

## **BUSINESS AFFAIRS SUB-COUNCIL**

**July 24, 1997**

### **MINUTES**

The meeting began at 8:30 a.m. in TBR Board Room 366. Present were Dr. Joyce Mounce and Mr. Al Irby (APSU); Mr. James Bowman (ETSU); Dr. Duane Stucky and Mr. Bob Adams (MTSU); Mr. Clay Harkleroad, Jr. (TSU); Mr. Terry Rector (TTU); Ms. Claire Blackwell (UOM); Ms. Tammy Swenson (CSTCC); Mr. Jack Liner, Chairman (CISCC); Mr. Ken Horner (CoSCC); Mr. Mitch Robinson (DSCC); Mr. Wayne Powers (JSCC); Mr. Mike Posey (MSCC); Ms. Debra Bauer (NSTI); Mr. Charles Hurley (NSTCC); Mr. Ron Kesterson (PSTCC); Mr. Bill Fuqua (RSCC); Mr. Dwight Johnson (SSCC); Mr. John Kirk (STIM); Mr. James Hodges (VSCC); Ms. Rosemary Jackson (WSCC); Mr. Michael Gower, Ms. Kaylene Gebert, Mr. Elijah Hall, Ms. Deanna Hall, Ms. Lisa Hall, Mr. Bob Wallace, Ms. Kathy Crisp, and Ms. Renee Stewart (TBR).

Mr. Liner called the meeting to order. Ms. Donna Ashford, Coordinator of Desegregation Intern Program, introduced the Geier interns currently assigned to the TBR Central Office.

### **BUSINESS**

#### **1. TSSBA Presentation**

Mr. Liner introduced TSSBA representatives Mary-Margaret Collier, Assistant Director of Bond Finance, and Sue Atwood, Accountant. Ms. Collier discussed the new debt issuance that is scheduled to occur July 30, 1997, and provided copies of the Official Statement. Ms. Collier informed the committee of several new developments at TSSBA that affect TBR institutions. These developments include depleting the existing debt authorization, the establishment of an advisory board to develop a new bond resolution, and the development of a new short-term note program which should be effective in November.

Ms. Collier also discussed the potential tax problems associated with both new capital projects and existing projects financed with either general obligation (GO) or TSSBA bonds. She stated that facilities housing private-use projects, such as food service contracts, bookstores, research grants financed by private companies that retain research results, etc., can affect decisions on whether to finance with taxable or tax-free debt. Ms. Collier requested that institutions contact her immediately if a tax problem is suspected. To gain a better understanding of the tax provisions relating to debt issuance, a workshop will be scheduled with TSSBA, UT, and TBR representatives. Details of this workshop will be forthcoming.

## **2. TSSBA Advisory Committee Report**

Mr. Adams summarized the results of the July 16, 1997, TSSBA Advisory Committee meeting. Al Irby of APSU and Bob Adams, MTSU, are TBR representatives to the committee comprised of TBR, UT, and state representatives. The advisory committee will be concentrating on the following issues in conjunction with rewriting the Bond Resolution: administrative cost allocations, advance refundings, replacing the note program with either a revolving-limit note program or a commercial paper program, replacing the debt service reserve fund with a surety bond, revising cash transfer timing requirements, expanding permitted investments, reviewing the possibility of including foundation debt in TSSBA debt, semi-annual principal payments, updating the resolution to industry standards, and providing assurance to bond holders that revenues are available to repay debt.

Ms. Collier stated that the TSSBA Board is very sensitive to the average-life of assets financed. Every project is questioned, and if there is any doubt, the Board is requiring independent certification. Projects such as equipment, HVAC (heating, ventilation, and air conditioning), and roof repairs have been extensively reviewed to ensure that the life of the assets equals or exceeds the years of amortization.

## **3. Pay Phone Deregulation**

Mr. Hall introduced Bell South representatives Ms. Vickie Stanfill and Mr. Robert Reynolds. Mr. Reynolds discussed the deregulation of pay phones and the FCC's Access Reform Ruling and the effects these items will have on TBR institutions.

As of April 15, 1997, all pay phones were deregulated. Costs associated with having pay phones on campus will now be based on contracts with carriers. On October 15, 1997, the pay phone rate will be deregulated. This will allow operators to set their own rate. Industry discussions predict an average rate of \$.35 per local call.

The Access Reform Ruling by the FCC reallocated the universal service funding by reducing the interstate access rate and increasing the subscriber line charge assessed to multi-line business and second-line residential users. The access rate charged to TBR institutions increased from \$6.00 to \$6.97 per line and is expected to increase to \$9.00 per line January 1998.

## **4. Report of the Finance Committee**

Mr. Adams highlighted the following issues from the Finance Committee minutes of July 10, 1997.

### **A. Chart of Accounts Review**

A memorandum from Julian Jordan, Chairman of the Chart of Accounts Review Subcommittee, was provided to all committee members requesting a copy of the current chart of accounts by September 5, 1997. In addition to the chart of accounts, the subcommittee will review

personnel listings by title and account number and the methodology each institution uses to allocate costs of service departments. The subcommittee plans to complete its review by December 1997 and any resulting revisions will be implemented in the July 1998-99 Proposed Budget.

**B. Bid Procedures Minimum**

The Finance Committee recommended revising Policy 4:02:10:00 and Guideline G-030 to increase the threshold at which a purchase requires bidding from \$500 to \$1,000. It was noted that UT recently revised their policies to allow departments to negotiate purchases up to \$1,000. The State's move to increase their minimum to \$1,000 has been placed on hold and they will continue to study this during the 1997-98 year. See Attachment A for proposed policy and guideline revisions that will be on the Presidents Council's August agenda.

**C. Equipment Inventory**

The Finance Committee recommended increasing the equipment capitalization floor from \$500 to \$1,000. It was noted that both UT and the State increased their capitalization floor to \$1,000 as of July 1, 1997. The TBR Central Office and UT will continue to pursue with THEC the need to review and change the current 5% equipment replacement supplement rate used in the funding formula.

**D. Guideline G-030**

The Finance Committee recommended revising Guideline G-030 to include language requiring all non-resident aliens to provide either an Individual Taxpayer Identification Number or Social Security Number before any payments are made to the non-resident alien. See Attachment B for proposed revisions that will be on the Presidents Council's August agenda.

**E. Supply Object Codes**

The Finance Committee recommended consolidating all supply object codes into one supply code. This revision will aid in meeting purchasing card requirements. To use a purchasing card, the buyer must identify both the account number and the object code to which the purchase will be charged. The committee recommended revising the object code listing to define object codes 4510 - 4599 as supplies.

**F. Refund Policy Disparity**

The Finance Committee recommended reactivating the Fee Subcommittee to consider revising the refund schedule to include a 50% refund period and to review any other fee-related issues for recommendations to the Finance Committee by no later than the January meeting.

**G. Policy 5:02:04:00 Extra Compensation**

The Finance Committee felt that Policy 5:02:04:00 discourages faculty from coordinating outside speaking/teaching opportunities through the university and recommended that the TBR Central Office Academic Affairs staff investigate the policy of compensation funded from outside sources for possible changes to alleviate the problem.

The minutes of the Finance Committee were approved as presented with one dissension.

**5. Educational Assistance Taxation Update**

Ms. Stewart updated the committee on the status of the information swap for the Spring 1997 semester and the status of IRC Section 127.

At this time, all TBR institutions have provided the Central Office with the required information for UT and State employees who took a graduate-level course using a fee waiver. At the same time, institutions should have swapped the same information for TBR employees with the employing TBR institution. If you have not contacted the employing TBR institution for any TBR employee taking a graduate-level course using a fee waiver during the Spring 1997 semester, please do so now. UT has agreed to provide the Central Office with the required information for TBR employees attending UT institutions. Once the Central Office has identified the employing institution, the information will be forwarded. This same process will be followed for the Summer 1997 semester. A letter initiating the process will be forwarded to institutions in August 1997.

Currently, both the House and Senate balanced budget bills include provisions to extend IRC Section 127. The House bill will extend Section 127 from June 30, 1997, until December 31, 1997, and will only apply to undergraduate courses. The Senate bill will permanently extend Section 127 and will apply to both undergraduate and graduate courses that begin on or after January 1, 1997. If Section 127 is not extended, the State will be required to tax undergraduate courses that began on or after July 1, 1997, as well as graduate courses and will need TBR institutions to supply the necessary information.

6. **Report of the Human Resource Officers Committee**

Ms. Stewart highlighted the following issues from the June 26, 1997, meeting of the Human Resource Officers.

A. **Guideline P-010 Personnel Transactions and Recommended Forms**

The Human Resource Officers recommended revising this guideline to provide guidance regarding the use of volunteers and to include the related forms. See Attachment C for proposed revisions that will be on the Presidents Council's August agenda.

B. **Guideline P-130 Support for Educational Assistance**

The Human Resource Officers recommended revising this policy to incorporate enacted legislation and to make other cosmetic and/or clarifying revisions needed. The revisions that originated due to legislation include (1) extending the Employee Audit/Non-Credit Program to retired state employees with 30 or more years of service and (2) extending the Fee Discount for Dependents of Licensed Public School Teachers or State Employees Program to children under the age of 24 whose parent died while employed. See Attachment D for proposed revisions that will be on the Presidents Council's August agenda.

Items were approved and will be forwarded to the Presidents Sub-Council.

7. **Other Business**

A. **Revised M&O Requirement for 1997-98**

Ms. Stewart provided the committee with revised maintenance and operation requirements for 1997-98. Revisions were due to the \$10,000,000 legislative appropriation addition.

B. **Capital Projects STARS Reports**

Ms. Stewart informed the committee that the STARS Reports for June 1997 were available after the meeting.

C. **THEC Funding Formula Review**

Mr. Gower provided the committee with a draft memorandum to THEC outlining suggestions from TBR institutions for improving the formula. Mr. Gower requested that institutions review the suggestions and forward any additional items to the Central Office prior to August 15, 1997.

**D. AMS Update**

Mr. Harkleroad updated the committee on TSU's pilot program contracting with AMS. Mr. Harkleroad reviewed the differences between AMS's deferred payment program and the TBR deferred payment plan and stated that approximately 270 students had participated in the AMS plan in 1996-97. TSU has extended the pilot contract with AMS through 1997-98 and expects an equal or better participation rate in the coming year.

Dr. Stucky inquired if TBR institutions could offer a plan with terms similar to the AMS plan. The committee determined to reactivate the Deferred Payment Subcommittee to study the feasibility of offering a second TBR deferred payment plan.

**E. Technology Access Fee**

Mr. Gower discussed the new reporting requirements for the Technology Access Fee increase. The TBR Board has requested quarterly updates on Technology Access Fees collected and the related spending plans. The Central Office is currently developing formal reporting formats that will be forwarded to institutions upon completion.

**F. Local State Organization for University and College Business Officers**

Dr. Stucky inquired about the level of interest in developing a local state organization that parallels NACUBO and SACUBO. This organization would include UT and private institutions, as well as TBR institutions. Dr. Mounce and Mr. Johnson stated that they had been involved in similar organizations in other states and found the organizations to be beneficial. Mr. Gower stated that UT and several private institutions would be contacted to determine the level of interest.

There being no further business, the meeting adjourned at approximately 11:00 a.m.

**Note: The next meeting of the BASC is tentatively scheduled for Thursday, October 23, 1997 at 8:30 a.m. in the TBR Board Room.**