1-14-2005

University of Tennessee Board of Trustees Exhibit Records, 2005 January 14, Exhibit 1 - 4

University of Tennessee

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

EXECUTIVE AND COMPENSATION COMMITTEE

10:30 a.m. EST
January 14, 2005

Executive Dining Room
University Center, Knoxville

AGENDA

1. Call to Order

2. Roll Call

3. Approval of Minutes of Last Meeting

4. Discussion of Agenda for Winter Meeting of Board of Trustees (Stansberry and Petersen)

5. Update on Bond Financing for Capital Projects (Stokely)

6. Discussion of Legislative Agenda (Petersen)

7. Discussion of Compensation Package for Chancellor Positions (Petersen)

8. Update on Filling President's Staff Vacancies (Petersen)

9. Update on Proposed Capital Fundraising Campaign (Petersen)

10. Discussion of a Joint Meeting or Social Event with Tennessee Board of Regents (Loughry)

TENNESSEE TODAY CURRENT NEWS FROM UT

Good Afternoon
April 6, 2005
Updated Daily

FOR IMMEDIATE USE
January 10, 2005

UT Board Committee Meets Jan. 14

KNOXVILLE -- The executive and compensation committee of the Univers Tennessee Board of Trustees will meet here Friday, Jan. 14.

The meeting is scheduled for 10:30 a.m. in the Executive Dining Room of th University Center.

The committee will discuss an agenda for the winter meeting of the board, s March 1-2. Other items for consideration include financing for capital projec university's legislative agenda, compensation packages for the chancellor po UTHSC and UTC, and a capital fund raising campaign.

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Contact:

January 14, 2005

ROLL CALL
THE UNIVERSITY OF TENNESSEE
EXECUTIVE AND COMPENSATION COMMITTEE
BOARD OF TRUSTEES

	Present		Absent				Not
	A.M..	P.M.	A.M.	P.M.	Aye	Nay	Voting
Mr. Hickman	✓						
Mrs. Loughry	✓						
Mr. Murphy	✓						
Dr. Petersen	✓						
Mr. Stansberry	✓						
Mr. Stokely	✓						
Mr. Thornton	✓						
Mrs. Williams	✓						

THE UNIVERSITY OF TENNESSEE

Office of the President
800 Andy Holt Tower
Knoxville 37996-0180
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MEMORANDUM

TO: Members of the Executive and Compensation Committee

FROM: Catherine S. Mizell csm
Vice President, General Counsel and Secretary

DATE: January 11, 2005

SUBJECT: Executive and Compensation Committee Meeting
Friday, January 14, 2005, 10:30 a.m. EST
Executive Dining Room, University Center, Knoxville

Upon the call of the Chair, the Executive and Compensation Committee will meet at 10:30 a.m. EST on Friday, January 14, 2005 in the Executive Dining Room of the University Center on the Knoxville campus.

The final agenda for the January 14 meeting and the minutes of the last meeting are attached.

Attachments

c: Other Members of the Board of Trustees
Members of the President's Staff

From: Catherine Mizell
To: Board of Trustees (with Cooley for Governor)
Date: 1/11/2005 7:43:13 PM
Subject: Meeting of the Executive and Compensation Committee

The following materials are attached:

(1) Formal notice of the January 14 meeting of the Executive and Compensation Committee;

(2) Final agenda for the January 14 meeting; and

(3) Draft minutes of the November 1, 2004 meeting.

CC: Jane Pullum; Logan, Linda; President's Staff ; Stuart, Lofton K

DRAFT

MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE MEETING
BOARD OF TRUSTEES

THE UNIVERSITY OF TENNESSEE

November 1, 2004
Nashville, Tennessee

The Executive Committee of the Board of Trustees of The University of Tennessee met at 2:30 p.m., Central Standard Time, Monday, November 1, 2004 in the offices of Boult, Cummings, Conners & Berry, Nashville.

I. CALL TO ORDER

Mr. Don C. Stansberry, Jr., Chair of the Executive Committee, called the meeting to order.

II. ROLL CALL

The Secretary called the roll, and the following members were present:

Mrs. Andrea J. Loughry
Mr. James L. Murphy, III
Dr. John D. Petersen
Mr. John Pontius
Mr. Don C. Stansberry, Jr.
Mr. William B. Stokely, III
Mr. John C. Thornton
Mrs. Susan R. Williams

The Secretary announced the presence of a quorum.

III. REPORT ON THE FACULTY SENATE RETREAT

Ms. Loughry reported that she, President Petersen and Trustees Stansberry, Murphy, Vickerstaff, and Johnson attended the UT Knoxville Faculty Senate retreat on September 24, providing an excellent opportunity for direct dialogue between Trustees and Faculty Senators. The Senators requested that all Faculty Senate presidents receive Board meeting agendas and that Board meetings be held in a room large enough to allow attendance by interested members of the University community. Ms. Loughry reported that Senate members are very much in support of the University's effort to achieve AAU membership.

IV. DISCUSSION OF STRATEGIC AND LONG-RANGE PLANNING

Mrs. Loughry noted that discussion at the Board retreat centered to a large degree on the Board's effort to become move involved in setting meeting agendas. She said a more visibly active role has become essential and expected of Board members.

Mr. Murphy said issues that repeatedly come before the Board might be more effectively addressed on a committee level. For example, he said, the issue of professors and graduate assistants who do not have a strong command of spoken English is a problem the Board hears often. Such an issue could be addressed by the Academic Affairs and Student Life Committee.

After a general discussion of the Board's responsibility to oversee strategic and long-range planning for the University, the committee agreed that it should take an active role in ensuring that an effective planning process is in place.

V. FOLLOW-UP ON BOARD SELF-STUDY WORKSHOP

A. Develop new processes for Board and committee meetings

1. Use of consent agenda

Mr. Stansberry expressed his view that Board meeting discussions should be framed to communicate a particular message to the citizens of the State. A consent agenda would facilitate this process.

Following considerable discussion, committee members endorsed the concept of a consent agenda. Mr. Stansberry noted that a Bylaw change necessary to implement a consent agenda will go before the Governance Committee for its consideration and then to the full Board upon the recommendation of the Committee.

2. Executive Committee's Role in Developing Agenda

Mr. Stansberry said the initial suggestion of items that need to come to the Board must originate with the President and members of his administrative staff who serve as staff liaisons with standing committees. Dr. Petersen said the staff liaisons should work with the respective committee chairs to develop the agenda for committee meetings.

Following discussion of possible agenda items for the next Board meeting, the committee agreed to meet approximately six weeks prior to each regular Board meeting in an effort to identify major items for consideration and determine how those items should be presented.

3. Standing Committees to Meet Between Regular Meetings and in Conjunction with Regular Meetings

Mr. Stansberry suggested that committee meetings aside from those in conjunction with a Board meeting be set at the discretion of the chair of each committee when such a meeting is deemed necessary or advantageous in the promotion of communications across the State. The committee concurred.

Mr. Stansberry further suggested that when committee meetings are held in conjunction with Board meetings and Trustees have an opportunity to attend all committee meetings, agenda items taken forward to the full Board meeting should be limited to recommendations on action items unless the Vice Chair of the Board and the Chair of the committee agree that specific information items should be reported at the Board meeting. The committee concurred.

B. Develop a Set of Personal Qualifications and Core Competencies for Membership on the Board.

Mr. Murphy said the development of personal qualifications and core competencies for Board members was an item discussed in the Governance Task Force Report. He said the Governance Committee intends to make its recommendations to the full Board at the winter meeting on March 2, 2005. The criteria will then be communicated to the Governor.

Dr. Petersen said he will identify verbally to the Governor individuals who could make a contribution to the University if they were appointed to the UT Board of Trustees. Mr. Murphy said Trustees might also consider identifying those candidates that they feel are qualified to hold the position.

C. **Work with Other Tennessee Higher Education Institutions on Major Problems Facing the State**

Dr. Petersen noted specific initiatives in which efforts are being made by the University to work closely with other higher education entities. Dr. Brice Bible and his staff are helping to coordinate efforts across the state in the area of information technology. Vice President Sylvia Davis and her staff are beginning to develop a framework on the potential of bonding capital statewide. Dr. Petersen also discussed the joint efforts being made with respect to a School of Public Health and a proposed expansion of Pharmacy that would allow for the greatest benefit to the State while remaining as cost efficient as possible.

D. **Communications**

Dr. Petersen said that members of his senior administrative staff designated to provide support to the standing committees should be in frequent contact with committee chairs. He said he will also make himself available if any Trustee wants to talk to him directly. After his public relations and communications staff is in place, Dr. Petersen will begin sending regular information pieces to the Trustees every six weeks or so. Public relations strategies and communication efforts will be coordinated with the public relations staff on the campuses.

Mr. Stansberry asked Dr. Petersen to consult with the committee chairs on appointments and other major issues within their committees' areas of responsibility.

The committee asked that committee chairs be given directory information for administrative staff down through three levels of reporting and that they be advised in a timely manner of any major issue the University is facing.

E. **Develop a Strategy for Addressing the Capital Funding Issue**

The committee asked that the strategy for addressing the capital funding issue be considered by the Finance and Administration Committee and the Advancement and Public Affairs Committee. The item will be placed on each Committee's agenda for the November 2004 meeting.

F. **Develop a Mission/Vision for the System as a Whole**

Dr. Petersen said his staff is working on the mission for the System. He said he hopes to have draft to take through the appropriate committee to the Board in the near future.

VI. REVIEW OF DRAFTS OF OTHER STANDING COMMITTEE CHARTERS

Mr. Stansberry called attention to the drafts of the other standing committee charters (Exhibit 1). He asked if there were any concerns about the proposed charters. The committee agreed that the proposed charters should go forward for review by the Governance Committee.

VII. DISCUSSION OF ROLE AND RESPONSIBILITIES OF THE EXECUTIVE AND COMPENSATION COMMITTEE AND APPROVAL OF COMMITTEE CHARTER

Mr. Stansberry presented the proposed charter for the Executive and Compensation Committee (Exhibit 2). After discussion, Mr. Murphy moved approval of the charter, and Ms. Loughry seconded. The motion carried unanimously.

VIII. APPROVAL OF 2005 REGULAR BOARD MEETING DATES

Mr. Stansberry presented a slate of dates for regular meetings of the Board of Trustees in 2005. He said it is his desire to set the meetings as far in advance as possible. The proposed dates were:

March 1-2, 2005	Winter Board meeting in Chattanooga
June 22-23, 2005	Annual Board meeting in Knoxville
October 19-20, 2005	Fall Board Meeting in Knoxville

The Committee asked the Secretary to determine if there would be a conflict if the fall meeting were changed to October 27-28, 2005. If not, the dates including the revised fall meeting will be presented to the Board at its November meeting.

Ms. Susan Williams made a motion to approve the 2005 meeting dates including the October 27-28 revised date for the fall meeting. Mr. Murphy, seconded, and the motion carried unanimously.

IX. SETTING DATES FOR EXECUTIVE AND COMPENSATION COMMITTEE MEETINGS 45 DAYS IN ADVANCE OF REGULAR BOARD MEETING DATES

The weeks of January 17, 2005; May 2, 2005; and September 5, 2005 were submitted as possible dates for Executive and Compensation Committee meetings. The committee set January 14, 2005 as the date of its next meting.

X. OTHER BUSINESS

The Chair asked for other business to come before the Committee. No other business was presented.

XI. ADJOURNMENT

There being no further business to come before the Executive and Compensation Committee, the meeting was adjourned.

Catherine S. Mizell
Vice President, General Counsel and Secretary

EXHIBIT 1
Executive and Compensation Com
January 14, 2004

Student-Related Facts - The University of Tennessee System

ENROLLMENT- Fall 2004					
	UTK(1)	UTC	UTM	HSC	Total
Undergraduate	19,502	7,405	5,661	134	32,702
Graduate	5,427	1,284	437	606	7,754
Professional	721	---	---	1,399	2,120
Total HC	25,650	8,689	6,098	2,139	42,576
Total FTE	23,142	7,326	5,570	2,062	38,100

(1) Includes UTSI and Veterinary Medicine

1st-TIME FRESHMEN - Fall 2004				
	UTK(2)	UTC	UTM	TOTAL
1st-Time Freshmen	4,336	1,502	1,146	6,984
% of Total Enrollment	17.2%	17.3%	18.8%	---
Average HS GPA	3.45	3.25	3.28	---
Average ACT Score	24.7	22.0	22.2	---
TN High School Grads	3,473	1,355	875	5,703
% Receiving HOPE $	99.0%	85.4%	92.7%	---

(2) Excludes UTSI and Veterinary Medicine

BIOGRAPHICS / DEMOGRAPHICS - Fall 2004				
FT/PT Status	UTK	UTC	UTM	HSC
% Full-Time	85.6%	77.4%	80.5%	95.3%
% Part-Time	14.4%	22.6%	19.5%	4.7%
Gender				
% Male	48.3%	42.1%	42.6%	45.5%
% Female	51.7%	57.9%	57.4%	54.5%
Residency				
% TN	78.4%	90.8%	90.8%	75.4%
% Other U.S.	17.9%	7.5%	6.3%	17.9%
% Foreign	3.7%	1.7%	2.9%	6.7%

DIVERSITY				
	UTK(1)	UTC	UTM	HSC
Caucasian				
% in 2004	84.8%	81.2%	76.1%	73.9%
% in 1994	89.6%	84.0%	83.3%	79.9%
African American				
% in 2004	7.8%	14.8%	19.9%	12.6%
% in 1994	4.4%	11.2%	14.9%	10.5%
Other Minority				
% in 2004	7.4%	4.0%	4.0%	13.5%
% in 1994	6.0%	4.8%	1.8%	9.6%

STUDENT OUTCOMES			
	UTK(2)	UTC	UTM
FRESHMEN RETENTION RATE			
Fall '02 Freshmen Returning Fall '03	77.8%	68.5%	70.6%
Average for THEC Peers	88.0%	Unknown	Unknown
GRADUATION RATE	UTK(2)	UTC	UTM
Graduation Rate (1996 Cohort)	59.0%	41.0%	40.0%
Average Peer Graduation Rate	72.0%	43.0%	40.0%

(2) Excludes UTSI and Veterinary Medicine

DEGREES AWARDED - FY 2004					
	UTK	UTC	UTM	HSC	TOTAL
Bachelors	2,965	1,173	868	70	5,076
Masters	1,656	389	147	81	2,273
Education Specialist	37	17			54
Doctorate	248	42		32	322
Professional	216			317	533
Graduate Certificate	17				17
TOTAL	5,122	1,621	1,015	500	8,258

TUITION & FEES - FY 2005			
	UTK	UTC	UTM
I/S Undergrad	4,748	4,092	4,151
% of Peer Avg.	88.87%	107.95%	101.13%
O/S Undergrad	14,528	12,350	12,405
% of Peer Avg.	89.56%	102.92%	108.27%
I/S Graduate	5,376	4,744	4,788
% of Peer Avg.	82.97%	103.93%	101.82%
O/S Graduate	15,156	13,000	13,042
% of Peer Avg.	91.43%	97.72%	107.32%

ANNUAL TUITION & FEES - FY 2005					
	UTK-Law	Vet Med	Medicine*	Dentistry*	Pharmacy*
I/S Professional	8,396	10,175	17,011	12,975	10,257
% of Peer Avg.	73.61%	96.56%	112.22%	106.76%	113.51%
O/S Professional	21,385	28,395	33,402	31,134	22,373
% of Peer Avg.	95.73%	98.30%	97.95%	113.11%	101.95%

* Preliminary Results

EXHIBIT 2
Executive and Compensation Com
January 14, 2005

TENTATIVE SCHEDULE OF E'

Winter Meeting of the Board of Trustees
March 1-2, 2005
The University of Tennessee at Chattanooga

Tuesday, March 1

11:00 a.m.	Advancement and Public Affairs Committee
12:30 p.m.	Lunch
1:30 p.m.	Academic Affairs and Student Life Committee
3:00 p.m.	Executive and Compensation Committee
4:00 p.m.	Dedication of Pat and Joe Johnson Apartments
6:30 p.m.	Reception and Dinner Hosted by John and Eileen Thornton

Wednesday, March 2

7:30 a.m.	Breakfast Meeting of Outreach Committee
9:30 a.m.	Finance and Administration Committee
11:30 a.m.	Governance Committee
12:30 p.m.	Lunch
1:30 p.m.	Board of Trustees Meeting

DRAFT

POSSIBLE AGENDA ITEMS FOR COMMITTEE MEETINGS IN MARCH

Academic Affairs and Student Life

1. Approval of minutes of last meeting
2. Plan for revitalization of UTSI
3. Increase in Pharmacy class size/expansion of Pharmacy through statewide satellites
4. Discussion of process for awarding honorary degrees
5. Review of policy on compensated outside activities of faculty
6. Report on centers of excellence

Advancement and Public Affairs

1. Approval of minutes of last meeting
2. Status report on committee goals
3. State and federal legislation
4. Search for Vice President for Public and Government Relations

Finance and Administration

1. Approval of minutes of last meeting
2. FY 2005 Revised Budget
3. Flight Operations Annual Report
4. FY 2006 Funding Recommendation
5. Final audited financial statements
6. Investment performance
7. Cash management program (trustee continuing education)

8. Capital items—leases, easements, gift properties (most would be on the consent agenda)

Governance

1. Approval of minutes of last meeting

2. Bylaw amendment to conform to charter for Finance and Administration Committee (concerning approval of annual operating budget request)

3. Statement of Core Competencies and Qualifications for Membership on the Board of Trustees

4. President's recommendation for appointment to the University Health Systems Board of Directors (replacing Mr. Stokely)

Outreach

1. Approval of minutes of last meeting

2. Upper Cumberland Economic Development Initiative

3. Leveraging intellectual property to promote economic development through start-up companies

4. SimCenter Tour and Presentation

Executive and Compensation

1. Approval of minutes of last meeting

2. President's recommendation for appointment and compensation of Vice President for Health Affairs and Chancellor of UTHSC

CHANCELLOR – HEALTH SCIENCE CENTER
COMPENSATION ANALYSIS
January 2005

CUPR-HR – FY 2004 SALARY SURVEY

- Administrator, Hospital Medical Center (Doctoral Extensive, Public) 11 respondents
  - Average: $300,014
  - Median: $300,029
  - 75% percentile $362,400
  - Maximum: $443,100

CURRENT COMPENSATION

Base Salary	$ 272,950
Expense Allowance	$ 10,000
Housing Provided	
Car Provided	
Standard Employee Benefits:	

- Group Health Insurance Plan – university pays 80% of cost
- Non-contributory Retirement Plan
- Tax Deferred Matching Program – maximum of $240 annually
- Paid Leave
  - Annual 24 days per year
  - Sick 12 days per year
  - Holidays 13 days per year
- Optional Employee-Pay Insurance Plans:
  - Dental
  - Long Term Care
  - Long Term Disability
  - Term Life
  - Universal Life
  - Additional Life Insurance for Dependents
- Other Benefits as Applicable:
  - Death Benefit
  - Educational Assistance (Employee fee waivers; dependent fee discounts)
  - Educational Leave
  - Flexible Benefits
    Dependent Care
    Medical Reimbursement
  - Family Medical Leave
  - Funeral and Bereavement leave
  - Military Leave
  - Workers' Compensation

Salary Survey - UTC Chancellor
Chancellor/President
Fiscal Year 2004-2005

Peer Institutions	Peer Status		Salary			Housing Allowance
Appalachian State University	Current	$	210,000			
Austin Peay State University	Tennessee	$	165,000			
Georgia College & State University	Current	$	165,000		$	15,000
Georgia Southern University	Former	$	240,000			
James Madison University	Former	$	129,198	*		
Murray State University	Former	$	220,000			
North Carolina A&T State University	Current	$	190,287			
Northern Kentucky University	Current	$	278,512			
Sam Houston State University	Current	$	215,275		$	25,000
Southern Illinois University Edwardsville	Former	$	205,000			
Southwestern Oklahoma State (Weatherfield, OK)	Current	$	175,000		$	5,000
Tennessee Technological University	Tennessee	$	180,020			
University of Nebraska at Omaha	N/A	$	206,000			
University of North Carolina at Charlotte	Former	$	230,391			
University of Tennessee at Martin	Tennessee	$	176,130			
Western Carolina University	Potential Future	$	185,667			
Western Kentucky University	N/A	$	250,008			
Average Salary		$	201,264			
Average Adjusted- Full Salary For James Madison		$	209,499			
UTC Budgeted Salary FY 2004-2005		$	190,000			

Note> Most institutions increased pay for the FY 2004-2005
to insure starting pay was above the $200,000 level.

*Additional Salary Provided By Foundation ($140,000)

CURRENT UTC COMPENSATION PACKAGE

Base Salary	$	195,700
Expense Allowance	$	7,000
Housing Provided		
Automobile Provided		
Standard Employee Benefit Package		

2005 Meeting Schedules

Tennessee Board of Regents
and
University of Tennessee Board of Trustees

Tennessee Board of Regents

March 17-18, Roane State Community College

June 9-10, Volunteer State Community College

September 29-30
Cleveland State Community College

December 1-2
Walters State Community College

Board of Trustees

March 1-2, Chattanooga

June 22-23, Knoxville

October 27-28, Knoxville

Information Request on
Bonds for Capital Maintenance Projects
October 14, 2004

Tennessee is considering a significant bond issue for new capital projects and major maintenance projects. They are very interested in recent experiences in other states in this regard.

More specifically:

1) Which states have had significant statewide bond issues in the last five years (at least $100 million);
2) The specific amount of the bond issue;
3) Did all institutions participate and did other, non-higher education entities participate;
4) How were the funds distributed;
5) What is the revenue source for debt service; and

Any other significant provisions related to your recent bond issues.

State	1. Yes	1. No	
AR		X	Arkansas has not done a state funded bond issue for higher education in the last 5 years. Twice in the 90's Arkansas two $150,000,000 bond issues for higher education capital projects. The state in 1989 authorized issuing up to $300,000,00 in general revenue bonds for higher education. The debt service is paid by the state from general revenue collections. The state did limit the debt service to no more than $24 million annually. The authority to issue the bond required a vote of the electorate in the November 1990 general election. The first issue of bonds for $150 million was completed in 1991 and was distributed based upon the coordinating boards priorities and the requests and demonstrated need of the institutions. There is some talk of another $150 million in 2007 by refinancing the existing bonds. However, the original authority of $300 million has been exhausted and will require a vote of the people in November of 2006. Currently, it is just a topic of discussion among some of our board and a couple of university presidents. Obviously, institutions issue bonds frequently for various projects with our approval. The debt service on those must be paid for by tuition and fee income. State law forbids our recommending funding to an institution for debt service.
CA	X		Our State's voters have approved a combined $25+ billion in education bonds (K-12 and higher ed) in elections over the past couple of years. Higher ed got a specific portion of these bond funds and each of our higher ed systems' share of this portion was negotiated -- and re-negotiated -- in advance. These were both general obligation (GO) bonds backed by the full faith and credit of our then nearly-bankrupt state... There are tons of details to these two issues; below I have quickly cut and paste some ballot details on them. I'd have to do some serious homework to get the specifics on these bond issues but I have provided a web link to the operable State legislation that authorized the two Bond voter-approved initiatives, Assembly Bill 16 (Chapter 33, Statutes of 2002). The contents of the legislation may answer the specific questions posed. < AB 16: http://info.sen.ca.gov/pub/01-02/bill/asm/ab_0001-0050/ab_16_bill_20020429_status.html >

State	1. Yes	No	
CT		X	Connecticut has been making significant investments in the physical infrastructure of its public colleges and universities since 1996 when it enacted UConn2000. By 2015, Connecticut will have investments $4 billion (not including debt service interest payments) to upgrade the University of Connecticut, Connecticut State University and Community-Technical College system. For a quick summary of the effort, please our System Trends report beginning on page 73 – link is provided below. http://www.ctdhe.org/info/pdfs/SystemTrends2004.pdf
IN		X	Indiana doesn't have statewide bonding. Each institution sells its own bonds to finance projects authorized by the General Assembly. For the 2003-05 biennium (that's how we refer to fiscal years 2004 and 2005), the General Assembly authorized bonds totaling $280 million for academic/research/administrative facilities. The debt service on these bonds will be paid by the state through annual appropriations to the institutions.
IA	X		During the 2004 legislative session, the Board of Regents, State of Iowa received authorization to issue $120 million in academic building revenue bonds for projects at the University of Iowa, Iowa State University and the University of Northern Iowa. The legislation, showing the distribution of funds among the universities, is attached to this note. This was a Regent specific bond issue as the State of Iowa does not issue general obligation bonds. Tuition and fees are pledged to make the debt service payments on these academic building revenue bonds. The state, in turn, provides an appropriation to replace the tuition and fee revenue used for the debt service. The legislative language for this appropriation is also attached to this note as is a link to a more detailed write up about the tuition replacement appropriation. Regentsbonding.doc http://www2.state.ia.us/regents/Meetings/DocketMemos/03Memos/sep03/sepgd05c.pdf
OH		X	1-3. Ohio does not have many state capital bond issues, if by that the questioner means a constitutional issue passed by voters in support of a particular function of government. We did try to pass a major initiative in 2002-2003 called the Third Frontier Project, which authorized the sale of an additional $500 million in state capital bonds for research and related commercialization projects. That initiative failed by a slim 2% margin. The Ohio legislature does pass a state capital bill every two years, more or less. The capital bill authorizes the sale of state bonds in support of state capital projects which include most state functions -- the Dept. of Natural Resources, Rehabilitation and Corrections, Youth Services, Higher Education, Primary and Secondary Education, Mental Retardation, and Mental Health -- except for roads, which are financed from a separate transportation bill funded by gas taxes and the like. The capital bill total is around $2 billion every two years. Higher education's share of the last bill (FY 2003 - FY 2004) was about $500 million. All state colleges and universities receive some funding from the state capital bill. 4. Traditionally, the overall share by function is determined by state leaders (Governor, Speaker of the House, and President of the Senate). Campus shares of higher education's portion are mostly distributed by formula-based allocations, although some funds are distributed on a competitive basis, and a smaller portion are direct grants. 5. State general revenue funds.

State	1. Yes	No	
OK		X	We are likewise contemplating a statewide bond issue in Oklahoma. We have not had one since 1992, so I will be equally interested in the responses.
SC		X	1& 2. South Carolina has not had a Higher Education bond bill of over $100 million since 1998-1999 ($168,522,765). We did get an $89 million bond bill in 1999-2000 and haven't had another one since. 3. Other state entities may participate in the bond process but we only keep records of the higher ed portion. All public colleges and universities may make requests for capital improvement bonds through the Commission on Higher Education (CHE). CHE reviews the requests, assigns a score based on objective criteria, and presents the request to the Legislature each fall. 4. The legislature makes the final decision about which projects they will fund in a bond bill. Sometimes they take CHE's advice and sometimes not. The Legislature usually tries to give most of institutions "something" which has left us with a number of partially funded projects and significant deferred maintenance. 5. The State Constitution allows for a percentage of general fund revenue to be allocated for debt service. If state revenues increase, the amount allocated for debt service increases. Since we have had declining or modest revenues for the past couple years, we couldn't issue bonds because of the debt ceiling limit. 6. During the most recent legislative session, a bill was passed that would allow for an increase in the debt ceiling limit, funds for capital funds for the research universities to match, and approximately $30 million for the teaching and two-year institutions to be allocated based on enrollment and deferred maintenance needs. However, the bill included numerous "add-ons" and the governor vetoed it. The legislature overrode his veto but a private citizen has sued over the bill. So – we will not know the status of the capital portion of the bill for some time.
UT	X		1. In the 2001 Legislative Session the Legislatuere approved $230m in CASH for capital projects, $44m of which was for improvements (defined as renovations costing less than $1m per project). 2. Bonds were not issued until the state financial downturn - no projects were eliminated - the entier $230m was converted to bonds to balance the budget. The cash in the projects effectively became a backup "rainy day" fund. 3. Of the $186m ($230-$44), $164m went to Higher Education. Seven of nine schools received a project. 4. See attached spreadsheet. captial funding since 96 - all funds.XLS attached 5. and Utah issues GO Debt (guaranteed by property tax but paid with general revenue) and lease revenue bonds (secured with fixed assets and paid by agency lease payments). 6. See PDF file on debt service. debt service2005.pdf attached

	1.		
State	**Yes**	**No**	
VA	X		The 2002 Virginia General Assembly authorized (and the voters approved in November of 2002) general obligation bond projects totaling $900.5 million. Of that total, $845.9 million was for higher education (all institutions participated based on priority needs) and $54.6 million for state-supported museums and cultural agencies. Bonds will be sold every spring and fall through 2009--with a maximum annual issuance amount of $250 million

2004 General Session

Description	Funding Bill	TOTAL	General Fund/ Income Tax	Gen. Obligation Bond	Lease Rev. Bond (BOA)	Other State Funds	Institutional Funds
CAPITAL DEVELOPMENTS:							
CEU San Juan Center				2,400,000			2,400,000
WSU Swenson Remodel				5,569,000			3,000,000
SLCC Health Sciences				2,100,000			6,000,000
USU Stadium							10,840,000
USU Housing and Parking							35,500,000
USU Team Building							1,000,000
USU Child Care Center							2,000,000
UU College of Health Academic Center							15,000,000
UU Geology/Geophysics Bldg.							21,400,000
UU Gauss House							7,600,000
CAPITAL PLANNING:							
None		0					
CAPITAL IMPROVEMENTS	(a)(c)(d)	42,714,700	38,514,700	4,200,000			
TOTALS		**157,523,700**	**38,514,700**	**14,269,000**	**0**	**0**	**104,740,000**
USHE Non-State Contributions		**0**	**0**	**0**	**0**	**0**	**44,000,000**

Funding Bill Key:
(a) HB 1, Annual Appropriations Act - FY2004 (item 63)
(b) SB 1, Supplemental Appropriations Act - FY2003 (item 35)
(c) SB 2, General Obligation Bond and Capital Facilities Authorizations
(d) SB 3, Supplemental Appropriations Act II - FY2004 (items 29, 32A and 77)

Office of the
Legislative Fiscal Analyst

FY 2005 Budget Recommendations

Joint Appropriations Subcommittee for
Capital Facilities and Administrative Services

Utah Department of Administrative Services
Debt Service

Contents:

1.0 Summary: Debt Service

Debt Service is made up of interest and principal due on the State's bonded indebtedness. The State uses long term debt to finance large capital expenditures including new construction, major remodeling and highway projects. Dedicated revenue streams such as enterprise fund revenue or dedicated lease payments secure some bonds. Debt Service on Revenue Bonds and General Obligation Bonds are included in this appropriation.

	Analyst FY2005 Base	Analyst FY2005 Changes	Analyst FY2005 Total
Financing			
General Fund	$56,833,700	$0	$56,833,700
Uniform School Fund	17,164,300		17,164,300
Centennial Highway Fund	97,724,900	29,836,600	127,561,500
Dedicated Credits Revenue	30,392,900	32,488,600	62,881,500
Beginning Nonlapsing	7,126,000		7,126,000
Closing Nonlapsing	(7,126,000)		(7,126,000)
Total	$202,115,800	$62,325,200	$264,441,000
Programs			
Debt Service	$202,115,800	$62,325,200	$264,441,000
Total	$202,115,800	$62,325,200	$264,441,000
FTE/Other			

The doubling of dedicated credits reflects a $31,590,000 payment made by the Salt Lake Organizing Committee to the University of Utah to complete payment on the Olympic housing project.

2.0 Issues: Debt Service

2.1 General Obligation Bonds (Facilities)

Debt service for FY 2005 will increase by nearly $4.9 million. Of this amount, $921,000 is to pay the final installment on a bond that had been carried in the Department of Corrections budget. The state must use General Fund for this amount, but the remaining balance may be funded from either General Fund or School Funds. **The Analyst recommends that the CFAS committee recommend to EAC funding of this item as the committee's top priority.**

State Funds (rec. for prioritization) $4,887,900

2.2 Revenue Bonds

Revenue Bonds are issued through the state Building Ownership Authority. Agencies pledge a stream of revenue (i.e., student fees or sales of product) to repay bonds. The Department of Alcoholic Beverage Control applies revenue from liquor sales to debt service on new stores, store remodeling and expansion of warehouse capacity. In some cases agencies may pledge ongoing lease funding to debt service – this type of financing is referred to as "lease revenue" financing and is not a true revenue bond. Leases should not be considered a source of revenue except by the State Building Ownership Authority. Funds expended on Revenue Bonds are considered Dedicated Credits paid to the Building Ownership Authority. Even though the cost of revenue bonds are slightly higher than general obligation bonds, they provide an extra measure of flexibility in dealing with statewide budget needs.

Dedicated Credits...$898,600

2.3 SLOC Bonds

As part of the Olympic housing project, the Salt Lake Organizing Committee (SLOC) funded dormitories on the University of Utah Campus. SLOC's payment (held in escrow) will be used to pay off the zero-coupon bond this year at a cost of $31,590,000. This appears as dedicated credits in the Debt Service budget.

Dedicated Credits..$31,590,000

2.4 General Obligation Highway Bonds

The Centennial Highway Fund provides for construction of roads and debt service on bonds. The program uses longer term bonds, but the Legislature chooses to pay those bonds on an accelerated schedule. Debt Service in FY 2005 will require an increase of Centennial Highway Fund to pay the additional $29.8 million due in the coming year.

Salt Lake County Bonds...$2,190,300

Centennial Highway Fund $27,646,300

3.0 Programs: Debt Service

3.1 FY 2005 Debt Service Needs

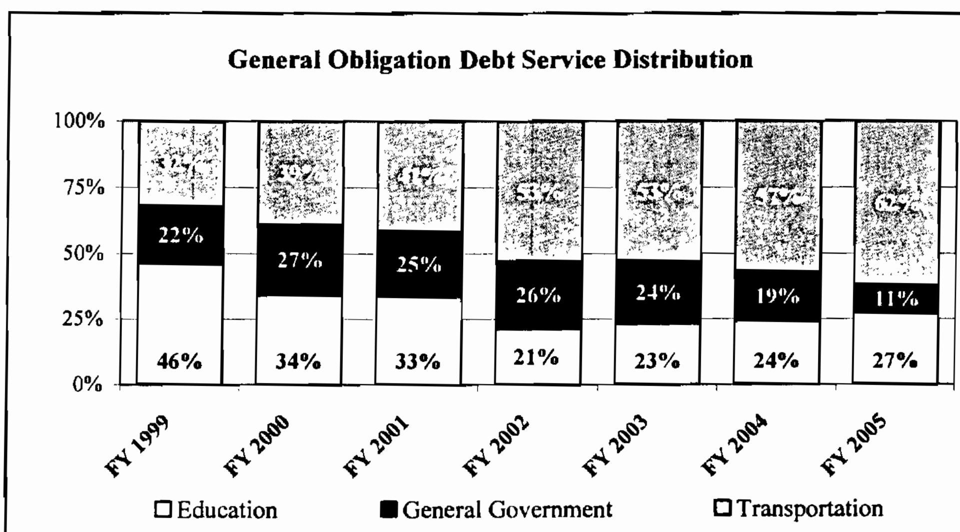
The table shown below does not include projected general obligation debt service needs for FY 2005 or an anticipated supplemental appropriation that will be required in FY 2004.

Financing	2003 Actual	2004 Estimated*	2005 Analyst	Est/Analyst Difference
General Fund	$54,833,700	$56,833,700	$56,833,700	$0
Uniform School Fund	11,466,700	17,164,300	17,164,300	
Centennial Highway Fund	84,618,200	97,724,900	127,561,500	29,836,600
Dedicated Credits Revenue	26,227,500	30,392,900	62,881,500	32,488,600
Transfers	4,997,000			
Beginning Nonlapsing	22,882,100	16,004,400	7,126,000	(8,878,400)
Closing Nonlapsing	(16,004,400)	(7,126,000)	(7,126,000)	
Total	$189,020,800	$210,994,200	$264,441,000	$53,446,800
Expenditures				
Current Expense	$189,020,800	$210,994,200	$264,441,000	$53,446,800
Total	$189,020,800	$210,994,200	$264,441,000	$53,446,800

*Non-state funds as estimated by agency

3.2 G. O. Debt Service Distribution

Over the past seven years the bulk of debt service shifted from buildings to transportation.



Source: Utah Division of Finance, GOPB and OLFA

3.3 Bonding Limitations

General obligation debt is issued and managed under the authority of the Board of Bonding Commissioners, which consists of the Governor, the Treasurer, and a member of a political party different from that of the Governor (UCA 63B-1-201).

Constitutional debt limit

The State's constitutional debt limit caps total general obligation debt at 1.5 percent of total fair market value of taxable property. For FY 2003, the Division of Finance estimates additional capacity of $965.2 million after deducting outstanding debt totaling $1.6 billion.

Constitutional Debt Limits

Constitutional Limitations (1)	FY 2001	FY 2002	FY 2003	FY 2004 (2)
Fair Market Value	$152,329,350,000	$163,185,740,000	$170,775,938,000	$170,775,938,000
Constitutional Bonding Limit	$2,284,940,000	$2,447,786,000	$2,561,639,000	$2,561,639,000
Beginning G.O. Debt	$1,212,325,000	$1,146,000,000	$1,498,371,000	$1,713,755,000
Principal Payment	($81,325,000)	($92,800,000)	($97,550,000)	($111,810,000)
Bonds Sold	$15,000,000	$421,200,000	$278,705,000	
Bond Principal Refunded		($208,000,000)	($413,675,000)	
Refunding Bonds Sold		$208,000,000	$381,800,000	
Net change in Premiums (3)		$23,971,000	$66,104,000	($5,465,000)
Outstanding Bonds, Net (3)	$1,146,000,000	$1,498,371,000	$1,713,755,000	$1,596,480,000
Additional Bonding Capacity	***$1,138,940,000***	***$949,415,000***	***$847,884,000***	***$965,159,000***

(1) For fiscal years 2001, 2002, and 2003 bonding capacity is as of June 30 of the respective fiscal year. Bonding capacity for fiscal year 2004 is as of December 31, 2003.
(2) The fair market value for FY2004, which is the 2003 calendar year end fair market value is unavailable at this time, so the calendar year 2002 fair market value has been used.
(3) Beginning in Fiscal Year 2002, the State was required to include premiums and deferred amount on refunding, when calculating the debt limits
Source: Utah Division of Finance

Statutory debt limit

The State Appropriations and Tax Limitation Act (UCA 63-38c-402) further limits general obligation debt to 20 percent of the allowable spending limit from the General Fund, Uniform School Fund, and Transportation Fund, less debt service. The limitation is established using a formula that includes population growth, inflation, and 1985 appropriations as a baseline.

For FY 2004, the statutory general obligation debt limit is $856.4 million. $984 million of transportation bonds are exempted from the statutory limitation, leaving $612.4 million to apply to the limit. Combined with $28.6 million of unissued (but authorized) bonds, the State has approximately $215.4 million in additional bonding capacity.

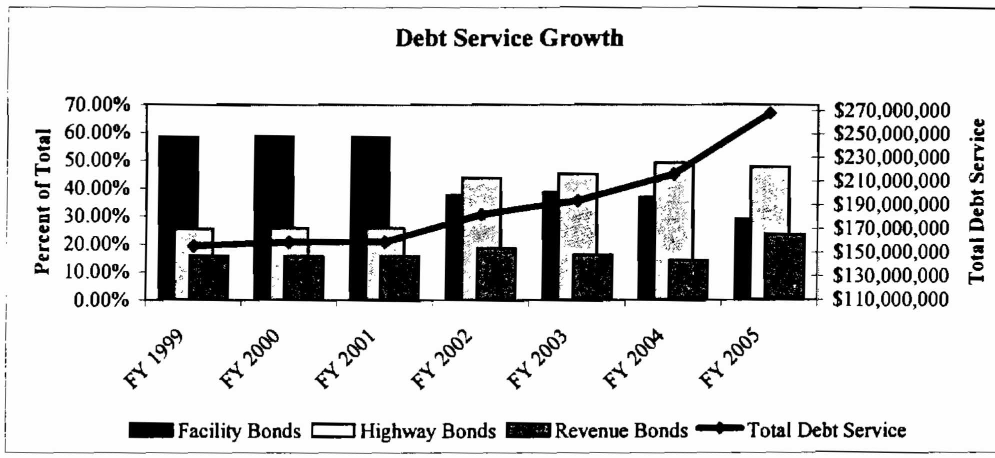
Statutory Debt Limits

Statutory Limitations (1)	FY 2001	FY 2002	FY 2003	FY 2004 (2)
Appropriations Limitation	$3,798,512,000	$4,176,703,000	$4,150,684,000	$4,282,086,000
Statutory Bonding Limit	$759,702,000	$835,341,000	$830,137,000	$856,417,000
Outstanding Bonds, Net (3)	$1,146,000,000	$1,498,371,000	$1,713,755,000	$1,596,480,000
Exempt Transportation Bonds, Net (3)	($908,000,000)	($1,004,004,000)	($1,020,049,000)	($984,063,000)
Non-Exempt Bonds, Net (3)	$238,000,000	$494,367,000	$693,706,000	$612,417,000
Additional Bonding Capacity	***$521,702,000***	***$340,974,000***	***$136,431,000***	***$244,000,000***

(1) For fiscal years 2001, 2002, and 2003, bonding capacity is as of June 30 of the respective fiscal year. Bonding capacity for fiscal year 2004 is as of December 31, 2003.
(2) Capacity does not include approximately $61 million of debt authorized but not issued.
(3) Beginning in Fiscal Year 2002, the State was required to include premiums and deferred amount on refunding, when calculating the debt limits
Source: Utah Division of Finance

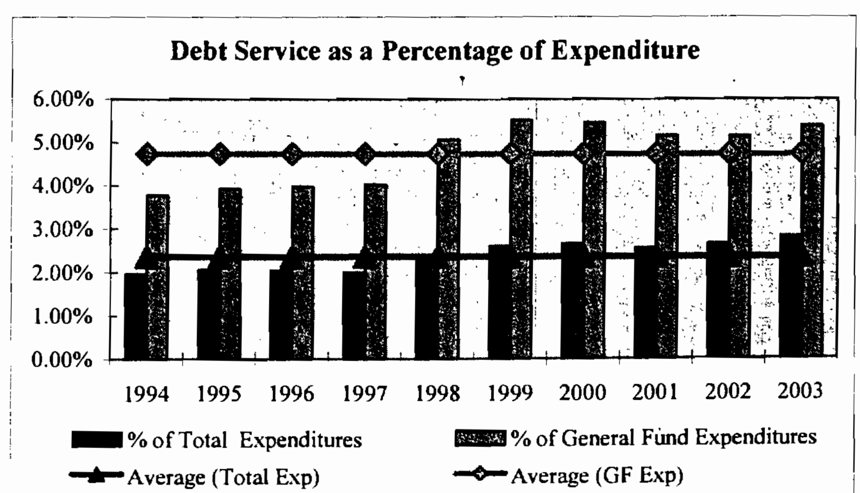
3.4 Growth in Debt Service

The Legislature uses several tools to finance new facilities. Bonds issued for facility construction are amortized over a six year period. The state pays interest for five years, then a lump sum principal payment in the final year. For a variety of reasons (i.e., structural delays from the legislative process, construction delays, procurement extensions) bonds issued by the state are actually amortized for less than six years – it is more realistic to assume that bonds will actually be issued and amortized over a period of 54 to 60 months.



Source: GOPB and OLFA

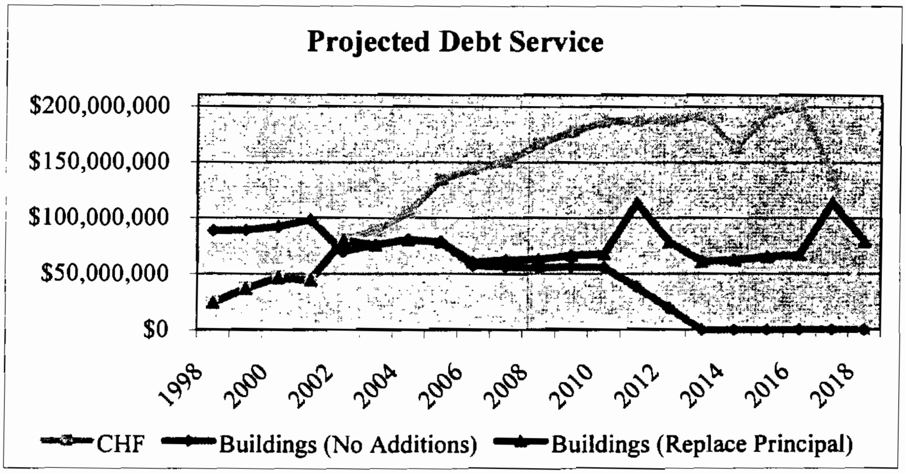
One advantage of bonding is that the borrower pays back present value with future dollars. Long term bonds may offer value in excess of present value, but if a state issues long term bonds every year it may ultimately find that debt service will become a driving force for all budget decisions. Utah has long been known as a very conservative state when it comes to bonding – but debt service is projected to exceed five percent of General Fund expenditures in FY 2005.



Source: Utah Division of Finance CAFR and OLFA

PAYGo provides long term flexibility

Utah's debt service is driven by the issuance of a significant amount of highway bonds. These bonds are amortized for a longer period than facility bonds and the Legislature chooses to pay them back at an accelerated rate. Current projections show annual transportation debt service increasing to over $190 million before the Centennial Highway Fund is fully paid off.



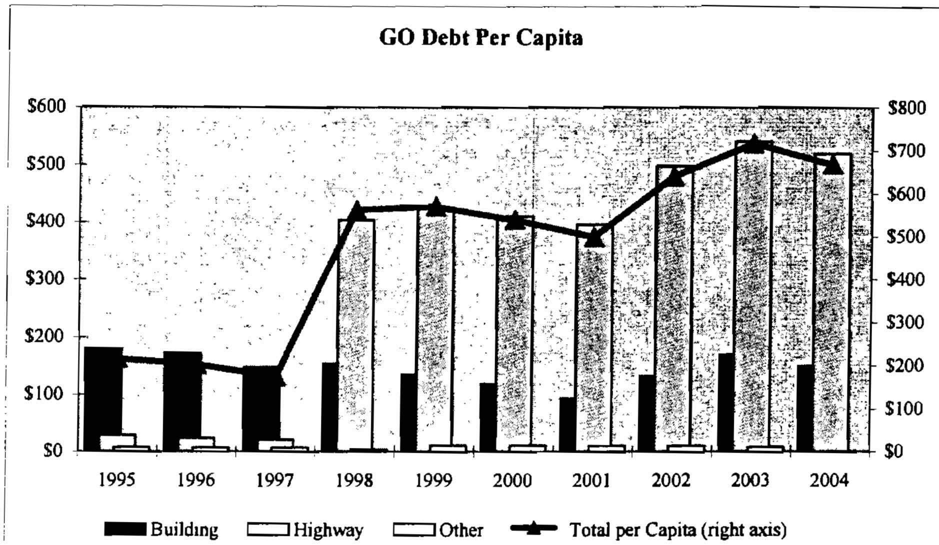
Source: Office of the Legislative Fiscal Analyst and GOPB

When bonds are issued annually, at some point a significant amount of money is being spent for interest rather than construction. This is a dual drain on resources. Although cash funding for capital projects carries some opportunity cost, the Analyst believes that it is better to put money into job-creating construction rather than interest payments. Clearly, this can not be done all the time – unique and significant projects such as the I-15 reconstruction project or the restoration of the State Capitol are projects that would be difficult to fund with cash.

Last year, with cash appropriations limited to AR&I funding, the Legislature committed to funding new facility bond levels at the amount of principal retired in the fiscal year. Such a plan keeps debt service under control, but makes it difficult for the state to move to a "pay as you go" (PAYGo) system. The Legislature initiated a PAYGo plan in 2000 that became a source of funding for state government during the downturn. The Capital Budget provided a sort of secondary rainy-day fund that relieved $233 million to the FY 2002-2003 shortfall. The Analyst believes that this was wise budgeting on the part of the Legislature and recommends that future sources of one-time funds be applied to capital projects to re-start the PAYGo plan.

Per Capita Debt tripled in ten years

Growth creates a huge impact on state governments, so any analysis of budget increases should be matched against population growth. Utah's growth is primarily internal, meaning that the state must contend not only with the problems of a growing population, but also the problems brought by a young population that can not contribute to the tax base. Even when twenty percent growth is considered, Utah now finds itself in unprecedented territory in relation to outstanding debt. Due to the I-15 project, debt is now three times higher per capita than it was ten years ago, reaching $700 per Utahn.



Source: Utah Division of Finance CAFR and OLFA

Utah is one of seven states with a "Triple AAA" Bond Rating

National rating agencies such as Moody's, Fitch or Standard and Poor's provide ratings of the credit-worthiness of all states. At this time only seven states merit a AAA rating from all three agencies. During the budget downturn of FY 2002-2003 several states received downgrades to their rating. Downgrades came as a result of failure to address deficits[1], failure to match ongoing expenditures ongoing revenue,[2] significant reductions in fund balances and reserves[3] or industrial uncertainty.[4] In assessing ratings, agencies look to a state's economy, flexibility in finances, debt burden and management.

[1] Tennessee (http://www.tennessean.com/local/archives/01/04/07415882.shtml)

[2] North Carolina (http://www.ncgop.org/news/Moodys_Downgrades_NC_Bonds-081902.html). It should be noted that North Carolina is now back to AAA status.

[3] Indiana (See Jan. 21, 2004 issue of *The Bond Buyer*, p. 25). Washington state (See Jan. 30, 2004 issue of *The Bond Buyer*, p. 1).

[4] Michigan (http://www.detnews.com/2003/politics/0311/19/b09e-329144.htm)

Utah maintains a AAA rating in large part because of the commitment to good management shown by both the Executive and Legislative Branches. Utah's stable economy with a young and growing population provides a ready source of labor and a growing tax base. Utah also maintains a diverse revenue collection system and takes the issue of structural balance (matching ongoing revenue to ongoing expenses) seriously. While debt levels are at all time highs the debt is tied to fixed assets rather than operating costs. Repayment plans are aggressive and workable – rating agencies believe that Utah can and will maintain its ability to pay.

Inter-branch cooperation and management provide are among the strongest factors in Utah's "Triple AAA" rating is. In the Executive Branch the Division of Finance follows GAAP and GASB accounting practices. The timely publication of the Comprehensive Annual Financial Report (CAFR) assures rating agencies that oversight systems are in place. In the Legislative Branch the commitment to limited indebtedness, restoration of aging facilities (AR&I) and the ability to present a balanced budget on time are key factors to planning.

Rating agencies seem to focus more on planning than anything else. They do not expect rainy day funds to be restored overnight, but they expect states to have a workable plan to prepare for the next down turn. Agencies want to see development plans such as the Five Year Book for buildings or the Centennial Highway Plan for roads. Ratings are based on a state's ability to manage. So long as the state's tax base is solid, it's economy sound, and state managers (both elected officials and professional staff) are committed to fiscal discipline then Utah will maintain a AAA rating.

Planning and Management are keys to AAA Rating

Although no single policy or decision (within the realm of reason) will change the strength of Utah's rating, the Analyst does note that several bond-rating factors should be considered in preparing the FY 2005 budget.

Structural Balance: In a report presented to Executive Appropriations Committee in July the Analyst noted the state could balance

> ongoing appropriations with ongoing revenue at the close of each appropriations session. Such balancing could be accomplished by providing one-time rather than ongoing appropriations for discrete projects such as capital investment, all the while analyzing the impact of such action on long-term needs. [5]

Planning: The state's Five Year Building Plan and Centennial Highway Plan are examples of taking a long term view of future needs. The Legislature must also maintain a plan for debt service – any funding plan that omits a reasonable plan for repayment of debt obligations is likely to be viewed negatively by rating agencies. Continued commitment to restoring the rainy day fund over time will also strengthen the state's credit rating.

[5] Ball, Jonathon, et al. (2003). Balancing the Structural Deficit. Salt Lake City, Utah: Office of the Legislative Fiscal Analyst. http://www.le.state.ut.us/interim/2003/pdf/00000866.pdf

Balancing Growth vs. Infrastructure: Utah will spend more than $40 million in FY 2004 and again in 2005 to repair and upgrade state facilities. Over the past five years the Legislature also devoted funds to replacing large facilities that no longer were safe or able to function properly. This focus on preventing an infrastructure crisis is a positive with rating agencies, but that does not obviate the need to provide facilities for a growing system of higher education. As the state's population grows, the need for more space on college campuses will add pressure to the state's budget.

3.5 Capital Facility Financing

The State employs several methods of financing to meet state needs.

General Obligation Bonds - G.O. debt is secured by the full faith and credit of the State and its ability to tax its citizens. General Obligation debt is counted against the state's constitutional and statutory debt limits (certain highway bonds are exempt from the statutory limit). In recent years the State of Utah issued General Obligation Bonds for facilities that mature in six years. Other states and government entities typically issue General Obligation Bonds with terms of 10 to 20 years. Debt service interest begins to accrue when the bonds are issued.

Revenue Bonds - The State Building Ownership Authority, the official owner of state facilities, issues Revenue Bonds. This type of bond may be issued when a revenue stream can be identified and legally restricted for repayment of the bonds. The only state facilities which have been financed using Revenue Bonds have been for higher education facilities where the revenues pledged have included student fees, auxiliary services revenues, or reimbursed overhead. In order for the bonds to be marketable, the pledged revenue stream must be substantially larger than the debt service requirements. This type of debt is not secured by the full faith and credit of the state nor its taxing power and is exempted from calculations of the state's constitutional and statutory debt limits.

Lease Revenue Bonds - The occupying agency pays rent to the Authority which is used to pay debt service. A pledge of future rental payments (subject to legislative appropriation) and a mortgage on the financed project secure debt.

Since neither the full faith and credit of the state nor its taxing power secure lease Revenue Bonds, they are not counted against debt limits. However, subsection 63b-1-306 states the debt issued by the Building Ownership Authority plus other debt issued by the State (less $984 million in highway debt) cannot exceed 1.5 percent of the value of the taxable property of the state. A statutory change would be required for BOA bonds if G.O. bonds were authorized up to the constitutional limit. Unlike General Obligation Bonds, Revenue Bonds are typically issued with a repayment period of 20 years. An additional amount is borrowed to cover interest payments during construction.

Certificates of Participation (COP) - COP are very similar to lease Revenue Bonds with one major difference: instead of being a bond issued directly by a governmental entity, COP's represent an undivided interest in a lease agreement. This lease agreement may be entered into by any entity that has the ability to lease space. Although either the state or a private entity may initially hold title to the facility, title must pass to the state by the end of the lease term in order for the interest on the COP to be exempt from federal income tax.

Summary - All of the above are accounted for as debt on the state's accounting records and are considered to be debt by national rating agencies. In addition, the State Auditor issued an opinion in December of 1995 that any General Fund, Uniform School Fund, or Transportation Fund used to retire lease purchase and revenue bond obligations should be counted in the spending limitation formula.

Relative Costs

The total cost associated with various options for financing projects are listed below, ranked from least expensive to most expensive. Specific projects may have circumstances that would affect this ranking. The order for Revenue Bonds and certificates of participation depends on the nature of the project and the source of funding for the debt service.

1. Cash (state funds)
2. General Obligation Bonds
3. Lease Revenue Bonds
4. Revenue Bonds
5. Certificates of Participation
6. Leasing (long-term)

The true cost of bond financing may be much less than commonly assumed because most of the state's payments to investors are made in future years using dollars that may be cheaper due to inflation. However, savings from inflated dollars are difficult to achieve with short-term bonds. The Analyst believes that the differential in interest costs and inflation savings should be considered when the state issues general obligation debt.

The relative cost of different types and terms of debt fluctuates with the financial market. As a general rule, a 20 year general obligation bond carries an interest cost which is about two thirds of one percentage point higher than a 6 year General Obligation Bond. A twenty year lease revenue bond carries an interest cost which is about one third of one percentage point higher than a 20 year general obligation bond. Interest rates for certificates of participation are generally higher than lease Revenue Bonds. By far the largest costs occurs when the state enters into a long term lease instead of purchasing a building that an agency will need for fifteen or twenty years.

Suggested Policy Issues

During the 1996 General Session, the Legislature adopted general guidelines for issuance of state debt. The Analyst recommends the adoption of those guidelines again for the 2004 General Session.

General Obligation bonding should be the preferred method for critical facilities whose costs exceed the availability of current funding. It is assumed that the need for the facility has received full analysis for justification. Short term bonds (6 to 10 years) should be used when a facility has no present funding base to service debt and when the building fulfills a critical need that can not be funded within the base budget for capital facilities. Long term bonds should be used (15 to 20 years) when there are current facility occupancy costs within the agency base budget that could be used to assist the funding of debt service.

Current market conditions should also be considered when bonding is discussed. For example, if current rates are lower than what the Treasurer is earning on the state investment pool, it may be a favorable time to bond. This is especially true with short term bonds that will not recover interest costs through inflation.

Revenue Bonds should be considered when a dedicated source of revenue is available to cover underwriting requirements. Generally, a coverage ratio is required that is in excess of actual debt service. Examples would include higher education facilities such as dormitories and parking lots where the funding source for debt service is derived from rents or fees.

Lease Revenue Bonds or *Certificates of Participation* should be used if the Legislature is willing to fund a lease for a long term facility. This type of funding could be considered when an agency has an outside source of revenue in addition to any existing costs in the budget base. An example would be the State Library where Federal funds are available as lease costs but federal regulation may not allow the funds to be used for debt retirement. Of course, it would be wiser still to issue a long-term General Obligation bond instead and shift the operating funds to debt service. Caution should be exercised by the Legislature to avoid excessive lease purchase obligations since they are treated like debt once funds have been committed. If funds were not appropriated in a given year the state would enter into a default position. Lease Revenue Bonds should be issued with a repayment period not to exceed 20 years.

Leasing provides the least expensive option for space only for short term needs. Some programs are temporary in nature or provide a function that needs to be able to change locations frequently. The Analyst recommends that DFCM continue to provide funding alternatives for the Legislature when agency high cost leases are requested. High cost leases are defined in statute as real property leases that have an initial term of ten years or more or will require lease payments of more than $1,000,000 over the term of the lease, including any renewal options.

4.0 Tables: Board of Bonding Commissioners - Debt Service

Financing	2001 Actual	2002 Actual	2003 Actual	2004 Estimated*	2005 Analyst
General Fund	$73,223,900	$38,084,800	$54,833,700	$56,833,700	$56,833,700
Uniform School Fund	20,152,500	24,670,600	11,466,700	17,164,300	17,164,300
Centennial Highway Fund	41,104,400	82,657,500	84,618,200	97,724,900	127,561,500
Centennial Highway Fund, One-time	3,079,000				
Dedicated Credits Revenue	20,044,000	33,909,700	26,227,500	30,392,900	62,881,500
Transfers	3,999,800	6,638,700	4,997,000		
Beginning Nonlapsing	8,757,200	12,109,400	22,882,100	16,004,400	7,126,000
Closing Nonlapsing	(11,474,700)	(22,882,100)	(16,004,400)	(7,126,000)	(7,126,000)
Total	$158,886,100	$175,188,600	$189,020,800	$210,994,200	$264,441,000
Programs					
Debt Service	$158,886,100	$175,188,600	$189,020,800	$210,994,200	$264,441,000
Total	$158,886,100	$175,188,600	$189,020,800	$210,994,200	$264,441,000
Expenditures					
Current Expense	$158,886,100	$175,188,600	$189,020,800	$210,994,200	$264,441,000
Total	$158,886,100	$175,188,600	$189,020,800	$210,994,200	$264,441,000
FTE/Other					

*Non-state funds as estimated by agency.

CHANCELLOR – HEALTH SCIENCE CENT
COMPENSATION ANALYSIS
January 2005

CUPR-HR – FY 2004 SALARY SURVEY

- Administrator, Hospital Medical Center (Doctoral Extensive, Public) 11 respondents
  - Average: $300,014
  - Median: $300,029
  - 75% percentile $362,400
  - Maximum: $443,100

CURRENT COMPENSATION

Base Salary	$ 272,950
Expense Allowance	$ 10,000
Housing Provided	
Car Provided	

Standard Employee Benefits:

- Group Health Insurance Plan – university pays 80% of cost
- Non-contributory Retirement Plan
- Tax Deferred Matching Program – maximum of $240 annually
- Paid Leave
  - Annual 24 days per year
  - Sick 12 days per year
  - Holidays 13 days per year
- Optional Employee-Pay Insurance Plans:
  - Dental
  - Long Term Care
  - Long Term Disability
  - Term Life
  - Universal Life
  - Additional Life Insurance for Dependents
- Other Benefits as Applicable:
  - Death Benefit
  - Educational Assistance (Employee fee waivers; dependent fee discounts)
  - Educational Leave
  - Flexible Benefits
    - Dependent Care
    - Medical Reimbursement
  - Family Medical Leave
  - Funeral and Bereavement leave
  - Military Leave
  - Workers' Compensation

Salary Survey - UTC Chancellor
Chancellor/President
Fiscal Year 2004-2005

Peer Institutions	Peer Status		Salary		Housing Allowance
Appalachian State University	Current	$	210,000		
Austin Peay State University	Tennessee	$	165,000		
Georgia College & State University	Current	$	165,000	$	15,000
Georgia Southern University	Former	$	240,000		
James Madison University	Former	$	129,198 *		
Murray State University	Former	$	220,000		
North Carolina A&T State University	Current	$	190,287		
Northern Kentucky University	Current	$	278,512		
Sam Houston State University	Current	$	215,275	$	25,000
Southern Illinois University Edwardsville	Former	$	205,000		
Southwestern Oklahoma State (Weatherfield, OK)	Current	$	175,000	$	5,000
Tennessee Technological University	Tennessee	$	180,020		
University of Nebraska at Omaha	N/A	$	206,000		
University of North Carolina at Charlotte	Former	$	230,391		
University of Tennessee at Martin	Tennessee	$	176,130		
Western Carolina University	Potential Future	$	185,667		
Western Kentucky University	N/A	$	250,008		
Average Salary		$	201,264		
Average Adjusted- Full Salary For James Madison		$	209,499		
UTC Budgeted Salary FY 2004-2005		$	190,000		

Note> Most institutions increased pay for the FY 2004-2005
to insure starting pay was above the $200,000 level.

*Additional Salary Provided By Foundation ($140,000)

CURRENT UTC COMPENSATION PACKAGE

Base Salary	$	195,700
Expense Allowance	$	7,000
Housing Provided		
Automobile Provided		
Standard Employee Benefit Package		