

BUSINESS AFFAIRS SUB-COUNCIL

October 25, 2006

MINUTES

The meeting began at 9:00 a.m. in the TBR conference room. Present were Ms. Beth Cooksey (Chair, VSCC); Ms. Debra Bauer (NSCC); Ms. Cynthia Brooks (TSU); Mr. Steve Campbell (NSTCC); Mr. Horace Chase (JSCC); Dr. David Collins (ETSU); Mr. John Cothorn (MTSU); Mr. Danny Gibbs (RSCC); Mr. Mike Gower (MTSU); 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. Ron Parr (SWCC); Mr. Mike Posey (MSCC); Mr. Mitch Robinson (APSU); Dr. Claire Stinson (TTU); Ms. Tammy Swenson (CSTCC); Ms. Velma Travis (DSCC); Mr. Greg Wilgocki (ETSU); Mr. David Zettergren (UOM); Dr. Bob Adams, Ms. Kathy Crisp, Mr. Tom Danford, Ms. Alicia Gillespie, Ms. Angela Gregory, Ms. Deanna Hall; Ms. Lisa Hall, Ms. Debbie Johnson, Dr. Charles Manning, Ms. Brooke Shelton, Mr. Ron Simmons, Ms. Renee Stewart, and Mr. Tom Wallace (TBR).

Ms. Cooksey introduced Mr. Danny Gibbs as the new Vice President of Business and Finance for RSCC.

1. **FACTS/Nelnet Presentation**

Mr. Brian Berry presented information on FACTS/Nelnet and the services they offer. FACTS/Nelnet is an actively managed payment plan provider. They offer automatic, prescheduled, recurring payment options for students. The payment plan options, as well as the payment websites, can be customized for each institution. NSTCC has recently signed a contract with the company, and if other TBR institutions are interested, they may use the NSTCC contract.

2. **Chancellor's Remarks**

Dr. Manning spoke briefly regarding the governor's policy initiative of providing a lower cost approach to college. The possibility of students attending community colleges for free through some type of lottery funding has also been discussed. A question was asked regarding the impact that this would have on universities and Dr. Manning stated that the objective would not be to redistribute enrollment, but to get new students to enroll. Additional meetings have been scheduled to discuss details of the plan.

3. **Tuition Calculation Committee Recommendations**

The issue of removing the tuition cap originated from the labor intensive and expensive Banner modifications that would be required in order to continue calculating tuition and refunds under our current method. However, Ken Brooks now thinks that he can get Banner to work without a major modification, although refunding would work better in Banner if we were to go to an hourly rate. He is still unable to get undergraduate and graduate rates to calc together and max out at the graduate rate. If he is unable to get this to work without the modification, we could correct this situation with a guideline change.

However, we need definitive information from Mr. Brooks before we can make any type of decision.

Chancellor Manning believes that removing the tuition cap will encourage students age 25 and over to enroll, because financial issues are believed to play a large part in the enrollment decline of this group. Therefore, if rates were frozen at the community colleges for the next year, this might lead to an increase in adult student enrollments.

Removing the tuition cap will only affect students who are taking twelve hours or more. Therefore we need to consider student behavior in our modeling. For example, the lottery scholarship GPA requirement seems to have already caused some students to reduce the number of hours they take each semester. Another factor to consider is the drop to 120 hours for graduation. This has also reduced the number of hours a student needs to take each semester in order to graduate on time.

There are also vast differences in how this would affect rural community colleges versus urban community colleges. Urban community colleges tend to have more part-time enrollment, therefore removing the tuition cap would have less of an impact on them. The possibility of different tuition rates at individual institutions was discussed. Community colleges seem to prefer keeping rates the same among all community college institutions, but universities are more open to the concept. However, if institutions begin charging different rates, RODP students could start shopping schools to get the lowest tuition.

If the tuition cap is removed, all mandatory fees, including TAF, would need to be charged on a per-hour basis. Institutions may want to look at merging all fees and charging a flat per hour rate to the students, and later allocating it into the proper accounts. This would make it easier to quote fees to students.

The BASC felt that they needed more information before making a decision. Therefore, no recommendation was made at this meeting. Subsequent to the BASC meeting, the Presidents recommended not removing the tuition cap and purchasing the necessary Banner modifications. This recommendation will be forwarded to the Banner Steering Committee for approval.

4. TAF Guidelines

There has been much discussion regarding the purchase of paper for laboratories with TAF money. The current guidelines are not worded such that paper would be considered a technical benefit for students. There are currently no guidelines on how Pool 1 money is spent. Therefore, institutions could use Pool 1 money to purchase paper. However, most institutions do not generate enough revenue from Pool 1 to cover the cost of the paper.

In order to change the guideline for Pool 2 money, the revision would have to go before the Board for their approval. A recommendation was made that Dr. Adams work on a definition for “technical supplies” that would allow the purchase of paper.

5. Report of the Committees

A. **Finance Committee**

Dr. Collins highlighted the following issues from the October 12, 2006 Finance Committee meeting.

- Budget Process – Revised Position Counts

Several institutions said that they budget all needed positions in the Proposed Budget and offset the expense with a negative salary pool. Other institutions said that they advertise the upcoming Fall positions in March.

Dr. Adams stated that most out-of-cycle position requests are approved and that institutions should send them in if needed. However, out-of-cycle reorganization requests have been problems in the past.

- Summary of Private Giving Report

The committee determined that the institutions should follow the reporting instructions in the VSE (Voluntary Support of Education) Report to prepare the private giving report. However, differences between the private giving report and the financial statements will be reconciled.

- G-090 Letterhead Stationary

The committee discussed the guideline relating to letterhead stationary. The policy states that inter-office memoranda shall be printed without individual's names. It was noted that institutions have note pads with employee's names printed on them and recommended that this be removed from the guideline. (See Attachment A)

- Policy and Guideline Changes

Policy 4:01:00:00 Budget Control

The only changes that were made to this policy were housekeeping. (see Attachment B)

Policy 4:01:01:10 Deposit and Investment of Funds

The committee discussed withdrawals that exceed 1% of state appropriations or \$10,000 whichever is greater. The guideline currently states that these transactions must have the original signature of the president or business officer. The policy is not clear as to whether the signature should be on the check or supporting documentation. The committee agreed to reword the policy so that the signatures on the supporting documentation would serve as sufficient authorization.

The committee recommended to increase the amount of petty cash accounts external to the business office to \$1,000.

The committee recommended that the section stating that all investments shall be reviewed by the president on a quarterly basis be removed from the guideline.

All policy revisions are presented as Attachment C.

Policy 4:01:02:30 Facilities Planning and Design

The only changes to this policy were housekeeping changes. (see Attachment D)

Policy 4:01:03:00 Payment of Student Fees and Enrollment

The only changes to this policy were housekeeping changes. (see Attachment E)

Guideline B-010 Collection of Accounts Receivable

The amount at which institutions must authorize litigation of accounts was increased from \$500 to \$2,000, providing litigation costs do not exceed the amount which can be recovered. (see Attachment F)

Guideline B-020 Educational Business Activities Including the Classification and Operation of Auxiliary Enterprises

The committee recommended to delete the section “Reporting for Auxiliary Enterprises” and all references to athletics. (see Attachment G)

Guideline B-021 Requirements of Building Plaques Affixed to New or Newly Renovated Buildings and Facilities

The only changes to this policy were housekeeping changes. (see Attachment H)

Guideline B-022 Campus Facility Master Plan

The only changes to this policy were housekeeping changes. (see Attachment I)

- Presidential Quarterly Expenditure Report

The committee discussed the purpose of an entertainment expense versus a business meeting/meal expense. After much discussion, it was determined that these expenses would be combined on one form titled Business Meals/Hospitality Expenses.

The Finance Committee minutes were approved.

B. Council of Buyers

Ms. Gregory highlighted the following issues from the October 18, 2006 Council of Buyers meeting.

- Fiscal Review

In addition to requiring review of non-competitive contracts totaling \$250,000 with a greater than one year term, amendments meeting any of the following criteria must be presented to the Fiscal Review Committee for review:

- A non-competitive amendment to a contract awarded pursuant to a competitive process
- An amendment which increases the maximum liability amount of a previously reviewed contract
- An amendment which adds new services or changes the scope of services of a previously reviewed contract
- An amendment which extends the term of a previously reviewed contract beyond the original term

This brought up the issue of institutions using other TBR institution contracts, UT contracts, and government service contracts. Ms. Gregory will inquire as to how the changes will affect how we use state contracts.

Ms. Gregory reminded the committee that when contracts are being written, the maximum annual amount should be built in to cover all bases up front. The committee was also reminded that Fiscal Review does not look kindly on late submissions after the 60-day advance notice requirement. Ms. Gregory also informed the committee that agreements that have been approved by the State Building Commission do not require approval from the Fiscal Review Committee.

- Policy/Guideline Revisions

Ms. Gregory informed the committee that she and Dr. Adams had met with the Board of Standards in late July to address their concerns with TBR's current purchasing policy. One of the major changes is that a new clause was added

stating that contracts, other than real property contracts, may not have a contract term of more than sixty months.

The issue of revenue contracts was raised and a proposal was made to be able to write five year agreements with the option to renew five additional years. Dr. Adams indicated that a representative from the Comptroller's Office indicated that the sixty month requirement applied to all contracts, other than real property, and any changes would require a statute change. Ms. Crisp indicated that we currently do something like this now with the food service agreements where we ask for a five year term, with a five year renewal option, subject to procurement rules. Either the institution or the successful proposer has to buy out the unamortized balance of any capital improvements/investments or new successful proposer. The TBR Central office will re-visit the issue and get back to the committee.

- **Illegal Immigrants**

Pursuant to House Bill No. 111/Senate Bill 411, state entities are prohibited from contracting with anyone who utilizes illegal immigrants. The bill indicates that the Commissioner of Finance and Administration will develop rules and regulations. Ms. Gregory indicated that she has been corresponding with Robert Barlow at the Department of Finance and Administration and they have not developed rules and regulations at this time, but Ms. Gregory provided the Council with language that they have incorporated into their proforma contract and indicated that the institutions needed to add this as well. Finance and Administration has inserted this language after the non-discrimination clause. Ms. Gregory will continue to keep in touch with Mr. Barlow and inform the Council when rules and regulations have been developed. Ms. Gregory and Ms. Crisp will work on the policy and/or guideline changes which may be necessary to incorporate this requirement.

- **Governor's Office of Diversity Business Enterprise (GODBE)**

Ms. Gregory discussed the vendor application submissions and informed the council that she had a conference call with GODBE, who indicated that they need to refine their process in certifying our vendors. Ms. Gregory also indicated that baseline expenditures would be calculated by the business officers and that she would distribute the proposed 06/07 Small, Minority, and Women-Owned business percentages as soon as all figures were received.

- **CMRA Trust**

Ms. Gregory informed the group that as a result of the Board of Standards meeting regarding the purchasing policy, that TBR was asked to add TRICOR and CMRA Trust as additional state agencies that we are required to purchase from whenever such items are available. Currently there are only a few small items, such as pens and highlighters, available through CMRA Trust. Ms. Gregory has asked if TBR has to purchase from CMRA Trust, even if they do not

have the lowest prices. Ms. Gregory will inform the committee once she receives an answer.

- Furniture Contract

The furniture FRP is scheduled to open November 3, 2006. TBR anticipates having a contract in place prior to the Christmas Holiday.

- Apple

A problem has arisen with the Apples iTunes Agreement. Although our master agreement with Apple indicated that those terms and conditions supersede any additional required agreements by Apple, it is Apple's position that this does not apply to the iTunes Agreement. Ms. Gregory is working with some of her colleagues to resolve the issue.

- TTC RFP

TBR has issued an RFP to all TBR institutions to provide a proposal for hosting of the technology centers defined by middle, east, and west regions. The RFP is scheduled to open December 11, 2006 and will not go into effect until July 1, 2007.

- Contracts Log

Ms. Gregory indicated that the new log was up and running and encouraged the council to utilize it if they were not already doing so.

- Background Checks/Insurance

Based on some recent inquiries, Ms. Gregory reminded the council that there was a system-wide contract for background checks with Kroll Background America. Questions have also come up regarding the institutions' ability to bid for insurance. Ms. Gregory indicated that as far as she knew, institutions were not permitted to acquire insurance and that both background checks and insurance were sole responsibilities of the student. Some institutions have indicated that the student pays for their insurance, but the institution does the bidding to establish a vendor. Ms. Gregory will check with Heidi Zimmerman regarding this issue to determine the institution's role, if any, in the establishment of a contract for student insurance and/or collecting of insurance premiums from students by institutions.

- Electronic Signatures

Ms. Gregory informed the group that the legal department is currently working on guidelines for the use of electronic signatures on bids.

The Council of Buyers minutes with the policy revisions were approved.

C. Human Resources

Ms. Johnson highlighted the following issues from October 5, 2006 Human Resource Officers Committee meeting.

- Revision to Compensation – TBR Guideline P-043 (Athletic Increases)

This guideline revision was presented to add language from a previous memo and Board approved policy regarding athletic increases. Language was also added to cover athletic contracts due to the competitive nature of coaches' salaries.

- Revision to Longevity Pay – TBR Guideline P-120

Guideline P-120 has been updated to reflect legislation passed this year, which increased the maximum years for longevity pay to thirty, with a maximum payout of \$3,000.

- Fiscal Year Faculty – TBR Guideline P-160 Post Retirement

Discussions continued for a resolution to the issue regarding 12 month faculty in the post retirement program. An institution wanted to exceed the 18 hour teaching limit for a retired faculty member. However, this is not a TBR Guideline, but a state rule. Therefore, the institution will not be able to allow the faculty member to exceed the 18 hour limit. Ms. Johnson will relay the information back to the Academic Affairs Sub-Council.

- Update of Flexible Benefits

The contract negotiations with the new vendor are nearing completion. Upon completion of the contract signing, TBR will compile an eligibility file from current enrollment data provided by the campuses. This data will allow the new vendor to create new employee accounts, which will then be updated to reflect current account balances.

- Charitable Giving Campaign

Materials for this year's Charitable Giving Campaign were e-mailed to the campus coordinators on October 5th. This year's campaign will be the first

conducted using an electronic format. Feedback will be sought on this format at the close of the campaign.

- **Personnel Revisions to Remove Geier References or Requirements**

Personnel policies and guidelines have been reviewed to determine which contained references to Geier or desegregation requirements. Proposed changes have been made deleting these references. In some cases, “diversity and access” language has been inserted. In other cases, specific Geier program language has been deleted. New language can be added in the future as new access and diversity programs are developed.

Policies/guidelines included in the review were: P-010 Personnel Transactions and Recommended Forms; 5:01:02:00 EEO, Affirmative Action, Discrimination & Nepotism, Educational Assistance Guidelines – B-061, B-062, P-130, and P-131.

The HR Officers minutes with the policy revisions were approved.

D. Internal Audit

In Ms. Gourley’s absence, Dr. Adams highlighted the following issue from the October 17, 2006 Internal Auditors’ meeting.

- **Consistency of President’s Expense Disclosures**

Some of the auditors expressed the need for consistency in disclosure among all institutions for certain institutional expenses, such as board meetings and graduation expenses. The general rule for these expenses has been to disclose expenditures made by, for, or at the discretion of the president (according to state law) and to disclose expenses included in the budgetary accounts of the presidents. The auditors suggested compiling other rules of thumb that have been followed by the auditors to forward to the central office for compilation and sharing.

The Internal Audit Committee minutes were approved.

E. IT Sub-Council

Mr. Robinson highlighted the following issues from the October 2006 IT Sub-Council meeting.

- Electronic Signatures

The legal department is currently working on provisions that would allow us to use electronic signatures.

- Record Retention Guidelines

Some computer center directors had raised concerns because it was their understanding that they would be required to keep the old alpha machines in service for the next three years for audit purposes. However, State Audit said that although keeping the old machine was preferable, the information could be stored elsewhere because keeping the alpha machines would be expensive to the institutions.

- Transitioning to DBA's

The committee was reminded that it was imperative to begin working on a transition plan immediately. This is a time sensitive issue because it will take a good amount of time to either hire new DBA's or train current employees to perform DBA functions. Institutions might want to look at sharing DBA resources, instead of hiring DBA's at each individual institution.

- IT Updates

The state has hired a Chief Information Security Officer. State Audit will begin including information security in its audits in about two years. General Counsel will develop a set of standards for TBR institutions to be audited against since the nature of what we do is different from other state agencies.

6. Desire 2 Learn Course Management System

The course management bid had three respondents, two of which were disqualified. Therefore, Desire 2 Learn will be the new course management system.

Ms. Gregory distributed a handout detailing the cost of three different scenarios. The first scenario is to continue hosting the course management system the same way that it is currently being hosted. The second scenario is to have three data centers to serve regionally. The final scenario is to have the system hosted at one central location. The costs have been allocated based on the institution's total enrollment, because at some point most students will use the online system. The licensing costs for each institution have been computed by dividing the Desire 2 Learn subtotal by each institution's headcount percentage.

Help desk costs were also discussed. The help desk costs as listed on the handout are for technical assistance for institution staff members. A help desk for faculty and students is the institution's responsibility. Help desks are expensive because of 24/7/365 coverage. There is also a high incidence of turnover for help desk employees because of a high

level of stress. Therefore, Ms. Gregory is currently checking with Desire 2 Learn to get their costs for hosting the faculty-student help desk.

Desire 2 Learn also offers hosting for the system. They currently host about two million students. Disaster recovery back-up will be provided if Desire 2 Learn hosts, due to their business continuity plan. The BASC made a recommendation to pursue the hosted solution.

7. DBA Responsibilities, Training and Transition Model

Mr. Danford discussed the DBA issues that the TBR system is facing. Currently, each institution is paying for DBAs for the Banner system. There is one DBA at the central office, and two others at a remote location. However, these DBAs will go away once the contract ends. Therefore, we need to begin a search for people with Oracle and Banner certification. Ideally, we need to hire the DBAs as soon as possible so that they can go ahead and begin training with the Sungard DBAs.

Mr. Danford also suggested a support collaborative where interested institutions could pool resources in order to hire a DBA with the proper skills. Due to the nature of the job and salary requirements, it would be more challenging for each school to hire their own. Also, if DBAs are hired at individual institutions, they are less likely to share information and work as a cohesive group.

8. Banner/Sungard Issues

There are major concerns regarding the number of modifications required for Banner. Currently there are more than fifty modifications on the books. Student modifications TBR 001 and TBR 002, and Budget modification TBR 044 are considered mission critical; however, they are not progressing at the rate they should. The TBR 001 and TBR 002 modifications could affect the go-live schedule if it is not completed soon. We are currently getting daily reports on TBR 044, but we are still not getting the service from Sungard that we need.

Concerns were raised regarding the number of hours that schools are spending on testing the system because Sungard is not properly testing before releasing the modifications. It should not be the school's responsibility to test at this level, because we are paying them for these services.

9. G-030 Non-Credit Contract Changes

At the request of an institution, Ms. Crisp made some changes to the Non-Credit Instruction Form in G-030, which can be used for small contracts with revenue up to \$25,000. The committee approved both the new form and the maximum dollar amount of revenue.

10. Grant Funded Terminal Leave

Ms. Brooks discussed how terminal leave is accrued for grant funded employees. A question was asked if the intent of the policy was to give the president discretion. The policy was written to give flexibility to each campus when deciding how to handle this issue. The campus' policy regarding this matter needs to be included in the employee's employment agreement up front. If an employee is split between grant and state, the state will have to absorb the cost of the leave.

There being no further business, the meeting was adjourned.

GUIDELINE G-090

SUBJECT: Letterhead Stationery

The following guidelines set forth considerations for the printing and use of letterhead stationery for all units of the Tennessee Board of Regents System. They are in accordance with the general rules and regulations of the Higher Education Publications Committee. Each institution and area vocational-technical school shall develop implementing procedures consistent with these guidelines. Exceptions to the guidelines are subject to prior approval by the Chancellor.

1. Each president and area school director shall designate an individual, office, or committee to approve the printing and purchase of all letterhead stationery bearing the name of the institution/school and be responsible for enforcement of the institution's/school's guidelines.
2. Different types of letterhead on each campus shall be kept to a minimum.
3. The following shall apply to all stationery printed or purchased with institutional/school funds:

Letterhead

- (a) All letterhead shall be printed on 8 1/2" x 11" or smaller standard size, 20 or 24-pound white or colored paper with a bond, wove or laid finish, No. 4 grade, with or without watermark, with 25% or less cotton fiber.
- (b) All letterhead shall be printed in one or two-color ink.
- (c) The institution/area school name shall appear at the top or bottom of the page.
- (d) Names of offices or individual titles, addresses, and phone numbers may be printed on letterhead; however, no individual names may be printed on letterhead.
- (e) All letterhead shall be offset printed, whether by the institution/school, the State, or commercial printer, without benefit of any engraving, thermographic printing, or any form of raised letter printing.

Envelopes

All stationery envelopes shall be printed in one or two-color ink on 24-pound white or colored wove or laid paper, in standard sizes, with the name and address of the institution/school printed in the upper left corner in accordance with postal regulations.

4. As an alternative to letterhead stationery, less expensive inter-office memoranda should be used for on-campus or informal correspondence. ~~All inter-office memoranda, regardless of overall size shall be printed without individuals' names.~~

Source: November 8, 1982 SBR presidents meeting. Revised July 1, 1984

POLICY 4:01:00:00**SUBJECT: Budget Control**

It is widely recognized that budget control is essential for effective financial management of any organization. In view of this, it is the purpose of this policy to provide clear and specific responsibility for proper budget management and control among the institutions ~~and area vocational-technical schools~~ governed by the ~~State~~ **Tennessee** Board of Regents.

I. Definition of Budgeting

~~The definition of "budgeting" as set forth in the publication College and University Business Administration (NACUBO), 1982) is as follows:~~

Budgeting is the process whereby the plans of an institution are translated into an itemized, authorized, and systematic plan of operation, expressed in dollars, for a given period. Budgets are the blueprints for the orderly execution of program plans; they serve as control mechanisms to match anticipated and actual revenues and expenditures.

It is the control mechanism aspect of budgeting that is the focus of this policy.

II. Submission of Budgets

It is recognized that a budget is a plan and that circumstances may necessitate revisions or changes to the original plan from time to time. In view of this, institutions ~~and schools~~ are to submit detailed budgets to the ~~State~~ **Tennessee** Board of Regents for approval three times for each fiscal year. The three submissions are described briefly as follows:

A. Proposed Budget - This is the original budget prepared in the spring that is for the fiscal year to begin July 1. It is normally submitted to the **Tennessee** Board of Regents for approval at the June Board meeting.

B. Revised Budget - This budget is a revision of the proposed budget and is normally referred to as the "October Revised Budget". It is prepared as of October 31 after actual fall enrollments and other estimated costs and closing balances are known and is normally submitted to the **Tennessee** Board of Regents for approval at the December Board meeting.

C. Spring Estimated Budget - This budget is the final budget submitted for the current year operations. It is submitted in the spring at the same time as the Proposed Budget for the coming year. This is the final approved budget for the institutions ~~and schools~~ and therefore contains the control totals against which final year-end amounts are compared.

It should be noted that the approval of a budget does not waive statutory, policy, or other restrictions for expending funds.

III. Operating Budgets

A. Level of Budget Control - Institutional ~~and school~~ budget control amounts are approved for the major educational and general functional classifications of Instruction, Research, Public Service, Academic Support, Student Services, Institutional Support, Operation and Maintenance of Plant, and Scholarships and Fellowships where applicable. Auxiliary Enterprises are controlled on a **profit or** break-even basis. Additionally, control amounts are approved for educational and general transfers, both mandatory and non-mandatory. Funds transferred to other funds whether mandatory or non-mandatory are restricted in the other funds for the designated purpose. All discretionary allocations of the fund balance must be approved. ~~Institutions and schools are expected to properly classify all expenditures in accordance with NACUBO functional classifications at the sub-category level per College and University Business Administration, Section 5:2.~~ Once approved the institution may not exceed those functional control limits established by the Board without prior approval of the Chancellor.

B. Budget Revisions

1. Revisions Within Functional Area - Institutions ~~and schools~~ may make budget revisions within a given functional area at the campus/~~school~~ level. The revisions should be properly documented and approved by the president or his or her designee, or the ~~area school~~ **technology center** director.
2. Revisions Between Functions - Budget revisions from one functional area to another must receive prior approval of the Chancellor if proposed at other than the three regular budget submission times. The request for revision should be submitted by the president in writing with a detailed explanation. The **technology center** director must receive the approval of the president of the lead institution prior to submission to the Chancellor.
3. Revision of Overall Expenditure Total - Budget revisions to one or more educational and general functional areas that increase the overall educational and general budget must receive prior approval of the Chancellor if proposed at other than the three regular submission times. The request for revision should be submitted in accordance with item 2 above and should include the source of funding for the proposed revision.

IV. Plant Fund Budgets

A. Unexpended Funds

1. General - The purpose of the Unexpended Plant Fund is to account for the unexpended resources derived from various sources to finance the acquisition of long-term plant assets and the associated liabilities. These funds will be used for capital projects such as major additions and/or renovations to physical facilities. Institutions ~~and schools~~ may request approval for transfer of funds to the Unexpended Plant Fund from unrestricted current funds during the regular budgetary process or special request to the Chancellor. All funds added or transferred into the Unexpended Plant Fund will be controlled by specific project. ~~The scope of each capital project, regardless of cost estimates, shall be reviewed with the Office of Facilities of the State Tennessee Board of Regents staff prior to proceeding with the project.~~ Commitments or expenditures for any capital project shall be in conformance with all applicable state laws and requirements of the State Building Commission. All project budget revisions and the utilization of reallocated project balances shall be approved by the Chancellor **or designee**.

2. Extraordinary Maintenance - Within the Unexpended Plant Fund, each institution ~~and school~~ shall establish an account for extraordinary maintenance to be used for unusual or unanticipated maintenance needs. The annual budget shall include a minimum transfer for extraordinary maintenance as specified in the annual budget instructions of the Chancellor. All projects in the extraordinary maintenance account shall be approved by the Chancellor **or designee**.

B. Renewals and Replacements - The resources set aside for renewals and replacements, as distinguished from additions and improvements to plant, are accounted for in this fund group. Guidelines for additions to this fund will be communicated through the annual budget instructions of the Chancellor. ~~All project budget revisions shall be approved by the Chancellor.~~

C. Retirement of Indebtedness - The purpose of this fund is to account for the accumulation of resources for interest and principal payments and other debt service charges relating to plant fund indebtedness. Additions to this fund are to be set up in separate debt service accounts. All transfers from debt service accounts must be approved by the Chancellor.

V. Guideline and Position Controls

Aside from functional budget control, institutions ~~and schools~~ are required to comply with certain other controls. A schedule of these controls will be distributed with the budget guidelines each year.

Position control is a part of the personnel budget process. The number of authorized permanent positions at each institution ~~and school~~ is controlled within unrestricted education and general accounts and auxiliaries. Controls exist on the total number of positions at the institution/~~school~~ and on the classification of those positions (~~administrative/professional~~ **administrative**, **faculty/academic**, **professional**, clerical/support). Positions are reported to the Board office each year in the proposed and revised budgeting processes, and at additional times as requested by the Board office during the legislative session. Authorized permanent positions for each institution/~~school~~ are approved at the June and December Board meetings. Changes may be requested by special request to the Chancellor in the interim between budget periods.

VI. Legislative Controls

Each budget year will normally have unique guidelines and requirements depending on legislative or executive branch requirements. A schedule of these requirements will be prepared each budget cycle. It is the responsibility of the institution ~~and school~~ to insure that all budget guidelines for a given fiscal year are incorporated into the budget and are carried out operationally.

VII. Budget Control

Each institution ~~and school~~ shall develop appropriate controls and procedures and insure that established control limits are not exceeded. Summary management reports should be prepared for top level administrators to evaluate the current financial status of the institution ~~and school~~. ~~These reports shall be available as often as needed but shall be reviewed by the president and area school~~ **technology center** ~~director no less frequently than monthly.~~

VIII. Follow-up by Board Staff

At the end of each fiscal year, the Board staff will review the annual financial report of each institution ~~and school~~. Actual year-end amounts will be compared to the Spring Estimated Budget or the Spring Estimated Budget as officially revised, which is the final approved budget for the year.

Functional expenditure totals will be analyzed for adherence to the approved control levels. The financial information will also be examined for compliance with all budget guidelines and/or Board policies in effect for the fiscal year just completed. The Chancellor shall report any institutional ~~and school~~ deficiencies or non-compliance with budget controls and guidelines to the Board.

Source: SBR Meeting, September 30, 1983

TENNESSEE BOARD OF REGENTS

POLICY 4:01:01:10**SUBJECT: Policy on the Deposit and Investment of Funds**

The following policy on the deposit and investment of funds ~~is~~ adopted by the Board of Regents for the institutions and technology centers under its jurisdiction, and shall apply to all funds, regardless of source, which are received by any institution or technology center.

All depositories which provide deposit or investment services shall agree to comply with the terms of this policy, and with the requirements of Chapter 4 of Title 9 of Tennessee Code Annotated as amended, and the latter provisions shall control in the event of conflict. Words and phrases used in this policy shall have the same definition and meaning as in Chapter 4 of Title 9 Tennessee Code Annotated.

A. DEFINITIONS

~~As used in this policy, the following words and phrases should have the same meaning as in T.C.A. 9-4-502 unless the context clearly requires otherwise:~~

1. **"Collateral Security"** means securities which may be accepted as collateral for deposits.
2. **"Compensating balances"** means the amount of funds allowed to remain in an account.
3. **"Default"** may include but is not limited to:
 - (1) The failure of any qualified public depository to return any public deposit, including earned interest in accordance with the terms of the deposit contract.
 - (2) The failure of any qualified public depository to pay any properly payable check, draft or warrant drawn by the public depositor.
 - (3) The failure of any qualified public depository to honor any valid request for electronic transfer of funds.
 - (4) The failure of any qualified public depository to account for any check, draft, warrant, order, deposit certificate or money entrusted to it.
 - (5) The issuance of any order of any court or the taking of any formal action by any supervisory authority, which has the effect of restraining a qualified public depository from making payments of deposit liabilities.
 - (6) The appointment of a conservator or receiver for a qualified public depository; or

- (7) Any other action which the treasurer determines to place public deposits in jeopardy.
- (8) Failure to provide the required collateral ~~as established by the board.~~
4. "**Deposit Insurance**" means the insurance provided by the Federal Deposit Insurance Corporation.
5. "**Eligible Collateral**" shall have the meaning set forth in T.C.A. Section 9-4-103. For savings institutions securing local government deposits, eligible collateral shall also include securities described in T.C.A. section 9-1-107 (a) (2) under such additional conditions as the treasurer deems appropriate.
6. "**Loss**" includes but is not limited to:
- (1) The principal amount of the public deposit;
 - (2) All accrued interest through the date of default;
 - (3) Additional interest at the rate the public deposit was earning on the total of subdivisions (1) and (2) through the day of payment by a liquidator or other third party or through the date of sale of eligible collateral by the treasurer or his agent; and
 - (4) Attorney's fees incurred in recovering public deposits.
7. "**Market Value**" means current market price.
8. "**Depository**" means any bank, savings and loan association or savings bank (collectively referred to as savings institutions) located in the state of Tennessee which is under the supervision of the Department of Financial Institutions, the United States Comptroller of the Currency, or the Office of Thrift Supervision, and which has been appropriately designated to hold public deposits by a public depositor.
9. "**Required Collateral**" means eligible collateral, excluding accrued interest, having a market value equal to or in excess of the greater of the average daily balance or average monthly balance of public deposits multiplied by the qualified public depository's collateral-pledging level as required by the Tennessee Board of Regents. **(T.C.A. 9-4-502)**
10. "**Trust Receipts**" means a receipt issued by the trustee custodians in lieu of the actual deposit of eligible collateral, it is subject to in all respects to the claims and rights of the institution to the same extent as though such collateral had been physically deposited with the institution.
11. "**Trustee Custodian**" means a financial institution designated to hold eligible collateral on behalf of the Tennessee Board of Regents or its institutions and a qualified public depository pursuant to T.C.A. Section 9-4-108.

B. DEPOSITORY ACCOUNTS

1. Each institution shall maintain one general operating account and one payroll account at an authorized depository for the regular operating and payroll functions of the institution. No additional checking accounts may be opened or maintained by any institution unless approved by the Chancellor or his or her designee.
2. All checks, drafts, or other methods of withdrawing funds from an account must be co-signed by the president and the chief business officer of the institution; provided that facsimile signatures may be used on ~~such instruments of withdrawal;~~ **checks, drafts, or other methods of withdrawals** and provided ~~further~~ that any authorization or request for withdrawal form shall bear the original signature of the president or the chief business officer or designee approved by the president in all cases where ~~withdrawals~~ **expenditures** exceed one percent (1%) of the state appropriation to the institution for the year or ten thousand dollars (\$10,000.00), whichever is greater.
3. The President of each institution is authorized to establish one or more checking accounts for the deposit and disbursement of petty cash funds within the business office. Additional petty cash accounts may be authorized by the presidents for departments external to the business office provided that no account shall exceed ~~five hundred dollars (\$500.00)~~ **one thousand dollars (\$1,000.00)**. If the custodian of the fund has accepted responsibility for the funds in writing, and has agreed to repay any shortages or expended funds not properly accounted for from the account, then the custodian may be designated as the signatory authority for the account, and the custodian or the chief business officer of the institution shall be authorized to withdraw funds from the account.
4. ~~The President of each institution may delegate to one or more employees the authority to perform routine activities related to depository accounts. Written documentation of such delegations shall be retained by the institution.~~

Institutions will retain written documentation of employees' authority to perform routine activities related to the depository accounts:

5. No accounts shall be authorized or established which are complimentary non-interest bearing accounts. When using compensatory balances, the amount of funds allowed to remain in any checking account should be reasonably related to the number of transactions to be processed through the account during any month, and other servicing costs, if any.

C. COLLATERAL

1. ~~47094-~~All depositories must provide collateral security for deposits and accrued interest in all accounts, including checking, savings, and certificates of deposit. Securities which may be accepted as collateral for deposits shall be limited to those specified in T.C.A. Section 9-4-103. All items listed in Section E.11 of this policy and items noted in Section E.12 are eligible as collateral.
2. The required collateral accepted as security for deposits at financial institutions that do not participate in the collateral pool shall be collateral whose market value is equal to one hundred five percent (105%) of the value of the deposit and secured thereby; less so much of such amount as is protected by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. The required collateral accepted as security for

deposits at financial institutions participating in the collateral pool will be set by the Department of Treasury.

3. At the time of designation as an institution's depository or at any time thereafter, additional collateral with a market value of one hundred thousand dollars (\$100,000) shall be required where the capital to asset ratio of a savings and loan association, savings bank, or bank is less than five percent (5%). This additional collateral shall be in addition to the collateral required by other provisions of this policy.
4. The market value of required collateral shall be evaluated by the institution monthly and more frequently if required by unusual market conditions. Any depository not providing collateral with a market value as specified in C.2 above must provide additional, adequate collateral within two working days of a request by the institution. Failure to provide the additional collateral may be considered an act of default.
5. In the case of a checking account, the market value of the collateral accepted as security for deposits shall be the amount specified in Section C.2 based on the highest daily depository book balance in the account for the preceding month excluding large deposits covered below. The amount of the depository balance must be determined on or before the fifth day of the month in question. Large deposits, such as registration receipts, which may result in insufficient collateral, either should be invested immediately or additional collateral should be in place. (If the investment is in a certificate of deposit, the certificate must be collateralized.) Alternatively, depositories may be allowed to post collateral daily to cover the current depository book balance.
6. Any loss to the institution due to a depository's default shall be satisfied out of collateral pledged by the depository to whatever extent possible. The collateral security shall be liable for any loss, including and not limited to the principal amount of the deposit, for accrued interest through the date of default, for additional interest through the date of recovery on the principal and accrued interest at the rate the deposit was earning, and for attorney's fees incurred in recovering deposits and other losses.
7. An institution must either be provided the actual securities pledged as collateral for deposits, or trust receipts from trustee custodians for the collateral in lieu of the actual delivery of the securities. A trustee custodian is one which meets the requirements of T.C.A. Section 9-4-108. When any trustee custodian holds collateral for an institution's depository which is related to the custodian through shared ownership or control, such collateral shall be held in a restricted account at a Reserve Federal Bank or branch thereof or at a Federal Home Loan or branch thereof.
8. In lieu of the actual deposit of eligible collateral, the institution is authorized at its option to accept trust receipts therefor.
 - a. Trust receipts shall be issued by trustee custodians in a form acceptable to the institution following the deposit of eligible collateral with the trustee custodian by an institution's depository.

- b. Eligible collateral deposited with a trustee custodian shall be subject in all respects to the claims and rights of the institution to the same extent as though such collateral had been physically deposited with the institution.
 - c. Each trust receipt shall be nonnegotiable and irrevocable and shall continue in full force and effect until surrendered by the issuing trustee custodian with the release of the institution endorsed thereon.
 - d. The institution may present the trust receipt at any time to the issuing trustee custodian and upon delivery thereof shall be entitled to receive any and all collateral represented thereby from the trustee custodian, and such collateral shall thereafter be held by the institution as if deposited with ~~him~~ **the institution** by the depository as collateral, without further liability on the party of the trustee custodian.
 - e. Following delivery of the collateral to the institution, the institution is permitted to register such collateral in the name of the institution and to hold it on behalf of the depository.
9. Institutions with depositories participating in the collateral pool administered by the Department of Treasury will not be responsible for monitoring the collateral securities pledged. As provided in TCA 9-4-501 - 9-4-523, the Department of Treasury will monitor the collateral securities pledged.

D. DEPOSITORY INSTITUTIONS

1. ~~47179.~~ Subject to the other requirements of this policy, accounts may be authorized and established at depositories which are either under the supervision of the Department of Financial Institutions, the United States Comptroller of the Currency or the Federal Home Loan Bank Board.
2. Before a depository may be used by an institution for the deposit of funds in a checking account, it must provide documentation verifying the following: (1) that the depository is supervised by the Department of Financial Institutions of the State of Tennessee, the United States Comptroller of the Currency, or the Federal Home Loan Bank Board; (2) the capital to asset ratio of the depository as of the current date and the date of the last audited financial statements of the depository; (3) that the depository can comply with the collateral security requirements for all accounts; (4) the names of the members of the board of directors and officers of the depository; (5) the name of the holding company of the depository, if applicable; and (6) the names of the owners of ten percent (10%) or more of the stock of the depository.
3. Each institution shall identify the nature and level of services which must be provided by a depository before a checking account is established. Such services should include but are not limited to the minimum services in the standard request for proposals for depository services as set forth in guidelines established pursuant to this policy. Some or all of these services may be required without charge to the institution.
4. Each institution shall solicit proposals from all qualified depositories with offices within a reasonable distance from the campus, and shall determine those depositories which can

provide the nature and level of services for accounts as required by the institution on a competitive basis. The agreement with the depository may be renewed annually for up to four succeeding years.

E. DEPOSITING FUNDS

1. Each institutional department will deposit funds each day when \$500 in funds have been accumulated. All funds must be adequately secured. In all cases, a deposit must be made at least once each work week (Monday - Friday) if there are any funds to be deposited.

The \$500 is considered in excess of the established change fund amount.

F. INVESTMENTS

1. All investment decisions shall be in accordance with this policy and must be approved by the chief business officer or his or her designee.
2. ~~All investments shall be reviewed with the president by the chief business officer at the end of each quarter.~~
3. All investments in which funds are deposited outside the State of Tennessee must be authorized by the president.
4. A trustee custodian account should be used for handling and holding all investments, other than the Local Government Investment Pool and collateralized certificates of deposit.
5. All investments must be made subject to "delivery versus payment."
6. All funds which are received by an institution and which are available for a sufficient period of time for investment in any interest generating medium should be invested within three (3) days after receipt of such funds.
7. At a minimum, each institution shall determine rates of return on all feasible authorized mediums of investment prior to making an investment; and funds shall be invested in those mediums expected to pay the highest rate for the period of time for which the funds are available for investment.
8. All investments of funds in certificates of deposits where the period of investment will exceed thirty (30) days shall be determined on the basis of telephone bids, with appropriate records maintained for audit purposes, including the person obtaining the bids, the institutions which submitted the bids, the amount and rate of return of each bid, and the person who approved the investment. Where more than one bid provides the highest rate of return available, investments should be made in such a manner that no one institution making one of the high bids receives a disproportionate amount of the investments on the basis of two or more equal bids over a reasonable period of time. Records shall also be maintained on the basis for selecting LGIP and other investments as an investment medium.
9. An investment plan should be developed that specifies liquidity requirements for providing cash needed by an institution.

10. Investments of endowments in equity securities shall be limited to funds from private gifts or other sources external to the institution. Endowment investments shall be prudently diversified.

11. Funds of the institution may be invested in a savings account or certificate of deposit of any depository provided the requirements of this policy including Sections D.1 and D.2 and the collateral security requirements of Section C. are met. Other authorized investments, subject to the limitations of Section E. 13, are set forth in T.C.A. Section 9-4-602.

12. All investments via repurchase agreements must include the following:

There must be a written agreement in accordance with the standard agreement set forth in guidelines established pursuant to this policy.

The agreement must state explicitly that the exchange of assets represents a simultaneous purchase and resale transaction "and is not intended to be collateralized loan."

The purchased securities must be transferred to the Trustee Custodian Account.

The purchased securities must, at the time of purchase, have a current market value of at least 100% of the amount of the repurchase agreement.

13. The following terms and conditions shall apply to investments:

Prime banker's acceptances must be issued by domestic banks with a minimum AA rating or foreign banks with a AAA long term debt rating by a majority of the rating services that have rated the issuer. The short term debt rating services that rate the issuer (minimum of two ratings must be available). Banker's acceptances shall not exceed twenty percent of total investments on the date of acquisition. The amount invested in any one bank shall not exceed five percent of total investments on the date of acquisition.

Prime banker's acceptances are required to be eligible for purchase by the federal reserve system. To be eligible the original maturity must not be more than 270 days, and it must (1) arise out of the current shipment of goods between countries or within the United States, or (2) arise out of storage within the United States of goods under contract of sale or expected to move into the channel of trade within a reasonable time and that are secured throughout their life by a warehouse receipt or similar document conveying title to the underlying goods.

The combined amount of banker's acceptances and commercial paper shall not exceed thirty-five percent of total investments at the date of acquisition.

Prime commercial paper shall not have a maturity that exceeds 270 days. Acquisitions shall be monitored to assure that no more than five percent of total investments at the date of acquisition is invested in commercial paper of a single issuing corporation. The total holdings of an issuer's paper should not represent more than two percent of the issuing corporation's total outstanding commercial paper. Purchases of commercial paper shall not exceed thirty-five percent of total investments at the date of acquisition. Prime commercial paper shall be limited to that of corporations that meet the following criteria: (1) Senior long term debt, if any, should have a minimum rating of A1 or equivalent, and short term debt

should have a minimum rating of A1 or equivalent, as provided by a majority of the rating services that rate the issuer. If there is no long term debt rating, the short term debt rating must be A1 by all rating services (minimum of two). (2) The rating should be based on the merits of the issuer or guarantee by a nonbank. (3) A financial review should be made to ascertain the issuer's financial strength to cover the debt. (4) Commercial paper of a banking institution should not be purchased.

The amount invested in money market mutual funds shall not exceed ten percent of total investments on the date of investment.

G. LEAD INSTITUTIONS AND TECHNOLOGY CENTERS

1. Each technology center is authorized to establish a checking account. The type of account will be based upon the needs of each technology center. A request for the establishment of such an account must be submitted jointly by each technology center director and lead institution president, and be approved by the Chancellor. Each account will be subject to a ~~\$2,000~~ **\$5,000** maximum for any one transaction. Activity in this account shall be limited to operating transactions, and shall not include travel reimbursement. All transactions must be based on the concept of competitive bidding where possible with appropriate documentation maintained for review. All checks must be ~~co-signed~~ **co-signed** by any two of three authorized employees (director, assistant director, and a third employee) designated in the request for establishing the account. The documentation for the transactions must be reviewed at least quarterly by a person(s) designated by the president of the lead institution.

The request to establish such an account should, at a minimum, include a description of the type of account, the procedures that will be followed in administering the account, those persons authorized to sign the checks, the bank where the account will be established, and the person(s) at the lead institutions who will be assigned the responsibility for the quarterly review.

2. The director of the technology center or his or her designee is authorized to establish a depository account for the deposit of miscellaneous revenues received by the technology center. These funds shall be transmitted at least monthly to the lead institution for deposit and investment in behalf of the technology center.
3. The lead institution shall maintain restricted accounts on behalf of each of the technology centers under its jurisdiction pursuant to the provisions of this policy and shall ensure that all interest income generated by the technology centers is appropriately credited to the individual technology center accounts.
4. The lead institution shall maintain appropriate fiscal records to ensure the existence of an audit trail for each technology center under its jurisdiction.

H. GENERAL

The Chancellor or his or her designee may approve exceptions to the requirements of this policy in appropriate cases.

Source: TBR Meetings: September 29, 1978; September 30, 1983; December 13, 1985; September 18, 1987; September 16, 1988; June 30, 1989; September 21, 1990; June 28, 1991; September 23, 1994; June 21, 1996; October 2, 1998; June 23, 2000; September 26, 2003.

POLICY 4:01:02:30

SUBJECT: Facilities Planning and Design

The following policy is adopted by the ~~State Tennessee~~ Board of Regents relative to the planning and design of facilities on the campuses of institutions ~~and area vocational technical schools~~ governed by the Board.

Prior to proceeding with preplanning or design of any project for which an architect or engineer is engaged, the ~~institution~~ president or **technology center area school** director shall, in coordination with the ~~State Tennessee~~ Board of Regents staff, develop a comprehensive program statement for the project. This program statement shall fully set forth the scope of the proposed project and the functional requirements to be satisfied. When approved by the Board of Regents staff, the program statement shall be the basis for the preplanning and design of the project.

The Chancellor shall insure that the preplanning, design, and final plans of each project are carried out in conformance with the approved program statement.

Source: SBR Meetings, October 12, 1973; September 30, 1983

Policy No. 4:01:03:00**SUBJECT: PAYMENT OF STUDENT FEES AND ENROLLMENT OF STUDENTS**

(1) An applicant for admission to an institution or Tennessee Technology Center governed by the Tennessee Board of Regents will be considered and counted as a student when all assessed fees have been paid in cash, or when the initial minimum payment due under the deferred payment plan has been paid, or when an acceptable commitment from an agency or organization approved by the institution or center has been received by the institution or center. An applicant shall possess an acceptable commitment when he/she has timely submitted an application(s) for financial aid with the reasonable probability of receiving such.

(2) When an applicant tenders payment of fees by means of a personal check, the applicant may be considered and counted as a student. When the check is subsequently dishonored and returned, unless the student then pays the fees in cash, the institution has the option to not consider that student as enrolled for the term. At the discretion of the institution, the student may be considered enrolled and will be assessed the applicable returned check fee, the applicable late registration fee, and will be denied grade reports, transcripts and future registration privileges until such dishonored check is redeemed. Institutions and centers may deny future check writing privileges to students that have paid registration fees with checks that are subsequently dishonored. **While institutions have discretion in how these situations will be handled, all students must be treated the same at that institution.**

(3) An acceptable commitment from an agency or organization shall be limited to a commitment which identifies the applicant and promises to pay all unpaid assessed fees for such applicant.

(4) Agencies or organizations which may be approved by the institution ~~or school~~ for purposes of making acceptable commitments for applicants shall be limited to agencies of the federal or state governments authorized to provide financial aid, established financial institutions within the state, established in-state and out-of-state corporations which employ the applicant, foreign embassies and foreign corporations, and other organizations within the state which have previously demonstrated the ability to pay the commitment. No commitments from individuals will be accepted on behalf of applicants.

(5) This policy shall not affect enrollment of students receiving financial assistance from any federal or state financial aid program(s). All state financial aid granted to a student shall be applied to pay maintenance fees or tuition, student dormitory or residence hall rental, board, and other assessed fees before any excess may be distributed to the student.

(6) All assessed fees shall include maintenance fees, tuition, debt service fees, service charges, and any other incidental fees assessed at the time of registration, and shall include any and all assessed fees outstanding from prior enrollment at the institution by an applicant. All fees shall be assessed and payable at the time of registration to the extent determinable. Assessed fees shall include rental and board fees where such fees are payable in full at the time of registration. Otherwise, assessed fees shall include the first periodic payment of rental and board fees in advance.

(7) Assessed fees for student dormitory and residence hall units may be payable on a monthly basis in advance in accordance with the provisions of an optional monthly payment plan which shall be established by each institution in accordance with the provisions of the policy on student residence regulations and agreements.

(8) No applicant will be considered for admission as a student until all due and payable outstanding fees and charges from prior terms, of whatever nature, have been paid by the applicant.

(9) The institutions ~~and schools~~ are authorized, subject to approval by the Board, to establish charges for late registration and/or checks which are returned dishonored, and such charges shall become assessed fees for purposes of admission.

(10) In accordance with these guidelines, the president of an institution has the authority to determine the applicability of certain fees, fines, charges, and refunds, and to approve exceptions in instances of unusual circumstances. The Vice Chancellor for ~~Vocational Technical Education~~ **Technology Centers** shall have this authority for the Tennessee Technology Centers. All such actions should be properly documented for auditing purposes.

Source: SBR Meetings, June 20, 1975; September 30, 1983; June 24, 1988; June 29, 1990; June 21, 1996

GUIDELINE B-010**SUBJECT: Collection of Accounts Receivable****1. GENERAL**

This guideline applies to the collection of all accounts and notes receivable by institutions and technology centers in the Tennessee Board of Regents System. Institutions and technology centers shall, to the maximum extent ~~practical~~**practicable**, require payment in advance for all services and goods to avoid the creation of receivables.

- A. TBR Policy on the Payment of Fees. Policy No. 4:01:03:00 requires (with limited exceptions) that all assessed fees be paid in advance by a student before he or she is considered enrolled for any academic term.
- B. Types of Receivables. Accounts and notes receivable may be generated from programs and activities including but not limited to: student loan programs, traffic and parking fines, library fines, bad checks, contracts, property rental, and damage, loss, or liability to the institution/technology center by others.
- C. Security Deposits. Institutions and technology centers are authorized to require any person to post a deposit or security bond, or provide appropriate insurance to offset potential obligations to the institution or technology center arising from programs or activities.
- D. Statute of Limitations. Pursuant to T.C.A. Section 28-1-113, there is no time limit on the institutions' or technology centers' authority to collect receivables unless otherwise expressly provided by statute.

2. GENERAL COLLECTIONS PROCEDURES

- A. Institution and Technology Center Procedure. Each institution and technology center shall establish a systematic process and procedure for collecting receivables from all persons including students and employees. The provisions included in this guideline may be modified by an institution based on sound and responsible management practices. Any modifications should result in more cost-effective procedures or provide better or more convenient service to debtors of the institution without compromise to collection.

B. Billing. Collection efforts should begin no later than thirty days after the obligation has been incurred or other fixed due date. An

C. Delinquent Accounts. A minimum of three billings or letters of contact shall be sent by the institution at thirty-day intervals once

An account becomes delinquent based on the payment criteria established by the institution for the type of debt involved. For example, debts from students may not be classified as delinquent until a student fails to enroll in a subsequent fall or spring semester where the provisions of the "Enrollment and Record Holds" in 2.e. below would apply. On the other hand, rent for an apartment may become delinquent when rent is not paid by the tenth day after the due date.

- D. Defaulted Accounts. Accounts are classified as defaulted when the institution's established collection efforts for the type of debt letter is sent if the debtor has not responded. Referral of accounts under \$100 to a collection agency is not required. No additional collection efforts are required for receivables under \$100 except as provided for under Enrollment and Record Holds (Section 2e) and Employee Receivables (Section 3). See Section 10 for write/off procedures.

E. Enrollment and Record Holds. A student must pay any past due debts and obligations incurred in prior academic terms before be which is not yet due shall not cause a hold to be applied. A notice stating the specific amount due should be sent to each such student prior to completion of registration. In addition, pursuant to T.C.A. Section 49-9-108, no grade reports, certificates of credit, diplomas or transcripts will be issued to any

student with any unpaid or delinquent debt or obligation owed to the institution or technology center unless such debt or obligation is evidenced by notes or other written contracts providing for future payment, such as, but not limited to, loans authorized under federal or state education or student assistance acts. Additionally, once a petition in bankruptcy has been filed, all holds should be lifted. See Section 9. However, the institution/ technology center has no obligation to provide student grade reports, etc., unless specifically requested to do so.

F. Aging. All receivables should be aged at least annually.

G.Documentation. Accurate records of correspondence, telephone calls, and personal contacts with borrowers shall be maintained. I

3. EMPLOYEE RECEIVABLES

A. **Procedure for Withholding.** Employee receivables (including student employees) may result from, among other things, traffic and parking fines, library fines, institution/technology center services or bad checks. In order to recoup the amount owed from the employee's paycheck, notice of intent to withhold must be sent to the employee by registered or certified mail, or personally delivered. The notice should inform the employee of the amount alleged to be owed and should specify that he may elect to pay the debt in full, authorize deductions from his paycheck or, if the employee is terminating, the check for accrued but unused annual leave, or contest the intent to withhold through an institutional or TUAPA hearing. Subsequent to receiving a predeprivation notice of the debt owing, the employee, within 15 calendar days of receipt of such notice, must:

1. Pay the debt in full;
2. Authorize the institution/technology center to withhold a designated amount from each subsequent paycheck or, if the employee is terminating, from the accrued but unused annual leave until the debt is paid in full;
3. Elect to contest the intent to withhold through an institutional hearing; or,
4. Elect to contest the intent to withhold through a contested case hearing held pursuant to TCA Section 4-5-301, et. seq.

If the employee elects an institutional hearing, the employee shall appear on behalf of himself but is entitled to be advised by counsel. The Chief Business Officer of a campus or unit or his/her representative, or a representative of the department involved in the debt, shall be present to represent the Institution/Technology Center. The case will be heard before one hearing officer designated to hear all cases on that date. The hearing officer must be an individual who is not so closely connected with the collection of the debt that he/she cannot render an unbiased and objective decision on the validity of the debt. Such hearing should be held within one week of the decision to elect the hearing. The hearing officer shall render his/her decision on the validity of the debt. If the debt is ruled valid, the debt shall be deducted from the employee's payroll check beginning at the end of the next appropriate pay period in accordance with deduction schedules. If the employee elects a TUAPA hearing, the Office of General Counsel should be notified immediately. If the employee refuses to pay, authorize deduction, or specify or waive a hearing process, a TUAPA hearing must be initiated. The employee's failure to appear at either an institutional or TUAPA hearing will constitute default, and, if a prima facie case is presented that the debt is owed, it will be deemed valid; the appropriate deductions may then be made. Additionally, if a TUAPA hearing, a Default Order must be issued. If the employee does not appeal the Default Order, funds may be deducted as specified.

B. **Limitations on Amounts to be Withheld.** The deduction from any check shall not exceed the maximum deductible under state garnishment laws. The maximum amount of disposable earnings of an individual for any work week which is subjected to garnishment may not exceed: (1) Twenty-five percent (25%) of his disposable earnings for that week; (2) or thirty (30) times the federal minimum

hourly wage at the time the earnings for any pay period become due and payable, whichever is less. In the case of earnings from any pay period other than a week, an equivalent amount shall be in effect. ("Disposable earnings" means that part of the earnings of an individual remaining after the deduction from those earnings of any amounts required by law to be withheld.) These limits are applicable to retirement funds, but are not applicable to checks for accumulated annual leave. Additionally, the above limits do not apply to employee overpayments.

- C. **Retirement Funds.** If a former employee is found to owe a debt to the state, retirement funds may also be utilized to pay off the amount owing. The same procedural steps outlined in 3.a. for notice and the opportunity for a hearing must be followed. Accumulated retirement contributions of a former employee terminated for any reason and for which he has made application, or monthly benefits of a retired employee are subject to withholding. A copy of the final order resulting from an institutional or TUAPA hearing, or a signed waiver of hearing and written agreement of the former employee authorizing deductions should be sent to the director of the retirement system along with a written request to withhold, specifying the reason for the claim and the total amount involved.
- D. **Recovery of Overpayments to Employees.** Unlike cases in which the employee owes the institution money, in instances of overpayments to employees there is no obligation to provide a hearing. The institution is obligated, however, to attempt to recoup the funds. The institution should advise the employee in writing of the overpayment and the institution's proposed actions to correct the overpayment. The method of repayment will depend upon the amount of the overpayment, the time which has elapsed between the overpayment and its discovery, the hardship which immediate repayment might cause the employee because of amount of current salary and personal expenses, the culpability of the employees in not reporting the overpayment, and the longevity as well as the expectation that the employee will remain in state government until the repayment is completed.

If ~~the~~ a current employee receives overpayment, the refund may be made in one of the following ways:

1. Repayment by the employee by cash or check; or,
2. Adjustment of deductions to be made automatically from the employee's paycheck, either with a single deduction or a series of deductions made from each paycheck until the full amount is recovered. The amount of partial payments recovered by the latter method should be reasonable and systematic so that full recovery will be completed within the shortest period possible.

If overpayment is discovered after the employee terminates employment with the state, an account receivable should be established. The former employee should be notified of the overpayment, the circumstances of the overpayment and a request that the employee contact the appropriate campus official. If the employee has not received his final paycheck, the appropriate deduction from that check can be made. If the final paycheck has been received, negotiations for reimbursement should be initiated. If repayment cannot be negotiated or collected, the account should be turned over to the collection agency. In the event collection is not possible, proper write/off procedures should be followed.

In instances ~~where~~ **in which** the employee has agreed to systematic deduction(s) from his paycheck(s), written authorization from the employee is encouraged. Each campus shall draft forms to document overpayments, the steps taken to recoup same, any negotiated repayment plan, the amounts received, and any write/off of the overpayment.

4. RETURNED CHECKS

- A. **Enrollment Fees.** Pursuant to the Board Policy on the Payment of Fees and Enrollment of Students (4:01:03:00), if any student tenders payment of fees by a check that is subsequently dishonored by the bank, and the check is not redeemed within the time period specified below, the institution has the option to not consider that student enrolled at the institution or technology center. At the discretion of the institution, the student may be considered enrolled and will be assessed the applicable returned

check fee, the late registration fee, and will be denied grade reports, transcripts and future registration privileges until such dishonored check is redeemed. Institutions and centers may deny future check writing privileges to students that have paid registration fees with checks that are subsequently dishonored.

A student paying enrollment fees with a check that is dishonored must redeem the check within 10 calendar days from receipt of the notice. Notice should be sent by the institution/technology center to the student no more than three (3) working days from receipt of notice of a bad check from the bank. Notice by certified mail is optional. The institution/technology center will have 5 working days after the expiration of the 10 calendar days to pursue any additional collection efforts deemed necessary. Immediately after the 5 working days, the student will be deleted if the check has not been redeemed in full if that option is selected by the institution. Enrollment fees including returned check fees for students de-enrolled for bad checks should be reversed.

- B. **Non-Student or Non-Employee.** Any person other than a student or employee who tenders a check for payment for goods or services which is subsequently dishonored shall be given the opportunity to redeem the check and pay the amount due in cash. The person shall be given notice of the dishonored check, sent certified mail, demanding payment within ten (10) days.
- C. **Collection of Dishonored Checks.** A check presented for payment of any goods or services which is subsequently dishonored shall be treated as an account receivable under Section 2. Any transactions that have been processed should be reversed when possible and appropriate.
- D. **Future Check-Writing.** Receipt of one or more bad checks from any person may result in that person becoming ineligible to make payments by check thereafter, or to have any check cashed by the institution/technology center. A record of individuals who have written bad checks should be maintained.

5. RENT COLLECTIONS

The terms of the lease should be consulted in the event of failure by the tenant to timely pay rent. In counties with populations more than 200,000 according to the 1970 federal census, the Tennessee Residential Landlord and Tenant Act (the ACT) applies and provides, at T.C.A. Section 66-28-505, that upon noncompliance with the rental agreement, the landlord shall deliver a written notice to the tenant specifying the noncompliance and stating that the rental agreement will terminate upon a date not less than thirty (30) days after receipt of the notice. If the noncompliance is not remedied in fourteen (14) days, the rental agreement shall terminate as provided in the notice. If the tenant remits the rental but subsequently again fails to pay rent within a 6 month period, the rental agreement may be terminated upon at least fourteen (14) days written notice specifying the noncompliance and the date of termination of the rental agreement. In counties where the Act applies, written notice is required when rent is unpaid unless otherwise specifically waived in a written rental agreement. In counties where the Act does not apply, it will provide guidance concerning landlord/tenant issues. Generally, the length of the notice period equals the rental period, for example, 30 days notice is required where rent is due monthly. In the event the rent remains unpaid at the end of the month, the institution/technology center should proceed with an action to evict the tenant. The Office of General Counsel may be notified to provide any required assistance in the proceedings. Accrued rents which are unpaid shall be treated as accounts receivable of the institution/technology center; refer to Section 2.

6. FEDERAL LOANS

- A. **Federal Regulations.** Collection officers should be certain that they are consulting the most recent legal authorities concerning Federal loans. These authorities include interpretative materials, issues letters, manuals, Congressional Enactments and Federal Department of Education Regulations.
- B. **Pre-Loan Counseling.** Federal regulations require a school to conduct entrance counseling to stress the importance of repayment, describe the consequences of default and emphasize the terms of repayment. An individual with Federal Regulations expertise should be available during and after the session to answer questions.

- C. **Exit Interview.** An individual or group exit interview must be conducted to discuss the borrower's financial responsibilities and to obtain updated information. Exit interview materials may be sent by certified mail to borrowers who do not attend the exit interview.

The borrower should be provided with a copy of the note and two copies of the repayment schedule. These schedules can be provided either in person or by certified mail. The borrower should promptly sign and return one of the schedules to the institution/school technology center. A minimum payment of \$30 per month should be required for Perkins Loans made prior to October 1, 1992, \$40 per month for Perkins Loans made after October 1, 1992, and \$15 per month for Health Professions Student Loan (HPSL) and Nursing Student Loan (NSL) programs.

- D. **Grace Period Notices.** Contact with the borrower should be made during the initial and post-deferment grace periods. For a nine-month grace period, notices are required 90 days, 180 days and 240 days after the grace period begins. For a six-month grace period, notices are required at 90 days and 150 days. The ~~last~~ last contact should coincide with the first billing notice.
- E. **Billings.** A written notice and statement of account should be sent at least 30 days before the first payment is due. If a coupon system is used, coupons should be sent instead of statements. Future statements should be sent at least 15 days before each payment is due.
- F. **Late Payments or Delinquent.** Three past due notices should be sent beginning when the debt is fifteen days past due. The second notice is sent 30 days from the first notice. A final demand letter should be sent within 15 days of the second past due notice. If all past-due follow-up procedures have failed to elicit a response, a telephone call is required within 30 days of the final demand letter.
- G. **Cancellations or Deferrals.** An institution/technology center may postpone loan repayments for a 12 month period if the borrower will be providing services eligible for loan cancellation or deferment. Interest does not accrue and the loan is not considered delinquent when in a deferred status. The borrower must request deferment and cancellation status on an annual basis. If, at the end of the postponement period, the borrower does not qualify for cancellation or deferment, the postponed payments are due.
- H. **Acceleration.** The borrower must be given written notice of intent to accelerate at least 30 days in advance. This can be included in the final demand letter.
- I. **Federal Loans Not Written Off.** Annual collection efforts should be pursued for Federal loans that are not able to be written off or turned over to the U.S. Department of Education.
- J. **Perkins Loans.** The IRS/ED skip-tracing service should be used for Perkins Loans.

7. COLLECTION AGENCIES

- A. **General.** The Tennessee Board of Regents shall provide, on a system-wide basis, collection services through one or more companies. The service should provide for the referral of all types of delinquent accounts and notes from the institutions and technology centers to the designated company only after campus collection efforts have been exhausted. The terms of the contract and RFP govern all collection actions. Unless otherwise prohibited by law or regulation, any note, contract or lease which may result in accounts receivable to the institution or technology center should contain a provision pursuant to which the person will be responsible for the costs of collection and reasonable attorneys' fees in the event of default, and should further provide for the assignment of the account or note to the proper agency.
- B. **Billing Services.** Institution/technology center may use an outside billing service to collect payments on accounts receivable. The service should be familiar with all provisions of loan programs and provide prompt, clear and accurate bills.

- C. **Credit Bureaus.** Institution/technology center may report all loans when made to a credit bureau. The institution/technology center must obtain the borrower's consent to report loans not in default by including a statement in the promissory note or some other document that is signed by the borrower at the time the loan is made.
- D. **Collection Agency.** Accounts that are still delinquent 30 days after the final collection letter should be turned over to a collection agency. Receivables less than \$100 are not required to be turned over to a collection agency.
- E. **Reporting Requirements.** The collection agency should be required to report the status of delinquent loans periodically to each institution/technology center and to the Tennessee Board of Regents.
- F. **Revised Repayment Plan.** A revised repayment plan agreement should be signed by the borrower if the borrower returns to repayment status.
- G. **Recalling Accounts From Collection Agency.** No account should be recalled from a collection agency other than debts eligible for deferment, postponement, cancellation, bankruptcy, death, disability or some other mitigating circumstance (institutional error, etc.). No account should be recalled in order for a borrower to re-enroll or obtain a transcript. The borrower should pay the accelerated amount plus collection costs to the collection agency.

8. LITIGATION

- A. **General.** After all other attempts at collection have failed, the institution/technology center must authorize litigation of accounts of ~~\$500~~ **\$2,000** or more providing litigation costs do not exceed the amount which can be recovered. Generally the collection services contract will provide for litigation ~~where~~ **when** appropriate.
- B. **Federal Loans.** If a Federal loan cannot be litigated for any of the following reasons, it should be assigned to the U.S. Department of Education: (1) Borrower has no assets, (2) Address unknown, (3) Debtor is incarcerated, (4) Debtor is on Public Assistance, (5) Unable to serve borrower with court papers, (6) Litigation is in process and debtor skips, (7) Expected cost of litigation exceeds amount to be recovered from borrower.

9. BANKRUPTCY

- A. **General Information** - Each institution/technology center shall designate a bankruptcy contact person to serve as a liaison between the institution and the Attorney General's office. Once notice of, or a petition for, bankruptcy is received, all collection efforts against the debtor must cease immediately. If the account is at a collection agency, the file must be returned to the institution/technology center immediately. The institution/technology center should immediately forward the file to the Attorney General's office with a Referral Form and the documentation specified on the Referral Form. The institution/technology center should also provide a copy of this information to the TBR General Counsel's office. The Attorney General's office will advise the institution/technology center when and if collection efforts may resume, depending on the debt's dischargeability.-

NOTE: Effective for actions filed on or after 5/28/91, the period during which an educational loan may not generally be discharged will increase from five (5) years to seven (7) years. This period is calculated from the date the loan first came due to the date the bankruptcy action was filed, exclusive of periods during which repayment obligations are suspended. Additionally, obligations to repay an "overpayment" of, or any other obligation to repay an "educational benefit" provided by a governmental unit or under a program funded by a government unit or non-profit institution will be excepted from discharge during the same seven year period under either Chapter 7 or 13 unless the borrower establishes that repayment constitutes undue hardship.

- B. **Chapter 7 / (Liquidation)** Upon receiving any notice of the filing of a petition, all collection efforts against the debtor must be suspended immediately until the bankruptcy has been discharged. Collection efforts may continue against an endorser. The institution/technology center shall immediately forward the file to the Attorney General's office with a Referral Form and the documentation specified on the Referral Form. A copy of this information should also be provided to the TBR General Counsel's office.

Educational loans: If the date of bankruptcy filing is after the expiration of the exception period, the loan should be written off once the notice of discharge is received unless there is some other basis upon which to challenge dischargeability. The Attorney General's office will contact the institution/technology center to advise whether the debt is dischargeable. However, if there is an endorser, collection efforts may proceed against him. If the date of bankruptcy filing is before the expiration of the exception period, collection activity may be reinstated once the notice of discharge is received due to the self/executing nature of the exception unless the debtor has been able to establish dischargeability of the debt through an adversary proceeding. If the institution/technology center is served with a summons and complaint, the institution/technology center shall immediately fax to the Attorney General's bankruptcy unit a copy of the Summons and Complaint, the debt payoff amount, the date the note went into repayment, and any deferment and/or forbearance history. A copy of this information should also be provided to the TBR General Counsel's office.

Other debts: The institution/technology center shall immediately forward the file to the Attorney General's office with a Referral Form and the documentation specified on the Referral Form. A copy of this information should also be provided to the TBR General Counsel's office. When the notice states "No assets," unless the institution/technology center is a secured creditor (in which case a proof of claim would have been filed), the debt must be written off once the Attorney General's office provides the institution/technology center with notice of discharge.

- C. **Chapter 13 (Reorganization)**

NOTE: For petitions filed on or after 11/5/90, an educational loan is non-dischargeable if the loan first became due within five years calculated from the date the loan first came due to the date the bankruptcy action was filed, exclusive of periods during which repayment obligations are suspended. Effective for bankruptcies filed on or after 5/28/91, that same five (5) year period was increased to seven (7) years. See NOTE above for further details.

Regardless of the date of filing or the nature of the debt owing, upon receiving any notice of the filing of a petition, all collection efforts against the debtor and endorser must cease immediately. The institution/technology center shall immediately forward the file to the Attorney General's office with a Referral Form and the documentation specified on the Referral Form. A copy of this information should also be provided to the TBR General Counsel's office. The Attorney General's office will advise the institution/technology center whether the debt is dischargeable and the extent to which collection activities may be reinstated.

If the seven (7) year exception period applies and the debtor serves the institution/technology center with a summons and complaint the institution/technology center shall immediately fax to the Attorney General's bankruptcy unit a copy of the Summons and Complaint, the debt payoff amount, the date the note went into repayment, and any deferment and/or forbearance history. A copy of this information should also be provided to the TBR General Counsel's office.

Other debts: The institution/technology center shall immediately forward the file to the Attorney General's office with a Referral Form and the documentation specified on the Referral Form. A copy of this information should also be provided to the TBR General Counsel's office. The Attorney General's office will advise the institution/technology center as to the dischargeability of the debt.-

- A. **Authority.** The Tennessee Board of Regents and its institutions/technology centers are authorized to write off uncollectible receivables pursuant to policies outlined in Chapter 0620-1-9 of the rules of the Department of Finance and Administration. This includes the write/off of any account of five thousand dollars (\$5,000) or greater and/or accounts aggregating twenty-five thousand dollars (\$25,000) or more. Receivables submitted for write/off must have been subjected to appropriate collection efforts in accordance with this guideline and institution/technology center procedures. (See Attachment C)
- B. **Reserve.** A reserve for doubtful accounts should be established for activities ~~where~~ **for which** accounts receivable represent a material amount to the activity income. The reserve should be reported in the financial records of the institution/technology center. Receivables which prove to be uncollectible after prescribed collection efforts have been exhausted should be written off by a charge to the reserve for doubtful accounts after appropriate approvals are obtained.
- C. **Approval.** The proposed write/off must be approved by institution/technology center officials not directly involved in recording and collection of accounts receivable. The institution/technology center president and chief business officer should certify compliance with the prescribed statute and collection guidelines. The accounts submitted for write/off should be single accounts of \$5,000 or more and/or accounts aggregating \$25,000 or more. The write/off request summary and certification, along with a detailed list of the accounts, should be submitted to the Vice Chancellor for Business and Finance's office for approval.

The write/off request must be approved by the Chancellor or designee and General Counsel and forwarded by TBR for approval by the Commissioner of Finance and Administration and the Comptroller of the Treasury. TBR will send approved write/off to the institution/technology center for the appropriate accounting.

Requests for the write-off of single accounts of less than \$5,000 and/or accounts aggregating less than \$25,000 shall be approved at the institution level by the appropriate officials. These requests do not require additional approval by the **Tennessee Board of Regents** office or State Departments.

- D. **State/TBR Employees.** Any debtors identified by the TBR or State as employees with debts \$50 and above will not be approved for write/off. Information on the employing institution/technology center or agency will be returned to the institution/technology center for additional collection efforts.

If the debtor is a state employee, the Chief Business Officer of the department employing the debtor should be notified. The department employing the individual will be responsible for taking the appropriate action to collect the debt. If the department is unsuccessful in collecting the debt, written notification will be sent to the institution/technology center. The written notification shall be submitted with the next write/off request for approval.

If the debtor works for another TBR institution/technology center, the Chief Business Officer of the employing institution/technology center should be notified and will be responsible for collecting the debts utilizing the steps in Section 3, Employee Receivables, of this policy. Written notification should be sent to the requesting institution/technology center if collection efforts are unsuccessful. The written notification shall be submitted with the next write/off request for approval. The institution/technology center may agree to payment through payroll deductions if the employee signs a payroll deduction authorization.

- E. **Former TBR Employees.** If a debt or obligation was incurred while a TBR employee, the debt constitutes an account receivable; refer to Section 2.
- F. **Holds on Written Off Receivables.** A hold on transcripts and future registration will continue until the debt is cleared for former students whose receivables were written off if the debt was twenty-five (25) dollars or more.

11. GRAMM-LEACH-BLILEY ACT CONTRACT CLAUSE

Include the standard language printed below in all future contracts with third party service providers that have access to the institution's customers' non-public financial information.

“Throughout the term of this Agreement, Service Provider shall implement and maintain ‘appropriate safeguards,’ as that term is used in § 314.4(d) of the FTC Safeguard Rule, 16 C.F.R. § 314, for all ‘customer information,’ as that term is defined in § 314.2(b) of the FTC Safeguard Rule, delivered to Service Provider by Institution pursuant to this Agreement. The Service Provider shall implement an Information Security Program (‘the Program’) as required by the FTC Safeguard Rule. Service Provider shall promptly notify the Institution, in writing, of each instance of (i) unauthorized access to or use of that nonpublic financial customer information that could result in substantial harm or inconvenience to a customer of the Institution or (ii) unauthorized disclosure, misuse, alteration, destruction or other compromise of that nonpublic financial customer information.

Service Provider shall forever defend and hold Institution harmless from all claims, liabilities, damages, or judgments involving a third party, including Institution's costs and attorney fees, which arise as a result of Service Provider's failure to meet any of its obligations under this provision. Service Provider shall further agree to reimburse the Institution for its direct damages (e.g., costs to reconstruct lost or altered information) resulting from any security breach, loss, or alteration of nonpublic financial customer information caused by the Service Provider or its subcontractors or agents.

Service Provider grants Institution the right to conduct on-site audits, as deemed necessary by the Institution, of the Service Provider's Program to ensure the integrity of the Service Provider's safeguarding of the Institution's customers' nonpublic financial information.

Institution retains the right to unilaterally terminate the Agreement, without prior notice, if Service Provider has allowed a material breach of its Program in violation of its obligations under the GLBA, if Service Provider has lost or materially altered nonpublic financial customer information, or if the Institution reasonably determines that Service Provider's Program is inadequate.

Within thirty (30) days of the termination or expiration of this Agreement, Service Provider shall, at the election of Institution, either: (1) return to the Institution or (2) destroy (and shall cause each of its agents to destroy) all records, electronic or otherwise, in its or its agent's possession that contain such nonpublic financial customer information and shall deliver to the Institution a written certification of the destruction.”

Source: November 16, 1977, TBR presidents meeting. Revised July 1, 1984. Revised May 17, 1988. Revised May 12, 1992. Revised August 9, 1994, TBR presidents meeting. Revised November 9, 1994, TBR presidents meeting. Revised May 14, 1996, presidents meeting. Revised August 25, 1998, presidents meeting. Revised May 11, 1999, presidents meeting. Revised May 21, 2001 presidents meeting. Revised May 16, 2006 presidents meeting.

GUIDELINE B-020**SUBJECT: Educational Business Activities Including the Classification and Operation of Auxiliary Enterprises**

The primary mission of institutions ~~and area vocational-technical schools~~ in the State **Tennessee** Board of Regents System is the creation and dissemination of knowledge. To carry out this mission, it is often desirable for the institution and its affiliated units to charge fees for providing goods and services that enhance, promote, or support its instructional, research, public service, and all other educational and support functions in order to meet the needs of the students, faculty, staff and members of the public participating in institutional events.

Educational business activities as defined in Section I. shall be established and carried on only when pursuant to, and in accordance with, an authorization and statement of purpose approved by the institution's president or designee.

The purpose of Section II. is to provide uniformity in the classification and operation of auxiliary enterprises at the institutions ~~and area vocational-technical schools~~ in the State **Tennessee** Board of Regents System. Also provided are examples to supplement the various System policies, procedures, and reports concerning the operation of auxiliary enterprises. Reference is made to reporting forms which shall be provided by the Board staff.

I. Educational Business Activity**A. Definition of Educational Business Activity**

Each educational business activity shall meet the following three conditions:

1. The activity is deemed to be an integral part in the fulfillment of the institution's educational, research, public service, and campus support functions, and other educational and support activities, without regard to profit.
2. The activity is needed to provide an integral good or service at a reasonable price, on reasonable terms, and at a convenient location and time.
3. The activity is carried out for the primary benefit of the campus community but with sensitivity to the total community.

B. Concept of Unrelated Activities

All institutions ~~and area vocational-technical schools~~ should comply with applicable laws and regulations pertaining to such activities, and educational business activities not falling within the conditions established above may be unrelated business income activities **and subject to UB17**.

II. Auxiliary Enterprise Operation**A. Role and Scope of Auxiliary Enterprise Operation**

1. Definition of Auxiliary Enterprises: ~~The definition of "auxiliary enterprises" as set forth in the publication College and University Business Administration (NACUBO, 1974) is as follows:~~

An auxiliary enterprise furnishes a service to students, faculty, or staff, and charges a fee directly related to, but not necessarily equal to, the cost of the service. The public may be served incidentally in some auxiliary enterprises. They are essential elements in support of the education program, and conceptually should be regarded as self-supporting. Little or none of the revenue comes from educational and general sources, but in the case of housing and food services, there may be a limited amount of sales to the institution. Other examples of auxiliary enterprises are college union, college stores, rental facilities, institutionally operated vending services, recreational areas, faculty clubs, laundries, certain parking facilities, ~~and, frequently, intercollegiate athletics.~~

This definition has been approved by the Tennessee Higher Education Commission, the State Comptroller, and the State Department of Finance and Administration in the publication Financial Reporting for Tennessee Public Colleges and Universities, with the following exceptions: (1) revenue and expenses of student centers (college unions), but not the auxiliaries housed therein, are to be classified under the category of student services; and ~~(b) intercollegiate athletics are to be classified under the category of student services, except for those institutions where the programs are self-supporting (Memphis State University only), in which case it should be classified as an auxiliary enterprise.~~

Pursuant to the foregoing, the following activities should be classified as auxiliary enterprises:

- a. Housing, including dormitories, apartments, and all other housing
- b. Food Services
- c. College Stores, including bookstores, hobby shops, mini-markets, etc.
- d. Vending Services, including food vending and other non-food vending
- e. Post Offices, limited to the cost of revenue-related services, and excluding campus distribution
- f. Parking facilities, if subject to an indebtedness which is being liquidated through revenues or if otherwise operated in a manner within the definition of auxiliary enterprises
- g. Laundries, beauty shops, barber shops, etc.
- h. Any other activity which meets the approved definition
- i. Student recreation centers subject to indebtedness.**

2. Users of Auxiliary Enterprises: Auxiliary enterprises exist for the purposes of providing services to students, faculty, and/or staff, and any service to the public should only be incidental in nature. For example, student housing facilities are operated for the benefit of students, and occupancy should be limited to students and student housing personnel, provided that, on a space available basis, such housing may be provided to faculty or staff. In the case of food services,

bookstores, etc., while non-students who are guests or who otherwise have business on the campus may be served, the institution or school should not actively seek non-campus trade.

3. Concept of Auxiliary Enterprises as Self-Supporting: The goal for all auxiliary enterprises, both individually and cumulatively, is for revenues to at least equal expenditures and transfers. It is recognized that some auxiliary enterprises may have difficulty in providing necessary services at reasonable prices on a breakeven basis, but justification for each such enterprise must be provided to the Board through the annual operating budgets analyses. All rate structures should be recommended and set on the basis of projected expenditures and transfers.

B. Purchasing of Goods and Services for Auxiliary Enterprises

1. General: Purchases for auxiliary enterprises generally fall into two major categories: (1) purchases for resale, and (2) purchases for consumption or use in the operation of the auxiliary enterprise. Examples of purchases for consumption or use by the auxiliary enterprises are furnishings for dormitory rooms, general supplies, office supplies, etc. Purchases for resale include items which are to be resold, including textbooks and other course related materials and supplies, and other miscellaneous items which are needed on a regular basis by the users of the enterprises.

2. Purchases for auxiliaries are subject to the provisions of the Board purchasing policy (no. 4:02:10:00).

C. Classification of Revenues and Expenditures for Auxiliary Enterprises

1. All Revenues and Expenditures will be classified first under the appropriate specific auxiliary enterprise. Further details relative to appropriate classifications are provided below.

2. Classification of Revenues: The source of funds is the primary determinant of revenue classification. Only nominal amounts may be reported as "Other" or "Miscellaneous". With regard to the ~~College~~ **Federal** Work Study Program, an amount equal to the federal share of ~~CWSP FWS~~ salary expenditures shall be reported as restricted revenue. Supplemental schedules must clearly identify both restricted and unrestricted revenues. On all applicable statements, restricted auxiliary revenue should be reported under Auxiliary Enterprises regardless of the source. Restricted auxiliary revenues should be reflected as auxiliary enterprises revenue rather than grants and in the same amount as the auxiliary enterprises restricted expenditures.

3. Classification of Expenditures: Expenditures should basically be classified by activity, with breakdowns by object classification or grouping of objects. The following specific provisions shall be applicable to classifications of expenditures:

a. Staff benefits and ~~CWSP FWS~~ expenditures should be reported by activity. In Athletics, the "Grant-in-Aid" classification should include scholarships, room and board, books, fees and other costs directly associated with individual student athletes.

b. Where several activities are managed by one office, the managing office may be listed as a separate activity with object classifications shown. The last line of the operating expenditures shall show the allocation of these costs to the operating activities. The management of a group of

activities may also be reported under one of the activities by detail object, with the appropriate allocation shown as the last item under operating expenditures.

c. Operating expenditures for prorated plant costs may be shown as one line, or they may be shown in further breakdowns under the Plant Allocation heading. Extraordinary Maintenance costs may be listed separately under plant operations. However shown, the Maintenance and Operation of Plant Costs must be clearly identifiable.

d. An "Excess (Deficit) of Revenues Over Expenditures" sub-total before transfers must be included.

e. Transfers must be classified as Mandatory or Non-Mandatory, and detailed by the fund to which the transfer is made.

f. All direct costs will be charged to the appropriate activity. Where actual incurred costs apply to more than one activity, the costs will be allocated or prorated to each auxiliary enterprise. Salaries and wages will be utilized as the allocation base, unless otherwise designated. For example, vending and contracted food services must have the appropriate cost of the person(s) or activity which coordinates or manages them allocated as an expenditure. These are direct costs which are not replaced by institutional support allocations.

~~g. Athletic administration costs will not be allocated by sport, but will be listed as a separate item.~~

4. Allocation of Institutional Support to Auxiliaries:

a. Auxiliary enterprises shall be charged directly for the specific and specialized services or benefits they receive, whether the initial charge is in Institutional Support, Student Services, or some other functional area. For example, if an employee is directly responsible for the management of an Educational and General activity and an Auxiliary Enterprise activity, his or her salary and related expenses should be prorated.

b. Institutional Support functions which provide no benefit to Auxiliary Enterprises may not be allocated, such as the chief academic officer, catalogs and bulletins, and graduation expenses.

c. All other institutional support costs shall be allocated on the basis of salaries and wages. "Direct" charges which are allocated to auxiliaries should be, for this allocating purpose, broken down by object classification between salaries and wages and all other objects.

d. The methodology for allocation of Indirect Institutional Support shall be determined by the Board staff. Any other basis of allocation must be approved by the Board staff.

e. Institutional Support allocation should be a separate line item expenditure on supplemental reports.

5. Plant Costs Allocated to Auxiliaries: Proportionate amounts of all Operation and Maintenance of Plant costs shall be allocated to Auxiliary Enterprises. The allocations shall be made on the basis of the most accurate information and the most reasonable basis in accordance with the following provisions.

a. A direct charge basis shall be used when the institution or school maintains a work order or other costing system which records this information. The total of all costs incurred by the Maintenance and Operation of Physical Plant must be included in the costing system. Where only a portion of the costs is accounted for by direct job orders, the balance of the costs shall be prorated on the basis of square footage or on the basis of the direct charges which have been identified.

b. In the absence of accurate costing information, the Maintenance and Operation costs shall be allocated on a square footage basis. Where adjustments are made to any of the allocations, for example, dormitories which are not used in the summer, similar adjustments shall be calculated and recorded for Educational and General facilities which may not have been in full use during all periods of the year. Due to the difficulty of establishing a reasonable basis for allocation, Care of Grounds costs may also be allocated on a square footage basis.

c. It is permissible to allocate some cost elements, such as Custodial Services and Maintenance and Repairs, on a direct charge basis and other costs such as Utilities on a square footage basis. The administrative expense of Maintenance and Operation must be allocated on the same basis that other direct services are allocated. Where a square footage basis is used, the administrative costs must be allocated on the basis of the relative direct charges made to auxiliaries. Any allocation basis other than direct charge of square footage must be approved by the Board staff.

6. Replacement of Equipment and Facilities:

a. Any mandatory allocations for accumulating funds for the replacement of equipment and facilities must be made in accordance with the bond indenture or other binding external agreements. In financial reporting, these items shall be listed under Mandatory Transfers as transferred to Funds for Renewal and Replacement.

b. Non-Mandatory Transfers may be permitted, based upon the excess of revenues over expenditures and other transfers. Where a particular auxiliary or group of auxiliaries, such as dormitories, does not have a sufficient excess of revenues over expenditures and other transfers, Non-Mandatory Transfers to Renewals and Replacements are not permitted.

7. Debt Service:

a. Mandatory Debt Service Requirements must be shown as transfers to Funds for the Retirement of Indebtedness in accordance with external binding agreements such as bond indentures and agreements with the Tennessee State School Bond Authority. Strict adherence to the absolute transfers required by these external agreements must be made. Where agreements require only that the earnings will be available for debt retirement but do not specify where deficiencies in Debt Services Requirements are to be generated by the institution or school, the Mandatory Transfer may not include any amount in Excess of Revenues Over Expenditures and other Transfers.

b. Other transfers to Retirement of Indebtedness will be based strictly upon the nature of the transaction. Only where funds to increase Debt Service Requirements are planned by the institution or school to come from the auxiliary activity may Non-Mandatory Transfers to Debt Service be shown. Where funding for Retirement of Indebtedness is made from debt service fees

assessed to all students from general funds or from other sources, the addition to Retirement of Indebtedness funds shall not be shown as an auxiliary transfer.

D. Reporting for Auxiliary Enterprises

1. Types of Reports:

~~a. The THEC manual, Financial Reporting for Tennessee Public Colleges and Universities, provides adequate basic financial reporting schedules. The schedules include a Balance Sheet, Statement of Current Funds Revenues, Expenditures, and Other Changes, Schedule of Balances in Auxiliary Enterprises Funds, Schedule of Current Funds Revenues, and Schedule of Current Funds Expenditures. In most cases the Auxiliary Enterprise data is in summary amounts only.~~

~~ba. The annual financial report should also contain supplemental schedules of revenues, expenditures, and transfers for each auxiliary enterprise operated by the institution or school. The total revenues and total expenditures shown in the current fund schedules shall be fully accounted for in the supplementary schedules by auxiliary enterprise.~~

~~c. The forms which should be used by each institution and school for management information shall be provided by the Board staff. These forms include a comparative profit and loss statement, a comparative statement of student residence hall operations, a statement on student residence and food operations, and a statement of operations and variance analysis.~~

~~2. Time Intervals of Reports: The reports to be submitted to the State Board of Regents shall be included in the annual financial report. The reports to be submitted to the chief fiscal officer of the institution or school shall be prepared quarterly; these reports reflect the minimum amount of information that should be available for proper management of the auxiliary enterprises of the institution or school.~~

~~3. Format of Reports: The recommended formats for the reports shall be provided by the Board staff.~~

Source: May 22, 1979 SBR Presidents meeting. Revised July 1, 1984; February 16, 1988

GUIDELINE B-021

Subject: Requirements of Building Plaques Affixed to New or Newly Renovated Buildings and Facilities

The Board of Regents has authorized institutions ~~or schools~~ to affix building plaques to new or newly renovated buildings or facilities. An institution may choose to erect a building plaque in lieu of or in addition to dedication plaques authorized under Board Policy 4:02:05:01.

An institution ~~or area school~~ may affix a building plaque which shall include the name of the Governor(s), Chancellor(s), all State Building Commission members, the names of the members of the Board, President(s) or ~~area school~~ Technology Center Director(s), the architect, contractor and state architect from the date of Building Commission approval of a specific project to the completion of the project.

If the building/facility has been named for an individual or group in accordance with Board Policy 4:02:05:01, the building plaque may include the name of the individual or group for which the building/facility is named.

Source: March 21, 1986 Board Meeting

GUIDELINE B-022

SUBJECT: Campus Facility Master Plans

In conjunction with the provisions of TBR Policy Nos. 4:01:02:30 and 4:02:09:00 each university and two-year institution shall have a campus facility master plan which should address building development for the institution's mission and enrollment growth, land acquisition and disposal, vehicular and pedestrian circulation, parking facilities, outdoor physical education, recreation and athletic facilities (where applicable), utilities and landscaping.

Campus facility master plans should be internally reviewed by campus staff at least every two years. If an update of the existing master plan is deemed necessary by the President, the campus should document the need and initiate a request to retain a professional consultant through the Board office.

New master plans and updates shall be prepared by professional consultants appointed by the State Building Commission. They shall be approved by the **Tennessee** Board of Regents, submitted to the Tennessee Higher Education Commission for review and comment and approved by the State Building Commission.

New building construction or addition projects should be addressed in the master plan prior to the submission for funding to the **Tennessee** Board of Regents.

The costs of obtaining consultant services for campus facility master plans should be funded from institutional sources.

Source: TBR Presidents Meeting November 13, 1990