$ 8,567,727**	**$ 28,852,251**	**$ 9,257,572**	**$ 511,437**	**$ 51,258,134**	**$ 19,826,910**	**$ 1,449,693**	**$ 26,169,502**
Operating Funds									
Revenue	$ 1,110,166,544	$ 122,351,531	$ 505,820,320	$ 85,441,814	$ 10,380,549	$ 229,119,104	$ 120,164,282	$ 16,762,666	$ 20,126,278
Less: Expenditures and Transfers	(1,146,085,274)	(122,284,951)	(507,747,857)	(85,441,814)	(10,380,549)	(249,832,527)	(133,374,248)	(16,848,417)	(20,174,911)
Carryover Funds To/(From) Net Assets	$ (35,918,730)	$ 66,580	$ (1,927,537)	$ -	$ -	$ (20,713,423)	$ (13,209,966)	$ (85,751)	$ (48,633)
Net Assets Detail:									
ALLOCATED									
Working Capital	$ 22,930,460	$ 3,203,156	$ 8,448,428	$ 923,610	$ 78,773	$ 5,881,237	$ 990,036	$ 106,841	$ 3,298,379
Revolving Funds	24,315,982		644,510			3,119,955			20,551,517
Encumbrances	5,518,554	25,571	1,927,537	369,553		2,286,799	909,094		
Unexpended Gifts									
Reserve for Reappropriations	16,032,681			4,000,000		10,500,941		$ 750,000	781,740
Total Allocated Net Assets	$ 68,797,677	$ 3,228,727	$ 11,020,475	$ 5,293,163	$ 78,773	$ 21,788,932	$ 1,899,130	$ 856,841	$ 24,631,636
UNALLOCATED	**$ 41,176,817**	**$ 5,405,580**	**$ 15,904,239**	**$ 3,964,409**	**$ 432,664**	**$ 8,755,779**	**$ 4,717,814**	**$ 507,101**	**$ 1,489,233**
Total Net Assets	**$ 109,974,494**	**$ 8,634,307**	**$ 26,924,714**	**$ 9,257,572**	**$ 511,437**	**$ 30,544,711**	**$ 6,616,944**	**$ 1,363,942**	**$ 26,120,869**
*Percent Unallocated of Expend. & Transfers **	*3.59%*	*4.42%*	*3.13%*	*4.64%*	*4.17%*	*3.50%*	*3.54%*	*3.01%*	*4.55%*

** Recommended percent unallocated of expenditures and transfers is 2% to 5%. For UWA, transfers-in for system charge is excluded from this calculation.*

Schedule 4

4.1

University of Tennessee System

Auxiliary Unrestricted Net Assets

	Total System	Chattanooga	Knoxville	Martin	Space Institute	Health Science Center
FY 2010-11 ACTUAL						
Estimated Net Assets at Beginning of Year	**$ 19,950,491**	**$ 1,286,647**	**$ 17,673,596**	**$ 910,983**	**$ 19,383**	**$ 59,882**
Operating Funds						
Revenue	$ 197,856,791	$ 10,564,234	$ 170,956,396	$ 13,297,594	$ 108,640	$ 2,929,927
Less: Expenditures and Transfers	(196,434,598)	(10,404,912)	(169,955,550)	(13,078,688)	(107,259)	(2,888,189)
Carryover Funds To/(From) Net Assets	$ 1,422,193	$ 159,322	$ 1,000,846	$ 218,906	$ 1,381	$ 41,738
ALLOCATED						
Working Capital	$ 9,065,216	$ 1,047,764	$ 7,517,944	$ 478,276	$ 9,536	$ 11,696
Revolving Funds	4,879,358		4,879,358			
Encumbrances	251,511		87,372	99,394		64,745
Total Allocated Net Assets	$ 14,196,085	$ 1,047,764	$ 12,484,674	$ 577,670	$ 9,536	$ 76,441
UNALLOCATED	**$ 7,176,599**	**$ 398,205**	**$ 6,189,768**	**$ 552,219**	**$ 11,228**	**$ 25,178**
Total Net Assets	**$ 21,372,684**	**$ 1,445,969**	**$ 18,674,442**	**$ 1,129,889**	**$ 20,764**	**$ 101,620**
Percent Unallocated of Expend. & Transfers	*3.65%*	*3.83%*	*3.64%*	*4.22%*	*10.47%*	*0.87%*
FY 2011-12 ACTUAL						
Estimated Net Assets at Beginning of Year	**$ 21,372,684**	**$ 1,445,969**	**$ 18,674,442**	**$ 1,129,889**	**$ 20,764**	**$ 101,620**
Operating Funds						
Revenue	$ 199,764,806	$ 11,998,166	$ 172,129,555	$ 12,869,324	$ 159,336	$ 2,608,424
Less: Expenditures and Transfers	(206,239,966)	(12,239,749)	(178,186,832)	(13,058,080)	(157,521)	(2,597,785)
Carryover Funds To/(From) Net Assets	$ (6,475,160)	$ (241,583)	$ (6,057,277)	$ (188,756)	$ 1,815	$ 10,639
ALLOCATED						
Working Capital	$ 7,355,847	$ 746,386	$ 6,225,020	$ 360,585	$ 7,794	$ 16,062
Revolving Funds	1,915,596		1,915,596			
Encumbrances	118,213			106,988		11,225
Total Allocated Net Assets	$ 9,389,656	$ 746,386	$ 8,140,616	$ 467,573	$ 7,794	$ 27,287
UNALLOCATED	**$ 5,507,868**	**$ 458,000**	**$ 4,476,549**	**$ 473,560**	**$ 14,785**	**$ 84,972**
Total Net Assets	**$ 14,897,524**	**$ 1,204,386**	**$ 12,617,165**	**$ 941,133**	**$ 22,579**	**$ 112,259**
Percent Unallocated of Expend. & Transfers	*2.67%*	*3.74%*	*2.51%*	*3.63%*	*9.39%*	*3.27%*
FY 2012-13 REVISED BUDGET						
Estimated Net Assets at Beginning of Year	**$ 14,897,524**	**$ 1,204,386**	**$ 12,617,165**	**$ 941,133**	**$ 22,579**	**$ 112,259**
Operating Funds						
Revenue	$ 194,635,815	$ 8,426,233	$ 171,946,109	$ 11,294,452	$ 175,500	$ 2,793,521
Less: Expenditures and Transfers	(194,635,815)	(8,426,233)	(171,946,109)	(11,294,452)	(175,500)	(2,793,521)
Carryover Funds To/(From) Net Assets	$ -	$ -	$ -	$ -	$ -	$ -
ALLOCATED						
Working Capital	$ 7,459,099	$ 849,638	$ 6,225,020	$ 360,585	$ 7,794	$ 16,062
Revolving Funds	1,915,596		1,915,596			
Encumbrances	118,213			106,988		11,225
Total Allocated Net Assets	$ 9,492,908	$ 849,638	$ 8,140,616	$ 467,573	$ 7,794	$ 27,287
UNALLOCATED	**$ 5,404,616**	**$ 354,748**	**$ 4,476,549**	**$ 473,560**	**$ 14,785**	**$ 84,972**
Total Net Assets	**$ 14,897,524**	**$ 1,204,386**	**$ 12,617,165**	**$ 941,133**	**$ 22,579**	**$ 112,259**
Percent Unallocated of Expend. & Transfers	*2.78%*	*4.21%*	*2.60%*	*4.19%*	*8.42%*	*3.04%*

** Recommended percent unallocated of expenditures and transfers is 3% to 5%*

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University of Tennessee System

FY 2013 Revised Budget Summary

Current Funds Revenue, Expenditures and Transfers - UNRESTRICTED

	Total System	Chattanooga	Knoxville	Martin	Space Institute	Health Science Center	Institute of Agriculture	Public Service Units	University-Wide Administration
EDUCATIONAL AND GENERAL									
Revenues									
Tuition & Fees	$ 528,423,064	$ 81,157,113	$ 310,686,250	$ 55,278,052	$ 2,037,648	$ 68,639,868	$ 10,624,133		
State Appropriations	431,749,868	35,505,864	156,334,850	26,213,217	7,695,901	122,200,000	69,781,361	$ 9,447,397	$ 4,571,278
Grants & Contracts	41,960,037	453,856	20,560,000	345,500	500,000	15,274,655	4,351,177	474,849	
Sales & Service	54,135,060	4,273,064	8,410,417	2,948,245	145,000	19,015,849	19,342,485		
Other Sources	53,898,515	961,634	9,828,803	656,800	2,000	3,988,732	16,065,126	6,840,420	15,555,000
Total Revenues	$ 1,110,166,544	$ 122,351,531	$ 505,820,320	$ 85,441,814	$ 10,380,549	$ 229,119,104	$ 120,164,282	$ 16,762,666	$ 20,126,278
Expenditures and Transfers									
Instruction	$ 501,769,742	$ 54,380,549	$ 240,192,047	$ 41,586,534	$ 4,816,549	$ 128,728,297	$ 32,065,766		
Research	97,026,129	2,011,793	38,307,279	395,684	1,466,665	10,128,081	44,716,627		
Public Service	79,166,823	2,340,950	11,469,030	542,748		35,029	49,657,452	$ 15,121,614	
Academic Support	132,928,605	8,730,863	65,781,655	10,401,423	291,967	40,211,169	7,185,732	325,796	
Student Services	77,758,203	19,907,165	42,231,440	10,276,771	46,047	5,296,780			
Institutional Support	124,572,398	10,081,661	36,999,316	6,018,801	1,447,087	21,762,645	2,193,062	1,108,725	$ 44,961,101
Op/Maint Physical Plant	118,312,998	16,703,442	58,583,759	11,994,302	1,806,056	25,526,936	3,698,503		
Scholarships & Fellowships	74,141,503	10,329,985	47,291,142	7,634,068	140,890	8,645,095	100,323		
Sub-Total Expenditures	$ 1,205,676,401	$ 124,486,408	$ 540,855,668	$ 88,850,331	$ 10,015,261	$ 240,334,032	$ 139,617,465	$ 16,556,135	$ 44,961,101
Mandatory Transfers	7,379,993	774,165	1,836,790	746,700		4,022,338			
Non Mandatory Transfers	(66,971,120)	(2,975,622)	(34,944,601)	(4,155,217)	365,288	5,476,157	(6,243,217)	292,282	(24,786,190)
Total Expenditures & Transfers	$ 1,146,085,274	$ 122,284,951	$ 507,747,857	$ 85,441,814	$ 10,380,549	$ 249,832,527	$ 133,374,248	$ 16,848,417	$ 20,174,911
Fund Balance Addition/(Reduction)	$ (35,918,730)	$ 66,580	$ (1,927,537)			$ (20,713,423)	$ (13,209,966)	$ (85,751)	$ (48,633)

	Total System	Chattanooga	Knoxville	Martin	Space Institute	Health Science Center	Institute of Agriculture	Public Service Units	University-Wide Administration
AUXILIARIES									
Revenues	$ 194,635,815	$ 8,426,233	$ 171,946,109	$ 11,294,452	$ 175,500	$ 2,793,521			
Expenditures and Transfers									
Expenditures	$ 134,279,055	$ 4,619,356	$ 119,412,830	$ 7,540,781	$ 255,927	$ 2,450,161			
Mandatory Transfers	28,459,405	2,373,402	22,562,491	3,180,152		343,360			
Non Mandatory Transfers	31,897,355	1,433,475	29,970,788	573,519	(80,427)				
Total Expenditures & Transfers	$ 194,635,815	$ 8,426,233	$ 171,946,109	$ 11,294,452	$ 175,500	$ 2,793,521			
Fund Balance Addition/(Reduction)									
TOTALS									
Revenues	$ 1,304,802,359	$ 130,777,764	$ 677,766,429	$ 96,736,266	$ 10,556,049	$ 231,912,625	$ 120,164,282	$ 16,762,666	$ 20,126,278
Expenditures and Transfers									
Expenditures	$ 1,339,955,456	$ 129,105,764	$ 660,268,498	$ 96,391,112	$ 10,271,188	$ 242,784,193	$ 139,617,465	$ 16,556,135	$ 44,961,101
Mandatory Transfers	35,839,398	3,147,567	24,399,281	3,926,852		4,365,698			
Non-Mandatory Transfers	(35,073,765)	(1,542,147)	(4,973,813)	(3,581,698)	284,861	5,476,157	(6,243,217)	292,282	(24,786,190)
Total Expenditures & Transfers	$ 1,340,721,089	$ 130,711,184	$ 679,693,966	$ 96,736,266	$ 10,556,049	$ 252,626,048	$ 133,374,248	$ 16,848,417	$ 20,174,911
Fund Balance Addition/(Reduction)	$ (35,918,730)	$ 66,580	$ (1,927,537)			$ (20,713,423)	$ (13,209,966)	$ (85,751)	$ (48,633)

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University of Tennessee System

FY 2013 Revised Budget Summary

Current Funds Revenues, Expenditures and Transfers - UNRESTRICTED AND RESTRICTED

	Total System	Chattanooga	Knoxville	Martin	Space Institute	Health Science Center	Institute of Agriculture	Public Service Units	University-Wide Administration
EDUCATIONAL AND GENERAL									
Revenues									
Tuition & Fees	$ 528,423,064	$ 81,157,113	$ 310,686,250	$ 55,278,052	$ 2,037,648	$ 68,639,868	$ 10,624,133		
State Appropriations	453,577,181	36,270,362	167,058,910	26,507,119	8,520,281	124,689,856	70,917,678	$ 9,447,397	$ 10,165,578
Grants & Contracts	568,271,203	47,871,574	235,880,000	34,598,500	1,398,806	198,620,097	42,522,377	5,379,849	2,000,000
Sales & Service	54,135,060	4,273,064	8,410,417	2,948,245	145,000	19,015,849	19,342,485		
Other Sources	113,380,528	10,939,142	34,378,803	3,263,800	10,066	21,577,171	19,841,126	7,330,420	16,040,000
Total Revenues	$ 1,717,787,036	$ 180,511,255	$ 756,414,380	$ 122,595,716	$ 12,111,801	$ 432,542,841	$ 163,247,799	$ 22,157,666	$ 28,205,578
Expenditures and Transfers									
Instruction	$ 653,520,617	$ 61,886,135	$ 249,692,047	$ 43,964,234	$ 4,848,549	$ 259,728,297	$ 33,401,355		
Research	296,877,536	7,985,510	150,307,279	527,684	3,381,623	60,128,081	68,953,059		$ 5,594,300
Public Service	141,488,689	3,921,485	38,469,030	1,702,748		8,639,029	66,294,783	$ 20,516,614	1,945,000
Academic Support	152,069,973	11,055,603	72,281,655	10,540,023	295,967	50,215,169	7,355,760	325,796	
Student Services	79,529,356	20,658,018	42,731,440	10,797,071	46,047	5,296,780			
Institutional Support	126,827,922	10,342,356	37,090,376	6,073,701	1,472,087	22,762,645	2,516,931	1,108,725	45,461,101
Op/Maint Physical Plant	118,522,454	16,874,898	58,586,759	12,012,302	1,806,056	25,526,936	3,715,503		
Scholarships/Fellowships	244,400,375	49,714,687	142,291,142	40,386,470	159,390	11,445,095	363,591		40,000
Sub-Total Expenditures	$ 1,813,236,922	$ 182,438,692	$ 791,449,728	$ 126,004,233	$ 12,009,719	$ 443,742,032	$ 182,600,982	$ 21,951,135	$ 53,040,401
Mandatory Transfers	7,379,993	774,165	1,836,790	746,700		4,022,338			
Non Mandatory Transfers	(66,971,120)	(2,975,622)	(34,944,601)	(4,155,217)	365,288	5,476,157	(6,243,217)	292,282	(24,786,190)
Total Expenditures & Transfers	$ 1,753,645,795	$ 180,237,235	$ 758,341,917	$ 122,595,716	$ 12,375,007	$ 453,240,527	$ 176,357,765	$ 22,243,417	$ 28,254,211
Fund Balance Addition/(Reduction)	$ (35,858,759)	$ 274,020	$ (1,927,537)		$ (263,206)	$ (20,697,686)	$ (13,109,966)	$ (85,751)	$ (48,633)
AUXILIARIES									
Revenues	$ 195,035,815	$ 8,426,233	$ 172,346,109	$ 11,294,452	$ 175,500	$ 2,793,521			
Expenditures & Transfers									
Expenditures	134,679,055	4,619,356	119,812,830	7,540,781	255,927	2,450,161			
Mandatory Transfers	28,459,405	2,373,402	22,562,491	3,180,152		343,360			
Non Mandatory Transfers	31,897,355	1,433,475	29,970,788	573,519	(80,427)				
Total Expenditures & Transfers	$ 195,035,815	$ 8,426,233	$ 172,346,109	$ 11,294,452	$ 175,500	$ 2,793,521			
Fund Balance Addition/(Reduction)									
TOTALS									
Revenues	$ 1,912,822,851	$ 188,937,488	$ 928,760,489	$ 133,890,168	$ 12,287,301	$ 435,336,362	$ 163,247,799	$ 22,157,666	$ 28,205,578
Expenditures & Transfers									
Expenditures	$ 1,947,915,977	$ 187,058,048	$ 911,262,558	$ 133,545,014	$ 12,265,646	$ 446,192,193	$ 182,600,982	$ 21,951,135	$ 53,040,401
Mandatory Transfers	35,839,398	3,147,567	24,399,281	3,926,852		4,365,698			
Non Mandatory Transfers	(35,073,765)	(1,542,147)	(4,973,813)	(3,581,698)	284,861	5,476,157	(6,243,217)	292,282	(24,786,190)
Total Expenditures & Transfers	$ 1,948,681,610	$ 188,663,468	$ 930,688,026	$ 133,890,168	$ 12,550,507	$ 456,034,048	$ 176,357,765	$ 22,243,417	$ 28,254,211
Fund Balance Addition/(Reduction)	$ (35,858,759)	$ 274,020	$ (1,927,537)		$ (263,206)	$ (20,697,686)	$ (13,109,966)	$ (85,751)	$ (48,633)

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University of Tennessee System

Five Year Budget Summary Comparison

Current Funds Revenues, Expenditures and Transfers - UNRESTRICTED

	FY 2009 ACTUAL	FY 2010 ACTUAL	FY 2011 ACTUAL	FY 2012 ACTUAL	FY 2013 REVISED	FIVE YEAR CHANGE AMOUNT	FIVE YEAR CHANGE %
EDUCATIONAL AND GENERAL							
Revenues							
Tuition & Fees	$ 371,825,051	$ 404,492,792	$ 448,985,458	$ 503,560,202	$ 528,423,064	$ 156,598,013	42.1%
State Appropriations	475,493,100	493,655,975	547,904,679	413,343,445	431,749,868	(43,743,232)	-9.2%
Grants & Contracts	72,448,783	53,956,891	48,030,770	49,090,830	41,960,037	(30,488,746)	-42.1%
Sales & Service	51,910,392	51,284,074	53,401,514	55,117,066	54,135,060	2,224,668	4.3%
Other Sources	59,287,503	56,569,899	54,598,020	54,833,187	53,898,515	(5,388,988)	-9.1%
Total Revenues	$ 1,030,964,829	$ 1,059,959,631	$ 1,152,920,441	$ 1,075,944,729	$ 1,110,166,544	$ 79,201,715	7.7%
Expenditures and Transfers							
Instruction	$ 430,865,699	$ 406,155,354	$ 416,108,737	$ 427,881,549	$ 501,769,742	$ 70,904,043	16.5%
Research	76,991,687	71,473,144	71,584,378	81,768,794	97,026,129	20,034,442	26.0%
Public Service	66,079,285	64,376,209	67,160,007	65,533,281	79,166,823	13,087,538	19.8%
Academic Support	115,638,277	109,822,900	123,213,093	118,367,805	132,928,605	17,290,328	15.0%
Student Services	74,668,023	76,029,939	76,356,504	82,788,622	77,758,203	3,090,180	4.1%
Institutional Support	104,478,649	101,730,693	107,386,429	122,428,550	124,572,398	20,093,749	19.2%
Op/Maint Physical Plant	104,838,903	103,430,455	118,655,716	117,451,028	118,312,998	13,474,095	12.9%
Scholarships & Fellowships	51,077,044	53,293,356	61,243,822	68,903,135	74,141,503	23,064,459	45.2%
Sub-Total Expenditures	$ 1,024,637,566	$ 986,312,050	$ 1,041,708,686	$ 1,085,122,764	$ 1,205,676,401	$ 181,038,835	17.7%
Mandatory Transfers	6,497,005	6,920,547	7,226,436	7,159,721	7,379,993	882,988	13.6%
Non Mandatory Transfers	715,045	29,839,063	93,802,280	(3,050,514)	(66,971,120)	(67,686,165)	-9466.0%
Total Expenditures & Transfers	$ 1,031,849,616	$ 1,023,071,660	$ 1,142,737,402	$ 1,089,231,971	$ 1,146,085,274	$ 114,235,658	11.1%
Fund Balance Addition/(Reduction)	$ (884,787)	$ 36,887,971	$ 10,183,039	$ (13,287,242)	$ (35,918,730)		
AUXILIARIES							
Revenues	$ 176,238,268	$ 192,521,124	$ 197,856,791	$ 199,764,806	$ 194,635,815	$ 18,397,547	10.4%
Expenditures and Transfers							
Expenditures	$ 134,271,106	$ 131,386,312	$ 141,182,612	$ 142,431,466	$ 134,279,055	$ 7,949	0.0%
Mandatory Transfers	23,926,574	22,428,283	23,923,901	26,171,577	28,459,405	4,532,831	18.9%
Non-Mandatory Transfers	15,287,710	37,786,131	31,328,085	37,636,923	31,897,355	16,609,645	108.6%
Total Expenditures & Transfers	$ 173,485,390	$ 191,600,726	$ 196,434,598	$ 206,239,966	$ 194,635,815	$ 21,150,425	12.2%
Fund Balance Addition/(Reduction)	$ 2,752,878	$ 920,398	$ 1,422,193	$ (6,475,161)			
TOTALS							
Revenues	$ 1,207,203,097	$ 1,252,480,755	$ 1,350,777,232	$ 1,275,709,534	$ 1,304,802,359	$ 97,599,262	8.1%
Expenditures and Transfers							
Expenditures	$ 1,158,908,672	$ 1,117,698,362	$ 1,182,891,298	$ 1,227,554,230	$ 1,339,955,456	$ 181,046,784	15.6%
Mandatory Transfers	30,423,579	29,348,830	31,150,337	33,331,298	35,839,398	5,415,819	17.8%
Non-Mandatory Transfers	16,002,755	67,625,194	125,130,365	34,586,409	(35,073,765)	(51,076,520)	-319.2%
Total Expenditures & Transfers	$ 1,205,335,006	$ 1,214,672,386	$ 1,339,172,000	$ 1,295,471,937	$ 1,340,721,089	$ 135,386,083	11.2%
Fund Balance Addition/(Reduction)	$ 1,868,092	$ 37,808,369	$ 11,605,231	$ (19,762,402)	$ (35,918,730)		

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University of Tennessee System

Five Year Budget Summary Comparison

Current Funds Revenues, Expenditures and Transfers - UNRESTRICTED AND RESTRICTED

	FY 2009 ACTUAL	FY 2010 ACTUAL	FY 2011 ACTUAL	FY 2012 ACTUAL	FY 2013 REVISED	FIVE YEAR CHANGE AMOUNT	FIVE YEAR CHANGE %
EDUCATIONAL AND GENERAL							
Revenues							
Tuition & Fees	$ 371,825,051	$ 404,492,792	$ 448,985,458	$ 503,560,202	$ 528,423,064	$ 156,598,013	42.1%
State Appropriations	497,947,300	516,305,505	569,824,232	434,160,502	453,577,181	(44,370,119)	-8.9%
Grants & Contracts	491,697,255	515,951,220	588,820,146	599,409,965	568,271,203	76,573,948	15.6%
Sales & Service	51,910,392	51,284,074	53,401,514	55,117,066	54,135,060	2,224,668	4.3%
Other Sources	129,357,528	128,907,344	116,974,365	113,360,279	113,380,528	(15,977,000)	-12.4%
Total Revenues	$ 1,542,737,526	$ 1,616,940,935	$ 1,778,005,715	$ 1,705,608,013	$ 1,717,787,036	$ 175,049,510	11.3%
Expenditures and Transfers							
Instruction	$ 529,975,158	$ 530,487,275	$ 561,323,285	$ 581,751,601	$ 653,520,617	$ 123,545,459	23.3%
Research	253,700,070	248,046,616	263,910,986	275,074,925	296,877,536	43,177,466	17.0%
Public Service	132,234,699	128,580,176	158,439,055	159,006,576	141,488,689	9,253,990	7.0%
Academic Support	128,260,016	122,912,760	141,363,492	142,477,839	152,069,973	23,809,957	18.6%
Student Services	78,046,581	79,291,733	79,778,059	84,436,897	79,529,356	1,482,775	1.9%
Institutional Support	106,654,464	103,937,697	109,799,114	125,005,498	126,827,922	20,173,458	18.9%
Op/Maint Physical Plant	104,883,266	103,490,677	118,763,903	117,662,170	118,522,454	13,639,188	13.0%
Scholarships & Fellowships	185,189,507	210,221,367	234,191,229	241,007,048	244,400,375	59,210,868	32.0%
Sub-Total Expenditures	$ 1,518,943,762	$ 1,526,968,301	$ 1,667,569,123	$ 1,726,422,554	$ 1,813,236,922	$ 294,293,160	19.4%
Mandatory Transfers	6,497,004	6,920,547	7,226,437	7,159,721	7,379,993	882,989	13.6%
Non Mandatory Transfers	715,045	29,839,063	93,802,280	(3,050,514)	(66,971,120)	(67,686,165)	-9466.0%
Total Expenditures & Transfers	$ 1,526,155,811	$ 1,563,727,910	$ 1,768,597,840	$ 1,730,531,761	$ 1,753,645,795	$ 227,489,984	14.9%
Fund Balance Addition/(Reduction)	$ 16,581,715	$ 53,213,024	$ 9,407,875	$ (24,923,748)	$ (35,858,759)		
AUXILIARIES							
Revenues	$ 177,130,325	$ 193,135,354	$ 198,601,840	$ 200,291,433	$ 195,035,815	$ 17,905,490	10.1%
Expenditures and Transfers							
Expenditures	$ 134,673,629	$ 131,722,007	$ 141,571,262	$ 143,122,269	$ 134,679,055	$ 5,426	0.0%
Mandatory Transfers	23,926,574	22,428,284	23,923,900	26,171,577	28,459,405	4,532,831	18.9%
Non-Mandatory Transfers	15,287,710	37,778,066	31,328,086	37,636,923	31,897,355	16,609,645	108.6%
Total Expenditures & Transfers	$ 173,887,913	$ 191,928,357	$ 196,823,248	$ 206,930,769	$ 195,035,815	$ 21,147,902	12.2%
Fund Balance Addition/(Reduction)	$ 3,242,412	$ 1,206,997	$ 1,778,592	$ (6,639,336)			
TOTALS							
Revenues	$ 1,719,867,850	$ 1,810,076,289	$ 1,976,607,555	$ 1,905,899,446	$ 1,912,822,851	$ 192,955,001	11.2%
Expenditures and Transfers							
Expenditures	$ 1,653,617,391	$ 1,658,690,308	$ 1,809,140,385	$ 1,869,544,823	$ 1,947,915,977	$ 294,298,586	17.8%
Mandatory Transfers	30,423,578	29,348,831	31,150,337	33,331,298	35,839,398	5,415,820	17.8%
Non-Mandatory Transfers	16,002,755	67,617,129	125,130,366	34,586,409	(35,073,765)	(51,076,520)	-319.2%
Total Expenditures & Transfers	$ 1,700,043,724	$ 1,755,656,267	$ 1,965,421,088	$ 1,937,462,530	$ 1,948,681,610	$ 248,637,886	14.6%
Fund Balance Addition/(Reduction)	$ 19,824,127	$ 54,420,021	$ 11,186,467	$ (31,563,084)	$ (35,858,759)		

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University of Tennessee System

FY 2013 Revised Budget Summary

Unrestricted and Restricted Current Funds Revenues, Expenditures and Transfers

	FY 2012 Actual			FY 2013 Original			FY 2013 Revised			CHANGE Original to Revised	
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Amount	%
EDUCATION AND GENERAL											
Revenues											
Tuition & Fees	$ 503,560,202		$ 503,560,202	$ 524,612,177		$ 524,612,177	$ 528,423,064		$ 528,423,064	$ 3,810,887	0.7%
State Appropriations	413,343,445	$ 20,817,058	434,160,503	431,444,875	$ 27,590,871	459,035,746	431,749,868	$ 21,827,313	453,577,181	(5,458,565)	-1.2%
Grants & Contracts	49,090,830	550,319,135	599,409,965	42,408,275	539,101,977	581,510,252	41,960,037	526,311,166	568,271,203	(13,239,049)	-2.3%
Sales & Service	55,117,066		55,117,066	52,825,885		52,825,885	54,135,060	-	54,135,060	1,309,175	2.5%
Other Sources	54,833,187	58,527,092	113,360,279	53,903,875	57,140,682	111,044,557	53,898,515	59,482,013	113,380,528	2,335,971	2.1%
Total Revenues	$ 1,075,944,730	$ 629,663,285	$ 1,705,608,015	$ 1,105,195,087	$ 623,833,530	$ 1,729,028,617	$ 1,110,166,544	$ 607,620,492	$ 1,717,787,036	$ (11,241,581)	-0.7%
Expenditures and Transfers											
Instruction	$ 427,881,549	$ 153,852,687	$ 581,734,236	$ 479,891,678	$ 143,319,549	$ 623,211,227	$ 501,769,742	$ 151,750,875	$ 653,520,617	$ 30,309,390	4.9%
Research	81,768,794	193,306,131	275,074,925	69,787,151	182,712,316	252,499,467	97,026,129	199,851,407	296,877,536	44,378,069	17.6%
Public Service	65,533,281	93,473,296	159,006,577	70,772,396	101,408,044	172,180,440	79,166,823	62,321,866	141,488,689	(30,691,751)	-17.8%
Academic Support	118,367,805	24,127,398	142,495,203	121,674,024	20,066,942	141,740,966	132,928,605	19,141,368	152,069,973	10,329,007	7.3%
Student Services	82,788,622	1,648,275	84,436,897	74,930,630	3,137,911	78,068,541	77,758,203	1,771,153	79,529,356	1,460,815	1.9%
Institutional Support	122,428,550	2,576,948	125,005,498	121,873,810	2,848,743	124,722,553	124,572,398	2,255,524	126,827,922	2,105,369	1.7%
Operation & Maintenance of Plant	117,451,028	211,142	117,662,170	115,439,944	364,951	115,804,895	118,312,998	209,456	118,522,454	2,717,559	2.3%
Scholarships & Fellowships	68,903,135	172,103,912	241,007,047	73,413,733	170,782,805	244,196,538	74,141,503	170,258,872	244,400,375	203,837	0.1%
Sub-Total Expenditures	$ 1,085,122,764	$ 641,299,789	$ 1,726,422,553	$ 1,127,783,366	$ 624,641,261	$ 1,752,424,627	$ 1,205,676,401	$ 607,560,521	$ 1,813,236,922	$ 60,812,295	3.5%
Mandatory Transfers	7,159,721		7,159,721	7,379,535		7,379,535	7,379,993		7,379,993	458	0.0%
Non-Mandatory Transfers	(3,050,514)		(3,050,514)	(25,917,093)		(25,917,093)	(66,971,120)		(66,971,120)	(41,054,027)	158.4%
Total Expenditures & Transfers	$ 1,089,231,971	$ 641,299,789	$ 1,730,531,760	$ 1,109,245,808	$ 624,641,261	$ 1,733,887,069	$ 1,146,085,274	$ 607,560,521	$ 1,753,645,795	$ 19,758,726	1.1%
Fund Balance Addition / (Reduction)	$ (13,287,241)	$ (11,636,504)	$ (24,923,745)	$ (4,050,721)	$ (807,731)	$ (4,858,452)	$ (35,918,730)	$ 59,971	$ (35,858,759)		
AUXILIARIES											
Revenues	$ 199,764,806	$ 526,627	$ 200,291,433	$ 196,787,587	$ 650,000	$ 197,437,587	$ 194,635,815	$ 400,000	$ 195,035,815	$ (2,401,772)	-1.2%
Expenditures and Transfers											
Expenditures	$ 142,431,466	$ 690,802	$ 143,122,268	$ 136,726,730	$ 400,000	$ 137,126,730	$ 134,279,055	$ 400,000	$ 134,679,055	$ (2,447,675)	-1.8%
Mandatory Transfers	26,171,577		26,171,577	28,210,043		28,210,043	28,459,405		28,459,405	249,362	0.9%
Non-Mandatory Transfers	37,636,923		37,636,923	31,850,814		31,850,814	31,897,355		31,897,355	46,541	0.1%
Total Expenditures & Transfers	$ 206,239,966	$ 690,802	$ 206,930,768	$ 196,787,587	$ 400,000	$ 197,187,587	$ 194,635,815	$ 400,000	$ 195,035,815	$ (2,151,772)	-1.1%
Fund Balance Addition / (Reduction)	$ (6,475,160)	$ (164,175)	$ (6,639,335)		$ 250,000	$ 250,000					
TOTALS											
Revenues	$ 1,275,709,536	$ 630,189,912	$ 1,905,899,448	$ 1,301,982,674	$ 624,483,530	$ 1,926,466,204	$ 1,304,802,359	$ 608,020,492	$ 1,912,822,851	$ (13,643,353)	-0.7%
Expenditures and Transfers											
Expenditures	$ 1,227,554,230	$ 641,990,591	$ 1,869,544,821	$ 1,264,510,096	$ 625,041,261	$ 1,889,551,357	$ 1,339,955,456	$ 607,960,521	$ 1,947,915,977	$ 58,364,620	3.1%
Mandatory Transfers	33,331,298		33,331,298	35,589,578		35,589,578	35,839,398		35,839,398	249,820	0.7%
Non-Mandatory Transfers	34,586,409		34,586,409	5,933,721		5,933,721	(35,073,765)		(35,073,765)	(41,007,486)	-691.1%
Total Expenditures & Transfers	$ 1,295,471,937	$ 641,990,591	$ 1,937,462,528	$ 1,306,033,395	$ 625,041,261	$ 1,931,074,656	$ 1,340,721,089	$ 607,960,521	$ 1,948,681,610	$ 17,606,954	0.9%
Fund Balance Addition / (Reduction)	$ (19,762,401)	$ (11,800,679)	$ (31,563,080)	$ (4,050,721)	$ (557,731)	$ (4,608,452)	$ (35,918,730)	$ 59,971	$ (35,858,759)		

Schedule 10 - UT Total

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University of Tennessee System

FY 2013 Revised Budget - Natural Classifications

Unrestricted Current Funds Expenditures

	Total System	Chattanooga	Knoxville	Martin	Space Institute	Health Science Center	Institute of Agriculture	Public Service Units	University-Wide Administration
EDUCATIONAL AND GENERAL									
Salaries and Benefits									
Salaries									
Academic	$ 300,664,784	$ 35,228,885	$ 135,362,082	$ 23,678,737	$ 2,453,153	$ 75,788,315	$ 27,748,237	$ 214,501	$ 190,874
Non-Academic	280,674,340	27,754,022	107,659,318	18,226,272	2,753,057	54,272,654	39,601,719	9,090,661	21,316,637
Students	8,069,142	675,056	4,358,255	1,644,380		733,469	454,265	65,000	138,717
Total Salaries	$ 589,408,266	$ 63,657,963	$ 247,379,655	$ 43,549,389	$ 5,206,210	$ 130,794,438	$ 67,804,221	$ 9,370,162	$ 21,646,228
Staff Benefits	199,562,440	22,332,204	81,713,362	16,520,608	2,067,557	42,038,855	24,781,277	3,145,511	6,963,066
Total Salaries and Benefits	$ 788,970,706	$ 85,990,167	$ 329,093,017	$ 60,069,997	$ 7,273,767	$ 172,833,293	$ 92,585,498	$ 12,515,673	$ 28,609,294
Operating	387,124,108	36,692,699	197,163,205	27,299,801	2,710,494	58,624,955	44,520,006	3,861,141	16,251,807
Equipment and Capital Outlay	29,581,587	1,803,542	14,599,446	1,480,533	31,000	8,875,784	2,511,961	179,321	100,000
Total Expenditures	$ 1,205,676,401	$ 124,486,408	$ 540,855,668	$ 88,850,331	$ 10,015,261	$ 240,334,032	$ 139,617,465	$ 16,556,135	$ 44,961,101
AUXILIAIRES									
Salaries and Benefits									
Salaries									
Academic	$ 444,370	$ 7,000	$ 434,307	$ 3,063					
Non-Academic	36,986,171	1,425,026	33,042,433	1,510,392	$ 132,281	$ 876,039			
Students	4,111,150	182,223	3,360,510	568,417					
Total Salaries	$ 41,541,691	$ 1,614,249	$ 36,837,250	$ 2,081,872	$ 132,281	$ 876,039			
Staff Benefits	11,196,201	340,447	9,793,414	675,318	47,750	339,272			
Total Salaries and Benefits	$ 52,737,892	$ 1,954,696	$ 46,630,664	$ 2,757,190	$ 180,031	$ 1,215,311			
Operating	80,843,975	2,649,172	72,107,166	4,776,891	75,896	1,234,850			
Equipment and Capital Outlay	697,188	15,488	675,000	6,700					
Total Expenditures	$ 134,279,055	$ 4,619,356	$ 119,412,830	$ 7,540,781	$ 255,927	$ 2,450,161			
TOTALS									
Salaries and Benefits									
Salaries									
Academic	$ 301,109,154	$ 35,235,885	$ 135,796,389	$ 23,681,800	$ 2,453,153	$ 75,788,315	$ 27,748,237	$ 214,501	$ 190,874
Non-Academic	317,660,511	29,179,048	140,701,751	19,736,664	2,885,338	55,148,693	39,601,719	9,090,661	21,316,637
Students	12,180,292	857,279	7,718,765	2,212,797		733,469	454,265	65,000	138,717
Total Salaries	$ 630,949,957	$ 65,272,212	$ 284,216,905	$ 45,631,261	$ 5,338,491	$ 131,670,477	$ 67,804,221	$ 9,370,162	$ 21,646,228
Staff Benefits	210,758,641	22,672,651	91,506,776	17,195,926	2,115,307	42,378,127	24,781,277	3,145,511	6,963,066
Total Salaries and Benefits	$ 841,708,598	$ 87,944,863	$ 375,723,681	$ 62,827,187	$ 7,453,798	$ 174,048,604	$ 92,585,498	$ 12,515,673	$ 28,609,294
Operating	467,968,083	39,341,871	269,270,371	32,076,692	2,786,390	59,859,805	44,520,006	3,861,141	16,251,807
Equipment and Capital Outlay	30,278,775	1,819,030	15,274,446	1,487,233	31,000	8,875,784	2,511,961	179,321	100,000
Total Expenditures	$ 1,339,955,456	$ 129,105,764	$ 660,268,498	$ 96,391,112	$ 10,271,188	$ 242,784,193	$ 139,617,465	$ 16,556,135	$ 44,961,101

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University of Tennessee System
FY 2013 Revised Budget Summary - Natural Classifications
Unrestricted Current Funds Expenditures

	FY 2012 ACTUAL	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	%
EDUCATIONAL AND GENERAL					
Salaries and Benefits					
Salaries					
Academic	$ 289,425,188	$ 301,772,602	$ 300,664,784	$ (1,107,818)	-0.4%
Non-Academic	270,157,808	274,393,226	280,674,340	6,281,114	2.3%
Students	9,499,817	7,145,776	8,069,142	923,366	12.9%
Total Salaries	$ 569,082,813	$ 583,311,604	$ 589,408,266	$ 6,096,662	1.0%
Staff Benefits	190,976,121	199,259,825	199,562,440	302,615	0.2%
Total Salaries and Benefits	$ 760,058,934	$ 782,571,429	$ 788,970,706	$ 6,399,277	0.8%
Operating	294,378,666	323,420,563	387,124,108	63,703,545	19.7%
Equipment and Capital Outlay	30,685,164	21,791,374	29,581,587	7,790,213	35.7%
Total Expenditures	$ 1,085,122,764	$ 1,127,783,366	$ 1,205,676,401	$ 77,893,035	6.9%
AUXILIARIES					
Salaries and Benefits					
Salaries					
Academic	$ 497,907	$ 467,053	$ 444,370	$ (22,683)	-4.9%
Non-Academic	37,062,844	37,106,462	36,986,171	(120,291)	-0.3%
Students	4,064,798	4,258,226	4,111,150	(147,076)	-3.5%
Total Salaries	$ 41,625,549	$ 41,831,741	$ 41,541,691	$ (290,050)	-0.7%
Staff Benefits	12,349,184	11,270,644	11,196,201	(74,443)	-0.7%
Total Salaries and Benefits	$ 53,974,732	$ 53,102,385	$ 52,737,892	$ (364,493)	-0.7%
Operating	87,805,691	82,937,137	80,843,975	(2,093,162)	-2.5%
Equipment and Capital Outlay	651,043	687,208	697,188	9,980	1.5%
Total Expenditures	$ 142,431,466	$ 136,726,730	$ 134,279,055	$ (2,447,675)	-1.8%
TOTALS					
Salaries and Benefits					
Salaries					
Academic	$ 289,923,095	$ 302,239,655	$ 301,109,154	$ (1,130,501)	-0.4%
Non-Academic	307,220,652	311,499,688	317,660,511	6,160,823	2.0%
Students	13,564,615	11,404,002	12,180,292	776,290	6.8%
Total Salaries	$ 610,708,362	$ 625,143,345	$ 630,949,957	$ 5,806,612	0.9%
Staff Benefits	203,325,305	210,530,469	210,758,641	228,172	0.1%
Total Salaries and Benefits	$ 814,033,667	$ 835,673,814	$ 841,708,598	$ 6,034,784	0.7%
Operating	382,184,357	406,357,700	467,968,083	61,610,383	15.2%
Equipment and Capital Outlay	31,336,207	22,478,582	30,278,775	7,800,193	34.7%
Total Expenditures	$ 1,227,554,231	$ 1,264,510,096	$ 1,339,955,456	$ 75,445,360	6.0%

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University of Tennessee System
FY 2013 Revised Budget Summary
Auxiliary Enterprises Funds Revenues, Expenditures and Transfers

	FY 2012 ACTUAL	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	%
HOUSING					
Revenues	$ 58,280,584	$ 55,411,331	$ 55,411,331		
Expenditures and Transfers					
Expenditures	$ 35,828,192	$ 35,164,896	$ 34,842,543	$ (322,353)	-0.9%
Mandatory Transfers	11,289,017	11,281,658	11,531,020	249,362	2.2%
Non-Mandatory Transfers	11,605,409	9,014,569	9,087,560	72,991	0.8%
Total Expenditures and Transfers	$ 58,722,618	$ 55,461,123	$ 55,461,123		
Fund Balance Addition/(Reduction)	$ (442,034)	$ (49,792)	$ (49,792)		
FOOD SERVICE					
Revenues	$ 5,474,694	$ 5,262,819	$ 5,264,064	$ 1,245	0.0%
Expenditures and Transfers					
Expenditures	$ 2,275,576	$ 2,131,721	$ 2,163,760	$ 32,039	1.5%
Mandatory Transfers	67,903				
Non-Mandatory Transfers	2,934,686	2,850,749	2,820,322	(30,427)	-1.1%
Total Expenditures and Transfers	$ 5,278,165	$ 4,982,470	$ 4,984,082	$ 1,612	0.0%
Fund Balance Addition/(Reduction)	$ 196,529	$ 280,349	$ 279,982		
BOOKSTORES					
Revenues	$ 23,860,196	$ 23,727,732	$ 22,126,958	$ (1,600,774)	-6.7%
Expenditures and Transfers					
Expenditures	$ 22,534,673	$ 21,281,510	$ 19,681,103	$ (1,600,407)	-7.5%
Mandatory Transfers		109,418	109,418		
Non-Mandatory Transfers	2,098,952	2,067,538	2,067,538		
Total Expenditures and Transfers	$ 24,633,625	$ 23,458,466	$ 21,858,059	$ (1,600,407)	-6.8%
Fund Balance Addition/(Reduction)	$ (773,429)	$ 269,266	$ 268,899		
PARKING					
Revenues	$ 11,590,518	$ 12,437,374	$ 12,465,311	$ 27,937	0.2%
Expenditures and Transfers					
Expenditures	$ 7,534,312	$ 7,734,960	$ 7,758,920	$ 23,960	0.3%
Mandatory Transfers	3,165,776	3,368,967	3,368,967		
Non-Mandatory Transfers	1,551,314	1,319,887	1,323,864	3,977	0.3%
Total Expenditures and Transfers	$ 12,251,402	$ 12,423,814	$ 12,451,751	$ 27,937	0.2%
Fund Balance Addition/(Reduction)	$ (660,884)	$ 13,560	$ 13,560		
ATHLETICS					
Revenues	$ 94,707,807	$ 93,786,589	$ 93,786,589		
Expenditures and Transfers					
Expenditures	$ 68,575,941	$ 63,656,089	$ 63,656,089		
Mandatory Transfers	11,648,880	13,450,000	13,450,000		
Non-Mandatory Transfers	16,214,261	16,680,500	16,680,500		
Total Expenditures and Transfers	$ 96,439,082	$ 93,786,589	$ 93,786,589		
Fund Balance Addition/(Reduction)	$ (1,731,275)				
OTHER					
Revenues	$ 5,851,007	$ 6,161,742	$ 5,581,562	$ (580,180)	-9.4%
Expenditures and Transfers					
Expenditures	$ 5,682,774	$ 6,757,554	$ 6,176,640	$ (580,914)	-8.6%
Mandatory Transfers					
Non-Mandatory Transfers	3,232,301	(82,429)	(82,429)		
Total Expenditures and Transfers	$ 8,915,075	$ 6,675,125	$ 6,094,211	$ (580,914)	-8.7%
Fund Balance Addition/(Reduction)	$ (3,064,068)	$ (513,383)	$ (512,649)		
TOTAL					
Revenues	$199,764,806	$196,787,587	$194,635,815	$ (2,151,772)	-1.1%
Expenditures and Transfers					
Expenditures	$142,431,468	$136,726,730	$134,279,055	$ (2,447,675)	-1.8%
Mandatory Transfers	26,171,576	28,210,043	28,459,405	249,362	0.9%
Non-Mandatory Transfers	37,636,923	31,850,814	31,897,355	46,541	0.1%
Total Expenditures and Transfers	$206,239,967	$196,787,587	$194,635,815	$ (2,151,772)	-1.1%
Fund Balance Addition/(Reduction)	$ (6,475,160)				

Schedule 13 - UT Total

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University of Tennessee System

Athletics Five Year Budget Summary Comparison

E&G and Auxiliary Funds for Men's and Women's Athletics

	FY 2009 ACTUAL	FY 2010 ACTUAL	FY 2011 ACTUAL	FY 2012 ACTUAL	FY 2013 REVISED	FIVE YEAR CHANGE AMOUNT	FIVE YEAR CHANGE %
KNOXVILLE							
Revenues							
General Funds							
Student Fees for Athletics	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000		
Ticket Sales	34,465,000	37,689,669	34,799,207	33,156,097	33,585,000	$ (880,000)	-2.6%
Gifts	22,985,000	25,508,512	26,554,657	25,038,370	25,735,000	2,750,000	12.0%
Other	29,050,000	36,532,258	40,141,340	42,693,539	38,680,000	9,630,000	33.1%
Total Revenues	$ 87,500,000	$ 100,730,439	$ 102,495,204	$ 101,888,006	$ 99,000,000	$ 11,500,000	13.1%
Expenditures and Transfers							
Salaries and Benefits	$ 29,371,411	$ 35,844,160	$ 38,361,583	$ 37,285,629	$ 34,116,096	$ 4,744,685	16.2%
Travel	7,640,050	6,505,978	6,835,168	6,617,308	8,055,500	415,450	5.4%
Student Aid	7,981,000	8,105,044	8,873,639	9,529,062	10,600,000	2,619,000	32.8%
Other Operating	22,660,515	28,495,090	28,958,686	33,801,080	24,717,912	2,057,397	9.1%
Sub-Total Expenditures	$ 67,652,976	$ 78,950,272	$ 83,029,076	$ 87,233,079	$ 77,489,508	$ 9,836,532	14.5%
Debt Service Transfers	12,125,000	7,657,353	10,142,066	10,523,880	12,325,000	200,000	1.6%
Other Transfers	7,722,024	12,513,832	9,309,616	8,112,322	9,185,492	1,463,468	19.0%
Total Expenditures and Transfers	$ 87,500,000	$ 99,121,457	$ 102,480,758	$ 105,869,281	$ 99,000,000	$ 11,500,000	13.1%
Fund Balance Addition / (Reduction)		$ 1,608,982	$ 14,446	$ (3,981,275)			
CHATTANOOGA							
Revenues							
General Funds	$ 4,474,148	$ 4,668,862	$ 5,034,581	$ 5,072,219	$ 5,538,398	$ 1,064,250	23.8%
Student Fees for Athletics	2,726,457	3,033,232	3,070,180	4,127,744	4,942,633	2,216,176	81.3%
Ticket Sales	1,018,500	620,608	637,888	712,167	737,000	(281,500)	-27.6%
Gifts	1,148,801	1,515,486	1,285,002	1,305,324	1,430,000	281,199	24.5%
Other	1,703,589	1,748,433	1,747,848	1,758,309	1,884,829	181,240	10.6%
Total Revenues	$ 11,071,495	$ 11,586,621	$ 11,775,499	$ 12,975,763	$ 14,532,860	$ 3,461,365	31.3%
Expenditures and Transfers							
Salaries and Benefits	$ 4,083,961	$ 4,529,881	$ 4,726,977	$ 5,130,281	$ 5,139,390	$ 1,055,429	25.8%
Travel	1,227,469	784,372	833,639	1,003,626	1,668,216	440,747	35.9%
Student Aid	3,591,843	3,199,843	3,287,149	3,895,434	5,000,519	1,408,676	39.2%
Other Operating	2,021,743	2,799,975	2,460,702	2,554,483	2,554,735	532,992	26.4%
Sub-Total Expenditures	$ 10,925,016	$ 11,314,071	$ 11,308,467	$ 12,583,824	$ 14,362,860	$ 3,437,844	31.5%
Debt Service Transfers	185,000	168,879	168,680	169,610	170,000	(15,000)	-8.1%
Other Transfers							
Total Expenditures and Transfers	$ 11,110,016	$ 11,482,950	$ 11,477,147	$ 12,753,434	$ 14,532,860	$ 3,422,844	30.8%
Fund Balance Addition / (Reduction)	$ (38,521)	$ 103,671	$ 298,352	$ 222,329			
MARTIN							
Revenues							
General Funds	$ 4,040,184	$ 4,009,783	$ 4,431,339	$ 4,959,761	$ 5,075,973	$ 1,035,789	25.6%
Student Fees for Athletics	1,875,000	2,000,630	2,081,875	2,011,149	1,970,000	95,000	5.1%
Ticket Sales	133,019	109,873	107,596	136,237	136,568	3,549	2.7%
Gifts	550,000	418,092	669,728	474,787	470,000	(80,000)	-14.5%
Other	1,506,242	1,057,866	1,384,606	1,357,216	1,319,600	(186,642)	-12.4%
Total Revenues	$ 8,104,445	$ 7,596,244	$ 8,675,144	$ 8,939,150	$ 8,972,141	$ 867,696	10.7%
Expenditures and Transfers							
Salaries and Benefits	$ 2,605,804	$ 2,767,981	$ 2,812,169	$ 3,060,136	$ 2,936,498	$ 330,694	12.7%
Travel	592,550	558,947	757,178	735,058	740,443	147,893	25.0%
Student Aid	2,793,905	2,816,472	3,431,486	3,724,320	3,755,554	961,649	34.4%
Other Operating	2,112,186	1,385,060	1,567,162	1,643,789	1,314,646	(797,540)	-37.8%
Sub-Total Expenditures	$ 8,104,445	$ 7,528,460	$ 8,567,995	$ 9,163,303	$ 8,747,141	$ 642,696	7.9%
Debt Service Transfers		129,326	24,203				
Other Transfers				72,489	225,000	225,000	NA
Total Expenditures and Transfers	$ 8,104,445	$ 7,657,786	$ 8,592,198	$ 9,235,792	$ 8,972,141	$ 867,696	10.7%
Fund Balance Addition / (Reduction)		$ (61,542)	$ 82,946	$ (296,642)			
TOTAL ATHLETICS							
Revenues							
General Funds	$ 8,514,332	$ 8,678,645	$ 9,465,920	$ 10,031,980	$ 10,614,371	$ 2,100,039	24.7%
Student Fees for Athletics	5,601,457	6,033,862	6,152,055	7,138,893	7,912,633	2,311,176	41.3%
Ticket Sales	35,616,519	38,420,150	35,544,691	34,004,501	34,458,568	(1,157,951)	-3.3%
Gifts	24,683,801	27,442,090	28,509,387	26,818,481	27,635,000	2,951,199	12.0%
Other	32,259,831	39,338,557	43,273,794	45,809,064	41,884,429	9,624,598	29.8%
Total Revenues	$ 106,675,940	$ 119,913,304	$ 122,945,847	$ 123,802,919	$ 122,505,001	$ 15,829,061	14.8%
Expenditures and Transfers							
Salaries and Benefits	$ 36,061,176	$ 43,142,022	$ 45,900,729	$ 45,476,046	$ 42,191,984	$ 6,130,808	17.0%
Travel	9,460,069	7,849,297	8,425,985	8,355,992	10,464,159	1,004,090	10.6%
Student Aid	14,366,748	14,121,359	15,592,274	17,148,816	19,356,073	4,989,325	34.7%
Other Operating	26,794,444	32,680,125	32,986,550	37,999,352	28,587,293	1,792,849	6.7%
Sub-Total Expenditures	$ 86,682,437	$ 97,792,803	$ 102,905,538	$ 108,980,206	$ 100,599,509	$ 13,917,072	16.1%
Debt Service Transfers	12,310,000	7,955,558	10,334,949	10,693,490	12,495,000	185,000	1.5%
Other Transfers	7,722,024	12,513,832	9,309,616	8,184,811	9,410,492	1,688,468	21.9%
Total Expenditures and Transfers	$ 106,714,461	$ 118,262,193	$ 122,550,103	$ 127,858,507	$ 122,505,001	$ 15,790,540	14.8%
Fund Balance Addition / (Reduction)	$ (38,521)	$ 1,651,111	$ 395,744	$ (4,055,588)			

NOTES: Data includes unrestricted and restricted funds. Other revenue sources include NCAA conference income, tournament income, program sales, concessions, parking, broadcasting, television, radio, internet, endowments, investments, royalties, advertisements, sponsorships, game guarantees, licensing fees, and sports camps.

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University of Tennessee System

FY 2013 Revised Budget Summary

Unrestricted Current Funds Revenues, Expenditures, and Transfers

	FY 2012 ACTUALS	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	CHANGE ORIGINAL TO REVISED %
EDUCATIONAL AND GENERAL					
Revenues					
Tuition & Fees	$ 503,560,202	$ 524,612,177	$ 528,423,064	$ 3,810,887	0.7 %
State Appropriations	413,343,445	431,444,875	431,749,868	304,993	0.1 %
Grants & Contracts	49,090,830	42,408,275	41,960,037	(448,238)	(1.1) %
Sales & Service	55,117,066	52,825,885	54,135,060	1,309,175	2.5 %
Other Sources	54,833,187	53,903,875	53,898,515	(5,360)	0.0 %
Total Revenues	$ 1,075,944,729	$ 1,105,195,087	$ 1,110,166,544	$ 4,971,457	0.4 %
Expenditures and Transfers					
Instruction	$ 427,881,549	$ 479,891,678	$ 501,769,742	$ 21,878,064	4.6 %
Research	81,768,794	69,787,151	97,026,129	27,238,978	39.0 %
Public Service	65,533,281	70,772,396	79,166,823	8,394,427	11.9 %
Academic Support	118,367,805	121,674,024	132,928,605	11,254,581	9.2 %
Student Services	82,788,622	74,930,630	77,758,203	2,827,573	3.8 %
Institutional Support	122,428,550	121,873,810	124,572,398	2,698,588	2.2 %
Op/Maint Physical Plant	117,451,028	115,439,944	118,312,998	2,873,054	2.5 %
Scholarships & Fellowships	68,903,135	73,413,733	74,141,503	727,770	1.0 %
Sub-total Expenditures	$ 1,085,122,764	$ 1,127,783,366	$ 1,205,676,401	$ 77,893,035	6.9 %
Mandatory Transfers	7,159,721	7,379,535	7,379,993	458	0.0 %
Non-Mandatory Transfers	(3,050,514)	(25,917,093)	(66,971,120)	(41,054,027)	(158.4) %
Total Expenditures & Transfers	$ 1,089,231,971	$ 1,109,245,808	$ 1,146,085,274	$ 36,839,466	3.3 %
Fund Balance Addition/(Reduction)	$ (13,287,242)	$ (4,050,721)	$ (35,918,730)		
AUXILIARIES					
Revenues	$ 199,764,806	$ 196,787,587	$ 194,635,815	$ (2,151,772)	(1.1) %
Expenditures and Transfers					
Expenditures	$ 142,431,466	$ 136,726,730	$ 134,279,055	$ (2,447,675)	(1.8) %
Mandatory Transfers	26,171,577	28,210,043	28,459,405	249,362	0.9 %
Non-Mandatory Transfers	37,636,923	31,850,814	31,897,355	46,541	0.1 %
Total Expenditures & Transfers	$ 206,239,966	$ 196,787,587	$ 194,635,815	$ (2,151,772)	(1.1) %
Fund Balance Addition/(Reduction)	$ (6,475,161)				
TOTALS					
Revenues	$ 1,275,709,534	$ 1,301,982,674	$ 1,304,802,359	$ 2,819,685	0.2 %
Expenditures and Transfers					
Expenditures	$ 1,227,554,230	$ 1,264,510,096	$ 1,339,955,456	$ 75,445,360	6.0 %
Mandatory Transfers	33,331,298	35,589,578	35,839,398	249,820	0.7 %
Non-Mandatory Transfers	34,586,409	5,933,721	(35,073,765)	(41,007,486)	(691.1) %
Total Expenditures & Transfers	$ 1,295,471,937	$ 1,306,033,395	$ 1,340,721,089	$ 34,687,694	2.7 %
Fund Balance Addition/(Reduction)	$ (19,762,402)	$ (4,050,721)	$ (35,918,730)		

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Chattanooga

FY 2013 Revised Budget Summary

Unrestricted Current Funds Revenues, Expenditures, and Transfers

	FY 2012 ACTUALS	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	CHANGE ORIGINAL TO REVISED %
EDUCATIONAL AND GENERAL					
Revenues					
Tuition & Fees	$ 79,986,400	$ 80,078,077	$ 81,157,113	$ 1,079,036	1.3 %
State Appropriations	35,088,738	35,497,564	35,505,864	8,300	0.0 %
Grants & Contracts	985,685	453,856	453,856		
Sales & Service	4,719,195	4,146,604	4,273,064	126,460	3.0 %
Other Sources	642,068	885,109	961,634	76,525	8.6 %
Total Revenues	$ 121,422,086	$ 121,061,210	$ 122,351,531	$ 1,290,321	1.1 %
Expenditures and Transfers					
Instruction	$ 51,323,646	$ 52,804,590	$ 54,380,549	$ 1,575,959	3.0 %
Research	4,122,191	1,865,077	2,011,793	146,716	7.9 %
Public Service	2,426,321	2,187,189	2,340,950	153,761	7.0 %
Academic Support	9,377,969	8,146,335	8,730,863	584,528	7.2 %
Student Services	20,984,430	19,230,087	19,907,165	677,078	3.5 %
Institutional Support	8,906,059	9,899,677	10,081,661	181,984	1.8 %
Op/Maint Physical Plant	14,578,086	15,602,839	16,703,442	1,100,603	7.1 %
Scholarships & Fellowships	8,743,675	10,172,890	10,329,985	157,095	1.5 %
Sub-total Expenditures	$ 120,462,376	$ 119,908,684	$ 124,486,408	$ 4,577,724	3.8 %
Mandatory Transfers	690,162	773,707	774,165	458	0.1 %
Non-Mandatory Transfers	1,485,808	312,239	(2,975,622)	(3,287,861)	(1,053.0) %
Total Expenditures & Transfers	$ 122,638,346	$ 120,994,630	$ 122,284,951	$ 1,290,321	1.1 %
Fund Balance Addition/(Reduction)	$ (1,216,260)	$ 66,580	$ 66,580		
AUXILIARIES					
Revenues	$ 11,998,166	$ 8,413,431	$ 8,426,233	$ 12,802	0.2 %
Expenditures and Transfers					
Expenditures	$ 8,222,444	$ 4,932,884	$ 4,619,356	$ (313,528)	(6.4) %
Mandatory Transfers	1,540,919	2,124,040	2,373,402	249,362	11.7 %
Non-Mandatory Transfers	2,476,386	1,356,507	1,433,475	76,968	5.7 %
Total Expenditures & Transfers	$ 12,239,749	$ 8,413,431	$ 8,426,233	$ 12,802	0.2 %
Fund Balance Addition/(Reduction)	$ (241,582)				
TOTALS					
Revenues	$ 133,420,252	$ 129,474,641	$ 130,777,764	$ 1,303,123	1.0 %
Expenditures and Transfers					
Expenditures	$ 128,684,819	$ 124,841,568	$ 129,105,764	$ 4,264,196	3.4 %
Mandatory Transfers	2,231,081	2,897,747	3,147,567	249,820	8.6 %
Non-Mandatory Transfers	3,962,194	1,668,746	(1,542,147)	(3,210,893)	(192.4) %
Total Expenditures & Transfers	$ 134,878,094	$ 129,408,061	$ 130,711,184	$ 1,303,123	1.0 %
Fund Balance Addition/(Reduction)	$ (1,457,842)	$ 66,580	$ 66,580		

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Knoxville

FY 2013 Revised Budget Summary

Unrestricted Current Funds Revenues, Expenditures, and Transfers

	FY 2012 ACTUALS	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	%
EDUCATIONAL AND GENERAL					
Revenues					
Tuition & Fees	$ 288,890,369	$ 307,125,023	$ 310,686,250	$ 3,561,227	1.2 %
State Appropriations	147,947,704	156,240,800	156,334,850	94,050	0.1 %
Grants & Contracts	27,060,260	20,560,000	20,560,000		
Sales & Service	9,847,151	7,772,417	8,410,417	638,000	8.2 %
Other Sources	10,861,587	9,828,803	9,828,803		
Total Revenues	$ 484,607,071	$ 501,527,043	$ 505,820,320	$ 4,293,277	0.9 %
Expenditures and Transfers					
Instruction	$ 202,973,398	$ 228,344,157	$ 240,192,047	$ 11,847,890	5.2 %
Research	30,017,921	20,073,223	38,307,279	18,234,056	90.8 %
Public Service	11,462,261	10,535,472	11,469,030	933,558	8.9 %
Academic Support	56,006,704	62,699,506	65,781,655	3,082,149	4.9 %
Student Services	46,908,287	41,426,919	42,231,440	804,521	1.9 %
Institutional Support	41,589,151	37,080,652	36,999,316	(81,336)	(0.2) %
Op/Maint Physical Plant	59,034,751	58,713,888	58,583,759	(130,129)	(0.2) %
Scholarships & Fellowships	44,092,595	46,896,913	47,291,142	394,229	0.8 %
Sub-total Expenditures	$ 492,085,068	$ 505,770,730	$ 540,855,668	$ 35,084,938	6.9 %
Mandatory Transfers	1,745,019	1,836,790	1,836,790		
Non-Mandatory Transfers	(11,316,401)	(6,080,477)	(34,944,601)	(28,864,124)	(474.7) %
Total Expenditures & Transfers	$ 482,513,686	$ 501,527,043	$ 507,747,857	$ 6,220,814	1.2 %
Fund Balance Addition/(Reduction)	$ 2,093,385		$ (1,927,537)		
AUXILIARIES					
Revenues	$ 172,129,555	$ 172,554,109	$ 171,946,109	$ (608,000)	(0.4) %
Expenditures and Transfers					
Expenditures	$ 122,445,493	$ 120,020,830	$ 119,412,830	$ (608,000)	(0.5) %
Mandatory Transfers	21,313,392	22,562,491	22,562,491		
Non-Mandatory Transfers	34,427,948	29,970,788	29,970,788		
Total Expenditures & Transfers	$ 178,186,833	$ 172,554,109	$ 171,946,109	$ (608,000)	(0.4) %
Fund Balance Addition/(Reduction)	$ (6,057,278)				
TOTALS					
Revenues	$ 656,736,626	$ 674,081,152	$ 677,766,429	$ 3,685,277	0.5 %
Expenditures and Transfers					
Expenditures	$ 614,530,561	$ 625,791,560	$ 660,268,498	$ 34,476,938	5.5 %
Mandatory Transfers	23,058,411	24,399,281	24,399,281		
Non-Mandatory Transfers	23,111,547	23,890,311	(4,973,813)	(28,864,124)	(120.8) %
Total Expenditures & Transfers	$ 660,700,519	$ 674,081,152	$ 679,693,966	$ 5,612,814	0.8 %
Fund Balance Addition/(Reduction)	$ (3,963,893)		$ (1,927,537)		

4.1

Martin

FY 2013 Revised Budget Summary

Unrestricted Current Funds Revenues, Expenditures, and Transfers

	FY 2012 ACTUALS	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	CHANGE ORIGINAL TO REVISED %
EDUCATIONAL AND GENERAL					
Revenues					
Tuition & Fees	$ 54,149,188	$ 56,063,897	$ 55,278,052	$ (785,845)	(1.4)
State Appropriations	25,195,511	26,145,717	26,213,217	67,500	0.3
Grants & Contracts	282,399	345,500	345,500		
Sales & Service	3,033,666	2,608,263	2,948,245	339,982	13.0
Other Sources	681,432	656,800	656,800		
Total Revenues	$ 83,342,196	$ 85,820,177	$ 85,441,814	$ (378,363)	(0.4)
Expenditures and Transfers					
Instruction	$ 38,150,500	$ 40,313,278	$ 41,586,534	$ 1,273,256	3.2
Research	416,084	284,283	395,684	111,401	39.2
Public Service	607,651	545,376	542,748	(2,628)	(0.5)
Academic Support	10,288,002	10,472,369	10,401,423	(70,946)	(0.7)
Student Services	10,310,906	9,431,606	10,276,771	845,165	9.0
Institutional Support	4,859,427	5,325,498	6,018,801	693,303	13.0
Op/Maint Physical Plant	10,317,667	11,152,103	11,994,302	842,199	7.6
Scholarships & Fellowships	7,340,174	7,558,322	7,634,068	75,746	1.0
Sub-total Expenditures	$ 82,290,412	$ 85,082,835	$ 88,850,331	$ 3,767,496	4.4
Mandatory Transfers	581,560	746,700	746,700		
Non-Mandatory Transfers	5,013,898	(9,358)	(4,155,217)	(4,145,859)	(44,302.8)
Total Expenditures & Transfers	$ 87,885,870	$ 85,820,177	$ 85,441,814	$ (378,363)	(0.4)
Fund Balance Addition/(Reduction)	$ (4,543,674)				
AUXILIARIES					
Revenues	$ 12,869,324	$ 12,890,062	$ 11,294,452	$ (1,595,610)	(12.4)
Expenditures and Transfers					
Expenditures	$ 8,944,842	$ 9,136,391	$ 7,540,781	$ (1,595,610)	(17.5)
Mandatory Transfers	3,072,902	3,180,152	3,180,152		
Non-Mandatory Transfers	1,040,335	573,519	573,519		
Total Expenditures & Transfers	13,058,079	12,890,062	11,294,452	(1,595,610)	(12.4)
Fund Balance Addition/(Reduction)	$ (188,755)				
TOTALS					
Revenues	$ 96,211,520	$ 98,710,239	$ 96,736,266	$ (1,973,973)	(2.0)
Expenditures and Transfers					
Expenditures	$ 91,235,254	$ 94,219,226	$ 96,391,112	$ 2,171,886	2.3
Mandatory Transfers	3,654,462	3,926,852	3,926,852		
Non-Mandatory Transfers	6,054,233	564,161	(3,581,698)	(4,145,859)	(734.9)
Total Expenditures & Transfers	$ 100,943,949	$ 98,710,239	$ 96,736,266	$ (1,973,973)	(2.0)
Fund Balance Addition/(Reduction)	$ (4,732,429)				

4.1

Space Institute

FY 2013 Revised Budget Summary

Unrestricted Current Funds Revenues, Expenditures, and Transfers

	FY 2012 ACTUALS	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	CHANGE ORIGINAL TO REVISED %
EDUCATIONAL AND GENERAL					
Revenues					
Tuition & Fees	$ 1,403,680	$ 2,037,648	$ 2,037,648		
State Appropriations	7,392,569	7,684,651	7,695,901	$ 11,250	0.1 %
Grants & Contracts	565,275	500,000	500,000		
Sales & Service	24,456	145,000	145,000		
Other Sources	(2,381)	2,000	2,000		
Total Revenues	$ 9,383,600	$ 10,369,299	$ 10,380,549	$ 11,250	0.1 %
Expenditures and Transfers					
Instruction	$ 3,792,623	$ 5,448,682	$ 4,816,549	$ (632,133)	(11.6) %
Research	1,395,846	949,984	1,466,665	516,681	54.4 %
Public Service					
Academic Support	350,410	282,230	291,967	9,737	3.5 %
Student Services	51,564	45,705	46,047	342	0.7 %
Institutional Support	1,416,708	1,412,385	1,447,087	34,702	2.5 %
Op/Maint Physical Plant	1,808,480	1,754,939	1,806,056	51,117	2.9 %
Scholarships & Fellowships	297,310	140,513	140,890	377	0.3 %
Sub-total Expenditures	$ 9,112,940	$ 10,034,438	$ 10,015,261	$ (19,177)	(0.2) %
Mandatory Transfers					
Non-Mandatory Transfers	314,784	334,861	365,288	30,427	9.1 %
Total Expenditures & Transfers	$ 9,427,724	$ 10,369,299	$ 10,380,549	$ 11,250	0.1 %
Fund Balance Addition/(Reduction)	$ (44,124)				
AUXILIARIES					
Revenues	$ 159,336	$ 175,500	$ 175,500		
Expenditures and Transfers					
Expenditures	$ 370,711	$ 225,500	$ 255,927	$ 30,427	13.5 %
Mandatory Transfers					
Non-Mandatory Transfers	(213,190)	(50,000)	(80,427)	(30,427)	(60.9) %
Total Expenditures & Transfers	$ 157,521	$ 175,500	$ 175,500		
Fund Balance Addition/(Reduction)	$ 1,815				
TOTALS					
Revenues	$ 9,542,935	$ 10,544,799	$ 10,556,049	$ 11,250	0.1 %
Expenditures and Transfers					
Expenditures	$ 9,483,650	$ 10,259,938	$ 10,271,188	$ 11,250	0.1 %
Mandatory Transfers					
Non-Mandatory Transfers	101,594	284,861	284,861		
Total Expenditures & Transfers	$ 9,585,244	$ 10,544,799	$ 10,556,049	$ 11,250	0.1 %
Fund Balance Addition/(Reduction)	$ (42,309)				

4.1

Health Science Center

FY 2013 Revised Budget Summary

Unrestricted Current Funds Revenues, Expenditures, and Transfers

	FY 2012 ACTUALS	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	%
EDUCATIONAL AND GENERAL					
Revenues					
Tuition & Fees	$ 68,259,251	$ 68,630,947	$ 68,639,868	$ 8,921	0.0 %
State Appropriations	118,311,558	122,102,807	122,200,000	97,193	0.1 %
Grants & Contracts	15,304,097	15,422,893	15,274,655	(148,238)	(1.0) %
Sales & Service	19,075,020	18,881,045	19,015,849	134,804	0.7 %
Other Sources	2,620,905	4,101,242	3,988,732	(112,510)	(2.7) %
Total Revenues	223,570,831	229,138,934	229,119,104	(19,830)	0.0 %
Expenditures and Transfers					
Instruction	$ 106,677,170	$ 121,736,035	$ 128,728,297	$ 6,992,262	5.7 %
Research	8,789,093	7,734,288	10,128,081	2,393,793	31.0 %
Public Service	25,601	38,091	35,029	(3,062)	(8.0) %
Academic Support	35,658,551	32,815,722	40,211,169	7,395,447	22.5 %
Student Services	4,533,435	4,796,313	5,296,780	500,467	10.4 %
Institutional Support	19,292,793	21,701,720	21,762,645	60,925	0.3 %
Op/Maint Physical Plant	28,679,421	24,673,175	25,526,936	853,761	3.5 %
Scholarships & Fellowships	8,429,381	8,645,095	8,645,095		
Sub-total Expenditures	$ 212,085,445	$ 222,140,439	$ 240,334,032	$ 18,193,593	8.2 %
Mandatory Transfers	4,007,978	4,022,338	4,022,338		
Non-Mandatory Transfers	9,932,879	2,976,157	5,476,157	2,500,000	84.0 %
Total Expenditures & Transfers	$ 226,026,302	$ 229,138,934	$ 249,832,527	$ 20,693,593	9.0 %
Fund Balance Addition/(Reduction)	$ (2,455,472)		$ (20,713,423)		
AUXILIARIES					
Revenues	$ 2,608,424	$ 2,754,485	$ 2,793,521	$ 39,036	1.4 %
Expenditures and Transfers					
Expenditures	$ 2,447,977	$ 2,411,125	$ 2,450,161	$ 39,036	1.6 %
Mandatory Transfers	244,364	343,360	343,360		
Non-Mandatory Transfers	(94,556)				%
Total Expenditures & Transfers	$ 2,597,785	$ 2,754,485	$ 2,793,521	$ 39,036	1.4 %
Fund Balance Addition/(Reduction)	$ 10,639				
TOTALS					
Revenues	$ 226,179,255	$ 231,893,419	$ 231,912,625	$ 19,206	0.0 %
Expenditures and Transfers					
Expenditures	$ 214,533,422	$ 224,551,564	$ 242,784,193	$ 18,232,629	8.1 %
Mandatory Transfers	4,252,342	4,365,698	4,365,698		
Non-Mandatory Transfers	9,838,323	2,976,157	5,476,157	2,500,000	84.0 %
Total Expenditures & Transfers	$ 228,624,087	$ 231,893,419	$ 252,626,048	$ 20,732,629	8.9 %
Fund Balance Addition/(Reduction)	$ (2,444,833)		$ (20,713,423)		

4.1

Health Science Center - Memphis Other Specialized Units

FY 2013 Revised Budget Summary

Unrestricted Current Funds Revenues, Expenditures, and Transfers

	FY 2012 ACTUALS	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	%
EDUCATIONAL AND GENERAL					
Revenues					
Tuition & Fees	$ 47,108,691	$ 45,388,247	$ 45,397,168	$ 8,921	0.0
State Appropriations	64,831,856	67,376,707	67,383,500	6,793	0.0
Grants & Contracts	14,474,626	13,109,580	12,959,580	(150,000)	(1.1)
Sales & Service	7,670,876	7,675,115	7,792,464	117,349	1.5
Other Sources	2,165,951	3,551,242	3,438,732	(112,510)	(3.2)
Total Revenues	$ 136,252,000	$ 137,100,891	$ 136,971,444	$ (129,447)	(0.1)
Expenditures and Transfers					
Instruction	$ 39,499,761	$ 47,284,057	$ 49,118,298	$ 1,834,241	3.9
Research	5,026,193	6,861,836	7,829,284	967,448	14.1
Public Service		25,000	25,000		
Academic Support	31,717,880	28,453,334	35,314,883	6,861,549	24.1
Student Services	4,080,214	4,054,685	4,536,088	481,403	11.9
Institutional Support	18,509,172	21,168,933	20,495,794	(673,139)	(3.2)
Op/Maint Physical Plant	27,938,988	24,487,729	25,269,140	781,411	3.2
Scholarships & Fellowships	6,597,856	6,728,185	6,728,185		
Sub-total Expenditures	$ 133,370,064	$ 139,063,759	$ 149,316,672	$ 10,252,913	7.4
Mandatory Transfers	3,907,535	3,922,942	3,922,942		
Non-Mandatory Transfers	2,009,599	(5,885,810)	3,503,772	9,389,582	159.5
Total Expenditures & Transfers	$ 139,287,198	$ 137,100,891	$ 156,743,386	$ 19,642,495	14.3
Fund Balance Addition/(Reduction)	$ (3,035,198)		$ (19,771,942)		
AUXILIARIES					
Revenues	$ 2,608,424	$ 2,754,485	$ 2,793,521	$ 39,036	1.4
Expenditures and Transfers					
Expenditures	$ 2,447,977	$ 2,411,125	$ 2,450,161	$ 39,036	1.6
Mandatory Transfers	244,364	343,360	343,360		
Non-Mandatory Transfers	(94,556)				
Total Expenditures & Transfers	$ 2,597,785	$ 2,754,485	$ 2,793,521	$ 39,036	1.4
Fund Balance Addition/(Reduction)	$ 10,639				
TOTALS					
Revenues	$ 138,860,424	$ 139,855,376	$ 139,764,965	$ (90,411)	(0.1)
Expenditures and Transfers					
Expenditures	$ 135,818,041	$ 141,474,884	$ 151,766,833	$ 10,291,949	7.3
Mandatory Transfers	4,151,899	4,266,302	4,266,302		
Non-Mandatory Transfers	1,915,043	(5,885,810)	3,503,772	9,389,582	159.5
Total Expenditures & Transfers	$ 141,884,983	$ 139,855,376	$ 159,536,907	$ 19,681,531	14.1
Fund Balance Addition/(Reduction)	$ (3,024,559)		$ (19,771,942)		

4.1

Health Science Center - College of Medicine

FY 2013 Revised Budget Summary

Unrestricted Current Funds Revenues, Expenditures, and Transfers

	FY 2012 ACTUALS	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	%
EDUCATIONAL AND GENERAL					
Revenues					
Tuition & Fees	$ 21,150,560	$ 23,242,700	$ 23,242,700		
State Appropriations	44,093,363	44,845,300	44,934,400	$ 89,100	0.2 %
Grants & Contracts	829,471	2,313,313	2,315,075	1,762	0.1 %
Sales & Service	1,713,751	1,750,000	1,750,815	815	0.0 %
Other Sources	120				
Total Revenues	$ 67,787,266	$ 72,151,313	$ 72,242,990	$ 91,677	0.1 %
Expenditures and Transfers					
Instruction	$ 49,042,084	$ 55,500,018	$ 60,347,432	$ 4,847,414	8.7 %
Research	3,762,899	872,452	2,298,797	1,426,345	163.5 %
Public Service	25,601	13,091	10,029	(3,062)	(23.4) %
Academic Support	3,940,671	4,362,388	4,896,286	533,898	12.2 %
Student Services	453,221	741,628	760,692	19,064	2.6 %
Institutional Support	540,399	97,400	184,791	87,391	89.7 %
Op/Maint Physical Plant	545,129		70,209	70,209	NA
Scholarships & Fellowships	1,831,525	1,916,910	1,916,910		
Sub-total Expenditures	$ 60,141,530	$ 63,503,887	$ 70,485,146	$ 6,981,259	11.0 %
Mandatory Transfers					
Non-Mandatory Transfers	7,615,657	8,647,426	1,757,844	(6,889,582)	(79.7) %
Total Expenditures & Transfers	$ 67,757,187	$ 72,151,313	$ 72,242,990	$ 91,677	0.1 %
Fund Balance Addition/(Reduction)	$ 30,079				

4.1

Health Science Center - Family Medical Units

FY 2013 Revised Budget Summary

Unrestricted Current Funds Revenues, Expenditures, and Transfers

	FY 2012 ACTUALS	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	%
EDUCATIONAL AND GENERAL					
Revenues					
Tuition & Fees					
State Appropriations	$ 9,386,338	$ 9,880,800	$ 9,882,100	$ 1,300	0.0 %
Grants & Contracts					
Sales & Service	9,690,393	9,455,930	9,472,570	16,640	0.2 %
Other Sources	454,834	550,000	550,000		
Total Revenues	$ 19,531,565	$ 19,886,730	$ 19,904,670	$ 17,940	0.1 %
Expenditures and Transfers					
Instruction	$ 18,135,325	$ 18,951,960	$ 19,262,567	$ 310,607	1.6 %
Research					
Public Service					
Academic Support					
Student Services					
Institutional Support	243,222	435,387	1,082,060	646,673	148.5 %
Op/Maint Physical Plant	195,305	185,446	187,587	2,141	1.2 %
Scholarships & Fellowships					
Sub-total Expenditures	$ 18,573,852	$ 19,572,793	$ 20,532,214	$ 959,421	4.9 %
Mandatory Transfers	100,443	99,396	99,396		
Non-Mandatory Transfers	307,623	214,541	214,541		
Total Expenditures & Transfers	$ 18,981,918	$ 19,886,730	$ 20,846,151	$ 959,421	4.8 %
Fund Balance Addition/(Reduction)	$ 549,647		$ (941,481)		

Agricultural Units Total

FY 2013 Revised Budget Summary

Unrestricted Current Funds Revenues, Expenditures, and Transfers

	FY 2012 ACTUALS	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	CHANGE ORIGINAL TO REVISED %
EDUCATIONAL AND GENERAL					
Revenues					
Tuition & Fees	$ 10,871,315	$ 10,676,585	$ 10,624,133	$ (52,452)	(0.5) %
State Appropriations	66,317,743	69,742,411	69,781,361	38,950	0.1 %
Grants & Contracts	4,433,153	4,351,177	4,351,177		
Sales & Service	18,417,577	19,272,556	19,342,485	69,929	0.4 %
Other Sources	15,462,660	16,055,126	16,065,126	10,000	0.1 %
Total Revenues	$ 115,502,448	$ 120,097,855	$ 120,164,282	$ 66,427	0.1 %
Expenditures and Transfers					
Instruction	$ 24,964,213	$ 31,244,936	$ 32,065,766	$ 820,830	2.6 %
Research	36,495,440	38,880,296	44,716,627	5,836,331	15.0 %
Public Service	37,619,941	42,064,673	49,657,452	7,592,779	18.1 %
Academic Support	6,442,899	6,977,023	7,185,732	208,709	3.0 %
Student Services					
Institutional Support	2,285,454	2,062,246	2,193,062	130,816	6.3 %
Op/Maint Physical Plant	3,032,622	3,543,000	3,698,503	155,503	4.4 %
Scholarships & Fellowships			100,323	100,323	NA
Sub-total Expenditures	$ 110,840,569	$ 124,772,174	$ 139,617,465	$ 14,845,291	11.9 %
Mandatory Transfers					
Non-Mandatory Transfers	6,978,586	(727,819)	(6,243,217)	(5,515,398)	(757.8) %
Total Expenditures & Transfers	$ 117,819,155	$ 124,044,355	$ 133,374,248	$ 9,329,893	7.5 %
Fund Balance Addition/(Reduction)	$ (2,316,706)	$ (3,946,500)	$ (13,209,966)		

4.1

Agricultural Experiment Station

FY 2013 Revised Budget Summary

Unrestricted Current Funds Revenues, Expenditures, and Transfers

	FY 2012 ACTUALS	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	%
EDUCATIONAL AND GENERAL					
Revenues					
Tuition & Fees					
State Appropriations	$ 23,333,760	$ 24,462,723	$ 24,480,573	$ 17,850	0.1 %
Grants & Contracts	2,695,499	2,570,000	2,570,000		
Sales & Service	3,711,459	3,227,443	3,297,372	69,929	2.2 %
Other Sources	5,208,672	6,652,183	6,662,183	10,000	0.2 %
Total Revenues	34,949,391	36,912,349	37,010,128	97,779	0.3 %
Expenditures and Transfers					
Instruction					
Research	$ 32,553,354	$ 33,718,003	$ 39,359,415	$ 5,641,412	16.7 %
Public Service	3,030				
Academic Support	1,436,026	1,362,556	1,413,585	51,029	3.7 %
Student Services					
Institutional Support	882,599	971,546	1,068,070	96,524	9.9 %
Op/Maint Physical Plant	515,067	442,030	442,540	510	0.1 %
Scholarships & Fellowships					
Sub-total Expenditures	$ 35,390,075	$ 36,494,135	$ 42,283,610	$ 5,789,475	15.9 %
Mandatory Transfers					
Non-Mandatory Transfers	(504,991)	418,214	(5,273,482)	(5,691,696)	(1,361.0) %
Total Expenditures & Transfers	$ 34,885,084	$ 36,912,349	$ 37,010,128	$ 97,779	0.3 %
Fund Balance Addition/(Reduction)	$ 64,307				

4.1

UT Extension

FY 2013 Revised Budget Summary

Unrestricted Current Funds Revenues, Expenditures, and Transfers

	FY 2012 ACTUALS	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	%
EDUCATIONAL AND GENERAL					
Revenues					
Tuition & Fees					
State Appropriations	$ 28,160,380	$ 29,560,066	$ 29,580,016	$ 19,950	0.1 %
Grants & Contracts	604,333	495,000	495,000		
Sales & Service	3,943,669	4,371,316	4,371,316		
Other Sources	10,041,704	9,197,997	9,197,997		
Total Revenues	$ 42,750,086	$ 43,624,379	$ 43,644,329	$ 19,950	0.0 %
Expenditures and Transfers					
Instruction					
Research					
Public Service	$ 37,504,306	$ 41,990,706	$ 49,578,979	$ 7,588,273	18.1 %
Academic Support	717,861	757,468	789,662	32,194	4.3 %
Student Services					
Institutional Support	716,733	572,435	581,614	9,179	1.6 %
Op/Maint Physical Plant					
Scholarships & Fellowships					
Sub-Total Expenditures	$ 38,938,900	$ 43,320,609	$ 50,950,255	$ 7,629,646	17.6 %
Mandatory Transfers					
Non-Mandatory Transfers	6,390,145	760,923	699,223	(61,700)	(8.1) %
Total Expenditures & Transfers	$ 45,329,045	$ 44,081,532	$ 51,649,478	$ 7,597,946	17.2 %
Fund Balance Addition/(Reduction)	$ (2,578,959)	$ (457,153)	$ (8,005,149)		

4.1

College of Veterinary Medicine

FY 2013 Revised Budget Summary

Unrestricted Current Funds Revenues, Expenditures, and Transfers

	FY 2012 ACTUALS	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	%
EDUCATIONAL AND GENERAL					
Revenues					
Tuition & Fees	$ 10,871,315	$ 10,676,585	$ 10,624,133	$ (52,452)	(0.5) %
State Appropriations	14,823,603	15,719,622	15,720,772	1,150	0.0 %
Grants & Contracts	1,133,321	1,286,177	1,286,177		
Sales & Service	10,762,449	11,673,797	11,673,797		
Other Sources	212,284	204,946	204,946		
Total Revenues	$ 37,802,972	$ 39,561,127	$ 39,509,825	$ (51,302)	(0.1) %
Expenditures and Transfers					
Instruction	$ 24,964,213	$ 31,244,936	$ 32,065,766	$ 820,830	2.6 %
Research	3,942,086	5,162,293	5,357,212	194,919	3.8 %
Public Service	112,605	73,967	78,473	4,506	6.1 %
Academic Support	4,289,012	4,856,999	4,982,485	125,486	2.6 %
Student Services					
Institutional Support	686,122	518,265	543,378	25,113	4.8 %
Op/Maint Physical Plant	2,517,555	3,100,970	3,255,963	154,993	5.0 %
Scholarships & Fellowships			100,323	100,323	
Sub-Total Expenditures	$ 36,511,593	$ 44,957,430	$ 46,383,600	$ 1,426,170	3.2 %
Mandatory Transfers					
Non-Mandatory Transfers	1,093,432	(1,906,956)	(1,668,958)	237,998	12.5 %
Total Expenditures & Transfers	$ 37,605,025	$ 43,050,474	$ 44,714,642	$ 1,664,168	3.9 %
Fund Balance Addition/(Reduction)	$ 197,946	$ (3,489,347)	$ (5,204,817)		

4.1

Public Service Units

FY 2013 Revised Budget Summary

Unrestricted Current Funds Revenues, Expenditures, and Transfers

	FY 2012 ACTUALS	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	%
EDUCATIONAL AND GENERAL					
Revenues					
Tuition & Fees					
State Appropriations	$ 8,474,852	$ 9,452,097	$ 9,447,397	$ (4,700)	0.0 %
Grants & Contracts	459,960	774,849	474,849	(300,000)	(38.7) %
Sales & Service					
Other Sources	6,597,550	6,819,795	6,840,420	20,625	0.3 %
Total Revenues	$ 15,532,363	$ 17,046,741	$ 16,762,666	$ (284,075)	(1.7) %
Expenditures and Transfers					
Instruction					
Research					
Public Service	$ 13,391,506	$ 15,401,595	$ 15,121,614	$ (279,981)	(1.8) %
Academic Support	243,271	280,839	325,796	44,957	16.0 %
Student Services					
Institutional Support	960,535	1,108,725	1,108,725		
Op/Maint Physical Plant					
Scholarships & Fellowships					
Sub-Total Expenditures	$ 14,595,312	$ 16,791,159	$ 16,556,135	$ (235,024)	(1.4) %
Mandatory Transfers					
Non-Mandatory Transfers	709,928	362,282	292,282	(70,000)	(19.3) %
Total Expenditures & Transfers	$ 15,305,240	$ 17,153,441	$ 16,848,417	$ (305,024)	(1.8) %
Fund Balance Addition/(Reduction)	$ 227,122	$ (106,700)	$ (85,751)		

4.1

Institute for Public Service

FY 2013 Revised Budget Summary

Unrestricted Current Funds Revenues, Expenditures, and Transfers

	FY 2012 ACTUALS	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	CHANGE ORIGINAL TO REVISED %
EDUCATIONAL AND GENERAL					
Revenues					
Tuition & Fees					
State Appropriations	$ 4,368,582	$ 5,062,659	$ 5,058,459	$ (4,200)	(0.1) %
Grants & Contracts	407,258	774,849	474,849	(300,000)	(38.7) %
Sales & Service					
Other Sources	537,727	733,900	754,525	20,625	2.8 %
Total Revenues	$ 5,313,568	$ 6,571,408	$ 6,287,833	$ (283,575)	(4.3) %
Expenditures and Transfers					
Instruction					
Research					
Public Service	$ 3,741,974	$ 4,905,210	$ 4,670,690	$ (234,520)	(4.8) %
Academic Support					
Student Services					
Institutional Support	951,866	1,092,390	1,092,390		
Op/Maint Physical Plant					
Scholarships & Fellowships					
Sub-Total Expenditures	$ 4,693,840	$ 5,997,600	$ 5,763,080	$ (234,520)	(3.9) %
Mandatory Transfers					
Non-Mandatory Transfers	523,696	573,808	510,425	(63,383)	(11.0) %
Total Expenditures & Transfers	$ 5,217,536	$ 6,571,408	$ 6,273,505	$ (297,903)	(4.5) %
Fund Balance Addition/(Reduction)	$ 96,032		$ 14,328		

4.1

Municipal Technical Advisory Services

FY 2013 Revised Budget Summary

Unrestricted Current Funds Revenues, Expenditures, and Transfers

	FY 2012 ACTUALS	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	CHANGE ORIGINAL TO REVISED %
EDUCATIONAL AND GENERAL					
Revenues					
Tuition & Fees					
State Appropriations	$ 2,571,285	$ 2,738,469	$ 2,737,969	$ (500)	0.0 %
Grants & Contracts	15,294				
Sales & Service					
Other Sources	2,936,223	2,939,174	2,939,174		
Total Revenues	$ 5,522,802	$ 5,677,643	$ 5,677,143	$ (500)	0.0 %
Expenditures and Transfers					
Instruction					
Research					
Public Service	$ 5,061,555	$ 5,647,899	$ 5,602,442	$ (45,457)	(0.8) %
Academic Support	243,271	280,839	325,796	44,957	16.0 %
Student Services					
Institutional Support	5,548	8,500	8,500		
Op/Maint Physical Plant					
Scholarships & Fellowships					
Sub-Total Expenditures	$ 5,310,374	$ 5,937,238	$ 5,936,738	$ (500)	0.0 %
Mandatory Transfers					
Non-Mandatory Transfers	189,863	(107,568)	(109,225)	(1,657)	(1.5) %
Total Expenditures & Transfers	$ 5,500,237	$ 5,829,670	$ 5,827,513	$ (2,157)	0.0 %
Fund Balance Addition/(Reduction)	22,565	(152,027)	(150,370)		

County Technical Assistance Service

FY 2013 Revised Budget Summary

Unrestricted Current Funds Revenues, Expenditures, and Transfers

	FY 2012 ACTUALS	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	CHANGE ORIGINAL TO REVISED %
EDUCATIONAL AND GENERAL					
Revenues					
Tuition & Fees					
State Appropriations	$ 1,534,985	$ 1,650,969	$ 1,650,969		
Grants & Contracts	37,408				
Sales & Service					
Other Sources	3,123,600	3,146,721	3,146,721		
Total Revenues	$ 4,695,993	$ 4,797,690	$ 4,797,690		
Expenditures and Transfers					
Instruction					
Research					
Public Service	$ 4,587,977	$ 4,848,486	$ 4,848,482	$ (4)	0.0 %
Academic Support					
Student Services					
Institutional Support	3,121	7,835	7,835		
Op/Maint Physical Plant					
Scholarships & Fellowships					
Sub-Total Expenditures	$ 4,591,098	$ 4,856,321	$ 4,856,317	$ (4)	0.0 %
Mandatory Transfers					
Non-Mandatory Transfers	(3,631)	(103,958)	(108,918)	(4,960)	(4.8) %
Total Expenditures & Transfers	$ 4,587,467	$ 4,752,363	$ 4,747,399	$ (4,964)	(0.1) %
Fund Balance Addition/(Reduction)	$ 108,526	$ 45,327	$ 50,291		

4.1

University-Wide Administration

FY 2013 Revised Budget Summary

Unrestricted Current Funds Revenues, Expenditures, and Transfers

	FY 2012 ACTUALS	FY 2013 ORIGINAL	FY 2013 REVISED	CHANGE ORIGINAL TO REVISED AMOUNT	CHANGE ORIGINAL TO REVISED %
EDUCATIONAL AND GENERAL					
Revenues					
Tuition & Fees					
State Appropriations	$ 4,614,770	$ 4,578,828	$ 4,571,278	$ (7,550)	(0.2) %
Grants & Contracts					
Sales & Service					
Other Sources	17,969,366	15,555,000	15,555,000		
Total Revenues	22,584,136	20,133,828	20,126,278	(7,550)	0.0 %
Expenditures and Transfers					
Instruction					
Research	$ 532,219				
Public Service					
Academic Support					
Student Services					
Institutional Support	43,118,423	$ 43,282,907	$ 44,961,101	$ 1,678,194	3.9 %
Op/Maint Physical Plant					
Scholarships & Fellowships					
Sub-Total Expenditures	$ 43,650,642	$ 43,282,907	$ 44,961,101	$ 1,678,194	3.9 %
Mandatory Transfers	135,002				
Non-Mandatory Transfers	(16,169,996)	(23,084,978)	(24,786,190)	(1,701,212)	(7.4) %
Total Expenditures & Transfers	$ 27,615,648	$ 20,197,929	$ 20,174,911	$ (23,018)	(0.1) %
Fund Balance Addition/(Reduction)	$ (5,031,513)	$ (64,101)	$ (48,633)		

4.1

The University of Tennessee
FY 2012-13 Budget Document

Charles M. Peccolo, Treasurer & Chief Financial Officer

System Budget and Finance Office
Ron Maples, Controller
Ron Loewen, Budget Director
John Bodin-Henderson

We gratefully acknowledge the effort and cooperation of the campus and unit budget staff and the IRIS staff who contribute to the preparation of the University budget.

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Publication Authorization Number: E17-0140-001-13

4.2

RESOLUTION
OF
THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES
March 1, 2013

REVISED FY 2013 Operating Budget

WHEREAS, the Bylaws require the Board of Trustees to approve an annual operating budget for the University; and

WHEREAS, the Board approved the FY 2013 operating budget in June 2012; and

WHEREAS, the operating budget must be revised during the year to update revenue and expenditure projections for the remainder of the fiscal year, taking into consideration final fall enrollments (which are estimated when the original budget is prepared), the impact of the prior year's activities carried forward into the current year, and adjustments in state appropriations occurring since the budget was approved in June 2012; and

WHEREAS, the FY 2013 Revised Operating Budget includes adjustments allocating minor revisions to budgeted revenues and a significant carry forward of unexpended non-recurring funds from FY 2012; and

WHEREAS, the administration needs to be able to respond quickly and effectively to a significant budget shortfall due to any state impoundment of funds or appropriation rescission; and

WHEREAS, mandatory furloughs without pay, reduction of time worked, across-the-board salary reductions, and similar salary-related measures may be required to address budget reductions or a budgetary shortfall; and

WHEREAS, the FY 2013 Revised Budgets for Education and General (E&G) and Auxiliary Enterprises are balanced and within available resources and comply with all applicable policies and guidelines;

NOW THEREFORE BE IT RESOLVED that:

1. The FY 2013 Revised Budget is approved with the understanding that if the General Assembly or the Department of Finance and Administration further alter the FY 2013 appropriations, or if changes in estimated resources require, the budget shall be modified accordingly so expenditures will not exceed available resources.

2. The Board of Trustees expressly authorizes the campus, institute, and unit administrations, in response to budget reductions or a budgetary shortfall, to implement mandatory furloughs without pay, reduction of time worked, across-

the-board salary reductions, and similar salary-related measures during the remainder of FY 2013, subject to approval by the Executive and Compensation Committee, the President, and the Treasurer and Chief Financial Officer, in consultation with the General Counsel and Human Resources.

3. Any remaining balance of Unrestricted Net Assets may be considered as a reserve for contingencies to be used for:

    a. Employing additional staff where enrollments and reorganization requirements warrant;

    b. Modifying departmental operating budgets where changing conditions during the year require funding adjustments;

    c. Funding to make salary adjustments for personnel as may be necessary during the year in keeping with state and university salary guidelines;

    d. Improving physical facilities for academic and research departments as opportunities arise;

    e. Mandated cost increases; and

    f. State impoundment of funds or appropriations rescission during the budget year

Adopted by the Board of Trustees, this 1st day of March, 2013.

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

ACTION ITEM

DATE:	February 28, 2013
COMMITTEE:	Finance and Administration
CAMPUS/UNIT:	UTC
ITEM:	**UTC Differential Tuition Proposal for Business, Engineering, and Nursing**
RECOMMENDATION:	Approval
PRESENTED BY:	Grady E. Bogue, Interim Chancellor, UTC

A differential tuition proposal for all courses in Business, Engineering, and Nursing at UTC is outlined in the following materials.

MOTION:

1. **That The University of Tennessee at Chattanooga be authorized to implement a differential tuition model for Business, Engineering, and Nursing as described in the meeting materials, beginning with the 2013-14 academic year; and**
2. **That the proposed FY 2014 operating budget for UTC be developed and presented to the Board of Trustees incorporating a $50.00 per student credit hour differential tuition for courses in Business, Engineering, and Nursing; and**
3. **That the differential tuition will increase in future years at the same rate as any future increases in tuition (in-state maintenance fees) at UTC.**

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Differential Tuition Proposal
for
Business, Nursing & Engineering
University of Tennessee Chattanooga

University of Tennessee Board of Trustees
February 28th, 2013
E. Grady Bogue, Interim Chancellor

An Overview

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- **Policy Goals**
- **Policy Features**
- **Precedent and Peer Practice**
- **Student Endorsement and University Benefit**
- **Scholarship Support**

– The Goals

5

- **To provide additional resources in high cost and critical disciplines of business, engineering, and nursing**
- **To affirm and guarantee continued professional accreditation in each of these fields via adequate faculty staffing and advising/career guidance support**
- **To meet growing enrollment demands in these fields and match student enrollment demand with adequate faculty staffing.**

– The Policy

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- **Students (majors and non majors) enrolling in any course in these two colleges (Business and Engineering) and school (Nursing) would pay an additional $50/credit hour in tuition.**
- **The actual financial impact for students Engineering and nursing would be a difference of $25/credit hour since an existing course fee of $25/credit hour is being terminated.**
- **The College of Business does not have this course fee but will implement its tuition differential over a two year period, with an increase of $25/credit hour in 2013-14 and $50/credit hour in 2014-15.**

Financial Summary for Proposed Differential Tuition for Fiscal Year 2013-2014

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College	Current Credit Hour Fee	Proposed Credit Hour Fee	Estimated Annual Gross Revenue	Estimated Additional Gross Revenue	Need Based Scholar-ships	Net College Revenue	Annual Increase per Student	Total Cost per Student
Business	$0	$50[1]	$1,824,050	$1,824,050	$182,405	$1,732,850	$600/ $1,300[2]	$3,350[3]
Engineering	$25	$50	$778,900	$389,450	$75,000	$703,900	$600	$2,400
Nursing	$25	$50	$519,300	$410,820	$51,930	$467,370	$820[4]	$3,284[4]

[1] Phased in over two years

[2] $600 in sophomore year and $1,300 in junior and senior years

[3] $3,350 for undergraduate business majors; $750 - $1,050 for business minors depending on program of study

[4] Averaged Undergraduate/Graduate

–Precedent and Peer Practice

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- **Similar Policy adopted University of Tennessee, Knoxville**
- **Many UTC peer schools have differential peer policy**
- **Board of Regents entertaining similar policy for its universities.**

– Student Endorsement and University Benefit

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- Students in each of the three academic units were consulted on the proposed policy, have endorsed the policy, and a record of those meetings may be found in full policy proposal.
- A sizeable projected budget amount for 2013-14 had been earmarked for new faculty needs and now that amount will not have to be spread over all colleges but made available to new faculty needs in other fields such as arts and sciences and education.

– Scholarship Aid

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- **To meet the financial needs of students who may find it difficult to meet these new costs at least 10% of the tuition differential income is being set aside for scholarships.**
- **Deans are framing policies/procedures that will let them identify and respond to students in need. Other university and college scholarships may also be applied to this purpose (see each college proposal).**

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THE UNIVERSITY of TENNESSEE
CHATTANOOGA

DIFFERENTIAL TUITION PROPOSAL
for
ENGINEERING, NURSING, AND BUSINESS
The University of Tennessee at Chattanooga

February 28, 2013

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EXECUTIVE SUMMARY

A differential tuition of $50/SCH is being proposed for courses in business, engineering, and nursing at The University of Tennessee Chattanooga effective for the 2013-2014 academic year. These are high cost disciplines, and the funds will be deployed to strengthen academic advising/student support services, acquire new faculty required to meet and maintain full accreditation in each field and to meet growing enrollment demands without overusing part time faculty, underwrite student financial aid for low income and other students who may encounter difficulty meeting the new fee requirement. Students in all three programs have been consulted on this policy change and endorse it. A record of meetings with students is found in each proposal.

A financial summary for all three program areas is found in the second page of this Executive Summary, and a full outline of anticipated revenues and expenditures for each field is found in the individual proposals. Revenue generated from "differential tuition" will be subject to university financial oversight and management accountability/audit. The review and reporting for the use of these funds will follow normal university budget and financial planning policy. The primary oversight for the use of differential tuition revenues shall be the responsibility of the Deans of the three programs and subject to review of the Provost, as Chief Academic Officer. Year-end unexpended revenues shall be subject to review of the Executive Vice Chancellor, the Provost and the Chancellor.

Differential tuition is a policy practice already adopted at The University of Tennessee Knoxville, many UTC peer institutions (see full proposals) and under review for adoption by universities in the Board of Regents System. For engineering and nursing, the financial impact on students is half of the proposed $50/SCH, as a current $25/SCH course fee is being terminated for those two disciplines. For business, the fee will be implemented over a two-year period, $25/SCH for each year as a means of lessening the impact for students.

Finally, deploying the differential tuition in these three fields will allow the University to use projected funds for new faculty positions that had been proposed for all new faculty needs now to be used in other disciplines across the University in such fields as the arts and sciences and social sciences.

The University of Tennessee at Chattanooga
Financial Summary for Proposed Differential Tuition
for Fiscal Year 2013-2014

College	Current Credit Hour Fee	Proposed Credit Hour Fee	Estimated Annual Gross Revenue	Estimated Additional Gross Revenue	Need Based Scholarships	Net College Revenue	Annual Increase per Student	Total Cost per Student
Business	$0	$50 [1]	$1,824,050	$1,824,050	$182,405	$1,732,850	$600/$1,300 [2]	$3,350 [3]
Engineering	$25	$50	$778,900	$389,450	$75,000	$703,900	$600	$2,400
Nursing	$25	$50	$519,300	$410,820	$51,930	$467,370	$820 [4]	$3,284 [4]

	Applies to Courses	Credit Hour Cap	Automatic Increases
Business	Undergraduate and Graduate	None	Proportionate to Tuition Maintenance
Engineering	Undergraduate and Graduate	None	Proportionate to Tuition Maintenance
Nursing	Undergraduate and Graduate	None	Proportionate to Tuition Maintenance

[1] Phased in over two years.

[2] $600 in sophomore year and $1,300 in junior and senior years

[3] $3,350 for undergraduate business majors; $750 - $1,050 for business minors depending on program of study

[4] Averaged Undergraduate/Graduate

University of Tennessee at Chattanooga
College of Business
Differential Tuition Proposal
January 2013

The College of Business (COB) proposes a differential tuition for all undergraduate and graduate credit hours taught in the College beginning in the 2013-2014 academic year. Differential tuition is needed to fund critical student support services expected as part of a professional college with over 1,700 undergraduate students and 300 graduate students and to support additional targeted faculty hires. Our accrediting body, AACSB International - The Association to Advance Collegiate Schools of Business - has specific standards related to providing student services such as academic advising and career advising, and specific standards related to faculty qualifications needed to support the College's degree offerings. Differential tuition will ensure that we continue to meet AACSB standards, enrich the student experience, and enhance the overall educational quality of the College of Business at the University of Tennessee at Chattanooga. Differential tuition will also allow the COB to invest in critical services needed to increase retention rates and graduation rates in the College.

Key Details of the Proposal

1. All undergraduate and graduate students will be charged a $50 per credit hour differential tuition for all classes taken in the College of Business (classes with the prefix ACC, BUS, ETR, FIN, MGT, and MKT). This differential tuition is in addition to the standard program tuition and fees.

2. The $50 per credit hour differential tuition will be phased in over two years. Students will be charged a $25 per student credit hour differential tuition in the 2013/2014 academic year. This will be increased to $50 per student credit hour starting in fall of 2014 and going forward.

3. The differential tuition will be charged for all undergraduate business courses regardless of the level (i.e., 1000, 2000, 3000, or 4000) and all graduate business courses at the 5000 level.

4. The differential tuition will increase at the same rate as any future UTC tuition increases.

5. The UTC Bursar's Office will credit the differential tuition collected from students to a College of Business income account with oversight provided by the Provost. Surplus program revenues at the end of the fiscal year will be carried over to the next fiscal year for continued program support unless they are needed to ensure a balanced institutional budget at the end of the year as required by law.

6. An annual report will be created that summarizes the spending of the revenue generated from the differential tuition. The report will be reviewed by the UT-Chattanooga Executive Vice President for Finance, the Provost, and the Chancellor, and will be available for students to review.

Projected Revenue from Differential Tuition

The College of Business generated a total of 36,481 student credit hours (31,225 undergraduate student credit hours and 5,256 graduate credit hours) the previous year including the Summer 2011, Fall 2011, and Spring 2012 semesters (see Table 1 below). This level of enrollment would produce total revenue of $1,824,050 assuming a charge of $50 per student credit hour.

Table 1
UTC College of Business
SCH from the Previous Three Semesters

Level/Semester	SCH
Undergraduate	
Summer 2011	2,968
Fall 2011	14,255
Spring 2012	14,002
Graduate	
Summer 2011	1,252
Fall 2011	2,255
Spring 2012	1,749
Total	36,481

Student Cost of Differential Tuition

Total cost of differential tuition for students across all COB programs is included in Table 2. Undergraduate business majors take approximately 67 hours of business courses in their undergraduate degree program. Therefore, the typical student would pay approximately $3,350 in differential tuition across the undergraduate program. For the student taking a typical full load, the differential tuition will equate to an additional $150 in the freshman year, $600 in the sophomore year, $1,350 in the junior year, and $1,250 in the senior year. Actual amounts may be more or less depending on the major and the specific courses that the student selects.

MBA graduate students take from 36 hours to 48 hours depending on their background. Therefore, MBA students would pay a total of $1,800-$2,400 in differential tuition across the graduate program. Students in the Master of Accountancy program take 30 hours of business courses which would result in a total of $1,500 in differential tuition across the program.

The amount of differential tuition for business minors will vary depending on the minor and the specific courses that students select. For most students who minor in business, differential tuition will range from $750 to $1,050 in total for the courses taken in the College of Business in support of a business minor. Table 3 shows the impact of differential tuition on the cost for students for a given semester for each of the programs in the COB.

Table 2
Total Cost of Differential Tuition across UTC COB Programs

Program	Approximate Total Cost across the Program
BSBA	$ 3,350
MBA	$ 1,800 – $ 2,400
MACC	$ 1,500
Minors	$ 750 - $ 1,050

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Table 3
Cost for a Typical Semester across UTC COB Programs Before and After Differential Tuition

Program	Current Tuition/Fees For a Typical Semester	Proposed Tuition/Fees For a Typical Semester with Differential Tuition
BSBA*	$3,606.00	$4,206.00
MBA**	$4,175.00	$4,625.00
MACC**	$4,175.00	$4,625.00
Minors***	$3,606.00	$3,756.00

* Assumes an upper level business major taking a total of 15 hours with 12 hours of business courses.
** Assumes an MBA and MACC student taking 9 hours of graduate business courses.
*** Assumes an undergraduate student minoring in business taking a total of 15 hours with one business course.

Projected First and Second Year Budgets

Table 4 below presents first and second year budgets showing anticipated revenue and expenses. The first year revenue is $ 912,025 and is based on the first year of the phased in differential tuition of $25 per SCH and the second year revenue is $ 1,824,050 based on the second year differential tuition of $50 per SCH. Additional information of the expenses listed in the table below can be found in the next section.

Table 4
Anticipated First and Second Year Budgets

Item	Year 1	Year 2
Revenue		
36,481 SCH @ $25 Year 1 and $ 50 Year 2	$ 912,025	$ 1, 824,050
Expenses		
Academic Advisors	$ 0	$ 150,000
Career Development Center	$ 300,000	$ 300,000
Program and Facilities Enrichment	$ 50,000	$ 200,000
Additional Full-time Faculty	$ 470,822	$ 951,645
Scholarships	$ 91,203	$ 182,405
Student Clubs	$ 0	$ 40,000
Total Expenses	*$ 912,025*	*$ 1,824,050*

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Projected Uses of Funds Generated from Differential Tuition

The rationale for differential tuition is to provide additional student focused services and academic program enhancements that we cannot currently offer students given the current level of funding. The College of Business will invest the funds to provide higher levels of academic advising, support the development of a career services center, enrich the educational program offerings, and hire new faculty to support understaffed academic programs. College of Business students will realize the benefits of differential tuition through targeted investments in areas that directly impact student academic and professional success. The differential tuition plan is also aligned with the strategic priorities of the College to provide enriched academic experiences, value added academic programs, and professional services. Since the use of funds is directed to enhance academic programs and support non-academic services we anticipate a high impact return through higher graduation rates and increased student satisfaction and retention.

An oversight committee consisting of students and faculty will be created to review the annual spending of the revenue generated from the differential tuition to ensure that all of the spending is for projects that impact students. The funds will also be subject to an annual audit by the campus consistent with University policy.

Academic Advisors ($150,000)

University policy requires students to visit with an academic advisor each semester. Until this past year the College of Business provided one academic advisor for approximately 1,750 undergraduate students, or a 1,750:1 ratio. The average ratio for peer institutions is approximately 300:1. Two additional advisors were added in fiscal year 2013 bringing our ratio to 583:1. Advisors serve a number of important roles that directly affect student retention and graduation success such as counseling students on academic major and ensuring that students stay on track for graduation. Advisors are also the frontline in identifying at risk students and directing them to other university services that can intervene to facilitate academic success. The differential tuition would be used to support hiring two additional full-time advisors for the college and one administrative assistant to support the academic advisors.

Career Development Center ($300,000)

The College has plans to develop a Career Development Center. The Career Development Center would have a Career Development Counselor and an Internship Coordinator. Career advising and counseling is important for assisting students with job placement by graduation. The Career Development Counselor would work directly with organizations in facilitating the recruitment of UTC business graduates and would host business job fairs on campus. While most AACSB business schools provide career services to their students, the College of Business at UTC currently provides no career services for undergraduate or graduate students. Internships are a critical component of the COB curriculum and give students the opportunity to apply business skills that were learned in a classroom to real-world problems. An Internship Coordinator is needed for the College to establish relationships with local businesses, to identify internship opportunities, and to grow the number of internships so that more students can participate in this important program. An Internship Coordinator is also needed to monitor and evaluate students currently enrolled in an internship. The differential tuition would support the Career Development Counselor, Internship Coordinator, Administrative Assistant, and program costs.

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Program and Facilities Enrichment ($200,000)

The differential tuition would also be used to establish a pool of funds that the College of Business could use to fund continuous upgrades to academic program and facilities. This fund would be used to upgrade computer labs, software, classroom technology, the Bloomberg lab (which has current annual costs of approximately $80,000), student meeting spaces, classroom physical spaces, and other facility upgrades necessary to provide a high-quality business education. In meetings with students about the differential tuition proposal inadequate facilities, outdated computer labs, and classroom technology were often cited by students as one of the biggest needs for the College.

Additional Full-Time Faculty ($951,645)

The College of Business is currently understaffed and needs to hire additional full-time academically qualified faculty to exceed the minimum standards set forth by AACSB and to offer an education consistent with our peers. Table 5 shows enrollment trends in the COB over the past five years through Fall of 2012, and Table 6 shows FTE faculty over that same period. A more meaningful analysis represented in Table 7 shows that a disproportionate amount of our undergraduate COB credit hours are taught by part-time faculty (adjunct faculty on less than a one year appointment) relative to our 17 peer schools. In addition, as shown in Table 8, our undergraduate student/faculty ratio has increased from 25.8 in 2007/2008 to 30.0 in 2011/2012 (compared to the average of our 17 peers of 19.7 in 2007/2008 and 21.6 in 2011/2012). The shortage of full-time faculty is compounded by the fact that the opportunity to hire new faculty as a result of retirements and attrition is made difficult because former faculty member salaries do no cover the salary expense of new faculty. This deficiency results in having to collapse multiple faculty positions into fewer new hires to cover the additional salary expense, thus shrinking the faculty available to teach courses.

Table 5
UTC COB and UTC Enrollment Data

	Fall 2008	Fall 2009	Fall 2010	Fall 2011	Fall 2012
UTC College of Business	2,224	2,249	2,048	2,021	2,057
UTC Overall	9,807	10,576	10,781	11,438	11,660

Table 6
UTC COB FTE Faculty

	Fall 2008	Fall 2009	Fall 2010	Fall 2011	Fall 2012
UTC College of Business	48.9	50.4	51.2	52.7	50.9

Table 7
Percent Undergraduate SCHs Taught by Part Time Faculty at UTC COB and its 17 Peer Schools*

University	% SCHs by Part-Time Faculty 2007-2008	% SCHs by Part-Time Faculty 2008-2009	% SCHs by Part-Time Faculty 2009-2010	% SCHs by Part-Time Faculty 2010-2011	% SCHs by Part-Time Faculty 2011-2012
Univ. of Tennessee at Chattanooga	**17.4**	**26.7**	**29.7**	**33.0**	**39.8**
Average of 17 Peer Schools	14.3	13.6	9.6	11.1	13.2

* Data based on AACSB's comprehensive data source Data Direct.

Table 8
Undergraduate Student Faculty Ratio at UTC COB and its 17 Peer Schools*

University	Student/ Faculty Ratio 2007-2008	Student/ Faculty Ratio 2008-2009	Student/ Faculty Ratio 2009-2010	Student/ Faculty Ratio 2010-2011	Student/ Faculty Ratio 2011-2012
Univ. of Tennessee at Chattanooga	**25.8**	**27.5**	**25.6**	**30.5**	**30.0**
Average of 17 Peer Schools	19.7	21.0	21.4	22.0	21.6

* Data based on AACSB's comprehensive data source Data Direct.

The data in Tables 7 and 8 indicate that the COB at UTC would need 8.6 additional full-time faculty members to meet the peer average percent of SCH taught by part-time faculty and 22 new faculty FTEs to meet the peer average student/faculty ratio. Because of other critical needs in the COB, e.g. advising, facility upgrades, only a portion of differential tuition will be available to address the severe faculty shortage in the COB. The money allocated from differential tuition would allow the COB to hire approximately 6 additional faculty members.

Scholarships ($182,405)

If differential tuition is shown to have a negative impact on minority and at risk students, up to 10% of the differential tuition will be used to fund scholarships to support at need students. The COB will also seek to raise additional scholarships to support all students. At need students will be identified as students with family incomes below a certain level as determined by UTC.

Student Clubs ($40,000)

The College of Business has a number of student clubs that are designed to give students the opportunity to learn more about their career field, to meet with individuals working in their profession, to gain leadership experience, and to participate in the national organization that sponsors their local chapter. The student clubs receive very little financial support which limits the programs and services that they offer students. We would like to provide $5,000 to each club to support their efforts and increase the participation of all students in these professional clubs.

Projected Effects of Differential Tuition

Potential Impact on Overall Student Enrollment

With demand for business degrees expected to continue to have above average growth and the relative price inelasticity of the market for business education, the proposed differential tuition is not anticipated to have a negative impact on COB enrollments at UTC. Business schools at the University of Tennessee at Knoxville, University of Memphis, Tennessee Technological University, East Tennessee State University, and Middle Tennessee State University have all implemented differential tuition at the undergraduate and graduate level as shown in Table 9. Table 9 also shows current tuition and fees at UTC relative to other Tennessee State schools. Table 10 shows those schools that have implemented differential tuition at the 17 peer institutions identified by the Huron Group's gap analysis study of UTC becoming a top five master's university in the south, along with current tuition and fees. The proposed differential tuition will bring us in line with the program costs of other Tennessee schools and peer institutions.

Potential Impact on Minority and at Risk Student Enrollment

Although overall student enrollment is not expected to decline as a result of differential tuition, there is the concern that differential tuition might negatively impact minority and at risk student enrollment. All members of the Southern Deans Association were asked via email for feedback regarding the impact differential tuition had on overall student enrollment and the impact on minority and at-risk students. The responses indicated that enrollment at schools that implemented differential tuition did not decline. In fact, in some instances deans stated that enrollment grew as a result of the addition of value added services that the differential tuition funded. In no instance did deans indicate that differential tuition had a negative impact on minority or at-risk students.

If differential tuition is shown to have a negative impact on minority and at risk students, the COB has a limited number of scholarships awarded each year which may be reallocated to support students with financial need. In addition, up to 5% of the differential tuition will be earmarked for scholarships to support at need students. The COB is also committed to raising additional scholarship funding to cover differential tuition for those students in need. At need students will be identified as students with family incomes below a certain level as determined by UTC. The COB also has established a Dean's Excellence Fund that is supported through annual contributions from members of the Dean's Advisory Board. Based on the current Advisory Board size the total annual amount collected is $32,500 some of which can be redirected to support scholarships for students in need.

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Table 9
Differential Tuition/Fees at Other Tennessee Universities *

University	Undergraduate COB Differential Tuition/Fee	Graduate COB Differential Tuition/Fee	In-State Undergraduate Tuition/Fee**	In-State Graduate Tuition/Fee**	Comments
Univ. of Tennessee at Chattanooga	No	No	3,606.00	4,175.00	
East Tennessee State Univ.	Yes	Yes	3,873.50	4,139.50	$25 per SCH for UG and G students
Middle Tennessee State Univ.	Yes	Yes	4,121.00	4,230.00	$25 per SCH for UG and G students
Tennessee Technological Univ.	Yes	Yes	3,875.00	4,048.00	$25 per SCH for UG and G students
Univ. of Memphis	Yes	Yes	4,642.00	4,861.00	$35 per SCH for UG and G students
Univ. of Tennessee at Knoxville	Yes	Yes	5,446.00	10,640.00	UG $60 per SCH; MBA (FT) Flat fee of $14,400 for the program

* Based on 2012/2013 undergraduate tuition and fees listed on each school's website.

** In-state tuition and total differential tuition assumes a student takes a total of 15 undergraduate hours or 9 graduate hours in the business school.

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Table 10
Differential Tuition/Fees at UTC's 17 Peer Institutions *

University	Undergraduate COB Differential Tuition/Fee	Graduate COB Differential Tuition/Fee	In-State Undergraduate COB Tuition/Fee**	In-State Graduate COB Tuition/Fee**	Comments
University of Tennessee at Chattanooga	No	No	3,606.00	4,175.00	
Appalachian State Univ.	No	No	3,144.50	3,278.50	
Auburn Univ.-Montgomery	No	No	3,963.00	2,985.00	
College of Charleston	No	Yes	4,959.00	5,455.00	MBA fee of $13,000 in addition to regular tuition
Louisiana Tech Univ.	Yes	Yes	2,149.00	2,314.00	$40 fee for UG and G students
Missouri State Univ.	Yes	Yes	3,771.00	2,466.00	UG $25/SCH; G $32/SCH
Murray State Univ.	No	No	3,420.00	3,897.00	
Northern Kentucky Univ.	No	Yes	3,936.00	4,716.00	COB graduate tuition $72/SCH more than regular tuition
Tennessee Technological Univ.	Yes	Yes	3,875.00	4,048.00	$25/SCH for UG and G
Univ. of Missouri-St. Louis	Yes	Yes	5,251.20	3,948.18	UG $39.60/SCH; G $37.00/SCH
Univ. of Nebraska-Omaha	Yes	No	3,676.90	2,742.10	All BSBA students $5 fee and select courses have $25 course fee
Univ. of North Carolina-Charlotte	No	Yes	2,936.50	5,674.50	COB graduate students pay an extra $2,500 for 9+ hours
Univ. of North Carolina-Wilmington	No	Yes	3,099.35	3,572.49	Full time MBA students pay $404.77 more than regular tuition
Univ. of North Florida	No	No	3,117.45	4,347.54	
Univ. of West Florida	No	No	3,119.25	3,177.63	
Western Carolina Univ.	No	No	3,778.50	3,870.00	
Western Kentucky Univ.	No	Yes	4,042.00	4,185.00	$60 per course fee for graduate courses
Winthrop Univ.	No	No	6,513.00	4,734.00	

* Based on 2012/2013 undergraduate and graduate tuition and fees listed on each school's website.

** In-state tuition and total differential tuition assumes a student takes a total of 15 undergraduate hours or 9 graduate hours in the business school.

Student Response to Differential Tuition

Administrators from the COB met with five different student groups to discuss the differential tuition proposal. The first meeting was with members of the Student Business Leadership Council on April 2, 2012. The second meeting was with officers from six student clubs in the COB and was held on April 9, 2012. The third meeting was on October 30, 2012 with our SGA representatives and COB students. Finally, all COB majors were invited to attend two different open-forums on November 19 and November 28, 2012 to discuss the differential tuition proposal (an additional town hall meeting will be held early in the spring semester). COB administrators described the amount and the proposed uses of the differential tuition in each meeting. In all five sessions, there was consensus among students in support of the differential tuition for the COB. Even those students that expressed concerns over an additional fee agreed it was necessary to support the needs of the COB. Key conclusions from the meetings with students are as follows:

- Students were supportive of the differential tuition as long as it was used to provide value added student services and to enhance the educational quality of the COB.

- The proposed uses of the differential tuition included in this document were strongly supported by the students.

- Students wanted representation on an oversight board that would review the expenditures on an annual basis to ensure that the differential tuition was used for projects that impacted students.

- Students supported the creation of an annual report that would be available to students and that summarized the expenditures resulting from the differential tuition.

Conclusion

The proposed differential tuition will provide much needed resources to begin to address several problems in the COB. Differential tuition will allow us to invest in student focused services and academic program enhancements that are essential to providing a high quality business education and meeting AACSB accrediting standards. It will allow the COB to provide high quality academic advising and career services to students, improve the quality of our academic programs through additional faculty hires and instructional upgrades, and enhance the overall academic reputation of the College. We believe that the benefits from implementing differential tuition outweigh the costs when you consider that our total program costs are in line with other schools in the state, region, and peer group.

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Differential Tuition Proposal
College of Engineering and Computer Science
University of Tennessee at Chattanooga
January 2013

The College of Engineering and Computer Science (CECS) at the University of Tennessee at Chattanooga (UTC) has seen rapid growth in both majors and graduates since 2007. At the same time, the focus of the College has moved to "relevance and engagement" as a strategy, in support of the UTC Strategic Plan as an engaged metropolitan University. Many of our efforts at the undergraduate level focus on workforce development, supporting the growing diverse economy of the Chattanooga region. Much of our research is focused on applied problem solving, directly supporting companies and organizations in the region. Our College has over a dozen efforts in Science, Technology, Engineering, and Math that help sustain a pipeline of potential students that will become the future employees of our partners.
We currently have a $25 per credit hour course fee, for all courses, capped at 8 hours. Due to costs associated with our growth, this is proven to be insufficient. We have no other funding source to sustain the current situation.

We are proposing to replace that fee with differential tuition of $50 per credit hour (uncapped) to reflect the cost of educating quality engineers, technicians, and computer scientists to support the workforce needs of our region. The proposed funds would be dedicated to the purposes noted here, flowing into a separate account with oversight provided by the Provost.

Key Details of the Proposal

1. All undergraduate and graduate students will be charged a $50 per credit hour differential tuition for all classes taken in the College of Engineering and Computer Science. This differential tuition is in addition to the standard program tuition and fees. The current $25 per credit hour course fee will be removed. The differential tuition will increase at the same rate as any future UTC tuition increases.
2. Funds generated are considered revenue funds and are built into the normal budgeting process. The UTC Bursar's Office will credit the differential tuition collected from students to a College of Engineering and Computer Science income account with oversight provided by the Provost. Surplus program revenues at the end of the fiscal year are expected to be carried over in the CECS account to the next fiscal year for continued program support. Dean will coordinate additional oversight, with review consisting of the Council of Student Leaders and Department Heads for annual spending of the revenue generated from the differential.
3. An annual report will be created that summarizes the spending of the revenue generated from the differential tuition. This report will be publicly available and forwarded to the Provost and the Executive Vice Chancellor for Finance.

Projected Revenue from Differential Tuition

The College of Engineering and Computer Science generated a total of 15,578 student credit hours (7,342 fall 2011, 7,280 spring 2012, and 956 summer 2011). For the fall 2012 semester, 8197 credit hours were produced. This shows a year-to-year increase of at least 10% for successive falls. Spring and summer have been significantly higher. This level of enrollment would conservatively (assuming fixed FY11 data) produce total revenue of $778,900 assuming a charge of $50 per student credit hour.

Table 1
UTC College of Engineering and Computer Science
SCH from the Previous Three Semesters

Level/Semester	SCH
Undergraduate	
Summer 2011	702
Fall 2011	6,150
Spring 2012	5,980
Graduate	
Summer 2011	254
Fall 2011	1,192
Spring 2012	1,300
Total	15,578

Undergraduate CECS majors take a minimum of 48 credits to meet accreditation (ABET). Specific majors take more hours in their undergraduate degree program, which typically totals a little more than 80 hours. Therefore, the typical student would pay just over $4,000 in differential tuition across the undergraduate program. Previously, course fees were capped at 8 hours for a maximum of $200 per semester; with students often taking 10-12 semesters to graduate (many students work in internships and average just over 7 credits per semester) for a difference of about $2,400 over the program. In the course catalog, programs to graduate in 4 years have students taking from 4 hours (freshman) to 18 hours (junior) within the College in a given curriculum semester; resulting fees would be from $200 to $900, respectively. For the student taking an average 7 credit hours current load in the major, the differential tuition will equate to $350 or an additional $150 from the previous course fee. Actual amounts may be more or less depending on the major and the specific courses that the student selects.

Graduate students average just under 6 credit hours (many work full time) per semester and complete 33 to 36 hours for a MS degree. Thus, the cost will go from the current course fee at $150 average to $300 average. Current in-state graduate tuition costs for 6 hours is $2751, plus course fees.

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Projected Use of Funds Generated from Differential Tuition

The table below summarizes the proposed funds.

Anticipated First Year Budget		
Item	**Specifics**	**Amount**
Estimated Revenue	15578 SCH x $50/SCH	$778,900
Proposed Budget		
Additional Faculty	3 tenure track, 1 lecturer/adjunct	$350,100
Additional Staff	2 full time, 1 part time	$119,800
Programatic Support	build dept budgets & equipment	$230,000
Scholarships	10% set aside for need	$79,000
	Total	**$778,900**

The rationale for differential tuition is to provide additional student focused services and academic program enhancements. Specifically, the College will use the differential tuition to support several threads of funding need. The first would directly support the quality and growth of academic programs, and be distributed based on the average of percentage of credit hours produced and percentage of graduates produced. Currently, departments in the College have no consistent budget basis beyond historical practice. The intent of these funds is to directly incentivize departments in support of behavior consistent with the Complete College efforts. Due to the advanced technology required in our academic programs, the College has become a testbed for advanced computer applications. Thus, a portion of the funds would be dedicated to underwrite funding our computer replacement cycle commitment to ABET. A portion of funds would support those growing initiatives that require people not yet on the State budget (the faculty and staff in the items below). The balance would be used to provide seed funds for College-wide initiatives (STEM, Energy and Sustainability, SmartGrid, Manufacturing), to augment our recruitment efforts and to provide gap scholarships for those put at risk by the differential tuition, to support workshops for professional development, and to enhance our efforts in student engagement that support our employers and our community. Since the use of funds is directed to enhance academic programs and support non-academic services, we anticipate a high impact return through higher graduation rates and increased student satisfaction and retention.

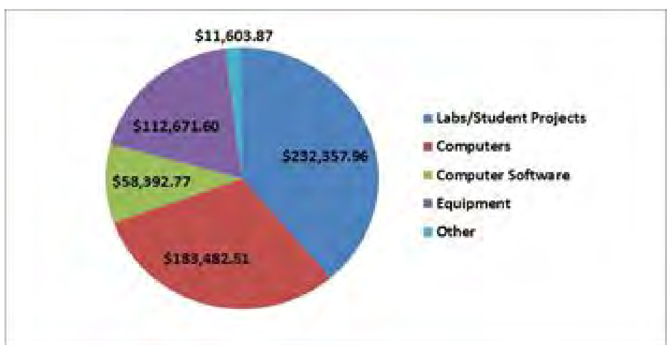
Background

Our College has evolved to support a different niche than some others in the University of Tennessee System. Our College is tightly bound to our employer base in the Chattanooga area – with a focus on workforce development. The employers of our graduates work closely with us to help us in evolving curricula, supporting laboratories, hiring our students, and working with us to train and retrain their workforce. Many of our students work in internships and cooperative education with local/regional companies. Most of our industry partners have a significant percentage of their technical workforce from UTC. Rather than curiosity driven research, which comprises much of the research at some Carnegie Research institutions, a very high percentage of research from our College goes directly into application at companies. Several years back, 5th

Street in Chattanooga, running along the edge of campus, needed repaving. Neither the City, nor the University, had the money for the project. The College worked with a materials producer and the City, to get donated materials and paving services – our students in Civil Engineering did the engineering to support the project. So much expertise has been gathered here, in a series of cost-saving collaborative projects with the City of Chattanooga, that 2 visits have been made by representatives of former Soviet republics to Chattanooga, sponsored by the US State Department, to learn about the latest innovations in paving. Our regional companies, like Astec, have worked with us on warm-mix asphalt and roller compacted concrete, to create a Civil Materials Infrastructure Laboratory here at UTC – that is dedicated to being a resource to industry and government. The students from this lab are highly sought after by industry, because of their sophisticated and current knowledge. We have a broad spectrum of companies working with us on what is termed "smart grid" in power, internet, and telecommunication applications.

Our ETAP/TVA Lab was used twice this summer for week-long industry training workshops, it is also used to educate Electrical Engineering students on sophisticated power simulation of complex plant or system circuitry; the same lab also serves as a resource for training TVA Engineers and Contractors, and serves as a resource for the entire southeast US for collaborative workshops for neighboring utilities, including TVA. TVA claims that students taking courses in this lab take 6 months less to train as new hires. UTC co-hosted the National Council on Competitiveness with Alstom, a summer ago – much of the focus was on successful public/private partnerships in Chattanooga. In supporting Volkswagen and Alstom, we have slowly, within our very limited resources, begun to modify our various curricula to be more responsive to their needs, especially in Mechanical, in Industrial Engineering, and in Engineering Management. We have revamped our Manufacturing course, hiring Jan Evans as Cranston Pierce Director; Jan is an expert who taught Komatsu lean manufacturing, when they set up operations here. We are about half way through modifying our engineering shop area, to function in educating engineering and technology students on mechatronics and welding; we have 2 staff members - a graduate engineer and a mechatronics expert helping educate our students in these essential areas to Alstom and VW. We have a strong alignment with the Associated General Contractors of East Tennessee in our Construction Management program; after an initial gift that helped establish a 2+2 program in collaboration with Chattanooga State, some members have also helped us in teaching and other resources.

The resources to educate quality engineers, technicians, and computer scientists have been costly. The College of Engineering and Computer Science at UTC instituted a general course fee of $25 per hour ($200 maximum) in the fall semester of 2010. The pie chart shows how all those funds have been spent through FY 2011-12. Prior to that time, approximately $14,000 of annual lab fee income was used to cover anticipated expenses of about $396,000 per year. The fee was anticipated to generate about $228,000 per year to help offset this expense. Some of this expense was expected



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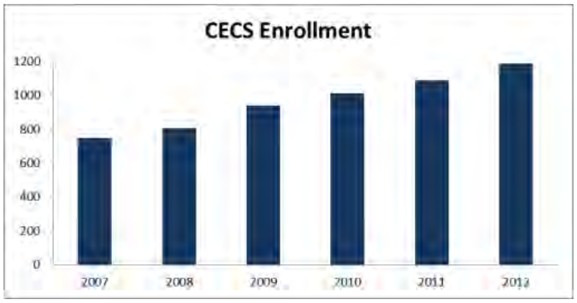
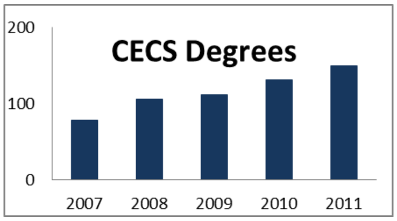
to be met by gifts; however, our accreditation (ABET) requires a steady source of income to show institutional commitment for programs. The College is currently committed to a 3-year computer replacement cycle to ABET, with the approved fees primarily covering this cost. Despite the actual fee income generated of about $150,000 per regular semester, we are significantly short (about $100,000/year) on covering items for which the fee is appropriate due to growing needs. We are also short on covering support personnel, which were not supported by that fee.



The College of Engineering and Computer Science is currently understaffed in critical areas, such as in lab instructors. We need to hire additional faculty and staff to exceed the minimum standards set forth by ABET. The funds provided from differential tuition would provide the necessary funding so that the College could hire full time academically qualified faculty/staff and full time professionally qualified one-year faculty/staff in key areas.



Specifically, we have currently: (1) hired a mechatronics person (to support student projects) that was an accreditation need; (2) picked up the University Cooperative Education function without State funding; (3) added to our manufacturing staff with an expert lecturer; (4) added 2 visiting faculty that cover specific critical areas due to a 58.3% growth in enrollment (92.3% growth in graduation through FY2011) over 6 years; (5) added extensive adjunct faculty. The table below summarizes the trend in tenured and tenure-track faculty since 2007. While enrollment has grown, we have not staffed this growth with full time faculty, but rather with temporary and adjunct faculty.

	2007	2008	2009	2010	2011	2012
Tenure/T Track Faculty	28.42	26.17	28	31	30.5	28.5

Some adjunct faculty bring specific industry expertise to the classroom; however, most typically do not give quality advisement to students or participate in applied research in support of our partners. In Electrical Engineering, we have had to hire up to 9 adjunct faculty to cover the growth in enrollment. These 5 categories above directly support our growth and our efforts with Volkswagen, Alstom, TVA, EPB, and others – indeed the first 2 items are being partially funded this year with VW Partnership funds, which would not be considered sustainable by our accreditation body.

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Faculty and Staff Support

Marginal increases in faculty and staff would be initiated by these funds of $350,100 for faculty and $119,800 for staff support as shown. Both these numbers include benefits. Since a number of current faculty are past the age of normal retirement, this would allow us time to transition in responding to industry needs. Some of the faculty and staff shown are currently temporary, or are funded though temporary funds. The table below shows the direct impact to staffing of the College.

	Proposed	**Benefit**
Tenure Track Faculty	3.5	
Engineering	1.5	Core engineering growth and specific needs for workforce
Engineering Technology	1	Degree production increased by 400% since 2007
Computer Science	1	SCH increased 38% fall to fall, indicating enrollment surge
Funded Staff	2.5	
Cooperative Education	1	Position supports recruiting, coop/intern, advising student groups, and supporting industry need (current VW funds)
Advising	1	Position is new, to support retention goals
Mechatronics	0.5	Position supports accreditation need (current VW funds)

In Science, Technology, Engineering, and Mathematics (STEM), we have at least 15 programs that we work with; the major ones are: the only statewide University Affiliate for Project Lead the Way (teaching the teachers), UTeaChattanooga (ABET accredited Engineering, and CS participation in UTeach replication, currently the only ones in the US), and participation in state curriculum through TVA on energy and power (also with teachers). This is important for establishing the pipeline of potential incoming students. The College has no full time recruiter for high schools or community colleges. We have no staff member to assist faculty in taking care of those students that need minimal advising, so that the faculty can focus on the truly needy cases.

Our unique Director of Workforce Development and STEM Initiatives illustrates our efforts to satisfy these needs of the College with less than ideal funding. That position, currently funded from gifts and grants, combines coordinating traditional Cooperative Education/Internships, enhancing K-12 outreach (recruiting and coordinating the many STEM initiatives of the College), and growing industry interaction by enhancing student organizations' collaboration with companies.

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Programmatic Support

As noted above, we already have commitments to academic programs, partly funded through the current $25/SCH fee. The $230,000 would partly replace this amount. It would be allocated based on Complete College performance.

Scholarship Support

Ten percent of the expected funds generated will be planned to take care of potential funding hardships created by this change. This amount is expected to be $79,000 in the first year.

Projected Effects of Differential Tuition

Demand for our graduates, especially from EE and ME, appears to be limited only by our ability to deliver in those programs. Civil Engineering has also grown significantly, from a specialty under general Engineering in 2006 to about 140 undergraduates. CS enrollment has been fairly flat, but demand for graduates is extremely high according to CIOs in the Chattanooga Technology Council and is expected to be higher still, according to THEC projections. We have over a dozen K-12 STEM outreach projects to help strengthen the pipeline of incoming students to meet the future career needs in the region. We have worked very hard with Chattanooga State and Cleveland State for maximum articulation and a true 2+2 BS program in Construction Management. We have also seen significant growth (205%) in graduate programs in the College over the past 5 years. We expect to extend that growth.

Note that in the recent THEC study of salaries among all graduates from Tennessee Colleges and Universities, our graduates ranked as the highest non-health (3rd and 4th overall) average starting salaries at $56,504 per year for Engineering and $55,861 per year for Engineering Technology. According the May 2010 Bureau of Labor Statistics (BLS) report for the Chattanooga metropolitan region, Engineering mean annual earnings are between $80,210 (Civil) and $88,390 (EE). Similarly, for CS professions the mean annual salaries were between $59,340 (Programmers) and $74,820 (Software Developers). The mean annual salary for all professions was $38,240 according to the BLS. The potential of loans or costs being detrimental is thus expected to be much less than for some degrees. All our programs are high-demand and growing. We believe that the programs can sustain these differential tuition increases without suffering significant drops in enrollments, as shown during the increase in fees. We are sensitive to keeping costs to a minimum, to not price our programs outside the realm of affordability. The impact toward needy students was initially assessed as minimal, since not all available scholarship funds are utilized currently. However, the growth in enrollment has begun to errode this situation, so that scholarship funds will be set aside to minimize impact to needy students. The University of Tennessee at Chattanooga has reduced costs as enrollment grew. According to Planning and Institutional Research, current average UTC per credit hour costs are 88.3% of the costs in FY 2007. Although the College of Engineering and Computer Science cost to educate student is much greater than the UTC average, our cost per credit hour is currently 68.8% of the FY 2007 cost. Now, we are at the point of losing momentum, if we do not increase resources.

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UTC College of Engineering and Computer Science versus Peers

There is substantial data on differential tuition in major universities, and the proposed fee is in-line with available data. There is a 2008 study by G. R. Nelson on over 160 universities. There is a much-publicized Cornell Higher Education Research Group study on over 140 universities. However, there is much less public data on predominately Masters universities. We have sought peer numbers both though our Planning and Institutional Research and through calling or contacting those 17 universities used in our peer group in the gap analysis to move us to a Top 5 Masters University in the South (data through the Huron Group). Only 4 universities have data for both Engineering and Computer Science; 3 (University of West Florida, University of North Carolina - Charlotte, and Western Kentucky) have programmatic differential tuition in some form, with a range of fees up to $375 a semester. Tennessee Tech Computer Science is not listed with Engineering; however the website indicates a per ENGR credit hour fee of $20. The table below summarizes the undergraduate tuition and fees, the graduate tuition and fees, and comments related to the variety of ways the peer group information is assembled. It should be noted that College of Engineering and Computer Science curricula vary from 120 SCH for CS to 128 SCH for Engineering due to accreditation requirements. For 128 credit hours, a student must average 16 hours a semester to graduate in 8 semesters, and will take as noted above, a little over 80 hours in the College on average (about 10 a semester on average to finish in 4 years). The comments below are based on this projected course load.

University	UG Tuition/ Fees Per SCH	Grad Tuition/ Fees Per SCH	Comments - Based on Standard UG CECS Course Load
Appalachian State University	262	364	Computer Science only, no differential
Auburn University at Montgomery	268	332	Pre-Engineering, cyber systems only, $250/hr for 4 SCH
College of Charleston	413	455	Does not have Engineering or Computer Science
Louisiana Tech University	186	257	Fixed differential, flat $77
Missouri State University[1]	408	NA	No differential
Murray State University	285	433	$285/hr for 4 SCH
Nebraska Omaha	283	337	$40/SCH differential
Northern Kentucky University	328	452	Informatics, Engr Technology - differential fees, but not given
Tennessee Tech University	310	424	$20/hr fee, plus $46/hr for 4 SCH
UNC Charlotte	245	353	Fixed differential, flat $100
UNC Wilmington[3]	258	353	Costs vary due to percent taken though NC State
University of Missouri–St. Louis[2]	266	349	$67/SCH differential, plus $266/hr for 4 SCH
University of North Florida	208	483	$208/hr for 4 SCH
University of Tennessee - Chattanooga	317 (342*)	485 (514*)	$50/SCH ($25 increase - 8 max) differential - 10 SCH average
University of West Florida	208	353	$148 flat fee, $15-25 per course, plus $208/hr for 4 SCH
Western Carolina University	315	430	$150 flat fee
Western Kentucky University	353	467	$375 flat fee
Winthrop University	543	697	Computer Science only, no differential
[1] Joint ENGR program with Missouri University of Science and Technology			
[2]Joint program with Washington University			
[3]Joint program with NC State University			
*Proposed here			

As shown in the table above to more clearly show the effect, the table below is provided.

Differential Effect	UG Before	UG After	Grad Before	Grad After
University of Tennessee - Chattanooga	317	342	485	514

Student/Stakeholder Response to Differential Tuition

The Dean of Engineering and Computer Science and the Director of Workforce Development and STEM Initiatives met with the College Council of Student Leaders on December 6, 2011. The students unanimously supported the differential tuition as posed for the items above. The proposed differential tuition was subsequently discussed at the College Department Heads meeting and is strongly supported. Later, in April 2012, the Dean also discussed the proposal with Advisory Board for the College, and has their support. This fall, the Dean discussed the differential tuition with our district representatives in Student Government. The CECS Council of Students Leaders, which is comprised of the elected leadership of all student organizations within the College, met again on October 31, 2012 to discuss the updated proposal. There were suggestions that funds be set aside to support scholarships, which not only provide gap support for needy students, but also support leadership development from the freshman level for CECS students. A commitment was made, that within the workforce development funds, an investment would be made on scholarships with a recurring limit of 5-10% of the overall funds, until gift funds can cover this expense. A quorum being present in the October meeting, a vote was held and the proposal was supported unanimously. Finally, we are committed to continuing a dialog with the students on how the funds are planned, and how they are actually spent. It is our intent to be sure all stakeholders of the College are fully informed, and that we provide good stewardship of the funds.

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The University of Tennessee at Chattanooga
College of Health, Education and Professional Studies
School of Nursing

PROPOSAL FOR A PROGRAM-BASED DIFFERENTIAL TUITION PLAN FOR SCHOOL OF NURSING PROGRAMS

The UTC School of Nursing (SON) proposes a differential tuition plan for all graduate and undergraduate courses to fully support current and future enrollment increases and elevated program costs in the SON. This would apply only to nursing courses. The plan is congruent with differential tuition plans specified by other departments at UTC.

There are over 800 pre-nursing and Bachelor of Science in Nursing (BSN) students and over 115 Master's of Science (MSN) and Doctorate of Nursing Practice (DNP) students in the SON. Schools of Nursing are moving to increase their enrollments to meet current and future projected nursing shortages. Rapid changes in health care require that Tennessee be prepared adequately to meet Advanced Practice nursing shortage projections. Our goal with tuition differential funds is to meet the demand while maintaining a high quality program.

Professional programs including nursing require prescriptive and specific pedagogies that incur higher costs per credit hour than other disciplines campus-wide. It is common for professional nursing students to pay differential tuition for nursing courses.

KEY DETAILS OF THE PROPOSAL

1. All undergraduate and graduate students will be charged a $50 per credit hour differential tuition for all classes taken in the School of Nursing. This differential tuition is in addition to the standard program tuition and fees. The current $25 per credit hour course fee presently paid by MSN students will be terminated.
2. To offset the impact on students adversely affected, ten percent (10%) of the funds realized from the differential tuition revenue will be distributed each year for need-based scholarships.
3. The differential tuition will increase at the same rate as any future UTC tuition increases.
4. The UTC Bursar's Office will credit the differential tuition collected from students to a School of Nursing income account with oversight provided by the Provost.

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PROJECTED REVENUE FROM DIFFERENTIAL TUITION

The School of Nursing generated a total of 10,386 student credit hours (7,156 undergraduate student credit hours and 3,230 graduate credit hours) the previous year, including the Summer 2011, Fall 2011 and Spring 2012 semesters (see table below). This level of enrollment would produce total revenue of $519,300.

SON SCH from the Previous Three Semesters

Level/Semester	SCH
Undergraduate	
Summer 2011	822
Fall 2011	3,340
Spring 2012	2,994
Graduate	
Summer 2011	1,099
Fall 2011	1,103
Spring 2012	1,028
TOTAL	10,386

RATIONALE FOR DIFFERENTIAL TUITION

The nation's nursing shortage will grow as health care needs rise with aging baby boomers (American Association of Colleges of Nursing, 2010). Tennessee is expected to experience more than 15,000 nursing position vacancies by 2020. In fall 2011, the Institute of Medicine (IOM) released its report, *The Future of Nursing*. The report called for increasing the number of nurses with baccalaureate in nursing degrees in the work force by 80 percent. The demand for Bachelor of Science (BSN) nurses will markedly continue to exceed the supply as the population continues to age and older registered nurses retire. The Chattanooga area is contending with a shortage of BSN and higher prepared nurses.

The School of Nursing's strategic plan is congruent with the University's Strategic Plan and supports the mission of an engaged metropolitan department. The proposed differential tuition is requested to maintain the quality programs we offer in our areas to assure that nurses will be available to meet the area's health care needs.

As of fall 2012, the School of Nursing enrollment has substantially increased and is likely to continue to increase in the future (Table 1 & 2).

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Table 1 SON Enrollments Fall 2007 – Fall 2012

MAJOR ENROLLMENT	FALL 2007	FALL 2008	FALL 2009	FALL 2010*	FALL 2011*	FALL 2012*
PRE-NURSING	400	399	500	535	563	500
BS NURSING (BSN)	130	160	161	195	300	376
Post MSN – Certified Registered Nurse Anesthetist (CRNA)/NURSE ANESTHESIA CERTIFICATE	3	1	1	2	1	2
Post MSN - FAMILY NURSE PRACTITIONER (FNP) CERTIFICATE	3	2	2	2	0	2
MSN ANESTHESIA (NA)	51	55	57	42	60	50
MSN FAMILY NURSE PRACTITIONER (FNP)	38	43	37	33	38	40
Doctor of Nursing Practice (DNP)					16	25
TOTAL	625	660	758	809	978	995

*** Increased enrollment made possible by HRSA grant (funding ending 6/20/2013)**

Table 2 SON Faculty Full-Time Equivalents (FTEs)

Full-Time SON Faculty	FTE
2007-2008	18
2008-2009	21
2009-2010	19.75
2010-2011*	21.25
2011-2012*	22.25
2012-2013*	24.5

***Funded faculty were added using HRSA grant funds designated to increase enrollments in BSN program (grant ends 6/30/2013)**

Upon the termination of HRSA grants on June 30, 2013, funding to support additional faculty will end. In order to continue the program at current levels of enrollment, the faculty positions must be maintained. A large portion of funds realized from the differential tuition will be used to maintain faculty at present levels and to maintain above national certification/licensure rates, employment rates and graduation rates. See Table 3 and 4.

Table 3 Undergraduate Graduation, National Certification/Licensure and Employment Rates

Major	Year	Graduation Rate	National Certification/Licensure	Employment Rate within 3 months Graduation
BSN	2008-2009	96%	96%	100%
BSN	2009-2010	85%	97.5%	100%
BSN	2010-2011	77%	97.5%	100%
BSN	2011-2012	87%	97.5%	100%

Table 4 Graduate Graduation, National Certification/Licensure and Employment Rates

Major	Year	Graduation Rate	National Certification/ Licensure	Employment Rate within 3 months Graduation
MSN Family Nurse Practitioner (FNP)	2008-2009	100%	100%	100%
MSN FNP	2009-2010	100%	100%	100%
MSN FNP	2010-2011	95%	100%	100%
MSN FNP	2011-2012	95%	94%	100%
MSN Nurse Anesthesia (NA)	2008-2009	71%	83%	100%
MSN NA	2009-2010	93%	92%	100%
MSN NA	2010-2011	98.5%	92%	100%
MSN NA	2011-2012	97.4%	100%	100%
Doctor of Nursing Practice (DNP)	2010-2011	100%	N/A	N/A
DNP	2011-2012	71%	N/A	N/A

Bachelor of Science in Nursing (BSN)

The School of Nursing's traditional Bachelor of Science in Nursing (BSN) program is an initial licensure program for the professional nurse entering the workforce in an entry-level position. Initially, students in the nursing major enroll in general education and pre-requisite courses and then complete the nursing major in the last five semesters of the program of study. Nursing courses include didactic classroom learning experiences and intense clinical practicum experiences. Students complete a total of twenty nursing courses representing 68 semester credit hours. Because of the high acuity illness index of patients currently admitted to the hospitals, students must be carefully supervised by expert faculty educated in specialized areas of nursing. Hospital policies and other regulations require specific faculty/student ratios. The clinical agencies used for student clinical practice require the School of Nursing to adhere to a 1:6 faculty/student ratio when caring for high risk complex adult and geriatric patients and a 1:4 faculty/student ratio for specialty acute care pediatric hospitals. These ratios mandated by hospitals comprise a major part of the rising cost of nursing education.

The BSN program admits two cohorts of students each year, fall and spring semester, for a total of 80 students. In 2011, the School of Nursing enrollment of pre-nursing students was 563. The SON advises these students each year for possible admission to the program. Because of the demand for more BSN prepared nurses, the SON has increased the admission of pre-nursing majors to the nursing major. According to the University-generated Departmental Profile for the School of Nursing, enrollment of BSN students for fall, 2010 was 195 students. Enrollment for fall 2011 was **300 students**, **an increase of 65%**.

The School of Nursing has been preparing for the shortage of clinical placement sites and the highly restrictive hospital policies related to faculty/student ratios. Through grant funding, the School of Nursing has acquired state-of-the-science high fidelity and low fidelity human simulators. Students learn and practice skills and critical decision making in the campus clinical laboratories using low and high tech human simulation scenarios that are similar to patient situations they will encounter in professional practice. This is facilitated by faculty and is essential to ensure the student is prepared for actual clinical practice in a hospital/healthcare agency. Engaging in human simulation experiences, accompanied by rigorous clinical learning, has been found to influence development of clinical competence in the graduate’s job performance and will assure hospitals that our students are prepared for actual clinical practice on patients in a hospital's complex healthcare delivery environment. In alignment with the Tennessee State Board of Nursing’s policy on the use of simulation learning for pre-licensure nursing students, no more than 25% of students’ total clinical practice learning will be substituted with human simulation clinical learning. Currently, **BSN students enrolled in the School of Nursing engage in 1200 hours of clinical practice learning** integrated throughout the five semester nursing major program.

Registered Nurse to Bachelor of Science in Nursing (RN to BSN)

The Registered Nurse to Bachelor of Science in Nursing (RN to BSN) program has increased enrollment from less than five students six years ago to an over-capacity enrollment of 85 students using an online platform for most classes. The program is designed to be flexible so

RNs can continue working while they pursue the BSN degree. Thus, it is vital for the RN to BSN program to meet the need for BSN-prepared nurses in a manner that is seamless and reduces redundancy of previously learned competencies from the community colleges' Associate Degree in Applied Nursing. RN to BSN students are being denied admission due to capacity because of needed additional faculty. In addition, other resources needed include software such as Adobe Connect®.

With the RN to BSN program, the large amount of online learning requires specific ratios for best practices. Quality assurance in online learning stipulates classes of 15 to a maximum of 20 students. The interest and demand for BSN-prepared nurses in the area and across the nation has increased the demand for RN to BSN programs. There are a large number of RNs who are associate-degree prepared and are in need of continuing their education to a BSN level. With such demand, the UTC School of Nursing has an enrollment of 60 in the online cohort alone. This requires three instructors and three to four separate sections of just one course in order to provide a quality online learning environment. The SON must plan for three instructors and three Adobe® virtual rooms for each required course in the RN to BSN program.

While the program is primarily online, students in the RN to BSN program must also complete a community clinical course. The same supervising ratios that apply to the BSN program also apply to this program. Faculty/student ratios for community clinical courses must follow clinical agency guidelines to ensure best practices and quality care within the clinic. This ratio can vary slightly, depending on the facility, and can be more difficult to maintain in an online program. Students in the RN to BSN program may complete community clinical hours in their local area, which could be a long distance from the UTC campus. Faculty teaching in community clinical courses must be able to supervise students in their settings from a distance through virtual technology. This requires additional faculty to monitor the large number of students and to provide quality supervision. Technologies such as Adobe Connect® are of considerable help in monitoring students from a distance. Both the additional faculty and the technology require funding to support the RN to BSN student experience.

Master of Science in Nursing (MSN)

The School of Nursing Master of Science program offers a Family Nurse Practitioner (FNP) concentration and a Nurse Anesthesia (NA) concentration for students with the BSN degree and appropriate practice experience. Enrollment in the MSN program has increased in the last five years. The Nurse Anesthesia concentration has seen an increase in applicants, with a range of 120 to 150 applicants each year. The program capacity is at 31 currently. The Family Nurse Practitioner concentration has seen a significant increase in program applicants as well. Five years ago, the program only had 15 to 20 applicants. Over the past five years, interest in the program has grown, with approximately 60 applicants in 2011. The program is now able to accept 20 students.

With the increase in the number of students in the MSN program, more resources are required to maintain a quality program and to meet current capacity needs and the growing demand for advanced practice nurses in our area and state. Clinical placements, particularly for the FNP concentration, are becoming more and more limited. With limited clinical placements, more simulation and lab time is required for students to develop assessment and other clinical skills.

In the NA concentration, at least three faculty are needed in clinical courses. In the FNP concentration, a minimum of two faculty are needed in clinical courses. Currently, the School of Nursing is seeking adjunct faculty to help fill gaps in faculty resources. However, the School is in need of full-time, regular faculty who can begin teaching in the didactic and clinical setting and maintain this role to help continue developing the program. We cannot meet the demand nor sustain the number of nurses who seek to pursue careers as advanced practice nurses without additional faculty. Accreditation standards require the FNP clinical courses be staffed with qualified practicing faculty, and the faculty/student ratio must be no greater than 1:6.

The MSN program has begun offering some core courses online, which requires more faculty in these courses for best practices. Not only are more faculty needed in the clinical courses, but now more faculty are needed to teach in the core didactic courses offered online. The funding from the differential tuition would help in recruiting and hiring qualified faculty in these high demand concentrations and to purchase equipment, simulators, lab supplies, etc.

Doctor of Nursing Practice (DNP)

The UTC School of Nursing began offering a Doctor of Nursing Practice (DNP) program in January 2011. This program is offered completely online, and the program addition has brought on additional expenses. The DNP courses require specifically credentialed faculty, which require compensatory salaries and more intense recruitment efforts to find qualified faculty. To teach in the program, faculty must be doctorally prepared, preferably DNP prepared. If faculty are not, the School of Nursing must justify their credentials. Because we are not competitive in our salaries, we are struggling to find qualified faculty to meet demand. The differential tuition would not only help fund needed faculty positions to teach but would also help with the additional expense of finding specifically qualified faculty.

ACCREDITATION INFORMATION

The School of Nursing has several bodies that accredit its BSN, MSN and DNP programs.

- The Commission on Collegiate Nursing Education (CCNE) is the national accrediting body for all UTC School of Nursing programs (BSN, RN to BSN, MSN and DNP). All programs are fully accredited.
- CCNE dictates strict guidelines on credentialing of faculty and specialty areas and focus of faculty teaching at certain levels and in certain content areas. Faculty must be qualified educationally (degree level) and clinically (specialty area) to teach specified courses in the UTC School of Nursing to maintain accreditation. Further, the UTC School of Nursing must abide by agency guidelines related to faculty-student rations to maintain good clinical partnerships. These student limitations in clinical area rules are derived by agencies based on quality safe patient care.
- The Council of Accreditation of Nurse Anesthesia (COA) accredits MSN Nurse Anesthesia programs, including the UTC School of Nursing Nurse Anesthesia Concentration, which must also be accredited by CCNE. A 1:1 anesthesia clinical faculty to student ratio is required for this program. A Coordinator and Assistant Coordinator are mandated by COA and must hold or be enrolled in a doctoral degree program. Nationwide, less than 1% of anesthesia faculty hold the doctoral degree.

- The Tennessee Board of Nursing (TBN) also accredits the BSN, MSN and DNP programs every five years and requires specific faculty-student ratios for students. The requirement for the BSN program is 1:10, and the MSN and DNP programs are congruent with those of CCNE, COA, and Nurse Practitioner Specialty Standards. The clinical agencies require a lower faculty-student ratio for BSN students because of patient safety and quality-required outcomes. These ratios include: Pediatric Hospitals – 1:4; Medical Surgical hospital units - 1:6 to 7; Obstetrics - 1:7; Psychiatric 1:10; Community Settings – 1:10. For the MSN or DNP Faculty Nursing concentration, a 1:1 provider student ratio is required and a 1:6 supervising faculty student ratio is mandated.

PROJECTED USE OF FUNDS GENERATED FROM DIFFERENTIAL TUITION

Funding realized from differential tuition would support student support services and academic needs required to enhance a quality accredited nursing program's needs to support student success and meet the current and projected need for professional and advanced practice nurses in our area and state.
An oversight committee consisting of students and faculty will be created to review the annual spending of the revenue generated from the differential tuition to ensure that all of the spending is for projects that impact students. In addition, expenditures will be subject to an annual campus audit.

FIRST YEAR REVENUE/EXPENDITURE SUMMARY

Tuition Revenue		$519,300
Minus 10% Scholarships		- 51,930
Funds available for expenses		$467,370
Faculty Position	74,300	
FNP Faculty Position	100,000	
Clinical Instructor	192,000	
Lecturer Position	40,050	
Undergraduate Advisor	33,000	
MSN/DNP Faculty Position	28,020	
Total Expenditures		$467,370

EXPENDITURE DETAILS

Faculty Position $74,300: The SON has a Simulation Initiative for its undergraduate and graduate programs that augments clinical experiences for students prior and during their clinical rotation to develop and test required competencies and assure safety for actual patient care delivery. We need a full time simulation faculty for this program, which has become even more critical to the success of our students and to meet minimum accreditation standards.

FNP Faculty Position $100,000: The School of Nursing is underfunded for the current and projected enrollments in this concentration. We need to hire full time academically qualified faculty in a tenure track position – current FTE is 1.5 for this advanced practice nursing concentration in the MSN and DNP program.

Clinical Instructors (Four Positions) $192,000: These positions are currently funded by the BEE A Nurse HRSA grant, awarded for the purpose of increasing enrollment in the traditional BSN program. The grant ended June 30, 2012. To receive the funding for the BSN program for three years ($1,000,000.00 funded), the University agreed to sustain the four positions post award; positions are critical to continue enrolling 80 students per year from pre-funding enrollment of 54 students per year in the traditional BSN program. The UTC School of Nursing is the leader in the area for graduating quality professional nurses and is recognized for its aggressive efforts to reduce the health professional shortage in our community and state. The UTC School of Nursing will need to decrease the enrollment of the BSN if university funding for positions are not realized.

Lecturer Position $40,050: This position is currently funded by the Gateway RN-BSN grant. This 6 year HRSA grant ended June 30, 2012 ($2,000,000 funded). RN to BSN faculty obtained through the grant are expected to continue per HRSA's sustainability requirements agreed to by the University. The Gateway Program has increased enrollment from one student just five years ago to a current enrollment of 156 students and grows each year. In order to maintain this enrollment the UTC School of Nursing must maintain this faculty position to adhere to best practices for online teaching.

Undergraduate Advisor (Part-Time) $33,000: Funding for an advisor for the RN to BSN students ends on June 30, 2013 at the end of a six-year federal grant. This RN to BSN program has increased enrollment from one student a mere five years ago to 156 students or more entering annually. The program requires a dedicated advisor who can recruit students, help with the admission process, advise them as they continue through the program and assist with graduation. The RN to BSN program is a unique program that requires individualized advisement as each student transitions into the program with varied coursework and needs. This position would also provide recruitment and advisement support for the traditional BSN program. This program currently has one advisor, but with the increase in enrollment, additional support is needed. This advisor would primarily be critical in recruiting and advising educationally, economically and ethnically disadvantaged students for the traditional BSN program. This was previously accomplished through a Nursing Workforce Diversity grant which ended on June 30, 2012.

MSN/DNP Faculty Position (Half-Time) $28,020: Presently the School of Nursing has a full-time faculty position serving the MSN and DNP programs. One half of the salary is contributed by Memorial Hospital through a partnership arrangement with the hospital. The partnership ends 12/31/12. University funds will be required to assume the one-half Memorial portion in order to maintain and increase enrollments in these two popular programs.

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DIFFERENTIAL TUITION – OTHER UNIVERSITY COMPARISONS

School	UG Tuition Per Credit Hour	Grad Tuition Per Credit Hour	Nursing Differential
Appalachian State	$443	$505	Proposing Differential for 2013-2014
Auburn University-Montgomery	*$250	$308	*$200/credit hour (clinical courses only)
College of Charleston			No Nursing Program
Louisiana Tech University	$624	$664	Only have an Associate Degree in Nursing Program - $50 fee for Nursing Courses
Missouri State University	$200	$242	$610.00 per year for BSN Courses $58.00 per semester hour additional fee for NUR 700, 701, 703, 707, 711, 761, 772, 788; NUR 800-999 Clinical Fee per-term of enrollment of $2,200/year assessed for clinical courses
Murray State University	$285	$433	No Differential
Northern Kentucky University	$328	$452	$18.00/per credit hour for MSN Courses $58/credit hour DNP Courses
Tennessee Tech University	$319	** $458	**$458/credit hour tuition for MSN Courses
University of Missouri – St Louis	$266	$348	$37-$436/credit hour
University of Nebraska - Omaha	*$196.75 Students other than Nursing	**$245.25 Students other than Nursing	*BSN tuition $273.50/credit hour **MSN tuition 439.50/credit hour In addition to above tuition, additional fee ranging from $10 to $30/course
University of North Carolina - Charlotte	$432	$491	$22.50/undergraduate and $58/graduate/ credit hour
University of North Carolina - Wilmington	$468	$485	No Differential
University of North Florida	$170	**$483	**$518.00/credit hour tuition MSN/Nurse Anesthesia $2,000/MSN Nurse Anesthesia/per year clinical fee $35.00/credit hour for RN to BSN
University of Tennessee at Chattanooga	$238	$381	$50/credit hour (proposed); currently $25
University of West Florida	$208	**$353	** $401.24/credit hour MSN Tuition
Western Carolina University	$247	$287	$6,270/year MSN Nurse Anesthesia Clinical Fee Differential
Western Kentucky University	$353	**$467	**$562/credit hour (DNP) $25-$340/ course (varies depending on undergraduate or graduate nursing course)
Winthrop University	$543	$526	No Nursing Program

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POTENTIAL IMPACT ON STUDENTS

We do not believe that differential tuition will have a negative impact on enrollment, since other professional degrees at UTC are planning to implement differential tuition and since other nursing schools also have differential tuition (including UT Knoxville). In addition, student demand for nursing education remains very strong and is predicted to experience explosive growth in the next decade. We also believe that students will appreciate the additional support services and the overall higher level of quality that can be provided to them as a result of differential tuition. The financial impact upon the students is shown below.

Program	Credit Hours in Program	Present Program Cost	Additional Program Cost	Future Program Cost
BSN	65	$19,655	$1,625*	$21,280
RN to BSN	27	$8,443	$1,350	$9,793
MSN: FNP	53	$21,098	$2,400	$23,498
MSN: NA	85	$28,673	$4,250	$32,923
MSN to DNP	36	$16,506	$1,800	$18,306
BSN to DNP (in Nursing Administration)	67	$30,699	$3,350	$34,047

*Elimination of additional $25 course fee presently paid by BSN students is reflected in the additional program cost.

The School of Nursing has sought and received funding for several scholarships/traineeships for disadvantaged student and need based student population that would be most impacted with the differential nursing tuition: Scholarship for Disadvantaged Students (SDS), Advanced Nursing Education Traineeship (ANET), and the Nurse Anesthesia Traineeship (NAT) for over a decade. The following represents funding for this year and the next three years:

Scholarship/Traineeship	2012-2013	2013-2014	2014-2015	2015-2016
SDS	$645,000	$645,000	$645,000	$645,000
ANET	$338,558	$341,098	Applying for Continued Funding	Applying for Continued Funding
NAT	$21,010	Applying for Continued Funding	Applying for Continued Funding	Applying for Continued Funding

In addition, to further offset the impact on students adversely affected, ten percent (10%) of the funds realized from the differential tuition revenue will be distributed each year for scholarships.

Students who are not eligible for the aforementioned scholarship funds will be identified using the process currently in place. Each semester, the Director or designee attends classes to distribute information related to the available funds and how to apply. A faculty committee appointed by the Director will select the recipients based on need.

Nursing programs are more costly than traditional university programs. Our situation is further exacerbated by the following:

- Several HRSA grants are ending 6/30/2013. The grant funds have supported faculty positions. The University agreed to fund the positions upon termination of grant funding. The positions are necessary to continue to serve the considerable growth in enrollments. Additionally, we must maintain accreditation standards/requirements and clinical site faculty/student requirements.

- Funding from Memorial Hospital partnership to share a faculty position for the DNP and MSN programs will end 12/31/2012. In order to maintain the current program enrollment, this partnership must now be funded totally by University monies.
- New on-line degree programs have been added. Best practice suggests that enrollments in such classes be limited to a 1:20-25 faculty ratios, impacting upon faculty needs.
- Advanced graduate programs require additional doctorate-prepared faculty holding nurse practitioner credentials, which tend to demand elevated salaries.
- We have experienced continuous turnover among faculty due to the fact that we have been unable to pay the higher nursing salaries demanded. As a result, we have, in some instances, reduced enrollments and/or not accepted worthy candidates. We have also hired adjunct faculty on a more frequent basis. However, hiring adjunct faculty has become increasingly difficult due to our failure to reach salary levels within reach of competing employers.

STUDENT RESPONSE TO DIFFERENTIAL TUITION

The Director of the School of Nursing, Dr. Kay Lindgren, discussed the proposed differential tuition with the following student groups:

- BSN through Student Nurses Association
- RN to BSN
- MSN FNP
- MSN Nurse Anesthesia
- DNP

At the end of each discussion, steps were implemented to determine student support for the differential tuition proposal.

At each meeting, the purpose of the differential tuition was explained to include how the revenue generated would be used (included in this proposal). With each student group, Dr. Lindgren discussed the impact on students related to total tuition increases. She also presented the range of differential tuitions from peer institutions so that students could compare with UTC's proposed differential tuition. Dr. Lindgren solicited feedback and student discussion from each group of students. After all questions were answered and student discussion was exhausted, Dr. Lindgren requested students to vote to support, not to support or abstain from voting for the proposal. Below are minute notes from student feedback, including the voting results.

Meeting with BSN Students

70 BSN students from the Undergraduate Student Nurses Association were present on November 7, 2012. After presentation and discussion, the students were receptive to the proposed differential tuition and commented that it would not have changed their decision to attend UTC and the BSN nursing program. The students fully supported the differential tuition. Results:

- Yes, I support the differential tuition – 70
- No, I am not supportive of the differential tuition – 0
- Abstain from voting – 0

Meeting with RN to BSN Students (Students holding the ASN or Diploma in Nursing)

25 students were present on November 7, 2012. The students were divided in support for the differential tuition. A slight majority of students were receptive of the differential and even commented that, "UTC is a great value even with the additional add-on cost." Many students commented that they had plans to remain at UTC through the doctoral program if they were able to "get in." Students who were not supportive of the differential offered reasons such as their employers were not rewarding/compensating them for completing their BSN. As one student noted, "I am doing this for me and my future. Employers do not appreciate what it takes to get the BSN." Another felt "unmotivated to come back to school in the first place," but felt that she needed to complete the program (employer requirement) and therefore was not receptive to "pay more money for what their employers were forcing us to do." A vote was requested:

- Yes, I support the differential tuition – 13
- No, I am not supportive of the differential tuition – 12
- Abstain from voting – 0

Editorial comment: Negative comments and negative votes seem to be aligned with frustration with lack of workplace recognition of the BSN rather than opposition to differential tuition.

Meeting with MSN FNP Students that would be affected by Differential Tuition

24 first year students were present on October 11, 2012. Students were very receptive of the proposed differential and added if they were aware of the $50/credit hour differential; it would not have deferred them from enrolling in the program. One student commented, "This program has an outstanding reputation for the quality of its graduates and its 100% employment rate upon graduation." A vote was requested:

- Yes, I support the differential tuition – 24
- No, I am not supportive of the differential tuition – 0
- Abstain from voting – 0

Meeting with MSN Nurse Anesthesia Students

26 first year students that would be affected by differential tuition, including students at the Tupelo, MS site (live broadcasting), were present on October 18, 2012. A discussion ensued following Dr. Lindgren's presentation. One student noted, "Even with the differential, the tuition was still cheap." Another student noted, "It would not change my decision to attend UTC." Others expressed that they saw no major issues with paying the differential tuition. A vote was requested:

- Yes, I support the differential tuition – 26
- No, I am not supportive of the differential tuition – 0
- Abstain from voting – 0

DNP Students
This group was surveyed via Adobe Connect. All 10 students attending voted in support of the differential tuition. The first cohort, who will graduate in December 2012, was not surveyed.

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

6

ACTION ITEM

DATE:	February 28, 2013
COMMITTEE:	Finance and Administration
CAMPUS/UNIT:	UT Knoxville
ITEM:	**KUB Substation Easements**
RECOMMENDATION:	Approval
PRESENTED BY:	Charles M. Peccolo, Treasurer and Chief Financial Officer

The Knoxville Utilities Board (KUB) is designing an electric power substation to be located on University property in order to provide effective electric service to nearby University facilities. The proposed new electric load associated with the Cherokee Farm development, as well as the load growth of the UT Medical Center, make it necessary for KUB to construct this substation and its connecting infrastructure. Construction of the substation will allow the University to successfully build out Cherokee Farm and will provide back-up power to UT Medical Center where the University's Graduate School of Medicine and various research programs operate.

The University and KUB propose the following easements:

> Modify the purpose of an existing electric line easement of approximately 3.94 acres +/- to include access and/or utility uses; and
>
> New easements including an access and utility easement of approximately 2.88 +/- acres total, utility easement of approximately 0.50 +/- acres total, slope and temporary construction easement of approximately 1.88 +/- acres total, and a substation easement of approximately 1.52 +/- acres total.

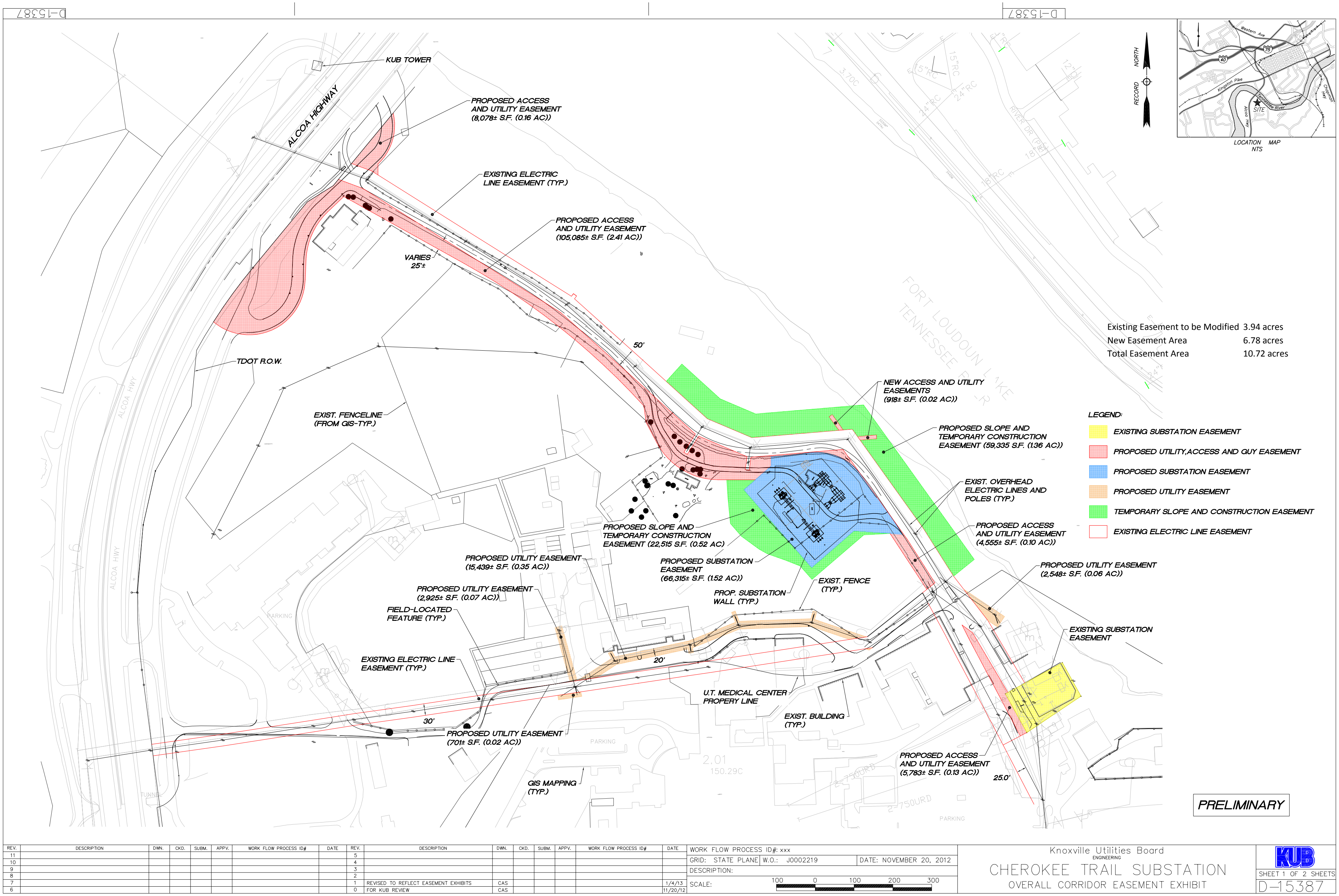
The easement area includes approximately 3.94 +/- acres under existing easement and approximately 6.78 +/- acres of new easement area for a total easement of approximately 10.72 +/- acres. The easements will authorize KUB to enter upon, construct, operate, repair and maintain utilities located within the area defined by the easements. KUB agrees to pay the greater of $233,600 or appraised value for the residence at the East

Tennessee AgResearch and Education Center, which will be demolished to accommodate the new substation. KUB agrees to maintain the roads that lead into the new substation. The University reserves the right to relocate the easements at the expense of the University.

The proposed easements are for the benefit of the University's Cherokee Farm and programs operating on the campus of the UT Medical Center; no further consideration is requested by the University. Upon approval by the Board of Trustees, the University will seek all required state approvals.

MOTION:

That permanent and temporary utility easements be granted to the Knoxville Utilities Board as described in the meeting materials.


D-15387
KUB TOWER
ALCOA HIGHWAY
PROPOSED ACCESS AND UTILITY EASEMENT (8,078± S.F. (0.16 AC))
EXISTING ELECTRIC LINE EASEMENT (TYP.)
PROPOSED ACCESS AND UTILITY EASEMENT (105,085± S.F. (2.41 AC))
VARIES 25'±
50'
TDOT R.O.W.
EXIST. FENCELINE (FROM GIS-TYP.)
ALCOA HWY
FORT LOUDOUN LAKE
TENNESSEE RIVER
NORTH
RECORD
LOCATION MAP NTS
SITE
Existing Easement to be Modified 3.94 acres
New Easement Area 6.78 acres
Total Easement Area 10.72 acres
NEW ACCESS AND UTILITY EASEMENTS (918± S.F. (0.02 AC))
LEGEND:
EXISTING SUBSTATION EASEMENT
PROPOSED UTILITY,ACCESS AND GUY EASEMENT
PROPOSED SUBSTATION EASEMENT
PROPOSED UTILITY EASEMENT
TEMPORARY SLOPE AND CONSTRUCTION EASEMENT
EXISTING ELECTRIC LINE EASEMENT
PROPOSED SLOPE AND TEMPORARY CONSTRUCTION EASEMENT (59,335 S.F. (1.36 AC))
EXIST. OVERHEAD ELECTRIC LINES AND POLES (TYP.)
PROPOSED ACCESS AND UTILITY EASEMENT (4,555± S.F. (0.10 AC))
PROPOSED SLOPE AND TEMPORARY CONSTRUCTION EASEMENT (22,515 S.F. (0.52 AC))
PROPOSED UTILITY EASEMENT (15,439± S.F. (0.35 AC))
PROPOSED SUBSTATION EASEMENT (66,315± S.F. (1.52 AC))
PROPOSED UTILITY EASEMENT (2,925± S.F. (0.07 AC))
FIELD-LOCATED FEATURE (TYP.)
PROP. SUBSTATION WALL (TYP.)
EXIST. FENCE (TYP.)
PROPOSED UTILITY EASEMENT (2,548± S.F. (0.06 AC))
EXISTING SUBSTATION EASEMENT
EXISTING ELECTRIC LINE EASEMENT (TYP.)
20'
U.T. MEDICAL CENTER PROPERY LINE
30'
PROPOSED UTILITY EASEMENT (701± S.F. (0.02 AC))
EXIST. BUILDING (TYP.)
PROPOSED ACCESS AND UTILITY EASEMENT (5,783± S.F. (0.13 AC))
25.0'
GIS MAPPING (TYP.)
PARKING
PRELIMINARY
REVISED TO REFLECT EASEMENT EXHIBITS
FOR KUB REVIEW
CAS
1/4/13
11/20/12
WORK FLOW PROCESS ID#: xxx
GRID: STATE PLANE
W.O.: J0002219
DATE: NOVEMBER 20, 2012
DESCRIPTION:
SCALE:
100 0 100 200 300
Knoxville Utilities Board
ENGINEERING
CHEROKEE TRAIL SUBSTATION
OVERALL CORRIDOR EASEMENT EXHIBIT
KUB
SHEET 1 OF 2 SHEETS
D-15387

6

7

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

ACTION ITEM

DATE:	February 28, 2013
COMMITTEE:	Finance and Administration
CAMPUS/UNIT:	UT Knoxville
ITEM:	**Cumberland Avenue Easements**
RECOMMENDATION:	Approval
PRESENTED BY:	Charles M. Peccolo, Treasurer and Chief Financial Officer

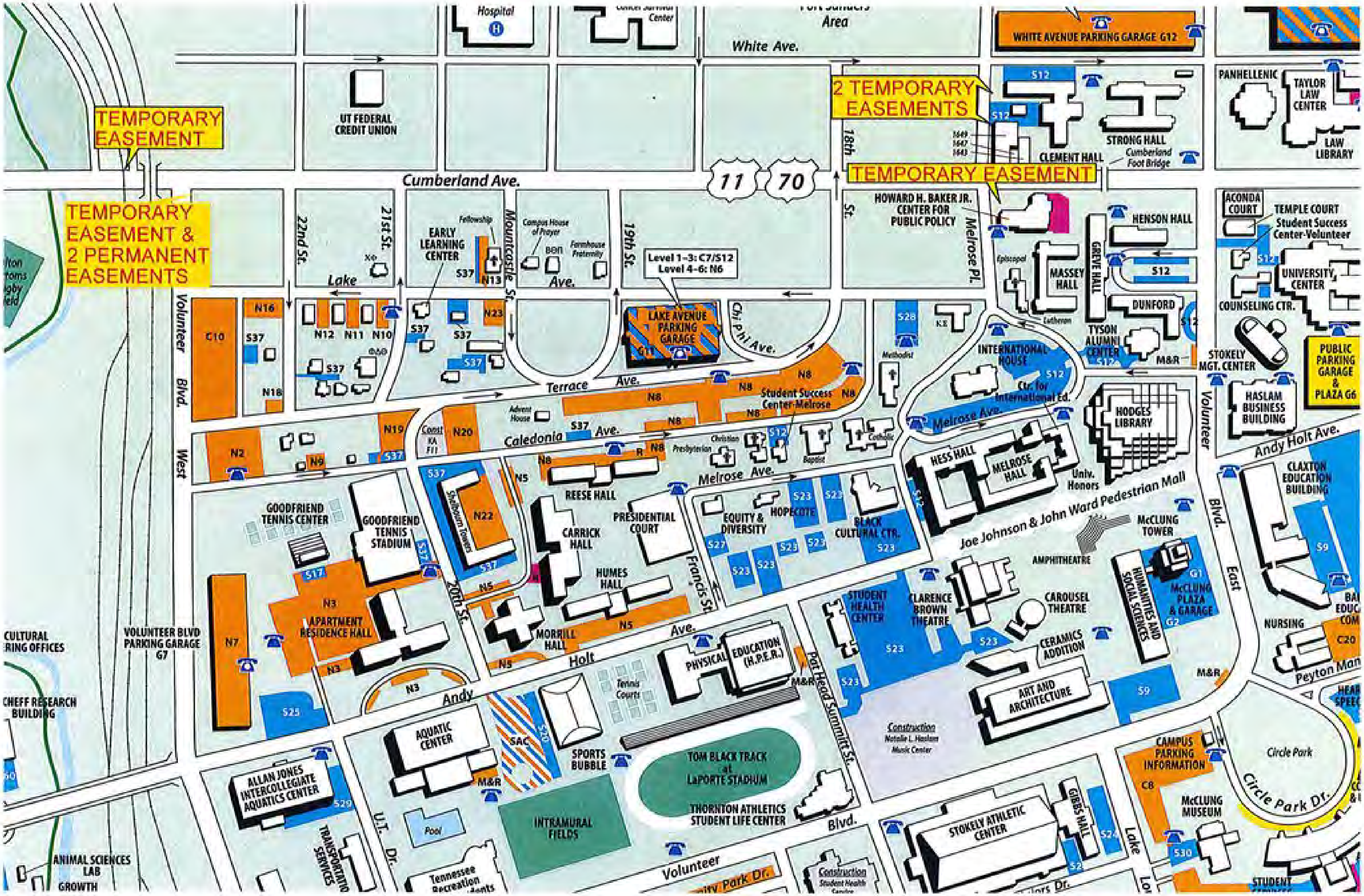
The University of Tennessee, Knoxville and the City of Knoxville propose five (5) temporary construction easements, one (1) permanent utility easement and one (1) permanent drainage easement along Cumberland Avenue (see attached map). The project is known as the Cumberland Avenue Streetscapes Project or the Cumberland Avenue Corridor Project. With the proposed easements, the City of Knoxville seeks authorization to enter upon, replace, install, and maintain utilities and sidewalks in the easement areas.

The proposed temporary construction easements are irregular in shape and contain approximately 914 +/- square feet. The permanent utility easement is irregular in shape and contains approximately 38 +/- square feet. The permanent drainage easement is irregular in shape and contains approximately 72 +/- square feet. The University reserves the right to relocate the easements at the expense of the University.

The proposed easements are mutually beneficial and have been assigned a total Nominal Parcel Payment (NPP) value of $15,490 per a project field review and market analysis procured by the City of Knoxville. Upon approval by the Board of Trustees, the University will seek all required state approvals.

MOTION:

That temporary and permanent easements be granted to the City of Knoxville as described in the meeting materials for the monetary consideration of $15,490.


TEMPORARY EASEMENT
TEMPORARY EASEMENT & 2 PERMANENT EASEMENTS
2 TEMPORARY EASEMENTS
TEMPORARY EASEMENT
Hospital
Area
White Ave.
WHITE AVENUE PARKING GARAGE G12
UT FEDERAL CREDIT UNION
Cumberland Ave.
11
70
18th St.
CLEMENT HALL
STRONG HALL
Cumberland Foot Bridge
PANHELLENIC
TAYLOR LAW CENTER
LAW LIBRARY
HOWARD H. BAKER JR. CENTER FOR PUBLIC POLICY
Melrose Pl.
HENSON HALL
ACONDA COURT
TEMPLE COURT
Student Success Center-Volunteer
UNIVERSITY CENTER
COUNSELING CTR.
22nd St.
21st St.
Lake
EARLY LEARNING CENTER
Mountcastle St.
19th St.
Ave.
Level 1-3: C7/S12
Level 4-6: N6
LAKE AVENUE PARKING GARAGE
Chi Phi Ave.
MASSEY HALL
GREVE HALL
DUNFORD
TYSON ALUMNI CENTER
INTERNATIONAL HOUSE
Ctr. for International Ed.
STOKELY MGT. CENTER
PUBLIC PARKING GARAGE & PLAZA G6
HASLAM BUSINESS BUILDING
HODGES LIBRARY
Volunteer Blvd.
West
Terrace Ave.
Student Success Center-Melrose
Caledonia Ave.
Melrose Ave.
HESS HALL
MELROSE HALL
Univ. Honors
Andy Holt Ave.
CLAXTON EDUCATION BUILDING
GOODFRIEND TENNIS CENTER
GOODFRIEND TENNIS STADIUM
REESE HALL
CARRICK HALL
PRESIDENTIAL COURT
EQUITY & DIVERSITY
HOPECOTE
BLACK CULTURAL CTR.
Joe Johnson & John Ward Pedestrian Mall
McCLUNG TOWER
AMPHITHEATRE
Francis St.
HUMES HALL
20th St.
APARTMENT RESIDENCE HALL
VOLUNTEER BLVD PARKING GARAGE G7
CULTURAL
MORRILL HALL
Holt Ave.
PHYSICAL EDUCATION (H.P.E.R.)
STUDENT HEALTH CENTER
CLARENCE BROWN THEATRE
CAROUSEL THEATRE
HUMANITIES AND SOCIAL SCIENCES
McCLUNG PLAZA & GARAGE
NURSING
East
CERAMICS ADDITION
Peyton Man
Andy
Tennis Courts
Pat Head Summitt St.
ART AND ARCHITECTURE
AQUATIC CENTER
SPORTS BUBBLE
TOM BLACK TRACK at LaPORTE STADIUM
Construction Natalie L. Haslam Music Center
CAMPUS PARKING INFORMATION
Circle Park
Circle Park Dr.
ALLAN JONES INTERCOLLEGIATE AQUATICS CENTER
INTRAMURAL FIELDS
THORNTON ATHLETICS STUDENT LIFE CENTER
Blvd.
STOKELY ATHLETIC CENTER
GIBBS HALL
McCLUNG MUSEUM
Lake
Pool
U.T. Dr.
TRANSPORTATION SERVICES
Volunteer
ANIMAL SCIENCES LAB
GROWTH
Tennessee Recreation
Construction Student Health
STUDENT
CHEFF RESEARCH BUILDING

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THE UNIVERSITY of TENNESSEE

KNOXVILLE, CHATTANOOGA, MARTIN, TULLAHOMA, MEMPHIS

OFFICE OF THE TREASURER AND CHIEF FINANCIAL OFFICER

MEMORANDUM

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TO: Finance and Administration Committee
Board of Trustees

FROM: Charles M. Peccolo

SUBJECT: Status of The University of Tennessee Science and Engineering Laboratories

During the November Finance and Administration Committee meeting, there was discussion about current conditions of the University's science and engineering laboratories. This summary report is an update resulting from that discussion and provides not only an update on current conditions but also the latest capital outlay and capital maintenance projects that are either in process or requested that will help address needed capacity and/or improvements.

As noted in the chart below, the University is operating with one-third of its science and engineering laboratories rated as poor and in need of updates, renovations, or replacement. UT Knoxville has the most pressing need as the percentage of "poor" lab space approaches half of the total.

	TOTAL SQ. FT	GOOD		ACCEPTABLE		POOR	
UTK	716,342	208,385	(29%)	181,116	(25%)	326,841	(46%)
UTC	103,858	74,262	(72%)	7,480	(7%)	22,116	(21%)
UTM	52,584	16,586	(32%)	35,998	(68%)	-	-
UTHSC	305,875	47,146	(15%)	179,243	(59%)	79,486	(26%)
UTIA	337,435	112,303	(33%)	157,902	(47%)	67,230	(20%)
TOTAL	**1,516,094**	**458,682**	**(30%)**	**561,739**	**(37%)**	**495,673**	**(33%)**

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Detailed below are the projects currently approved, those that are in the 2014 budget, or in out years budget requests that will help address the need for updated and current laboratory facilities.

UT Knoxville
Strong Hall Science Lab Facility (2013/$114.0M) State and Institutional Funds
13th and Cumberland Sciences Laboratory Facility (Planning Approved 2013/$90M) State and Institutional Funds
Walter Life Sciences Renovation (Planning 2014/$100M) State and Institutional Funds
Bueler Hall Chemistry Lab Upgrade (2013/$6.5M) Institutional Funds
Dougherty Hall Renovations (2013/$1.6M) Institutional Funds
Plant Sciences Biotechnology Program Upgrade (2013/$0.5M) Institutional Funds
Renovation of Governor's Chair (2013/$1.0M) Institutional Funds
Science Engineering Program Upgrade (2013/$0.75) Institutional Funds
JIAMS Phase II (2014/$10.0M) Institutional Funds
Laboratory Renovation and Upgrade (2014/$5.0M) Institutional Funds

UT Chattanooga
Lab Sciences Lab Facility (Planning 2013/$59.5M) State and Institutional Funds

UT Martin
Joseph Johnson EPS Addition and Renovation (2015/$32.2M) State and Institutional Funds

UT Health Science Center
Classroom and Laboratory Renovations (2014/$68.5M) State and Institutional Funds
Multidisciplinary Simulation Center (2013/$24.1M) State and Institutional Funds

UT Institute of Agriculture
Energy and Environmental Sciences Education/Research Center (Planning 2013/$45.5M) State and Institutional Funds
Interdisciplinary Research and Education Greenhouse (2015/$4.0M) State and Institutional Funds
Research and Education Center at Greenville (2015/$1.0M) State and Institutional Funds

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