

Faculty Senate University System Relations Committee  
January 10, 2018

Present: Misty Anderson, Chis Boyer, Martin Griffin, Andrea Ludwig, Beauvais Lyons, Bruce MacLennan, and Sally McMillan

Absent: Yvonne Kilpatrick, Husheng Li, and Gary Skolits

Guest: Ricky McCurry and Chip Bryant

1. Approve minutes of last meeting  
Lyons motion, Anderson second. Unanimously approved.
2. Discussion of development and related issues with Rickey McCurry and Chip Bryant (see <http://www.knoxnews.com/story/news/education/2017/11/17/redistribution-endowment-funds-add-spending-power-ut-foundation/866444001/>)
  - Foundation is different from other system functions. It is a separate non-profit entity.
  - Established in 2001. Has a separate board. President sits on board as well one chancellor, one dean, and one two members of the Board of Trustees. Everyone else is external.
  - Originally funded by E&G. In 2009, Board commissioned study of university foundations. Most public universities had started foundations 50 years earlier. Most were not as dependent on the university. Also most were actively involved in fundraising. Signed affiliation agreement in 2011. Foundation does development for the university. All development employees are leased from the foundation. Vice Chancellors report to both the foundation and to their chancellor. In 2014, the Alumni association was pulled under the umbrella of the foundation. Goal was to generate more resources. About 230 people working in development and alumni. Annual budget about \$30 million. 2015 was the best year for fundraising at about \$303 million.
  - Multiple models exist for foundations– funded by university, assessment on endowment, gift fees, unrestricted gifts, short term interest, and misc.
  - Average university foundation 31% of operating budget comes from university support. At UT 70% comes from university support. Other numbers are equally divergent from benchmark institutions. Looking to build a model that is less reliant on state support and consistent with benchmark institutions.
  - Since 2009 or 2010, 1% of endowment assessment has been used for covering costs of fund raising. It has been distributed back to the campuses proportionally. New model splits the 1% so that over a 5-year period there will be a transition to a 50/50 split between campuses and foundations. Money will still fund the same services, but development officers will “compete” with each other for funding from the development rather than competing with all other units on their own campuses.
  - The second change to the funding model is that unrestricted bequests stay in the foundation for strategic investment. For restricted bequests there will be a 5% assessment to cover legal fees and other central costs.
  - Chattanooga has its own foundation from when it was a private institution.
  - UTK represents 63% of the endowment
  - The shift to 50% fee is a “wash” (Chip).

- Only push back has been from misinterpretation. Prior requests are grandfathered in.
- Campuses can support staff by funneling money to the foundation. But all development staff are paid by the foundation.
- Market value below historic gift value is an “underwater endowment” – no distribution allowed.
- Spending policy is 4.5% on endowment. Need to cover inflation. Need to cover fees and spending.
- Foundation can shelter the university from the legislature. A kind of firewall.
- Government taxation on endowments could be a threat in the future.
- Also, it is important that the foundation does not become too independent. Georgia had this problem and had to be closed and restructured.
- Total value of assets under UTF – consolidated investment pool \$800 million.

### 3. Discussion of governor’s proposal on board size

(see <http://www.tnledger.com/editorial/Article.aspx?id=102998>)

- Davenport thinks it’s not necessarily a bad thing
- Important thing is to keep faculty and student representatives
- Conversations with legislators need to focus on diversity.
- Needs to reflect all share-holders not just the corporate/private sector
- Need to consider political capital
- After the meeting Lyons sent additional follow-up on this issue which is attached.

### 4. Identify topic and guests for next meeting

February – Linda Martin/India Lane

Possible guests for March and April meetings

- Noma Anderson
- Stacy Patterson
- Tiffany Carpenter