BUSINESS AFFAIRS SUB-COUNCIL

April 27, 2004

MINUTES

The meeting began at 9:00 a.m. in the TBR Board Room. Present were Ms. Tammy Swenson, Chairperson (CSTCC); Ms. Debra Bauer (NSCC); Mr. Horace Chase (JSCC); Dr. David Collins (ETSU); Mr. John Cothern, (MTSU); Ms. Elaine Curtis (COSCC); Ms. Ann Everett (STCC); Mr. Bill Fuqua (RSCC); Mr. Danny Gibbs (VSCC); Mr. Mike Gower (MTSU); Mr. Clay Harkleroad, Jr. (TSU); Ms. Sharon Hayes (UOM); Mr. Ken Horner (COSCC); Dr. Charles Hurley (CLSCC); Mr. Al Irby (APSU); Dr. Rosemary Jackson (WSCC); Mr. Ron Kesterson (PSTCC); Mr. Charles Lee (UOM); Ms. Linda Maxwell (TTU); Mr. Mike Posey (MSCC); Mr. Terry Rector (TTU); Mr. Mitch Robinson (APSU); Dr. Claire Stinson (NSTCC); Ms. Velma Travis (DSCC); Mr. Greg Wilgocki (ETSU); Mr. David Zettergren (UOM); Dr. Bob Adams, Ms. Kathy Crisp, Ms. Deanna Hall, Ms. Lisa Hall, Ms. Ann Rutland, Mr. Ron Simmons, Ms. Renee Stewart and Ms. Nancy Washington. (TBR).

Ms. Swenson called the meeting to order.

In recognition of the many contributions of Jim Bowman to the TBR system and sadness at his recent passing, the BASC began the meeting with a moment of silence.

<u>BUSINESS</u>

1. <u>Chancellor's Remarks</u>

Chancellor Charles Manning discussed the seriousness with which the legislature is viewing any higher education employee receiving a personal benefit from vendors. It appears that the Fiscal Review Committee will request ARAMARK representatives to appear and discuss the practice of providing gifts, golfing expeditions, and sporting event tickets to campus personnel. Additionally, we expect the Fiscal Review Committee to request copies of ARAMARK contracts currently in place at our campuses. The Chancellor emphasized that campus personnel should be very sensitive to accepting any gifts from any vendors.

The Chancellor discussed the fee increase scenarios under consideration. The Central Office requested spending information on both a 9% and an 11% fee increase. Potential salary guidelines were also discussed. We now know that the 2% salary increase included in the Governor's budget must be distributed across-the-board. The appropriations bill does not include an effective date of employment for participation in the 2% salary increase. The Department of Finance and Administration will be responsible for developing guidelines for distributing the 1% one-time bonus. These guidelines will be shared with campus personnel upon receipt.

Chancellor Manning discussed the matching requirement for capital projects funding. The Chancellor is meeting with representatives from the Governor's Office on April 29th to discuss the capital projects program. The matching requirement has raised several issues, including 1) how to ensure funds are utilized if the match is not raised; 2) how to respond to institutions that have the matching funds in hand but their project is further down the list; and 3) how to address the dilution of donations available for scholarships. The Central Office will keep campuses informed of any legislative actions taken on these issues.

2. **Governor's Executive Order # 3**

Dr. Adams discussed Governor Bredesen's Executive Order on ethics, conflicts of interest, and the acceptance of gifts. Current TBR policy is more restrictive than the Executive Order and is not always practical in real-life situations. The Governor's Executive Order, however, appears to be reasonable and workable.

The BASC discussed several scenarios in which refusing a vendor gift may not be in the institution's best interests. These scenarios include 1) a vendor purchases a golf team for a campus fundraising event and invites campus personnel to play as a member of their team; 2) a vendor volunteers or is requested to sponsor a meal at TBR Board meetings; and 3) a vendor rebates a percentage of current year sales back to the campus.

The BASC established an ad hoc group to review the Executive Order and determine which provisions to adopt as revisions to the TBR policy. The ad hoc group included John Cothern, Mitch Robinson, Horace Chase, Debra Bauer, and Chris Modisher. All questions/scenarios related to these issues should be forwarded to John Cothern for consideration no later than Friday, May 7, 2004. The ad hoc group will have draft revisions available by mid-May.

3. **Claims and Property Insurance Billing**

Ms. Stewart discussed the March 2004 billing institutions received for the claims premium and the property insurance premium. While the State's calculations for the property insurance premium have not been provided yet, information has been obtained for the claims premium. A worksheet was distributed that demonstrated how the State calculated each institution's increase in state appropriations for the claims premium. The worksheet revealed that three entities (ETSU, EFPC, and the TTCs) should have received a larger increase in state funding. Ms. Stewart is continuing to work with the Department of Finance and Administration to correct this error.

Mr. Wilgocki requested a further breakdown of the property insurance premium, by either cost center or building for ETSU. The ETSU premium was not allocated between ETSU, ECOM, and EFPC and further detail is needed to correctly allocate this premium in ETSU's expense accounts. Ms. Stewart will contact the Treasury Department for this information.

4. **THEC Peer Selection Method**

Mr. Simmons stated that THEC now considers the recently proposed peers as a starting point in the pursuit of a new peer set, not the Commission's final recommendation. TBR, UT, and THEC will continue to work toward either a peer set agreeable to both systems or a funding method not based on peers.

5. **Peer-to-Peer File Sharing**

Joe Giampapa, Legal Counsel, discussed the problem of students illegally downloading music and movies from websites. The recording industry has stated that they've lost 30% in revenues due to illegal downloading and have brought lawsuits against students across the nation.

Higher education institutions in other states are moving toward subscribing to websites that offer legal downloads. The negotiated contracts include a deeply discounted monthly fee. The website offers the discount with the expectation that students will continue individual subscriptions at the regular rate after graduation. Some institutions have funded the monthly subscription fee by establishing a new mandatory student fee.

The BASC discussed the best method for TBR to resolve this issue. Many expressed reluctance to add another mandatory fee. Additionally, there is some question regarding the institutions' legal liability. While students are using the institution's equipment to perform illegal downloads, so far the recording industry has only brought suit against individual students.

Some TBR institutions post notifications in all computer labs concerning illegal activities and have modified policies to address illegal downloads. The BASC determined that monitoring the situation is the appropriate course of action at this time. A request was made that CBO's bring any current costs associated with illegal downloading (RIAA notifications, equipment costs, monitoring software, etc.) to the next BASC for further discussion.

6. Report of the Finance Committee

Dr. Collins highlighted the following issues from the April 8, 2004, Finance Committee meeting.

A. Internal Audit Billing

Several community colleges have entered into contracts with universities for internal audit services. The Finance Committee recommended that the universities record the revenues received from these arrangements as unrestricted state grants and contracts and the community colleges record the expense as unrestricted institutional support/fiscal operations.

B. Longevity

The Finance Committee discussed the programming needed to allow longevity to be taxed at the W-4 rate. While the programming works for employees paid monthly, errors were occurring for employees paid semi-monthly or bi-weekly. To eliminate these errors, the monthly amount will be used to estimate the tax for semi-monthly and bi-weekly employees receiving longevity. While the calculations are not precise, the differences are immaterial and should not result in problems with the Internal Revenue Service.

C. Student Agreement to Pay

The Finance Committee discussed two problems that have been impacted by the growth in receivables: 1) Institutions currently have no legal instrument allowing them to recoup collection costs from students, and 2) Without a loan document, bankruptcy courts are not classifying the debts as educational loans and are discharging these debts. The Committee discussed the feasibility of using an electronic signature document during the registration process to resolve the collection costs problem. Ms. Washington agreed to research this issue and stated that a task force is being considered to determine what steps will be necessary to utilize e-signatures under current state statutes.

D. Developmental Course Rates

The Finance Committee discussed the uncertainty that exists at universities on how to assess the community college rate for students taking developmental courses. While all universities are required to do this beginning Fall 2005, it is unclear if the system will accommodate this change. Danny Reese, Computer Center Director at TTU, will ensure that this issue appears on the Computer Center Directors' next meeting agenda.

The BASC discussed why universities will be required to assess the community college rate for students taking developmental courses. The Defining Our Future task force included this provision and it was approved by TBR Board members. The intent was to discourage universities from offering developmental courses. It was felt that the remedial and developmental student population was best served by the community colleges. Any revision to this requirement will require the approval of the TBR Board members and will need to begin at the Presidents Council.

E. Mileage Rate Increase

The Finance Committee discussed the increase in the mileage rate recently approved by the Department of Finance and Administration. Effective May 1, 2004, the mileage rate will increase from $0.32 per mile to $0.35 per mile. The Committee recommended revising the travel policy to reflect that TBR will follow the maximum mileage rate approved by F&A (Attachment A).

The Committee also discussed the lack of detail and/or receipt some websites are providing when used to reserve hotel accommodations. The Committee recommended that employees include with their travel claims a letter describing the situation and certifying that the website confirmation was the only receipt available to them and that the confirmation amount represents room and tax charges only.

F. Lottery Scholarships

The Finance Committee discussed the appropriate method for recording lottery scholarships. The Committee recommended using the restricted fund and establishing a separate revenue subcode for lottery scholarships. A systemwide subcode will not be established; institutions should establish an individual subcode.

Dr. Collins also reiterated that TSAC grants should be recorded in the restricted fund, not the agency fund as some institutions have done in the past.

G. Financial Statements

The Finance Committee discussed an institution's recommendation that individual institutions' financial reports replace the component unit column with the foundations' printed financial statements. The Committee recalled Board members' expectations that the foundations' financial information would be presented on the face of the institutions' financial statements. The Committee reaffirmed the GASB Subcommittee's decision to report component units in a separate column on the face of the institutions' financial statements.

H. Maintenance and Operation Calculations

The Finance Committee discussed the THEC calculation for the M&O requirement. This calculation includes amounts budgeted as "Departmental Charges" in the 7000 series. To ease GASB 34/35 required eliminations, some institutions had begun budgeting and recording certain items in the 5000 series. This change in budgeting method will skew the THEC calculation for the M&O requirement. The committee recommended budgeting maintenance and operation departmental charges in the 7000 series; the actual charges may be recorded in the 5000 series for GASB elimination purposes.

I. **Purchasing Policy**

The Finance Committee discussed a proposed revision to the purchasing policy referencing TCA 49-8-114(a), which allows institutions to set aside up to 10% of purchases for small and minority-owned businesses. The Committee expressed concerns about incorporating this reference into TBR policy. While the TCA is permissive, many might view the TBR policy as requiring this set aside. Additionally, it is unclear how the 10% would be calculated or documented. The BASC recommended no revisions to the purchasing policy at this time.

The Finance Committee minutes were approved.

7. Report of the Human Resources Officers Committee

Debbie Johnson highlighted the following issues from the April 14, 2004, Human Resource Officers meeting.

A. Kroll Background America

TBR and UT have jointly entered into a contract with Kroll Background America for employee background checks and screening. When the contract is finalized, the company will set up training sessions with each campus.

B. Guideline P-030 Modified Fiscal Year Appointments

The HR Officers recommended revising Guideline P-030 to include definitions and to clarify the period during which MODFY employees are eligible for holiday pay.

C. State Insurance Committee Minutes

The HR Officers discussed a change in the State Insurance policy for claims payments that have been made to ineligible individuals because of a failure to report the termination of employment or change in eligibility. The employee and the employer will now be accountable for overpaid benefits if the Insurance Administration is not notified of ineligibility in a timely manner.

D. Non-Exempt Compensation Plan Status

Maurice Pittman updated the BASC on the status of the non-exempt compensation plan. Three phases are planned for the current year: 1) Review the factor rating system; 2) revise job descriptions; and 3) establish local control of titles and skill levels. Additionally, several activities are being considered for future years to ensure that the compensation plan remains valid. These activities include training on the factor rating system, developing pay ranges at the system level, and reviewing classifications of positions for accuracy.

E. Renewal Contracts

The HR Officers discussed the types of employment contracts that require annual renewals. Per Guideline P-010, only S-1s are subject to annual salary letters. Legal counsel has advised that a salary letter is not necessary unless there has been a change in salary amount or terms of the contract. The contract language for temporary, term, adjunct, and MODFY contracts (F-6, F-7, F-8, S-2, and S-3) all have beginning and ending dates. To “renew” them would require new contracts.

F. Independent Contractor Guidelines for IRS

HR Officers were advised to review IRS Publication 15-A, Employer's Supplemental Tax Guide, regarding employee or independent contractor designation. The publication can be found at the IRS website www.irs.gov.

G. Records Imaging

The HR Officers discussed the departments' needs for imaging services and the number staff required at each campus. Campuses with written procedures on Human Resources document imaging, timelines for retention, staffing requirements, etc., were asked to share these procedures with the TBR Human Resources Office.

The Human Resource Officers Committee minutes were approved.

8. Report of the GASB Committee

The April 26, 2004, GASB Committee meeting was rescheduled to May 5, 2004.

9. Report of the Council of Buyers

Ms. Rutland highlighted the following issues from the April 6, 2004, meeting of the Council of Buyers.

A. Central Office Purchasing Position

The Central Office will hire a Director of Purchasing and Contracting in the coming months. This position will be responsible for developing systemwide contracts for a variety of items. Dr. Adams encouraged the Council of Buyers to nominate candidates for the position or apply themselves, if interested.

B. RFP Guideline

The State's Fiscal Review Committee has expressed an interest in our RFP process, particularly in how proposals are scored. To assist us in addressing Fiscal Review's questions, it appears that a written RFP guideline is needed. This guideline will also assist in addressing audit issues and documenting procedures in place. The project will be assigned to the new Director of Purchasing and Contracting.

C. Group Purchasing

The Council of Buyers discussed three group purchasing entities, US Communities, E&I, and Horizon. US Communities is a nationwide network of competitive bids submitted by public entities. An agreement has been signed with US Communities and TBR institutions may now use this company.

E&I is a purchasing group that requires institutions to be a member of NAEB to use the group's prices. Some TBR institutions have been using the E&I price as a bid.

Additional issues have arisen with using the Horizon Resource Group. A Council member inquired if institutions are required to change bid specifications to accommodate Horizon. Dr. Adams responded that institutions are not required to change specifications to accommodate Horizon. Another Council member reported that Horizon's prices are based on the size of each institution and are not the same for all institutions. Horizon does not publish a price list; instead, it instructs the institution to contact the vendor and request the Horizon price. Additionally, vendors have requested the institution's current pricing before providing the Horizon price. Dr. Adams requested that all institutions maintain documentation of these occurrences for use when we report back to the legislature on the Horizon contract.

D. Quantity Discount Savings

The Council discussed ways to demonstrate how consolidating purchasing power has generated savings for the system. It appears that this information may have to be obtained from the vendor.

Mr. Will Pritchett, MTSU, is negotiating with Dell for systemwide computer pricing using committed volumes from each institution. These purchases are not limited to TAF funds. The negotiated price can be compared to the UOM Dell contract to determine quantity discount.

Ms. Jo Smith, NSCC, reported that NSCC has been able to obtain better pricing by limiting the variety of office supplies, which increases the individual items volume.

E. Statewide Contracts

General Services personnel have contacted TBR about institutions not using statewide contracts negotiated by General Services. The Council discussed several reasons why institutions might be using other than statewide contracts. The Council recommended inviting General Services personnel to the next Council of Buyers meeting to discuss the issue.

F. Library Purchases and Contracts

Both librarians and the Council have expressed an interest in consolidating library purchases across the system. A committee will be established to address this issue. Members of the committee will include Janine Brink (MTSU), Marta Ferreira (TSU); Judy Blain (APSU); Angie Gregory (VSCC); Shawn Williams (WSCC), and system librarians to be appointed by Dr. Paula Short. Kathy Crisp and Nancy Washington will be available to address legal concerns.

10. <u>Other Business</u>

- Dr. Adams updated the BASC on the status of the ERP. The RFP was released

April 12, 2004, and is available at the TBR website. A schedule of key event dates was distributed and is included in the RFP (page 27 of 211).

- Dr. Adams inquired if any institution strongly opposed establishing a separate bank account for their foundation. Everyone agreed to have a separate foundation bank account established by July 1, 2004.
- The BASC elected John Cothern as the FY 2004-05 chair. Appreciation was expressed to Tammy Swenson for serving as the FY 2003-04 chair.

There being no further business, the BASC adjourned.

ATTACHMENT A

Policy 4:03:03:00

Addendum

Tennessee Board of Regents General Travel Policy

This Addendum provides the specific expenses considerations cited in the general travel policy. The reimbursement rates listed below are consistent with the current Comprehensive Travel Regulations of the State of Tennessee, which may be revised from time to time. The following shall remain in effect from and after ~~September 26, 2003~~ **May 1, 2004**, until revised by the Chancellor.

General Reimbursement Rates

Standard mileage rate	~~$ 0.32 per mile~~ **Rate approved by the Dept. of Finance and Administration (see http://www.state.tn.us/finance/act/policy8.pdf)**
Maximum parking fees without receipt	$ 8.00 per day
Fees for handling of equipment or promotional materials	$ 20.00 per hotel