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2008

Annual Report of the President, the University of Tennessee to the Board of Trustees, 2007-2008: The Future Lives Here

John D. Peterson

University of Tennessee - Knoxville

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THE
FUTURE
LIVES HERE

THE ANNUAL REPORT OF THE PRESIDENT
2007-2008 | THE UNIVERSITY of TENNESSEE **UT**



from the **president**



The University of Tennessee provides higher education, helps drive the state's economy, and enhances quality-of-life opportunities for all Tennesseans.

Because a broad economic downturn in 2008 cut higher education funding in 24 states—including Tennessee, it's now more important than ever that we maintain the critical momentum achieved by the University in recent years.

A strategic plan implemented two years ago focused on both our efforts and our use of resources. An impressive string of achievements since then speaks to the soundness of our approach. Launch of our Tennessee Biofuels Initiative and its subsequent partnership with Dupont Danisco, development of the Cherokee Farm research campus, and our several joint scientific institutes with Oak Ridge National Laboratory all promise a transformational impact on the state and the nation.

from the **president**

A 4.1 percent reduction in state appropriations in 2008 has challenged us to be even more strategic in how we fulfill our mission. We have faced economic realities with a commitment to make the necessary choices—however difficult—to preserve our progress for the good of the entire state.

Because education is a critical tool for competition in the increasingly global economy, Tennessee must remove barriers—including cost barriers—so that students can pursue a college education. The HOPE lottery scholarship program does that for the 99.5 percent of in-state students who qualify, cutting their tuition costs by about 75 percent. While the program assumes the burden for these students, it does not reduce costs for the University.

For the vast majority of these high-ability students who receive lottery or other scholarships, small tuition increases have little impact. When tuition levels are not adequate to address increased institutional costs, the University is starved of the resources necessary to set aside need-based scholarships for students less able to pay for college. For these students, cutting higher education funding and limiting tuition increases deplete resources necessary to provide much-needed scholarships.

The number of college graduates in a state directly impacts economic development, and we're already short on college graduates in the state of Tennessee. Only 23.4 percent of Tennessee's working-age adult population has a bachelor's degree or higher, ranking the state 42nd.



In these tough times, we'll keep finding ways to deliver more college graduates for less money. Those include our online education programs and a partnership we've established in Kingsport where students earn UT course credit through a lower-cost arrangement that matches the community's education needs. We'll continue seeking needed funds through additional partnerships with industry and the private sector.

We'll also continue using our national leadership positions in biofuels and energy research and in supercomputing to build on our existing momentum and to pursue new successes in interdisciplinary scientific ventures and partnership opportunities with medical research facilities and our fellow Tennessee higher education institutions. We'll continue to maximize our critical partnership with Oak Ridge National Laboratory, while serving as a statewide resource for providing higher education, research, economic development, and powering the state forward.

John D. Petersen
President





INITIATIVE: **SUPERCOMPUTING**

LEADING THE NATION IN HIGH-PERFORMANCE COMPUTING

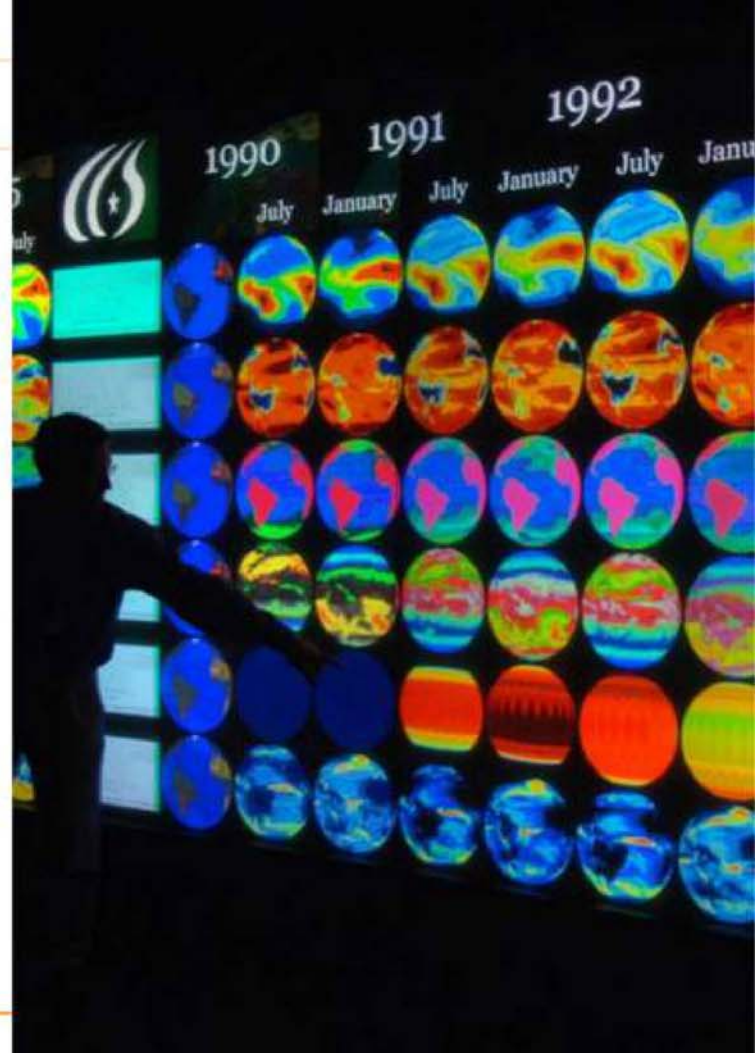
East Tennessee is home to one of the largest concentrations of nonclassified computing power and expertise in the world. UT and Oak Ridge National Laboratory in partnership are home to two of the fastest computers on the planet, one of which resulted from a \$65 million award from the National Science Foundation—the largest research grant in University history.

Located in the state-owned National Institute for Computational Sciences building on the ORNL campus, the computer—known as Kraken—will help solve mysteries of climate, materials, and the planet's origins. Kraken places the University in the upper echelon of the world's supercomputing capability and complements ORNL's Jaguar, also one of the world's most powerful.

More information: tennessee.edu/system/chokeee/computing

"UT faculty and students will have access to this 'time machine' [supercomputer] that will allow them to develop technologies and conduct research that will transform our lives and help solve some of the world's most challenging issues."

— Dr. Thomas Zacharia, UT vice president for science and technology



INITIATIVE: CAMPAIGN FOR TENNESSEE

THE MOST AMBITIOUS CAMPAIGN IN THE UNIVERSITY'S HISTORY

Launched in April 2008, the Campaign for Tennessee sets an unprecedented goal for the University—\$1 billion by 2011 for endowed scholarships, professorships, chairs of excellence, building enhancements, as well as innovative faculty and student programs. Just five months after the launch, nearly \$800 million had been raised.

While state appropriations are the bedrock of the University's budget, private donations make possible the extras that give our students—and our faculty and staff—the competitive edge necessary to improve the future of Tennessee and the quality of life for all Tennesseans.

More information: development.tennessee.edu/campaign

"If you want to change the world through the University of Tennessee, you can do that."

— Adam Brown, 2008 UT alumnus and Torchbearer



INITIATIVE: **BIOFUELS**

POSITIONED TO LEAD THE NATION IN ENERGY RESEARCH AND PRODUCTION

By 2012, if research continues to be successful, Tennessee could have one of the first commercially successful cellulosic ethanol biorefineries and a vetted business model that could be duplicated throughout the nation.

With DuPont Danisco Cellulosic Ethanol as a partner in the University of Tennessee's biofuels initiative, the construction of a biorefinery in Vonore, Tennessee, is only months away. The state of Tennessee has invested in this work, which promises ultimately to grow more than 4,000 jobs in rural Tennessee counties and more than \$400 million in new tax revenue.

More information: utbloenergy.org/TNBiofuelsInitiative

"This [initiative] will change America."

— U.S. Senator Bob Corker



INITIATIVE: **CHEROKEE FARM**

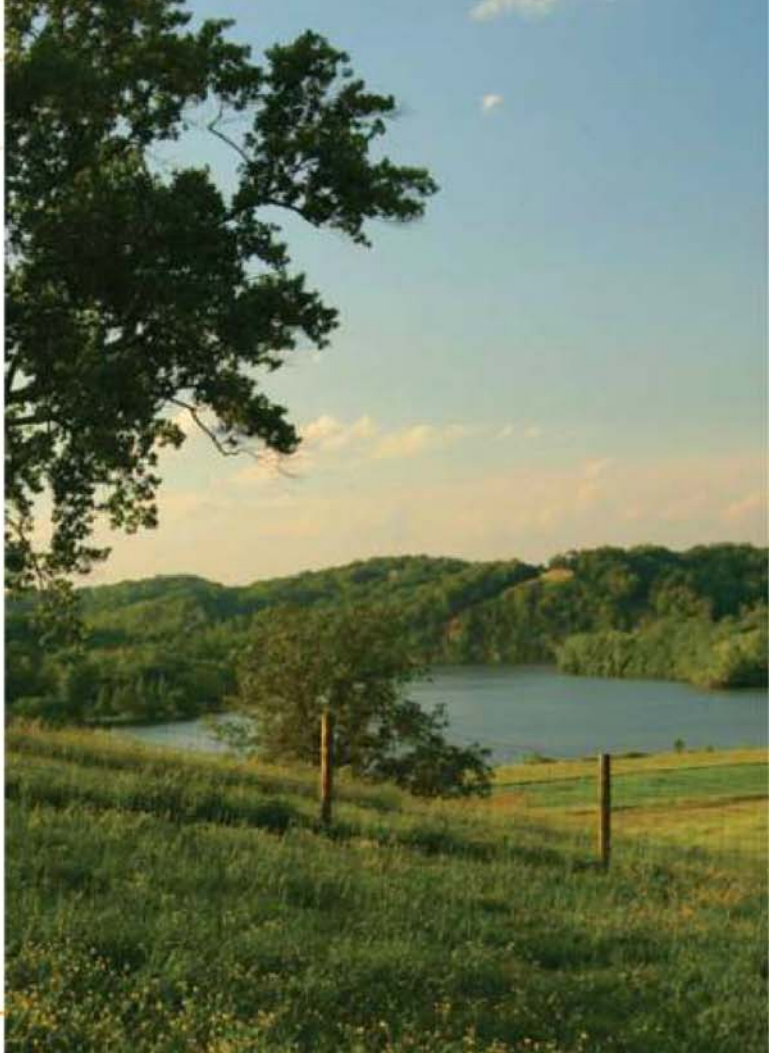
AN INNOVATION CAMPUS COMMITTED TO SOLVING COMPLEX GLOBAL ISSUES

Cherokee Farm—a 188-acre site nestled in a bend of the Tennessee River—will position the University and the state among the world’s most competitive areas for collaborative research. Drawing on leadership roles already established in the areas of neutron science, materials and computational sciences, and energy independence and sustainability, Cherokee Farm’s researchers and public and private partners will form a hub of interdisciplinary scientific research and innovation committed to solving issues of global significance.

More information: tennessee.edu/system/cherokee

“Cherokee Farm is not only good for the University, it’s good for the state. Through public and private partners, this innovation campus will help drive the economy of Tennessee while providing an unmatched interdisciplinary environment where students, faculty, and world-renowned researchers can pursue big science.”

— Dr. David Millhorn, UT executive vice president and vice president for research



campus highlights: **KNOXVILLE**

40 Percent Bring Straight A's

Nearly 40 percent of this year's freshmen brought straight-A averages from high school—with a class core GPA of 3.76 and a 26.5 average ACT score.

Committing to the Pledge, the Promise

To enhance diversity, access, and student success, UT Knoxville dedicated an additional \$1 million to expand the Pledge and Promise Scholarship need-based programs and to create the UT LEAD summer institute to help recipients succeed.

We're Ready for the World

The Ready for the World initiative, now in its fourth year, prepares students, faculty, and staff for a global society. Also, a new undergraduate education fee is providing more study-abroad scholarships.

Switch It Off

Switch Your Thinking debuted with a call to action for the campus community to turn off lights, computers, power strips, and window air conditioners when not in use. The goal is to save \$1.2 million a year.

Retention Rate Increases

The freshman retention rate—a key indicator of quality—is now 84 percent, up from 78 percent in 2003.

Haslam Scholars Raise the Bar

The first Haslam Scholars enrolled this fall. This new premier UT honors program was created with \$2.5 million from Jimmy and Dee Haslam and \$2.5 million from Jim and Natalie Haslam.

Obtaining Top National Recognition

- The College of Business Administration undergraduate program ranks among the top 25 nationally, with its supply chain management/logistics program ranked 7th nationally—*U.S. News & World Report* (2009).
- The MBA program is 24th among all public and private universities—*Forbes Inc.*
- UT Libraries ranks 16th among 68 public university libraries—Association of Research Libraries.
- *U.S. News & World Report* (2009) magazine recognizes top graduate programs including printmaking as 4th nationally; nuclear engineering as 11th nationally; and education as among the top 25 programs offered by public universities.

NSF Awards UT Knoxville

The National Science Foundation awarded UT Knoxville \$16 million to create the National Institute for Mathematical and Biological Synthesis.

Eight Is Great

The basketball Lady Vols brought home an unprecedented eighth NCAA national championship.

the **future** lives **here**

More information: utk.edu



The College of Business Administration will hold classes in its new state-of-the-art facilities beginning January 2009.

campus highlights: CHATTANOOGA

Record Enrollment Increases Continue

Fall 2008 enrollment at UT Chattanooga set a record with a total of 9,807 students enrolled. The campus also saw significant growth in freshman enrollment with approximately 2,083 first-time students.

SimCenter Attracts Major Funding

With nearly \$20 million in private support, the UTC SimCenter announced last November that it was becoming the SimCenter: National Center for Computational Engineering. Passage of the defense appropriations bill by the United States Senate prompted an additional announcement from U.S. Rep. Zach Wamp of \$3.5 million for the National SimCenter to house and test a powerful new fuel cell that would provide the energy needs of a 30,000-square-foot building or supermarket.

One of the South's Best

UTC ranked 13th among public universities granting master's degrees in the *2009 America's Best Colleges*, compiled by *U.S. News & World Report*.

Capturing the Germann Cup

With five Southern Conference championships in the 2007-08 academic year, UT Chattanooga women's athletics claimed the 2008 Germann Cup as the SoCon's best all-around women's sports program. The UTC women captured regular-season titles in basketball and softball and won tournament or postseason championships in basketball, cross-country, and softball.

Princeton Review Recognizes Business College

The UTC College of Business was featured for the second consecutive year in the *Princeton Review's Best Business Schools* guidebook. The New York-based education services company listed the COB as one of the top five schools with opportunities for women.

Volkswagen Comes to Town

Volkswagen announced plans to build an automobile plant in Chattanooga. The close proximity of the plant to the UT Chattanooga campus will create incredible opportunities for UT students, faculty, researchers, and alumni, not to mention a tremendous economic boost to the regional economy of Tennessee.



UTC

Admissions →

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More information: utc.edu



campus highlights: **MARTIN**

Programs Make Education More Accessible

Extended campus and online programs now represent about 12 percent of the total enrollment. The Ripley Center opened in 2007, offering wireless classrooms as well as science, library, bookstore, and conference facilities. The new Parsons Center, funded by the Ayers Foundation, the city of Parsons, Decatur County, and private funds, is expected to come online in early 2009. UT Martin's Jackson Center relocated programs to the campus of Jackson State Community College last year. Further reaching out to students who cannot live on campus, UT Martin began offering an online MBA and an online master's in counseling. "UT Online," the University's provider of online degree programs, is headquartered at UT Martin and is growing at a rate of about 20 percent per year at the combined undergraduate and graduate level for this past year.

Offering More Students Opportunities

The campus is a national partner for the American Democracy Project for the development of civic and political engagement among students. UT Martin also hosts the Southern Consortium for the American Democracy Project and is developing a model program involving the Tennessee Campus Compact for student service within the University of Tennessee.

Enrollment Grows

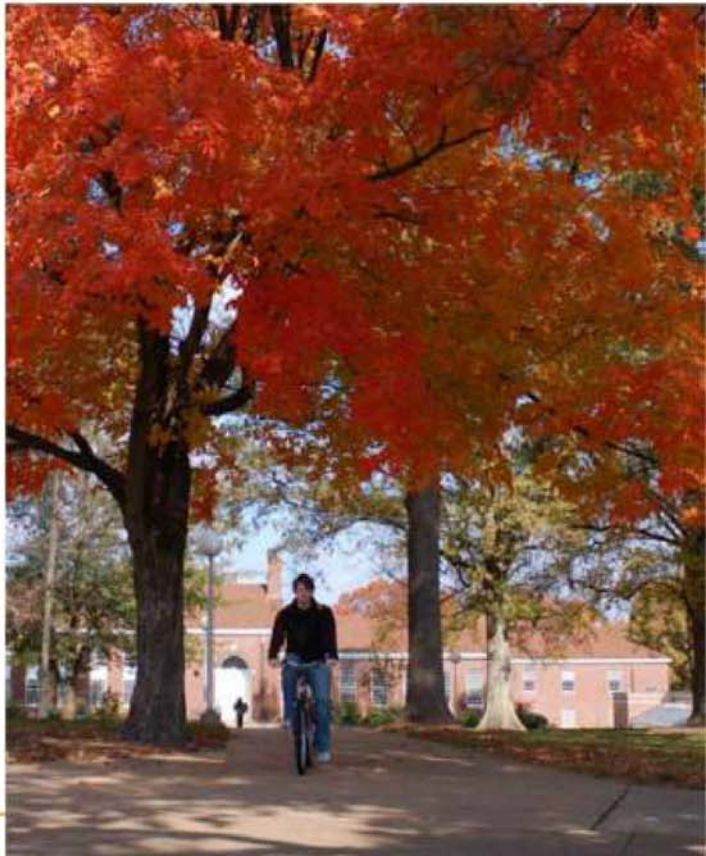
UT Martin continued to set enrollment records, claiming the largest percentage increase among Tennessee four-year public universities in the preliminary reporting for fall 2008. A total of 7,578 students enrolled for the fall semester, an increase of 5.6 percent over fall 2007. The record enrollment included 1,342 freshmen, the largest freshman class in UT Martin history. Freshman ACT scores and high school grade-point averages also outpaced the class averages of the year before.

WestStar Graduates 500

WestStar, UT Martin's leadership development program, graduated its 500th participant in June 2008. WestStar offers seminars to business, education, and government leaders from the 21-county West Tennessee area.

Achieving National Mentions

- A top-tier University among Southern, master's level institutions in the 2009 edition of *America's Best Colleges*, compiled by *U.S. News & World Report*.
- A *Best Southeastern College* for 2009, PrincetonReview.com.
- *America's 100 Best College Buys*, Institutional Research & Evaluation Inc.



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More information: utm.edu



campus highlights: **HEALTH SCIENCE CENTER**

Tennessee's Source for Health Care Professionals

- Seventy-five percent of all dentists in Tennessee are graduates of the UT College of Dentistry.
- Forty percent of all licensed pharmacists in Tennessee are graduates of the UT College of Pharmacy.
- Approximately 4,500 licensed Tennessee physicians graduated from the UT College of Medicine. That's about 40 percent of the physicians practicing in the state today.
- More than 80 percent of College of Allied Health Sciences graduates stay in Tennessee to begin careers as physical or occupational therapists, dental hygienists, medical technologists, or health information management specialists.

Programs Are National Leaders

Programs in pharmacy, nursing, and allied health sciences ranked among the nation's finest in the *U.S. News & World Report* 2009 listing of *America's Best Graduate Schools*.

Research Goes to Market

A product developed at the UT Health Science Center has been selected by the 2008 Better World Project as one of the top 100 examples from across the globe of how innovation from academic research can move to the marketplace.

The featured product—a compound called RX100, which is designed to protect the human body when it is exposed to radiation—was developed in 2004 at UTHSC by Drs. Gabor Tigyi, Duane Miller, and Leonard “Rusty” Johnson. Studies show the compound can prevent death if given before or after lethal radiation exposure.

Pharmacy Reaches Out

The College of Pharmacy established an educational partnership with Lincoln Memorial University-DeBusk College of Osteopathic Medicine. Over the next four years, UTHSC pharmacy faculty members across the state of Tennessee will use distance education technology to teach pharmacotherapeutics courses to 150 LMU-DCOM students each year.

Wall Appointed Chancellor

Dr. Pat Wall was named chancellor and vice president for health affairs after several months as interim. He is a 1960 UTHSC graduate and longtime professor.

Teleconference Benefits Panamanian Patients

The Hamilton Eye Institute presented its first live teleconference meeting from the new Retinoblastoma Center at the Panama City Children's Hospital in Panama. This center is the result of collaboration among the Hamilton Eye Institute, the 2020 Foundation of Panama, and St. Jude Children's Research Hospital. Drs. Barrett Haik and James Hart of UTHSC examined patients in Panama while Dr. Jorge Calzada participated via teleconference in Memphis. The conference highlighted the potential for international telemedicine consultations in diseases such as retinoblastoma and retinopathy of prematurity, which is a significant cause of childhood blindness throughout Latin America.



campus highlights: **SPACE INSTITUTE**

Alumnus Commands Space Shuttle

UTSI alumnus Dominic Gorie commanded the March 2008 flight of the Space Shuttle *Endeavor*, his fourth shuttle flight. He is among 10 UTSI graduates who have flown on the shuttle.

Daniel Retires

Dr. Don Daniel, associate vice president for the Space Institute, retired in May 2008. During his tenure, he worked to enhance UTSI's research base, to strengthen its connections to Arnold Engineering Development Center and the Air Force Research Laboratory, and to extend its outreach programs to the community and state. Dr. Angie Bukley is serving as interim associate vice president.

Flandro Honored

Dr. Gary Flandro, one of 30 scientists to receive the coveted recognition, was named a Fellow of the American Institute of Aeronautics and Astronautics. Flandro's work has supported decades of space flights and has led to successful missions to the outer planets. He has held the Boling Chair of Excellence in Space Propulsion since 1991.

Alum Named USAF Chief Scientist

Professor Werner J.A. Dahm, a 1981 graduate of the University of Tennessee Space Institute, has been named the Chief Scientist of the U.S. Air Force. Dahm is a member of the Air Force Scientific Advisory Board's Executive Committee, working with Air Force Research Laboratory (AFRL), university research communities, and industry across the nation to address issues relevant to the Air Force. As Chief Scientist, Dr. Dahm will be the principal science and technology advisor to the Secretary of the Air Force and to the Air Force Chief of Staff.



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More information: utsi.edu



campus highlights: **INSTITUTE FOR PUBLIC SERVICE**

Economic Impact of \$1 Billion Aids Tennessee

The economic impact of work done last year by the UT Institute for Public Service exceeded \$1 billion as local governments and industries increased revenue, won contracts, and reduced operating costs.

Many Calls Lead to Many Jobs

IPS answered more than 23,000 requests for assistance from government, law enforcement, and business officials in Tennessee during 2008. Training and consultation provided by IPS enabled employers to create or retain nearly 20,000 jobs for Tennesseans.

Jinks Named VP

Dr. Mary Jinks, a longtime employee of the UT Institute for Public Service, was promoted to vice president in charge of the institute and the University's public service initiatives.

National Forensic Academy Expands

In August 2008, the University of Tennessee Law Enforcement Innovation Center celebrated the expansion of its National Forensic Academy, offering one of the nation's few 10-week training programs in crime scene investigation.

Helping Tennessee Companies Prosper

The Center for Industrial Services, a unit of IPS, helped Tennessee companies prosper in tough economic times.

- In Bedford County, CIS helped a metals firm with its environmental controls and permitting processes. The firm secured its required state environmental permits and retained more than \$60 million in annual sales.
- A Campbell County manufacturer received procurement and supply chain assistance through UT's CIS. The firm won more than \$90 million in contracts to supply materials to the U.S. Department of Defense.
- CIS helped a Coffee County firm learn to sell its products and services to the U.S. military. With procurement assistance training and up-to-date information, the company secured more than \$197 million in additional government business in fiscal year 2008.
- A company in Dyer County improved operating efficiency and worker safety with help from CIS. The company acknowledged more than \$10 million in economic returns as a result.
- A Franklin County automotive supplier asked the UT Center for Industrial Services to help analyze opportunities to develop its workforce. The company documented more than \$20 million in economic benefits resulting from this multi-month culture change project.





campus highlights: **INSTITUTE OF AGRICULTURE**

Leading the Way in Biofuels

The Institute of Agriculture took the lead in UT's Biofuels Initiative, establishing the "headquarters" Office of Bioenergy Programs, headed by Drs. Tim Rials and Kelly Tiller. Collaborating with DuPont Danisco, the biofuels initiative will construct a pilot plant to produce cellulosic ethanol in East Tennessee, promising new jobs, enhanced economic development, and decreased reliance on foreign fuels.

Draughon Receives National Award

A UT food microbiologist received a Presidential Award for Excellence in Science, Mathematics, and Engineering Mentoring during a ceremony at the White House in late 2007. Dr. Ann Draughon, a professor in the College of Agricultural Sciences and Natural Resources' Department of Food Science and Technology, was one of 10 individual researchers to receive the nation's highest recognition for mentoring in a field of science, mathematics, or engineering.

Professors Honored for Dogwood Work

Two plant pathologists whose work with disease-resistant dogwood trees has revitalized the state's nursery industry received the University's most prestigious award for entrepreneurship. Drs. Robert Trigiano and Mark Windham shared the Wheeley Award for Technology Transfer, which recognizes scientific achievement coupled with entrepreneurial accomplishments. Both are re-

searchers in AgResearch and teach in the College of Agricultural Sciences and Natural Resources. Their trees are resistant to dogwood anthracnose and powdery mildew, lethal diseases that had limited the use of dogwoods in ornamental horticulture.

No-Till Celebrates 25th Year

Thousands of farmers, agribusiness representatives, and interested participants attended the 25th No-Till Crop Production Field Day in July at the UT AgResearch and Education Center in Milan, Tennessee. The center at Milan was at the forefront of the development of no-till technology, which decreases soil erosion and fuel usage.

College of Veterinary Medicine Grows

The College of Veterinary Medicine is working to secure funds to modernize and expand its large animal hospital to meet accreditation requirements. The college has increased its class size to train more veterinarians to meet anticipated shortages in the profession in Tennessee, particularly in food animal medicine. To date, UTCVM has treated more than 1 million animal patients. The newly expanded small animal hospital houses a cancer treatment center, including a \$1.5-million linear accelerator (for treatment of tumors), a small animal physical rehabilitation clinic with three underwater treadmills and a heated therapy pool, pre-eminent medical facilities to treat avian and exotics, and isolation facilities. The college

now offers specialized diagnostics including MRI capability to serve Tennesseans and their animals.

New Deans Appointed

- Dr. James P. Thompson is the new dean of the UT College of Veterinary Medicine. He comes to UT from the University of Florida College of Veterinary Medicine, where he was executive associate dean and professor in the department of small animal clinical sciences.
- Dr. Tim Cross, former associate dean of UT Extension, has been named dean. UT Extension is the outreach unit of the UT Institute of Agriculture. Cross is also a professor of agricultural economics.
- Dr. William F. Brown is the dean for research and director of the Tennessee Agricultural Experiment Station. He formerly was assistant dean and assistant director of the Florida Agricultural Experiment Station.

Youth Benefit from 4-H

Extension's nationally acclaimed 4-H program engages more than 320,000 youth and 15,000 volunteers in exceptional programming and activities that enhance life skills. In 2007, 24,898 Tennessee 4-H'ers contributed 102,601 hours of service to their communities. Their service, valued at \$1,733,971 impacted the lives of 392,309 Tennesseans.

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More information: agriculture.tennessee.edu



UNIVERSITY-WIDE ADMINISTRATION

A Lean Budget Necessitates Strategic Decisions

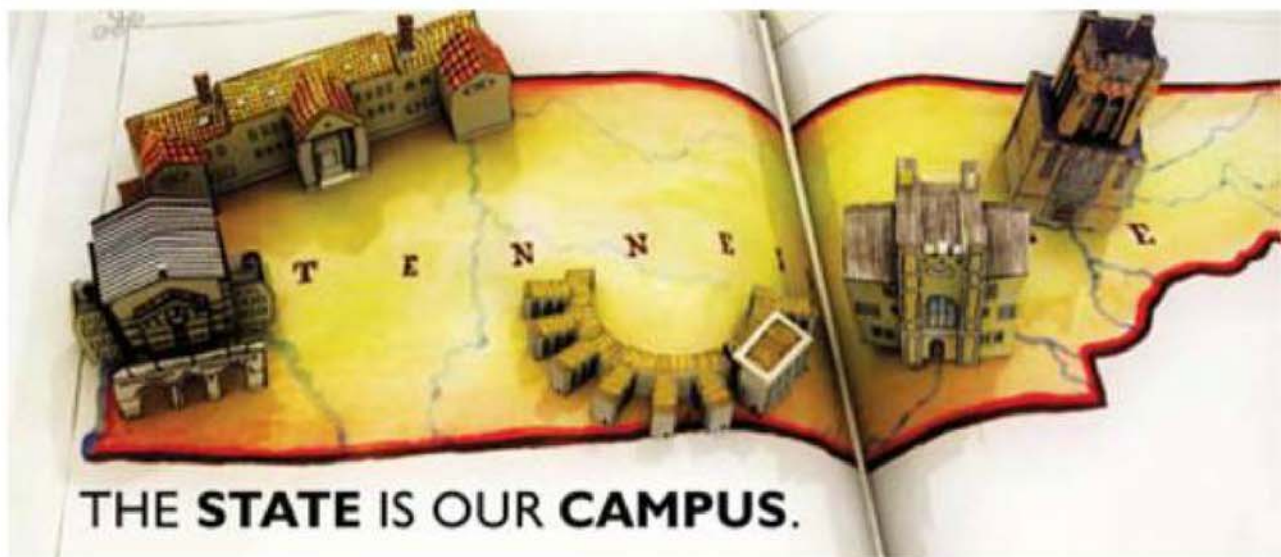
As the result of lean economic times, the \$1.65 billion 2008-09 operating budget for the statewide University included a \$21.2 million, or 4.1 percent, reduction in state appropriations for operating expenses. Meanwhile, fixed operational costs increased by approximately 3 percent. To preserve the quality of education and programs, the University remained committed to statewide initiatives that positively impact UT and the state of Tennessee.

Two Areas Get Increased Focus

Information technology and human resources were identified by University leadership and UT faculty and staff as areas critical to the success of the University, requiring more attention and system oversight. Dr. Jesse Poore was named vice president of information technology and chief information officer, and Linda Hendricks was named vice president and chief human resources officer. Both are leading improvement initiatives across their respective areas of responsibility.

Yegidis, High Join Administration

Longtime UT employee Dr. Bob Levy, vice president for academic affairs and student success, retired. Dr. Bonnie Yegidis was hired to fill the position. Dr. Katie High was named chief of staff.



NEW BUILDINGS

Memphis

Cancer Research Building
Pharmacy Building*
Regional Biocontainment Laboratory*

Martin

Ripley Center
University Village
Parsons Center*

Knoxville

Pratt Pavilion
Allan Jones Intercollegiate Aquatic Center
College of Business Administration Building*
Min Kao Electrical Engineering and Computer
Science Building*
Neyland Stadium Renovations*
Howard H. Baker Jr. Center for Public Policy*

Martin

West Tennessee Animal Disease
Diagnostic Laboratory
University Village Expansion

Institute for Public Service

National Forensic Science Institute

Chattanooga

Brenda Lawson Student-Athlete Success Center

Institute of Agriculture

John and Ann Tickle Small Animal Hospital



Clockwise from top left: Allan Jones Intercollegiate Aquatic Center, Knoxville; groundbreaking at the Brenda Lawson Student-Athlete Success Center, Chattanooga; Howard H. Baker Jr. Center for Public Policy, Knoxville; National Forensic Science Institute, Oak Ridge; Cancer Research Building, Memphis; University Village, Martin.



*Under construction

FINANCIAL HIGHLIGHTS: Sources and Uses of Current Funds for the year ended June 30, 2008

Sources

Federal and Local Appropriations

\$24,795,591.92 (1.4%)

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

Other

\$52,939,399.04 (3.0%)

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

Independent Operations

\$79,482,789.96 (4.5%)

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

Auxiliary Enterprises

\$170,434,784.02 (9.7%)

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

Tuition and Fees

\$346,035,411.35 (19.7%)

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

State Appropriations

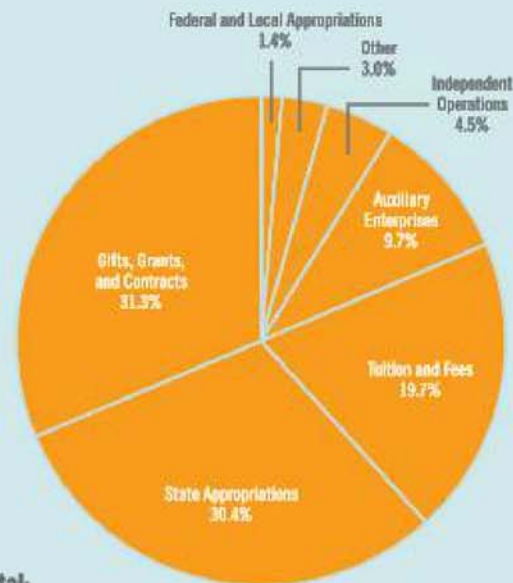
\$533,758,088.83 (30.4%)

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

Gifts, Grants, and Contracts

\$551,131,103.74 (31.3%)

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



Total:
\$1,758,577,168.86

FINANCIAL HIGHLIGHTS: Sources and Uses of Current Funds for the year ended June 30, 2008

Uses

Long Term Debt & Other Transfers

\$59,517,682.68 (3.5%)

Mandatory transfers for debt service and other transfers.

Student Services

\$75,975,233.72 (4.4%)

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

Independent Operations

\$79,482,789.96 (4.6%)

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

Physical Plant

\$97,964,531.17 (5.7%)

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

Institutional Support

\$109,734,035.57 (6.4%)

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

Academic Support

\$125,954,893.81 (7.3%)

Expenditures for libraries, computing support, and academic administration.

Auxiliary Enterprises

\$130,923,101.56 (7.6%)

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

Public Service

\$136,060,800.10 (7.9%)

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

Student Aid

\$167,794,251.39 (9.7%)

Scholarships and Fellowships awarded to students.

Research

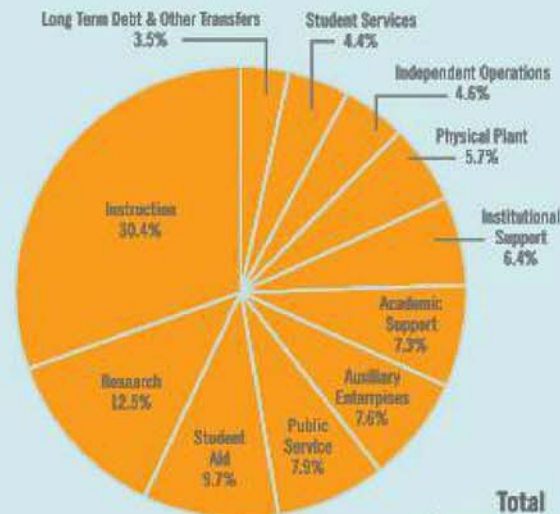
\$215,278,970.24 (12.5%)

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

Instruction

\$524,478,202.37 (30.4%)

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



Total
\$1,723,184,492.75

FINANCIAL HIGHLIGHTS

Investments Benefiting the University

Funds invested to benefit UT surpassed the \$1 billion milestone June 30, 2007, but a retreat by capital markets resulted in a \$72 million reduction during the following fiscal year. The layered graph illustrates the growth of these funds over the past five years, increasing from \$640 million on July 1, 2003, to \$939 million at June 30, 2008.

Investment returns for the university-managed endowments for the one-year and five-year periods ended June 30, 2008, were -6.6% and 10.7% respectively. Total funds invested to benefit UT provided \$160.6 million in support of university programs over the five-year period represented by the graph.



THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES 2007-2008

From Congressional Districts

First District

Mr. William Y. Carroll, Kodak

Second District

Mr. Douglas A. Horne, Knoxville

Third District

Mr. James E. Hall, Chattanooga

Fourth District

Mr. Don C. Stansberry Jr., Huntsville

Fifth District

Mr. James L. Murphy III, Nashville

Sixth District

Ms. Andrea J. Loughry, Murfreesboro (Vice Chair)

Seventh District

Ms. Anne Holt Blackburn, Nashville

Eighth District

Mr. Jerry L. Jackson, Dyersburg

Ninth District

Mr. George E. Cates, Memphis

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From Davidson County

Mr. Spruell Driver Jr., Nashville

From Hamilton County

Mr. James L. Wolford, Chattanooga

From Knox County

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From Shelby County

Dr. Rhynette N. Hurd, Memphis

Mr. Karl A. Schledwitz, Memphis

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Ms. Anna R. York

Faculty Members

Dr. John J. Schommer

Dr. Candace L. White

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Commissioner of Agriculture

The Honorable Ken Givens

Commissioner of Education

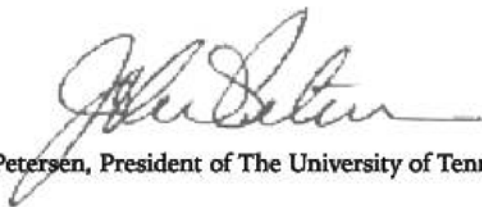
The Honorable Timothy K. Webb

President of the University

Dr. John D. Petersen

Executive Director, Tennessee Higher Education Commission

Dr. Richard G. Rhoda

A handwritten signature in black ink, appearing to read "John D. Petersen". The signature is fluid and cursive, with the first name "John" being the most prominent part.

John D. Petersen, President of The University of Tennessee