

BUSINESS AFFAIRS SUBCOUNCIL

January 25, 1996

MINUTES

The meeting began at 9:00 a.m. in Genesco Training Room 204. Present were Dr. Joyce Mounce and Mr. Al Irby (APSU); Mr. Jim Bowman and Mr. David Collins (ETSU); Dr. Duane Stucky and Mr. Bob Adams (MTSU); Mr. Clay Harkleroad Jr. (TSU); Mr. Terry Rector (TTU); Dr. R. Eugene Smith and Mr. Raymond Pipkin (UOM); Ms. Tammy Swenson (CSTCC); Mr. Jacky Liner (CLSCC); Mr. Ken Horner (COSCC); Mr. Mitch Robinson (DSCC); Mr. Wayne Powers and Ms. Velma Travis (JSCC); Mr. Mike Posey (MSCC); Mr. Taft Davis (NSTI); Dr. Charles Hurley (NSTCC); Mr. Ron Keterson (PSTCC); Mr. Bill Fuqua (RSCC); Mr. Dwight Johnson (SSCC); Mr. John Kirk (STIM); Mr. James Hodges (VSCC); Mr. Julian Jordan (WSCC); and Chancellor Charles Smith, Ms. Julie Goodyear, Mr. John Rudley, Ms. Jackie Shrago, Mr. Michael Gower, Mr. Elijah Hall, Mr. Ron Simmons, Ms. Heidi Dorris, Ms. Jane McGuire, Mr. Robert Hughes, Mr. Bob Wallace, Ms. Renee Stewart and Mr. Harry Richards of the Board staff.

Ron Keterson called the meeting to order. John Rudley introduced Tammy Swenson and Dwight Johnson as the new Vice Presidents of Business and Finance at CSTCC and SSCC, respectively. Mr. Rudley congratulates John Kirk for the outstanding job he did as the interim president at STIM.

ORDER OF BUSINESS

1. CHANCELLOR SMITH'S COMMENTS

Chancellor Smith met with the Business Sub-council and discussed several issues and received feedback from the sub-council members'. The issues discussed were:

a) THEC Formula Review Committee

Chancellor Smith commended Dr. Bryant Millsaps and the Formula Committee for their effort. The committee has made some significant changes to the funding formula. The committee is scheduled to meet next week and a couple of items to be discussed are the medical school funding and rewarding institutions for offering non-credit courses.

b) Practical Government Recommendations

The Practical Government Report was completed and includes four pages concerning high education. It recommended the structure in higher education be consolidated into one system, instead of the current two separate systems. Chancellor Smith feels the Tennessee's Higher Education structure will not be changed.

The report included a recommendation for state employees to be on a 40-hour work week instead of the current 37.5 work weeks. The Chancellor stated it was not likely the State's current work week would change.

c) **Democratic Caucus Priorities**

They expressed support in full funding of the formula. This appears to be a strong signal of renewed confidence in the THEC funding formula. Chancellor agreed to provide the Sub-Council with a copy indicating the Democratic Caucus support.

d) **Governor's Budget**

Chancellor Smith predicts the Governor and the legislature will consider significantly increasing the capital outlay. State employees could receive a pay increase this year in the range between two to four percent. It costs the State \$30 million per one percent increase. The Chancellor feels the salary increase will be across the board. Institutions will be given flexibility to give merit pay increases. Although full funding of the funding formula is favorable, it is unlikely funds will be available. The Governor will continue to fulfill the State commitment to K-12.

e) **Presidential Search**

The search for SSCC's president is currently underway.

f) **Administrative Software**

Chancellor Smith informed the members the Board would start over with the administrative software. A paper will be developed defining what the System's needs are in the area of software and hardware. Chancellor Smith expressed concerns about vendors dictating the System's needs. Therefore, no decision will be made concerning administrative software until the institutions' concerns are addressed and meetings are held to define the System needs. A meeting is scheduled with the Presidents on February 6, 1996, to discuss the software matter.

g) **Comments**

Dr. Eugene Smith applauded Chancellor Smith for his leadership and standing firm on issues concerning higher education.

The Chancellor addressed Mr. Posey's question about a retirement bill before the legislature allowing the computing of State employees retirement based on ten months. Chancellor Smith is not sure if the bill will be approved in the legislature.

Chancellor Smith informed Mr. Powers and the other members that he was not

aware of any bills in the legislature to reduce the leave balances state employees are currently allowed to accumulate. Also, the Chancellor was not aware of any bills before the legislature requesting changes in State employees benefits.

Mr. Bowman expressed appreciation to the Chancellor for allowing the TBR staff to visit the institutions and discuss the campus problems.

2. **COMMITTEE MINUTES**

A. **Report of the Finance Committee**

Mr. Raymond Pipkin highlighted the following issues from the Finance Committee minutes of January 10, 1996.

1. **Capitalization of Equipment**

Mr. Pipkin began the discussion by updating the Sub-Council on the federal government increasing the dollar amount of equipment items requiring capitalization to \$5,000. The U.S. Department of Education has recently revised all applicable federal regulations to increase the capitalization floor from \$500 to \$5,000.

The Finance Committee recommended TBR increase its dollar amount of equipment items requiring capitalization to \$1,000. The capitalization of equipment at \$1,000 would eliminate approximately 33% of items inventoried and only a 10% reduction of the inventory dollar value. However, prior to any formal action the TBR staff will discuss the increase in capitalization of equipment with the University of Tennessee and THEC.

Mr. Pipkin outlined the two main issues needed to be considered when raising the floor: (1) What is a realistic capitalization floor, and (2) What is the impact on appropriation formula?

He informed the members of the methods discussed to revise the capitalization floor without a decrease in appropriation dollars. The methods proposed included the following:

- 1) increasing the equipment replacement supplement percentage used in the appropriation formula;
- 2) adding back to the appropriation formula total the cumulative dollars lost due to the change in a capitalization floor;
- 3) establishing the FY 1995 inventory base to which the equipment replacement supplement percentage is applied.

2. **Updates on SSCC and SACS**

Mr. Pipkin updated the members on the SACS requiring annual audits of two-year institutions for the fiscal year ending prior to the SACS visit. John Rudley and Art Hayes, the Director of State Audit, reached an agreement in which the two-year institutions will receive a letter of negative assurance for the fiscal year ending prior to the SACS visit. State Audit will bill the institutions for the additional work required to provide the letter of negative assurance. TBR will continue their negotiations with SACS to accept the two-year institutions' annual financial statements.

Dr. Smith requested a letter be sent to NACUBO recommending for SACS to establish a fiscal review section. Julian Jordan also requested a letter to be sent to the Dr. James Rogers, the Executive Director for Commission on Colleges. Dr. Rogers should be requested to refer this matter to the Criteria and Reports Committee for possible resolution.

Mr. Pipkin informed the members of Mr. Johnson and the staff at SSCC working diligently to resolve problems noted in prior audit reports. SSCC's presidential search is on going and a new president should be in place within the next six to eight months.

3. Technology Access Fees

A request was made to the Finance Committee to increase the two-year institutions' maximum technology access fee to \$25. The TBR has taken a position of not increasing the technology access fee at this time.

4. Late Registration Fees

Mr. Hall informed members of the problem of the SIS+ software calculating fees based on the pre-registration date and ignoring the late registration fee has been addressed. An updated version of SIS+ to correct this problem is currently being tested at UOM and MTSU and should be at all TBR institutions by the end of February.

5. Other Business

A. Fee Installment Plan

A group was appointed to study the feasibility of a fee installment plan. The group consists of Bob Adams, Larry Wakefield, Julian Jordan, Bill Fuqua, and Renee Stewart. Mr. Adams distributed a memo to the members requesting their recommendation concerning the fee installment plan. The members should send their recommendations to Bob Adams at MTSU by February 15.

Mr. Rudley notified the members about a bill in legislature requiring

institutions to install a deferred payment plan. However, TBR's deferred payment plan participation would be on a voluntary basis. Dr. Smith recommended the deferred payment plan be used from the stand point on how can we serve our students, the customer better and not from a control perspective. Dr. Stucky is of the opinion the deferred payment plan should be used as a recruiting tool. Michael Posey asked Mr. Rudley if the TTCs would be allowed to participate in the deferred payment plan.

Dr. Mounce informed the members APSU had conducted a survey of NON-TBR institutions concerning the deferred payment plan. The survey revealed 100% of the institutions participating had deferred payment plans. Dr. Mounce will share a copy of the results of the survey with members upon request.

B. Updated Bylaws

Mr. Pipkin requested the members to accept the updated draft of the Finance Committee's Bylaws, which was Attachment "A" in the Finance Committee Minutes.

C. Revised Guideline B-060-Fees, Charges and Refunds

Mr. Pipkin explained why Guideline B-060 was revised to change the returned check fee from \$25 to \$20, as required by TCA 47-29102. This change will be presented to the President's Council for their approval on February 6, 1996.

D. Revised Policy No. 4:03:03:00 General Travel

Michael Gower distributed a draft memo from Chancellor Smith approving TBR's lodging rate to increase as of February 1, 1996. Finance and Administration increased the maximum lodging rate from \$40 to \$50 per night plus tax for Shelby, Knox, and Davidson Counties. The rate for Hamilton County remains at \$40 plus tax per night. All other counties remain at \$37 per night. Mr. Gower stated F&A will probably complete its in-depth review of the State's Travel Regulations by July 1, 1996.

Mr. Pipkin informed the members that the changes to the travel policy approved by Finance and Administration will not be submitted to the TBR Board for approval until the June meeting. Therefore, any additional requests for changes to the TBR Travel Policy should be sent to the Board staff by March 15th in order to be reviewed at the April Finance Committee.

E. Deferred Compensation Transfers

Wayne Powers inquired about the deferred compensation payments being transferred by TBR's central office from institutions LGIP accounts without their prior knowledge of the transfer amount. Bob Hughes agreed to fax the institutions a copy of the transfer amount a couple days prior to TBR's central office performing the transfer from their LGIP accounts.

The minutes of the Finance Committee were approved as presented.

2. **Business**

A. **Distributions of Chargebacks**

Mr. Rudley notified the members of Chancellor Smith's decision to reduce the institutions' chargeback as of July 1, 1996. Also, Mr. Rudley agreed to send each institution a copy of the Central Board office budget. He pledged that the Board would live within its budget as the institutions are required.

B. **Treasury Department Collateral Pool**

David Tate of the Treasury Department distributed a handout and led the discussion concerning how the Tennessee collateral pool works. The Collateral Pool was established by legislation of the Tennessee General Assembly in March 1990. Two pools were initially established, a bank pool and a savings and loan pool.

Currently, the bank collateral pool consists of 13 banks. Mr. Tate cautioned the members to verify that a particular bank is a member of the State's bank collateral pool and not to rely on the bank's word. Mr. Tate's office should be contacted to verify a bank is a member of the State's collateral pool. Banks that are members of the collateral pool are no longer required to provide collateral for individual accounts. However, if a bank is a member of the Bank Collateral Pool, they must provide collateral only under the State collateral pool requirements. A bank with an application request to join pending is not a member until it is approved.

Mr. Tate reviewed the most common errors made concerning the bank collateral pool with the members. He agreed to provide a copy of The Bank Collateral Pool manual to any institution requesting a copy.

Mr. Jim Bowman recommended the TBR's Banking Policy to be revised to require for banks to be a member of the Tennessee Bank Collateral Pool.

The members thanked Mr. Tate for his presentation.

C. **Update on Administrative Software**

Jackie Shrago led the members in a discussion concerning an update on

administrative software. Copies of the "Strategy for Administrative Software" (1/25/96) and the "Computer Center Directors' (1/24/96) memo to Ms. Shrago" were distributed. Ms. Shrago stated TBR has not planned any further administrative software agreements without additional input from the institutions. The current contract expires June 30, 1998. Ms. Shrago asked the members to review the information distributed and solicited their comments. The members agreed to discuss the administrative software issue with their campus personnel and comments would be submitted later.

Members were concerned about items on the Strategy for Administrative Software being listed as needs. Mr. Bowman requested "needs" be changed to "planning assumptions."

Ms. Shrago requested for the members to give her some feedback on the following:

- 1) how TBR should review the need for administrative software;
- 2) the amount of functionality needed;
- 3) the amount TBR can afford to spend on software.

Dr. Eugene Smith requested for the Board to decide on the maximum amount of centralization needed.

Mr. Rudley voiced concern about centralization reducing the institutions' flexibility. Ms. Shrago informed the members their computer center directors and end users are requesting the current level of centralization.

Ms. Shrago informed members the current SCT contract will end June 30, 1998 and it can be extended. She encouraged the institutions to decide whether to extend the SCT contract or should TBR venture in another direction.

Members recommended that the TBR ask the presidents to appoint members for an ad hoc committee to assist the Board in ascertaining the Systems needs for administrative software. Also, the institution needs could be divided into groups as they relate to four-year institutions, two-year institutions and Tennessee Technology Centers.

D. Students Right to Know and Equity in Athletics Disclosure Act Final Rules

Heidi Dorris led the members in a discussion of the draft memo summarizing two sets of final rules concerning the Equity in Athletics Disclosure Act, and the Student Right-to-Know act. The rules were presented to the Human Resources Officers on the January 18, and will be presented to the Student Affairs Sub-council on the January 30. Subsequent to these meetings, this memo will be presented to the presidents and directors in final form. The rules will be effective on July 1, 1996. Ms. Dorris confirmed that the first report required by Equity in

Athletics Disclosure rules is due October 1, 1996 and October 15th the subsequent years.

E. Financial Integrity Weaknesses

Harry Richards informed the committee most institutions were doing a good job in resolving their weaknesses from the prior years. The financial integrity summary results are required by law to be sent to Finance and Administration and State Audit. Therefore, the members were encouraged to work expeditiously to resolve the weaknesses.

The members were encouraged to submit their recommendations for the current year's financial integrity review when requested.

F. Automation of Budget Process

Ron Simmons gave the members a presentation of the automation of budget process. Mr. Simmons informed the group that an automated budget committee has been established. The committee consists of Sharon Hayes (UOM); Elaine Curtis (COSCC); Deborah Bauer (NSTI); Larry Wakefield (TSU); Mitch Robinson (DSCC); and members of TBR staff.

G. Other

Copies of the Human Resources minutes for the January 10, 1996, meeting and a revised listing of member telephone numbers were distributed.

There being no further business, the meeting adjourned at 12:10 p.m.

Note: The next meeting of the BASC is tentatively scheduled for Thursday, April 24, 1996 at 9:00 a.m. in the Genesco Training Room.