June 2017 UofM Governance and Finance Committee Meeting

Schedule	Tuesday, June 06, 2017, 11:00 AM CDT
Venue	University Center, Fountain View Suite, Room 350
Organizer	Melanie Murry

Agenda

1. Call to Order

2. Roll Call

3. Committee Chair and Vice Chair

4. Governance and Finance Committee Charter

For Approval

Presented by Melanie Murry

The University of Memphis Board of Trustees
Agenda Item

Date: June 6, 2017

Committee: **Governance and Finance Committee**

Item: **Committee Charter Revision**

Recommendation: Approval

Presented by: Melanie Murry, University Counsel and Acting Board Secretary

Background:
The Governance and Finance Committee was established and charter approved during the Board meeting on March 17, 2017. The charter as originally approved established a Governance Committee but an Executive Committee was established during the Board meeting and a third member was elected to serve on the committee by the Board. The charter has been amended to reflect the establishment of the Executive committee and its membership.

Committee Recommendation:
The Governance and Finance Committee met on June 6, 2017, and approved the proposed changes to its Committee Charter establishing an Executive Committee and its membership.

Governance and Finance Committee

Purpose

The Governance and Finance Committee ("GFC" or "Committee") provides oversight for the University's finance, business, administration, and facilities activities. The Committee also ensures the integrity of the board and enhances board performance. The Committee advises the Board on the state of the University's financial operations, budget, student fees, personnel policies, and facilities. The Committee serves to ensure the University operates within available resources, and in compliance with applicable federal and state laws and University policies in a manner supportive of the University's strategic plan.

Authority and Responsibilities

The Committee is responsible for formulating and recommending action or necessary policies in all matters relating to finance, business, administration, receipt of donations, facilities and fiscal oversight. Specifically, the Committee shall have responsibility to provide oversight in the following areas and recommend for approval the following actions to the Board:

1. University's annual operating and capital budgets.
2. Student Tuition and fee rates.
3. Fiscal procedures and rules for maintaining bank accounts, draw vouchers and checks for expenditures through disbursing officers.
4. Debt issuances.
5. Facilities Master Plan.
6. Lease, purchase and disposal of real estate.
7. Personnel policy matters requiring Board approval.
8. Oversee presidential personnel matters, including the annual evaluation;
9. Exercise all powers and authority of the full Board on an as needed basis between regular Board meetings for time-sensitive matters, subject to limitations imposed by the Board;
10. Periodically review the Bylaws and recommend needed amendments;
11. Develop and implement a process for evaluating the effectiveness of Board and committee meetings;
12. Develop an effective orientation and ongoing education process for the Board; and
13. Identify the expertise and experience needed for Board membership for recommendation to the President and Governor.

It is the expectation of the Board that the full Board will consider and make decisions regarding all significant matters before the Board. However, an Executive Committee is established as part of the Committee and is empowered to act for the full Board between regular Board meetings on an as needed basis for time-sensitive matters, subject only to such restrictions or limitations as the Board may from time to time specify, except that the following matters shall be reserved to the full Board for approval: (i) Board and committee officer selection, (ii) changes in the mission and purposes of the University, (iii) presidential selection, evaluation and termination, (iv) amendments to the Bylaws, (v) debt issuances, (vi) sale or other disposition of real property, (vii) the University’s annual operating budget and (viii) the University’s Facilities Master Plan. All actions taken by the Executive Committee pursuant to this authority shall be reported at the next meeting of the full Board, or when deemed sufficiently important by the Board Chair and the University President, such actions shall be reported to the Board within thirty (30) days after such action is taken, or at a meeting of the Board if a meeting is held within that period of time.

Composition of the Committee

The Governance and Finance Committee shall be comprised of at least the Board Chair and Vice-Chair. The President and Vice President of Business and Finance of the University shall be ex officio, non-voting members of the committee. The Executive Committee shall only consist of the Board Chair, Vice-Chair and a third member elected by the full Board of Trustees.

5. Policies

For Approval

Presented by Melanie Murry

5.1. Code of Ethics Policy

The University of Memphis Board of Trustees
Agenda Item

Date: June 6, 2017

Committee: **Governance and Finance Committee**

Item: **Code of Ethics Policy**

Recommendation: Approval

Presented by: Melanie Murry, University Counsel and Acting Board Secretary

Background:
The Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) is the regional body for the accreditation of degree-granting higher education institutions in the southern United States. SACSCOC accreditation standards require the university to have policies that address procedures whereby members can be dismissed for appropriate reasons by a fair process SACSCOC standards 3.2.3 and 3.2.5.

With the establishment of an institutional governing board, the Focus on College and University Success Act (FOCUS Act) requires each state university board to establish and adopt a code of ethics that apply to and govern the conduct of all appointment members of the Board. TCA § 49-8-204. The FOCUS Act additionally outlines the process by which the Board of Trustees may remove any appointed member for a material violation of the Code of Ethics which is outline in the policy.

Committee Recommendation:
The Governance and Finance Committee met June 6, 2017, and recommended approval of the Code of Ethics Policy as detailed in the meeting materials.

The University of Memphis Board of Trustees – Code of Ethics

Each member of the Board of Trustees is responsible for ethical conduct consistent with this Code of Ethics and with the University's bylaws. The Code of Ethics is a statement of belief in each trustee's fiduciary duty to act ethically, professionally, and in compliance with any applicable laws and regulations in all dealings within the University.

I. **Governance**

a. **Public Trust.** The General Assembly of the State of Tennessee has vested the management and governance of each state university in the institution's state university board, subject to certain powers and duties maintained by the Tennessee higher education commission.[1] Trustees hold a position of public trust and are expected to carry out their governance responsibilities in an honest, ethical and diligent manner.

b. **Time Commitment.** In undertaking the duties of the position, a Trustee shall make the commitment of time necessary to carry out the Trustee's governance responsibilities. A Trustee must regularly attend and actively participate in board and committee meetings and special assignments.

c. **Duty of Care.** Trustees must discharge their duties, including duties as a member of a committee, in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the Trustee reasonably believes to be in the best interest of the University. Trustees shall promote a culture of constructive debate about major initiatives and transactions and shall require management to provide information necessary to carry out the Trustees' duty of care to act in the best interest of the University. Trustees shall maintain confidentiality, as allowed by law, regarding Board or administrative decisions or future actions.

d. **Trustee Authority.** Except as otherwise provided by law or bylaw, Trustees shall have no legal authority to act outside of Board meetings. Trustees shall avoid acting as a spokesperson for the entire Board unless specifically authorized to do so.

II. Conflicts of Interest

a. **Conflicts of Interest Policy.** Trustees shall abide by the Conflicts of Interest Policy for the University Board of Trustees, as amended from time to time. Upon appointment and annually thereafter, Trustees shall file a financial disclosure form as required by the Conflicts of Interest Policy. The Audit Committee of the Board shall monitor compliance with the Conflicts of Interest Policy for Trustees.

b. **Personal Benefit or Gain.** Trustees shall not use the authority, title, prestige, or other attribute of the office for personal benefit or gain for themselves, for any relative, or for any other person which would be inconsistent with the public interest. Per state law, it is unlawful for a Trustee, or Trustee's "immediate family[2]," to be financially interested in any contract or transaction affecting the interests of the University, or to procure, or be a party in any way to procuring the appointment of any relative to any position of financial trust or profit connected with the University.[3]

c. **Prohibition against Receiving Gifts, Money, or Anything of Value.** No Trustee shall accept or receive, directly or indirectly, from any person, firm, or corporation to whom any contract for the purchase of goods or services for the state may be awarded, by rebate, gifts, or otherwise, any money or anything of value whatsoever, or any promise, obligation,

[1] Tenn. Code Ann. § 49-8-101(a)(2)(B)

[2] "Immediate family" means spouse, dependent children or stepchildren, or relatives related by blood or marriage.

[3] Tenn. Code Ann. § 49-8-203(g).

or contract for future rewards or compensation.[4] Furthermore, Trustees shall not knowingly accept gifts, favors, or gratuities from other persons or entities, including other trustees, that might affect or might have the appearance of affecting a Trustee's judgment in impartially performing the duties of the office. This section is not intended to preclude acceptance of benefits that would otherwise inure to a University donor.

d. **Prohibition against Interfering with Work of University Employees.** Except for the purposes of inquiry or information, no trustee shall give direction or interfere with any employee, officer, or agent under the direct or indirect supervision of the chief executive officer of the University.[5]

III. Compliance

a. **Reporting violations.** Anyone who believes that he or she has information indicating that an appointed Trustee has violated the Code of Ethics shall make a written disclosure of the facts and circumstances to the Chair of the Board Governance Committee or in the alternative, to the University auditor. The Chair of the Board Governance Committee shall refer alleged violations of the Code of Ethics or the Conflict of Interest Policy for Trustees to the Audit Committee. The Audit Committee shall review the allegations and determine whether removal proceedings should be initiated against the Trustee for a material violation of the Code of Ethics.

b. **Hearing and Removal.** A Trustee may be removed from the Board for a material violation of the code of ethics by a two-thirds (2/3) majority vote of its membership. A Board vote to remove a Trustee shall only be taken after the accused Trustee has been afforded a due process contested case hearing in accordance with the Uniform Administrative Procedures Act and a finding has been made that the member did violate the board's code of ethics.[6]

c. **Certification.** Upon appointment and annually thereafter, Trustees shall be provided with the Code of Ethics and shall certify in writing that they have read the Code of Ethics and will comply with its provisions.

Effective Date/Revisions:

[4] Tenn. Code Ann. § 12-4-106(a)
[5] Tenn. Code Ann. § 49-8-203(h)
[6] Tenn. Code Ann. § 49-8-204(b)-(d)

5.2. Consent Agenda Policy

The University of Memphis Board of Trustees
Agenda Item

Date:	June 6, 2017
Committee:	**Governance and Finance Committee**
Item:	**Consent Agenda Policy**
Recommendation:	Approval
Presented by:	Melanie Murry, University Counsel and Acting Board Secretary

Background:
The purpose of the Consent Agenda Policy is to provide a process for use of a consent agenda during Board meetings. The use of a consent agenda will allow for efficiency in Board meetings by providing a process for items that do not need discussion or debate either because they are routine or have already been debated.

Committee Recommendation:
The Governance and Finance Committee met June 6, 2017, and recommended approval of the Consent Agenda Policy as detailed in the meeting materials.

University of Memphis Board of Trustees – Consent Agenda

Purpose

The purpose of this Policy is to provide a process for use of a consent agenda during The University of Memphis Board of Trustee meetings. A consent agenda is a tool to ensure efficient and effective Board meetings by providing a process for approval of routine and/or non-controversial decision items that come before the Board.

Policy

The Board Chair, in consultation with the President, the Secretary, or a committee chair, may designate items to be presented to the Board on a consent agenda for approval by unanimous consent of the Board. Only items that are routine or non-controversial in nature may be designated for unanimous consent.

Items designated for unanimous consent shall be separately identified on the Board agenda as a consent agenda and shall be voted on by a single motion. Full information about each item on the consent agenda shall be provided to the Board in advance of the meeting. Requests for clarification or other questions about an item on the consent agenda must be presented to the Secretary before the meeting.

Any member of the Board may remove an item from the consent agenda by notifying the Secretary in writing prior to the meeting. No vote is required with respect to such removal. Items not removed may be adopted by unanimous consent of the Board without further discussion. Removed items may be separately considered and voted on by the Board.

Examples of items which may be placed on a consent agenda include: (1) approval of Board and committee minutes; (2) committee and staff reports; (3) the sale of gift property at or above the appraised value; (4) and negotiated employee contracts.

The following is a non-exclusive list of items that shall not be placed on a consent agenda: (1) amendment of the Bylaws, adoption of new Bylaws, or repeal of existing Bylaws; (2) the annual operating budget, including student tuition and fee proposals for which Board approval is required; (3) funding requests for capital outlay and capital maintenance projects; (4) revenue or institutionally funded capital projects; and (5) any other item on which a roll-call vote is required.

5.3. Presidential Review and Evaluation Policy

The University of Memphis Board of Trustees
Agenda Item

Date: June 6, 2017

Committee: **Governance & Finance Committee**

Item: President's Salary Increase and Retention Plan

Recommendation: Approval

Presented by: Brad Martin, Vice-Chair

Background:
An evaluation of the president's salary has revealed that his compensation is significantly lower compared to other presidents of peer institutions. University staff benchmarked other president's compensation packages and prepared the attached spreadsheet to highlight the disparity. To address this issue, a plan was developed last year to provide for an increase in salary, performance incentives and longevity/retention bonus. Specifically the plan included an annual $50,000 supplement to the president's salary, an annual target bonus opportunity of $100,000, and an annual contribution of $100,000 to a fund at the Foundation to be earned by the president five years after the commencement of the plan. The plan also provided there would be no payment under the retention element should the president leave the University prior to that five-year period. The Foundation Board and University approved the general framework of the plan, and a number of individuals and enterprises were invited to consider supporting the plan. The implementation of the plan was halted with the governance change from the Tennessee Board of Regents to an independent governing board. It is important to note that the cost of the plan would be borne by incremental private donations to the University of Memphis Foundation where there would be no financial impact on the University's base budget.

The Executive Committee will reevaluate and finalize the plan and submit to the Board for consideration and approval at its next meeting. Prior to its implementation and to bring the president's salary in line with peers, it is proposed that the salary supplement of $50,000 begin immediately payable over twelve months. In addition the Board Chair, working with University staff, will begin the President's evaluation in August in accordance with the Presidential Review and Evaluation policy contained in the meeting materials.

Proposed Board Resolution:
The Governance and Finance Committee recommends the approval of a salary supplement, paid from private funds, to President Rudd in the amount of $50,000 payable over 12 months to begin immediately.

Presidential Review and Evaluation (PRE)

The purpose of the Presidential Review and Evaluation is to provide the President with regular support and feedback on performance by identifying areas of strength and opportunities for further professional development. The PRE serves to increase communication between the Board and the President and to clarify the Board's expectations of the President. The PRE also provides the Board an opportunity for reflection on the health of the institution and the leadership demonstrated by the President. Finally, a formal PRE meets the Board's responsibility for the selection and supervision of the President, as set forth in the University of Memphis' Board of Trustees' Bylaws, and ensures the public that he/she is meeting accountability expectations.

Annual Evaluation.
The Board of Trustees will evaluate the University President on an annual basis. The evaluation period will be July 1 through June 30.

In June of each year, the President shall provide the Board Chair with a written self-assessment of his or her performance that shall include the following:

1. Progress on meeting any established goals with accompanying data and metrics.
2. Assessment of the strategic directions as described in the university's strategic plan.
3. Assessment of the overall academic quality of the University, including institutional achievements and accomplishments.
4. Assessment of the financial status of the University.
5. Identification of significant institutional challenges faced over the course of the review year that affected progress toward goals and the President's assessment of continuing or future challenges facing the University.
6. Goals proposed by the President for the following year.

At his or her discretion, the Board Chair may interview the senior administrative staff concerning the President's performance, as well as any faculty, staff, student or alumni leaders. The President and the Board Chair will meet to discuss the President's self-assessment, goals for the following evaluation year, along with any other information determined by the Board Chair. The Board Chair will prepare an evaluation of the President as well as a recommendation regarding compensation or other terms of employment that will be shared with the Governance and Finance Committee. In a previously scheduled or a called meeting, the Governance and Finance Committee shall approve or modify the Chair's assessment of the President's performance, the goals for the next evaluation cycle, and take appropriate action on any recommendations regarding compensation or other terms of employment. The Committee's action will then be submitted to the full Board of Trustees for approval or modification. The President shall be present at the meeting of the Governance and Finance Committee and the Board of Trustees to answer questions about his or her performance and the goals presented.

Comprehensive Evaluation
Option 1: The Governance and Finance Committee may, at its discretion, perform a more comprehensive performance evaluation of the President, including a 360 degree review. The comprehensive evaluation generally should occur during the second year of the Presidency and every three years thereafter, although the Board reserves the right to alter this schedule at its discretion. When a comprehensive evaluation is performed it is to be incorporated into the annual review process described above, with such adjustments to the schedule as may be necessary.

Option 2: Commencing in 2018 and every third year thereafter, or at such other interval as the Board deems appropriate, the Board shall engage an outside consultant to design and conduct a peer review assessment of the performance of the University, its President and its Board. Such peer review assessment shall be designed to compare the University with other comparable universities that represent the highest performing universities of comparable size and mission. The peer review process shall, among other things, solicit feedback from trustees, faculty, staff, students and the community. The peer review shall be conducted in a manner so that the confidentiality of individuals providing feedback is maintained as much as possible in accordance with the law. The peer review shall supplement, and not replace, the annual performance evaluation of the President.

Option 3: The comprehensive evaluation will be conducted periodically, with the specific timing to be determined by the Board Chair in consultation with the full Board. The comprehensive evaluation process will be overseen by a small group of Board members appointed by the Board Chair and external advisor(s) or consultant(s), if desired by the Board.

The Comprehensive Evaluation builds on the process of Annual Evaluation and in a year in which the Board conducts a comprehensive evaluation, it will replace the Annual Evaluation.

The comprehensive evaluation may involve contracting with an independent consultant who reviews prior annual evaluations key documents, and data about the University and its strategic directions and achievements. It may also include a 360 degree review and/or interviews of key stakeholders. The specific details for a comprehensive evaluation should be determined by the Board committee and the consultant assigned to conduct the comprehensive evaluation.

5.4. Delegation of Authority Policy

The University of Memphis Board of Trustees
Agenda Item

Date: June 6, 2017

Committee: **Governance and Finance Committee**

Item: **Delegation of Authority Policy**

Recommendation: Review, Approval

Presented by: Melanie Murry, University Counsel and Acting Board Secretary

Background:

Tennessee Code Annotated § 49-8-203 outlines the powers and duties for the Board of Trustees for the University of Memphis. As provided in the statute, the Board may delegate to the "chief executive officer of each respective institution such powers and duties as are necessary and appropriate for the efficient administration of the institution and its programs." Additionally, the Bylaws provide that the President shall supervise, direct and control the affairs of the University. An Interim Delegation of Authority was approved by the Board at its March 17, 2017 meeting. At that time, the Board delegated to the president certain authority to operate the University. University staff has drafted a permanent Delegation of Authority to replace the interim delegation. It is provided in the meeting materials for review at this time for discussion and approval at a later meeting.

UNIVERSITY OF MEMPHIS BOARD OF TRUSTEES DELEGATION OF AUTHORITY

The University of Memphis Board of Trustees (BOT) delegates to the President the executive management and administrative authority, as permitted by *T.C.A. § 49-8-203(a)(1)(E),* necessary and appropriate for the efficient administration of the University and which is necessary to carry out its mission, subject to the exceptions and conditions stated herein. It is understood that while the Board does not wish to engage in the daily management of the University, it acknowledges its statutory oversight responsibility for the efficient administration of the University and its programs. The following exceptions and conditions limit the delegation of authority hereby granted to the President and will continue to be accomplished by Board action.

1. Consistent with provisions of state law and Tennessee Higher Education Commission policy and regulations determine and periodically review the University's mission, vision, and strategic directions/initiatives and approve plans for the attainment, implementation, and evaluation of these plans. *T.C.A. § 49-8-101 (d).*

2. Appoint the President of the University and periodically evaluate the performance of the President. *T.C. A. § 49-8-203 (a)(1)(A).*

3. Approve the establishment or discontinuation of schools, colleges and departments. The Board will receive a report on any additional centers that are formed within these colleges, schools, departments or units during the annual budget approval process. *T.C.A. § 49-7-202(g)(2)*.

4. Approve rules and policies defining residency of students; approve University student admission standards and graduation requirements. *T.C. A. § 49-8-104(a).*

5. Establish the compensation/benefits for the president and confirm the appointment of and compensation/benefits for administrative personnel reporting directly to the president.

6. Approve the awarding of tenure and promotion of faculty upon recommendation of the President. *T.C. A. § 49-8-301*.

7. Approve changes to compensation plans and benefit programs for faculty and staff.

8. Approve operating budgets each fiscal year after the General Assembly has enacted annual appropriations for the University, thereby confirming the salaries of all employees of the University. *T.C. A. § 49-8-203(a)(1)(c)*.

9. Approve the appointment of the Internal Auditor. Review audit proposals. Approve the selection of external auditors.

10. Approve University real property and facilities leases under which 1) the University is the lessee if the annual rental is in excess of $150,000, or 2) the University is the lessor of University real property of facilities and the lease has a non-cancellable term exceeding one year. No additional approval will be required if an approved lease is renewed pursuant to the same terms and conditions but the Board will be advised of any such renewal. A listing of all leases will be provided to the Board annually. Approve the granting of permanent easements which could adversely impact University operations.

11. Approve the transfer or acquisition by purchase or disposition of real property that are not within the University Master Plan.

12. Approve major contractual agreements that affect the overall operation of the University while allowing the administration to manage the routine and repetitive contractual options.

13. Approve investment policies or strategies.

14. Approve capital projects over $500,000 and requests for capital outlay appropriations prior to their submission to other state agencies and officials.

15. Receive, accept and approve all non-cash gifts in kind as follows:
    - gifts of real property or any permanent interest in real property;
    - gifts that require an obligation to fund current or future expenditures for which there is no established or approved funding source;
    - gifts that require construction/renovation of facilities not previously authorized by the University; and
    - gifts that require state approval.

    T.C. A. § 49-8-203(a)(1)(E)(2).

16. Approve rates for tuition, mandatory fees, and room and board in compliance with THEC approved ranges.

17. Approve policies and procedures regarding campus life of the University, conduct of students, housing, parking and safety that are subject to the rulemaking procedures of the Uniform Administrative Procedures Act. *T.C. A. § 49-8-203(a)(1)(D).*

18. Approve all policies subject to the rulemaking procedures of the Uniform Administrative Procedures Act.

19. Approve the awarding of honorary degrees.

20. Approve the naming of facilities, memorials or other assets of the University.

21. Approve the establishment or discontinuance of intercollegiate athletic programs/teams, as well as National Collegiate Athletic Association (NCAA) classifications and conference affiliations.

22. Approve funding priorities to be presented to the legislature and, where appropriate, determine institutional priorities and significant public policy and advocacy positions.

23. Create legal entities that will bear the University's name, and the governance structure of such entities.

24. Approve settlements totaling more than $25,000 which requires approval by the Attorney General, Comptroller and Governor of the state of Tennessee. For settlements under $25,000, the President shall advise the Board Chair.

25. In the event of an emergency or in the event immediate action is in the best interests of the University, the President, after consultation with the Board Chair, is authorized to act, pursuant to authority otherwise available but for this Delegation of Authority.

5.5. President Emeritus Policy

The University of Memphis Board of Trustees
Agenda Item

Date:	June 6, 2017
Committee:	**Governance and Finance Committee**
Item:	**President Emeritus Policy**
Recommendation:	Approval
Presented by:	Melanie Murry, University Legal Counsel and Acting Board Secretary

Background:
Tennessee Code Annotated § 8-36-714 provides for the Board of Trustees (BOT) to grant any former president of the University of Memphis the title of "president emeritus".

Committee Recommendation:
The Governance and Finance Committee met June 6, 2017, and recommended the approval and adoption of the President Emeritus Policy effective immediately as detailed in the meeting materials.

University of Memphis Board of Trustees – President Emeritus

The Board of Trustees of the University of Memphis may grant a retiring or retired University president, who performed outstanding and distinguished service, the title of President Emeritus. The title must be approved by a majority vote of the Board of Trustees. A retiring or retired University president may decline to accept and/or use the title of President Emeritus.

The Board of Trustees and/or the current University President may call upon the President Emeritus to provide counsel or serve in various volunteer roles and/or capacities in support of the University.

The title of President Emeritus confers no entitlement to compensation, benefits, authority, rights, privileges or resources. Presidents Emeriti do not exercise any of the authority or administrative functions associated with holding a leadership position at the University.

The Board of Trustees retains the authority to withdraw a President Emeritus title at its discretion and as it deems necessary and appropriate.

Effective Date/Revisions:

Tenn. Code Ann. § 8-36-714

6. Recommendation for Dr. Shirley C. Raines as President Emeritus

For Approval

Presented by Melanie Murry

The University of Memphis Board of Trustees
Agenda Item

Date: June 6, 2017

Committee: **Governance and Finance Committee**

Item: **Dr. Shirley C. Raines as President Emeritus**

Recommendation: Approval

Presented by: Melanie Murry, University Counsel and Acting Board Secretary

Background:
Tennessee Code Annotated § 8-36-714 provides that the Board of Trustees (BOT) may grant to any former president of the University of Memphis the title of "president emeritus". Similar to what is provided to faculty who receive the honorary title of "faculty emeritus", the law does not require any compensation for the designation. The President Emeritus policy was provided to the Governance and Finance Committee for approval in its committee meeting. Under TBR policy, Dr. Raines was granted the title of President Emeritus and the University wishes to retain that designation without compensation.

Committee Recommendation:
The Governance and Finance Committee met June 6, 2017, and recommended approval of granting Dr. Shirley C. Raines the title of President Emeritus pursuant to Board of Trustees policy contained in the meeting materials.

7. Tuition and Fees for Fiscal Year 2018

For Approval

Presented by M. David Rudd

The University of Memphis Board of Trustees
Agenda Item

Date: June 6, 2017

Committee: **Governance and Finance**

Item: **Tuition and Fee Recommendation**

Recommendation: Approval

Presented by: M. David Rudd, President

Background:

A significant responsibility of the Board of Trustees is to establish tuition and mandatory fees each year. This responsibility is statutorily specified as follows:

Tennessee Higher Education Commission (THEC) has binding in-state undergraduate tuition-setting authority. Institutions may increase in-state undergraduate tuition and fees within the percentage adjustment ranges approved annually by THEC, but shall not exceed the maximum in the ranges. The FY18 tuition increase binding range set by THEC is 0% to 4% for instate tuition (maintenance fee) and mandatory fees combined.

The University is requesting the following:

Tuition and Fee Increases

2.6% Undergraduate, Graduate and Law hourly maintenance tuition rate
0% - Out of State premium
0% - Mandatory Fees
0% - Non Mandatory Fees

Undergraduate UM Global rate of $350 per credit hour (for four pilot programs)

Committee Recommendation:

The Governance and Finance Committee met June 6, 2017, and recommended approval of the proposed tuition and fee recommendations as presented in the meeting materials.

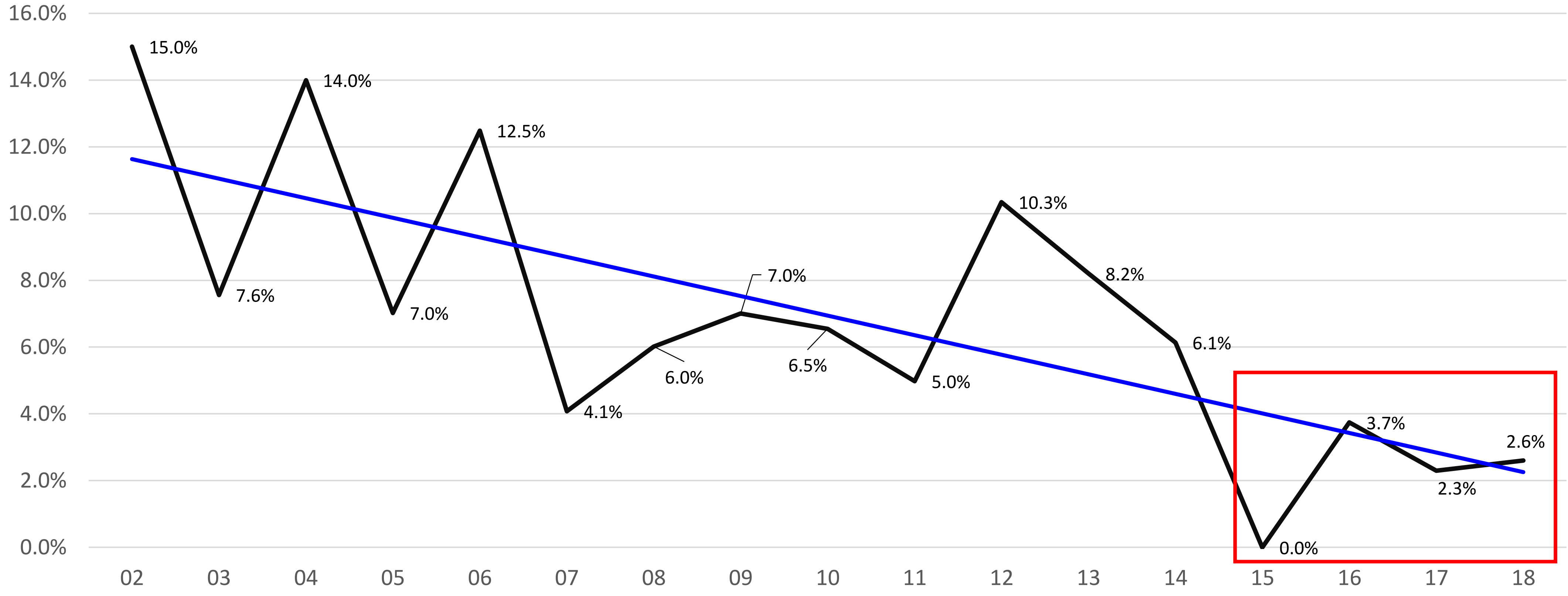
THE UNIVERSITY OF MEMPHIS | Board of Trustees

Approval of Tuition and Fees

June 6, 2017

Historical Tuition % Change

- 8.0% average increase previous 15 years
- 2.1% average increase over the last 4 years with proposed increase



Assumes student enrolled in 12 credit hours

Indicated Student Revenue Increase

THE UNIVERSITY OF MEMPHIS | Board of Trustees

	Percent	Amount
Institution Share - 3% Salary Pool	1.2%	$ 1,900,000
Scholarships & Waivers *	0.7%	1,000,000
Strategic Initiatives	0.7%	1,050,000
Total	2.6%	$ 3,950,000

* Includes the scholarship and waiver increase associated with a 2.6% tuition increase, as well as investments in need based scholarships

Proposed Tuition Rates

Proposed Tuition Rates	Instate Tuition	OOS Tuition	Mandatory Fees	Non-Mandatory Fees
Undergraduate Tuition	2.6%	0%	0%	0%
Graduate Tuition	2.6%	0%	0%	0%
Law Tuition	2.6%	0%	0%	0%

Annual Student Impact from tuition rate increase

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Full time students

Level	Hours	16/17 Tuition AND Mandatory Fees	Proposed 17/18 Tuition AND Mandatory Fees	Proposed Annual Increase	%
Undergraduate	15	$9,497.00	$9,701.00	$204.00	2.1%
Graduate	10	$11,443.00	$11,703.00	$260.00	2.3%
Law	11	$18,603.00	$19,037.00	$434.00	2.3%
UG UofM Online	15	$12,360.00	$12,600.00	$240.00	1.9%
GR UofM Online	10	$11,800.00	$12,060.00	$260.00	2.2%
UG Uof M Global	15	$10,500.00	$10,500.00	$0.00	0.0%
UG TN eCampus	15	$13,110.00	$13,440.00	$330.00	2.5%
GR TN eCampus	10	$12,300.00	$12,620.00	$320.00	2.6%

UM Global Pilot (per credit hour)

THE UNIVERSITY OF MEMPHIS | Board of Trustees

Request approval to continue Pilot rate:

Undergraduate UM Global rate	$350 per credit hour

- UM Global pilot rate is available to students who are enrolled exclusively in UM online courses
- Pilot includes four undergraduate programs. (Healthcare Leadership, Public Relations, Management, & Nursing)
- This is flat rate pilot program
  - Eliminate $100 per hour online fee
  - Eliminate eRate (reduced out of state tuition for online only students)
  - Similar to programs currently in place at Arizona State & Colorado State
  - Piloting to determine the impact of a simplified reduced rate structure
  - Full rate per credit hour is $420 for instate and $480 for out of state

Summary Request

Tuition and Fee Increases

2.6% Undergraduate, Graduate and Law hourly maintenance tuition rate

- 0% - Out of State premium
- 0% - Mandatory Fees
- 0% - Non Mandatory Fees

Undergraduate UM Global rate of $350 per credit hour (for four pilot programs)

THE UNIVERSITY OF MEMPHIS | Board of Trustees

Approval of Tuition and Fees

June 6, 2017

Overview of Current Tuition and Fee Structure

Tuition and Fee Strategy

- Affordable and competitive tuition
- Provide a quality education in an environment that promotes student success and access
- Maintain revenue at a level sufficient to support critical activities and expanded compliance requirements
- Recruiting and retaining employees at competitive salary rates.
- Maintaining safety and security with expanding University District development

Historical Tuition % Change

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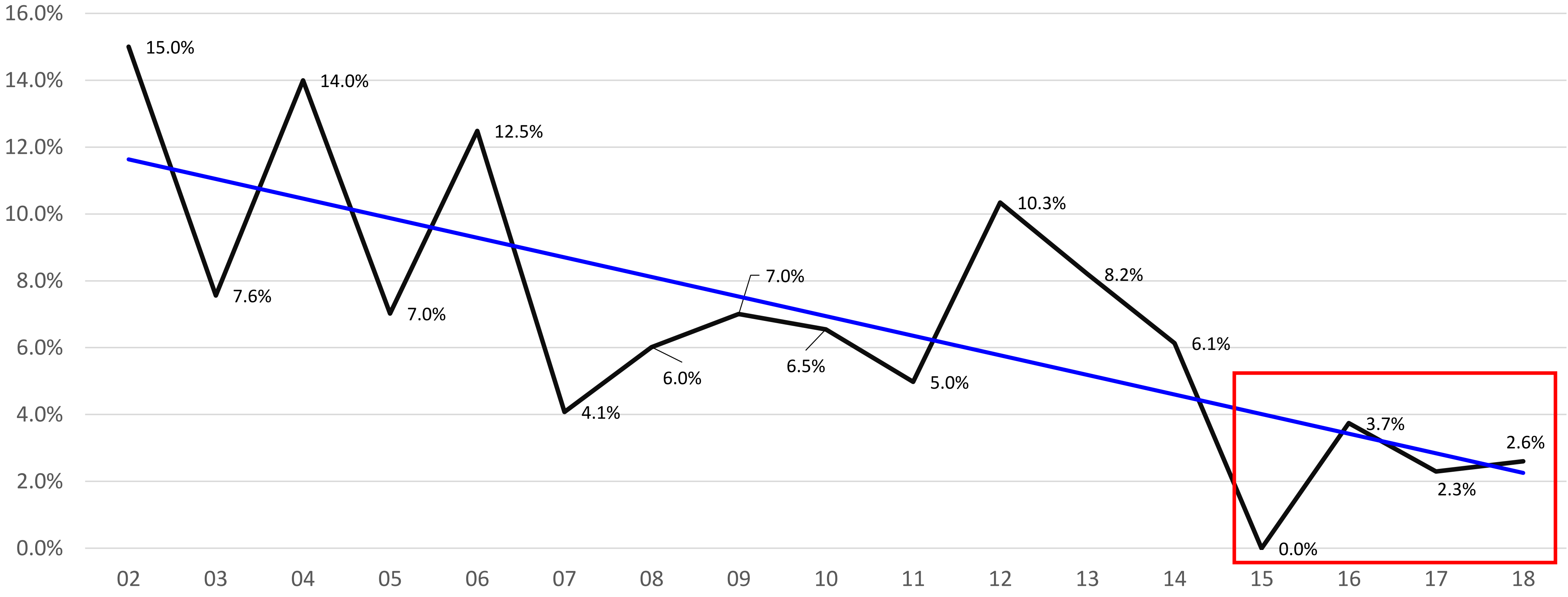
- 8.0% average increase previous 15 years
- 2.1% average increase over the last 4 years with proposed increase



Assumes student enrolled in 12 credit hours

Fee Components

- Tuition
  - Charges paid by all students based on credit hours
  - Students pay a flat rate per hour for the first 12 hours of course credit
  - 80% discount for hours over 12

- Out of State (OOS) Tuition
  - Premium rate based on residency

- Mandatory Fees (Program Service Fee)
  - Charges paid by all students supporting student activities, athletics, cultural opportunities and other unique student programs.

- Non Mandatory & Incidental Fees
  - Charges paid only by students enrolled in specific courses or who incur additional expense such as Academic course fees, lab/material fees, or late payment fees.

Tuition & Mandatory Fees

Tuition Decision Framework

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Step 1

Funding of Salary Increase

+

Funding for Fixed Cost Increases

+

Funding for Specific Needs

=

Incremental Funding Need

Step 2

Translate this ***Total Funding Need*** into

Level of Increase Needed in Student Revenues

Step 3

Translate ***Level of Increase Needed in Student Revenues*** Into

Hourly Maintenance Fee Rates

Funding for 3% Salary Pool

Cost of 3% Salary Pool *	State Funding	UofM's share	Tuition Increase Needed
$5,400,000	$3,509,700	$1,890,300	1.2%

* Cost of 3% Salary Pool includes associated benefit increases

Indicated Student Revenue Increase

	Percent	Amount
Institution Share - 3% Salary Pool	1.2%	$ 1,900,000
Scholarships & Waivers *	0.7%	1,000,000
Strategic Initiatives	0.7%	1,050,000
Total	2.6%	$ 3,950,000

* Includes the scholarship and waiver increase associated with a 2.6% tuition increase, as well as investments in need based scholarships

Proposed Tuition Rates

Proposed Tuition Rates	Instate Tuition	OOS Tuition	Mandatory Fees	Non-Mandatory Fees
Undergraduate Tuition	2.6%	0%	0%	0%
Graduate Tuition	2.6%	0%	0%	0%
Law Tuition	2.6%	0%	0%	0%

UM Global Pilot (per credit hour)

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Request approval to continue Pilot rate:

Undergraduate UM Global rate	$350

- UM Global pilot rate is available to students who are enrolled exclusively in UM online courses
- Pilot includes four undergraduate programs. (Healthcare Leadership, Public Relations, Management, & Nursing)
- This is flat rate pilot program
  - Eliminate $100 per hour online fee
  - Eliminate eRate (reduced out of state tuition for online only students)
  - Similar to programs currently in place at Arizona State & Colorado State
  - Piloting to determine the impact of a simplified reduced rate structure
  - Full rate per credit hour is $420 for instate and $480 for out of state

Annual Student Impact from tuition rate increase

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Full time students

Level	Hours	16/17 Tuition AND Mandatory Fees	Proposed 17/18 Tuition AND Mandatory Fees	Proposed Annual Increase	%
Undergraduate	15	$9,497.00	$9,701.00	$204.00	2.1%
Graduate	10	$11,443.00	$11,703.00	$260.00	2.3%
Law	11	$18,603.00	$19,037.00	$434.00	2.3%
UG UofM Online	15	$12,360.00	$12,600.00	$240.00	1.9%
GR UofM Online	10	$11,800.00	$12,060.00	$260.00	2.2%
UG Uof M Global	15	$10,500.00	$10,500.00	$0.00	0.0%
UG TN eCampus	15	$13,110.00	$13,440.00	$330.00	2.5%
GR TN eCampus	10	$12,300.00	$12,620.00	$320.00	2.6%

Tennessee & Funding Peers Tuition and Fees Comparisons

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FY 2016-17 Rates						
Resident Undergrad	**Annual Tuition & Fees 2016-17**	**Annual Peer Tuition & Fees 2016-17**	**+/- %**	**TN Rank***	**Peer Max**	**Peer Min**
APSU	$7,995	$8,032	-0.5%	8	$9,516	$5,775
ETSU	$8,599	$7,667	12.1%	5	$9,882	$5,775
MTSU	$8,590	$8,498	1.1%	7	$11,300	$6,193
TSU	$7,567	$8,314	-9.0%	8	$10,686	$5,775
TTU	$8,551	$7,706	11.0%	5	$9,842	$5,775
UM	$9,497	$10,197	-6.9%	10	$13,130	$6,410
UTC	$8,544	$7,429	15.0%	3	$9,516	$5,775
UTK	$12,668	$10,632	19.1%	3	$15,722	$6,380
UTM	$8,783	$9,109	-3.6%	7	$14,890	$6,951

Comparison to TN public institutions as well as the UofM THEC funding peers

*TN Rank: Institutions ranking between 8 and 16 are more affordable compared to their peers

Source: THEC Public data

8. Housing Rates for Fiscal Year 2018

For Approval

Presented by Jeannie Smith

The University of Memphis Board of Trustees
Agenda Item

Date: June 6, 2017

Committee: **Governance and Finance**

Item: **Housing Rates Recommendation**

Recommendation: Approval

Presented by**:** Jeannie Smith, Interim Vice President Business and Finance

Background:
Student housing is a breakeven auxiliary operation. To cover increasing operating costs and future debt payments, we are proposing a 5% increase in housing rates.

The current Contract Cancellation Rate is $450. To improve retention rates in the residence halls from the Fall to Spring term, we are requesting a $300 increase in the Contract Cancellation Rate.

Committee Recommendation:
The Governance and Finance Committee met June 6, 2017, and recommended approval of a 5% housing rate increase and a $300 contract cancellation rate increase.

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Approval of Student Housing Rates

June 6, 2017

Proposed Student Housing Rate Changes

A 5% rate increase is proposed:

To cover the increasing operating costs and future debt payments.

Housing Rates	Current (per semester)	Proposed (per semester)	Increase (per semester)	Estimated Annual Incremental Revenue
Residence Halls	$2,110 - $3,120	$2,220 - $3,280	$110 - $160	$584,000
Apartments	$3,120 - $4,400	$3,280 - $4,620	$160 - $220	$ 215,700
Summer Sessions	$850 - $1,150	$890 - $1,210	$40 - $60	$ 10,000
			Total	**$ 809,700**

Prior Year Rate Increases	
FY 2017	3%
FY 2016	1% to 4%
FY 2015	0% to 2%

Proposed Contract Cancellation Rate Increase

Housing Rates	Current	Proposed	Proposed Increase	Estimated Revenue Generated
Contract Cancellation Rate	$450	$750	$300	$15,000

Prior Year Rate Increases	
FY 2015	$150

Justification:

Increase Rate to cancel spring portion of academic year housing contract. This change is focused on **improving retention** in residence halls for spring term.

Summary of Request

Proposed Changes:

Housing Rates	Current (per semester)	Proposed (per semester)	Increase (per semester)	Estimated Annual Incremental Revenue Generated
Residence Halls	$2,110 - $3,120	$2,220 - $3,280	$110 - $160	$584,000
Apartments	$3,120 - $4,400	$3,280 - $4,620	$160 - $220	$ 215,700
Summer Sessions	$850 - $1,150	$890 - $1,210	$40 - $60	$ 10,000
Contract Cancellation Rate	$450	$750	$300	$15,000
			Total Revenue	$824,700

Questions/Comments

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Approval of Student Housing Rate

June 6, 2017

Student Housing

- Housing is a stand alone Auxiliary
- $17M Budget
- Revenues fund:
  - 100% of operating costs
  - All debt service on $94M in bonds
  - All facilities maintenance and repairs
  - $500k annual allocation toward University services provided (FY16)
  - 5% Renewal and Replacement annual contribution
  - Working Capital and Contingency reserves

Proposed Student Housing Rate Changes

A 5% rate increase is proposed:

To cover the increasing operating costs and future debt payments.

Housing Rate	Current (per semester)	Proposed (per semester)	Increase (per semester)	Estimated Annual Incremental Revenue
Residence Halls	$2,110 - $3,120	$2,220 - $3,280	$110 - $160	$584,000
Apartments	$3,120 - $4,400	$3,280 - $4,620	$160 - $220	$ 215,700
Summer Sessions	$850 - $1,150	$890 - $1,210	$40 - $60	$ 10,000

Prior Year Rate Increases	
FY 2017	3%
FY 2016	1% to 4%
FY 2015	0% to 2%

Student Housing

- University of Memphis does not have a mandatory on campus living requirement. Rate increases impact the 2,400 or 12% of University students choosing to live on campus.
- Housing operations are performing at a high level:
  - 95% Fall Occupancy
  - 87% Spring Occupancy
- We are competitive with off campus facilities

Student Housing

- What we offer that off campus housing does not:
  - Professional full time staff members in each building
  - 45 undergraduate student Resident Advisors
  - Front desks in most buildings to aid with safety & security as well as customer service. Carpenter and Graduate Student Family Housing have gated access. (Over 100 undergraduate student desk assistants are employed.)
  - Programming opportunities to aid in personal, academic and community development
  - Structured faculty interactions through Living Learning Community collaborations & Resident Advisor programming
  - Evening & weekend opportunities for engagement and resources

Proposed Contract Cancellation Rate Increase

Housing Rate	Current	Proposed	Proposed Increase	Estimated Revenue Generated
Contract Cancellation Rate	$450	$750	$300	$15,000

Prior Year Rate Increases	
FY 2015	$150

Justification:

Increase Rate to cancel spring portion of academic year housing contract. This change is focused on **improving retention** in residence halls for spring term.

Proposed Student Housing Rate Changes

Summary of Proposed Changes:

Housing Rate	Current (per semester)	Proposed (per semester)	Increase (per semester)	Estimated Annual Incremental Revenue Generated
Residence Halls	$2,110 - $3,120	$2,220 - $3,280	$110 - $160	$584,000
Apartments	$3,120 - $4,400	$3,280 - $4,620	$160 - $220	$ 215,700
Summer Sessions	$850 - $1,150	$890 - $1,210	$40 - $60	$ 10,000
Contract Cancellation Rate	$450	$750	$300	$15,000
			Total Revenue	$824,700

Questions/Comments

9. Salary Increase

For Approval

Presented by Jeannie Smith

The University of Memphis Board of Trustees
Agenda Item

Date: June 6, 2017

Committee: Governance and Finance

Item: Salary Increase (3% salary pool)

Recommendation: Approval

Presented by: Jeannie Smith, Interim Vice President Business and Finance

Background:
The Legislature approved a three percent (3%) salary pool partially funded by State Appropriations to be used as salary adjustments effective July 1, 2017. For higher education institutions, the salary pool is to be distributed at the discretion of each institution.

Recommendation for distribution of the salary pool is as follows:

- 2% across-the-board (ATB) with 1% merit pool for **Tenured & Tenured Track Faculty**
- 3% ATB for **Non-Tenured Faculty & Adjunct Faculty**
- 3% ATB for **Staff (excludes temporary employees)**

Service date for eligibility is based on the employment dates below:

- **Staff:** Hired on or before December 31, 2016 and continuously employed until the date of payment.
- **Faculty**: Hired on or before the 2017 spring semester and continuously employed until the date of payment.

The budgetary impact of the 3% salary pool is as follows:
$5,400,000 - Cost of 3% salary pool (includes associated benefit increases)
$3,509,700 - State Funding
$1,890,300 - University's Share of Cost (funded by proposed tuition increase)

Committee Recommendation:
The Governance and Finance Committee met June 6, 2017, and recommended the following compensation strategy for the 3% salary pool. Approve a 2% across-the-board increase with 1% merit pool for Tenured & Tenured Track Faculty; a 3% across-the-board increase for Non-Tenured Faculty & Adjunct Faculty; and a 3% across-the-board increase for Staff as recommended.

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3% Salary Pool Recommendations

June 6, 2017

Funding for 3% Salary Pool

Cost of 3% Salary Pool *	State Funding	UofM's share	Tuition Increase Needed
$5,400,000	$3,509,700	$1,890,300	1.2%

* Cost of 3% Salary Pool includes associated benefit increases

3% Salary Pool Distribution & Effective Date

Distribution:

- 2% across-the-board (ATB) with 1% merit pool for **Tenured & Tenured Track Faculty**
  - Merit methodology to be determined by each Dean
  - Merit pool may also be used for equity and compression
- 3% ATB for **Non-Tenured Faculty & Adjunct Faculty**
- 3% ATB for **Staff (excludes temporary employees)**

Effective Date:

- July 1, 2017

Service Date Eligibility:

- **Staff**: Hired on or before 12/31/2016 and continuously employed until the date of payment
  Faculty: Hired on or before the 2017 spring semester and continuously employed until the date of payment

Questions

History of Salary Increases

The University of Memphis

History of Salary Increases

Fiscal Year	Increase	Effective Date
2004	*none*	
2005	3% ATB + Oct $70/yr service bonus *min $210*	7/1-04; 10/1-04
	Merit/Equity Pools-Faculty & Staff 1%	1/1/2005
2006	3% ATB	7/1/2005
	Merit/Equity/Compression Pools-Faculty & Staff 2%	1/1/2006
2007	2% ATB + One time Oct Bonus $350 (min 3 years)	7/1-06; 10/06
2008	3% ATB	7/1/2007
	Merit Pool Faculty & Staff 2%	1/1/2008
2009	One-time Oct Bonus $400 (min 3 years)	10/2008
	Add'l Law School Adjustments	09/2008
2010	*none*	
2011	none	
2012	3% ATB (min $750)	7/1/2011
	One time Oct Bonus $1000 (min 2 years)	10/2011
2013	*2.5% ATB (min $750)*	7/1/2012
2014	*1.5% ATB (min $250)*	7/1/2013
2015	none	
2016	*2.0% ATB*	7/1/2015
2017	One time Oct Bonus $750 (min 1 year)	10/2016

ATB=across-the-board

excludes promotions, reclassificatio[...]djustments

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3% Salary Pool Recommendations

June 6, 2017

Governor's Budget

- Three percent (3%) salary pool was approved by the Legislature and partially funded by State Appropriations
- Effective July 1, 2017
- For Higher Education, the salary pool is to be distributed at the discretion of each institution

Funding for 3% Salary Pool

Cost of 3% Salary Pool *	State Funding	UofM's share	Tuition Increase Needed
$5,400,000	$3,509,700	$1,890,300	1.2%

* Cost of 3% Salary Pool includes associated benefit increases

History of Salary Increases

The University of Memphis
History of Salary Increases

Fiscal Year	Increase	Effective Date
2004	*none*	
2005	3% ATB + Oct $70/yr service bonus *min $210*	7/1-04; 10/1-04
	Merit/Equity Pools-Faculty & Staff 1%	1/1/2005
2006	3% ATB	7/1/2005
	Merit/Equity/Compression Pools-Faculty & Staff 2%	1/1/2006
2007	2% ATB + One time Oct Bonus $350 (min 3 years)	7/1-06; 10/06
2008	3% ATB	7/1/2007
	Merit Pool Faculty & Staff 2%	1/1/2008
2009	One-time Oct Bonus $400 (min 3 years)	10/2008
	Add'l Law School Adjustments	09/2008
2010	*none*	
2011	none	
2012	3% ATB (min $750)	7/1/2011
	One time Oct Bonus $1000 (min 2 years)	10/2011
2013	*2.5% ATB (min $750)*	7/1/2012
2014	*1.5% ATB (min $250)*	7/1/2013
2015	none	
2016	*2.0% ATB*	7/1/2015
2017	One time Oct Bonus $750 (min 1 year)	10/2016

ATB=across-the-board

excludes promotions, reclassificatio[illegible]djustments

3% Salary Pool Distribution & Effective Date

Distribution:

- 2% across-the-board (ATB) with 1% merit pool for **Tenured & Tenured Track Faculty**
  - Merit methodology to be determined by each Dean
- 3% ATB for **Non-Tenured Faculty & Adjunct Faculty**
- 3% ATB for **Staff (excludes temporary employees)**

Effective Date:

- July 1, 2017

Service Date Eligibility:

- **Staff**: Hired on or before 12/31/2016 and continuously employed until the date of payment
  Faculty: Hired on or before the 2017 spring semester and continuously employed until the date of payment

Questions/Comments

The University of Memphis
History of Salary Increases

Fiscal Year	Increase	Effective Date
1991	5.5% merit pool	7/1/1990
1992	*None*	
1993	4% ATB	1/1/1993
1994	2% ATB; 4% ATB	7/1/93; 1/1/94
1995	2% ATB; 2% ATB	7/1/94; 10/1/94
1996	*None*	
1997	3% merit pool	7/1/1996
1998	2% ATB	1/1/1998
1999	One-time $50/yr service bonus	10/1/1998
	2% ATB & 2% equity pool	1/1/1999
2000	2% ATB	1/1/2000
2001	3.5% ATB + 2% Faculty Equity/Merit	7/1/2000
2002	2.5% ATB	7/1/2001
	Merit/Equity Pools Faculty 4% Staff 1.6%	1/1/2002
2003	2.0% ATB + Merit/Equity Pools-Faculty 3% Staff 2%	1/1/2003
2004	*none*	
2005	3% ATB + Oct $70/yr service bonus *min $210*	7/1-04; 10/1-04
	Merit/Equity Pools-Faculty & Staff 1%	1/1/2005
2006	3% ATB	7/1/2005
	Merit/Equity/Compression Pools-Faculty & Staff 2%	1/1/2006
2007	2% ATB + One time Oct Bonus $350 (min 3 years)	7/1-06; 10/06
2008	3% ATB	7/1/2007
	Merit Pool Faculty & Staff 2%	1/1/2008
2009	One-time Oct Bonus $400 (min 3 years)	10/2008
	Add'l Law School Adjustments	09/2008
2010	*none*	
2011	none	
2012	3% ATB (min $750)	7/1/2011
	One time Oct Bonus $1000 (min 2 years)	10/2011
2013	*2.5% ATB (min $750)*	7/1/2012
2014	*1.5% ATB (min $250)*	7/1/2013
2015	none	
2016	*2.0% ATB*	7/1/2015
2017	One time Oct Bonus $750 (min 1 year)	10/2016

ATB=across-the-board

excludes promotions, reclassifications, & other individual adjustments

Office of Financial Planning & Budget • Updated July 2016

10. Final Operating Budget for Fiscal Year 2017 and Proposed Operating Budget for Fiscal Year 2018

For Approval

Presented by Jeannie Smith

The University of Memphis Board of Trustees
Agenda Item

Date: June 6, 2017

Committee: **Governance and Finance**

Item: **FY2017-18 Proposed Budget and FY2016-17 Estimated Budget Recommendation**

Recommendation: Approval

Presented by**:** Jeannie Smith, Interim Vice President Business and Finance

Background:

Budget Control Policy (UM 1768) recognizes budgeting as 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. This policy also recognizes that a budget is a plan and that circumstances may necessitate revisions or changes from time to time. In view of this, we will submit budgets for approval three times each fiscal year. At this time, both the FY2017-18 Proposed budget and FY2016-17 Estimated budget are presented for consideration.

The *Proposed Budget* is prepared in the spring for implementation each fiscal year on July 1. This budget is based on the level of state funds recommended in the Governor's proposed budget, as well as early estimates of factors such as enrollment projections, proposed tuition increases and research activities. This budget is considered the University's base (recurring) budget and is a balanced budget (revenues = expenditures). The *Proposed Budget* is submitted to the Board for approval prior to the start of the subsequent fiscal year.

The Proposed budget was developed with the following assumptions:

- State Appropriations as recommended in the Governor's Budget
- 2.5% tuition increase (proposed tuition increase of 2.6% will be reflected in revised budget if approved)
- Flat enrollment based on FY2017 enrollment levels
- Athletic support limit of $8,425,800 (equivalent to prior year approved TBR limit)
- 3% salary increase
- 5% Residence Life rate increase

The final budget submitted for each fiscal year is the *Estimated Budget.* This budget includes carryforward balances from prior years that represents available resources at the departmental level. Although these funds are available, we do not anticipate that all resources will be spent in the current fiscal year. The Estimated budget also includes final adjustments to the current year budget and is the budget against which final year-end actual amounts are compared. It is prepared, submitted, and considered by the Board at the same time as the *Proposed Budget* for the upcoming fiscal year.

Committee Recommendation:

The Governance and Finance Committee met June 6, 2017, and recommended approval of the FY2016-17 Estimated Budget and the FY2017-18 Proposed Budget and assumptions as presented in the meeting materials.

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Approval
Operating Budgets

June 6, 2017

Agenda

Background Information

FY17-18 Proposed Budget

FY16-17 Final Estimated Budget

Annual Budget Approval Cycle

1) Proposed Budget – May/June

2) Revised Budget – Nov/Dec

3) Final Estimated Budget – May/June

National Trends in Higher Education

- Appropriations
  - Declining/Flat State support
  - Static and/or falling federal research funding

- Tuition and Fees
  - Increasing reliance on tuition as a core revenue source
  - Increasing resistance to rising price of higher education
  - Stagnating net tuition revenue with trends in higher tuition discounts

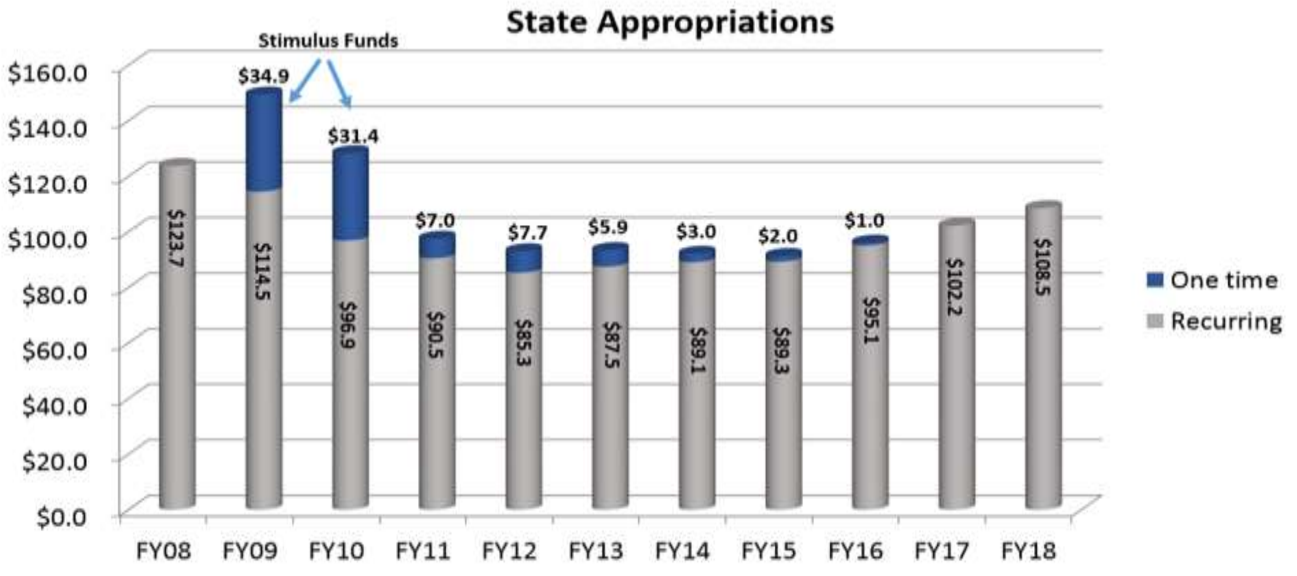
Financial Update – where we have come from

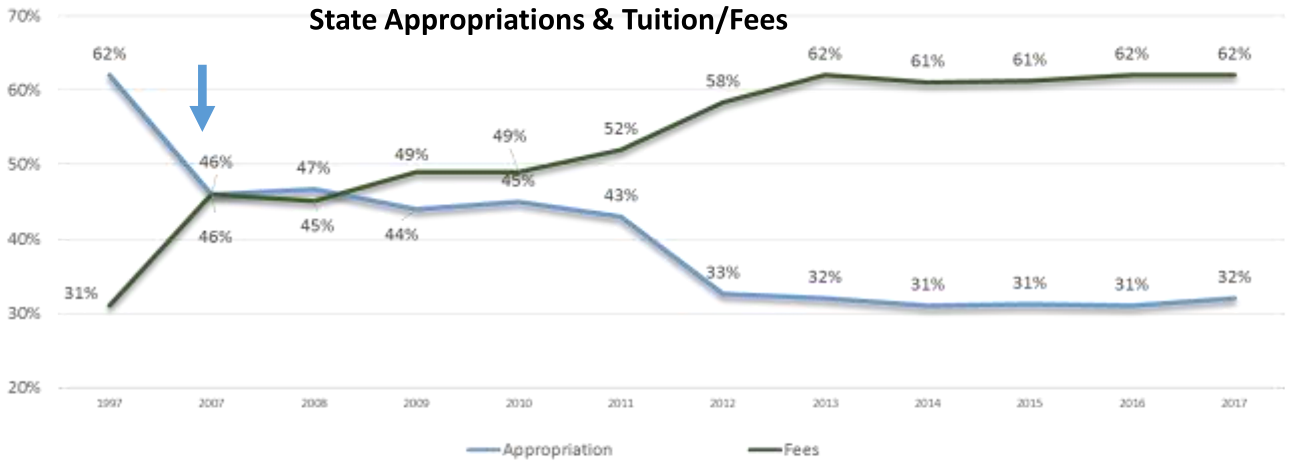
Revenue Reductions

- Declines in Enrollment (FY12-16)
- Loss of $44M in State Appropriates over 6 years (FY10-15)
- Resulted in a $20M Funding Gap in FY15

UofM's response to reductions in revenue

- University Wide reductions
- Process Improvements
- Organizational Restructuring
- Shared services
- Implementing new technology & leveraging existing technology
- Line by line budget reviews
- Designed and implemented new budget model
- Strategic reinvestments





FY2017-18 Proposed Budget

FY18 Proposed Budget Assumptions

The FY18 Proposed budget was developed with the following assumptions:

- State Appropriations as recommended in the Governor's Budget
- 2.5% tuition increase (proposed tuition increase of 2.6% will be reflected in revised budget if approved)
- Flat enrollment based on FY2017 enrollment levels
- No change to athletic support limit of $8,425,800 (equivalent to prior year approved TBR limit; to be incorporated into the Revised Budget)
- 3% salary increase
- 5% Residence Life rate increase

Proposed (Recurring) Budget Comparison

Proposed Budget (Millions)	Proposed 2017	Proposed 2018	Change
Educational & General (E&G)	$347.2	$362.2	$15.0
Auxiliary Units	$24.3	$26.5	$2.2
Total FY18 Proposed Unrestricted Budget	**$371.5**	**$388.7**	**$17.2**
Restricted (Gifts, Grants & Contracts)	$108.6	$110.4	$1.8
Total Proposed Unrestricted & Restricted Budget	**$480.10**	**$499.1**	**$19.0**

Detail of Budget Changes

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Revenue Changes:

$3.8 M	Tuition rate increase
$4.5 M	Enrollment increase from Fall 2016 (expected to be sustained)
$6.7 M	State appropriation increase
$2.2 M	Auxiliary increase (housing rate/occupancy increases)
$1.8 M	Anticipated increase in grant activities (includes impact 3% salary increase)
$19 M	Total changes

Expenditure Changes:

$5.4 M	3% Salary Pool
$1.1 M	Health Insurance increase
$4.5 M	Contingency for revenue fluctuation
$1.0 M	Scholarship and waiver increase primarily associated with tuition increase
$3.0 M	Strategic allocation funds
$2.2 M	Auxiliary housing (proposed rate/occupancy increase)
$1.8 M	Anticipated increase in grants/restricted activities (includes impact 3% salary increase)
$19 M	Total changes

FY2016-17 Estimated Budget

Final Estimated Budget Comparison

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FY2017 Revenues (Millions)	Revised Budget	Estimated Budget	Change
Educational & General (E&G)	$353.5	$356.4	$2.9
Auxiliary Units	$25.7	$25.6	-$0.1
Total FY18 Proposed Unrestricted Budget	**$379.2**	**$382.0**	**$2.8**
Restricted (Gifts, Grants & Contracts)	$105.5	$110.1	$4.6
Total Proposed Unrestricted & Restricted Budget	**$484.70**	**$492.1**	**$7.4**

Changes:

$2.9 M	Increases in UM Foundation support, Athletic activity and hosted conferences
$(.1) M	Auxiliary decrease in Parking revenue
$4.6 M	Increase in grant activity (primarily Pell & Hope scholarships)
$7.4 M	Total Changes

Requested Approvals

- Budget Assumptions
- FY2018 Proposed Budget
- FY2017 Final Estimated Budget

Questions

Terminology

Unrestricted funds

The University retains full control over the use of these funds in achieving any of its authorized institutional purposes. (E.g. Tuition and fees, State appropriations and Auxiliary operations) Unrestricted is comprised of Educational & General (E&G) funds and Auxiliary funds.

Educational & General (E&G)

Core functions of the University necessary to support the teaching, research, and public service missions of the University, generally reported by both functional classifications and natural classifications. E&G includes operating budgets funded primarily by State Appropriations and Tuition & Fees. The E & G budget is what many refer to as the University Operating Budget.

Auxiliary Enterprises

Self-supporting (break-even) enterprises that furnish services to students, faculty, and staff. Examples include housing, parking, and food services.

Restricted funds

Externally restricted funds that may be used only for the purposes established by the provider (e.g. grants, contracts, centers of excellence, and chairs of excellence)

Functional Classifications (used in reporting expenditures)

- Instruction
- Research
- Public Service
- Academic Support
- Student Services
- Institutional Support
- Operation & Maintenance of Plant
- Scholarships and Fellowships

Natural Classifications

- Salaries
- Benefits
- Travel
- Operating
- Capital Outlay
- Transfers to Other Funds

Proposed/Original/July Budget

The Proposed Budget is prepared in the spring, for the upcoming fiscal year beginning July 1. This budget is considered the University's base recurring budget and is a balanced budget (revenues = expenses). The Proposed Budget is presented to the Board for consideration at the final board meeting of the fiscal year.

Revised Budget

The Revised budget is a revision to the Proposed Budget. It is prepared as of October 31 and reflects actual fall enrollments, other estimated cost and revenue adjustments and prior year closing balances. The Revised Budget includes carryforward balances from the prior year that represent available resources. These balances are budgeted at the departmental level. The Board considers the Revised Budget at the final board meeting of the calendar year.

Estimated Budget (Final)

The Estimated Budget is the final budget submitted for the current year operations. It is submitted at the final Board meeting of the fiscal year, at the same time as the Proposed Budget for the upcoming fiscal year. The estimated budget includes carryforward balances from the prior year that represent available resources at the departmental level. Although these funds are available, we do not anticipate that all resources will be spent in the current fiscal year. This is the final approved budget for the University and therefore contains the control totals against which final year-end amounts are compared.

Financial Reporting

Annual Financial Report

- Based on Governmental Accounting Standards Board (GASB) with a Fiscal Year End of June 30th
- Includes University of Memphis Foundation (UMF) as a component unit. UMF is a separate legal entity, audited by an external audit firm.
- Completed by September/October each year
- Included in TN State Consolidated Financials

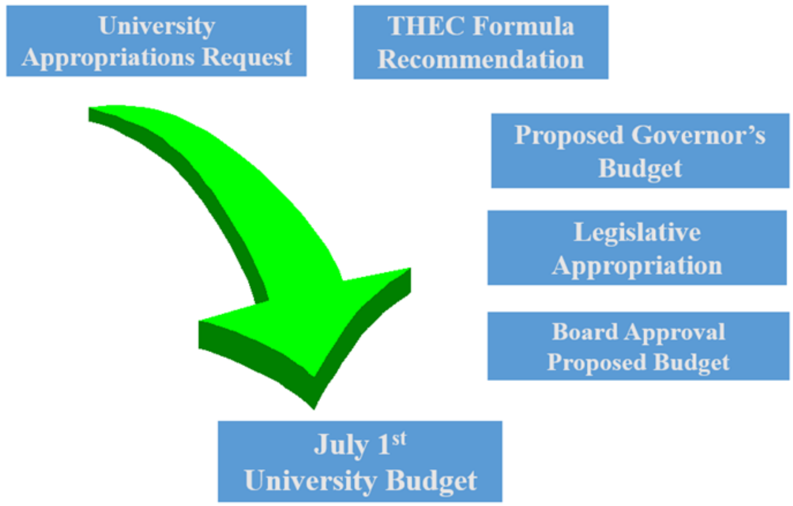
Audit

- Performed annually by the TN Comptroller of the Treasury (Division of State Audit)
- The University is included in the State A-133 Audit (non-federal entities expending federal funds)
- Includes the NCAA compliance audit
- Timeframe: May - January
- Report Released: Spring
- FY2015-2016 University of Memphis Audit Report
- FY2015-2016 State of Tennessee A-133 Audit

University of Memphis Operating Budget Process

The University's budget process must integrate state policy as well as University of Memphis Board of Trustee policy and University strategic goals and objectives. This process begins in the fall of each year and includes a number of steps and constituents.

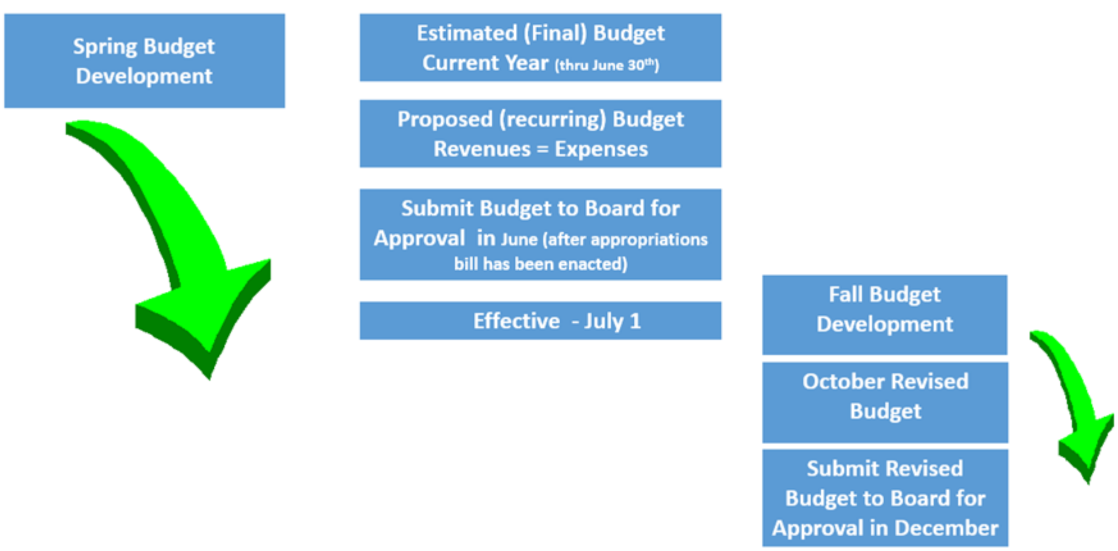
State Funding Cycle



Each fall, the Tennessee Higher Education Commission (THEC) submits a recommendation for state appropriation funding for all higher education institutions in Tennessee. This recommendation is then incorporated into the Governor's proposed budget in November and the State Legislature considers, amends, and approves the Governor's budget, typically in May.

Simultaneous to the annual legislative state appropriation process, the university develops the University budget proposal for the following fiscal year. Given the timing requirements for submission of the Proposed Budget to the State, as well as the final Legislative approval of the Governor's Budget, the University incorporates assumptions into the Proposed Budget related to anticipated State Appropriations.

Annual Budget Cycle



The University employs a budget planning and development process, incorporating sound fiscal procedures and a comprehensive approach, including a broad spectrum of university participation, and considers projections and potential impacts. The major factors that impact the budget include:

- Changes in state appropriation
- Proposed changes to tuition and fees
- Enrollment projections
- Anticipated salary or benefit increases
- Estimated nondiscretionary institutional costs such as changes in utilities, and other facility related expenditures
- Strategic priorities

University Leadership develops assumptions and strategic priorities that guide the budget process. This information is used as the budget development framework. THEC provides the coming fiscal year's budget recommendations regarding state appropriation and tuition expectations. Financial information is updated throughout the budget development and legislative cycle as the legislative session progresses and the state budget moves to a final status. Key financial stakeholders share information throughout the year regarding funding issues, financial performance, and alignment of budget priorities.

UofM's Budget Redesign
Strategic Resource Investment (SRI) Budget Development Model

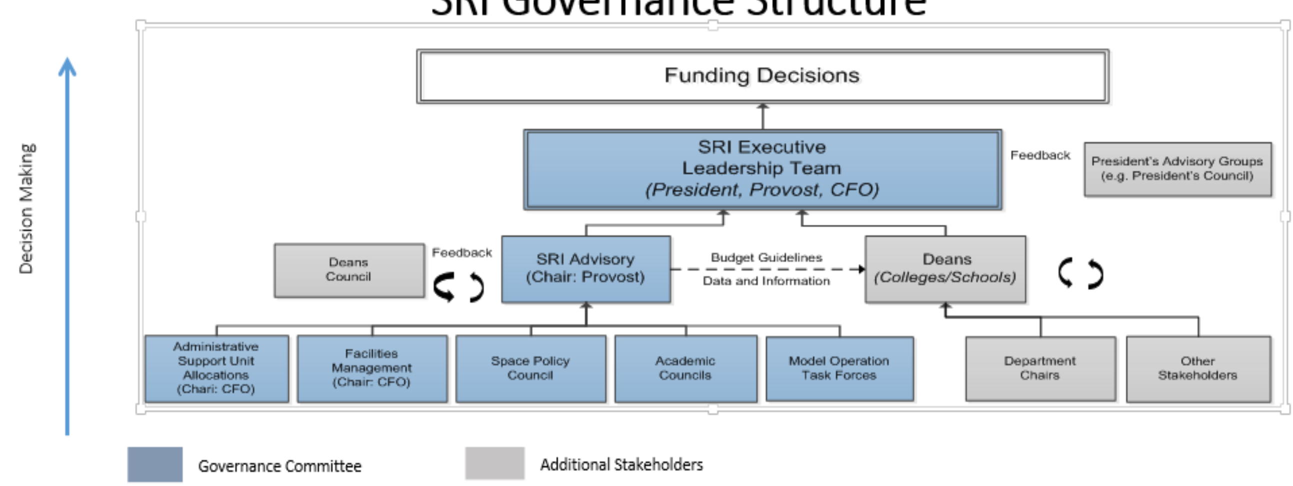
In 2013, the University of Memphis transitioned away from an incremental budget model to a hybrid Responsibility Centered Management (RCM) budget model with the following goals and principals.

- Enhance transparency regarding both revenues and the costs of operating our institution
- Support strong academic governance that promotes collaboration across units and builds on the strengths of the University.
- Present a complete view of the University budget that provides a clear connection between performance and incentives
- Empower college decision-making authority to promote academic excellence and institutional efficiency that is balanced by responsibility and accountability.
- Ensure the sustained strength of the University by aligning resources with University priorities to support academic excellence

The University refers to the UofM budget model as the Strategic Resource Investment (SRI) budget model. This process has been designed to support our academic priorities while creating a clear connection between performance and incentives. Academic units have become more involved in resource allocation discussions enabled by the additional transparency inherent in this approach. Efforts related to student success, recruitment and retention as well as the development of new programs have all emerged through this budgeting process.

During the SRI budget development process, colleges, schools, and other major budget units make budgetary requests based on institutional and unit priorities. Divisions present administrative, facility and college budget presentations in the spring. Established teams review and consolidate budget requests and make funding recommendations to the executive leadership team comprised of the President, Provost, and Vice President for Business and Finance. The Leadership Team makes budget decisions that are aligned to advance the University's strategic initiatives and plan. The Division of Business and Finance compiles the proposed consolidated budget that is submitted to the Board for review and approval at the final Board meeting of the fiscal year. Funding allocation decisions are also made throughout the year, incorporated into the Revised and Estimated budgets, and presented to the Board for approval.

SRI Governance Structure



Academic leadership (Provost and Deans) and stakeholders from across campus have collaborated on a multi-year project to develop and continually refine the SRI model to provide a valuable budgeting resource tool. As we have gained experience with how best to use the information produced in the SRI model, we understand that the UofM SRI model is just one piece of our planning and decision making process, which must be placed within the context of the academic mission and strategic priorities.

FY2017-18 Proposed Budget

and

FY2016-17 Estimated Budget

Executive Summary

The ***Proposed Budget*** is prepared in the spring for implementation each fiscal year on July 1. This budget is based on the level of state funds recommended in the Governor's proposed budget, as well as early estimates of factors such as enrollment projections, proposed tuition increases and research activities. This budget is considered the University's base (recurring) budget and is a balanced budget (revenues = expenditures). The ***Proposed Budget*** is submitted to the Board for approval prior to the start of the subsequent fiscal year.

The FY18 Proposed budget was developed with the following assumptions:

- State Appropriations as recommended in the Governor's Budget
- 2.5% tuition increase (proposed tuition increase of 2.6% will be reflected in revised budget if approved)
- Flat enrollment based on FY2017 enrollment levels
- Athletic support limit of $8,425,800 (equivalent to prior year approved TBR limit)
- 3% salary increase
- 5% Residence Life rate increase

The University of Memphis FY 2018 proposed budget revenues total $499.1 million. This total reflects revenue increases of $19 M from the FY2017 proposed budget.

Total Revenues by Fund Type

Proposed Budget Revenues (Millions)	2017	2018	Change
Educational & General (E&G) *	$347.2	$362.2	$15.0
Auxiliary Units	$24.3	$26.5	$2.2
Total FY18 Proposed Unrestricted Budget	$371.5	$388.7	$17.2
Restricted (Gifts, Grants & Contracts)	$108.6	$110.4	$1.8
Total Proposed Unrestricted & Restricted Budget	$480.10	$499.1	$19.0

* E&G revenues include Athletics

Restricted Budget includes $68M in Financial Aid (primarily Hope & Pell)

Unrestricted E&G Revenues

Unrestricted Education and General funds (E&G) support the core operations of the university: instruction, research, public service, academic support, student services, institutional support, facilities operations, maintenance, scholarships, and fellowships. These operations are funded primarily through tuition and student fees, state appropriations, and other sources including gifts, grants and contracts, sales and services, and other miscellaneous revenues.

The E&G revenue increase is a result of:

$3.8M Tuition rate increase
$4.5M Enrollment increase from Fall 2016 (expected to be sustained)
$6.7M State appropriation increase

Following is a detail of the FY2018 state appropriation allocation for the University of Memphis:

FY2018 State Appropriations

FY2018 Recurring State Appropriations		
State Appropriation - Operating Increase		2,731,700
State share - 3% Salary Pool		3,509,700
Funding for Health Insurance Increases		1,157,500
Outcomes Formula Adjustment		(736,800)
Total Net Recurring State Appropriation Changes	**$**	**6,662,100**
FY18 Commitments		
State share 3% Salary Pool		(3,509,700)
Health Insurance cost increases		(1,157,500)
Total Discretionary Appropriations after commitments	**$**	**1,994,900**
Capital Maintenance - One Time State Appropriations		
Roof Replacements		3,500,000
Academic Buildings HVAC Updates		10,500,000
Total One Time State Appropriations	**$**	**14,000,000**
Capital Outlay		
Funding for the Music building ($29M State & $15M Other)	**$**	**44,000,000**

The proposed expenditure budget reflects E & G revenue growth as follows:

- $5.4M 3% Salary Pool was prorated across functions based on salary distribution
- $1.1M Health Insurance increase was prorated across functions based on salary distribution
- $4.5M Revenue fluctuation contingency
- $1.0M Scholarship and waiver increase associated with tuition increase
- $3.0M Strategic investment funds primarily budgeted in Instruction until allocation decisions finalized

Regarding strategic investment funds, the University community participated in a robust budget development process in the spring in order to identify critical needs and investment opportunities to further the University's mission. The governance structure of the new Strategic Resource Investment (SRI) budget model ensured university wide collaboration, transparency and alignment of resources with strategic initiatives and priorities. The SRI governance teams submitted to the Leadership Team, prioritized requests generated from the administrative and facility areas, while the colleges presented investment opportunities directly to the SRI Leadership team. At this point, no allocation decisions have been made regarding the investment of funds.

Auxiliaries & Restricted

Auxiliaries are self-supporting enterprises, which furnish services to students, faculty, and staff such as housing, bookstore, parking and food services. The auxiliary budget reflects anticipated housing occupancy and rate increases.

Restricted funds must be used in accordance with purposes established by an external party, primarily grants, contracts, gift funds and endowments. The restricted budget increase is related to anticipated grant, contract, and federal financial aid activity.

Estimated (Final) Budget

The final budget submitted for each fiscal year is the ***Estimated Budget.*** This budget includes carryforward balances from prior years that represents available resources at the departmental level. Although these funds are available, we do not anticipate that all resources will be spent in the current fiscal year. The Estimated budget also includes final adjustments to the current year budget and is the budget against which final year-end actual amounts are compared. It is prepared, submitted, and considered by the Board at the same time as the ***Proposed Budget*** for the upcoming fiscal year.

The FY2017 estimated operating budget reflects changes that have occurred since the revised budget in the fall. Estimated total revenues are $492.1 M, a 1.5% increase over the revised budget and the distribution of the current year increase is:

$2.9M Unrestricted Educational and General
$ -71k Unrestricted Auxiliary
$4.6M Restricted

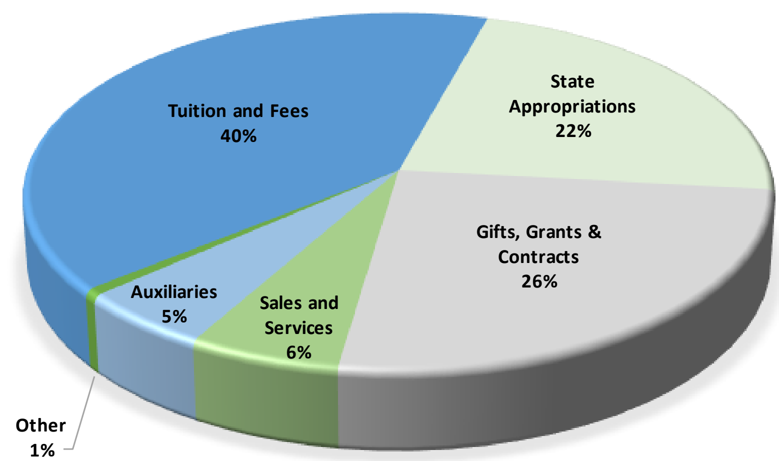
Educational and General (E&G) revenue increase is primarily a result of increased activities in Conference & Institutes, Campus Internship Programs, International Exchange Programs, UMFoundation Support to campus departments and an increase in Athletic revenue for the Football Bowl game which was budgeted in the latter half of the year. Auxiliaries had a slight decline in parking revenue and the change to restricted revenues was from increased Hope and Pell scholarship revenue and increased Grants/Restricted activity based on year to date actuals.

Proposed 2017-18 Operating Budget

University of Memphis
Comparison FY2017 and FY2018 Proposed Revenue Budget

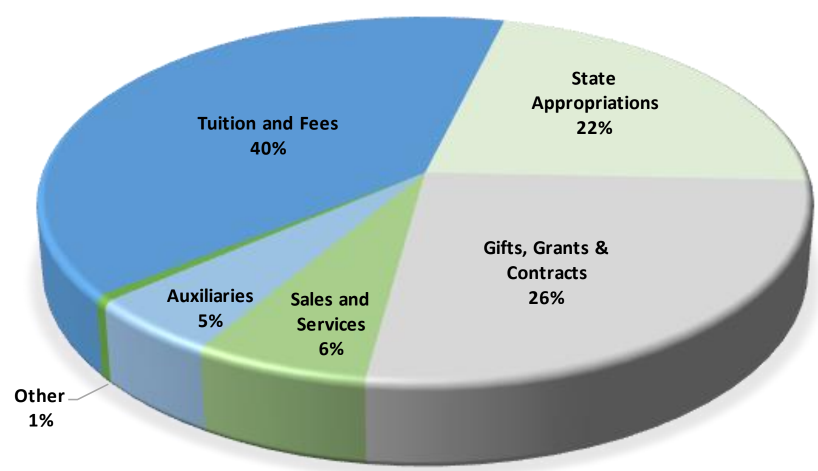
FY 2018 Proposed Unrestricted and Restricted **Revenue**

University of Memphis FY2017-18 Proposed Revenue Budget Unrestricted and Restricted (In Millions)	
Tuition and Fees	$ 200.3
State Appropriations	111.9
Gifts, Grants & Contracts	127.8
Sales and Services	29.6
Auxiliaries	26.5
Other	3.0
Total Revenue	$ 499.1



FY 2017 Proposed Unrestricted and Restricted **Revenue**

University of Memphis FY2016-17 Proposed Revenue Budget Unrestricted & Restricted (in Millions)	
Tuition and Fees	$ 190.3
State Appropriations	105.0
Gifts, Grants & Contracts	127.1
Sales and Services	30.8
Auxiliaries	24.3
Other	2.6
Total Revenue	$ 480.1

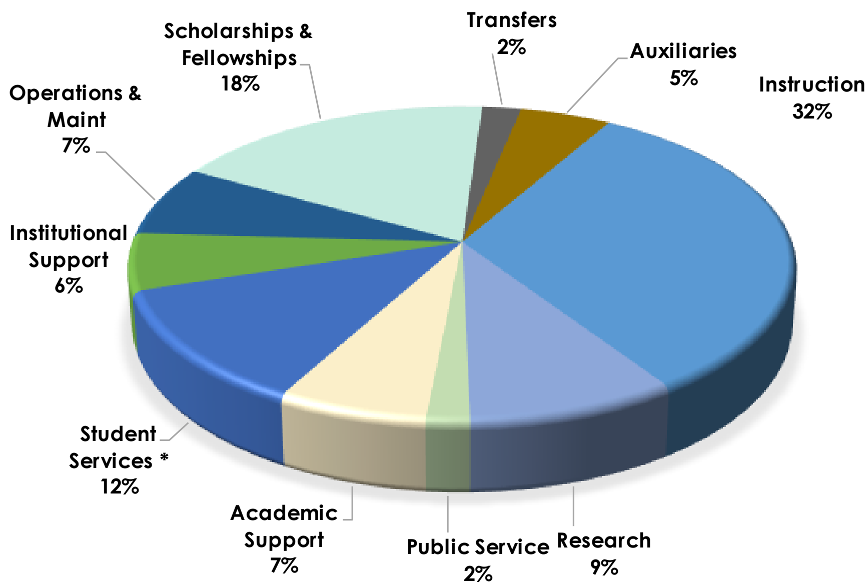


University of Memphis
Comparison FY2017 and FY2018 Proposed Expense Budget

FY 2018 Proposed Unrestricted and Restricted **Expenses**

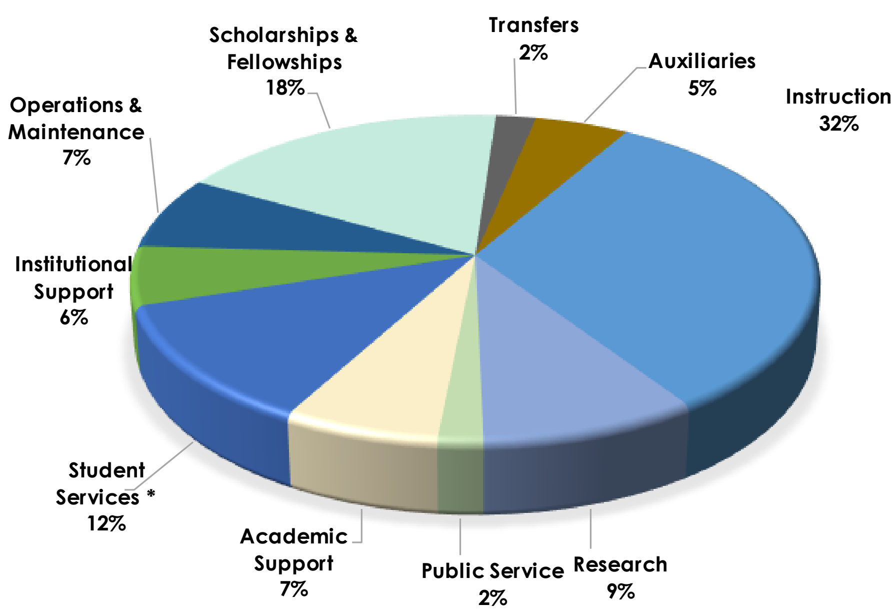
University of Memphis FY2017-18 Proposed Expense Budget Unrestricted and Restricted (In Millions)	
Instruction	$ 166.2
Research	44.2
Public Service	11.1
Academic Support	31.4
Student Services	58.1
Institutional Support	29.1
Operations & Maint	35.9
Scholarships & Fellowships	86.6
Transfers	19.5
Auxiliaries	17.0
Total Expense	$ 499.1

* Athletics is included in Student Services function



FY 2017 Proposed Unrestricted and Restricted **Expenses**

University of Memphis FY2016-17 Proposed Expense Budget Unrestricted & Restricted (in Millions)	
Instruction	$ 155.0
Research	43.4
Public Service	9.0
Academic Support	31.3
Student Services	57.7
Institutional Support	28.1
Operations & Maint	34.6
Scholarships & Fellowships	86.3
Transfers	10.4
Auxiliaries	24.3
Total Expense	$ 480.1



* Athletics is included in Student Services function

University of Memphis
FY17 & FY18 Revenue and Expenditures Proposed Budget

	Proposed FY2017	Proposed FY2018	Change Amount	Change %
Revenues				
Educational & General				
Tuition and Fees	$ 190,286,200	$ 200,285,800	$ 9,999,600	5.3%
State Appropriations	102,249,100	109,037,700	6,788,600	6.6%
Unrestricted Grants and Contracts	23,541,500	22,978,600	(562,900)	-2.4%
Sales and Services	30,815,700	29,621,600	(1,194,100)	-3.9%
Other	284,000	284,000	-	0.0%
Total Educational & General	$ 347,176,500	$ 362,207,700	$ 15,031,200	4.3%
Auxiliary	$ 24,292,800	$ 26,496,500	$ 2,203,700	9.1%
Restricted	108,598,800	110,423,200	1,824,400	1.7%
Total Revenues	$ 480,068,100	$ 499,127,400	$ 19,059,300	4.0%
Expenditures and Transfers				
Educational & General				
Instruction	$ 149,506,600	$ 161,434,400	$ 11,927,800	8.0%
Research	13,401,200	13,787,000	385,800	2.9%
Public Service	5,665,400	6,051,600	386,200	6.8%
Academic Support	30,959,500	30,972,800	13,300	0.0%
Student Services	56,996,900	57,136,200	139,300	0.2%
Institutional Support	27,984,000	29,041,500	1,057,500	3.8%
Operation & Maintenance	34,564,300	35,937,300	1,373,000	4.0%
Scholarships and Fellowships	17,686,800	17,873,400	186,600	1.1%
Transfers	10,411,800	9,973,500	(438,300)	-4.2%
Total Educational & General	$ 347,176,500	$ 362,207,700	$ 15,031,200	4.3%
Auxiliary	$ 24,292,800	$ 26,496,500	$ 2,203,700	9.1%
Restricted	108,598,800	110,423,200	1,824,400	1.7%
Total Expenditures and Transfers	$ 480,068,100	$ 499,127,400	$ 19,059,300	4.0%

University of Memphis
Recap of Proposed Revenue & Expenditure Changes

Revenue Change from FY17 Proposed to FY18 Proposed Budget

Tuition and Fees	9,999,600	FY18 2.5% tuition increase, FY17 enrollment increase, component of the FY17 tuition increase not in previous proposed budget, and increase in online fee revenues
State Appropriations	6,788,600	State Appropriation Increase for operations, 3% salary pool & health insurance increases
Unrestricted Grants and Contracts	(562,900)	Reduction in unrestricted contract activity & Indirect Cost Recovery revenue decline
Sales and Services	(1,194,100)	Decline in athletic ticket sales, Conference Event Services revenues and Speech & Hearing Clinic revenue
Auxiliary	2,203,700	Student housing proposed fee increases, meal plans & occupancy Increase
Restricted Grants and Contracts	1,824,400	3% salary pool, associated benefits and anticipated increase in Grants/Restricted Activity
Total Revenue Change	$ 19,059,300	

Expenditure Change from FY17 Proposed to FY18 Proposed Budget

Instruction	11,927,800	Distribution of the 3% Salary Pool & benefit increases, FY17 allocations for Instruction, expenses funded from college online fee revenues, revenue contingency, and unallocated strategic investment funds from the Tuition increase & State Appropriations yet to be allocated
Research	385,800	Distribution of the 3% Salary Pool & benefit increases and computer allocation realignment
Public Service	386,200	Distribution of the 3% Salary Pool & benefit increases, computer allocation realignment, and reduction in Speech and Hearing operating budget
Academic Support	13,300	Net of the distribution of the 3% Salary Pool & benefit increases, computer allocation alignment, decrease in operating due to departmental revenue declines and budget reallocations to Instruction
Student Services	139,300	Net impact of the distribution of the 3% Salary Pool & benefit increases, computer allocation realignment, and reduced Athletics operating budget
Institutional Support	1,057,500	Distribution of the 3% Salary Pool & benefit increases, budget allocations for technology, enterprise software costs and operations cost increases (New Parent program and background checks), computer allocation realignment, and contingency for anticipated technology infrastructure costs in FY18
Operation & Maintenance	1,373,000	Distribution of the 3% Salary Pool & benefit increases, budget allocations for additional Police Officers, Fire Safety Compliance requirement and contingency for anticipated infrastructure needs
Scholarships and Fellowships	186,600	Net of contingency for associated scholarship increases due to proposed tuition increase and reallocation of state waiver funds
Transfers	(438,300)	Change in reporting to reflect Auxiliary support for ITS & Student Affairs and slight decrease in Debt Service fee revenue
Auxiliary	2,203,700	Student housing fee increases, meal plans & occupancy Increases
Restricted Grants and Contracts	1,824,400	3% salary pool and benefits and anticipated increase in grants/restricted activity
Total Expenditure Change	19,059,300	

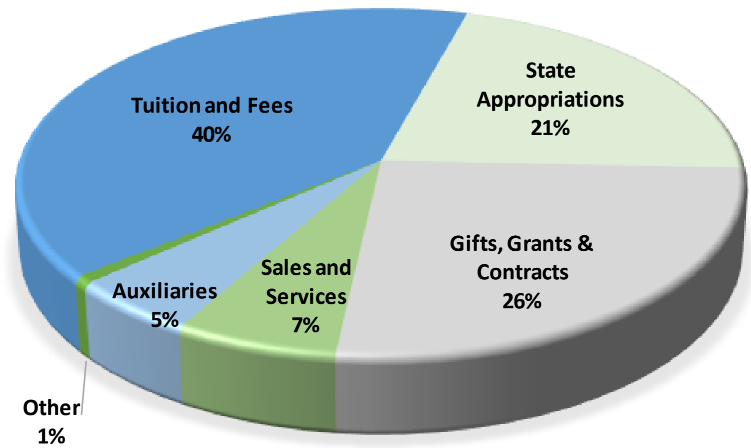
Estimated (Final)
2016-17
Operating Budget

University of Memphis

Comparison FY2017 Revised & FY2017 Estimated Revenue Budget

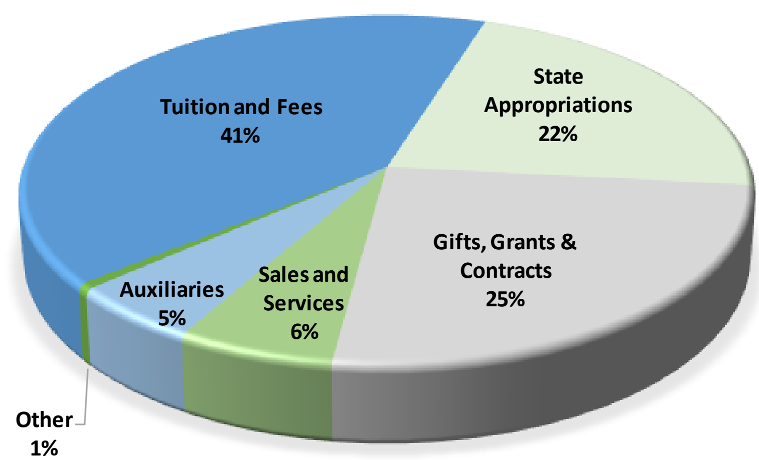
FY 2017 Estimated Unrestricted and Restricted **Revenues**

University of Memphis FY2016-17 Estimated Revenue Budget Unrestricted and Restricted (In Millions)	
Tuition and Fees	$ 197.6
State Appropriations	105.2
Gifts, Grants & Contracts	128.4
Sales and Services	32.0
Auxiliaries	25.7
Other	3.3
Total Revenue	$ 492.2



FY 2017 Revised Unrestricted and Restricted **Revenues**

University of Memphis FY2016-17 Revised Revenue Budget Unrestricted and Restricted (In Millions)	
Tuition and Fees	$ 197.6
State Appropriations	105.2
Gifts, Grants & Contracts	123.5
Sales and Services	30.2
Auxiliaries	25.7
Other	2.5
Total Revenue	$ 484.7



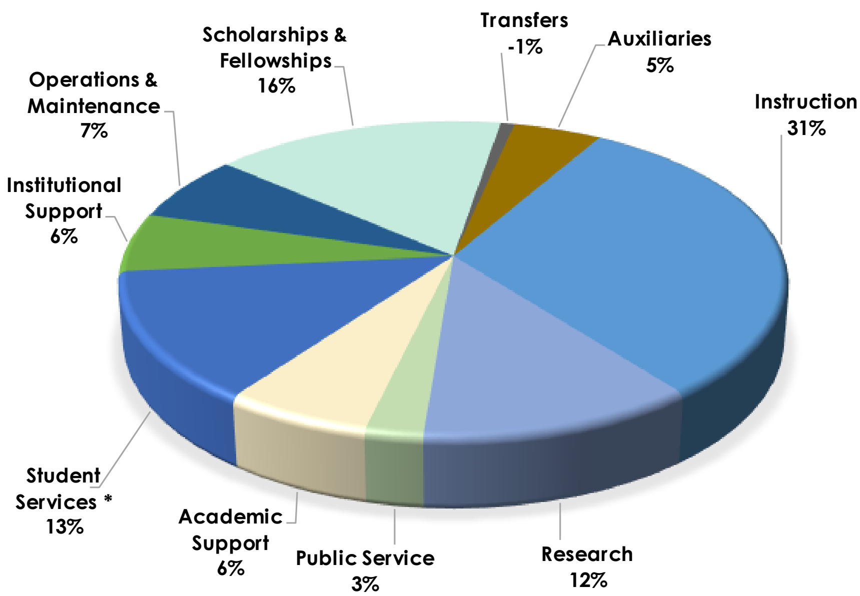
University of Memphis
Comparison FY2017 Revised & FY2017 Estimated Expense Budget

University of Memphis
FY2016-17 Estimated Expense Budget
Unrestricted & Restricted
(in Millions)

Instruction	$ 162.3
Research	61.5
Public Service	13.0
Academic Support	32.9
Student Services	69.8
Institutional Support	31.5
Operations & Maint	35.7
Scholarships & Fellowships	85.0
Transfers	(4.1)
Auxiliaries	25.7
Total Expense	$ 513.3

* Athletics is included in Student Services function

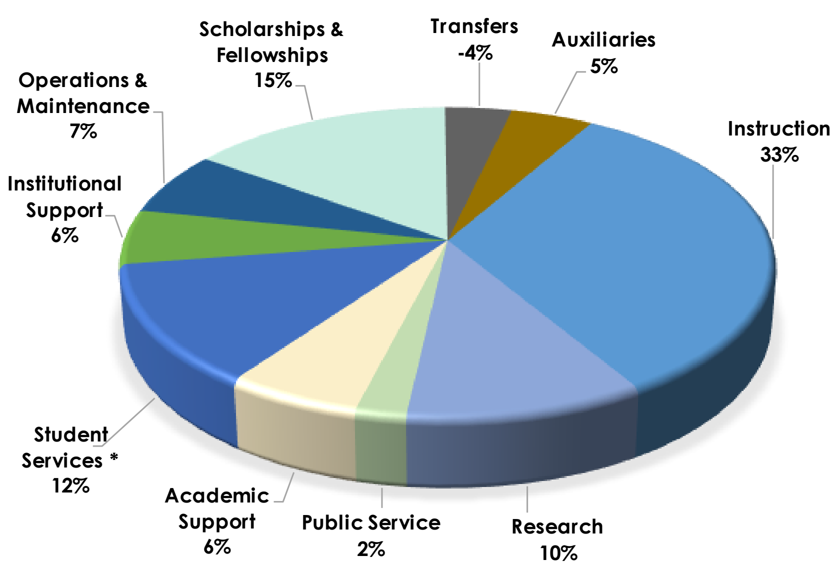
FY 2017 Estimated Unrestricted and Restricted **Expenses**



University of Memphis
FY2016-17 Revised Expense Budget
Unrestricted & Restricted
(in Millions)

Instruction	$ 180.9
Research	57.3
Public Service	12.3
Academic Support	32.5
Student Services	69.1
Institutional Support	31.2
Operations & Maint	36.3
Scholarships & Fellowships	82.3
Transfers	(20.8)
Auxiliaries	25.7
Total Expense	$ 506.8

FY 2017 Revised Unrestricted and Restricted **Expenses**



* Athletics is included in Student Services function

University of Memphis
Revenue and Expenditures Revised FY17 to Estimated FY17 Budget

	Revised FY2017	Estimated FY2017	Variance Amount	Variance %
Revenues				
Educational & General				
Tuition and Fees	$ 197,600,550	$ 197,594,650	$ (5,900)	0.0%
State Appropriations	102,422,500	102,422,500	-	0.0%
Unrestricted Grants and Contracts	23,038,211	23,812,078	773,867	3.4%
Sales and Services	30,201,765	32,019,863	1,818,098	6.0%
Other	284,000	584,000	300,000	105.6%
Total Educational & General	$ 353,547,026	$ 356,433,091	$ 2,886,065	0.8%
Auxiliary	$ 25,728,200	$ 25,657,000	$ (71,200)	-0.3%
Restricted	105,456,600	110,091,700	4,635,100	4.4%
Total Revenues	$ 484,731,826	$ 492,181,791	$ 7,449,965	1.5%
Expenditures and Transfers				
Educational & General				
Instruction	$ 176,393,400	$ 157,525,200	$ (18,868,200)	-10.7%
Research	27,696,300	31,111,000	3,414,700	12.3%
Public Service	7,318,500	7,933,500	615,000	8.4%
Academic Support	32,064,100	32,434,900	370,800	1.2%
Student Services	68,185,100	68,813,300	628,200	0.9%
Institutional Support	31,151,400	31,426,800	275,400	0.9%
Operation & Maintenance	36,348,600	35,738,200	(610,400)	-1.7%
Scholarships and Fellowships	17,257,000	16,624,800	(632,200)	-3.7%
Transfers	(20,774,777)	(4,078,385)	16,696,392	-80.4%
Total Educational & General	$ 375,639,623	$ 377,529,315	$ 1,889,692	0.5%
Auxiliary	$ 25,728,200	$ 25,657,000	$ (71,200)	-0.3%
Restricted	105,456,600	110,091,700	4,635,100	4.4%
Total Expenditures and Transfers	$ 506,824,423	$ 513,278,015	$ 6,453,592	1.3%

Note: The Revised and Estimated budget include prior year carry forward balances

University of Memphis
Recap of Revised to Estimated Budget Revenue & Expenditure Changes

Revenue Change from FY17 Revised to FY17 Estimated Budget

Tuition and Fees	(5,900)	Net current year tuition and fee changes
Unrestricted Grants and Contracts	773,867	Residual balances on fixed fee awards and UMFoundation support to campus departments
Sales and Services	1,818,098	Increased activities in Conference & Institutes, Campus Internship Programs, International Exchange Programs budgeted in the later half of the year, and increase in Athletic revenue for football bowl game
Other	300,000	Increase in investment income
Auxiliary	(71,200)	Decrease in Parking revenue
Restricted Grants and Contracts	4,635,100	Increase in Hope & Pell scholarship revenue and estimated increase in grants/restricted activity based on year to date actuals
Total Revenue Change	**7,449,965**	

Expenditure Change from FY17 Revised to FY17 Estimated Budget

Instruction	(18,868,200)	Budget allocations distributed after the Revised budget and transfer of anticipated available year end central funds to non current Plant funds for future year strategic investments
Research	3,414,700	Budget allocations for research initiatives, budget shifts in faculty salary splits from instruction to research, one-time cost shares and startup commitments
Public Service	615,000	Budget redistributions after Revised Budget for Center of Excellence MD2k activities and UofM Hosting NCUR (National Conference Undergraduate Research)
Academic Support	370,800	Shift of Academic Affairs staff salary savings after the Revised Budget
Student Services	628,200	Contingency funds for Student Services function
Institutional Support	275,400	Budget allocations distributed after the Revised Budget: legal contingency, allowance for bad debts, and marketing funds for UM Global
Operation & Maintenance	(610,400)	Transfer utility savings to plant funds for Performance Contract Debt and Utility Fluctuation / Energy Conservation reserve
Scholarships and Fellowships	(632,200)	Adjusted Scholarships to projected award levels
Transfers	16,696,392	Transfer of anticipated available year end central funds to non current plant funds for future year strategic investments
Auxiliary	(71,200)	Decrease in Parking operating budget associated with revenue decrease
Restricted Grants and Contracts	4,635,100	Increase in Hope & Pell scholarship activity and estimated Increase in grants/restricted activity based on year to date actuals
Total Expenditure Change	**6,453,592**	

11. Facilities and Master Plan Overview and Capital Budget Request for FY 2019

For Approval

Presented by Tony Poteet

The University of Memphis Board of Trustees
Agenda Item

Date: June 6, 2017

Committee: **Governance and Finance Committee**

Item: **Capital Budget Request for 2018-2019**

Recommendation: Approval

Presented by: Tony Poteet, Assistant Vice President for Campus Planning and Design

Background:

Per Tennessee Higher Education Commission (THEC) Policy F4.0 Capital Projects: As the coordinating body for higher education in Tennessee, THEC engages with institutions and governing boards on capital investment through its role to develop and approve recommendations for capital outlay and maintenance funding. THEC identifies capital investment needs and determines priorities for those investments for consideration by the Governor and the General Assembly as part of the annual appropriations act. Categories of projects submitted to THEC in the annual Capital Budget Request are as follows:

> **Capital Outlay**: In accordance with funding request guidelines annually disseminated by THEC staff, the Commission receives a prioritized list of capital outlay projects from each governing board for evaluation and scoring into a single prioritized list for the state. These projects either provide new space or major renovations (or a combination of both), and respond to: state goals for education, strategic plans, space guidelines, facility assessments, program plans, business plans, and/or external funding.
>
> **Capital Maintenance**: THEC shall receive a prioritized list of capital maintenance projects from each governing board. THEC staff makes project recommendations to the Commission's Board in accordance with a capital maintenance formula. The formula may include, but not be limited to, the age, gross Education & General (E&G) square footage, usage, and conditions of institutions facilities. Individual projects should reduce deferred maintenance and protect the assets of the state.
>
> **Disclosed Projects**: The reporting of disclosed capital projects to THEC should be performed at least quarterly and shall include all projects to be initiated in the following quarter that will have total expenditures on capital improvements exceeding $100,000 or capital maintenance exceeding $500,000. Disclosed projects are those funded by campus funds, bonds, gifts or other non-appropriated sources.

Committee Recommendation:
The Governance and Finance Committee met June 6, 2017, and recommended approval of the Capital Budget Request for Fiscal Year 2018 – 2019 as submitted by staff and detailed in the meeting materials.

THE UNIVERSITY OF MEMPHIS | Board of Trustees

FACILITIES MASTER PLAN OVERVIEW

AND

APPROVAL OF FY2019 CAPITAL BUDGET REQUEST

Campus Facts | 2017	Number of Buildings	Square Footage	Replacement Cost	Average Age of Buildings	Acres	Maintained Acres
Main campus	99	5,139,882	$ 1,047,994,236	45	213	172
Park Avenue campus	62	735,718	140,237,956	55	146	134
Lambuth campus	25	477,436	95,860,220	64	49	44
Chucalissa	5	20,533	3,317,590	69	188	7
Meeman	9	22,767	14,383,774	50	640	17
Law School	1	196,747	39,349,400	132	3	1
Millington	5	254,309	34,886,880	39	39	26
Collierville	1	27,622	5,524,400	2	4	3
Biology Research reserve	0	-	-		362	-
Rental Property	64	126,014	22,170,780	76	15	15
Totals	**271**	**7,001,028**	**$ 1,403,725,236**	**59**	**1,659**	**419**

Putting Your Campus Building Age in Context

THE UNIVERSITY OF MEMPHIS

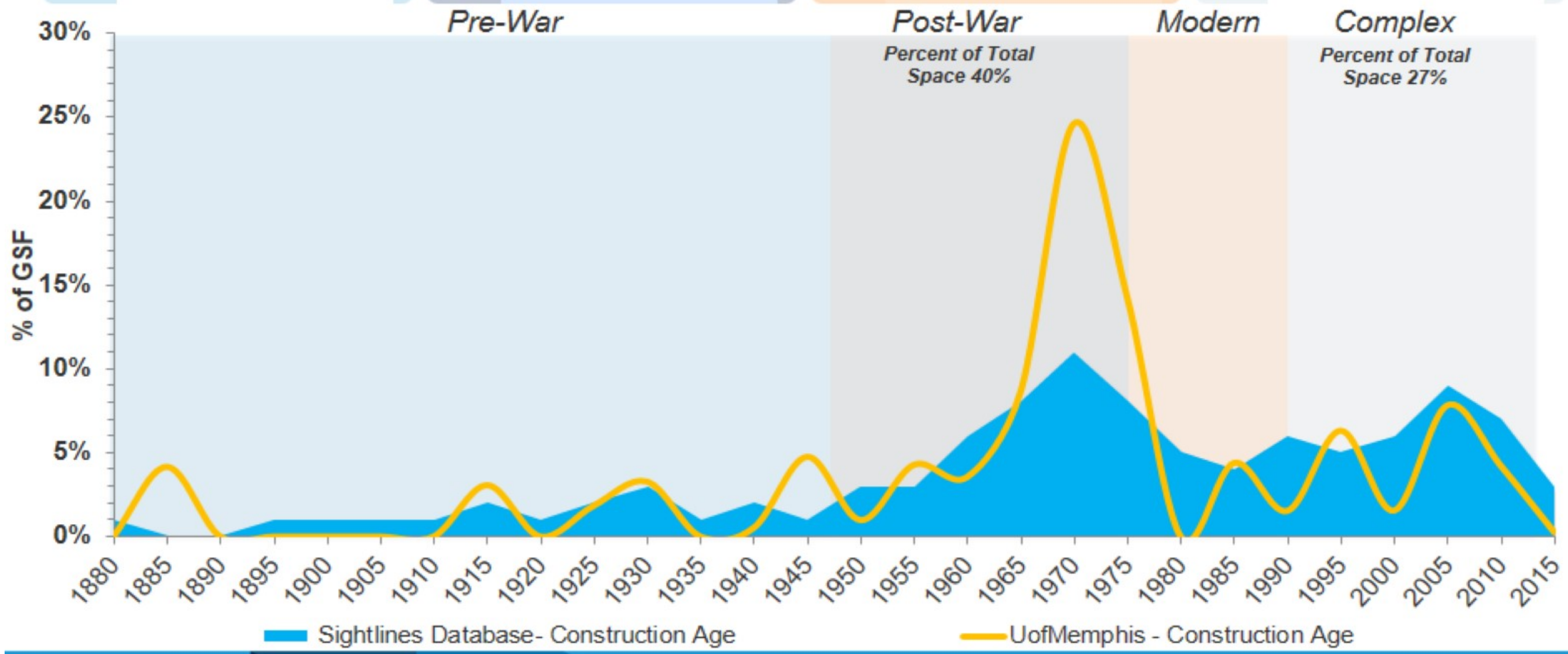
Majority of space built during the Post-War era at U of M

Pre-War
- Built before 1951
- Durable construction
- Older but typically lasts longer

Post-War
- Built from 1951 to 1975
- Lower-quality construction
- Already needing more repairs and renovations

Modern
- Built from 1976 to 1990
- Quick-flash construction
- Low-quality building components

Complex
- Built in 1991 and newer
- Technically complex spaces
- Higher-quality, more expensive to maintain & repair



sightlines

8

- Ten year guide for land use, investment, growth, utilization, circulation, phasing and major maintenance initiatives – approved in 2016

Strategic Directions

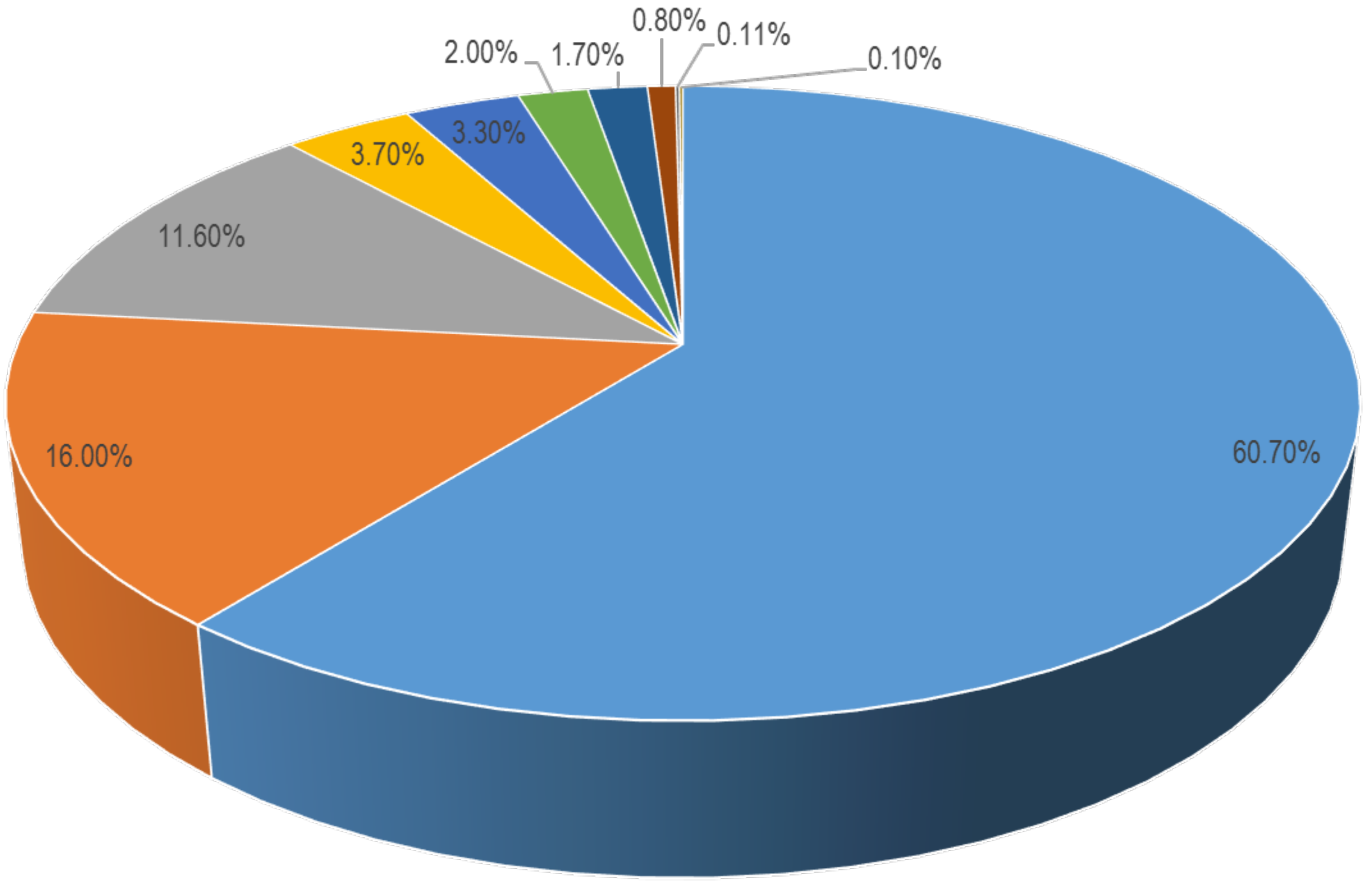
- Carnegie 1 Research Classification
- Deferred maintenance reduction for older buildings
- Neighborhood connectivity and student centered campus improvements

Funding & Implementation Opportunities / Categories

- Capital Outlay Projects – State Funds (10 to 25% local match)
- Capital Maintenance Projects – State Funds (no match required)
- Disclosure Projects – campus funds, bonds, gifts > $500,000
- Local projects – from student facility fees, recurring budget, plant funds

Facility Initiatives Program – Current Projects

1	Program accommodation	$148,085,000
2	Access / circulation / parking	$ 39,100,000
3	Elimination of deferred maintenance	$ 28,234,674
4	Protection of Assetts	$ 8,900,000
5	Code and safety upgrades	$ 8,000,000
6	Security and safety improvements	$ 4,835,000
7	Energy efficiency	$ 4,125,000
8	Sense of place and identity	$ 1,990,000
9	ADA accomodations	$ 263,000
10	Classroom Furnishings	$ 250,000
	Total	$243,782,674



MAJOR PROJECT TIMING

MAJOR FACILITY PROJECTS 2017

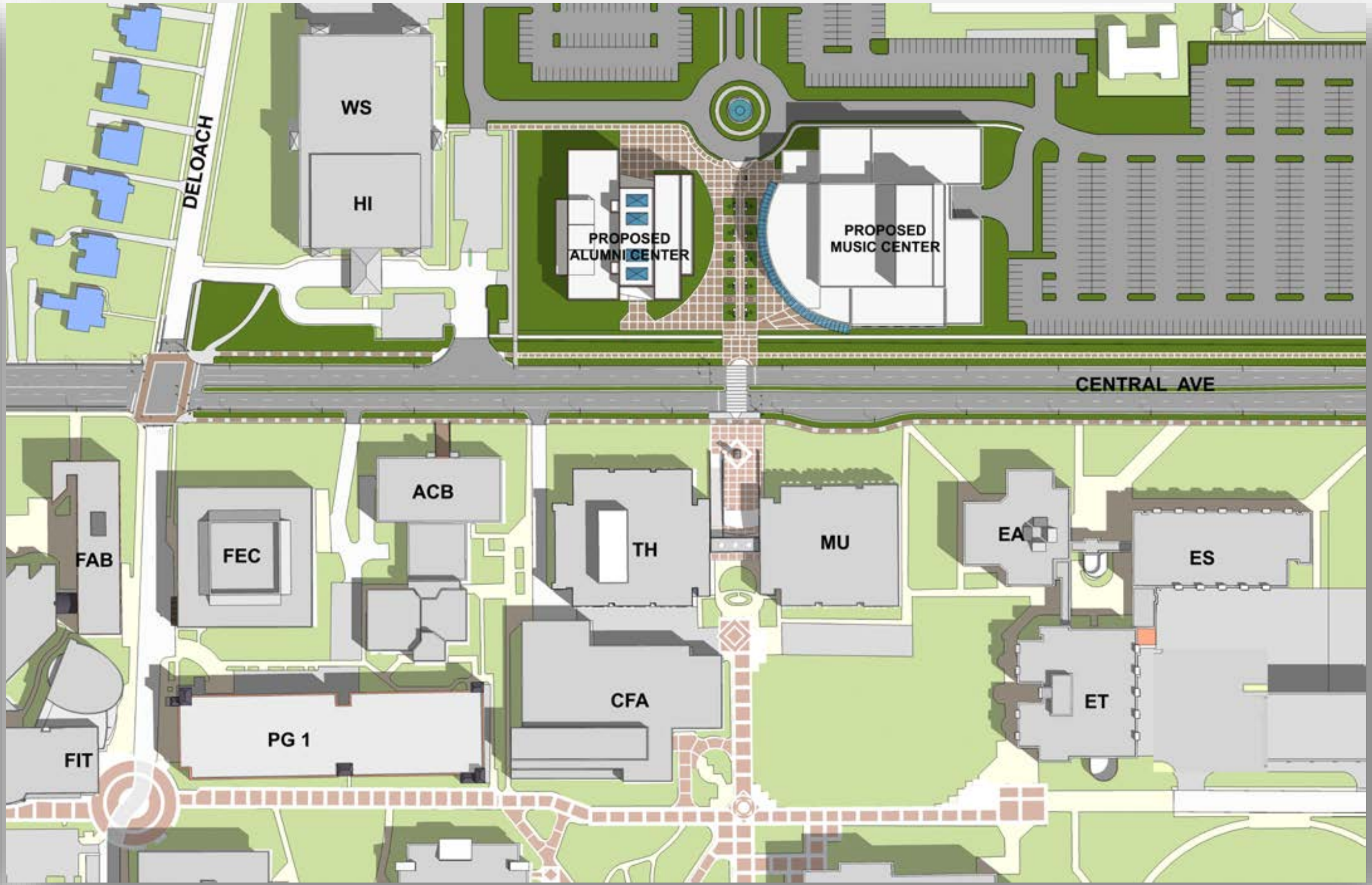
DESIGN | CONSTRUCTION

		2016	2017	2018	2019	2020
	**Healthy Living Center** $ 25,000,000 - $ 30,000,000 Student Nutrition and Fitness Needs				IN DESIGN	
	**Parking Garage / Land Bridge** $ 18,000,000 Bridge / $18,600,000 Garage Student, Faculty, Staff, Visitor Parking Campus Connection				IN DESIGN	
	**Basketball Practice Facility** $ 20,000,000 Men's Practice and Training Facilities on Park Ave Campus				IN CONSTRUCTION	
	**Football Practice Facility** $ 19,000,000 Covered Indoor 100- yard Turf Room and Player Support Areas				IN DESIGN	
	**Patterson Realignment** $ 2,400,000 ($ 500,000 UM) Safety and Identity - Improved Access				IN DESIGN	
	**New Music Center** $ 40,000,000 ($29,000,000 State / $11,000,000 Gifts) acility				Requesting Funding	

CURRENT PROJECTS

Capital Outlay: Music Facility $40 million, 95,000 square feet

Entry Facade



Site Plan

CURRENT PROJECTS

THE UNIVERSITY OF MEMPHIS | Board of Trustees

Bonds: Land Bridge, Parking Garage, Wellness Center

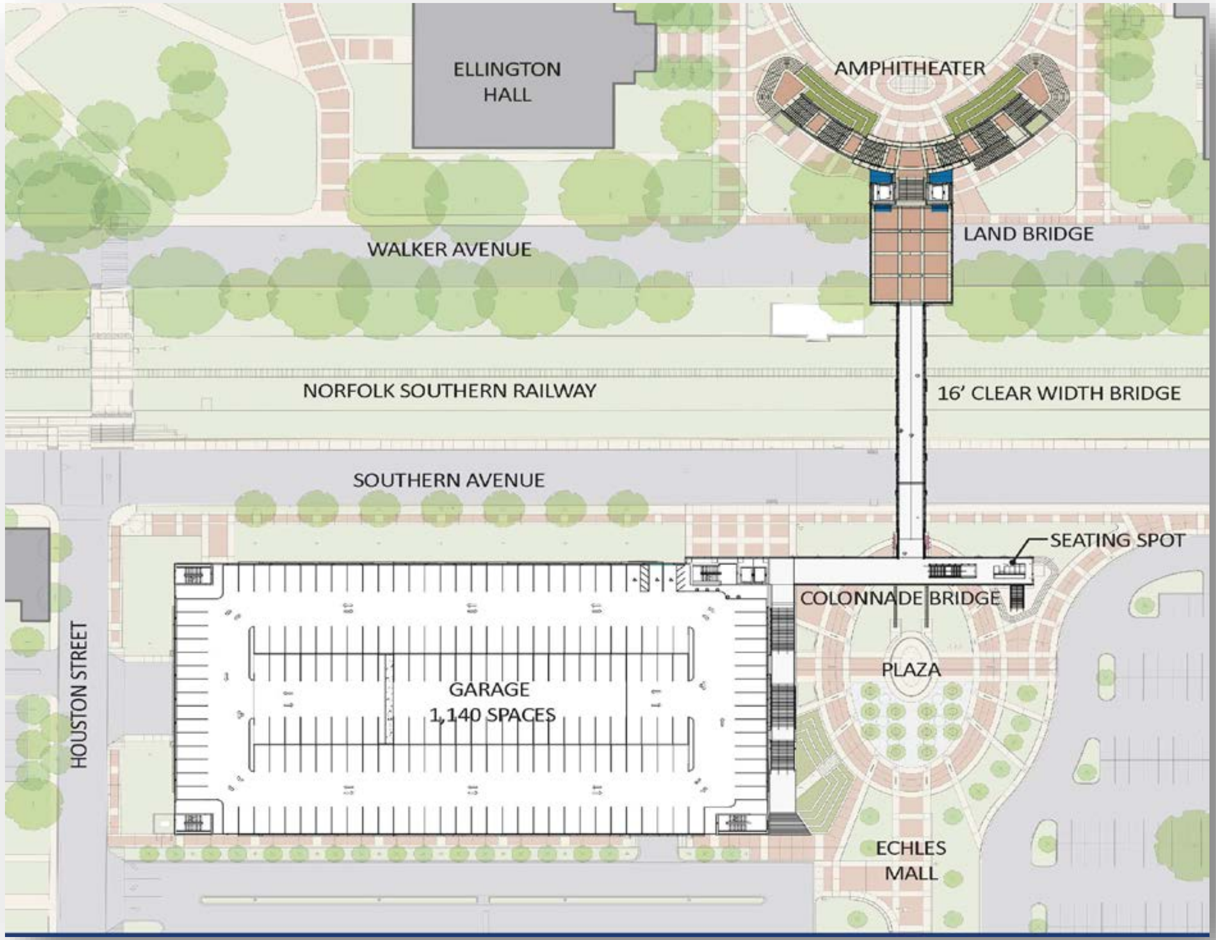
$18 million $18.6 million $25-30 million

Southern Avenue

CURRENT PROJECTS

THE UNIVERSITY OF MEMPHIS | Board of Trustees

Bonds: Land Bridge, Parking Garage, Wellness Center



Site Plan

Alumni Mall

CURRENT PROJECTS

THE UNIVERSITY OF MEMPHIS | Board of Trustees

Bonds: Land Bridge, Parking Garage, Wellness Center

Bridge Plaza

Southern Avenue

CURRENT PROJECTS

THE UNIVERSITY OF MEMPHIS | Board of Trustees

Gifts: Athletics

- Basketball Training Center $20m
- Football Training Center $19m
- Baseball addition $450,000

Grant: Patterson Avenue Realignment – 2.2m City Partnership

Before

After

CURRENT PROJECTS

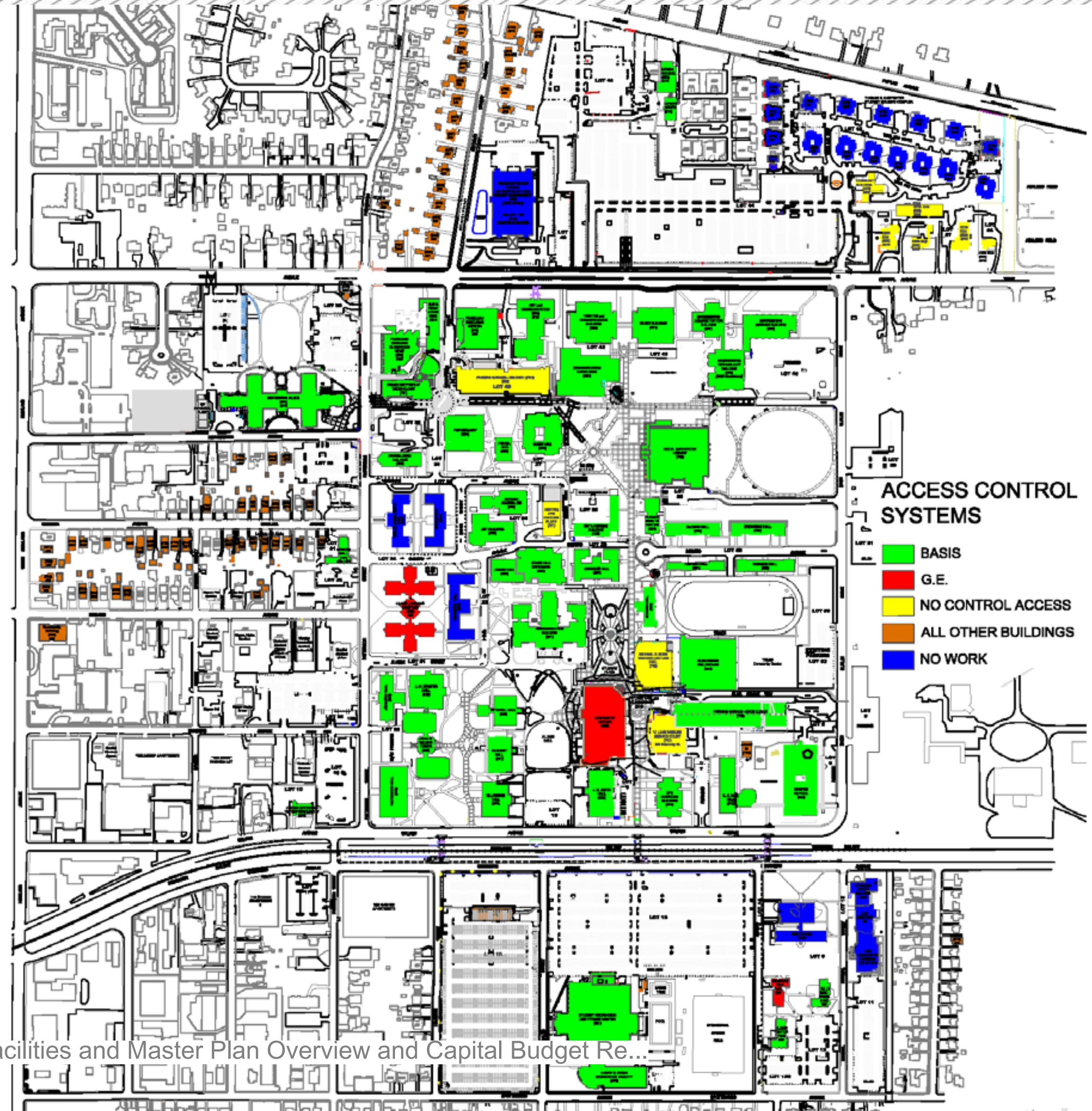
THE UNIVERSITY OF MEMPHIS | Board of Trustees

Capital Maintenance:

Door Access and Security Updates

$4,210,000

- ❖ 90% Complete



CURRENT PROJECTS

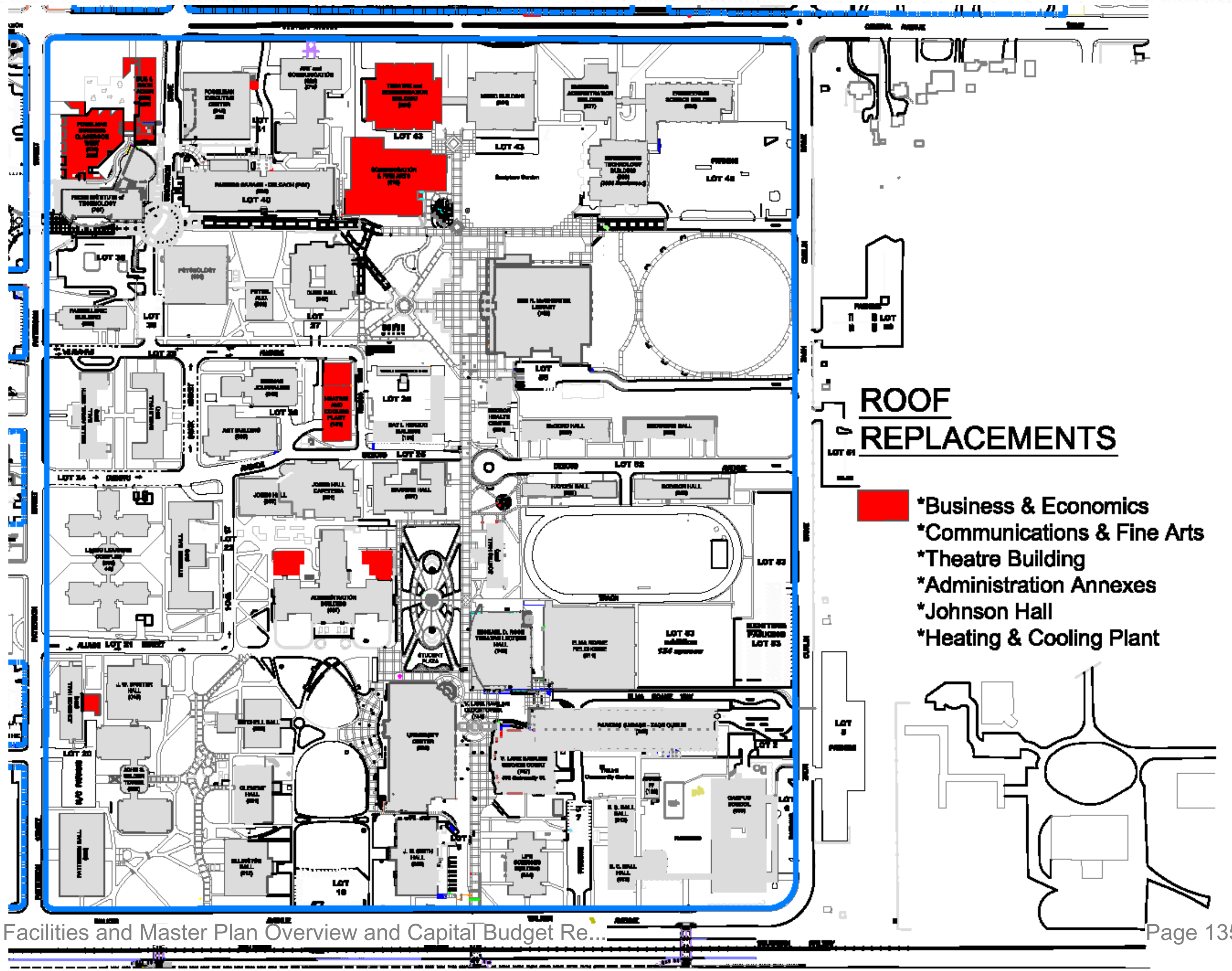
THE UNIVERSITY OF MEMPHIS | Board of Trustees

Capital Maintenance:

Roof Replacement

$4,500,000

- Designer selection process



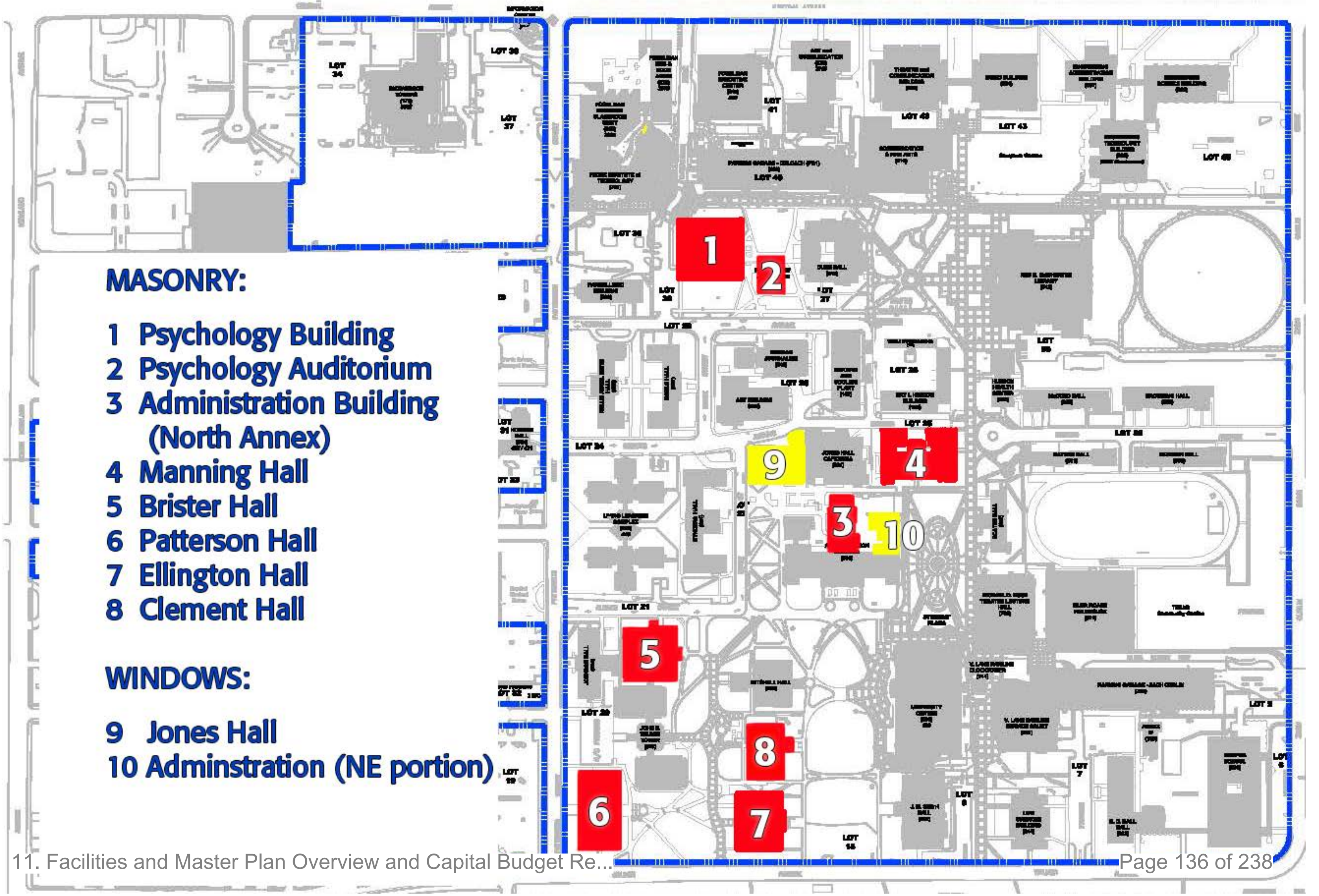
CURRENT PROJECTS

THE UNIVERSITY OF MEMPHIS | Board of Trustees

Capital Maintenance:

Building Envelope Repairs $3,000,000

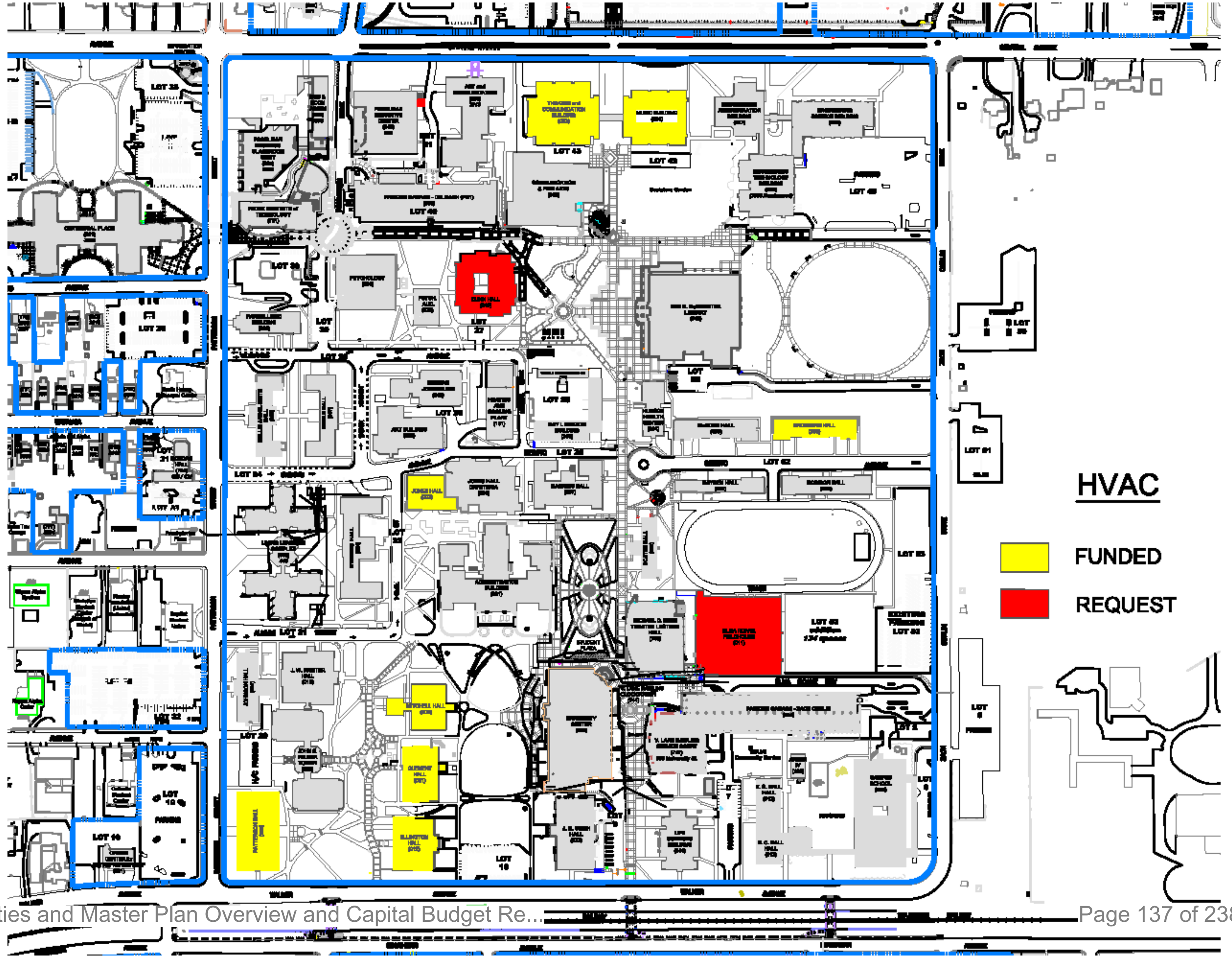
❖ Brick repairs and window replacements



Capital Maintenance:

HVAC $22 million

- Patterson - complete
- Music Building – in process
- Jones Hall
- Theater Building
- Browning Hall
- Mitchell Hall
- Clement Hall
- Ellington Hall
- Ball Hall
- Field House
- Dunn Hall
- Designer selection process



CURRENT PROJECTS

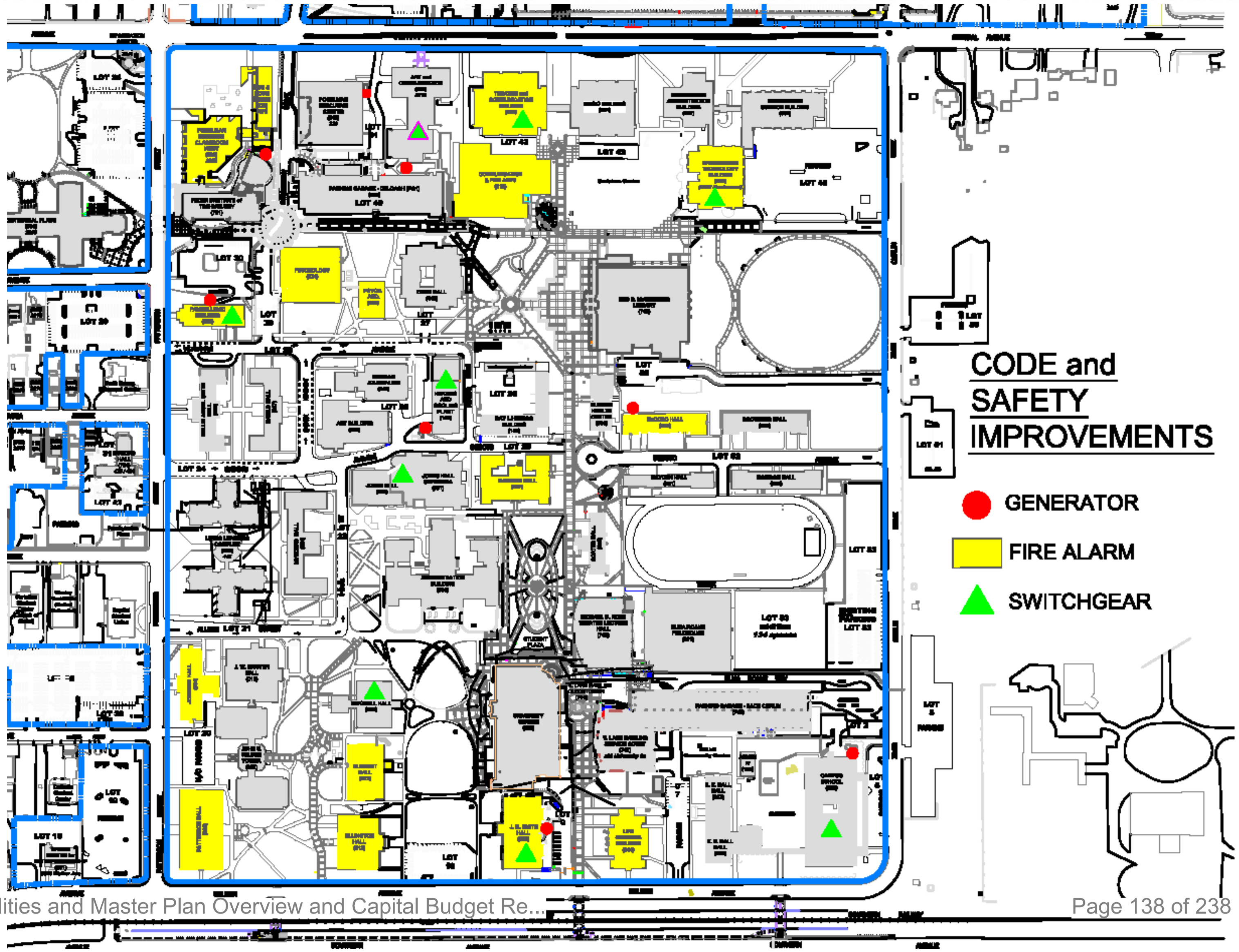
THE UNIVERSITY OF MEMPHIS | Board of Trustees

Capital Maintenance:

Code & Safety

$4 million

- in construction



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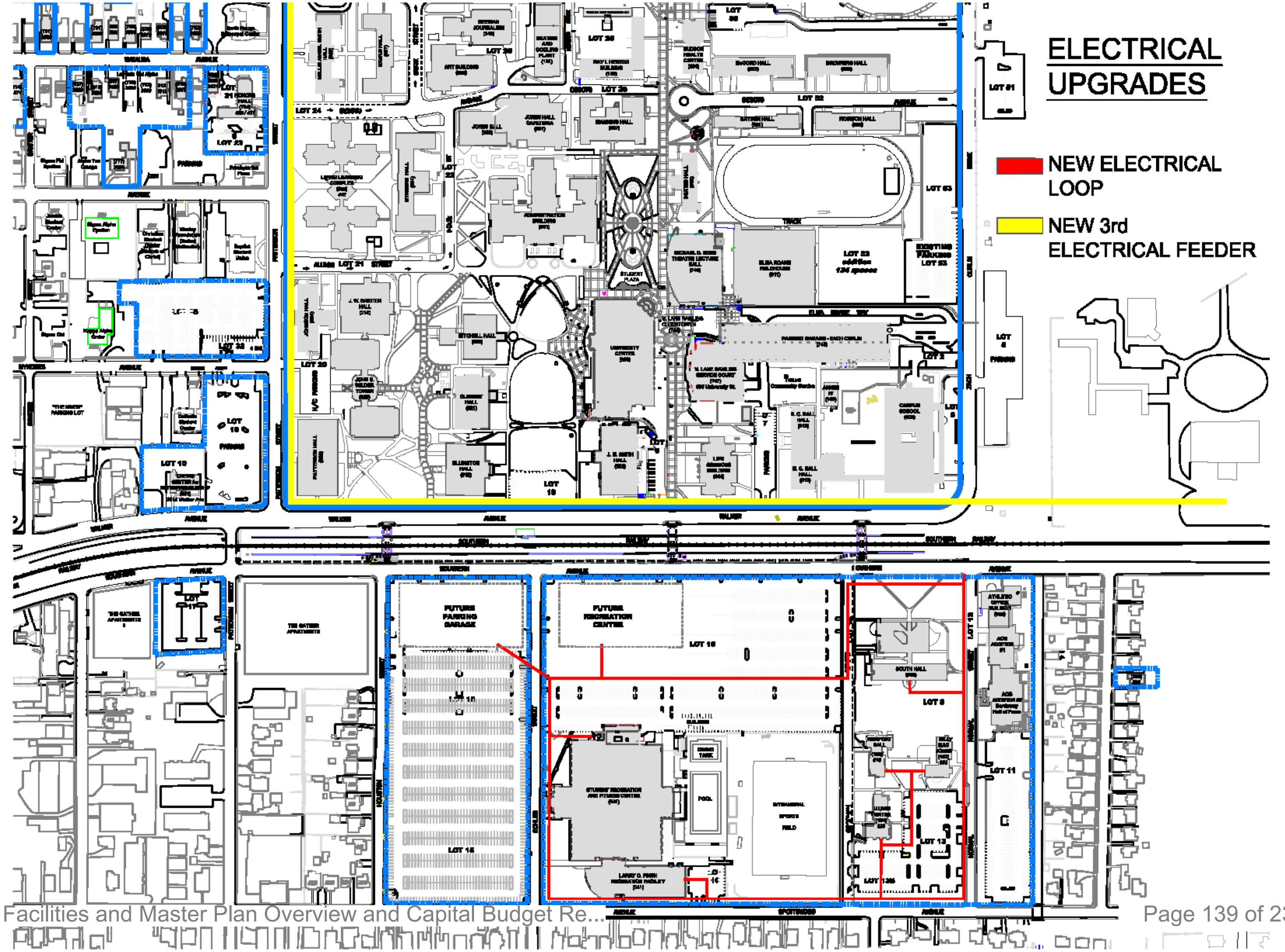
Capital Maintenance:

Electrical Feeders

$3,000,000

- in construction



CURRENT PROJECTS

THE UNIVERSITY OF MEMPHIS | Board of Trustees

Energy Conservation

• Submeters	$ 125,000
• LED exterior lighting	$1,875,000
• LED interior lighting – Admin / McWherter Library	$2,155,000
• McWherter Chiller replacement	$ 485,000
• Lambuth Wilder Chiller	$ 250,000
	$4,890,000

THE UNIVERSITY OF MEMPHIS | Board of Trustees

Other Current Projects

• Advanced Manufacturing Research Lab	$2,100,000
• Memorial Track resurfacing	$ 135,000
• Getwell Entry Gate	$ 185,000
• Student Housing Roof and Brick Repair	$1,400,000
• Lambuth Epworth Demolition	$ 250,000
• Defense Audit Building Restoration	$ 175,000
	$4,245,000

CURRENT PROJECTS

Local Projects (annual investments)

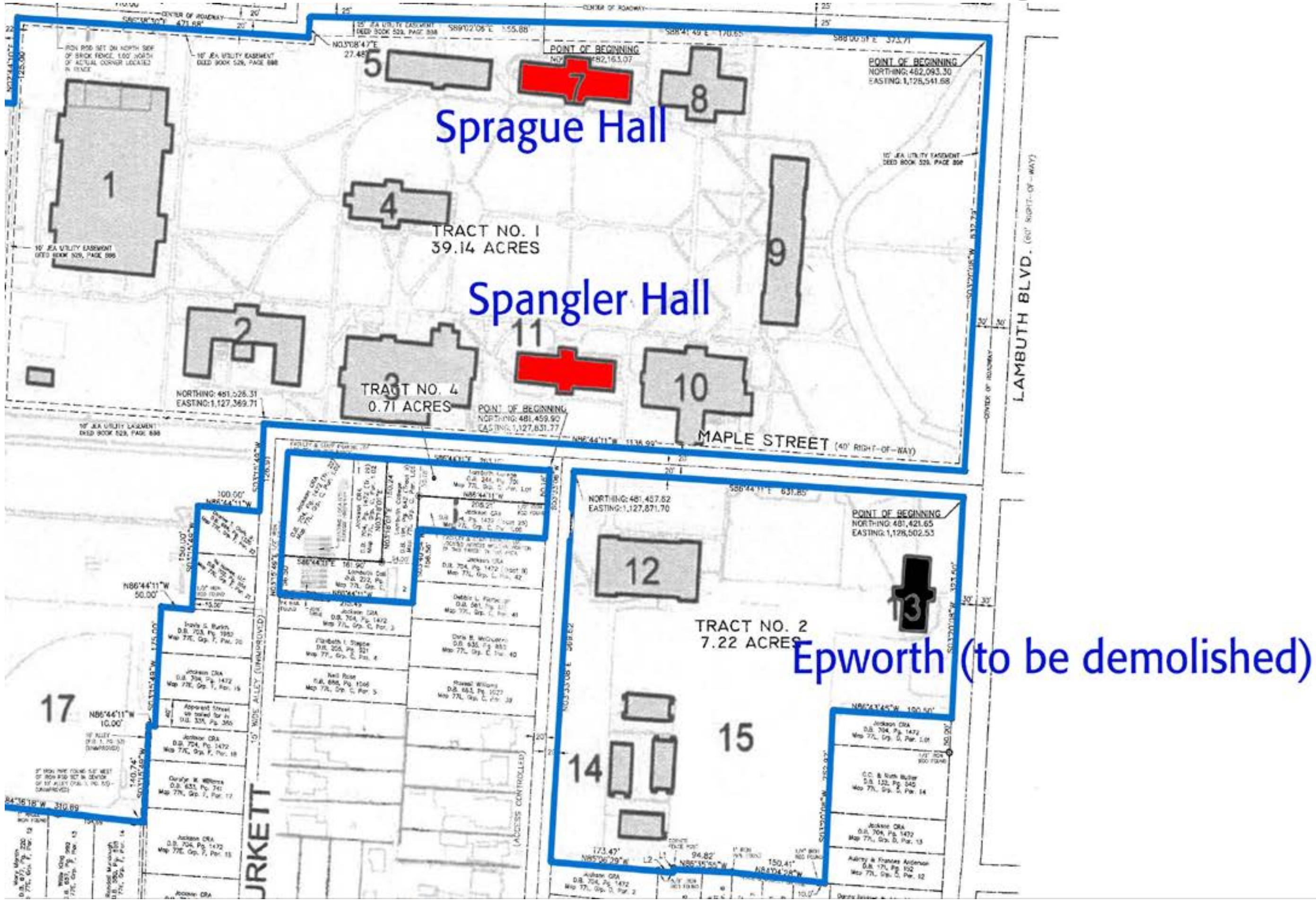
• Classroom improvements	$ 250,000
• University renovation projects	$ 515,000
• Facility Fees	$ 700,000
• Major maintenance and safety	$ 500,000
• Forced maintenance	$ 100,000
• Lambuth Facility Fees	$ 330,000
Total	$2,395,000

Capital Budget Request

FY 2018-19

For Board Approval

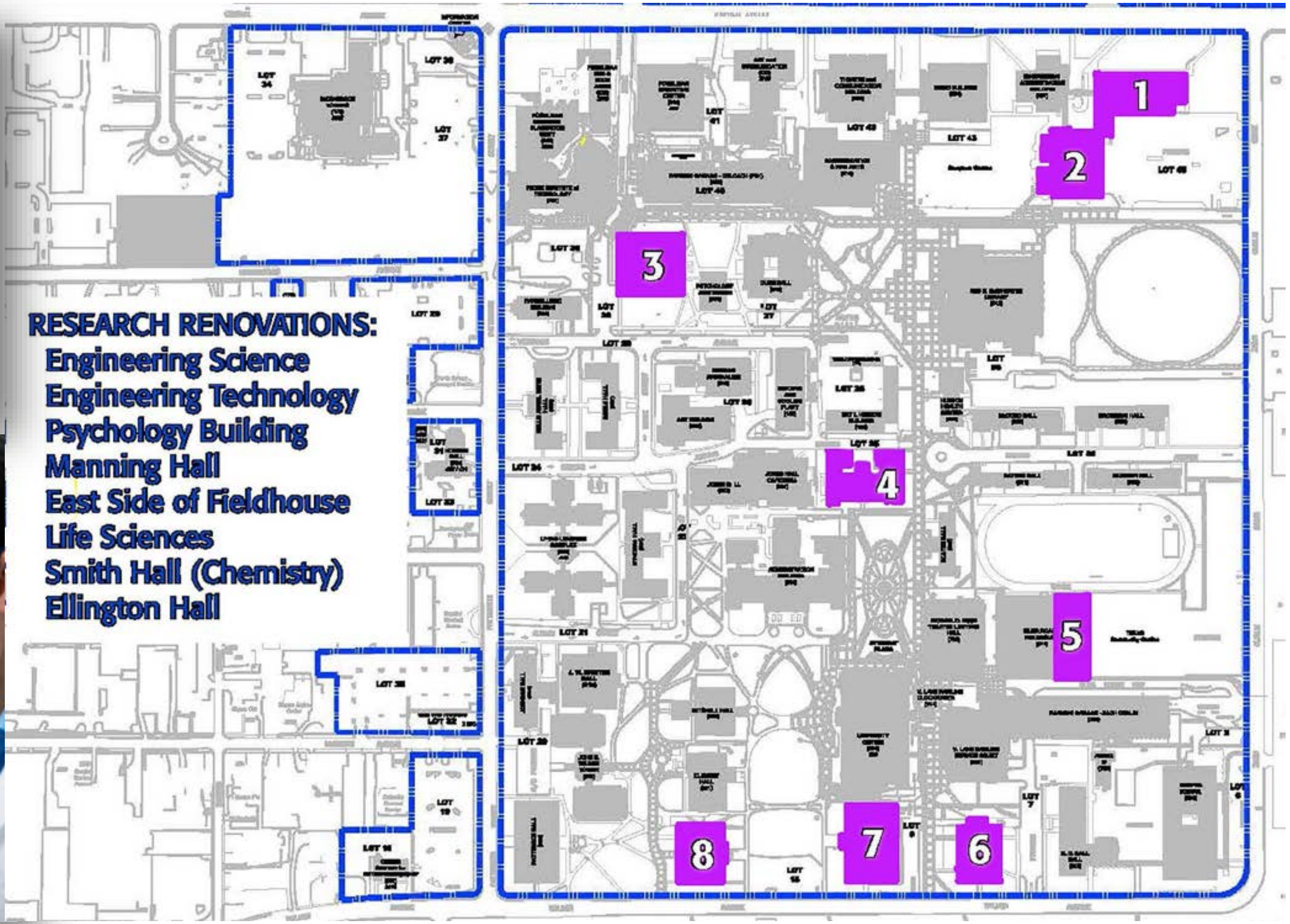
Capital Outlay: Lambuth Nursing Renovations $11,000,000



50,000 S.F. New Labs, Classrooms, Offices

THE UNIVERSITY OF MEMPHIS | Board of Trustees

Outlay: Research Modernization $26,150,000

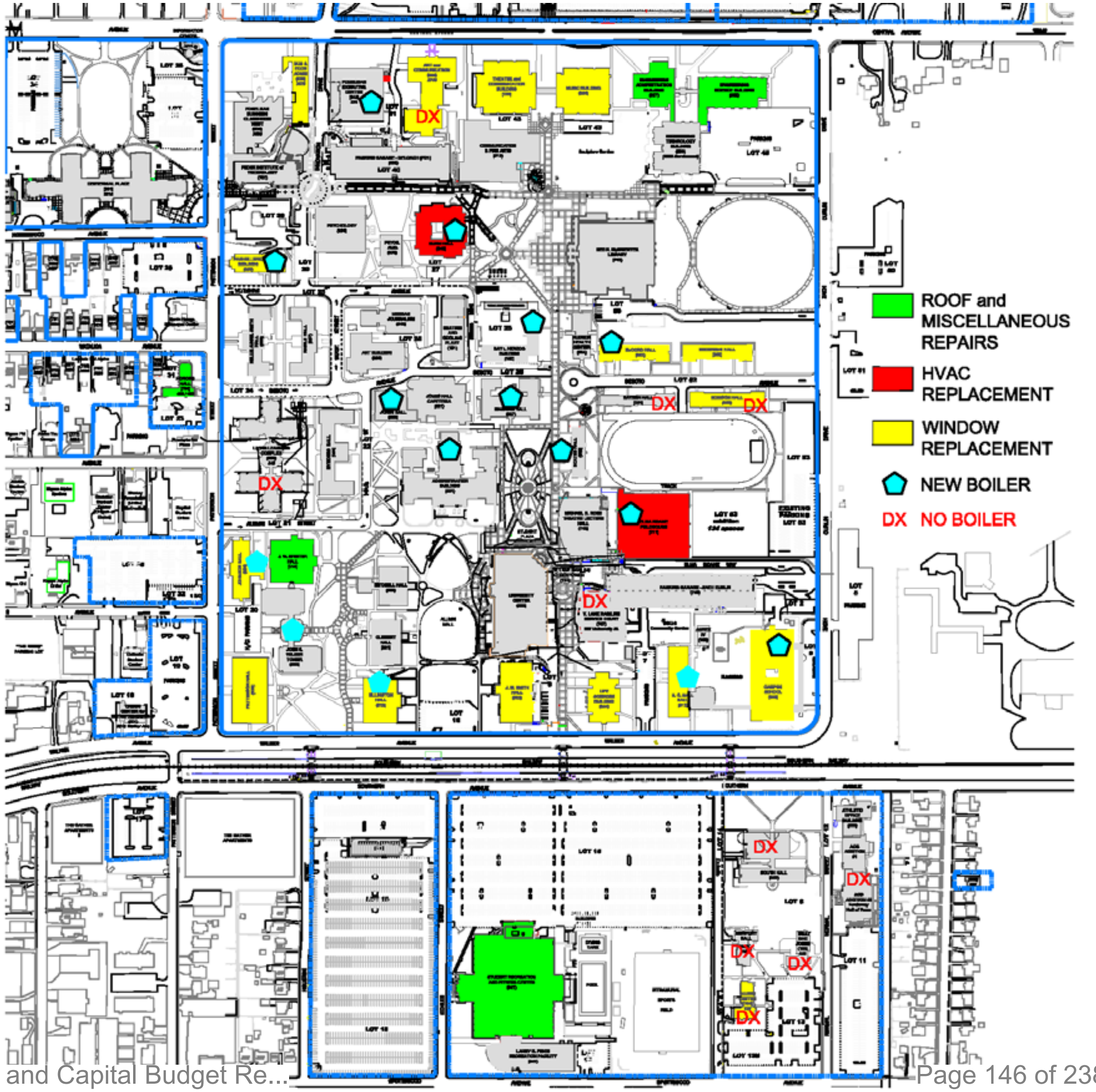


120,000 square feet renovations to existing space

Capital Maintenance Request:

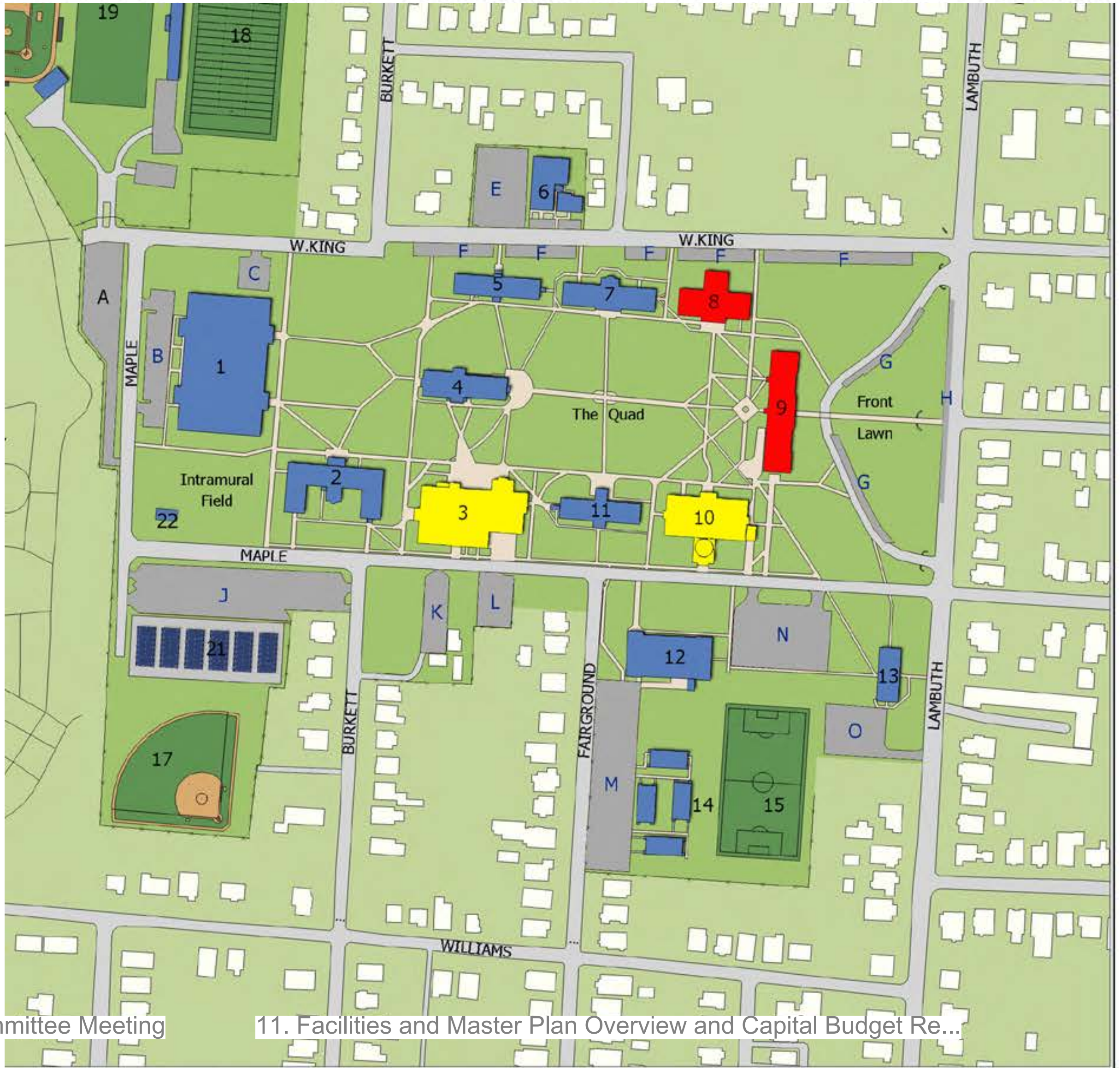
• Recreation roof and repairs	$3,500,000
• Building Envelope	$3,500,000
• Local Boilers and Gas Piping	$5,350,000
• Building Code and Safety	$3,500,000
• Dunn, Field House HVAC	$4,550,000
• Roofs – 7 Buildings	$4,000,000

❖ Note: UM to receive 12.5% of total state appropriation for capital maintenance per THEC formula



Capital Maintenance:

Lambuth Various Maintenance $3,500,000



LAMBUTH CAMPUS MAP

Buildings

1 - Health, Wellness and Fitness Center
2 - Carney-Johnston Hall
3 - Wilder Student Union
4 - R.E. Womack Memorial Chapel
5 - Mary Girven Harris Hall
6 - Physical Plant
7 - E.W. Sprague Hall
8 - Gobbel Library
9 - Varnell-Jones Hall
10 - Joseph Reeves Hyde Hall
11 - George Ellis Spangler Hall
12 - Hamilton Performing Arts Center
13 - Epworth Hall
14 - Oxley Commons

ROOF and HVAC PROJECTS:

ROOF

HVAC

N

Map prepared by: Campus Planning + Design 2017

Summary: Capital Request 2018-2019 For Approval

Outlay:

- Lambuth Nursing Renovations $11,000,000
- Research Modernization $26,150,000

Maintenance:

- Recreation roof and repairs $ 3,500,000
- Building Envelope $ 3,500,000
- Local Boilers and Gas Piping $ 5,350,000
- Building Code and Safety $ 3,500,000
- Lambuth Various Maintenance $ 3,500,000
- Dunn, Fieldhouse HVAC $ 4,550,000
- Roofs – 7 Buildings $ 4,000,000

THE UNIVERSITY OF MEMPHIS | Board of Trustees

THANK YOU!

Institution: The University of Memphis 2018-2019

Class	Priority	Project Name	FY 17/18	Existing	Future	Total Project
O		Capital Outlay subtotal:	38,000,000	0		38,000,000
M		Capital Maintenance subtotal:	111,950,000	0	0	111,950,000
D		Disclosures subtotal:	0	0	0	0
o	1	Lambuth Nursing Renovations Sprague / Spangler Hall	11,000,000	0		11,000,000
o	2	Research Modernization	27,000,000	0		27,000,000
				0		
m	1	Recreation Center Roof and Repairs	3,500,000	0		3,500,000
m	2	Building Envelope Repairs	3,500,000	0		3,500,000
m	3	Boilers and Hot Water Piping	3,500,000	0		3,500,000
m	4	Building Code and Safety Upgrades	3,500,000	0		3,500,000
m	5	Lambuth Various Maintenance	3,500,000	0		3,500,000
m	6	Dunn, Fieldhouse HVAC	4,550,000	0		4,550,000
m	7	Roof Replacment - Engineering, Brister, AOB, Honors, others	4,000,000	0		4,000,000
m	8	Wilder Tower Completion	4,900,000	0		4,900,000
m	9	Asbestos Abatement	1,000,000	0		1,000,000
m	10	Deferred Maintenance Phase 2	20,000,000	0		20,000,000
m	11	Deferred Maintenance Phase 3	20,000,000	0		20,000,000
m	12	Deferred Maintenance Phase 4	20,000,000	0		20,000,000
m	13	Deferred Maintenance Phase 5	20,000,000	0		20,000,000

UM CapitalBudgetRequest18-19.xls
DB71 List of Projects for Capital Budget Request

DB71
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DB70 form - Project Request

1 Department:	Tennessee Board of Regents	332.60
Institution:	The University of Memphis	
Project:	Lambuth Nursing Renovations	
City/County:	Jackson / Madison	

2 Fiscal Year: 2017/ 2018

3		New		Reno/Maint
x	Capital Outlay			
	Capital Maintenance	0	Gross Sq.Ft.	49,077
	Disclosure	0	Net Sq.Ft.	29,446
X	Designer Required	0.00	Cost/Sq.Ft.	175.00

4 Project Description:

Renovate Sprague Hall and Spangler Hall on the beautiful Lambuth campus for the Loewenburg School of Nursing. Scope of work includes completer interior adaptive re-use conversion from former residence halls. New space arrangement, building systems, finishes, elevator, etc. will be completed for reutilization to accommodate nursing program.

5 Total Project	Allocation		Estimated Construction Cost:	8,588,475.00	
8,589,000.00	8,589,000.00	Building Construction			
0.00	0.00	Site & Utilities			
0.00	0.00	Built-in Equipment			
8,589,000.00	8,589,000.00	**Bid Target**			
411,000.00	411,000.00	Contingency:	4.79	4.79	percent
9,000,000.00	9,000,000.00	**M.A.C.C.**			
678,383.00	678,383.00	Fee:	35/LogP-1.15 =	6.03007196	Renovation
800,000.00	800,000.00	Movable Equipment			
50,000.00	50,000.00	pre construction fees			
250,000.00	250,000.00	commissioning			
221,617.00	221,617.00	Administration & Miscellaneous			
11,000,000.00	11,000,000.00	**Total Cost**			

6 Funding Request:	THIS REQUEST	
11,000,000.00	11,000,000.00	STATE funds
0.00	0.00	FEDERAL funds
0.00	0.00	Local and Institutional Funds

7 Sources of Available Funding:

		fund year	description
already approved for existing SBC project	0.00		
	0.00		
0.00	0.00		
plus This Request	0.00		
11,000,000.00	0.00		

8 SBC Action: If an existing project, SBC Project No.: n/a

9 Designer: t b a

DB70
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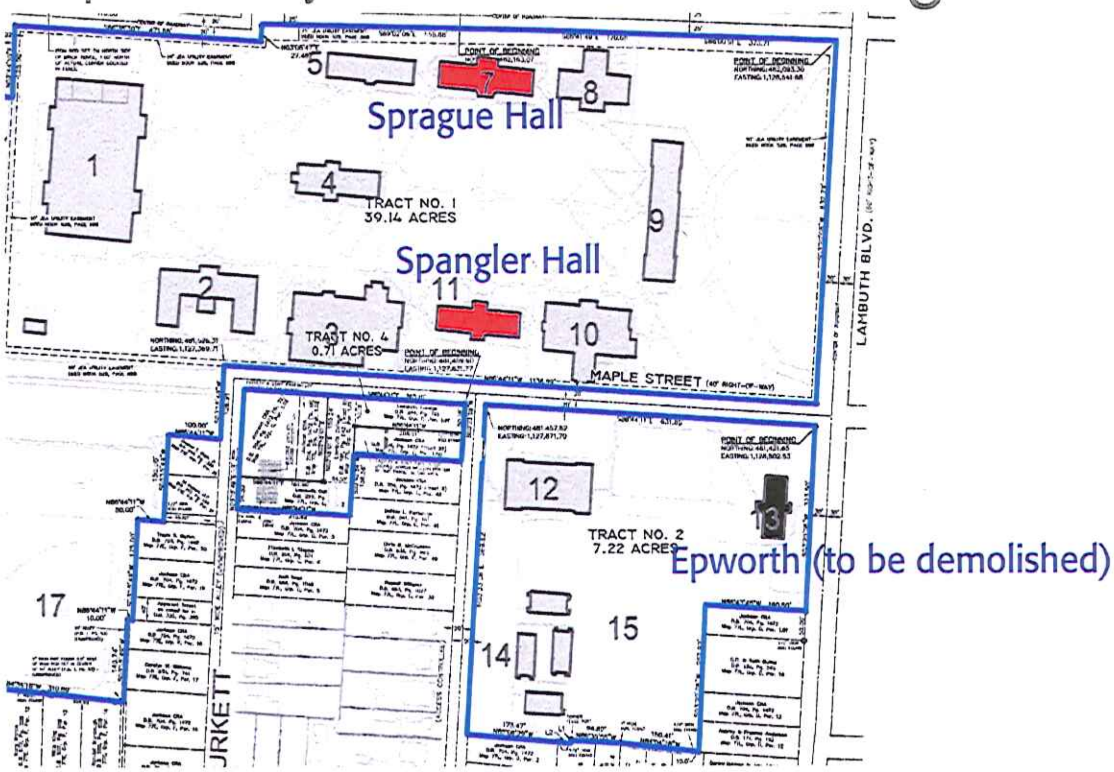
Lambuth Nursing Renovations.xlsx
DB70 Project Request

Capital Outlay: Lambuth Nursing Renovations $11,000,000



50,000 S.F. New Labs, Classrooms, Offices

DB70 form - Project Request

1 Department:	Tennessee Board of Regents	332.60
Institution:	The University of Memphis	
Project:	Research Modernization	
City/County:	Memphis / Shelby	

2 Fiscal Year: 2017/ 2018

3		New		Reno/Maint
x	Capital Outlay			
	Capital Maintenance	0	Gross Sq.Ft.	120,000
	Disclosure	0	Net Sq.Ft.	80,000
X	Designer Required	0.00	Cost/Sq.Ft.	150.00

4 Project Description:

This project will modernize and expand research spatial facilities to support research in the Sciences, Engineering, Psychology, Physics, etc. The improved labs and support space will promote excellence in research, post-baccalaureate training and undergraduate education. Animal areas will be upgraded to meet accredation standards.

5

Total Project	Allocation				
			Estimated Construction Cost:		18,000,000.00
18,000,000.00	18,000,000.00	Building Construction			
0.00	0.00	Site & Utilities			
3,000,000.00	3,000,000.00	Built-in Equipment			
21,000,000.00	21,000,000.00	**Bid Target**			
2,000,000.00	2,000,000.00	Contingency:	9.52	9.52	percent
23,000,000.00	23,000,000.00	**M.A.C.C.**			
1,619,919.00	1,619,919.00	Fee:	35/LogP-1.15 =	5.63450314	Renovation
1,500,000.00	1,500,000.00	Movable Equipment			
100,000.00	100,000.00	consultants			
250,000.00	250,000.00	Commissioning and pre-con			
530,081.00	530,081.00	Administration & Miscellaneous			
27,000,000.00	27,000,000.00	**Total Cost**			

6 Funding Request:

	THIS REQUEST	
27,000,000.00	27,000,000.00	STATE funds
0.00	0.00	FEDERAL funds
		Local and Institutional Funds

7 Sources of Available Funding:

		fund year	description
already approved for existing SBC project	0.00		
0.00	0.00		
plus This Request	0.00		
27,000,000.00	0.00		

8 SBC Action: If an existing project, SBC Project No.: 166/007-01-08

9 Designer: Fleming

DB70
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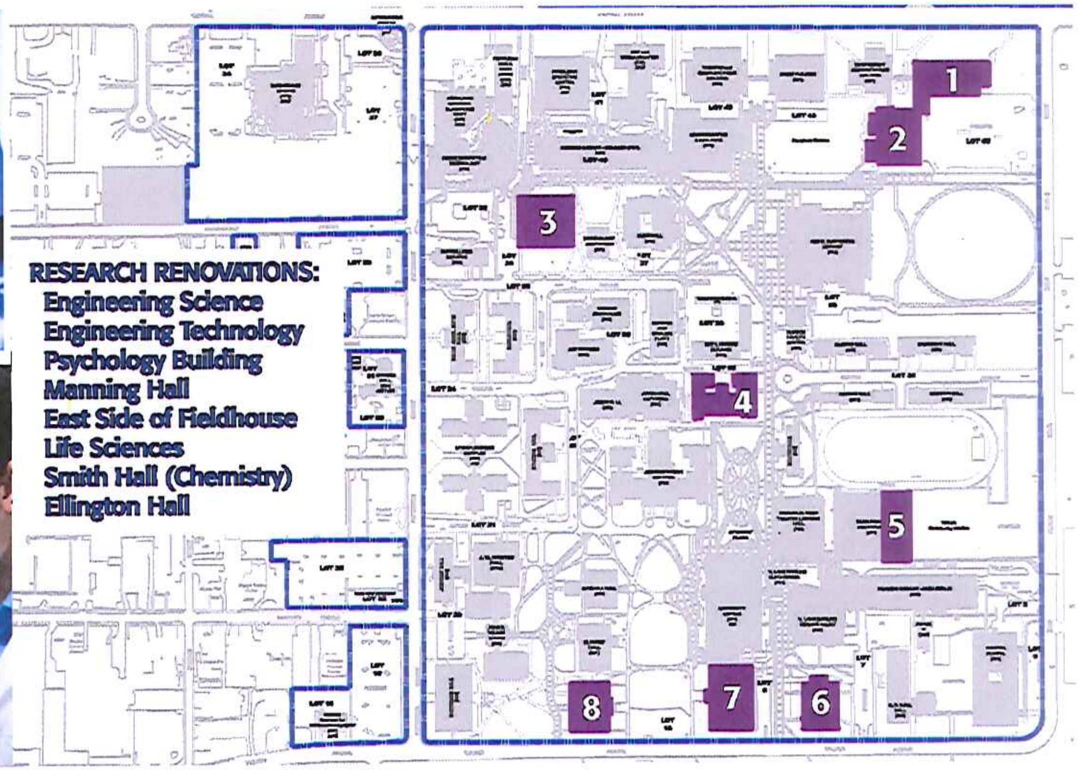
Um Research Modernizationdb70.xlsx
DB70 Project Request

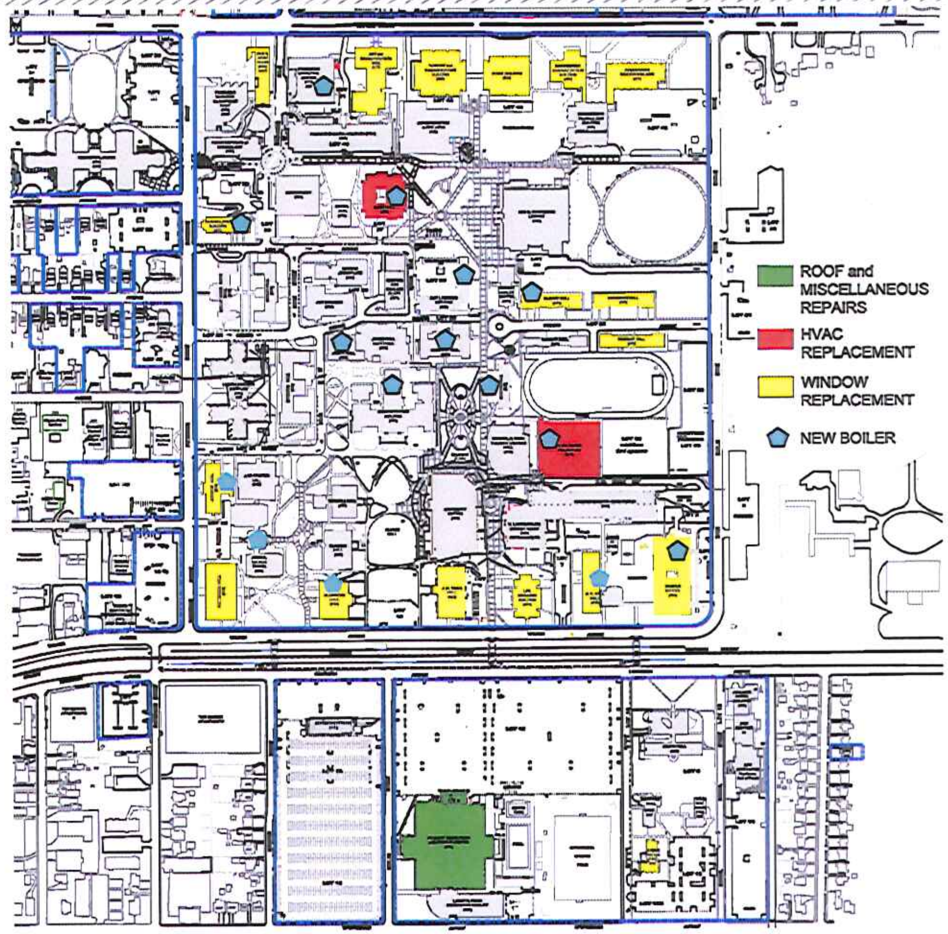
Outlay: Research Modernization $26,150,000



120,000 square feet renovations to existing space

Capital Maintenance Request:

• Recreation roof and repairs	$3,500,000
• Building Envelope	$3,500,000
• Local Boilers and Gas Piping	$3,500,000
• Building Code and Safety	$3,500,000
• Dunn, Field House HVAC	$4,550,000
• Roofs – 7 Buildings	$3,500,000



DB70 form - Project Request

1 Department:	Tennessee Board of Regents	332.60
Institution:	The University of Memphis	
Project:	Recreation Center Roof and Repairs	
City/County:	Memphis/Shelby	

2 Fiscal Year: 2017/ 2018

3		New		Reno/Maint
[ ]	Capital Outlay			
[X]	Capital Maintenance	0	Gross Sq.Ft.	0
[ ]	Disclosure	0	Net Sq.Ft.	0
[X]	Designer Required	0.00	Cost/Sq.Ft.	0.00

4 Project Description:

This project will replace the roof on the existing Student Fitness and Recreation Center and will complete various deferred maintenance repairs in locker areas, gyms, etc. including systems and finishes.

5 Total Project	Allocation		Estimated Construction Cost:			0.00
2,837,000.00	2,837,000.00	Building Construction				
0.00	0.00	Site & Utilities				
0.00	0.00	Built-in Equipment				
2,837,000.00	2,837,000.00	**Bid Target**				
263,000.00	263,000.00	Contingency:	9.27	9.27	percent	
3,100,000.00	3,100,000.00	**M.A.C.C.**				
253,914.00	253,914.00	Fee:	35/LogP-1.15 =	6.55263620		Renovation
0.00	0.00	Movable Equipment				
0.00	0.00	*first other*				
0.00	0.00	*second other*				
146,086.00	146,086.00	Administration & Miscellaneous				
3,500,000.00	3,500,000.00	**Total Cost**				

6 Funding Request:	THIS REQUEST	
3,500,000.00	3,500,000.00	STATE funds
0.00	0.00	FEDERAL funds
0.00	0.00	Local and Institutional Funds

7 Sources of Available Funding:		fund year	description
already approved for existing SBC project	0.00		
	0.00		
0.00	0.00		
plus This Request	0.00		
3,500,000.00	0.00		

8 SBC Action: If an existing project, SBC Project No.: n/a

9 Designer: t b a

DB70
3:00 PM 4/26/2017 page 1 of 1

rereation roof and repairs.xlsx
DB70 Project Request

DB70 form - Project Request

1 **Department:**	Tennessee Board of Regents	332.60
Institution:	The University of Memphis	
Project:	Building Envelope Repairs 2 of 2	
City/County:	Memphis / Shelby	

2 **Fiscal Year:** 2007/ 2008

3		New		Renovation
[ ]	Capital Outlay			
[X]	Capital Maintenance	0	Gross Sq.Ft.	0
[ ]	Disclosure	0	Net Sq.Ft.	0
[X]	Designer Required	0.00	Cost/Sq.Ft.	0.00

4 **Project Description:**

This project will restore deteriorating brick and building façade elements on major campus education and general buildings. The work will include brick repairs, tuckpointing, limestone repair, concrete repair, window replacement, door replacement,caulking, etc.

5 **Total Project**	**Allocation**		Estimated Construction Cost:		0.00
2,800,000.00	2,800,000.00	Building Construction			
0.00	0.00	Site & Utilities			
0.00	0.00	Built-in Equipment			
2,800,000.00	2,800,000.00	**Bid Target**			
300,000.00	300,000.00	Contingency:	10.71	10.71 percent	
3,100,000.00	3,100,000.00	**M.A.C.C.**			
253,914.00	253,914.00	Fee:	35/LogP-1.15 =	6.55263620	Renovation
0.00	0.00	Movable Equipment			
40,000.00	40,000.00	testing			
0.00	0.00	*second other*			
106,086.00	106,086.00	Administration & Miscellaneous			
3,500,000.00	3,500,000.00	**Total Cost**			

6 **Funding Request:**	THIS REQUEST	
3,500,000.00	3,500,000.00	STATE funds
0.00	0.00	FEDERAL funds
0.00	0.00	Local and Institutional Funds

7 **Sources of Available Funding:**

		fund year	description
already approved for existing SBC project	0.00		
	0.00		
0.00	0.00		
plus This Request	0.00		
3,500,000.00	0.00		

8 **SBC Action:** If an existing project, SBC Project No.: n/a

9 **Designer:** TBA

DB70 (2)
3:01 PM 4/26/2017 page 1 of 1

07building envelope 2 0f 2.xls
DB70 Project Request

DB70 form - Project Request

1	**Department:**	Tennessee Board of Regents
	Institution:	The University of Memphis
	Project:	Boilers and Hot Water Piping
	City/County:	Memphis / Shelby

2 Fiscal Year: 2015/ 2016

3			New		Reno/Maint
	[ ]	Capital Outlay			
	X	Capital Maintenance	0	Gross Sq.Ft.	0
	[ ]	Disclosure	0	Net Sq.Ft.	0
	X	Designer Required	0.00	Cost/Sq.Ft.	0.00

4 Project Description:

This project will install condensing Boilers and Hot Water Piping for building heating in lieu of steam heat. The campus will transition from a central boiler plant to smaller low pressure hot water boilers and hot water for heating. Existing gas lines and new gas lines installed in this project will feed the boilers, and some buildings will manifold together via hot water piping for heating.

5

Total Project	Allocation				
			Estimated Construction Cost:		0.00
0.00	0.00	Building Construction			
2,420,000.00	2,420,000.00	Site & Utilities			
0.00	0.00	Built-in Equipment			
2,420,000.00	2,420,000.00	**Bid Target**			
230,000.00	230,000.00	Contingency:	9.50	9.50	percent
2,650,000.00	2,650,000.00	**M.A.C.C.**			
219,859.00	219,859.00	Fee:	35/LogP-1.15 =	6.63727822	Renovation
0.00	0.00	Movable Equipment			
350,000.00	350,000.00	commisioning			
0.00	0.00	*second other*			
280,141.00	280,141.00	Administration & Miscellaneous			
3,500,000.00	3,500,000.00	**Total Cost**			

6 Funding Request:

	THIS REQUEST	
3,500,000.00	3,500,000.00	STATE funds
0.00	0.00	FEDERAL funds
0.00	0.00	Local and Institutional Funds

7 Sources of Available Funding:

		fund year	description
already approved for existing SBC project	0.00		
	0.00		
0.00	0.00		
plus This Request	0.00		
3,500,000.00	0.00		

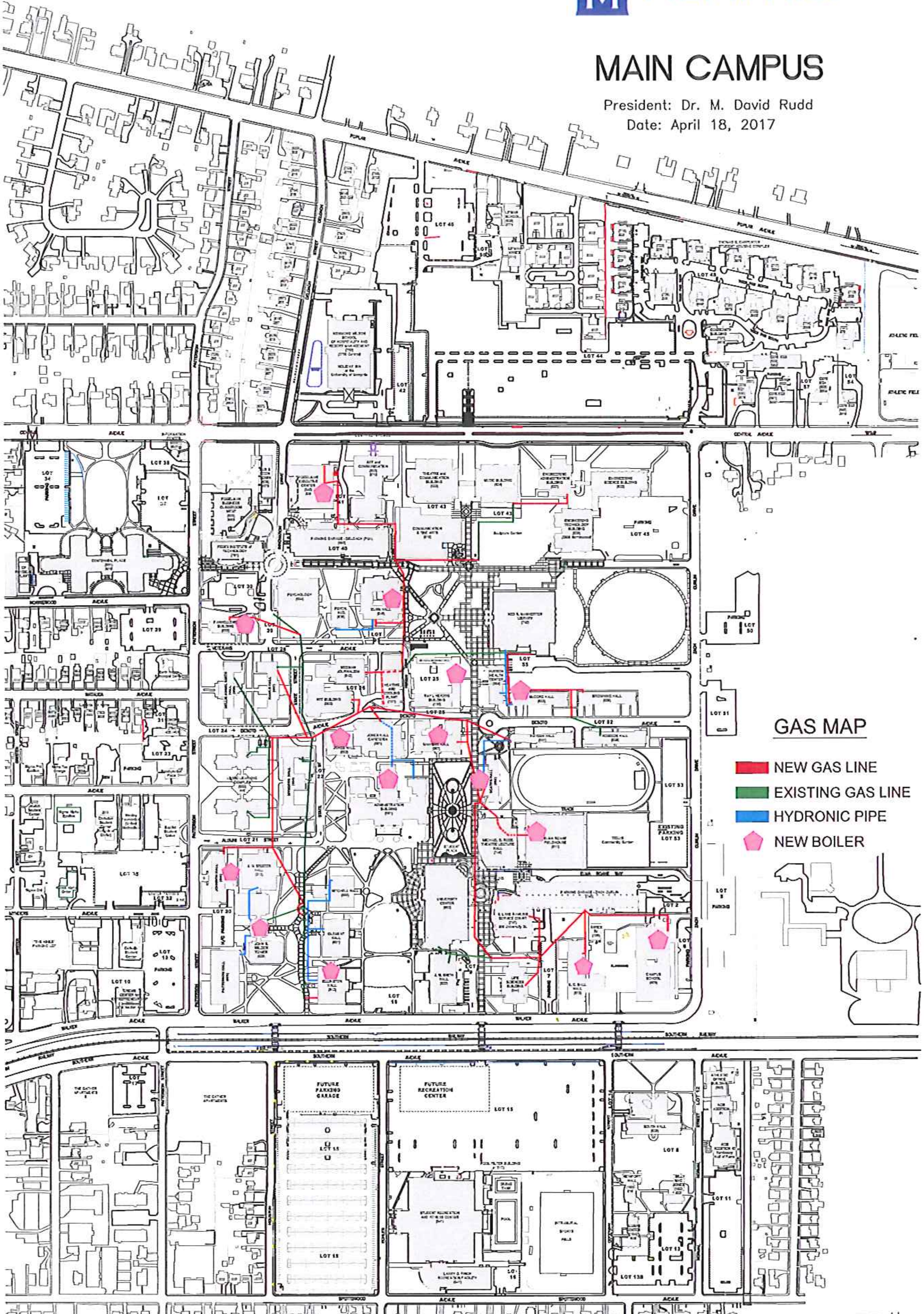
8 SBC Action: If an existing project, SBC Project No.: n/a

9 Designer: t b a

THE UNIVERSITY OF MEMPHIS

MAIN CAMPUS

President: Dr. M. David Rudd
Date: April 18, 2017



DB70 form - Project Request

1 Department:	Tennessee Board of Regents	332.60	
Institution:	The University of Memphis		
Project:	Building Code and Safety Upgrades Phase 2		
City/County:	Memphis / Shelby		

2 Fiscal Year: 2012/ 2013

3		New		Reno/Maint
[ ]	Capital Outlay			
X	Capital Maintenance	0	Gross Sq.Ft.	0
[ ]	Disclosure	0	Net Sq.Ft.	0
X	Designer Required	0.00	Cost/Sq.Ft.	0.00

4 Project Description:

This project will correct building code and safety items by replacing life safety generators, main electrical panelboards, motor control centers, fire alarms and elevator modernization in several education and general campus facilities. The project will also install fire sprinkler systems, and modify outdated and unsafe restrooms in Scates hall.

5 Total Project	Allocation		Estimated Construction Cost:		0.00
2,650,000.00	2,650,000.00	Building Construction			
0.00	0.00	Site & Utilities			
0.00	0.00	Built-in Equipment			
2,650,000.00	2,650,000.00	**Bid Target**			
250,000.00	250,000.00	Contingency:	9.43	9.43	percent
2,900,000.00	2,900,000.00	**M.A.C.C.**			
238,828.00	238,828.00	Fee:	35/LogP-1.15 =	6.58836179	Renovation
0.00	0.00	Movable Equipment			
150,000.00	150,000.00	commissioning			
0.00	0.00	*second other*			
211,172.00	211,172.00	Administration & Miscellaneous			
3,500,000.00	3,500,000.00	**Total Cost**			

6 Funding Request:	THIS REQUEST	
3,500,000.00	3,500,000.00	STATE funds
0.00	0.00	FEDERAL funds
0.00	0.00	Local and Institutional Funds

7 Sources of Available Funding:

		fund year	description
already approved for existing SBC project	0.00		
	0.00		
0.00	0.00		
plus This Request	0.00		
3,500,000.00	0.00		

8 SBC Action: If an existing project, SBC Project No.: n/a

9 Designer: t b a

DB70
3:03 PM 4/26/2017 page 1 of 1

07code and safety 2.xlsx
DB70 Project Request

DB70 form - Project Request

1 Department:	Tennessee Board of Regents			
Institution:	The University of Memphis			
Project:	Lambuth Various Maintenance			
City/County:	Jackson / Madison			
2 Fiscal Year:	2015/ 2016			
3 [ ] Capital Outlay		**New**		**Reno/Maint**
[X] Capital Maintenance		0	Gross Sq.Ft.	0
[ ] Disclosure		0	Net Sq.Ft.	0
[X] Designer Required		0.00	Cost/Sq.Ft.	0.00

4 Project Description:

This project will correct various capital maintenance items at the Lambuth Campus. The items include roofing, brick repairs, HVAC and fresh air, elevators, drainage, lighting, energy management systems, chiller and boiler replacements. A secondary project will be required for items not completed under this request.

5 Total Project	**Allocation**		Estimated Construction Cost:	0.00	
2,250,000.00	2,250,000.00	Building Construction			
150,000.00	150,000.00	Site & Utilities			
0.00	0.00	Built-in Equipment			
2,400,000.00	2,400,000.00	**Bid Target**			
250,000.00	250,000.00	Contingency:	10.42	10.42	percent
2,650,000.00	2,650,000.00	**M.A.C.C.**			
219,859.00	219,859.00	Fee:	35/LogP-1.15 =	6.63727822	Renovation
0.00	0.00	Movable Equipment			
0.00	0.00	*first other*			
0.00	0.00	*second other*			
130,141.00	130,141.00	Administration & Miscellaneous			
3,000,000.00	3,000,000.00	**Total Cost**			

6 Funding Request:	THIS REQUEST	
3,000,000.00	3,000,000.00	STATE funds
0.00	0.00	FEDERAL funds
0.00	0.00	Local and Institutional Funds

7 Sources of Available Funding:		fund year	description
already approved for existing SBC project	0.00		
	0.00		
0.00	0.00		
plus This Request	0.00		
3,000,000.00	0.00		

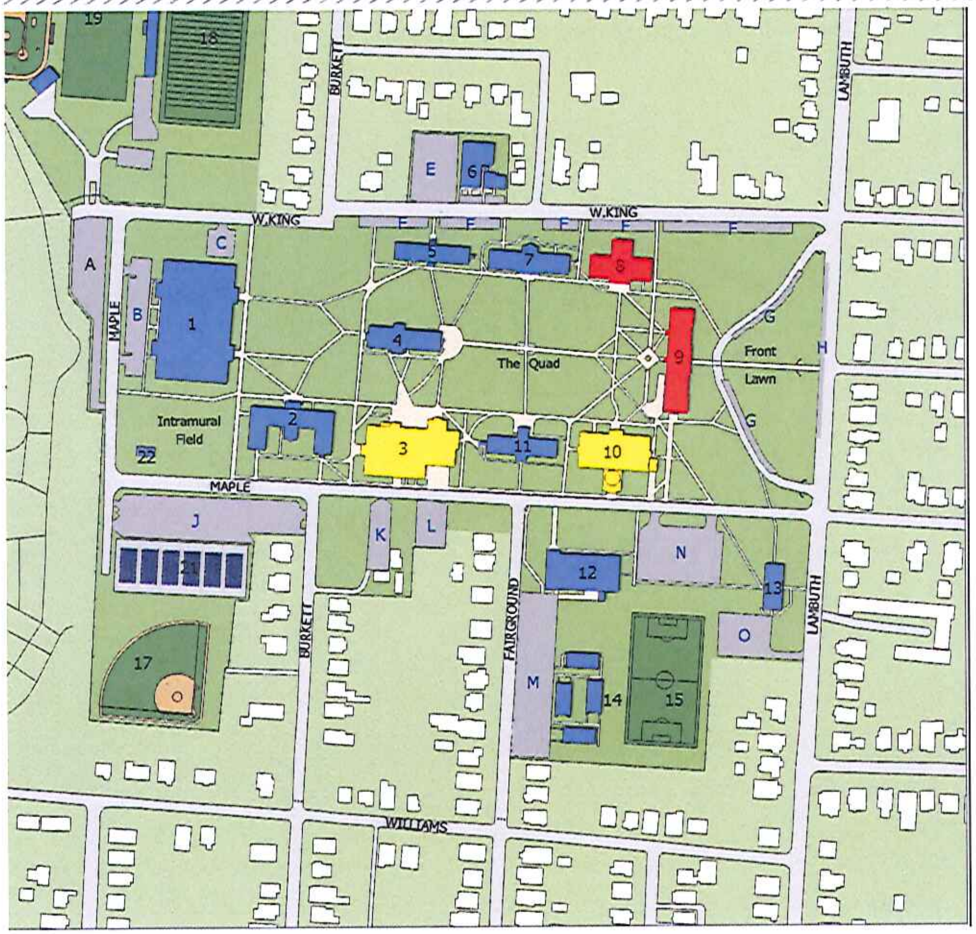
8 SBC Action: If an existing project, SBC Project No.: n/a

9 Designer: t b a

DB70
4:24 PM 4/26/2017 page 1 of 1

07 lambuth various maintenance.xlsx
DB70 Project Request

Capital Maintenance:
Lambuth Various Maintenance
$3,500,000



LAMBUTH CAMPUS MAP

Buildings

1 - Health, Wellness and Fitness Center
2 - Carney-Johnston Hall
3 - Wilder Student Union
4 - R.E. Womack Memorial Chapel
5 - Mary Girven Harris Hall
6 - Physical Plant
7 - E.W. Sprague Hall
8 - Gobbel Library
9 - Varnell-Jones Hall
10 - Joseph Reeves Hyde Hall
11 - George Ellis Spangler Hall
12 - Hamilton Performing Arts Center
13 - Epworth Hall
14 - Oxley Commons

ROOF and HVAC PROJECTS:

ROOF

HVAC

N

Map prepared by: Campus Planning + Design

2017

DB70 form - Project Request

1 Department:	Tennessee Board of Regents	332.60
Institution:	The University of Memphis	
Project:	Dunn and Fieldhouse HVAC	
City/County:	Memphis / Shelby	

2 Fiscal Year: 2012/ 2013

3		New		Reno/Maint
	Capital Outlay			
X	Capital Maintenance	0	Gross Sq.Ft.	299,492
	Disclosure	0	Net Sq.Ft.	0
X	Designer Required	0.00	Cost/Sq.Ft.	11.70

4 Project Description:

Replace major HVAC components and systems in two priority academic buildings, as well as other E and G buildings as funding permits.

5

Estimated Construction Cost: 3,504,056.40

Total Project	Allocation				
3,500,000.00	3,500,000.00	Building Construction			
0.00	0.00	Site & Utilities			
0.00	0.00	Built-in Equipment			
3,500,000.00	3,500,000.00	**Bid Target**			
350,000.00	350,000.00	Contingency:	10.00	10.00 percent	
3,850,000.00	3,850,000.00	**M.A.C.C.**			
309,886.00	309,886.00	Fee:	35/LogP-1.15 =	6.43919655	Renovation
0.00	0.00	Movable Equipment			
300,000.00	300,000.00	commissioning			
0.00	0.00	*second other*			
90,114.00	90,114.00	Administration & Miscellaneous			
4,550,000.00	4,550,000.00	**Total Cost**			

6 Funding Request:

	THIS REQUEST	
4,550,000.00	4,550,000.00	STATE funds
0.00	0.00	FEDERAL funds
0.00	0.00	Local and Institutional Funds

7 Sources of Available Funding:

		fund year	description
already approved for existing SBC project	0.00		
	0.00		
0.00	0.00		
plus This Request	0.00		
4,550,000.00	0.00		

8 SBC Action: If an existing project, SBC Project No.: n/a

9 Designer: t b a

DB70
3:04 PM 4/26/2017 page 1 of 1

07 Dunn and Fieldhouse hvac.xlsx
DB70 Project Request

DB70 form - Project Request

1 Department:	Tennessee Board of Regents	332.60
Institution:	The University of Memphis	
Project:	Roof Replacement 2018	
City/County:	Memphis / Shelby	

2 Fiscal Year: 2007/ 2008

3		New		Renovation
[ ] Capital Outlay				
[X] Capital Maintenance		0	Gross Sq.Ft.	148,872
[ ] Disclosure		0	Net Sq.Ft.	0
[X] Designer Required		0.00	Cost/Sq.Ft.	0.00

4 Project Description:

Replace roofs on academic buildings with adhered EPDM membrane roofing. Include all associated parapet repairs, caulking, etc. for a watertight warranted system. Buildings include Engineering, Brister, AOB, Honors, Police and other E and G buildings as funding permits.

Estimated Construction Cost: 0.00

5 Total Project	Allocation				
3,100,000.00	3,100,000.00	Building Construction			
0.00	0.00	Site & Utilities			
0.00	0.00	Built-in Equipment			
3,100,000.00	3,100,000.00	**Bid Target**			
250,000.00	250,000.00	Contingency:	8.06	8.06	percent
3,350,000.00	3,350,000.00	**M.A.C.C.**			
272,672.00	272,672.00	Fee:	35/LogP-1.15 =	6.51157363	Renovation
0.00	0.00	Movable Equipment			
120,000.00	120,000.00	testing			
0.00	0.00	*second other*			
257,328.00	257,328.00	Administration & Miscellaneous			
4,000,000.00	4,000,000.00	**Total Cost**			

6 Funding Request:	THIS REQUEST	
4,000,000.00	4,000,000.00	STATE funds
0.00	0.00	FEDERAL funds
0.00	0.00	Local and Institutional Funds

7 Sources of Available Funding:

		fund year	description
already approved for existing SBC project	0.00		
	0.00		
0.00	0.00		
plus This Request	0.00		
4,000,000.00	0.00		

8 SBC Action: If an existing project, SBC Project No.: n/a

9 Designer: TBA

DB70 (2)
4:16 PM 5/9/2017 page 1 of 1

roof replacement.xls
DB70 Project Request

DB70 form - Project Request

1 Department:	Tennessee Board of Regents	332.60
Institution:	The University of Memphis	
Project:	07 Wilder Tower Completion	
City/County:	Memphis / Shelby	

2 Fiscal Year: 2007/ 2008

3		New		Renovation
[ ]	Capital Outlay			
[X]	Capital Maintenance	0	Gross Sq.Ft.	138,265
[ ]	Disclosure	0	Net Sq.Ft.	0
[X]	Designer Required	0.00	Cost/Sq.Ft.	24.95

4 Project Description:

This project will complete floors 10 and 12 in the Wilder Tower (former library tower). These floors were bid as an alternate in the original renovation project but were not awarded due to funding limitations. The work will include access flooring, finishes and HVAC and electrical systems. Other major deferred maintenance items are also included.

5 Total Project	Allocation		Estimated Construction Cost:	3,449,711.75	
3,448,000.00	3,448,000.00	Building Construction			
0.00	0.00	Site & Utilities			
0.00	0.00	Built-in Equipment			
3,448,000.00	3,448,000.00	**Bid Target**			
352,000.00	352,000.00	Contingency:	10.21	10.21	percent
3,800,000.00	3,800,000.00	**M.A.C.C.**			
306,181.00	306,181.00	Fee:	35/LogP-1.15 =	6.44592908	Renovation
0.00	0.00	Movable Equipment			
725,000.00	725,000.00	commissioning balancing			
68,819.00	68,819.00	Administration & Miscellaneous			
4,900,000.00	4,900,000.00	**Total Cost**			

6 Funding Request: THIS REQUEST

4,900,000.00	4,900,000.00	STATE funds
0.00	0.00	FEDERAL funds
0.00	0.00	Local and Institutional Funds

7 Sources of Available Funding:

		fund year	description
already approved for existing SBC project	0.00		
	0.00		
0.00	0.00		
plus This Request	0.00		
4,900,000.00	0.00		

8 SBC Action: If an existing project, SBC Project No.: n/a

9 Designer: TBA

DB70 (2)
3:06 PM 4/26/2017 page 1 of 1

07 Wilder Tower Completion.xls
DB70 Project Request

DB70 form - Project Request

1 Department:	Tennessee Board of Regents	332.60
Institution:	The University of Memphis	
Project:	07 Asbestos Abatement	
City/County:	Memphis / Shelby	

2 Fiscal Year: 2007/ 2008

3		New		Renovation
[ ]	Capital Outlay			
[X]	Capital Maintenance	0	Gross Sq.Ft.	0
[ ]	Disclosure	0	Net Sq.Ft.	0
[X]	Designer Required	0.00	Cost/Sq.Ft.	0.00

4 Project Description:

This project will abate asbestos containing materials (ACBM) from various buildings. These materials spray applied surfacing, thermal system insulation and floor tile are 35 to 55 years old and must be removed. The project will go a long way toward the goal of being an asbestos free campus by 2012.

5 Total Project	Allocation		Estimated Construction Cost:		0.00
791,000.00	791,000.00	Building Construction			
0.00	0.00	Site & Utilities			
0.00	0.00	Built-in Equipment			
791,000.00	791,000.00	**Bid Target**			
79,000.00	79,000.00	Contingency:	9.99	9.99 percent	
870,000.00	870,000.00	**M.A.C.C.**			
79,470.00	79,470.00	Fee:	35/LogP-1.15 =	7.30762278	Renovation
0.00	0.00	Movable Equipment			
0.00	0.00	*first other*			
0.00	0.00	*second other*			
50,530.00	50,530.00	Administration & Miscellaneous			
1,000,000.00	1,000,000.00	**Total Cost**			

6 Funding Request:	THIS REQUEST	
1,000,000.00	1,000,000.00	STATE funds
0.00	0.00	FEDERAL funds
0.00	0.00	Local and Institutional Funds

7 Sources of Available Funding:

		fund year	description
already approved for existing SBC project	0.00		
	0.00		
0.00	0.00		
plus This Request	0.00		
1,000,000.00	0.00		

8 SBC Action: If an existing project, SBC Project No.: n/a

9 Designer: TBA

DB70 (2)
3:07 PM 4/26/2017 page 1 of 1

07 Asbestos Abatement.xls
DB70 Project Request

DB70 form - Project Request

1 Department:	Tennessee Board of Regents	332.60
Institution:	The University of Memphis	
Project:	07 Deferred Maintenance Phase 2	
City/County:	Memphis / Shelby	
2 Fiscal Year:	2007/ 2008	

3		New		Renovation
[ ]	Capital Outlay			
[X]	Capital Maintenance	0	Gross Sq.Ft.	0
[ ]	Disclosure	0	Net Sq.Ft.	0
[X]	Designer Required	0.00	Cost/Sq.Ft.	0.00

4 Project Description:

This project will correct deferred maintenance items in several buildings. Projects include exterior shell repairs, interior finish replacements, building HVAC system replacements, safety and code upgrades, electrical system upgrades, plumbing upgrades and selected grounds upgrades. These projects are needed to support the mission of the University and protect the investment in facilities that the state has provided.

5

Total Project	Allocation					Estimated Construction Cost: 0.00
16,500,000.00	16,500,000.00	Building Construction				
0.00	0.00	Site & Utilities				
0.00	0.00	Built-in Equipment				
16,500,000.00	16,500,000.00	**Bid Target**				
1,800,000.00	1,800,000.00	Contingency:	10.91	10.91	percent	
18,300,000.00	18,300,000.00	**M.A.C.C.**				
1,309,826.00	1,309,826.00	Fee:	35/LogP-1.15 =	5.72601719	Renovation	
0.00	0.00	Movable Equipment				
300,000.00	300,000.00	testing, consultants				
0.00	0.00	*second other*				
90,174.00	90,174.00	Administration & Miscellaneous				
20,000,000.00	20,000,000.00	**Total Cost**				

6 Funding Request:

	THIS REQUEST	
20,000,000.00	20,000,000.00	STATE funds
0.00	0.00	FEDERAL funds
0.00	0.00	Local and Institutional Funds

7 Sources of Available Funding:

		fund year	description
already approved for existing SBC project	0.00		
	0.00		
0.00	0.00		
plus This Request	0.00		
20,000,000.00	0.00		

8 SBC Action: If an existing project, SBC Project No.: n/a

9 Designer: TBA

DB70 (2)
4:18 PM 5/9/2017 page 1 of 1

07 Deferred Maintenance ph 2.xls
DB70 Project Request

DB70 form - Project Request

1 Department:	Tennessee Board of Regents	332.60
Institution:	The University of Memphis	
Project:	07 Deferred Maintenance Phase 3	
City/County:	Memphis / Shelby	

2 Fiscal Year: 2007/ 2008

3		New		Renovation
[ ]	Capital Outlay			
[X]	Capital Maintenance	0	Gross Sq.Ft.	0
[ ]	Disclosure	0	Net Sq.Ft.	0
[X]	Designer Required	0.00	Cost/Sq.Ft.	0.00

4 Project Description:

This project will correct deferred maintenance items in several buildings. Projects include exterior shell repairs, interior finish replacements, building HVAC system replacements, safety and code upgrades, electrical system upgrades, plumbing upgrades and selected grounds upgrades. These projects are needed to support the mission of the University and protect the investment in facilities that the state has provided.

5

Estimated Construction Cost: 0.00

Total Project	Allocation				
16,500,000.00	16,500,000.00	Building Construction			
0.00	0.00	Site & Utilities			
0.00	0.00	Built-in Equipment			
16,500,000.00	16,500,000.00	**Bid Target**			
1,800,000.00	1,800,000.00	Contingency:	10.91	10.91	percent
18,300,000.00	18,300,000.00	**M.A.C.C.**			
1,309,826.00	1,309,826.00	Fee:	35/LogP-1.15 =	5.72601719	Renovation
0.00	0.00	Movable Equipment			
300,000.00	300,000.00	testing and consultants			
0.00	0.00	*second other*			
90,174.00	90,174.00	Administration & Miscellaneous			
20,000,000.00	20,000,000.00	**Total Cost**			

6 Funding Request:

	THIS REQUEST	
20,000,000.00	20,000,000.00	STATE funds
0.00	0.00	FEDERAL funds
0.00	0.00	Local and Institutional Funds

7 Sources of Available Funding:

		fund year	description
already approved for existing SBC project	0.00		
	0.00		
0.00	0.00		
plus This Request	0.00		
20,000,000.00	0.00		

8 SBC Action: If an existing project, SBC Project No.: n/a

9 Designer: TBA

DB70 (2)
4:20 PM 5/9/2017 page 1 of 1

07Deferred Maintenance phase 3.xls
DB70 Project Request

DB70 form - Project Request

1 Department:	Tennessee Board of Regents	332.60
Institution:	The University of Memphis	
Project:	07 Deferred Maintenance Phase 4	
City/County:	Memphis / Shelby	

2 Fiscal Year: 2007/ 2008

3		New		Renovation
[ ]	Capital Outlay			
[X]	Capital Maintenance	0	Gross Sq.Ft.	0
[ ]	Disclosure	0	Net Sq.Ft.	0
[X]	Designer Required	0.00	Cost/Sq.Ft.	0.00

4 Project Description:

This project will correct deferred maintenance items in several buildings. Projects include exterior shell repairs, interior finish replacements, building HVAC system replacements, safety and code upgrades, electrical system upgrades, plumbing upgrades and selected grounds upgrades. These projects are needed to support the mission of the University and protect the investment in facilities that the state has provided.

5

Estimated Construction Cost: 0.00

Total Project	Allocation				
16,500,000.00	16,500,000.00	Building Construction			
0.00	0.00	Site & Utilities			
0.00	0.00	Built-in Equipment			
16,500,000.00	16,500,000.00	**Bid Target**			
1,800,000.00	1,800,000.00	Contingency:	10.91	10.91	percent
18,300,000.00	18,300,000.00	**M.A.C.C.**			
1,309,826.00	1,309,826.00	Fee:	35/LogP-1.15 =	5.72601719	Renovation
0.00	0.00	Movable Equipment			
300,000.00	300,000.00	testing and consultants			
0.00	0.00	*second other*			
90,174.00	90,174.00	Administration & Miscellaneous			
20,000,000.00	20,000,000.00	**Total Cost**			

6 Funding Request:

	THIS REQUEST	
20,000,000.00	20,000,000.00	STATE funds
0.00	0.00	FEDERAL funds
0.00	0.00	Local and Institutional Funds

7 Sources of Available Funding:

		fund year	description
already approved for existing SBC project	0.00		
	0.00		
0.00	0.00		
plus This Request	0.00		
20,000,000.00	0.00		

8 SBC Action: If an existing project, SBC Project No.: n/a

9 Designer: TBA

DB70 (2)
4:20 PM 5/9/2017 page 1 of 1

07Deferred Maintenance phase 4.xls
DB70 Project Request

DB70 form - Project Request

1 Department:	Tennessee Board of Regents	332.60
Institution:	The University of Memphis	
Project:	07 Deferred Maintenance Phase 5	
City/County:	Memphis / Shelby	

2 Fiscal Year: 2007/ 2008

3		New		Renovation
[ ]	Capital Outlay			
X	Capital Maintenance	0	Gross Sq.Ft.	0
[ ]	Disclosure	0	Net Sq.Ft.	0
X	Designer Required	0.00	Cost/Sq.Ft.	0.00

4 Project Description:

This project will correct deferred maintenance items in several buildings. Projects include exterior shell repairs, interior finish replacements, building HVAC system replacements, safety and code upgrades, electrical system upgrades, plumbing upgrades and selected grounds upgrades. These projects are needed to support the mission of the University and protect the investment in facilities that the state has provided.

5 Total Project	Allocation				
			Estimated Construction Cost:		0.00
16,500,000.00	16,500,000.00	Building Construction			
0.00	0.00	Site & Utilities			
0.00	0.00	Built-in Equipment			
16,500,000.00	16,500,000.00	**Bid Target**			
1,800,000.00	1,800,000.00	Contingency:	10.91	10.91	percent
18,300,000.00	18,300,000.00	**M.A.C.C.**			
1,309,826.00	1,309,826.00	Fee:	35/LogP-1.15 =	5.72601719	Renovation
0.00	0.00	Movable Equipment			
300,000.00	300,000.00	testing and consultants			
0.00	0.00	*second other*			
90,174.00	90,174.00	Administration & Miscellaneous			
20,000,000.00	20,000,000.00	**Total Cost**			

6 Funding Request:	THIS REQUEST	
20,000,000.00	20,000,000.00	STATE funds
0.00	0.00	FEDERAL funds
0.00	0.00	Local and Institutional Funds

7 Sources of Available Funding:		fund year	description
already approved for existing SBC project	0.00		
	0.00		
0.00	0.00		
plus This Request	0.00		
20,000,000.00	0.00		

8 SBC Action: If an existing project, SBC Project No.: n/a

9 Designer: TBA

07Deferred Maintenance phase 5.xls
DB70 Project Request

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12. Paid Parental Leave

Presented by M. David Rudd

The University of Memphis Board of Trustees
Agenda Item

Date: June 6, 2017

Committee: **Governance and Finance Committee**

Item: **Paid Parental Leave**

Recommendation: Review

Presented by: M. David Rudd, President

Background:
On April 18, 2017, the Faculty Senate Ad Hoc Committee on Paid Parental Leave was charged with developing recommendations for a paid parental leave policy. The committee analyzed the parental leave policies of peer institutions and conducted a survey of University of Memphis faculty and staff. The committee has submitted a report summarizing their findings and providing recommendations for inclusion in a university policy. The report is included in the meeting materials.

The Faculty Senate Ad Hoc Committee on Paid Parental Leave
Report and Recommendations

Submitted on May 19, 2017

Drs. Micah Trapp (Chair), Bryna Bobick, Alison Happel-Parkins, Amaia Iratzoqui, Carolyn Ransford Kaldon, Erno Lindner, Gray Matthews, Elizabeth Meisinger, Esra Ozdenerol, Amanda Rockinson-Szapkiw, Loretta Rudd, Kathy Lou Schultz, Kimberly A. Smith, Genae D. Strong, and Vania Barraza Toldedo

Acknowledgments: The Ad Hoc Committee for Paid Parental Leave thanks the following people for their contributions and support: Mr. Thomas Banning (Faculty Senate President), Dr. Jeffrey Berman (Faculty Senate Information Officer), Dr. Henry Kurtz (Faculty Senate President-Elect), Vickie Peters (Staff Senate President), Maria Alam (Assistant Vice President, Chief Human Resources Officer), Margie Williamson (Senior Director, Human Resources), Patricia Polania (Assistant Director, Human Resources), Deborah Becker (Interim Assistant Vice President, Finance), and Heidi Kendall (Financial Planning).

Executive Summary

On April 18, 2017, the Faculty Senate Ad Hoc Committee on Paid Parental Leave was charged with developing recommendations for a paid parental leave policy. The committee conducted an analysis of peer institutions' parental leave policies, as well as a survey of University of Memphis faculty and staff (*n*=566). [Appendices A, B]

The current parental leave policy follows federally mandated Family Medical Leave Act guidelines, offering unpaid leave for up to 3-4 months (12-16 weeks). Employees with accrued sick and annual leave may take paid leave; employees who take unpaid FMLA leave must pay for their own health and life insurance premiums out of pocket. Current policy fails to promote an equitable, loyal, and competitive workplace environment.

- ***Recommendation: One semester (or its equivalent, 16 weeks) of paid parental leave for all benefits-eligible faculty and staff.***

	Current Policy (FMLA)	Recommended (Paid Parental Leave)
Duration	12-16 weeks leave	12-16 weeks leave
Compensation	Unpaid; may receive pay with accrued leave	Paid; do not use accrued leave
Eligibility	Faculty/staff; both parents; after 12 months of employment (1,250 hours)	Faculty/staff; both parents and domestic (including same-sex) partners; upon employment

- ***Benefits: Effective implementation of a paid parental leave policy will assist the institution in:*** [Appendix C]

- **Distinguishing itself as a premier educational institution**
  - Nearly half (16) of peer institutions offer paid parental leave or modified duties for faculty (from 2 weeks to one semester); 7 institutions extend paid parental leave to staff.
  - University of Louisville (peer institution) has offered paid parental leave for faculty and staff since 1995.
  - University of Tennessee Knoxville (a Carnegie R1 university) allows tenure-track and tenured faculty to modify work duties for one semester, but does not yet offer paid parental leave for faculty and staff.
- **Reducing costly attrition of faculty and staff**
  - A faculty member wrote, *"At the moment, the U of M's lack of parental/family leave is negatively affecting its staff and faculty community. You're losing good people (worst case) and enthusiasm for our work (best case) by not supporting families more."*
  - Google has reported that offering five (5) months of paid parental leave reduced attrition rates among new mothers by 50% and generated cost-savings from recruitment.[i]
- **Achieving a learner-centered educational experience**
  - Students benefit from uninterrupted classroom education; paid parental leave helps assure continuity.
- **Promoting an equitable and family-friendly work environment**
  - Women earn 40% of doctorate degrees, yet hold approximately 25% of tenured or tenure-track positions.
  - Paid parental leave policies assist institutions in recruiting and retaining talented faculty.
- **Becoming a local, regional, and nationally recognized leader in work-life integration**
  - First Tennessee Bank and St. Jude Children's Research Hospital provide paid parental leave benefits.
  - Recent announcements of paid parental leave policies for faculty and staff at Baylor University, University of Pittsburgh, Emory University, and Ball State received prominent national media attention. [ii]
- **Increasing employee morale, loyalty, and productivity**
  - One staff stated paid parental leave would indebt her to the university; another wrote: *"Paid parental leave is absolutely essential for working mothers and fathers as well as developing healthy children. It also helps with employment retention, satisfaction, and quality of work. Please implement paid parental leave."*
  - Women who take paid leave work 15 to 20% more hours during the second year of their child's life.

- ***Projected Financial Impact*** [Appendix D]

- Based on cost projections prepared by the Office of Financial Planning, the proposed paid parental leave policy would cost an additional **$180,000 - $280,000 per year** in replacement costs.
  - Estimate assumes temporary replacements will be hired to replace all employees while on parental leave.
  - Range based on adjunct and part-time faculty replacements for 2, 3, and 4 course/semester teaching loads.

Recommendation for a Paid Parental Leave Policy [Appendix E]

PROVISION 1: All leave-eligible employees at the U of M may receive sixteen (16) weeks of paid leave for the purpose of recovery from childbirth and/or to care for and bond with a newborn or newly adopted child.

PROVISION 2: Paid parental leave is available upon the start of employment at U of M.

PROVISION 3: Paid parental leave may be used by the birth mother, father, adoptive parents and domestic (same or opposite sex) partners. If both parents are employed by the University of Memphis, each may take the full paid parental leave benefit individually.

PROVISION 4: Paid parental leave may be used intermittently or in a continuous block of time within 12 months of the arrival a child. Paid parental leave may be taken in advance of the birth or adoption of a child, if required. Paid parental leave shall run concurrently with FMLA.

PROVISION 5: For a faculty member on a 9-month contract, leave may be sought for up to sixteen (16) weeks from the beginning of the contract period through the end of the contract period. For faculty members on a 12-month contract, leave may be utilized at any point during the contract period.

PROVISION 6: Paid parental leave will not reduce any employee's (staff and faculty) balance of accrued sick or annual leave or any a faculty member's eligibility for any other form of academic leave.

PROVISION 7: All full-time tenured, tenure-track, clinical or research faculty members are eligible for modified duties for a period of one additional semester beyond the sixteen (16) weeks of paid leave. Modified duties are considered to include a release from on-site and on-line duties, and may include, but are not limited to, teaching, research, service, and advising activities. Chairs, Supervisors, and Deans will work with faculty to create a modification of duties agreement. Any reduction in duties is not to be made up at a later date.

PROVISION 8: If job duties allow, all staff are eligible for a modified work schedule for a period of an additional sixteen (16) weeks beyond the paid leave. Modified work schedules may include, but are not limited to performance of off-site work, and flexible work and break hours. Department heads, supervisors, and the Department of Human Resources will work to coordinate modified duties with staff.

PROVISION 9: Tenure-track faculty will be granted an automatic one-year extension to the tenure clock in accordance with existing "stop the clock" procedures. Faculty may elect to opt out of stopping the clock.

PROVISION 10: Paid parental leave shall ensure leave with replacement and provision funds for departments/units to hire temporary staff or faculty adjuncts for the duration of the leave period.

PROVISION 11: The Paid Parental Leave Policy ensures that all employees will return to their position upon return from leave. Use of paid leave shall not adversely affect consideration for future salary adjustments.

PROVISION 12: If the employee fails to return to work after the period of paid parental leave or returns to work but fails to remain for at least 30 days, the employee will reimburse the University of Memphis the salary paid under this policy, unless employed at the University of Memphis for five or more years. Employees shall not reimbursement the University of Memphis if the failure to return to work is due a health condition of the employee or the child or other circumstances beyond the employee's control.

Additional Recommendations to Create a Family Friendly Work Environment:

1. Extend paid parental leave policy to graduate assistants, temporary employees, and adjunct faculty.
2. Remove Policy UM 1645 that restricts the presence of children on campus.
3. Increase childcare services, particularly for infants.
4. Extend paid leave to care for elderly family members or ill children.
5. Extend paid parental leave eligibility to grandparents.
6. Appoint a trained parental leave specialist.
7. Adopt a Dual Career Academic Couple Hiring Policy.

APPENDIX A. Paid Parental Leave Policies, Peer Institution Data

The University of Memphis Office of Institutional Research identifies 36 peer institutions.

Key Findings:

- 50% (18 of 36) peer institutions offer paid parental leave and/or a modification of duties for faculty
- 22% (8 of 36) peer institutions provide paid parental leave for staff
- Paid parental leave ranges from 2 – 26 weeks
- Modification of duties range from 6 weeks – 16 weeks (a semester)

Summary of Paid Parental Leave Policies, University of Memphis Peer Institutions

University	Peer Category	Paid Leave Faculty	Paid Leave Staff	Duration of Leave	Modification of Duties	Duration of Modification	Women / Men
University of Arkansas - Main Campus	Funding	N	N		Y	6-15 weeks	Y
University of South Florida	Funding, Academic	Y	N	19.5 weeks			Y
Florida International University	Funding, Academic	Y	N	26 weeks			Y
Georgia State University	Funding, Academic, Urban 13	N	N				
University of Alabama	Funding	Y	N	8 weeks			N
University of Louisville	Funding, Academic	Y	Y	6 weeks			Y
University of Oklahoma - Norman Campus	Funding, Academic	N	N				
University of South Carolina - Columbia	Funding, Academic	N	N		Y	Semester	
University of Houston - University Park	Funding, Academic, Urban 13	N	N				Y
Texas Tech University	Funding	N	N				Y
George Mason University	Funding	Y	N	Semester	Y	Semester	Y
Virginia Commonwealth University	Funding	N	N				
University of Alabama - Birmingham	Academic, Urban 13	Y	Y	4 weeks			Y
Arizona State University - Main Campus	Academic	Y	Y	6 weeks	Y	12 weeks	Y
University of Illinois at Chicago	Academic, Urban 13	Y	Y	2 weeks			Y
University of Cincinnati - Main Campus	Academic, Urban 13	Y	N	6 weeks	Y	Semester	Y
University of Pittsburgh - Main Campus	Academic, Urban 13	Y	Y	4 weeks			Y
Cleveland State University	Urban 13	N	N				
Florida A&M	Urban 13	N	N				
University of Missouri - St. Louis	Urban 13	N	N				
University of New Orleans	Urban 13	N	N				
City College of New York	Urban 13	Y	Y	8 weeks			Y
Portland State University	Urban 13	N	N				
Indiana / Purdue University - Indianapolis	Urban 13	Y	Y	6 weeks	Y	Variable	Y
University of Massachusetts - Boston	Urban 13	Y	Y	2 weeks			Y
University of Missouri - Kansas City	Urban 13	Y	N	12 weeks			Y
Temple University	Urban 13	Y	N				Y
University of Toledo	Urban 13	N	N				
Wayne State University	Urban 13	N	N				
University of Wisconsin - Milwaukee	Urban 13	N	N				
Tennessee State University	THEC	N	N				
Middle Tennessee State University	THEC	N	N				
Tennessee Technological University	THEC	N	N				
East Tennessee State University	THEC	N	N				
Austin Peay State University	THEC	N	N				
University of Tennessee - Knoxville	THEC	N	N		Y	Semester	
	TOTAL	**15**	**8**	**--**	**7**	**--**	**17**

National R1 Universities in the Carnegie Classification of Institutions of Higher Education

Analysis of self-reported institutional data on paid parental leave policies at 77 of 115 R1 Universities.

Key Findings:*

- **90% (69 of 77) provide paid parental leave or a modification of duties for faculty**
    - 77% (59 of 77) have paid parental leave policies for faculty
    - 13% (10 of 77) R1 universities provide a modification of duties for faculty
- **56% (33 of 59) offered a full semester (16 weeks) or more of paid parental leave**
    - 12% (7 of 59) offered two full semesters (32 weeks) of paid parental leave
    - 29% (17 of 59) offered 6-10 weeks of paid parental leave

*Analysis does not include eligibility criteria; parental leave policies included in findings may have different benefits for men and women.

	RI University	Paid Leave Policy	Modified Duties	Duration of Paid Leave	Full Semester
1.	Arizona State	Y	Y	6 weeks	N
2.	Emory	N	Y	N/A	N
3.	Indiana	Y	Y	12 weeks	N
4.	Iowa State University	N	Y	N/A	N
5.	John Hopkins	Y	Y	8 weeks	N
6.	Marquette	N	Y	N/A	N
7.	Michigan State	Y	Y	6 WEEKS	N
8.	NYU	Y	Y	1 semester	Y
9.	Ohio State University	Y	Y	6 weeks	N
10.	Purdue	Y	Y	6 weeks	N
11.	Rutgers	Y	U	6-14 weeks	N
12.	St. Louis University	Y	U	6 weeks	N
13.	Stanford	N	Y	N/A	N
14.	U of Arizona	Y	U	6 weeks	N
15.	UCSD	Y	U	10 weeks	Full quarter
16.	U of Chicago	Y	U	10 weeks	Full quarter
17.	U of Florida	Y	Y	6 weeks	N
18.	U of Illinois Chicago	Y	U	2 weeks	N
19.	U of Ill Urbana-Champaign	Y	Y	2 weeks	N
20.	U of Kentucky	N	Y	N/A	N
21.	U of Maryland	Y	Y	8 weeks	N
22.	U of Miami	Y	N	8 weeks	N
23.	U of Minnesota	Y	U	6 weeks	N
24.	U of Missouri	Y	Y	12 weeks	N
25.	U of Nebraska	N	Y	N/A	N
26.	U of Oregon	Y	Y	12 weeks	N
27.	U of Pittsburgh	Y	U	4 weeks	N
28.	U of Virginia	Y	U	3 weeks	N
29.	Brown University	Y	U	1 semester	Y
30.	Carnegie Melon University	Y	U	1 semester	Y
31.	Columbia	Y	U	1 semester	Y
32.	Cornell University	Y	U	1 semester	Y
33.	Duke University	Y	Y	1 semester	Y
34.	George Washington	Y	U	1 semester	Y
35.	Georgetown	Y	U	1 semester	Y
36.	Harvard	Y	U	1 semester	Y
37.	MIT	Y	U	1 semester	Y
38.	Northwestern	Y	Y	1 semester	Y
39.	Penn State University	Y	U	1 semester	Y
40.	Princeton	Y	U	1 semester	Y
41.	Rice University	Y	U	1 semester	Y
42.	Syracuse U	Y	U	1 semester	Y
43.	Texas A&M	Y	U	1 semester	Y
44.	UT Austin	N	Y	N/A	N
45.	Tulane	Y	U	1 semester	Y
46.	UC Berkeley	Y	U	2 semesters	Y
47.	U of Alabama	Y	Y	8 weeks	N
48.	UC Riverside	Y	U	2 semesters	Y
49.	UC Davis	Y	U	2 semesters	Y
50.	UC Irvine	Y	U	2 semesters	Y
51.	UCLA	Y	U	2 semesters	Y
52.	UC Santa Barbara	Y	U	2 semesters	Y
53.	UC Santa Cruz	Y	U	2 semesters	Y
54.	University of Colorado	Y	U	1 semester	Y
55.	UConn	Y	U	4 weeks	N
56.	UMass Amherst	Y	U	1 semester	Y
57.	U of Michigan	Y	U	1 semester	Y
58.	U of New Mexico	Y	U	1 semester	Y
59.	UNC	Y	U	1 semester	Y
60.	U of Notre Dame	Y	U	1 semester	Y
61.	U of Pennsylvania	Y	U	8-10 weeks	N
62.	University of South Carolina	Y	U	1 semester	Y
63.	Virginia Tech	N	Y	N/a	N
64.	Washington University St. Louis	Y	U	1 semester	Y
65.	Yale	N	Y	N/A	N
66.	Oregon State University	N	U	N/A	N
67.	U of Iowa	N	U	N/a	N
68.	U of Oklahoma	N	U	N/A	N
69.	U of Wisconsin	N	U	N/A	N
70.	Florida State University	N	U	N/A	N
71.	LSU	N	U	N/A	N
72.	Temple	Y	U	6-8 WEEKS	N
73.	U of Central Florida	Y	U	1 semester	Y
74.	U of Mississippi	N	U	N/A	N
75.	U of N Texas	N	Y	N/A	N
76.	U of Pittsburgh	Y	U	4 weeks	N
77.	West Virginia U	N	U	N/A	N
	Total	**59**	**25**		**33**

APPENDIX B. Paid Parental Leave Survey: Methodology and Description of Respondents

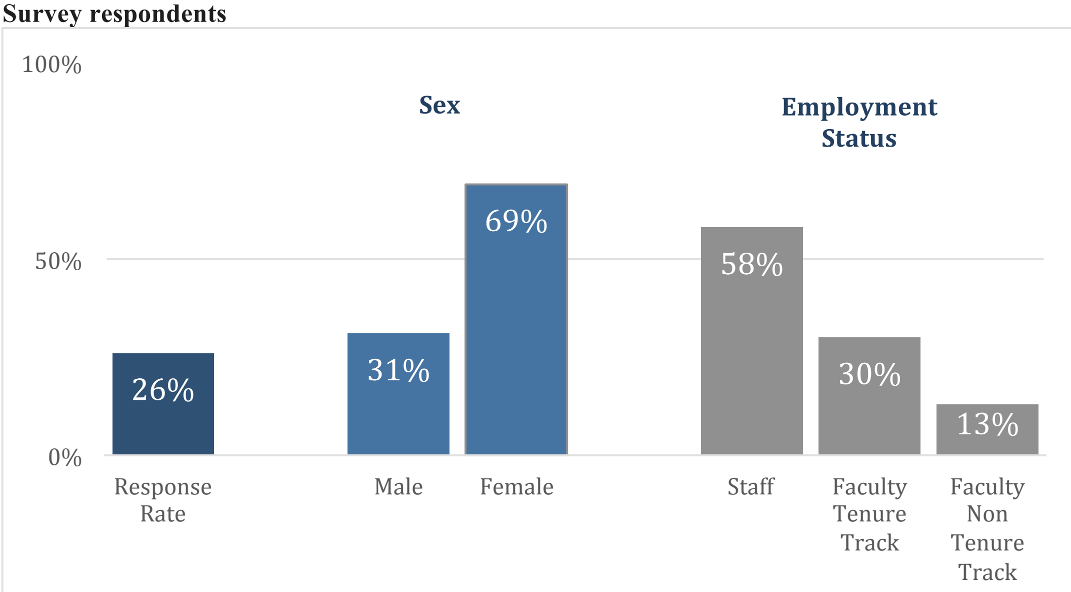
The Faculty Senate Ad Hoc Committee for Paid Parental Leave administered a parental leave survey to collect data on employee experiences surrounding the arrival of a child. The survey was designed and distributed using Qualtrics software and remained open for six days (May 1, 2017 – May 6, 2017).

An invitation email containing a survey link was distributed to all faculty (*N*=930) via their university email accounts on May 1, 2017. Staff (*N*=1,239) received the email containing the survey link over the course of three days (May 1, 2017-May 3, 2017). All surveys were completed voluntarily and anonymously to protect respondents' privacy and to ensure confidentiality. Moreover, the raw survey data was not and will not be made available beyond the Ad Hoc Committee to further protect respondents' privacy and to ensure confidentiality.

The committee took four steps to ensure the validity of survey responses: 1) all incomplete responses were eliminated from the data set; 2) respondent IP addresses were checked for duplication and duplicate responses were removed; 3) start and end time checks were assessed; and 4) the survey was designed and functioned with skip logic to insure that respondents were only asked questions appropriate to their circumstances.

A total of 617 responses were received, and 556 responses were determined to be valid, representing a 26% response rate. **The PPL survey response rate demonstrates a strong expression of interest in providing feedback on parental leave policies.**

Survey respondents



Due to limited time to design and distribute the survey, only staff accessible to the Staff Senate mailing protocols received an email invitation to complete the survey; thus administrative staff members above pay band AD09 are not represented in the survey. Additionally, standard survey procedures recommend the use of reminder notices to encourage response rates; however, the short duration of the survey precluded this opportunity. The distribution of a reminder to complete the survey may have increased the survey response rate.

APPENDIX C. The Research and U of M Paid Parental Leave Survey Results that Support the Need for Paid Parental Leave

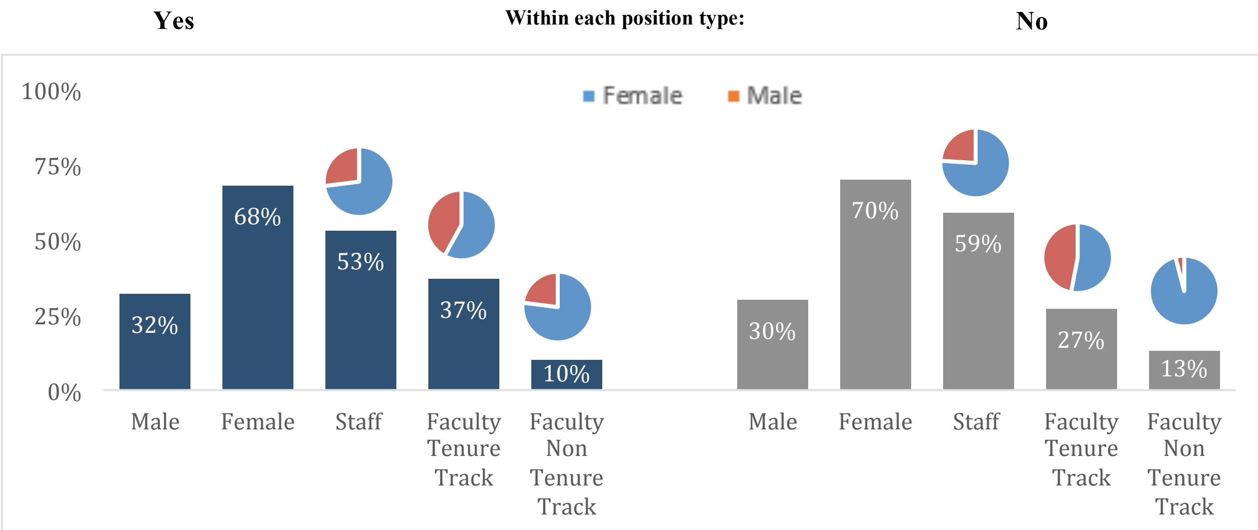
The Felt Need of University of Memphis Faulty and Staff

The Paid Parental Leave (PPL) Survey completed by the University of Memphis faculty and staff found the following:

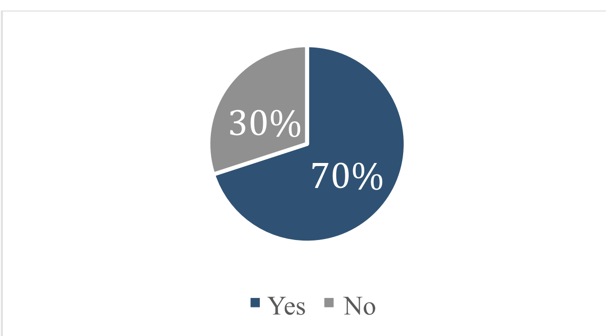
Existing parental leave policies prevent employees from taking sufficient leave

- 134 survey respondents reported that their family had experienced the birth or adoption of child within the last ten years while employed at the University of Memphis.

Birth or adoption of child in last 10 years



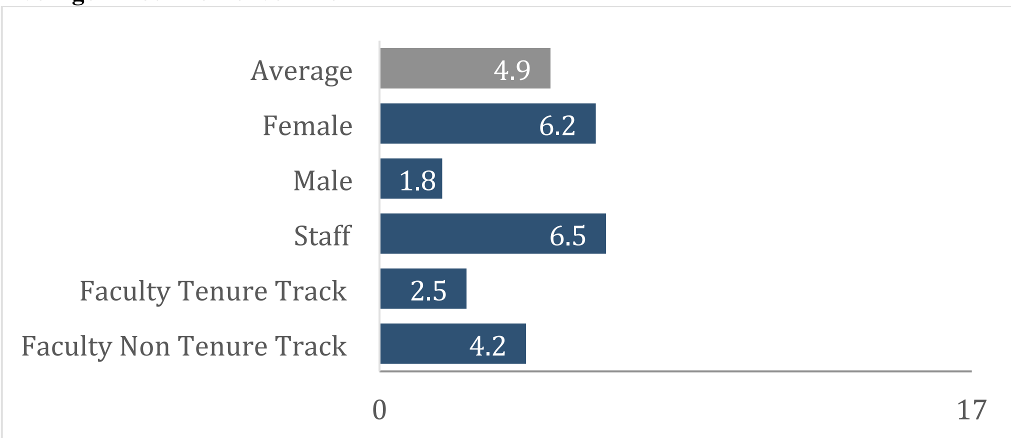
Percentage of respondents taking leave



- 85 respondents reported using sick leave; 52 of which exhausted their sick leave.
- 62 respondents reported using annual leave; 36 of which exhausted their annual leave.
- 35 respondents reported taking leave without pay.

- The average amount of time taken off was 4.9 weeks, with a range of 0 to 17 weeks.

Average amount of leave taken



- Survey data exhibited overwhelming inconsistencies in the communication, understanding, and implementation of existing policies pertaining to the use of sick leave, annual leave, and the sick leave bank remain unclear for many employees and in some cases, prevented employees from accessing benefits in a timely or sufficient manner.
- Female faculty reported teaching in the classroom within a week of giving birth, while others reported responding to emails while still hospitalized.
- As one female staff member explained, she did not feel as though she could ask for more time to work on a flexible schedule, but she did not have enough time with her newborn daughter before going back to work full time.
- Both female and male faculty members note that planning for the arrival of a child while employed by the University of Memphis is made even more stressful and chaotic because they received conflicting information, wrong information, or no information from HR and departmental chairs. Faculty had difficulty obtaining information from HR and departmental chairs about policies including: sick leave bank, stopping the clock, insurance coverage, and other basic information about parental leave—even when they specifically asked for this information.
- Because of the lack of clear university policies, experiences of faculty who have children at the U of M vary widely. Significantly, the only cases in which faculty obtained leave and support involved a supportive departmental chair. Some chairs release the faculty member from teaching for a semester, and sometimes other duties, while in other departments, women who have just had a child continue to work non-stop (sometimes from a hospital bed), even if they have had medical complications, which is obviously dangerous to the health of both mothers and infants.
- As one respondent notes: "*A lack of a clear (and PAID) parental leave policy leaves women at the mercy of their departmental chair*."

Survey respondents cited financial stress as a primary concern with the current parental leave policy

- A number of faculty and staff respondents stated that they decided not to have children because they could not afford to take unpaid leave, while others said that they delayed having children until they had accrued more leave days or they had achieved tenure.
- For one tenure track female faculty member, she and her husband delayed their attempts to get pregnant until she earned tenure. Once she was awarded tenure, they had to get fertility treatments and, after three years, she is pregnant with her first child at age 39.
- For faculty, both men and women discussed the difficulties of trying to plan their pregnancies to fall within the summer, so they would not have to take unpaid leave. This was said to have caused frustration and resentment.
- Early career faculty often have student loan debt, which makes it impossible for them to take unpaid leave
- If the university employee is the primary breadwinner of the house, it is impossible for them to take unpaid leave.

- 6/18 tenure track female respondents who had a child while at the university said that they decided not to have a second child because of the unpaid leave policy.
- As one female staff member wrote, "*A paid parental leave policy would greatly influence my decision to have a child as it has been something that has prevented my family from trying to start a family up to this point. I have been trying to accrue enough vacation and sick days to pay for an appropriate amount of leave when we have a child. We have not had a child before now because there was no way we could afford it unless I was being paid during the 8-10 weeks following delivery. It is very challenging and overwhelming*."

The Solution: Paid Parental Leave Policy

Comprehensive changes and revaluation of parental leave policies are being made across the United States in both Industry and Higher Education Institutions. For, it is being recognized that making an investment in family does not equate to less investment or less productivity in work. In order to maintain highly competitive employees, Industry and Higher Education Institutions are recognizing that parental leave policies with extended paid parental leave clauses are necessary. Such parental leave policies benefit the employee and the employer. Effective implementation of a paid parental leave policy is beneficial in the following ways.

Recruiting and retaining highly competitive employees to become a premier educational institution

What the Research Says

Talent pools are also increased. For, it is well documented that women are an under represented resource in higher education. Women earn 40% of doctorate degrees, yet only hold approximately 25% of tenured or tenure-track faculty (Mason, 2007). In science, engineering, technology, and mathematics, the statistics are even grimmer. Institutions of higher education were originally established to train young men; however, women now out rank men making up a majority of the students in American colleges and universities (Allum & Okahana, 2015; Knapp, et al., 2011). Unfortunately, women, and especially mothers, have not made such progress when it comes to the professorship (Mason, Wolfinger, & Goulden, 2013). Women are disproportionate underrepresented in assistant, associate, and full professor positions in the United States and in Canada (American Association of University Professors, 2014; Canadian Association of University Teachers, 2015) and men continue to outnumber women in promotion and tenure (Misra, Lundquist, Holmes, & Agiomavritis, 2011). Parental leave policies with extended paid parental leave clauses decrease the hostile for women, and effective implementation of family-responsive policies assist institutions in recruiting and retaining talented women faculty.

Industry and Higher Education Institutions are recognizing this and are making strides to develop and implement paid parental leave policies. Nearly half (16) of peer institutions offer paid parental leave or modified duties for faculty (from 2 weeks –semester); 7 institutions extend paid parental leave to staff. University of Tennessee Knoxville, a Carnegie R1 university, allows tenure-track and tenured faculty to modify work duties for one semester, but does not yet offer paid parental leave for faculty and staff.

What the University of Memphis PPL Survey Says

- **Paid leave shows the University's commitment to its employees and serves as a valuable recruitment and retention tool.**
  - Across all categories of respondents (faculty/staff, male/female), survey responses indicated that a paid parental leave policy would be a clear message from the University that they valued their employees.
  - As one staff member wrote, *"Having a paid parental leave policy would make me feel confident and secure in my career here at the University of Memphis, because I do want to have a child someday."*
  - A female staff member notes, *"Paid parental leave is absolutely essential for working mothers and fathers as well as developing healthy children. It also helps with employment retention, satisfaction, and quality of work. Please implement paid parental leave."*
  - *"As an administrator I have seen faculty without family leave struggle to cope without sufficient time and without pay for family leave. I urge implementation of a policy to grant at least 6 months paid leave. I recognize this is expensive but would pay for itself in faculty recruitment and retention."* [Female, TT Faculty]

- As one tenure track female wrote, *"Having paid parental leave would reassure me that I have a future at this University because they value families and care enough about their employees and faculty members to make this a priority. Having this kind of paid leave would make me seriously reconsider moving on the from the University of Memphis"*
- 199 faculty and staff provided narrative feedback that a paid parental leave policy would positively impact their continued employment at the university; some reflected that a lack of a paid parental leave policy would influence them to look for jobs elsewhere.
- As one tenure track female stated, *"Unpaid parental leave increases parental burden and perhaps more importantly, in my opinion, conveys a very negative message about the University's attitude toward children, parenting, and academia."*
- *"I would prepare to change jobs if the parental leave did not adequately suit my needs,"* wrote one female staff member.
- Several faculty members thought that productivity of faculty with children would increase because they would return to work recharged and re-committed to the university after paid leave.

Reducing costly attrition of faculty and staff

What the Research Says

Google has reported that offering five (5) months of paid parental leave reduced attrition rates among new mothers by 50% and generated cost-savings from recruitment. Industry reports and research again and again report that paid parental leave increases the likelihood that the employee, especially the mother, will return to the workforce after the birth or adoption, decreasing the need to retrain an individual for the position (Mason, 2007; Wolf-Wendel, & Ward, 2014). Research has also demonstrated that parental leave reduces costly attrition rates.

What the University of Memphis PPL Survey Says

[see above: Paid leave shows the University's commitment to its employees and serves as a valuable recruitment and retention tool.]

Promoting an equitable and family-friendly work environment

What the Research Says

Parental leave enables valuable bonding time between the parents and the child. Whether the addition of a child comes through birth or adoption, whether the parent is the mother or the father, the ability of an employee to take parental leave is beneficial to the entire family unit. Research has also demonstrated that parental leave decreases postpartum depression for the birth mother and increases rates of breastfeeding, which ultimately, can decrease health issues and health insurance costs. Unfortunately, higher education have not traditionally accommodated men and women's personal live and troublesome sociocultural policies and practices encourage the separation of academic and mother identity exist (Lapayese, 2012; Matias, 2011). "The personal and institutional barriers, challenges and triumphs that women faculty who opt to have children face as they attempt to balance the often conflicting demands of academic and family life" is troublesome (Wolf-Wendel & Ward, 2006, p. 487).

What the University of Memphis PPL Survey Says

- **Paid parental leave would not force employees to choose between their work and their families and will promote a family friendly work environment.**
  - For those faculty and staff who have had children while at the University, many discussed feeling like they had to choose between their work and their families. They, along with faculty and staff who do not have children, suggested that a paid parental leave policy would help employees balance their work and family demands in a healthy way.
  - As one female employee wrote, *"I did not have another child because there was no way I could add to my family after the traumatic experience with my first child while working at Memphis: no leave, no daycare, children not allowed on campus. It was an impossible situation and I was hospitalized when my son was a month old due to exhaustion and complications."*
  - A female faculty noted, *"The U of M ought to offer affordable daycare for infants under 20 months and give profs and staff a semester off (paid). Since the GOP's administration won't make labor laws more family friendly, it is up to employers to put into practice what most Americans are in favor of. At the*

moment, the U of M's lack of parental/family leave is negatively affecting its staff and faculty community. You're losing good people (worst case) and enthusiasm for our work (best case) by not supporting families more."

- Writing about changes he would like to see, a male faculty states: *"Parental leave that is consistent among higher education institutions. We are behind in our thinking about families."*

Becoming a local, regional, and nationally recognized leader in work-life integration

What the Research Says

For decades, researchers have recognized that work and family are not "separate spheres" with "permeable" boundaries (Kanter, 1977). Many advocate integration of these domains for optimal well-being and balance (Bailyn, Drago, & Kochan, 2001). Work has the potential to enrich family experiences and vice versa (Greenhaus & Powell, 2006; Hammer et al., 2003; Hanson et al., 2006). In fact, Greenhaus and Powell (2006) proposed the work-family enrichment theory, which posits that work (or family) experiences improve performance and enhance affect in the family (or in work).This positive synergy and transference of resources between work and home has also been referred to and documented as work-family facilitation (Wayne et al. 2004), work-family enrichment (Kirchmeyer 1992), positive spillover (Crouter 1984, Grzywacz et al. 2002), and work-family harmony (McMillan et al., 2011). Alternatively, consequences of work-family conflict include poor well-being and underperformance in academic responsibilities (Karatepe& Sokmen, 2006).

Many organizations, both industry and education, have recognized this. First Tennessee Bank and St. Jude Children's Research Hospital provide paid parental leave benefits. University of Louisville (peer institution) has offered paid parental leave for faculty and staff since 1995. Recent announcements of paid parental leave policies for faculty and staff—Baylor University, University of Pittsburgh, Emory University, and Ball State—receive prominent national media attention.

What the University of Memphis PPL Survey Says

[See above: Paid parental leave would not force employees to choose between their work and their families and will promote a family friendly work environment.]

Increasing employee morale, loyalty, and productivity

What the Research Says

Research has also demonstrated that parental leave improves employee satisfaction, increases work productivity, and increases employee loyalty (Hollenshead, et al, 2005). Women who take paid leave work 15 to 20% more hours during the second year of their child's life. Alternatively, traditional stereotypes reinforced by unpaid leave policies (e.g. the notion that a woman who is concerned with maternal and familial issues cannot be a serious scholar) can marginalize or call into question her scholarship and commitment. Judgments and stereotypes in academic settings can result in unjustified stress, which can result in underperformance and isolation (Steele, 1997).

What the University of Memphis PPL Survey Says

- **Paid parental leave for all faculty and staff will promote an equitable, loyal, and competitive workplace environment.**
    - Faculty and staff reported instances of supervisors, chairs, department heads, and human resources staff supporting varying degrees of accommodation. Inequities were reported in relation to benefits provisioned for men vs. women, non-tenure track faculty vs. tenure-track faculty. Additionally respondents reported problems associated with male colleagues making decisions on female workload and junior colleagues having limited negotiating power with senior colleagues.
    - As one tenure track female wrote, *"Currently, having a child while employed at the University of Memphis is a hardship, especially if you are a woman. Most people cannot afford to have a child without also being paid and supported by their employer. Also, not having a policy communicates that the U of M is not open to faculty having children while employed with them."*
    - A tenured female professor writes, ***"I am deeply afraid of what my options will be for maternity leave***. *According to the published TBR policy, I am allowed to use only 30 days of sick leave and otherwise must use regular leave -- but as a faculty member, I don't receive regular leave. I don't know if I'm going to be forced to take unpaid leave, if I can make ad hoc arrangements to teach the classes I owe my department at some other time, or what. It honestly feels deeply unfair to be in this position. My male colleagues*

might be able to take a limited amount of leave, or teach online, at the birth of a child -- they have more flexibility. But I will be a 40-year-old new mother who underwent years of infertility treatment in order to get pregnant and have a baby, and I simply won't have the energy to put my physical needs on hold to return to work early after giving birth. Likewise, I resent that, in order to not lose pay, I might have to make up classes to my department at a later date (thereby cutting into any remaining research time I might have during the summer) -- it puts female faculty even further behind. I realize that, as tenured faculty, I'm honestly in a much better position than someone in a non-t-t job on this campus. But the current policy still really does a disservice to those of us who are devoting our careers to U of M."

- *"We need to promote an equitable work environment, which means allowing families to spend a short period of time (yes, a semester is a short period of time) with their newest family members…. Let's attract and retain the best faculty by having policies that allow folks to have a healthy like-work balance. At a minimum, let's not discriminate against women by endorsing only the bar minimum required by federal law under FLMA. We can do so much better."*[Female TT]
- *"Paid leave for 16 weeks (without taking from sick leave).* ***Pregnancy is not a sickness but a fact of life for women - not paying and requiring our use of sick leave is discriminatory against women since it only directly affects women.*** *Paid paternal leave should also be instituted, given the research showing positive impact on work performance for men and women when this occurs."* [Female TT Faculty]
- *"When I had my child, 20+ years ago, I had no paid leave. Therefore I took time off without financial compensation, something every mother cannot do. Notably, my husband and I started at the same salary, but my salary after the leave was lower, and every year after that it continued to get even lower than his, because raises are based on the previous year's salary. We calculated that over the course of our careers, I would make hundreds of thousands of dollars less than he would, because we had a baby. That is simply unfair. My second concern is that we can't recruit female academics to the U of M with the current draconian policy."* [Female TT Faculty]

The majority of the University of Memphis survey respondents also support a parental leave policy that expands existing parental leave benefits.

- 56% (311) male and female respondents across all employment categories reported that they would like to see changes in the existing parental leave policy.
  - NOTE: 46 respondents reported they were unaware of the current policy.
- 96 respondents provided recommendations for an expansion of benefits to include more paid leave time.
  - 35 respondents recommended expanding benefits to provide paid parental leave for the twelve to sixteen (12-16) weeks allowed under the existing FMLA policy.
  - 31 respondents recommended a minimum paid leave benefit of six (6) – nine (9) weeks; 9 of which recommended offering paid parental leave up to ten (10) to sixteen (16) weeks.
  - 8 respondents recommended a paid parental leave policy of six (6) months.
  - 22 respondents offered general statements in support of "more paid leave."
- *"Longer paid maternity and paternity leave. There is no such thing as too much."* [Male staff]
- *"The current leave policy is much too limited in scope and duration to give faculty and staff an opportunity to actually care for their newborn children (and themselves) and to begin parenting on the right foot. Just about every other modern western democracy has institutionalized maternity and paternity leave as a central component of a healthy society--the U.S. (and Tennessee) need to catch up. It is an embarrassment that a country that claims to be committed to good "family values" has not yet figured out how to make parenting viable for working mothers and fathers. I should also note that professors tend to move far from home to take up academic positions, and, as a result, are usually lacking a family support network. If my wife and I have children (as we hope to do), one of us will likely have to leave our jobs in order to take care of them.*" [Male TT Faculty]

References

Available upon request

APPENDIX D. Paid Parental Leave Policy Cost Projection

The University of Memphis Office of Financial Planning generated the following Paid Parental Leave Analysis.

In order to estimate the number of employees who would use the Paid Parental Leave and the cost associated with this, a list of employees who have University-provided Health insurance was determined, since any dependent born in the last 3 years can be determined as, in most cases, they were added to the employee's Health insurance.

> Limitations to this are that 12 percent of the Leave-eligible employees do not have University-provided health insurance, so unless the employee requested FMLA coverage, there is no way of knowing if these employees met our criteria.
>
> Also, it is possible that employees with University-provided health insurance only cover themselves or their spouse, but not any child. Once again, these employees would be eligible for Paid Parental Leave, but would not be included in our analysis.

There were 147 dependents who were born to Paid Parental Leave eligible employees from 7/1/13 – 12/31/16 based on Health Insurance Reporting. The 3 year average was 41 employees per fiscal year, with the first 6 months of FY17 having 24 employees eligible. The main analysis looked at 3 fiscal years – FY14-FY16, but it also includes the first 6 months of FY17 for comparison.

> Coaches were excluded from the analysis since they do not accrue leave, and it is assumed that they will not be eligible for this benefit.
>
> The reason for the difference between those who had children and who took FMLA leave was not analyzed, however, it may be that the employee never took leave (non-birth parent) or took leave and never requested FMLA protection.

Once we determined the number of people who added dependents born between 7/1/13 and 12/31/16, we estimated the cost for the University for these employees if the Paid Parental Leave was available to these employees.

> Assumptions were used to determine how many employees would take lave and who was considered the birth parent and the non-birth parent. Those who identified as male were considered non-birth parent, and those identified as female were also considered birth parent. The specific assumptions and estimates are included at the bottom of the Estimate spreadsheet.

Once the assumptions and estimates were determined, we calculated the 16 week pay (or percentage thereof) for the specific employees plus the fringe benefit rate charged for that employee in the year of birth to determine the Total Leave Value the University will directly incur due to this policy.

In addition to the Total Leave Value, we calculated the cost to hire temporary employees to cover the workload of the absent employee, either to cover classes for a semester, or to hire temporary employees for non-instructional employees.

Based on our analysis, the cost for implementing this policy would cost the University approximately $960,000 a year.

> This assumes that the same number of births occur in the future, and that the salary and benefits of the employees does not increase.
>
> This also does not take into account instructional employees whose leave crosses semesters, where more than one semester of Replacement employees are needed.

Parental Leave Cost Calculations
Estimated University Costs

	Number of Employees	Value of 16 weeks leave	Benefits	Percentage Leave taken	Total Leave Value	Replacement Costs*	Total Costs
2014							
F							
AD	12	168,529.00	55,783.10	100%	$224,312.10	$77,544.00	$301,856.10
CL	2	16,861.00	9,307.27	100%	26,168.27	9,693.00	35,861.27
F9	3	47,055.00	15,575.21	100%	62,630.21	33,511.93	96,142.14
FA	2	32,869.00	10,879.64	100%	43,748.64	16,155.00	59,903.64
M							
AD	2	29,458.00	9,750.60	75%	29,406.45	9,693.00	39,099.45
AE	1	24,985.00	8,270.04	75%	24,941.28	7,269.75	32,211.03
F9	9	175,628.00	58,132.87	50%	116,880.43	100,535.80	217,416.23
FA	2	36,384.00	12,043.10	50%	24,213.55	7,957.50	32,171.05
FD	1	16,923.00	5,601.51	50%	11,262.26	3,978.75	15,241.01
Summer F9	2	162,500.00	53,787.50	25%	54,071.88	11,170.64	65,242.52
				Total FY14	$617,635.06	$277,509.37	$895,144.43
2015							
F							
AD	8	128,526.00	42,542.11	100%	$171,068.11	$50,928.00	$221,996.11
CL	4	36,172.00	21,703.20	100%	57,875.20	19,098.00	76,973.20
F9	2	35,385.00	11,712.44	100%	47,097.44	22,009.38	69,106.82
FA	2	40,537.00	13,417.75	100%	53,954.75	15,915.00	69,869.75
Summer F9	1	56,000.00	18,536.00	50%	74,536.00	5,585.32	80,121.32
M							
AD	13	225,885.00	80,415.06	75%	229,725.05	62,068.50	291,793.55
AE	2	67,147.00	23,904.33	75%	68,288.50	9,549.00	77,837.50
F9	11	226,125.00	80,500.50	50%	153,312.75	120,252.97	273,565.72
Summer F9	2	183,232.88	65,230.91	25%	62,115.95	11,170.64	73,286.59
				Total FY15	$917,973.73	$316,576.82	$1,234,550.55
2016							
F							
AD	12	171,626.00	61,098.86	100%	$232,724.86	$76,392.00	$309,116.86
CL	1	8,100.00	5,127.30	100%	13,227.30	4,774.50	18,001.80
F9	8	128,827.00	45,862.41	100%	174,689.41	88,037.54	262,726.95
FA	1	16,948.00	6,033.49	100%	22,981.49	7,957.50	30,938.99
M							
AD	7	121,249.00	43,164.64	75%	123,310.23	33,421.50	156,731.73
CL	2	23,544.00	14,903.35	100%	38,447.35	9,549.00	47,996.35
F9	9	192,354.00	68,478.02	50%	130,416.01	99,042.23	229,458.24
FD	1	13,846.00	4,929.18	50%	9,387.59	3,978.75	13,366.34
				Total FY16	$499,232.09	$241,986.51	$741,218.60
Three Year Average							
(Fiscal Year 2014 through Fiscal Year 2016)					$678,280.29	$278,690.90	$956,971.19
2017							
F							
AD	7	101,344.00	36,889.22	100%	$138,233.22	$44,562.00	$182,795.22
CL	3	24,490.00	14,718.49	100%	39,208.49	14,323.50	53,531.99
F9	4	65,272.00	23,759.01	100%	89,031.01	44,018.77	133,049.78
M							
AD	3	64,014.00	23,301.10	75%	65,486.32	14,323.50	79,809.82
CL	2	22,860.00	13,738.86	100%	36,598.86	9,549.00	46,147.86
F9	5	98,888.00	35,995.23	50%	67,441.62	55,023.46	122,465.08
				YTD FY17	$435,999.51	$181,800.23	$617,799.74

Source: Employees who have University-provided health insurance who added a child born in the fiscal year reported
Where the employee is in a leave-eligible position at the time of birth (no temporary or student employees)
This underestimates the potential number since not all employees have University-provided Health Insurance

Assume that all females (F) are birth parent and the full leave available
Assume that the males (M) are non eligible fathers take varying leave based on eclass:
CL 100%, AD 75%, AE 75%, all others, 50%

For deferred pay employees whose child is born in May or June, assume 50% time off for mothers (F) and 25% for fathers (M)

Exclude any Coach employees as they do not accrue leave

Benefits based on Value of 16 weeks leave per employee times the fringe benefit rate for that year and eclass

* Replacement costs are calculated based on eclass:

AD	estimate replacement with temporary employee for $20/hour plus fringe rate estimate that replacement sought 50% of the time
AE	estimate replacement with temporary employee for $30/hour plus fringe rate estimate that replacement sought 50% of the time
CL	estimate replacement with temporary employee for $15/hour plus fringe rate estimate that replacement sought 50% of the time
F9	estimate replacement as 4 classes by PF at $2,593^ per class plus fringe rate estimate that replacement sought 100% of the time
FA	estimate replacement with temporary employee for $25/hour plus fringe rate estimate that replacement sought 50% of the time
FD	estimate replacement with temporary employee for $25/hour plus fringe rate estimate that replacement sought 50% of the time
Summer F9	estimate replacement as 2 classes by PF at $2,593^ per class plus fringe rate estimate that replacement sought 100% of the time

^Average cost per credit hour of $864.29 times 3 credit hours per class based on Spring 2017 PF costs

Note: The estimate above only considers Faculty members who teach as being out one semester for Replacement Cost purposes.
This may be an underestimate if the timing of the Leave crosses two semesters, where there may be a need for two semesters of Replacement costs.

APPENDIX E. Paid Parental Leave Policy Recommendations with U of M Paid Parental Leave Survey Supporting Data

PROVISION 1: All benefits-eligible employees at the University of Memphis may receive sixteen (16) weeks of paid leave for the purpose of recovery from childbirth and/or to care for and bond with a newborn or newly adopted child.

- **A paid parental leave policy of 16 weeks will support medical recovery and enable time for bonding.**
    - Medical research recommends a 35-40 day physical recovery period for mothers who give birth and additional time for parent/child bonding.[iii]
    - A recent (May 12, 2017) story exposed unusually high maternal mortality rates in the United States compared to other developed countries. This is due, in large part, to the lack of focus on post-partum maternal care.[iv]
    - Positive long-term impacts of bonding include increased opportunities for breast-feeding and reductions in child illness, which may reduce the amount of sick leave employees take.[v]
    - Some faculty and staff without children stated that they decided not to have children, or only had one child, because unpaid leave would not give them enough time to bond with their child.
    - As one female staff member wrote, *"I would love to have a second child but because my first child gets sick often, as small children who go to daycare often do, I have not been able to save up the appropriate amount of sick and vacation time needed to take maternity leave. I refuse to have a baby and then send it to daycare at 6 weeks. That's not healthy for the baby or me."*
    - As one female staff member wrote, *"It would give me the opportunity to bond with my child and take care of myself. Post-pregnancy takes a toll physically emotionally, and mentally. Too often new parents are forced back to work too soon after the child arrives. Give them time to adjust and heal and recover!"*
    - Faculty and staff stated a clear need for a uniform and consistent policy across the university; analysis of narrative survey responses found over 40 instances across all respondent categories (faculty, staff, male, female) of inconsistent, mishandled, or inequitable implementation of existing parental leave policies.

PROVISION 2: Paid parental leave is available upon the start of employment at the University of Memphis.

- **Female faculty and staff reported a need for paid parental leave within first year of employment.**
    - As one female tenure-track faculty wrote, *"As a new faculty member I did not have enough sick leave accrued to take any time off. If a faculty member has a child in their first year, for instance, the amount of sick leave accrued is negligible."*
    - A female staff commented, *"I was very fortunate to have worked on campus a number of years and had accrued enough time to be able to take off 8 weeks and still be paid. But, there are many who are not as fortunate and many departments and positions on campus do not allow you to "work from home" in order to still be paid. A more modern few on work/life balance should be implemented here at the U of M."*

PROVISION 3: Paid parental leave may be used by the birth mother, father, adoptive parents and domestic (same or opposite sex) partners. If both parents are employed by the University of Memphis, each may take the full paid parental leave benefit individually.

- **Survey respondents recommended paid parental policy to benefit all family members.**
    - 88 survey respondents specifically recommended a paid parental leave policy for the mother and father.
    - Respondents across employment categories stated that paid parental leave policies should be extended to same-sex partners.
    - As a male staff member wrote, *"In the past, the policies have not been applied equally to same-sex and opposite-sex parents because until relatively recently, same-sex parents were not considered legally married in TN. We need to ensure that we continue to treat everyone equally, even if changes to state or federal law are made under the current administrations. Other employers offer benefits regardless of the state or federal laws, and I would hope that we would do so as well."*

PROVISION 4: Paid parental leave may be used intermittently or in a continuous block of time within 12 months of the arrival a child. Paid parental leave may be taken in advance of the birth or adoption of a child, if required.

- **Staff, faculty, birth parents, and adoptive parents expressed differing needs related to the timing of**

parental leave.

- Staff respondents, in particular, recommended opportunities for flexible scheduling in the implementation of paid parental leave policies to accommodate family needs and work duties.
- As one respondent noted, "Due to adoption policies (you have to stay in the state where you adopted the child until paperwork is complete), if a family adopts a child in another state, they often end up burning all of their leave days before they even get the child home."

PROVISION 5: For a faculty member on a 9-month contract, leave may be sought for up to sixteen (16) weeks from the beginning of the contract period through the end of the contract period. For faculty members on a 12-month contract, leave may be utilized at any point during the contract period.

- **Under existing policy, at least one faculty member on a 9-month contract reported having to use FMLA while off-contract, limiting their eligibility to take leave during the actual period of employment.**

PROVISION 6: Paid parental leave will not reduce any employee's (staff and faculty) balance of accrued sick or annual leave or any a faculty member's eligibility for any other form of academic leave.

- **Many respondents do not view pregnancy, childbirth, or adoption as an illness (or vacation).**
    - One female tenure-track faculty member wrote, "*Pregnancy is not a sickness but a fact of life for women - not paying and requiring our use of sick leave is discriminatory against women since it only directly affects women."*
    - A female staff member who does not plan to have children wrote, *"Parental leave shouldn't be taken from sick- or personal-leave, it should be granted. And it should be equal for men and women. Women may need some additional recovery time after giving birth and their spouse (be they women or men) will need assistance. After an adoption, the parent(s) still have a period where bonding needs to take place. I'm all in for a liberal parental leave policy. And I have no plans to have children, no desire to have children, and know this has a very small percentage of benefiting me as an employee. It's just the right thing to do."*
- **Respondents who exhausted sick and/or annual leave to have a child were left without any leave time for post-partum doctor's visits, which can be frequent, even for healthy newborns and mothers.**
    - As noted in Appendix C: 85 respondents reported using sick leave; 52 of which exhausted their sick leave; while 62 respondents reported using annual leave; 36 of which exhausted their annual leave.
    - Female staff were especially vulnerable to have insufficient leave to care for a newborn: *"Because all my time was exhausted on maternity leave, I had to take LWOP when taking my babies to the doctor (which is monthly for a while). I honestly wanted to QUIT MY JOB and felt that the University wasn't as supportive as it claims to be,"* wrote a female staff member.

PROVISION 7: All full-time tenured, tenure-track, clinical or research faculty members are eligible for modified duties for a period of one additional semester beyond the sixteen (16) weeks of paid leave. Modified duties are considered to include a release from on-site and on-line duties, and may include, but are not limited to, teaching, research, service, and advising activities. Chairs, Supervisors, and Deans will work with faculty to create a modification of duties agreement. Any reduction in duties is not to be made up at a later date.

- **Employees across all categories reported modifying duties, though the lack of a specific policy left employees vulnerable.**
    - 12 female faculty reported receiving a teaching release (2 non-tenure track, 10 tenure-track or tenured) and 2 faculty reported co-teaching.
    - 7 faculty reported teaching on-line, but did not unanimously view on-line teaching as a reduced work load, especially if they had never taught on-line before.
    - Male faculty generally made short-term modifications to classes (online exams, guest lectures, etc).
    - One non-tenure track female faculty reported that she had to find her own replacement for teaching.
    - Only 3 female tenure-track faculty reported negotiating reduced service.
    - Non-tenure track faculty reported still coming into work, despite logging work hours from home. In one instance, a female non-tenure track faculty member came into work regularly despite having a medically fragile child because she was unable to arrange a modification work schedule with Human Resources and her department/supervisor.

PROVISION 8: If job duties allow, all staff are eligible for a modified work schedule for a period of an additional sixteen (16) weeks beyond the paid leave. Modified work schedules may include, but are not limited to performance of off-site work, and flexible work and break hours. Department heads, supervisors, and the Department of Human Resources will work to coordinate modified work schedules with staff.

- **Male and female staff reported successful and unsuccessful efforts to modify work duties, including flexible schedules and working from home.**
  - One female staff reported working out a modified break schedule so that she could breastfeed her child for five months.
  - Another female staff member with computer-based duties reported that she was not permitted to work from home and could not afford to take unpaid leave.

PROVISION 9: Tenure-track faculty will be granted an automatic one-year extension to the tenure clock in accordance with existing "stop the clock" procedures. Faculty may elect to opt out of stopping the clock.

- **Male and female faculty expressed concern about their productivity and research following the arrival of their child, and the fact—made worse by lack of a supportive university policy—that parents are perceived as not being as productive as other faculty.**
  - This stigma also produces what one male faculty called a "disincentive" to even inquire about policies.
  - A male faculty member notes that when he inquired, prior to his child's birth, about the stop the clock provision, he received a negative reaction to the point of being mocked about why a man would need "maternity leave."
  - A female faculty member noted that senior faculty were hostile about her pregnancy to the point of working to sabotaging her tenure case.
- This follows the precedent other institutions have set. Vanderbilt University has a parental leave policy that provides for an automatic one-year extension of the tenure clock when a faculty member gives birth or adopts a child. Both Princeton University and the University of Chicago automatically extend the tenure clock of tenure track Assistant Professors for one year at each birth or adoption of a new child.

PROVISION 10: Paid parental leave shall ensure leave with replacement and provision funds for departments/units to hire temporary staff or faculty adjuncts for the duration of the leave period, when applicable.

- **Faculty and staff without children reported support for a paid parental leave policy; providing support for replacement hires will bolster a positive work environment by protecting colleagues from additional work.**
  - One non-tenure track faculty member reported that she was required to find her own replacement.
- **Providing a semester long replacement for faculty members will maintain high quality education and foster a productive learning environment for students, who may otherwise be subject to interrupted learning due to parental leave.**
- When faculty in the University of California system qualify for full or partial leave, campuses centrally funds the cost of hiring replacement teachers. After tracking the program for several years, the Interim Provost reported that the money used for replacing the faculty represents a small portion of their budget.

PROVISION 11: The Paid Parental Leave Policy ensures that all employees will return to their position upon return from leave. Use of paid leave shall not adversely affect consideration for future salary adjustments.

- **Some faculty and staff expressed concerns about job protection and fair treatment upon return.**
  - Notably, one female staff reported that she was placed on a 30-day probation once she gave notice of her pregnancy.

PROVISION 12: If the employee fails to return to work after the period of paid parental leave or returns to work but fails to remain for at least 30 days, the employee will reimburse the University of Memphis the salary paid under this policy, unless employed at the University of Memphis for five or more years. Employees shall not reimbursement the University of Memphis if the failure to return to work is due a health condition of the employee or the child or other circumstances beyond the employee's control.

Additional Recommendations to Create a Family Friendly Work Environment:
Based on responses to the PPL Survey, the Committee recommends the following additional actions:

1. Extend paid parental leave policy to graduate research and teaching assistants, temporary employees, and adjunct faculty.
2. Remove Policy UM 1645 that restricts the presence of children on campus.
3. Increase convenient, affordable childcare options, particularly for infants.
   - A female faculty notes, *"Most childcare facilities don't take babies under 3 months. If you cannot afford to take leave and cannot place your newborn in a day care facility, what do you do?"*
4. Extend paid leave to care for elderly family members or ill children.
   - Survey respondents included suggestions pertaining to paid leave for multiple FMLA categories of leave.
5. Extend paid parental leave eligibility to grandparents.
   - Several survey respondents provided feedback on their experiences raising children as grandparents and suggested extending eligibility of a paid parental leave policy to grandparents.
6. Appoint a trained parental leave specialist.
   - Faculty and staff stated a clear need for a uniform and consistent policy across the university; analysis of narrative survey responses found over 40 instances across all respondent categories (faculty, staff, male, female) of inconsistent, mishandled, or inequitable implementation of existing parental leave policies.
7. Adopt a Dual Career Academic Couple Hiring Policy.

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[i] http://www.slate.com/articles/technology/technology/2013/01/google_people_operations_the_secrets_of_the_world_s_most_scientific_human.html

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[iii] https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1467019/; https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3223373/

[iv] http://www.npr.org/2017/05/12/527806002/focus-on-infants-during-childbirth-leaves-u-s-moms-in-danger; https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5001799/; https://www.cdcfoundation.org/sites/default/files/upload/pdf/MMRIAReport.pdf

[v] https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3508512/; https://www.americanprogress.org/wp-content/uploads/issues/2012/04/pdf/BousheyEmploymentLeave1.pdf; http://www.nationalpartnership.org/research-library/work-family/other/pay-matters.pdf; https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4934583/

13. Split Life Insurance

Presented by Melanie Murry

The University of Memphis Board of Trustees
Agenda Item

Date: June 6, 2017

Committee: **Governance and Finance Committee**

Item: **Split Life Insurance Plan**

Recommendation: Review

Presented by: Melanie Murry, University Counsel and Acting Board Secretary

Background:

The University would like to pursue offering key personnel the option to participate in a Split Life Insurance Plan. The offering of these plans would allow for recruitment and retention of valued personnel as the University would be considered an attractive employer. The current proposal being evaluated provides for the University to "loan" a portion of the employee's money which would be placed in a life insurance policy for the benefit of the employee. Upon death of the employee or termination of the policy, the loan amount would be returned to the University. The University, through the Attorney General's office, has retained outside counsel to determine how the University could participate in the plan and evaluate the best options which would provide minimal risk. Currently the University is exploring options with the University Foundation.

SHUMAKER

Shumaker, Loop & Kendrick, LLP

PROPOSED LOAN REGIME SPLIT-DOLLAR ARRANGEMENT
FOR
COACH MIKE NORVELL

EXECUTIVE SUMMARY

Prepared by Bennett H. Speyer, Esq., March 11, 2016

- University makes loans to pay premiums under high cash value life insurance policy with respect to which Coach is owner and insured ("Premium Loans"). The Premium Loans are an alternative to otherwise guaranteed compensation :
    - Illustration assumes Premium Loans of $500K/year for 5 years ($2.5M cumulatively)
    - Premium Loans are not taxable income to Coach --
        - Loans are interest-free; therefore, Coach taxed on "imputed interest income" which is determined based on federal long-term applicable federal rate ("AFR"). *For a March 2016 loan, long-term AFR is 2.33%; the related Illustration assumes a 3% long-term AFR.*
    - Premium Loans not due to University until death of insured and are repaid from policy death benefit (University has a "lien" on the policy known as a "collateral assignment"); remainder of death benefit paid income-tax free to Coach's beneficiaries.

- Coach's Post-Employment Withdrawal Options
    - Coach has option to take withdrawals from policy after termination of employment. The withdrawals are non-taxable ("return of basis" to the extent of the Premium Loans and then in the form of policy loans, which together reduce the death benefit).
    - University has right to approve withdrawal schedule to ensure that policy remains in force.

- Death of Insured
    - University receives repayment of Premium Loans
    - Remainder of death benefit paid income-tax free to Coach's designated beneficiaries

- "Win-Win" Arrangement
    - Coach --
        - Substantial pre-retirement income tax-free death benefit protection provided to Coach's family.
        - Substantially greater source of retirement income for Coach than could reasonably be expected from saving and investing guaranteed compensation on an after-tax basis. *See related Illustration*.
    - University --
        - Saves $7,250 in employment taxes annually (employer share of Medicare tax) based on annual funding rate of $500K.
        - Recoups up to $2.5M of amount paid out to Coach

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Employer Sponsored Split Dollar

Overview

Split dollar life insurance is not a type of insurance, but rather a method for dividing the premiums, ownership interests, and benefits of a permanent life insurance policy between two parties. There are two basics forms of split dollar taxation: economic benefit regime and loan regime. Split dollar plans may be sponsored by an employer in a work setting, or an individual or trust in a private setting. This Guidepost discusses employer sponsored split dollar plans. A separate Guidepost is available that describes private split dollar plans.

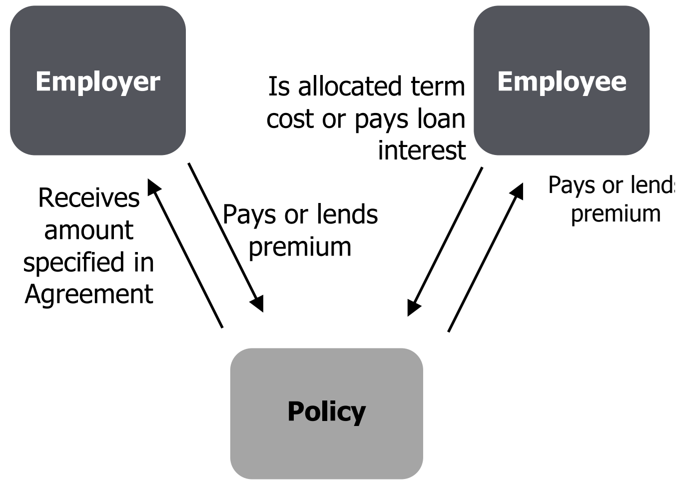
Details & Operations

After it's determined to enter a split dollar arrangement that will help meet the client's life insurance and planning objectives, the client's legal counsel drafts, and the parties execute, an agreement that spells out each party's rights and responsibilities. Common items found in a split dollar agreement include: identities of the parties, premium payment responsibilities, death benefit distribution terms, right to policy cash value, and termination events. The terms of the agreement should be coordinated with the design of the underlying policy.

Economic Benefit Regime (EB): The employer is the actual or deemed owner of the policy in an economic benefit regime split dollar arrangement. Generally, the employer pays the premium, and the employee includes the term cost equivalent for the death benefit in his or her taxable income, or depending on the terms of the arrangement, the employee may alternatively be required to pay the term cost equivalent portion of the premiums. Under an economic benefit arrangement, the employer's interest in the policy is the greater of its cumulative premiums paid or the policy's cash value. The employee's beneficiary is entitled to the death benefit in excess of the employer's interests.

Loan Regime (L): The employee, or a trust established by the employee, is generally the owner of the policy in a loan regime split dollar arrangement. The employer makes loans to the employee or trust at a stated interest rate. All equity in the policy in excess of the loan amount accrues to the benefit of the owner employee or trust. At death, the loan is repaid to the employer, and the employee's beneficiary receives the death benefit in excess of the employer's interests in the policy.

Employer Sponsored Split Dollar Arrangement



1. Employer and Employee execute a split dollar agreement.
2. If EB split dollar, Employer owns the policy (or Employer is deemed owner for federal tax purposes); if L split dollar, Employee owns the policy.
3. Employee is either imputed the term cost as taxable income or pays the term cost or loan interest as applicable, and Employer pays or loans the premiums.
4. Lifetime policy surrender:
    - If EB, Employer is entitled to the policy's entire cash value;
    - If L, Employer is entitled to loan principal and unpaid interest, and Employee receives any remaining cash values.
5. Death proceeds:
    - If EB, Employee's beneficiary is entitled to any death benefit in excess of Employer's interest; Employer will receive the greater of premiums paid or cash value.
    - If L, Employer is entitled to loan principal and unpaid interest, and Employee's beneficiary receives any remaining values.

Tax Implications

Income Tax Considerations

Income taxation of a split dollar arrangement is governed by regulations contained in Reg. §1.61-22 (economic benefit regime) and Reg. §1.7872-15 (loan regime). The applicable regime is largely determined by who the owner is of the contract for split dollar purposes. If the employer or donor owns the contract, the arrangement is generally subject to the economic benefit regime. If the employee or donee (or a trust for either) is the owner, loan regime split dollar rules generally apply.

There is an exception to the general ownership rule in certain economic benefit split dollar arrangements. Even if the employee or a trust is the nominal owner of the policy, the employer will be treated as the owner of the policy for split dollar taxation purposes if the employer is entitled to all policy lifetime values, and the employee has no current or future interest in the policy's cash values.

Economic Benefit Regime: The owner or deemed owner (employer) pays the premium, which is considered investment in the contract (or basis). The non-owner (employee) either pays the term cost of the death benefit; or if the employer pays, the employee includes the term cost in income. The employee accrues no basis in the policy. Term costs paid by the employee to the employer are income to the employer, and the employer gets a deduction for amounts the employee includes in income. Death proceeds are typically received income tax free by both parties or their designated beneficiaries, provided that all economic benefits payable to the non-owner's beneficiary have been properly accounted and paid for.

Loan Regime: The non-owner (employer) pays the premium, which is considered a loan to the employee (or trust). The owner (employee or trust) pays interest on the loan, either annually or cumulatively. The loan principal paid to the employer is a tax-free return of investment; however, loan interest is taxable to the employer, whether paid during the insured's lifetime or at death.

Gift and Estate Tax Considerations

- **Gift Tax:** Employer sponsored split dollar arrangements generally do not have gift tax implications. Gift taxes are of greater concern in private split dollar arrangements. However, when an employee's trust is involved, payment of the term cost by the employer is deemed to be income to the employee and a gift from the employee to the trust. Likewise, direct payment by the employee of the term cost is a gift to the trust.

- **Estate Tax:** The final split dollar regulations do not address estate tax issues relating to split dollar arrangements. However, to the extent the insured possesses incidents of ownership in the policy, death proceeds will be included in the insured's estate, with a deduction for the part that goes to the employer.

  If the split dollar arrangement is between a trust established by a majority shareholder/insured and the corporation, the death proceeds will be included in the majority shareholder's estate if the corporation is given any incidents of ownership in the policy under the terms of the split dollar agreement or any other related document.

Until benefits are paid, non-qualified deferred compensation (NQDC) plans grow tax deferred. Deferrals, contributions and interest earnings are taxed at the employee's ordinary income tax rates upon payout, or in the case of an ineligible plan, once the employee is vested. Once benefits are taxable to the executive (i.e., upon the employee's constructive receipt), the employer receives a deduction.

Insights and Caveats

Split dollar plans in effect prior to September 18, 2003, that have not been modified are not subject to the final regulations and may be subject to different tax rules. The exchange of a policy subject to a grandfathered split dollar agreement will likely be considered a modification that will cause loss of grandfathering.

- The term insurance cost under economic benefit split dollar is determined by using IRS Table 2001 or a term charge from the issuing company's regularly sold, initial issue, standard one-year term policy, if less.

- In a loan regime split dollar, it is important for the stated interest rate to be at or above the applicable federal rate (AFR) that is in effect during any month in which a premium loan is made, as published by the IRS each month. Otherwise, the difference between the amount of interest charged under the arrangement and the minimum interest required by reference to the applicable AFR will be imputed as taxable income to the employee and, in the case of certain term loans, the undercharging of interest payable over the life of the loan may be taxable in the first year on a present value basis.

SPLIT-DOLLAR LIFE INSURANCE ARRANGEMENTS: A TAX MINIMIZATION STRATEGY WHOSE TIME HAS RETURNED

EDWARD B. HYMSON*

I. INTRODUCTION

A split-dollar life insurance arrangement (split-dollar arrangement) is a contract between a donor and a donee who share in the costs and benefits of a life insurance policy.[1] Prior to 2003, a split dollar arrangement was a method of dividing the tax and economic benefits of life insurance between a donor and donee and allowing the donor to subsidize the donee's insurance coverage while both avoided tax.[2] On September 11, 2003, the Internal Revenue Service (IRS or Service) issued final regulations designed to remove the tax benefits taxpayers previously received from investing in a split-dollar arrangement.[3] The regulations were supposed to have transformed split-dollar arrangements from vehicles for employee, stockholder, and estate tax avoidance, into vehicles for sharing of life insurance costs that were supposed to be devoid of tax advantages.

The IRS now either taxes the economic benefits received by donees from the donor's payment of insurance premiums, treats the payments as additional income to the donee (economic benefit regime), or treats the donor's premium payments as loans to the donee, imputing the interest to the loans, and taxing the imputed interest as additional income to the donee (loan regime). Even though the parties to the arrangement decide which approach to use, both are supposed to eliminate the tax benefits.[4] However, the loan regime continues to

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[1] Robert D. Swanson, *Is Split-Dollar Life Insurance Still a Fringe Benefit?*, 98 TAX ADVISER, 42, (1998).

[2] *Id.*

[3] Treas. Reg. §§ 1.61-22, 1.7872-15 (2010). Split dollar arrangements negotiated in effect prior to September 18, 2003, are governed by transition rules that are summarized in I.R.S. Notice 2002-8, 2002-1 CB 398.

[4] Treas. Reg. § 1.61-22(d)(4)(ii) (2010).

provide significant tax savings. Current low interest rates, which are expected to rise in the future, can be used for an insured's life; thus, properly structured split-dollar arrangements under the loan regime still provide attractive tax savings for employees, shareholders, and irrevocable life insurance trusts (ILIT). This paper summarizes the split-dollar arrangement rules, and demonstrates which techniques will provide those tax savings and which arrangements will not.

II. WHAT IS A SPLIT-DOLLAR LIFE INSURANCE ARRANGEMENT?

A. *Description of a Split-Dollar Life Insurance Arrangement*

A split-dollar arrangement is an interest in a life insurance contract shared by multiple interest holders.[5] The arrangement can be between employer and employee, corporation and shareholder, an individual and an ILIT, or any other donor and donee.[6] Each contract specifies how the policy premiums are paid and how insurance benefits are shared.

The rules require that a split-dollar arrangement be between one party defined as the policy owner (who may be the party named as owner in the insurance contract or specified by regulation) and a second party (who is designated as the non-owner).[7] The parties to the arrangement decide who is designated as the policy owner. The arrangement requires that: (1) the arrangement must be other than a group term life insurance plan[8]; (2) one or both parties must pay the premiums directly or indirectly; and (3) the payor or payors of the premiums must recover a portion, all or more than all of the payments, from the insurance proceeds.[9] For example, an employer and employee may agree to jointly purchase a life insurance policy where the employer pays the cost of the policy and the employee pays income and employment tax each year on the cost of the term insurance portion of the coverage. At policy maturity the employer recovers either an amount equal to the cash surrender value of the policy or the amount of the premiums paid. The insured, the insured's beneficiary, or an ILIT receives the balance of the policy proceeds — cash value above that withdrawn by the employer and any applicable death benefit.[10]

There are two types of split-dollar arrangement: (1) those owned by the donor, who endorses specified rights to a donee (endorsement arrangement)

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[5] Treas. Reg. § 1.61-22(c)(4) (2010).
[6] Treas. Reg. § 1.61-22(b)(2) (2010).
[7] Treas. Reg. § 1.61(c)(1) (subject to some exceptions found in the statute or regulations).
[8] Group term life insurance is subject to separate regulations promulgated pursuant to I.R.C. § 79 (2010).
[9] Treas. Reg. § 1.61-22(b)(1)(i)-(iii) (2010) (sometimes substitutes for life insurance are used for split-dollar life insurance arrangements).
[10] Young v. Comm'r, T.C. Memo 1995-379.

under the economic benefit regime; and (2) those owned by the donee, who assigns an interest back to the donor (collateral assignment arrangement) under the loan regime. Under an endorsement arrangement the donor owns the split-dollar insurance policy and the donee is taxed on the economic benefits the donee receives.[11] Under a collateral assignment arrangement, the donee owns the split-dollar insurance policy, the donor is treated as loaning the premiums to the donee, and the donee is taxed on any negative difference between the present market value of the loan and the present value of the repayments made to the donor (the value of the donee's imputed income gain when loan is made to the donee at a below market rate of interest).[12]

B. *The Evolution of Taxation of Split-Dollar Arrangements*

Under pre-2003 treasury regulations, tax savings were produced by permitting inside build-up of investment income to be sheltered from taxation, and by not taxing the value of interest associated with loans made to the donee at below market rates for life insurance premium costs (premiums paid by the donor who later recovered a below market rate of interest as a return at policy maturity or termination).

Typically, the schemes provided that the donor paid either the total premium or an amount equal to the annual increase in the policy's cash surrender value and the donee paid the balance of the cost. The donee was only subject to tax on income equal to the value of the term insurance component of the life insurance purchased by the donor. At the donee's death, the donor received the policy's cash value or the dollar value of premiums paid and the donee or donee's beneficiary received any remaining cash value and any death benefit.[13] Thus, a split-dollar arrangement created an interest-free loan to the donee and taxable income equal to only the annual cost of term insurance measured by the lower of IRS estimates of term insurance cost (originally contained in the P.S. 58 Tables, now 2001 Tables) published in Revenue Rulings or the lowest rate the donee could document.[14]

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[11] Treas. Reg. § 1.161-22 (2010).

[12] Treas. Reg. § 1.7872-15 (2010). The loan is subject to I.R.C. §7872 (2010) rules for below market loans and I.R.C. §§ 1271-75 (2010) rules for original issue discount (OID).

[13] Gerald H. Sherman, *Attorney Against Applying Imputed Interest to Split-Dollar Life Insurance,* Letter submitted to Asst. Sec. Treasury Re: I..R.S. Notice 2001-10, Reprinted in TAX NOTES TODAY, Sept. 25, 2001, at 36 [hereinafter Sherman]; Burgess J.W. Raby, William L. Raby, *The Split-dollar Life Insurance Regimes*, TAX NOTES , Jan. 17, 2002, at 353.

[14] Rev. Rul. 55-747, 1955-2 C.B. 228 prescribed the P.S. 58 Table rates for term insurance to be used to value the income imputed to an employee or shareholder when a corporation or employer purchased life insurance under a split-dollar arrangement unless the taxpayer could identify lower extant commercial rates. In 2001, the P.S. 58 Tables were replaced for subsequent transactions with an interim table contained in I.R.S. Notice 2001-10, 2001-1 C.B. 459. The table was revised by I.R.S. Notice 2002-8, 2002-1 C.B. 398 and is referred to as the

Prior to 1995, the Service had concluded that only the cost of term insurance was the economic benefit the donee received from a split-dollar arrangement.[15] The Service's initial determination of the non-taxability of such interest free loans was affirmed by the Tax Court in 1961.[16] Increases in the donee's share of the policy's cash value did not become subject to taxation until 1995.[17]

The 2003 regulations may have had their origin in the wide public exposure that split-dollar arrangement tax avoidance schemes received. For example, a 1995 *U.S. News and World Report* article described split-dollar arrangements where an employer purchased life insurance naming an employee as beneficiary.[18] The employee paid income tax on the cost of term life insurance and received the value of the paid-up whole life policy, net of the amount returned to the employer under the arrangement. The article illustrated the savings by describing an employee who paid income tax on $75,000 of premiums for the term life insurance component of a whole life policy that produced $1.6 million in benefits to the insured and the insured's beneficiaries.[19] Practitioner comments submitted to the IRS showed that the difference between the tax burden imposed prior to the then-proposed 2003 regulations and the burden under the proposed regulations was substantial. The tax incurred by a forty-percent bracket taxpayer on a hypothetical split-dollar contract under the proposed new rules, reflecting imputed interest based on a seven-percent demand loan was ten to twelve times that under the old rules.[20]

The move toward more regulation began in 1995 when the Service held that the economic benefit received from the life insurance policy included both the current value of the life insurance protection and any cash surrender value the donee would ultimately receive.[21] In addition, the Service held that life insurance issued pursuant to a split-dollar arrangement, which a donee placed in an ILIT, was subject to gift tax on both the annual cost of term insurance and the increase in cash value accruing to the donee under the split-dollar

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2001 Table, now used to identify the cost of term insurance imputed as income to an employee or stockholder.

[15] *See* Rev. Rul. 55-713, 1955-2 C.B. 23 (revoked by Rev. Rul. 64-328, 1964-2 CB 11); Rev. Rul. 64-328; 1964-2 C.B. 11; Rev. Rul. 66-110, 1966-1 C.B. 12.

[16] DEAN V. COMM'R, 35 T.C. 1083 (1961) (interest-free loans do not result in taxable income to a controlling shareholder or employee-insured).

[17] *See* Rev. Rul. 55-713, 1955-2 C.B. 23 (revoked by Rev. Rul. 64-328, 1964-2 C.B. 11).

[18] Jack Egan, *Split-Dollar Life Insurance Works Like a Super-Duper IRA* , U.S. NEWS & WORLD REPORT, June 12, 1995, at 79.

[19] *Id.*

[20] Sherman, *supra* note 13, at ¶¶ 2-3.

[21] P. L. R. 9604001, Sept. 8, 1995. The analysis in the P.L.R. is based on I.R.C. § 83 (2010) and Treas. Reg. § 1.83-1 (2010).

arrangement.[22] Unless retained by the employer or corporation, once the cash value exceeded the premiums paid by the donor, the additional cash value was taxable as imputed income to a donee employee or as a dividend to a donee shareholder.[23] In addition, the very low P.S. 58 table values for term insurance were replaced with a new table.[24] Commentators described the life insurance lobby as being "in an uproar" over the loss of tax benefits previously available from split-dollar arrangements.[25] More regulation was to come.

Imputed interest on interest free loans from the donor to the donee in the form of payment of the insurance premiums remained untaxed until 2003.[26] Under the current rules, when payments are made in exchange for economic benefits to the donor or loans are made to the donee at below-market interest rates, the donee is subject to tax on the economic value of those benefits.[27] When payments are neither made in exchange for economic benefits, nor split-dollar insurance loans, the taxation of premium payments is governed by the imputed interest rules associated with employment tax, dividend tax, or gift tax principles rather than the split-dollar arrangement regulations.[28] Payments made by debt instruments issued by the non-owner that are subsequently forgiven are treated as taxable compensation to an employee, a taxable dividend to a shareholder, or a gift to a donee that is subject to gift tax.[29]

Even under the 2003 regulations, four sources of potential tax benefits remain. The first three are likely to be minor, the fourth significant. First, the cost of term insurance in IRS tables may be lower than the actual cost of that insurance. Second, the interest rates imputed by the Service may be lower than the rate at which borrowers can borrow. Third, split interest gifts can be an effective vehicle for minimizing gift taxes on the establishment of ILITs. Finally, present economic conditions have produced low interest rates that are likely to rise in the future, which makes certain types of split-dollar life insurance arrangements set up under the loan regime a vehicle for significant lawful tax avoidance. The rules permit donees to lock in low current interest

[22] I.R.C. § 2511 (2010); Rev. Rul. 78-420, 1978-2 C.B. 67; I.R.C. § 61 (2010), Treas. Reg. § 1.161-1 (2010). Cash surrender value not protected from the claims of general creditors would not be taxable to the employee until received. I.R.C. § 61 (2010).

[23] I.R.C. § 83(a) (2010); Treas. Reg. § 1.83-1(a)(2) (2010). In 2001 the Service issued a notice confirming its 1966 position in P.L.R. 9604001, Notice 2001-10; 2001-1 C.B. 459 (Jan. 29, 2001) (rev'g Rev. Rul. 64-328, 1964-2 C.B. 11, and Rev. Rul. 66-110; 1966-1 C.B. 12). The reasoning was based on the language of I.R.C. §§ 83, 7872 (2010).

[24] I.R.S. Notice 2001-10, I.R.B. 2001-5, 459 (Jan. 29, 2001).

[25] Brian T. Whitlock, Jill McNamara, *Significant Recent Developments in Estate Planning, (Part II*), The Tax Adviser , 32, Sept. 2001, at 618.

[26] Treas. Reg. § 1.7872-15 (2010).

[27] *Id.*

[28] Treas. Reg. § 1.61-22(b)(5) (2010).

[29] Treas. Reg. § 1.61-22(b)(6) (2010).

rates to impute income for the life of the split-dollar arrangement, even though rates are likely to rise in the future. No comparable benefit is available if the split-dollar arrangement is structured as an endorsement arrangement under the economic benefit regime.[30] The next section explains how the economic benefit regime works in order to show why it does not produce the same benefits as does the loan regime.

III. THE MECHANICS OF SPLIT-DOLLAR ENDORSEMENT ARRANGEMENTS UNDER THE ECONOMIC BENEFIT REGIME.

A. *How the Economic Benefit Regime Works*

Under the economic benefit regime, the donor (the party who pays for the insurance) must be the owner of the policy who endorses the benefits specified in the split-dollar arrangement contract to the non-owner donee.**[31]** The regulations describe economic benefit situations that include: (1) endorsement of some split-dollar insurance benefits to the donee[32]; (2) a collateral assignment arrangement where the donor pays some or all premiums in exchange for an interest in the cash surrender value and death benefit equal to the cash surrender value or premiums paid[33]; and (3) a collateral assignment arrangement between the donor and a donee's ILIT or another third-party (such as donee's children).[34] In each case, the donee is taxed on the value of the economic benefits received. The benefits include the value of term insurance plus any cash value accruing to the donee less any benefits paid for by the donee.[35] If the benefits accrue to an employee as compensation the benefits are subject to income and employment taxes; if they accrue to a shareholder the benefits are dividends subject to income tax; and if they accrue to an ILIT the benefits are a gift subject to gift tax.

The constructive or actual receipt of an economic benefit subject to tax is equal to: (1) the cost of current term life insurance protection (i.e. the cost of term life insurance); (2) any increase in cash value of the policy during the year to which the donee receives current access that was not taken into

[30] When interest rates are high the process can work in reverse and increase tax liability.
[31] The economic benefit rules, Treas. Reg. §§ 1.61-22(b), 1.61-22(g) (2010); *see* Treas. Reg. § 1.61-22(b)(3)(ii)(A) (2010). An employer is always the owner of split-dollar insurance under Treas. Reg. § 1.61-22(c)(1)(ii) if at all times, "[t]he only economic benefit that will be provided under the arrangement is current life insurance protection."
[32] Treas. Reg. § 1.61-22(b) (2010).
[33] Treas. Reg. § 1.61-22(b)(2)(i)(C) (2010).
[34] To avoid inclusion in the employee's estate at death, Treas. Reg. § 1.61-22(b)(3)(ii)(B) (2010).
[35] Treas. Reg. § 1.61-22(d)(1) (2010).

account in a previous year; and (3) value of any other economic benefits to donee not taken into account in a previous year.[36]

Absent an alternative agreement, benefit valuation occurs on the last day of donee's tax year; however, donor and donee may agree to use the policy anniversary date as the valuation date instead. If the split-dollar arrangement terminates during the tax year of the donee, the termination date is used for valuation.[37] Dividends, loan proceeds, and surrender payments to the donee are treated as paid first to the donor then paid by donor to donee.[38]

B. Non-Equity and Equity Split-Dollar Insurance Arrangements

When the donor keeps all benefits other than the donee's term life insurance benefit the arrangement is called a non-equity life insurance arrangement.[39] Upon termination of the arrangement or donee's death, donor is entitled to receive the greater of the aggregate premiums or the policy cash value of the contract. The death benefit provided by the term life insurance is paid to the donee's designated beneficiary.[40] The regulations require that donor be treated as owner of a non-equity life insurance arrangement.[41] The cost of annual life insurance protection is the amount shown in the applicable IRS term life insurance tables less whatever portion of the term premium is paid by the donee.[42]

When the donor provides term insurance protection and an interest in policy cash value (policy equity) to the donee the arrangement is an equity split-dollar insurance arrangement.[43] If donor pays all premiums and donee may borrow against or withdraw some portion of cash value (the amount exceeding the amount payable to donor),[44] donee has current access to the amount donor can withdraw or borrow against.[45] Both the value of the death

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[36] Treas. Reg. § 1.61-22(d)(3)(iii) (2010).
[37] Treas. Reg. § 1.61-22(d)(5)(i)(2010). Both must use the same termination date, Treas. Reg. § 1.61-22(d)(5)(ii) (2010).
[38] Treas. Reg. § 1.61-22(e)(1) (2010). A donee shareholder is taxed on dividends and interest under I.R.C. § 72 (2010).
[39] Final Regulations, Split-Dollar Life Insurance Arrangements, Background and Explanation of Provisions, 68 Fed. Reg. 54336, 543337 (Sept. 17, 2003) (codified at 26 CFR pts. 1, 31, and 602, now Treas. Reg. § 1.61-22(d)(2) (2010) [hereinafter Split-Dollar Life Insurance Arrangements, Background].
[40] Treas. Reg. §§ 1.61-22(b)(1), 1.61-22(b) (2), 1.61-22(d)(2)(i), 1.61-22(h), Ex. 1 (2010).
[41] Treas. Reg. §§ 1.61-22(c)(1)(i), 1.61-22(c)(1)(ii)(A)(1) (2010).
[42] Treas. Reg. § 1.61-22(d)(3)(ii) (2010). The guidance found in Treas. Reg. § 601.601(d)(2)(ii) (2020) currently specifies use of Table 2001, which replaced the former P.S. 58 Table.
[43] Split-Dollar Life Insurance Arrangements, Background, *supra* note 39, at 54337.
[44] Treas. Reg. § 1.61-22(d)(6)(i)(ii), Ex. 1 (2010).
[45] Treas. Reg. § 1.61-22(d)(4)(ii)(2010).

benefit and the increase in amount to which donee has current access during the year are economic benefits that must be included in donee's gross income and be subject to income and employment tax in that tax year.[46] If the parties negotiate changes to a split-dollar insurance arrangement, both gross income and donee's tax obligations may change as well.[47] Access to cash value or a right to borrow may be subject to sufficient restrictions on an employee's current access rights to delay inclusion in gross income until actual distribution.[48] However, if the cash value of the policy is inaccessible to donor's general creditors pursuant to state law, even if donee cannot immediately access policy cash value, donee is deemed to have future access to that portion of cash value exceeding the amount payable to donor because there is no substantial risk donee will forfeit access in future years.[49]

C. *Taxation of Death Benefits Received by Donee's Beneficiaries*

The donor of an insurance contract is treated as having an investment in the policy equal to the payments, dividends, and interest (basis) in the contract. When a donee includes only the cost of term insurance in gross income and does not include dividends or interest in gross income, donee does not receive basis in the policy.[50] At donee insured's death, coverage benefits provided by the term insurance, even if paid for by other than the insured, are excluded from both the decedent's and the beneficiary's gross income because premiums were previously included in decedent donee's gross income; however, any dividends or interest not previously included in donee's gross income are subject to income tax.[51]

D. *Transfer of Ownership of Split-Dollar Policy from Owner to Non-Owner*

For employment, dividend, and gift tax purposes transfer of ownership of a policy subject to a split-dollar arrangement occurs on the date the owner transfers ownership to the donee, who then becomes the owner of the

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[46] Treas. Reg. §§ 1.61-22(d)(2)(i), 1.61-22(d)(2)(ii) (2010). For example, if in the first year donee's economic benefit is only term life insurance protection, only the value of the term insurance is and economic benefit subject to tax. If in the second year donee receives term insurance protection plus $20,000 of cash value, donee is subject to tax on both the value of term insurance and $20,000, Treas. Reg. § 1.61-22(d)(6), Ex. 1 (2010).
[47] Treas. Reg. § 1.61-22(h), Ex. 4 (2010).
[48] Treas. Reg. § 1.61-22(d)(3)(i) (2010). *See* the summary of Example 2 from Treas. Reg. § 1.61-22(d)(6), Ex. 2 (2010).
[49] Treas. Reg. § 1.61-22(d)(6)(ii), Ex. 2 (2010). Employee must include the value of the economic benefits described in §§ 1.61-22(d)(1), 1.61-22(d)(4)(ii), 1.61-22(d)(2)(i) and 1.61-22(d)(2)(ii) (2010). *See* Treas. Reg. § 1.61-22(h), Ex. 3 (2010).
[50] I.R.C. § 72(e)(6) (2010); Treas. Reg. § 1.61-22(f)(2)(i) (2010).
[51] I.R.C. § 101(a); Treas. Reg. §§ 1.61-22(f)(3)(i), 1.61-22(f)(3)(ii) (2010).

insurance policy.[52] The fair market value of the insurance contract at transfer, less the value of current life insurance protection, is the contract's cash value.[53] A transfer of ownership of a split-dollar life insurance policy from owner–donor to non-owner-donee is taxed on the difference between the fair market value of the policy at transfer and the sum of: (1) donee's payment at transfer of the policy; (2) all of donee's previous payments; and (3) the portion of owner payments included in donee's gross income, including cash value of the policy to which donee previously had access, which donee included in taxable gross income.[54] When ownership is transferred from a donor employer or corporation to a donee employee or shareholder, the value of the insurance contract at the time of transfer is deductible to the employer or corporation to the extent provided under I.R.C. § 83. Employee or shareholder payments for current insurance protection are included in the employer or corporation policy owner's gross income,[55] as well as in the owner's basis in the insurance contract.[56]

Consider the following fact pattern. Donor purchases a life insurance contract on the life of donee under which donor is policy owner and pays all premiums until the termination of the arrangement or donee's death (a non-equity insurance arrangement). Donor will receive the greater of the aggregate premiums or the contract's policy cash value and the balance will be paid to the donee's beneficiary. In the fifth year donor and donee revise the arrangement to provide that donor will be entitled to receive the greater of the aggregate premiums or half of the cash value (an equity insurance arrangement). In the seventh year donee is designated policy owner, which substantially vests donee's rights to the contract.[57]

For the first five years donee must include in gross income the value of current life insurance protection. At the beginning of the fifth year donee may borrow or withdraw the cash value amount that that exceeds the amount payable to donor and therefore donee becomes subject to income and employment tax on the portion of cash value donee may now access. Upon transfer of ownership in the seventh year from donor to donee, donee must include in gross income the fair market value of the policy less the value of

[52] Treas. Reg. § 1.61-22(c)(3) (2010). Similarly, transfer of ownership in an undivided interest in the policy occurs on the date the donee becomes owner of that interest. *Id.*
[53] Treas. Reg. § 1.61-22(g)(2) (2010). If a policy is transferred in exchange for services provided by the non-owner, the transfer date is the date on which the services are taxable under I.R.C. § 83 (Property transferred in connection with services). Treas. Reg. § 11.161-22(g)(3) (2010).
[54] Treas. Reg. § 1.61-22(g)(1) (2010).
[55] Treas. Reg. § 1.61-22(f)(2)(ii) (2010).
[56] Treas. Reg. § 1.61-22(f)(2)(iii) (2010).
[57] Treas. Reg. § 1.61-22(h), Ex. 8 (2010).

that portion of the policy already reported in donee's gross income.[58] If donor continues to make premium payments, they must either be accounted for under the loan regime (discussed infra) or under general income tax principles.[59] Donee's basis in the contract is the sum of what the donee paid to obtain the contract, plus unrecovered economic benefits previously taken into gross income and the donee's prior payments.[60] No amount allocable to current life insurance protection paid by donee is treated as consideration paid to acquire the contract.[61]

E. *Tax Minimization Benefits under an Endorsement Arrangement*

Few tax benefits can be achieved under the economic benefit regime because the value of term insurance plus any increase in cash value is treated as income to a donee in the year received. If the expense of the policy is front loaded and is incurred when donee's income is relatively low there can be a tax savings; however, any hypothetical savings is offset by the likely time between the year when the savings was incurred and the year when benefits are recovered by the donee and/or donee's beneficiary. The only tax benefits are planning advantages associated with transfers to ILITs, and any difference between the Table 2001 cost of term insurance and the actual insurance cost. Under the economic benefit structure and its attendant endorsement arrangement, most, if not all, of the tax benefits that used to be associated with split-dollar arrangements are eliminated.

IV. THE LOAN REGIME WITH INSURED AS POLICY OWNER

When the insured is owner of life insurance the split-dollar arrangement is regulated under loan regime. Donee-owner's gross income is determined under the loan regime by comparing the present value of the money returned to the donor against the present value of the amount donor loaned for premiums using the short-term, medium-term or long-term Applicable

[58] Treas. Reg. § 1.61-22(g)(1) (2010).
[59] Treas. Reg. §§ 1.61-2(d)(2)(ii)(A), 1.61-22(b)(5), 1.61-22(h), Ex. 5 (2010).
[60] I.R.C. §§ 72(e)(6)(A), 72(g)(1) (2010); Treas. Reg. §§ 1.61-22(g)(4)(ii)(A), 1.61-22(g)(4)(B) (2010); Treas. Reg. § 1.61-22(g)(4)(ii)(D) (2010). If the transfer was a transfer of only an undivided portion of the contract, the basis would be found by computing the basis of a full transfer and multiplying multiplied by a fraction whose numerator is the fair market value of the portion transferred and whose denominator is the fair market value of the whole contract. Treas. Reg. § 1.61-22(g)(4)(ii)(C) (2010).
[61] I.R.C. § 72(g)(1) (2010); Treas. Reg. § 1.61-22(g)(4)(iii) (2010).

Federal Rate (AFR)[62], in effect when the split-dollar arrangement is reached to compute the present value of the interest imputed to the loan.[63] The donor expects to recover the deemed loans through owner-donee's collateral assignment of specified future insurance payments to the donor.[64] In its simplest form each premium payment by the non-owner donor is treated as a separate loan to the owner-borrower donee.[65]

A split-dollar demand loan is any split-dollar loan that is payable in full on demand of the lender (or within a reasonable time after the lender's demand).[66] A split-dollar term loan is any split-dollar loan other than a split-dollar demand loan.[67] Examples of split-dollar term loans include a loan repayable at a time certain, repayable on the death of the policy owner, or conditioned on the future performance of substantial services by the donee.[68] A demand split-dollar arrangement is reevaluated each year using the short-term AFR applicable for the year.[69] A term split-dollar arrangement for a specified term and is tested under the loan regime by comparing the present value of the payback to the donor against the present value of the amount loaned using the AFR in effect when the agreement is reached for the term from the loan date to the loan's maturity date.[70] A split-dollar arrangement until the death of the insured is tested using the AFR in effect when the agreement is reached for a term determined by examining the life expectancy of the insured when the arrangement is reached.[71]

> If a split-dollar loan is not a below-market loan, then … the loan is governed by the general rules for debt instruments (including the rules for original issue discount (OID) under [I.R.C.] sections 1271 through 1275 and the regulations thereunder. If a split-dollar loan

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[62] Each month the Service issues tables containing three AFRs; short-term, three years or less, mid-term, more than three years and not more than nine years, and long-term, more than nine years. I.R.C. § 1274(d)(1) (2010).
[63] Treas. Reg. §§ 1.7872-15(a), 1.7872-15(b) (2010).
[64] Treas. Reg. § 1.61-22(b)(3) (2010).
[65] The loan arises either under general tax law principles, or when a reasonable person would expect repayment by the owner to the non-owner, and repayment is secured by death benefit proceeds, cash surrender value, or both. Treas. Reg. §§ 1.7872-15(a)(2)(i), 1.7872-15(a)(2)(ii) (2010); *See* Treas. Reg. § 1.7872-15(a)(2)(iv), Ex. 1 (2010).
[66] Treas. Reg. § 1.7872-15(b)(2) (2010).
[67] Treas. Reg. § 1.7872-15(b)(3) *(2010).*
[68] Treas. Reg. § 1.7872-15(e)(5) *(2010).*
[69] Treas. Reg. § 1.7872-15(e)(3)(2) (2010).
[70] Treas. Reg. § 1.7872-15(e)(4)(iii)(A) (2010).
[71] Treas. Reg. §§ 1.7872-15(e)(4), 1.7872-15(e)(5)(ii) (2010). Split dollar arrangements that run to the death of the insured are tested under the term provisions of Treas. Reg. § 1.7872-15(e)(4)(ii), using the insured's expected life expectancy as the term of the arrangement and selecting the (AFR) that corresponds to that period. Life expectancy is determined using the applicable table in Treas. Reg. § 1.72-9 (2010).

is a below-market loan, then … the loan is governed by [I.R.C.] section 7872.[72]

Below-market split-dollar loan*s* include gift loans,[73] compensation-related loans,[74] corporation-shareholder loans,[75] and any other type of loan whether or not enumerated in the statute.[76] The loans can be direct loans, indirect loans, stated interest loans,[77] contingent payment loans, or contingent payments.[78] The timing, amount, and characterization of the imputed transfers between the lender and borrower of a below-market split-dollar loan depend upon the relationship between the parties and upon whether the loan is a demand loan or a term loan."[79]

A. *Split-Dollar Demand Loans*

The imputed loan amount[80] applied to below-market loans from donor to donee under a split-dollar arrangement is the difference between interest computed at the annual blended AFR that would have been payable on the loan for the calendar year and the interest that was paid (or did accrue) on the loan during the year.[81] A split-dollar demand loan generates sufficient interest if the rate at which interest accrues on the loan's adjusted issue price during the year is no lower than the short term blended AFR for the year.[82] The difference between interest at the blended annual AFR and interest actually charged in a calendar year is treated as transferred by the lender to the borrower (as income to an employee, a dividend to a shareholder, or a gift to a gift recipient), then retransferred by the borrower as an interest payment to the lender on the last day of the calendar year. If the borrower dies or terminates the loan the date of death or repayment is used.[83] Because

[72] Treas. Reg. § 1.7872-15(a) (2010).
[73] I.R.C. § 7872(c)(1)(A) (2010).
[74] I.R.C. § 7872(c)(1)(B) (2010).
[75] I.R.C. § 7872(c)(1)(C) (2010).
[76] I.R.C. § 7872(c)(1)(E) (2010); Treas. Reg. § 1.7872-15(e)(1) (2010).
[77] *Id.*
[78] I.R.C. § 7872(c)(1)(E) (2010); Treas. Reg. § 1.7872-15(e)(1) (2010).
[79] Treas. Reg. § 1.7872-15(a)(1) (2010); *See* Treas. Reg. § 1.61-22 (2010) (for additional rules relating to the treatment of split-dollar life insurance arrangements).
[80] The imputed loan amount is the present value of all repayments required under the terms of the loan, determined when the loan is made, at a discount rate equal to the applicable short term, mid-term, or long-term AFR in effect on that date. Treas. Reg. § 1.7872-15(e)(4)(ii) (2010).
[81] Treas. Reg. § 1.7872-15(e)(3)(iii) (2010).
[82] Treas. Reg. § 1.7872-15(e)(3)(ii) (2010). The blended annual rate is published in the Internal Revenue Bulletin in July. Treas. Reg. § 601.601(d)(2)(ii) (2010).
[83] Treas. Reg. § 1.7872-15(e)(3)(iii) (2010).

the applicable short term AFR for each year is used to compute the imputed loan amount, there is no way to lock in low interest rates.

For split-dollar demand loans, where interest is forgiven for years in which the stated rate was a below-market rate, the amount deemed forgiven is the interest payable at the applicable AFR less interest actually paid allocated to the year of forgiveness. Where interest is forgiven in years where the loan was at or above the AFR, the amount forgiven less the difference between the interest charged and the interest that would have been charged at the AFR is treated as compensation to the borrower.[84] Thus, suppose employer pays a $100,000 premium on a split-dollar life insurance arrangement with employee, the policy owner, on January 1, 2009, repayable as a recourse loan on employer's demand at seven-percent compounded annually. The blended AFR is five-percent in 2009 and six-percent in 2010 and employer demands only repayment of $100,000 on December 31, 2010. The loan is not a below-market loan in either year employee is required to accrue interest. The interest deemed transferred to employer, then back to employee is the amount that would have been payable at the blended AFR in each year less the amount actually paid by employee. In 2009, the interest payable at the blended rate would have been $5,000 and in 2010, it would have been $6,000. Since employee paid no interest, the interest deemed transferred to employer then retransferred to employee is $11,000, which is treated as compensation to the employee, to which a deferral charge must be added.[85]

B. *Split-Dollar Term Loans*

The interest imputed on a split-dollar term loan is the present value of all principal and interest payments, discounted to the date the loan is made, using a discount rate equal to the AFR applicable to the term of the loan in effect on the date the split-dollar arrangement was made.[86] If the present value of the repayment payments for the loan is equal to or exceeds the present value of the amount loaned, there is no imputed loan amount and the loan is addressed under general tax accounting principles.[87] If the present value of the stream of principal and interest payments is below the present value of the amount loaned, the split-dollar loan does not provide for a

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[84] "For each year that the split-dollar demand loan was outstanding in which the loan was not a below-market split-dollar demand loan, the excess, if any, of the amount of interest payable at the appropriate rate used for purposes of imputation for that year [less] the interest actually paid allocable to that year." Treas. Reg. § 1.7872-15(h)(3)(ii) (2010).
[85] Treas. Reg. § 1.7872-15(h)(4), Ex. 2 (2010).
[86] Treas. Reg. §§ 1.7872-15(e)(4)(ii), 1.7872-15(e)(4)(iii)(A) (2010).
[87] I.R.C. § 7872 (2010); Treas. Reg. § 1.7872-15(e)(4)(ii) (2010). *See* I.R.C. §§ 1271–75 (2010).

market rate of interest (sufficient interest). The difference between the discounted present value of the repayments and the present value of the loan is converted to imputed interest using OID principles, which is treated as a payment from donor to the donee (compensation, a dividend, or a gift) and a payment of interest back to the donor.[88] The advantage of this methodology to the taxpayer is that it provides the vehicle needed to apply current low AFR rates to multiple year split-dollar life arrangements for the life of the loan even though AFR interest rates rise in future years. Since the test is made when the loan is made, any later increase in interest rates is ignored.[89]

If a split-dollar arrangement contains options exercisable during the loan's term (for example, to extend an option or call a split-dollar loan) at specific dates, the loan's term is determined by projecting the exercise or non-exercise of options in a manner that minimizes the loan's overall yield. "If different projected patterns of exercise or non-exercise produce the same minimum yield, the parties are projected to exercise or not exercise an option or combination of options in a manner that produces the longest term."[90] However, if exercise or non-exercise of an option would affect the yield, the shortest option period is used to test the split-dollar loan. The loan is treated as retired and reissued on the option date and the reissued loan is then retested using the applicable AFR in effect at the option date.[91] Thus, if donee-owner is deemed to borrows from donor for ten years at one-percent for the first five years and ten-percent for the second five years, and donee-owner has a right to repay at the end of the first five years, the arrangement is treated as a five-year split-dollar term loan at one-percent interest.[92] If donee-owner does not exercise the option to terminate, the loan is treated as retired at the end of the fifth year and reissued for five more years. It is tested against the applicable AFR on the reissue date against the ten-percent interest rate.[93]

To effectively utilize the term loan rules to minimize tax liability, options to terminate can be included only if the exercise or non-exercise does not affect the yield. Thus, if donee-owner is deemed to receive a ten year split-dollar term loan at seven-percent per year from donor on which donor has the right to demand payment at the end of the second year, the loan is treated as a ten-year loan because the yield does not change whether or not donor demands payment.[94] Thus, a provision with a fixed interest rate and donor-employer's option to terminate the arrangement at termination of

[88] Treas. Reg. § 1.7872-15(e)(4)(iv) (2010).
[89] *Id.*
[90] Treas. Reg. § 1.7872-15(e)(4)(iii)(B)(1) (2010).
[91] Treas. Reg. § 1.7872-15(e)(4)(iii)(B)(2) (2010).
[92] Treas. Reg. § 1.7872-15(e)(4)(iii)(B)(3), Ex. 1 (2010).
[93] Treas. Reg. § 1.7872-15(e)(4)(iii)(B)(3), Ex. 2 (2010).
[94] Treas. Reg. § 1.7872-15(e)(4)(iii)(B)(3), Ex. 3 (2010).

donee-employee's employment permits use of a term that runs beyond the date at which donor may exercise the option.

C. General Rules for Determining Split-Dollar Term Loan Interest Sufficiency and Tax Liability

The difference between the present value of the loan at the interest rate actually received by the donor and the present value of the loan at the applicable AFR is the shortfall on which annual interest value is computed.[95] For example, assume that on July 1, 2009, corporation and shareholder enter into a split-dollar life insurance arrangement under which shareholder is named as the policy owner. On July 1, 2009, corporation makes a $100,000 premium payment, repayable without interest in fifteen years. Repayment of the premium payment is fully recourse to shareholder. The long-term AFR (based on annual compounding) at the time the loan is made is seven-percent.[96] The present value of the payments under the loan is $100,000 divided by [1+(0.07/1)]/15, which equals $36,244.60.[97] This loan is a below-market split-dollar term loan because the imputed loan amount of $36,244.60 (the present value of the amount required to be repaid to corporation is less than the amount loaned to shareholder ($100,000). Corporation is treated as transferring to shareholder $63,755.40 (the excess of $100,000 (amount loaned) over $36,244.60 (imputed loan amount)).[98] Corporation is treated as making an I.R.C. §301 distribution to shareholder on July 1, 2009, of $63,755.40 and must take into account as OID an amount equal to the imputed transfer each year.[99]

If, under the split-dollar arrangement a donor non-owner pays premiums and is entitled to be repaid eighty-percent of each premium payment, twenty-percent of the payment is treated as income to the donee-owner (employee or shareholder), or as a gift to a gratuitous recipient when made,[100] and eighty-percent is treated as a loan by the non-owner donor to the owner donee.[101] However, if less than eighty-percent of a premium payment is reasonably expected to be repaid, then none of the payment is treated as a loan for

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[95] I.R.C. § 1272 (2010); Treas. Reg. § 1.7872-15(e)(4)(v) (2010). The original issue discount rules are found at I.R.C. §§ 1271-75 and the associated regulations. Treas. Reg. § 1.1273-2 (2010).

[96] Treas. Reg. § 1.7872-15(e)(4)(vi), Ex. (i) (2010).

[97] Treas. Reg. § 1.7872-15(e)(4)(vi), Ex. (ii) (2010).

[98] In accordance with I.R.C. § 7872(b)(1) (2010); Treas. Reg. § 1.7872-15(e)(4)(iv) (2010).

[99] Treas. Reg. § 1.7872-15(e)(4)(vi), Ex. (iii). *See* Treas. Reg. § 1.1272-1 (2010) (treatment of OID).

[100] Treas. Reg. § 1.7872-15(a)(2)(ii) (2010). Not all payments need be repaid. Treas. Reg. §1.61-22(b)(5) (2010). General income or gift tax provisions are applicable. Treas. Reg. §1.61-22(b)(5)(2010). *See also* Treas. Reg. § 1.7872-15(a)(2)(iv) (2010).

[101] Treas. Reg. § 1.7872-15(a)(2)(i) (2010).

Federal tax purposes.[102] If the payment is not a loan, taxation of the entire premium payment is governed by general income tax principles.[103]

For example, employer and employee enter into a split-dollar arrangement under which employee is named as the policy owner. On January 1, 2009, employer makes a $100,000 premium payment, which is treated as a loan to employee repayable with five-percent interest compounded annually on December 31, 2011. The premium payment is a fully recourse split-dollar term loan. If the short-term AFR were also five-percent when made, the loan would not be a below market loan, and general tax principles would apply. Employer would be required to accrue compound interest of five-percent each year the loan remained outstanding.[104] However, employee would not be entitled to any deduction for payment of the interest.[105]

If, on December 31, 2011, employee repays employer $100,000 but employer waives the remainder due on the loan ($15,762.50 interest),[106] the amount of interest waived is treated as if it had been paid to employer then retransferred by employer back to employee as compensation.[107] The waived amount equals the excess of the amount of interest payable at the stated rate ($15,762.50) over the interest actually paid ($0), or $15,762.50.[108] In addition, the amount deemed retransferred to employee is increased by the prescribed deferral charge,[109] which is the amount forgiven under the rules for term loans multiplied by the highest rate of income tax applicable to the borrower for tax year in which the split-dollar term loan was made multiplied

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[102] Treas. Reg. § 1.7872-15(a)(2) (2010).
[103] Taxation of the entire premium payment is governed by Treas. Reg. § 1.61-22(b)(5) (2010). *See* Treas. Reg. § 1.7872-15(a)(2)(iv), Ex. 2(ii) (2010).
[104] Treas. Reg. § 1.7872-15(f) (2010).
[105] Treas. Reg. § 1.7872-15(c) (2010).
[106] *See* Treas. Reg. § 1.7872-15(h)(5), Ex. 1 (2010).
[107] *Id.* As required by Treas. Reg. § 1.7872-15(h)(1) (2010).
[108] The deferral charge is mandated by Treas. Reg. § 1.7872-15(h)(4)(ii) (2010).
[109] "[F]or each year the loan was outstanding, multiply the hypothetical underpayment computed pursuant to Treas. Reg. § 1.7872-15(h)(3) (2010) by the applicable underpayment rate, compounded daily. This hypothetical underpayment is multiplied by the highest rate of income tax applicable to the borrower for that year. The applicable underpayment rate is the average of the quarterly underpayment rates in effect under I.R.C. § 6621(a)(2) (2010) for the applicable period. The applicable period for a year is the period of time from the last day of that year until the date the interest is waived, cancelled, or forgiven." Treas. Reg. § 1.7872-15(h)(4)(ii) (2010). "[F]or each year the loan was outstanding, multiply the hypothetical underpayment computed pursuant to Treas. Reg. § 1.7872-15(h)(3) (2010) by the applicable underpayment rate, compounded daily. This hypothetical underpayment is multiplied by the highest rate of income tax applicable to the borrower for that year. The applicable underpayment rate is the average of the quarterly underpayment rates in effect under I.R.C. § 6621(a)(2) (2010) for the applicable period. The applicable period for a year is the period of time from the last day of that year until the date the interest is waived, cancelled, or forgiven." Treas. Reg. § 1.7872-15(h)(4)(ii) (2010).

by the Service's quarterly underpayment rates[110] for the applicable periods compounded daily from the loan date to the date interest was cancelled.[111] Even if a nonrecourse payment on a split-dollar loan would otherwise be a contingent payment,[112] since the life insurance policy is security for donee's loan payments, donee's repayment to donor is not treated as a contingent payment.[113]

D. *Common Tax-Saving Term Split-Dollar Arrangements*

Tax savings derived from locking in current low AFR rates for the duration of the split-dollar arrangement are available in each of the following situations.

1. Split-Dollar Term Loans Payable at Death of Insured

Below-market loans payable not later than the death of an individual[114] (as well as employment-related loans and gift-term loans payable on the later of a term certain or another specified date) are split-dollar term loans for purposes of determining whether the loans provide for sufficient interest.[115] Forgone interest is determined annually using an AFR that is appropriate for the loan's term and that is determined when the loan is issued.[116] The duration of a split-dollar term loan that ends on the death of an individual (or the last survivor of a group of individuals) is determined actuarially for the individual or group on the date the loan is deemed made.[117] If the individual outlives his or her life expectancy, the loan is treated as retired and reissued at the loan's adjusted issue price on that date, using the same AFR applied when the loan was originally made.[118] Thus, the initial interest rate is locked in for the life of the insured for purposes of calculating imputed income and the value of any gift involved.

If the loan is repayable on the earlier of the individual's death or some other date,[119] the shorter term is tested.[120] For example, a corporation's split-dollar life insurance arrangement requiring a $100,000 premium without

[110] It is applied to any underpayment of taxes determined pursuant to IRC § 1 (2010), determined pursuant to IRC § 6621(a)(2) (2010).
[111] Treas. Reg. §§ 1.7872-15(h)(4)(i), 1.782-15(h)(4)(ii) (2010).
[112] Treas. Reg. § 1.7872-15(d)(1) (2010).
[113] Treas. Reg. § 1.7872-15(d)(2)(i) (2010).
[114] Treas. Reg. § 1.7872-15(e)(5)(ii) (2010).
[115] Treas. Reg. § 1.7872-15(e)(5)(i) (2010).
[116] Treas. Reg. § 1.7872-15(e)(5)(ii)(A) (2010).
[117] Treas. Reg. § 1.7872-15(e)(5)(ii)(B) (2010).
[118] Treas. Reg. § 1.7872-15(e)(5)(ii)(D) (2010).
[119] Determined pursuant to Treas. Reg. § 1.7872-15(e)(4)(iii) (2010).
[120] Treas. Reg. § 1.7872-15(e)(5)(ii)(C) (2010).

interest for a sixty-five-year-old shareholder, to be repaid from the death benefit is treated as a split-dollar term loan for shareholder's fifteen-year actuarial life expectancy. At a seven-percent AFR, the present value of the repayment is $36,244.60, a below-market loan;[121] however, the loan is treated as a payment to the shareholder of $7,000 and interest income to the corporation of $7,000 each year the shareholder survives.[122] If the insured outlives his life expectancy, the split-dollar loan is treated as retired and reissued at the loan value on the reissue date; however, the applicable AFR continues to be the rate originally determined.[123]

2. Split-Dollar Term Gift Loans

A split-dollar arrangement involving a loan from donor to donee who gifts the insurance to a child or ILIT can generate both income tax and gift tax liability. A gift split-dollar term loan is first tested to determine if the loan provides for sufficient interest. If the imputed interest is not sufficient, the loan is treated for income tax purposes as a below-market loan, the imputed interest is added to donee's gross income, and is subject to tax.[124] For gift tax purposes, the gift recipient is treated as having received a gift equal to the value of the term insurance plus the amount loaned, less the present value of all interest and principal repayments, discounted at the applicable AFR.[125]

Where a split-dollar arrangement provides for a transfer from an employer or corporation to an employee's (or shareholder's) child or ILIT, any below-market split-dollar loan transfers value from the lender to an indirect participant, the employee (or shareholder), and from the indirect participant to the borrower, the child (or ILIT). Any below market loan is restructured as two successive below-market deemed loans.[126] Each deemed loan is treated as having the same provisions as the original loan between the lender and the child (or ILIT), and the Treasury regulations are applied to each deemed loan.[127] To illustrate:

> [I]f, under a split-dollar life insurance arrangement, an employer (lender) makes an interest-free split-dollar loan to an employee's child, the loan is restructured as a deemed compensation-related below-market split-dollar loan from the employer to the employee

[121] Treas. Reg. § 1.7872-15(e)(5)(ii)(B) (2010).
[122] The corporation is treated as making an I.R.C. §301 (2010) distribution to shareholder and receiving the imputed interest income. Treas. Reg. § 1.7872-15(e)(5)(vi) (2010).
[123] Treas. Reg. § 1.7872-15(e)(5)(ii)(D) (2010).
[124] Treas. Reg. § 1.7872-15(e)(5(iv)(B) (2010).
[125] I.R.C. § 7872(b) (2010).
[126] Treas. Reg. § 1.7872-15(e)(2) (2010).
[127] Treas. Reg. § 1.7872-15(e)(2)(ii) (2010).

(the indirect participant) and a second deemed gift below-market split-dollar loan from the employee to the employee's child.[128]

The restructuring reflects deemed compensation paid by the employer to the employee and a deemed gift of the insurance and the below-market split-dollar loan from employee to the recipient child or ILIT.[129]

If the loan is to an individual, the lender may deduct only the interest equal to the investment income received by the borrower; however, that restriction does not apply to gifts to an irrevocable trust.[130] If child's net interest accrual for 2009 is $1,100, the AFR for 2009 is five-percent, compounded annually, and the stated interest on the loan is zero, the forgone interest deemed paid to employee by child in 2009 is computed by multiplying $30,000 paid for the policy by .05 interest which is equal to $1,500.[131] However, because child is an individual and only earned $1,100 in net investment income for the year, child's deemed interest is limited to child's net income of $1,100.[132] As a result, employee's deduction (offsetting employee's imputed income in 2009 for interest deemed paid on employee's deemed loan from employer) is limited to $1,100, the interest deemed received from child.[133]

The result changes if the insurance policy is held by an ILIT or other irrevocable trust because a trust is not an individual.[134] As in the above example, the effect of the below-market split-dollar loan from employer to the trust is to transfer value from employer to employee then from employee to the trust.[135] The below-market split-dollar loan from the employer to the trust is restructured as two deemed below-market split-dollar demand loans, a compensation-related below-market split-dollar loan between employer and employee, and a gift below-market split-dollar loan between employee and trust.[136] While the forgone interest deemed paid to the employee by the trust is $1,100, employee may deduct $1,500 (interest deemed paid on the

[128] *Id.*
[129] Treas. Reg. § 1.7872-15(e)(2)(ii) (2010). *See also* Treas. Reg. §1.7872-15(e)(2)(iv), Ex. (1) (2010).
[130] I.R.C.§ 7872(d) (2010). It imposes limits on interest accrual on gift loans for purposes of income taxes where loans do not exceed $100,000 to the net interest income received by the donee. *See also* Treas. Reg. §§ 1.7872-15(e)(2)(iii), 1.7872-15(e)(2)(iv), Ex. (2) (2010).
[131] Treas. Reg. § 1.7872-15(e)(2)(iv), Ex. (1)(iii) (2010).
[132] I.R.C. § 7872(d)(1) (2010); Treas. Reg. § 1.7872-15(e)(2)(iv), Ex. (1)(iii) (2010).
[133] Treas. Reg. § 1.7872-15(e)(2)(iii) (2010).
[134] I.R.C. § 7872(d)(1); Treas. Reg. §7872-15(e)(2)(iv), Ex. 2(iii) (2010).
[135] Treas. Reg. § 1.7872-15(e)(2)(iv), Ex. 2(ii) (2010).
[136] Treas. Reg. § 1.7872-15(e)(2) (2010).

employee's deemed loan) because the ILIT is not an individual and therefore IRC §7872(d)(1) does not apply.[137]

3. Split-Dollar Term Loans Conditioned on Future Performance of Services

If the benefits of a split-dollar arrangement are conditioned on the future performance of substantial services by an individual and are not transferrable.[138] Loan sufficiency is tested by applying the AFR applicable to the loan's term that was in effect when the loan is made.[139] If the loan does not provide for sufficient interest the loan is treated as a below market demand loan for each year that the loan is outstanding at the applicable AFR.[140] The term is based on the period from the date the loan is made until the loan's stated maturity date. However, if the loan does not have a stated maturity date, the term of the loan is presumed to be seven years.[141] If the loan remains outstanding longer than the stated term or presumed term, because of the continued performance of substantial services, the split-dollar loan is treated as retired and reissued as a split-dollar demand loan at that time for an amount of cash equal to the loan's adjusted issue price on that date and retested at the original interest rate to determine whether the loan provides for sufficient interest.[142]

E. *Computation of Interest under the Loan Regime when the Stated Interest Rate Varies*

If the lender applies a floating interest rate to the split dollar arrangement, computation becomes somewhat more complicated. A split-dollar term loan with a floating interest rate is tested using the values of the floating rate on the date the split-dollar term loan is made for each accrual period to which a floating rate applies.[143] The term of the loan is determined

[137] Interest is deductible pursuant to I.R.C. §163(d) (2010); the deduction is allowed pursuant to Treas. Reg. § 1.7872-15 (e)(2)(iii) (2010); Treas. Reg. § 1.7872-15(e)(2)(iv), Ex. (2)(ii) (2010).
[138] Treas. Reg. § 1.7872-15(e)(5)(iii)(A) (2010).
[139] Treas. Reg. § 1.7872-15(e)(5)(iii)(B) (2010). The term is from the date the loan is made until the loan's stated maturity date; however, if there is no stated maturity date, the term of the loan is presumed to be seven years. Treas. Reg. §1.7872-15(e)(5)(iii)(C) (2010).
[140] Treas. Reg. § 1.7872-15(e)(5)(iii)(B) (2010).
[141] Treas. Reg. § 1.7872-15(e)(5)(iii)(C) (2010).
[142] Treas. Reg. § 1.7872-15(e)(5)(iii)(D) (2010).
[143] Treas. Reg. §§ 1.7872-15(g)(3)(i), 1.782-15(g)(3)(ii) (2010). A variable interest rate is a qualified variable interest rate that may be applied to a split-dollar loan so long as there are no interest rate restrictions, such as a rate cap, that cause the expected yield of the loan to be lower than the expected yield without the restrictions. Treas. Reg. §§ 1.7872-15(g)(2)(i), 1.782-15(g)(2)(ii) (2010).

using the rules in Treas. Reg. §1.1274-4(c)(2). If the loan provides for interest that adjusts at varying intervals, the loan term is determined by reference to the longest interval between interest adjustment dates.[144] A projected fixed rate is used to determine accrual of interest each period and the amount of any imputed transfers are adjusted ex post to take into account any difference between the projected fixed rate and the actual rate.[145]

For example, employer issues a ten-year split-dollar term loan to employee which employee may prepay at the end of the fifth year at one percent for the first five years and at ten-percent for the remaining five years. The arrangement is treated as a five-year split-dollar term loan from employer to employee with interest payable at one percent.[146] If employee does not prepay the split-dollar loan at the end of year five the first loan is treated as retired at the end of year five and a new five-year split-dollar term loan is issued at that time, with interest payable at ten-percent.[147] However if employer issues a ten-year split-dollar term loan on which employer has the right to demand payment at the end of the second year with interest payable on the split-dollar loan at seven-percent each year that the loan is outstanding,[148] the arrangement is treated as a ten-year split-dollar term loan because the yield of the loan is seven-percent, compounded annually, whether or not employer demands payment.[149] Similarly, consider an employer and employee who enter into a split-dollar arrangement under which employee is named policy owner and on January 1, 2010, employer makes a $100,000 premium payment repayable in fifteen years with interest payable each year on January 1, starting January 1, 2011, at a rate equal to

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[144] Treas. Reg. §§ 1.7872-15(g)(3)(ii), 1.7872-15((e)(5) (2010).

[145] Treas. Reg. § 1.7872-15(g)(4) (2010).

[146] Treas. Reg. § 1.7872-15(e)(4)(iii)(B), Ex. 1 (2010). When an employee has the right to terminate at the end of five years and the interest rate changes, the ten-year loan is tested for five years, then retested if not terminated. Treas. Reg. § 1.7872-15(e)(4)(iii)(B)(1) (2010) ("For purposes of determining a split-dollar loan's term, the borrower is projected to exercise or not exercise an option or combination of options in a manner that minimizes the loan's overall yield. Similarly, the lender is projected to exercise or not exercise an option or combination of options in a manner that minimizes the loan's overall yield.").

[147] Treas. Reg. § 1.7872-15(e)(4)(iii)(B), Ex. 2 (2010). The second five year term at 10 percent is tested for five years at the applicable APR prevailing at that time. Treas. Reg. § 1.7872-15(e)(4)(iii)(B)(2) (2010) ("[T]he split-dollar loan is treated for purposes of this section as retired and reissued on the date the option is or is not exercised for an amount of cash equal to the loan's adjusted issue price on that date. The reissued loan must be retested using the appropriate AFR in effect on the date of reissuance to determine whether it is a below-market loan.").

[148] Treas. Reg. § 1.7872-15(e)(4)(iii)(B), Ex. 3 (2010).

[149] Because under Treas. Reg. § 1.7872-15(e)(4)(iii)(B)(1) the loan's overall yield does not change and as a result the entire ten-year period is tested at the applicable AFR in effect when the split-dollar term loan was made.

the value of one-year London Interbank Offered Rate (LIBOR).[150] The short-term AFR (based on annual compounding) at the time of the loan is seven-percent. Assume that the value of the one-year LIBOR on January 1, 2010, is eight-percent, compounded annually. The loan bears interest at a qualified floating rate.

Because the interest rate is reset each year, the short-term AFR (based on annual compounding) is used to determine whether the loan provides for sufficient interest.[151] The loan is treated as if it provided for a fixed rate of interest equal to eight-percent, compounded annually. Based on a discount rate of seven-percent, compounded annually (the short-term AFR), the present value of the payments under the loan is $109,107.91 while the amount loaned is $100,000 so the loan provides for sufficient interest and is not a below-market split-dollar term loan.[152]

If accrued interest is forgiven by the lender, the forgiveness is treated as if the interest computed under the split-dollar loan rules had been paid to the lender by the borrower then given by the lender to the borrower.[153] For example, On January 1, 2009, when the AFR is five-percent, employer makes a $100,000 premium payment on a split-dollar life insurance arrangement as a recourse loan to employee, the policy owner, repayable on December 31, 2011, at five-percent annual interest. On the repayment date employer waives payment of interest. Under the split-dollar rules for stated interest and OID, employer accrued compound interest at five-percent each year and employee was not entitled to an interest deduction. The interest payable less the interest actually paid is the waived interest, which is treated as a deemed transfer of interest to employer, then a retransfer of the interest as compensation to employee.[154] In addition to three years interest at five-percent compounded annually is $15,762.50 and treated as income paid to employee a deferral charge is added.[155]

V. CONCLUSION

Because interest rates are low today and expected to rise in the future, funding a split-dollar arrangement owned by the employee, shareholder, or ILIT under the term loan regime locks in today's low interest rates and provides increasing tax benefits as interest rates rise in the future. The tax savings are not available under the economic benefit regime because the

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[150] Treas. Reg. § 1.7872-15(g)(5), Ex. (i) (2010).
[151] Treas. Reg. § 1.7872-15(g)(5), Ex. (ii) (2010).
[152] *Id.*
[153] Treas. Reg. § 1.7872-15(h)(1)(iv) (2010).
[154] *Id.*
[155] Treas. Reg. §§ 1.7872-15(h)(1)(i), 1.782-15(h)(1)(iii) (2010); Treas. Reg. § 1.7872-15(h)(4) , Ex. 1 (2010).

terms of the economic benefit regime measure imputed income by examining changes in cash value and term premiums directly rather than identifying below market interest charged on loans. To take advantage of the tax benefits, the donor and donee must structure the split dollar arrangement so as to lock in current interest rates for a long term, or for the life of the insured. Adroit use of the loan regime rules permit tax planners to produce favorable results for their clients by complying with the IRS rules and regulations.

14. President Salary Supplement and Retention Plan

For Approval

Presented by Brad Martin

The University of Memphis Board of Trustees
Agenda Item

Date: June 6, 2017

Committee: **Governance & Finance Committee**

Item: President's Salary Increase and Retention Plan

Recommendation: Approval

Presented by: Brad Martin, Vice-Chair

Background:
An evaluation of the president's salary has revealed that his compensation is significantly lower compared to other presidents of peer institutions. University staff benchmarked other president's compensation packages and prepared the attached spreadsheet to highlight the disparity. To address this issue, a plan was developed last year to provide for an increase in salary, performance incentives and longevity/retention bonus. Specifically the plan included an annual $50,000 supplement to the president's salary, an annual target bonus opportunity of $100,000, and an annual contribution of $100,000 to a fund at the Foundation to be earned by the president five years after the commencement of the plan. The plan also provided there would be no payment under the retention element should the president leave the University prior to that five-year period. The Foundation Board and University approved the general framework of the plan, and a number of individuals and enterprises were invited to consider supporting the plan. The implementation of the plan was halted with the governance change from the Tennessee Board of Regents to an independent governing board. It is important to note that the cost of the plan would be borne by incremental private donations to the University of Memphis Foundation where there would be no financial impact on the University's base budget.

The Executive Committee will reevaluate and finalize the plan and submit to the Board for consideration and approval at its next meeting. Prior to its implementation and to bring the president's salary in line with peers, it is proposed that the salary supplement of $50,000 begin immediately payable over twelve months. In addition the Board Chair, working with University staff, will begin the President's evaluation in August in accordance with the Presidential Review and Evaluation policy contained in the meeting materials.

Proposed Board Resolution:
The Governance and Finance Committee recommends the approval of a salary supplement, paid from private funds, to President Rudd in the amount of $50,000 payable over 12 months to begin immediately.

PRESIDENTS' COMPENSATION (COMPARABLE INSTITUTIONS)*

Academic Peers	President	Annual Salary	Performance Bonus	Retention Incentive Payment	Housing	Auto or Allowance	Other Compensation and Additonal Information
Florida International University	Mark Rosenberg	$ 502,579	$ 48,000		University Owned	$ 11,417	Retirement Contribution $135,966.
University of South Florida	Judy Genshaft	$ 470,000	$ 166,250	$ 100,000	University Owned	$ 11,856	Deferred Compensation Paid $56,400; Deferred Compensation set aside and Retirement Contribution $100,000
University of Illinois at Chicago	Timothy Killeen	$ 600,000	$ 100,000		University Owned	Auto	
University of Pittsburgh	Patrick Gallagher	$ 525,000		$ 100,000			Retention Incentive Payments of $100K/year until 2019. If he stays after 2019, his salary will be $1,025,000/yr.
Arizona State University	Michael M. Crow	$ 661,200	$ 40,000		$ 70,000	$ 10,000	Deferred Compensation set aside $102,600
University of Cincinnati	Santa Ono	$ 525,000	Discretionary			$ 15,000	Deferred Compensation Paid $100,000; Retirement Contribution $34,728; Memberships to the University Club and Cincinnati Country Club
Georgia State University	Mark Becker	$ 551,204	$ 500,000		$ 19,400	Auto	Salary will increase to $1.07 million if he stays through July 1, 2019; Retirement Contribution $29,500
University of Louisville	James Ramsey	$ 648,961					Retirement Contribution $24,000
University of Oklahoma Norman Campus	David Boren	$ 442,203					Retirement Contribution $89,451
University of South Carolina	Harris Pastides	$ 635,548	$ 100,000	$ 50,000	University Owned		Retirement Contribution $156,920
University of Houston	Renu Khator	$ 700,000	$ 200,000		University Owned	Auto	Deferred Compensation Paid $400,000; Deferred Compensation set aside and Retirement Contribution $200,000
University of Alabama at Birmingham	Raymond Watts	$ 456,450	$ 105,000		University Owned	$ 12,000	
University of Memphis	**M. David Rudd**	**$ 382,597**			**$ 20,000**	**$ 9,000**	**Expense Account $5,000**

** Data obtained from the Chronicle of Higher Education Executive Compensation Report published December 2016 as reported by each individual institution.*

05/24/2017 (MA)

15. University District Tax Increment Financing Overview

Presented by Bruce Harber

The University of Memphis Board of Trustees
Agenda Item

Date:	June 6, 2017
Committee:	**Governance and Finance Committee**
Item:	**University District Tax Increment Financing District Overview**
Recommendation:	Review
Presented by:	Bruce Harber, Chief Operations Officer

THE UNIVERSITY OF MEMPHIS | Board of Trustees

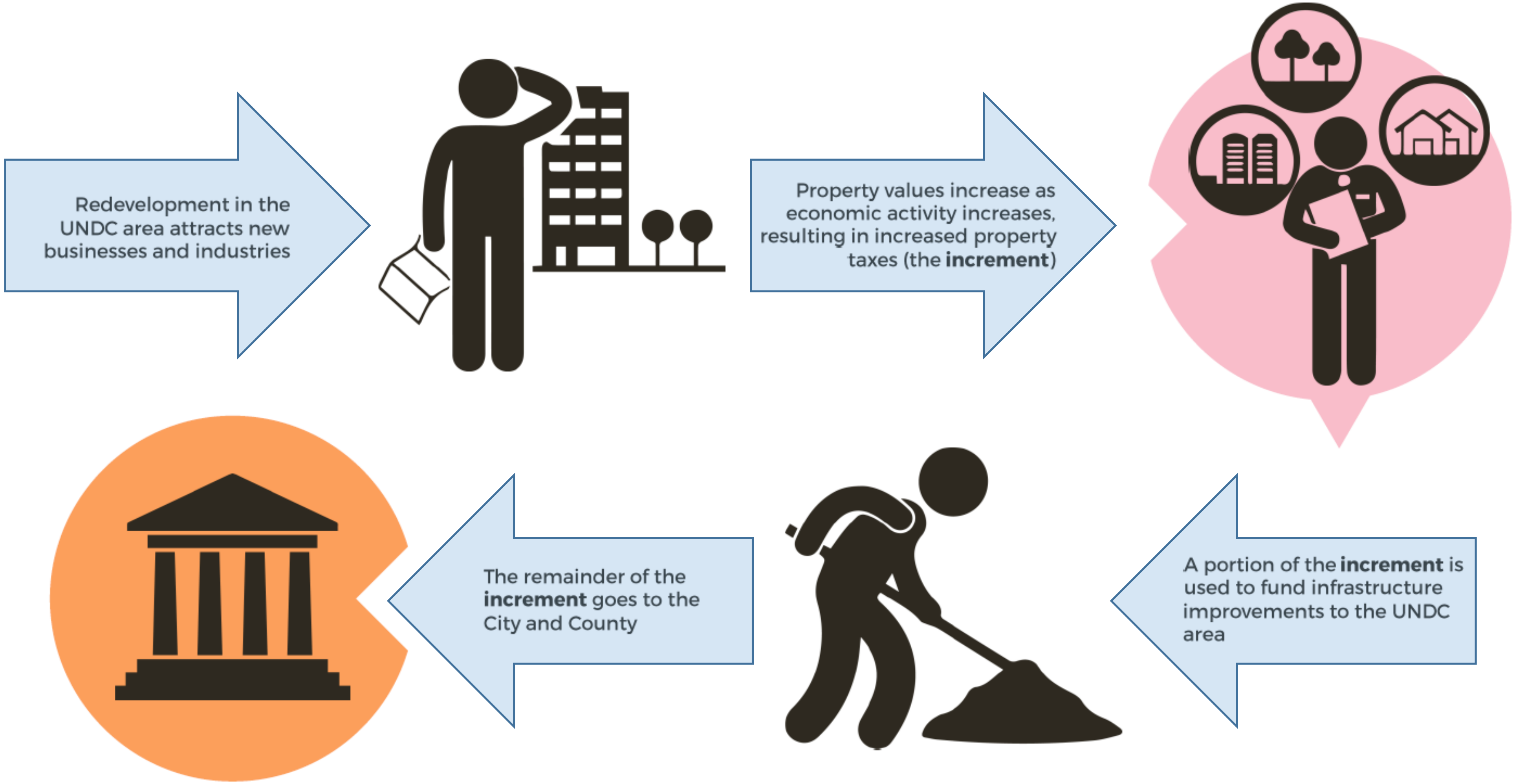
UD Tax Increment Financing (TIF) Overview

Governance and Finance Committee

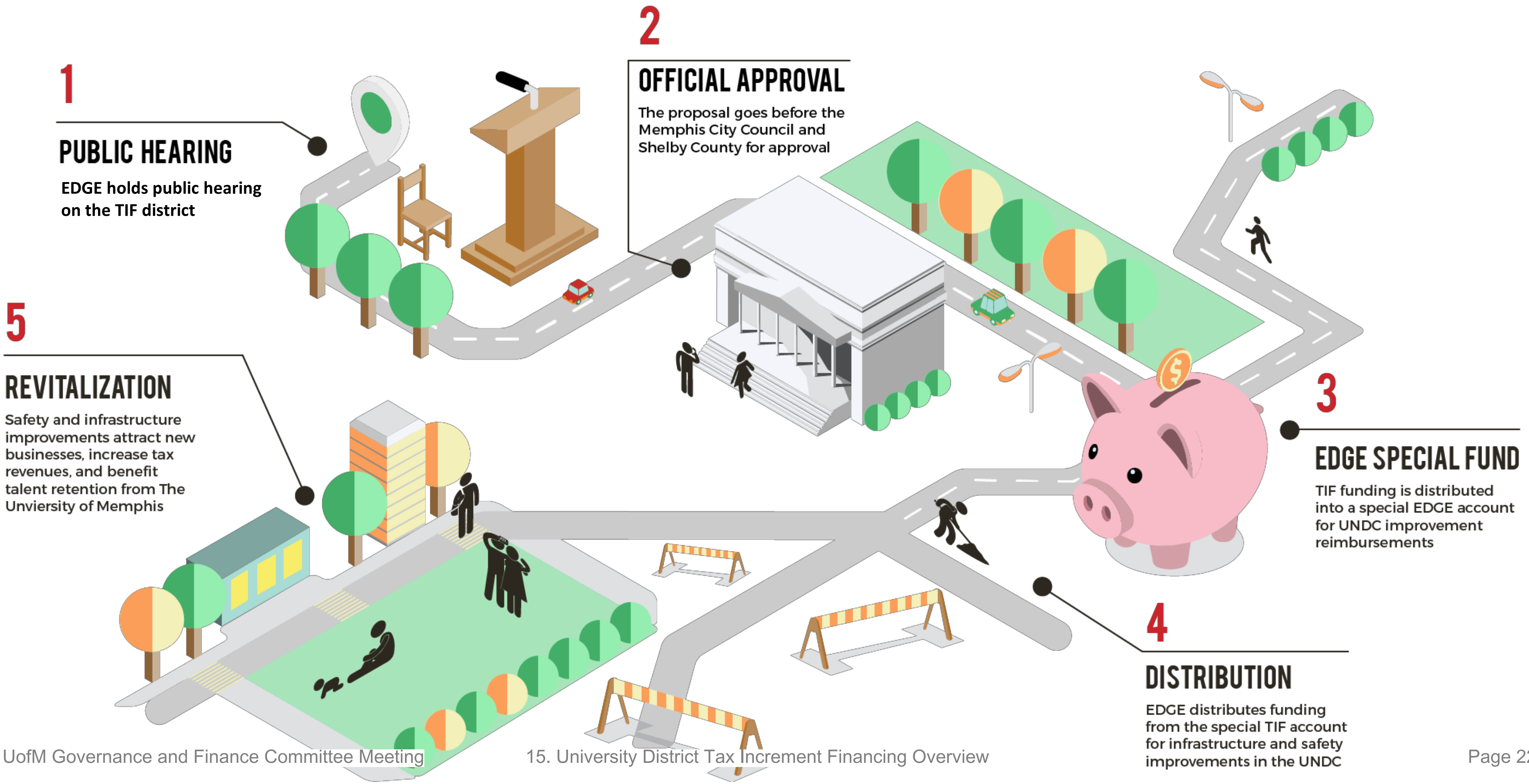
June 6, 2017
University Center

How Tax Increment Financing Works

THE UNIVERSITY OF MEMPHIS Board of Trustees



TIF Process: Industrial Development Board



University District Tax Increment Financing (TIF)

Applicant = University Neighborhoods Development Corporation (UNDC)

Increment is the difference between existing property values and increases due to economic activity.

UD Tax Increment Financing (TIF)

THE UNIVERSITY OF MEMPHIS | Board of Trustees

❖ APPROVAL PROCESS (Fall 2016)

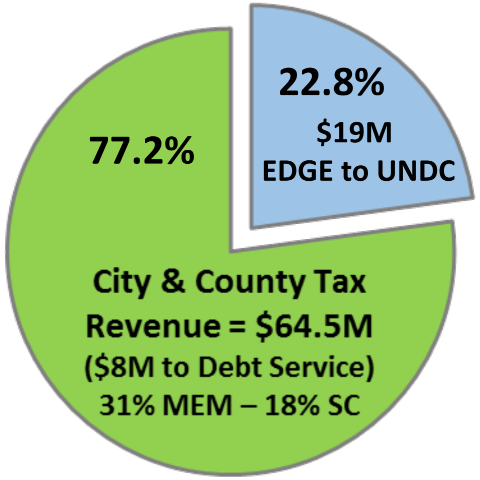
- Economic Development & Growth Engine (EDGE)
- Memphis City Council
- Shelby County Board of Commissioners

❖ TIF GOALS

- Attract and retain students and faculty
- Economic generator
- Compete with urban universities
- Attract private investment

TOTAL TAX REVENUE

$83.5M over 20 years*



*Based on 5 existing developments:

- Gather II (Southern)
- McDonalds (Highland)
- Peddler/YMCA (Walker)
- The Nine (Brister & Mynders)
- Loeb properties (Highland Strip)

❖ REVITALIZATION

- Promote walkability
  - Public seating
  - Bike racks
  - Trash receptacles
- Engage students
- Retain talent
- Enhance safety
  - Lighting
  - Crosswalks
  - Traffic calming
  - Road & sidewalk improvements
- Railroad quiet zones

TIF Safety and Infrastructure Improvements

THE UNIVERSITY OF MEMPHIS | Board of Trustees

UNDC Planned Improvements – 8/1/2016

University District TIF Improvements

Planned Improvements (estimated)				8/1/2016
		Anchor Project Area	Outside Anchor Project	Total
Furniture	Trash Receptacles	$ 54,000	$ 134,000	$ 188,000
	Seating/Benches	$ 67,500	$ 167,500	$ 235,000
	Bicycle Racks	$ 16,250	$ 26,250	$ 42,500
Streetscape	District Branding Signage	$ 15,500	$ 42,000	$ 57,500
	Landscape: Street Trees and Grates	$ 75,000	$ 91,000	$ 166,000
	Landscape: Railroad/Southern Buffer	$ 1,545,000	$ 15,000	$ 1,560,000
	Lighting	$ 1,490,000	$ 2,455,000	$ 3,945,000
Streets & Intersections	Sidewalks, Curb and Gutter, Driveways	$ 816,500	$ 1,718,500	$ 2,535,000
	Parking Improvements	$ 300,000	$ 510,000	$ 810,000
	Mid-block Pedestrian Crossings	$ 500,000	$ 250,000	$ 750,000
	Intersection Safety Improvements	$ 400,000	$ 400,000	$ 800,000
	Railroad Crossing (Highland)	$ 1,800,000	$ -	$ 1,800,000
	Railroad Quiet Zone (Greer)	$ -	$ 500,000	$ 500,000
	Railroad Quiet Zone (Prescott, Patterson)	$ 400,000	$ -	$ 400,000
	Pavement Markings	$ 81,000	$ 169,000	$ 250,000
Other	Public Art	$ 30,000	$ 50,000	$ 80,000
	Utility Relocation	$ 1,000,000	$ 1,000,000	$ 2,000,000
Total	Total	$ 8,590,750	$ 7,528,250	$ 16,119,000

UNDC TIF Committee

- Funding Options
  - – Trickle in (Fall 2017)
  - – Bonding
  - ✓ Traditional lending (tax free)
- Immediate Impact
  - ✓ Area Lighting
  - ✓ Security Cameras
  - ✓ Pedestrian Crossings

16. Strategic Planning Process for Academic Year 2017-2018

Presented by M. David Rudd

The University of Memphis Board of Trustees
Agenda Item

Date:	June 6, 2017
Committee:	**Governance and Finance Committee**
Item:	**Strategic Planning Process for Academic Year 2017-2018**
Recommendation:	Review
Presented by:	M. David Rudd, President

17. 2017 Legislative Update

Presented by M. David Rudd

The University of Memphis Board of Trustees
Agenda Item

Date: June 6, 2017

Committee: **Governance and Finance Committee**

Item: **2017 Legislative Update**

Recommendation: Review

Presented by: M. David Rudd, President

Background:
The following items specific to the University were included in the State of Tennessee Budget for fiscal year 2017-18.

- Increase in operating funds: $6.7M
- Allocation for capital maintenance/improvement: $14M
- Allocation for the Scheidt Family Music Center: $44M
- Allocation for the Memphis Research Consortium: $2.5M

In the near future, discussions with the Tennessee Higher Education Commission will include the creation of an "Emerging Research University Fund" for the coming fiscal year.

18. Additional Committee Business

19. Adjournment