

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE JOINT MEETING OF THE
SUBCOMMITTEE ON TUITION, FEES, AND FINANCIAL AID AND
FINANCE AND ADMINISTRATION COMMITTEE

March 23, 2018
Memphis, Tennessee

The joint meeting of the Subcommittee on Tuition, Fees and Financial Aid and Finance and Administration Committee of The University of Tennessee Board of Trustees met at 10:15 a.m. CST on Friday, March 23, in O.D. Larry Dining Hall, Student-Alumni Center, 800 Madison Avenue in Memphis.

I. CALL TO ORDER

Charles C. Anderson, Chair of the Finance and Administration Committee, called the meeting to order.

II. ROLL CALLS FOR SUBCOMMITTEE AND COMMITTEE

David L. Miller, Chief Financial Officer called the roll of the Finance and Administration Committee, and the following members were present:

Charles C. Anderson, Committee Chair
Joseph A. DiPietro
Shannon A. Brown
John N. Foy
Raja J. Jubran, Vice Chair
John D. Tickle

Mr. Miller called the roll of the Subcommittee on Tuition, Fees, and Financial Aid, and the following members were present:

John N. Foy, Subcommittee Chair
George E. Cates
Terrance G. Cooper

Susan C. Davidson
Brad A. Lampley
Andrew P. McBride
Rachel M. Smith
John D. Tickle
Charles E. Wharton

Mr. Miller announced the presence of a quorum for both the Committee and the Subcommittee. President DiPietro, other administrative staff, members of the public, and representatives of the media also attended.

Mr. Anderson recognized Subcommittee Chair Foy for the Subcommittee items.

III. SUBCOMMITTEE ITEMS

A. Minutes of the Last Meeting of the Subcommittee

Subcommittee Chair Foy called for any corrections to the minutes of the June 13, 2017 Subcommittee meeting as presented in the meeting materials. Hearing none, the Chair called for the prepared motion in the meeting materials. Trustee Tickle made the following motion, which was seconded and approved unanimously:

I move that the reading of the minutes of the June 13, 2017 meeting of the Subcommittee on Tuition, Fees, and Financial Aid be omitted and that the minutes be approved as presented in the meeting materials, provided that the Secretary shall be authorized to make any necessary edits to correct spelling errors, grammatical errors, format errors, or other technical errors subsequently identified.

B. UTC "Take 15, Graduate in 4" Tuition Model

Subcommittee Chair Foy recognized Mr. Miller, who said UTC's proposed "Take 15, Graduate in 4" tuition model is the third such program presented to the Board of Trustees. In 2012, UT Knoxville received approval to create 15/4 model with the purpose of assisting students to graduate in four years in a focused way. UTK's program was implemented in fall of 2013. Subsequently, in the spring of 2016 UT Martin also received

approval for a similar program, beginning in the fall of 2016. Mr. Miller then asked Chancellor Steve Angle to present UTC's unique approach to this concept.

Chancellor Angle presented slides illustrating the steps taken in preparation for requesting a new tuition model (Exhibit 1). He said there has been an emphasis on all students taking 15 hours and development of career maps for every major. Chancellor Angle explained that the proposed tuition model would be implemented in the fall of 2019 and would increase the in-state maintenance fee for new full-time undergraduate students by 11%. He noted that the 11% premium is consistent with the model approved by the Board for UT Martin.

Chancellor Angle said UTC Student Government President, Rachel Emond, could not attend the meeting, but he asked Rachel Smith, Student Trustee, to comment. Ms. Smith read an e-mail from Ms. Emond, in which she noted some concerns, including hardship for students that have jobs or children and can only take twelve hours, but would be charged for fifteen. Ultimately, however, Ms. Emond expressed support for the proposal because of the program enhancements the additional revenue would bring to UTC students. She noted that the proposal is also supported by the Academic Affairs Committee of the UTC Student Government Association.

Subcommittee Chair Foy called for a motion and second for the Subcommittee to recommend approval of the proposed UTC "Take 15, Graduate in 4" tuition model for new full-time undergraduate students, beginning in fall 2019. Trustee Cates moved approval, and the motion was seconded and carried.

Committee Chair Anderson called the Committee's attention to the Resolution in the meeting materials and called for a motion and second. Trustee Foy moved that the Committee recommend the following Resolution for adoption by the Board of Trustees:

RESOLVED: The Board of Trustees approves the proposed UTC "Take 15, Graduate in 4" tuition model to be effective beginning fall 2019, increasing the in-state maintenance fee for all new full-time undergraduate students by 11% of the in-state maintenance fee for full-time undergraduate students who enrolled prior to fall 2019.

The motion was seconded and carried unanimously.

Trustee Cates requested that Agenda Item VIII, Transfer of UHS Proceeds to UT Research Foundation to Fund Infrastructure for a Statewide Clinical Trial Networks, be considered next to accommodate the schedule of two faculty members that needed to present and leave. Without objection, the agenda was re-ordered to consider this item before proceeding with the Subcommittee agenda. The Committee's action is reported below under Item VIII.

C. UTK Tuition and Fee Structure for Online Programs/Increase in Online Support Fee

Mr. Miller presented the UTK proposed tuition and fee structure for programs that are fully completed online (Exhibit 2). UTK currently charges full out-of-state tuition for any out-of-state student taking an online only program, which puts the campus at a disadvantage in recruiting. To encourage more non-resident students to enroll in online programs, UTK proposes to create an online model in which non-resident students will pay a reduced rate of out-of-state tuition. For FY 2018-19, the proposed total of maintenance fee and out-of-state tuition for undergraduate all-online programs is reduced from \$1,130 to \$446, a 61% reduction. The proposed total of maintenance fee and out-of-state tuition for graduate all-online programs is reduced from \$1,637 to \$701, a 57% reduction. UTK also proposes to increase the Online Support fee from \$46 to \$56 per credit hour for both undergraduate and graduate all-online programs.

Subcommittee Chair Foy called for a motion and second for the Subcommittee to recommend approval of the proposed tuition and fee structure for UTK online programs, and the proposed increase in the Online Support fee from \$46 to \$56 per credit hour. Trustee Cates moved approval, and the motion was seconded and carried unanimously.

Committee Chair Anderson called the Committee's attention to the Resolution in the meeting materials. Trustee Foy moved that the Committee recommend adoption of the following Resolution by the Board of Trustees:

RESOLVED: The Board of Trustees approves the proposed tuition and fee structure for online programs offered by The University of Tennessee, Knoxville and the proposed increase in the Online Support fee from \$46 to \$56 per credit hour, effective fall 2018.

Vice Chair Jubran seconded, and the motion carried unanimously.

D. UTK Flexible Schedule J.D. Program Per-Credit-Hour Tuition Model

Mr. Miller explained that the College of Law desires to offer the J.D. degree on a flexible schedule with the goal of providing non-traditional students an alternative to the full-time schedule (Exhibit 3). He explained that currently, if a law student is enrolled in nine hours or less, the student pays a per-credit-hour rate. Above nine hours, the student pays the full rate, which is based on 16 hours per semester. Under the Flexible Schedule J.D. Program, students would be able to take 9-11 credit hours per semester at times that better fit their schedules.

Trustee Wharton asked if the program is to accommodate students for night school, and Dr. Zomchick said it is not. Rather, he said Dean Wilson's idea is to accommodate non-traditional students who could attend between 10:00 a.m. - 2:30 p.m. The intention is to increase the number of J.D. graduates. Dr. Zomchick estimated that 3-5 students would enroll in the first year of the program. He said admission requirements for these students would be the same as for others.

Subcommittee Chair Foy called for a motion and second for the Subcommittee to recommend approval of the proposed per-credit-hour tuition model for the Flexible Schedule J.D. Program offered by College of Law at The University of Tennessee, Knoxville. The motion was made, seconded, and carried unanimously.

Committee Chair Anderson called the Committee's attention to the Resolution in the meeting materials and called for a motion and second. Trustee Foy moved that the Committee recommend adoption of the following Resolution by the Board of Trustees:

RESOLVED: The Board of Trustees approves the proposed per-credit-hour tuition model for the Flexible Schedule J.D. Program offered by The University of Tennessee, Knoxville.

Vice Chair Jubran seconded, and the motion carried unanimously.

E. UTHSC FY 2018-19 Student Tuition and Fees

Mr. Miller informed the Subcommittee that because UT Health Science Center's academic year begins on July 1, the administration has requested that UTHSC student

tuition and fees be set at this meeting instead of June. Summarizing the request (Exhibit 4), he said a 2% increase in the in-state maintenance fee is proposed for College of Dentistry, Health Professions (except undergraduate programs), and Medicine; a 1% increase in the in-state maintenance fee for Nursing and Pharmacy; no increase for the College of Graduate Health Sciences; no increase to out-of-state tuition for any college; and no increase for any undergraduate programs or online programs.

Subcommittee Chair Foy called for a motion and second for the Subcommittee to recommend approval of the proposed FY 2018-19 Student Tuition and fees for the Health Science Center. The motion was made, seconded, and carried unanimously.

Committee Chair Anderson called the Committee's attention to the Resolution in the meeting materials. Vice Chair Jubran moved that the Committee recommend the following Resolution for adoption by the Board of Trustees:

RESOLVED: The Board of Trustees approves the proposed FY 2018 -19 Student Tuition and Fees for The University of Tennessee Health Science Center.

The motion was seconded and carried unanimously.

IV. MINUTES OF THE LAST MEETING OF THE COMMITTEE

Chair Anderson called for any corrections to the minutes of the November 3, 2017 meeting of the Finance and Administration Committee as presented in the meeting materials. Hearing none, the Chair called for the prepared motion in the meeting materials. Trustee Foy moved as follows:

I move that the reading of the minutes of the November 3, 2017 meeting of the Finance and Administration be omitted and the minutes be approved as presented in the meeting materials, provided that the Secretary shall be authorized to make any necessary edits to correct spelling errors, grammatical errors, format errors, or other technical errors subsequently identified.

Vice Chair Jubran seconded, and the motion carried unanimously.

V. COMMITTEE CONSENT AGENDA

- A. Disclosure of Additional Revenue/Institutionally Funded Capital Projects, FY 2017-18 (Exhibit 5)
- B. Deletion of a Revenue/Institutionally Funded Capital Project from the Approved FY 2018-19 Project List (Exhibit 6)
- C. Treasurer's Report on Endowment Investment Performance (Exhibit 7)

The Finance and Administration Committee's consent agenda was moved for approval, seconded, and the motion carried unanimously.

VI. COMPOSITE FINANCIAL INDEX

Mr. Miller noted that the Composite Financial Index (CFI) (Exhibit 8) is new to the Board, but not new to higher education. He thanked the chief business officers from each institution for working with him to bring this item forward. Additionally, he thanked Treasurer Ron Maples and Controller Aldena Phillips for the incredible work that went into the report. He explained that going forward, the report will be presented each year in October. The report boils down highly complex financial reporting to a single digit that summarizes the financial health of an institution. The main purpose of the report is to provide Trustees annually with that single digit number for each campus. CFI utilizes four strategic ratios to provide an overall picture of an institution's financial health—primary reserve, net operating revenue, return on net assets, and viability. The CFI can also be used in shorter term planning and budgeting.

Mr. Miller said the UT System as a whole has solid financial strength to meet its obligations. The average CFI for the four campuses in FY 2017 was 2.45 compared to the acceptable zone of 1 to 3. Mr. Miller added that in October the Committee would receive a report that categorizes a commitment and obligation of all year-end carry forward funds. He said this is critical to a new budget model that incorporates carry forward funds into the budgeting process.

VII. REVISED FY 2018 OPERATING BUDGET

Mr. Miller advised that Ron Loewen, System Budget Director, works with all chief business officers to produce a revised operating budget each year to make adjustments reflecting the following changes that occur after the original operating budget is adopted in June:

1. The 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. In most years, this change in net assets is offset by an increase to non-recurring expenditure budgets.
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.

Mr. Miller said the original operating budget approved by the Board in June of 2017 was \$2.30 billion and the revised budget (Exhibit 9) is up slightly to \$2.37 billion.

Chair Anderson called attention to the Resolution in the meeting materials. Vice Chair Jubran moved that the Committee recommend the following Resolution for adoption by the Board of Trustees:

**Resolution for Adoption of the
REVISED FY 2018 Operating Budget**

March 23, 2018

WHEREAS, by state law, the Board of Trustees must approve an annual operating budget for the University for the University; and

WHEREAS, the Board approved the FY 2018 Operating Budget on June 22, 2017; 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, 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 on June 22, 2017; and

WHEREAS, the Revised FY 2017-18 Operating Budget includes adjustments allocating revisions to budgeted revenues and carry forward of unexpended non-recurring funds from 2017; and

WHEREAS, the Revised FY 2018 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 Revised FY 2018 Operating Budget is approved with the understanding that if the General Assembly or the Department of Finance and Administration further alters the FY 2018 appropriations, or if changes in estimated resources require, the budget shall be modified accordingly so expenditures will not exceed available resources; and**
- 2. The Resolution adopted by the Board of Trustees on June 22, 2017 approving the original FY 2018 Operating Budget remains in effect, except that the Revised FY 2018 Operating Budget supersedes the original.**

The motion was seconded and unanimously carried.

VIII. TRANSFER OF UHS PROCEEDS TO UT RESEARCH FOUNDATION TO FUND INFRASTRUCTURE FOR A STATEWIDE CLINICAL TRIAL NETWORK

Chair Anderson recognized Mr. Miller, who noted that on November 3, 2017, the Board of Trustees, on the recommendation of the Finance and Administration Committee, adopted a Resolution to allocate \$3,000,000 of proceeds received from University Health System, Inc. (UHS) to the Health Science Center to establish a statewide clinical trial network, with \$1,000,000 to be released to the Health Science Center following adoption of the Resolution and \$1,000,000 to be released for the second year and the third year after a finding by the President that the statewide clinical network was making sufficient progress.

Mr. Miller explained that UT Health Science Center now proposes to establish the clinical trial network through a subsidiary of the UT Research Foundation (UTRF) (Exhibit 10),

thus requiring Board of Trustees authorization to transfer the \$3,000,000 in UHS proceeds to UTRF, pursuant to the Operating Agreement between the University and UTRF, for the purpose of funding CTN2 infrastructure according to the schedule set out in the Resolution included in the meeting materials.

Chair Anderson called attention to the Resolution called for motion and second. Vice Chair Jubran moved that the Committee recommend the following Resolution for adoption by the Board of Trustees:

RESOLVED: The Board of Trustees authorizes the administration to transfer UHS proceeds in the amount of \$3,000,000 to the UT Research Foundation for use by its subsidiary, Clinical Trial Network of Tennessee, Inc. (CTN2), to fund infrastructure for a statewide clinical trial network, provided that the transfer shall occur in four installments according to the following schedule:

First transfer: After adoption of this Resolution and execution of an affiliation agreement between UTRF and CTN2 - \$250,000 for the period April 1, 2018 through June 30, 2018:

Second transfer: \$750,000 on or about July 1, 2018;

Third transfer: On or after April 1, 2019 upon a finding by the President, in consultation with UTRF, that CTN2 has achieved appropriate benchmarks of progress -- \$1,000,000; and

Fourth transfer: On or after April 1, 2020 upon a finding by the President, in consultation with UTRF, that CTN2 has achieved appropriate benchmarks of progress -- \$1,000,000.

The motion was seconded by Trustee Foy and carried unanimously.

IX. REVISION OF THE BOARD POLICY ON HOUSING FOR SENIOR-LEVEL ADMINISTRATORS

Mr. Miller informed the Committee that proposed revisions to the Board policy on housing for senior-level administrators are necessary because the University now provides only a housing allowance rather than a residence for the President and Chancellors. The proposed revisions delete language about University-owned housing and add new language concerning housing allowances (Exhibit 11). The proposed revisions also identify the administrators eligible to receive a housing allowance and provide for rare, one-time temporary allowances for other senior-level administrators. Lastly, also included is a provision that University-owned housing provided to staff employees when necessary for the performance of their duties will be governed by campus/institute policies approved by the Chief Financial Officer.

Chair Anderson called attention to the Resolution in the meeting materials. Vice Chair Jubran moved that the Committee recommend the following Resolution for adoption by the Board of Trustees:

RESOLVED: The Board of Trustees approves the proposed the revisions to the Policy on Housing for Senior-Level Administrators, with the revised policy to be titled "Policy on Housing Allowances for Senior-Level Administrators."

The motion was seconded and carried unanimously.

X. TREASURER'S FINANCIAL REPORT, 2017 (FINAL)

James R. Maples, Treasurer, presented for the Committee's information the Treasurer's Financial Report for 2017 (Exhibit 12), noting that it contains the State Auditor's unqualified opinion letter, which is the best an institution can receive. The actual audit report has not been released yet, but will be presented at the Audit and Compliance Committee meeting in May. Mr. Maples said total assets and liabilities were above \$5.0 billion for the first time. He thanked Controller Aldena Phillips and her staff for their work.

XI. REQUESTS TO ADDRESS THE BOARD

There were no requests to address the Board.

XII. OTHER BUSINESS

There was no other business.

XIII. ADJOURNMENT

With no further business to come before the Committee, the Chair adjourned the meeting.

Respectfully Submitted,



David L. Miller
Chief Financial Officer