



2009

Annual Report of the President, the University of Tennessee to the Board of Trustees, 2008-2009

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ANNUAL REPORT

of the PRESIDENT

2008-2009



THE UNIVERSITY of
TENNESSEE **UT**

From the President

Despite the widespread economic difficulties impacting the University of Tennessee and our peers, we remain the driving educational, economic and cultural force in the state.

We have the best students and the best faculty we've ever had. For six consecutive years, incoming freshman classes have continued to be increasingly better-qualified. They are taught by faculty creating meaningful connections and quality educational experiences. Faculty researchers are winning top-level external awards from such prestigious organizations as the National Science Foundation and the National Endowment for the Humanities. High-profile researchers elsewhere have been drawn to UT, evidenced by five UT-Oak Ridge National Laboratory Governor's Chairs hired this calendar year.



Led by almost 60 percent at Knoxville and averaging nearly 53 percent across our campuses, UT's graduation rates are the highest among Tennessee public higher education institutions. We can and will do better in this important measure.

Since it began in 2004, the HOPE lottery scholarship program has opened UT opportunities to more students. Now UT's reputation for providing quality education is exceeding the lottery scholarship program's influence. Our students and graduates are telling others about their excellent UT education, helping us retain Tennessee's best and brightest.

Graduating more students and keeping them in Tennessee enhances the state's workforce and boosts the state's economy. As Tennessee's land-grant institution, UT further serves as an economic engine in applying significant resources to solving real-life problems. We provide more than excellent education, economic impact, and life-changing research. We create a cultural context statewide, the landscape in which business operates, and an environment in which business can prosper. We also train Tennessee's future poets and painters.

Available and affordable energy is one of the fundamental problems of our time. Gov. Phil Bredesen and the State Legislature have partnered with UT in seeking a solution. University vision and state investment are yielding dividends:

- Construction of a pilot biorefinery in Vonore finishes in December 2009. The facility is expected to produce cellulosic ethanol by year's end.
- In September 2009, federal stimulus funding was approved for the \$62.5 million Volunteer State Solar Initiative. It includes the Knoxville-based Tennessee Solar Institute – where UT and ORNL will foster partnerships with industry in seeking to improve and deploy solar technology – and a West Tennessee solar farm to be managed by UT.
- Site preparation is under way at Cherokee Farm, where an interdisciplinary research campus will maximize UT's relationships with ORNL and private partners.
- Volkswagen, Wacker Chemie AG, and Hemlock Semiconductor are among the high-profile companies UT resources are helping attract to Tennessee.

UT resources also are enhancing quality of life in Tennessee and beyond. Using technology developed at ORNL to understand semiconductor defects, our Health Science Center doctors are identifying eye diseases at earlier stages. A high-profile case early in 2009 further underscored the quality of our Health Science Center's liver transplant program – ranked in the top 10 among such programs nationally.

UT Extension served citizens through its statewide presence with more than 5 million contacts in FY 2009. Our Institute for Public Service answered more than 24,000 requests for assistance last year, creating more than \$872 million in economic impact.

UT Chattanooga and UT Martin both achieved record-breaking enrollment – 10,000 students and 8,000 students, respectively – in Fall 2009. A new educational center at Parsons brings to four the number of facilities where UT Martin is expanding access to its graduate and undergraduate education in West Tennessee.

UT Knoxville more than doubled its research awards to \$178 million in FY 2009 after securing approximately \$87 million the previous year.

Our critical momentum must be sustained. University leaders and stakeholders are collaborating on difficult decisions to preserve our upward trajectory after federal stimulus funding ends and as we search for new and permanent leadership.

To prepare for an anticipated shortfall in state funding two years from now, we are reviewing System administration to evaluate services provided. Restructuring will aim for a System administration strong enough to develop opportunities but flexible enough to allow campuses appropriate autonomy.

A clear structure is necessary to recruit and retain a new university president. The job description for the next president is being developed in conjunction with System administration adjustments. Once initiated, the search should take approximately a year to complete.

We provide the state's best and most-comprehensive public higher education, while fulfilling our outreach and research obligations as Tennessee's land-grant institution. We will continue striving to protect our core values of education, research and outreach, and to emerge from these difficult times an even better university.

Jan Simek
Interim President

A stylized, handwritten signature in dark ink, appearing to be 'JS' followed by a long, sweeping horizontal line.

Sources

Federal and Local Appropriations \$18,938,509.27

Appropriations received in support of the University's land-grant mission, used primarily by the Agriculture Experiment Station and Tennessee Extension.

Other \$130,912,170.86

Revenues generated from sources not included in other classifications, such as sales and services by University departments and investment income.

Independent Operations \$73,098,545.20

Revenue collected from the UT Medical Center in Knoxville and the Methodist Hospital in Memphis for leased employees.

Auxiliary Enterprises \$174,674,895.43

Revenues from operations of auxiliary activities such as; housing, dining halls, book-stores, parking and UT Knoxville athletics.

Tuition and Fees \$371,825,050.88

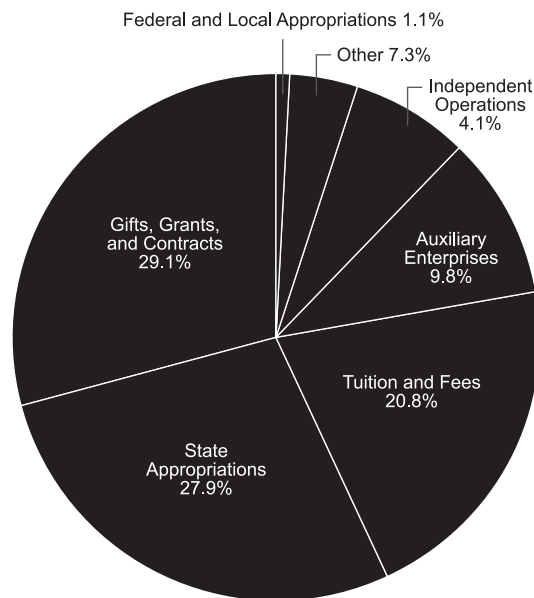
Revenues collected from students; includes resident enrollment fees, program and service fees, extension enrollment fees and other fees.

State Appropriations \$497,947,300.00

Legislative appropriations from the Tennessee General Assembly for current operations of the University.

Gifts, Grants, and Contracts \$519,582,335.95

Revenues from federal and non-federal granting entities and gifts restricted for specific purposes, primarily for sponsored research and training activities.



Total:
\$1,786,978,807.59

Uses

Long Term Debt & Other Transfers \$58,075,193.57

Mandatory transfers for debt service and other transfers.

Student Services \$78,046,581.31

Expenditures for student services, including admissions, registrar, student activities, counseling, career guidance, student aid administration, and health services.

Independent Operations \$73,098,545.20

Expenditures for leased employees for the UT Medical Center in Knoxville and Methodist Hospital in Memphis.

Physical Plant \$104,883,265.76

Expenditures for the operation and maintenance of physical plant including utilities and service related to grounds and facilities.

Institutional Support \$106,654,464.11

Expenditures for executive management, financial operations, personnel services, security, public relations, development activities, and alumni relations.

Academic Support \$128,260,016.11

Expenditures for libraries, computing support, and academic administration.

Auxiliary Enterprises \$134,504,015.31

Activities that furnish goods and services to students, faculty and staff. Includes mandatory transfers for debt service.

Public Service \$132,234,698.98

Expenditures for non-instructional programs beneficial to individuals and groups external to the University.

Student Aid \$185,189,507.07

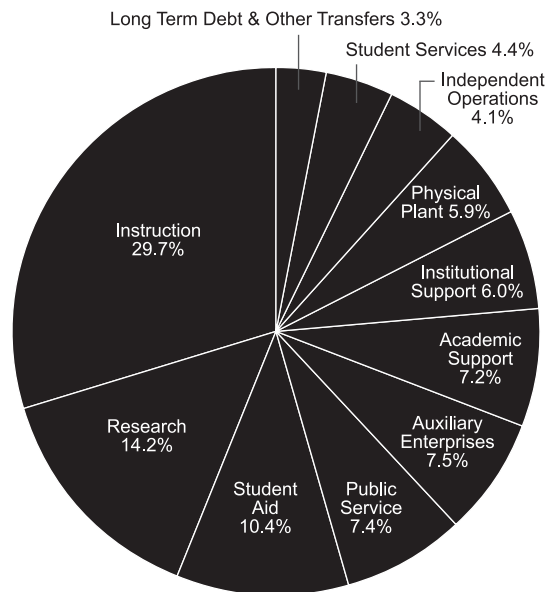
Scholarships and fellowships awarded to students.

Research \$253,700,070.07

Direct expenditures for sponsored research activities funded from federal, state, local, and private sources.

Instruction \$529,975,158.27

Includes all expenditures, including faculty and staff salaries incurred in connection with instruction programs for credit and non-credit courses.



Total:
\$1,784,621,515.76

Investments Benefiting the University

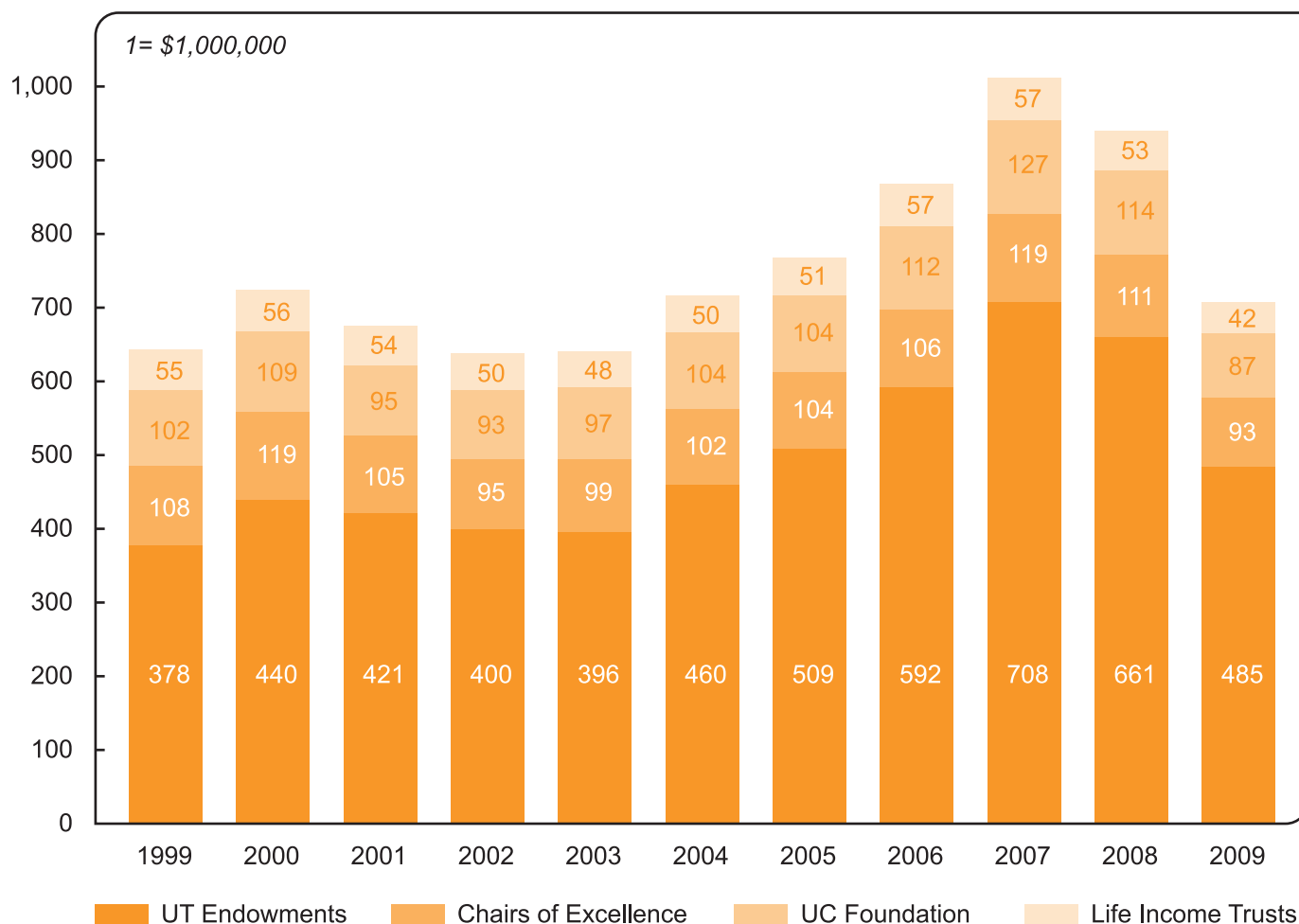
Total funds invested to benefit UT decreased by \$232 million during fiscal year 2009, reflecting the collapse of the capital markets during the last half of 2008 through March 2009. Private support from alumni and friends during the fiscal year helped mitigate this capital market malaise. The graph below depicts the growth of these funds over the past decade; growing by \$64 million even after two multiple-year down markets covering half of the decade.

The market value of these funds totaling \$707 million at June 30 is comprised of five distinct components: University pooled endowments (\$475 million), University separate endowments (\$10 million), Life Income Trusts (\$42 million), University of Chattanooga Foundation (\$87 million), and the Tennessee Chairs of Excellence (\$93 million). On the graph, the University pooled endowments and University separate endowments are combined.

The University pooled endowments are managed by the University in a consolidated investment pool created in 1954 to provide the advantages of a well-diversified investment portfolio to all participating endowments regardless of size. Reported June 30, 2009, investment returns for the pooled endowments totaled -24.2 percent and 2.7 percent for the one- and 10-year periods respectively. Income distributed from the pooled endowments for the year totaled \$34.2 million, an increase of \$3.4 million over the previous year. This amount was in accordance with the spending plan articulated as 5 percent of a three-year moving average market value measured each Dec. 31. The long-term goal of the pooled endowment investment program is to provide a sustainable and increasing level of support for University programs while preserving the real purchasing power of the endowment.

The Tennessee Chairs of Excellence and the University of Chattanooga Foundation are managed outside the University. The Chairs of Excellence, managed by the state of Tennessee, provided \$3.6 million during the year to support chair programs at all UT campuses. The University of Chattanooga Foundation, managed by its foundation board, provided \$2.8 million for programs at UT Chattanooga.

Total Funds



the **FUTURE** of Tennessee

UT Knoxville

In a study performed by UT Knoxville's Center for Business and Economic Research (using 2007 information), UT Knoxville's annual economic impact on the state of Tennessee was found to be more than \$915 million.

UT Chattanooga

UT Chattanooga's College of Business has been ranked among the best in the nation by both Business Week and the Princeton Review.

UT Health Science Center

UTHSC graduated 769 health care professionals in the last academic year.

UT Martin

UT Martin is home to UT Online, the University of Tennessee's online program for both undergraduate and graduate degrees. UT Online enrollment at Martin grew 20.6 percent from 2008 to 2009.

UT Institute of Agriculture

The UT College of Veterinary Medicine is one of only 28 veterinary schools in the nation.

UT Institute for Public Service

Training and consultation provided by the statewide Institute for Public Service enabled employers to create or retain more than 10,900 jobs for Tennesseans in fiscal year 2009.

UT Space Institute

The University of Tennessee has graduated 10 NASA astronauts.

the **FUTURE** of Tennessee

UT Knoxville

The freshman class of 3,723 students at the University of Tennessee Knoxville has an average high school GPA of 3.79 and an average ACT score of 26.5.

UT Chattanooga

UT Chattanooga alumni live in every county of Tennessee, in every state in the U.S., and in 60 foreign countries.

UT Health Science Center

For every \$1 in state appropriations to UTHSC, the school generates \$20 in economic contribution to the local economy.

UT Martin

UT Martin set seven all-time enrollment records for fall 2009, including an all-time high headcount enrollment of 8,101 students.

UT Institute of Agriculture

For 2008-09, the UT Institute of Agriculture achieved 5.1 million service contacts and generated an estimated \$478 million in economic impact through technology transfer.

UT Institute for Public Service

As local governments and industries increased revenue, won contracts or reduced operating costs, the UT Institute for Public Service exceeded \$872 million in economic impact for 2009.

UT Space Institute

UT Space Institute has awarded more than 2,000 M.S. and PhD degrees since 1954.

THE UNIVERSITY of TENNESSEE

Fall Enrollment 2005-2009 (Headcount)

UT Health Science Center

Student Level	Fall 2005	Fall 2006	Fall 2007	Fall 2008	Fall 2009*	5-Year Chg
Junior	167	136	154	165	146	
Senior	13	48	82	77	30	
Total Undergraduate	180	184	236	242	176	-2.2%
Masters/Special	237	276	345	328	486	
Doctoral	380	423	470	442	510	
Medical Professionals	1,463	1542	1,604	1659	1,665	
Total Grad/Professional	2,080	2,241	2,419	2,429	2,661	27.9%
GRAND TOTALS	2,260	2,425	2,655	2,671	2,837	25.5%

UT Space Institute

Student Level	Fall 2005	Fall 2006	Fall 2007	Fall 2008	Fall 2009*	5-Year Chg
Non-degree Seeking			1			
Junior					2	
Senior	1	1	1	1		
Total Undergraduate	1	1	2	1	2	100.0%
Masters/Special	151	167	193	173	157	
Doctoral	41	33	36	51	53	
Total Grad/Professional	192	200	229	224	210	9.4%
GRAND TOTALS	193	201	231	225	212	9.8%

The University of Tennessee (System)

Student Level	Fall 2005	Fall 2006	Fall 2007	Fall 2008	Fall 2009*	5-Year Chg
Non-degree Seeking	964	1,187	1,464	1,547	1,625	
Freshman	10,230	10,114	10,543	10,754	10,093	
Sophomore	7,219	7,388	7,583	7,917	8,400	
Junior	6,223	6,849	7,306	7,326	7,772	
Senior	8,811	8,941	9,383	9,702	9,916	
Total Undergraduate	33,447	34,479	36,279	37,246	37,806	13.0%
Masters/Special	5,859	5,776	5,700	5,710	5,798	
Doctoral	2,133	2,213	2,375	2,446	2,543	
Law	454	449	460	464	469	
Veterinary Medicine	277	276	274	296	322	
Medical Professionals	1,463	1,542	1,604	1,659	1,665	
Total Grad/Professional	10,186	10,256	10,413	10,575	10,797	6.0%
GRAND TOTALS	43,633	44,735	46,692	47,821	48,603	11.4%

*The 14th Day Enrollment Counts for 2009 are all preliminary.

THE UNIVERSITY of TENNESSEE

Fall Enrollment 2005-2009 (Headcount)

UT Chattanooga						
Student Level	Fall 2005	Fall 2006	Fall 2007	Fall 2008	Fall 2009*	5-Year Chg
Non-degree Seeking	162	163	207	173	184	
Freshman	1,974	2,237	2,582	2,662	2,842	
Sophomore	1,739	1,702	1,859	2,006	2,206	
Junior	1,354	1,351	1,404	1,485	1,634	
Senior	2,048	2,091	2,142	2,079	2,173	
Total Undergraduate	7,277	7,544	8,194	8,405	9,039	24.2%
Masters/Special	1,279	1,261	1,228	1,234	1,298	
Doctoral	100	118	136	168	189	
Total Grad/Professional	1,379	1,379	1,364	1,402	1,487	7.8%
GRAND TOTALS	8,656	8,923	9,558	9,807	10,526	21.6%

UT Knoxville						
Student Level	Fall 2005	Fall 2006	Fall 2007	Fall 2008	Fall 2009*	5-Year Chg
Non-degree Seeking	354	321	368	339	333	
Freshman	6,328	5,948	5,893	5,919	5,043	
Sophomore	4,397	4,613	4,615	4,649	4,808	
Junior	3,741	4,256	4,681	4,574	4,736	
Senior	5,233	5,297	5,575	5,994	6,087	
Total Undergraduate	20,053	20,435	21,132	21,475	21,007	4.8%
Masters/Special	3,650	3,499	3,478	3,524	3,343	
Doctoral	1,612	1,639	1,733	1,785	1,791	
Law	454	449	460	464	469	
Veterinary Medicine	277	276	274	296	322	
Total Grad/Professional	5,993	5,863	5,945	6,069	5,925	-1.1%
GRAND TOTALS	26,046	26,298	27,077	27,544	26,932	3.4%

UT Martin						
Student Level	Fall 2005	Fall 2006	Fall 2007	Fall 2008	Fall 2009*	5-Year Chg
Non-degree Seeking	448	703	888	1,035	1,108	
Freshman	1,928	1,929	2,068	2,173	2,208	
Sophomore	1,083	1,073	1,109	1,262	1,386	
Junior	961	1,106	1,067	1,102	1,254	
Senior	1,516	1,504	1,583	1,551	1,626	
Total Undergraduate	5,936	6,315	6,715	7,123	7,582	27.7%
Masters/Special	542	573	456	451	514	
Total Grad/Professional	542	573	456	451	514	-5.2%
GRAND TOTALS	6,478	6,888	7,171	7,574	8,096	25.0%

*The 14th Day Enrollment Counts for 2009 are all preliminary.