Challenges and pressures are not new to higher education, but today’s concerns about funding, access and the delivery of quality education present new levels of complexity to those of us working to address them. We work against a backdrop of challenges that are not new to higher education, such as budget cuts, rising costs and competition from other types of learning environments. The University of Tennessee System continues to focus on meeting the needs of our students and the Tennessee community by providing high-quality education, conducting research to solve problems and improve lives, and engaging in public service.

The UT System Strategic Plan is the result of a highly collaborative, year-long process that involved hundreds of stakeholders. Discussions about the plan determined the five main goals, and the discussions also revealed interest in better defining the UT System and the UT System Administration. Plan implementation began in fall 2012. Progress for each goal will be tracked using an online dashboard.

Navigating the next five years and helping us make decisions that will impact the University for years to come is the goal of the plan, which you will read about in the following pages. The goals of the plan specify how UT continues to expand its role while providing degrees that will prepare students for careers and lives beyond college.

I believe the best way to monitor progress on our strategic plan and keep abreast of other needs and developments is by sitting down, in-person with faculty, staff, students, alumni and friends. That’s also one of the best parts of my job. I’m privileged to travel across the state and see that every day, in a multitude of ways, our University touches and transforms lives throughout Tennessee.

One example of our success in outcomes-based measures: We awarded 7,208 bachelor’s degrees in fiscal year 2011-12, a 7 percent increase over the previous year and exceeding the number called for in the State’s higher education master plan. Increases in both enrollments and graduation rates contributed to this achievement.

The UT System Strategic Plan is a critical tool to our ongoing success. Approved by our Board of Trustees in June, the plan is a roadmap to improve the quality of education and on-campus experience for our students.

All the best,

J. Daryl-born
EDUCATE
A UT education provides unique opportunities. Chris Tate, a physics doctoral student at UT Knoxville, got the chance of a lifetime to work the controls of an instrument on NASA’s Curiosity rover on Mars from NASA’s Jet Propulsion Laboratory in California.

A UT education helps students plan for the future. A new veterinary health technology option at UT Martin was first offered in spring 2012. Graduates will have a bachelor’s degree in animal science with a veterinary technology emphasis. The vet-tech job market is expected to grow by more than 20 percent in the next six years.

EDUCATE DISCOVER CONNECT

More than 10,000 students graduated from campuses across the state, and the University enrolled nearly 50,000 undergraduate and graduate students in fall 2012. After graduation, students entered a divergent number of fields including medicine, engineering, business, education, communication and public administration.

Students learn in a variety of settings, from classrooms, from laboratories to online, from internships to study-abroad programs. Across the state, our faculty members are engaging and mentoring this “digital generation” and embracing technology and innovation to enhance their teaching.

The University is taking part in the national and state conversation about the value and importance of a college degree. The economic downturn has created more accountability for cost, completion of degrees and career preparation. The University remains committed to the principles of the state’s Complete College Tennessee Act, which rewards appropriations based on criteria such as progress toward degree and graduation, instead of headcount. UT Knoxville (70 percent) and UT Martin (59 percent) lead all public institutions in Tennessee in the six-year graduation rate, and UTC (51 percent) is tied at fourth.

“An UT education helps students plan for the future. A new veterinary health technology option at UT Martin was first offered in spring 2012. Graduates will have a bachelor’s degree in animal science with a veterinary technology emphasis. The vet-tech job market is expected to grow by more than 20 percent in the next six years.

A UT education provides unique opportunities. Chris Tate, a physics doctoral student at UT Knoxville, got the chance of a lifetime to work the controls of an instrument on NASA’s Curiosity rover on Mars from NASA’s Jet Propulsion Laboratory in California.

“An UT education helps students plan for the future. A new veterinary health technology option at UT Martin was first offered in spring 2012. Graduates will have a bachelor’s degree in animal science with a veterinary technology emphasis. The vet-tech job market is expected to grow by more than 20 percent in the next six years.

A UT education provides unique opportunities. Chris Tate, a physics doctoral student at UT Knoxville, got the chance of a lifetime to work the controls of an instrument on NASA’s Curiosity rover on Mars from NASA’s Jet Propulsion Laboratory in California.

“The UT System’s delivery of education, discovery, outreach and public service contributes to the economic, social and environmental well-being of all Tennesseans.”

- University of Tennessee System Mission Statement
Faculty and students on all our campuses are involved in research, developing new knowledge and providing solutions to problems of today and tomorrow. Our partnership with the Department of Energy’s Oak Ridge National Laboratory (ORNL) sets UT apart from many public universities. The University is a co-manager of the lab through UT-Battelle and is the lab’s largest research partner. More than 100 UT faculty members have joint appointments at ORNL, and their discoveries in the creation of intellectual property that is jointly owned by UT and ORNL. In addition, UT and ORNL have five joint institutes concentrating on advanced materials, heavy ion research, biological sciences, neutron sciences, and computational sciences, and 10 distinguished scientists have been appointed as UT-ORNL Governor’s Chairs.

Alternative energy is one of the main thrusts of UT System research efforts, and the University has established a history of work in this sector and in turning that research into gains for the state through economic development. In April 2012, the West Tennessee Solar Farm in Haywood County officially began generating power. The solar farm, owned and operated by UT, is one of the largest solar arrays in the Southeast. It is capable of producing 5 megawatts of electricity, which is enough to power 500 homes for a month. The farm is located off Interstate 40, and a public information center is to open in the next year.

The UT Biosciences Initiative, jointly funded by the state of Tennessee and DuPont Cellulosic Ethanol, continues to move toward the production of liquid transportation fuel from biomass, including switchgrass. In addition, the University is moving forward with research through the Center for Renewable Carbon (CRC) and Tenفة, a new company created through the University to focus on the use of biomass and other products at the CRC. The Biosciences Initiative resulted in the nation’s first demonstration-scale biorefinery for ethanol and the Biomass Innovation Park, owned by Tenفة, and operated by a spinoff company called Genera Energy.

The UT Research Foundation (UTRF), the not-for-profit organization responsible for commercializing and licensing technology by researchers across the UT System, helped establish nine startup companies in fiscal year 2012 including Genera Energy. UTRF also received 141 new invention disclosures during the same period, a record high.

Construction began in 2012 on the first building at UT’s innovation campus at Cherokee Farm in Knoxville. Cherokee Farm is being developed as a research park to house private companies with links to UT researchers and ORNL. The first building will house the UT-ORNL Joint Institute for Advanced Materials. Completion is expected in 2014.

Faculty members conduct research that improves quality of life. Dr. Samuel Dagogo-Jack, a professor at UTHSC, is recognized nationally and internationally for his work on diabetes. He is leading a $3.3 million study on the development and prevention of prediabetes.

UT faculty members are working to solve our nation’s challenges. UT Knoxville professor Yilu Liu wants to create a smarter electric grid that automatically resolves minor disruptions before they escalate to major blackouts. She holds a UT-ORNL Governor’s Chair and co-leads a new center funded by $18 million from the National Science Foundation and the U.S. Department of Energy.
The University engages the community through the fine arts that bring the public to campuses. Faculty, staff and students take their skills into communities to volunteer and provide training, consulting and assistance in schools, business and organizations. Hundreds of adults and children are helped every year by medical and dental clinics of the UT Health Science Center (UTHSC), and the College of Veterinary Medicine hospital serves pets, livestock and zoo inhabitants.

In the last year, IPS assisted on projects that led to more than $420 million in economic impact for Tennessee. IPS agencies answered more than 25,000 requests for assistance.

EDUCATE DISCOVER CONNECT

UT programs improve and encourage learning in schools. HABIT, or Human Animal Bond in Tennessee, is an animal-assisted program sponsored by the College of Veterinary Medicine that has a mission to help children read through Ruff Reading. Children relax around the animals and read to them. Ruff Reading is working in 12 East Tennessee counties.

trained more than 12,000 government employees, law enforcement members and industry workers, and assisted with retaining or creating nearly 5,600 jobs.

UT Extension made more than 5.3 million contacts in providing assistance in areas such as financial and crisis counseling, nutrition and combating diseases like Type 2 diabetes. AgResearch, the research arm of the UT Institute of Agriculture, recorded 48,000 contacts through attendance at field day events and the work of its faculty. The College of Veterinary Medicine treated more than 10,200 patients.

Often, the University mission converges in certain programs, and there are many examples. In 2012, the Pediatric Language Clinic in Knoxville celebrated its 40th anniversary. Founded in 1972, the clinic serves children birth to 3 years old with significant social, communicative, and behavioral delays, or a diagnosis of Autism Spectrum Disorder. The clinic, part of UTHSC’s College of Allied Health, has provided tome of thousands of service hours to clients and families since its opening. It has continued to grow within the Department of Audiology and Speech Pathology, which routinely graduates 35 to 40 speech-language pathologists per year. Alumni enjoy a 100 percent pass rate on national boards and 100 percent employment upon graduation, and the vast majority dedicates the knowledge and skills acquired during their training to improving the health and quality of life of Tennessee families.

Through each campus, the Institute for Public Service (IPS), and the Institute of Agriculture, UT has a presence in all 95 counties in Tennessee.

The University provides training and educational programs for Tennesseans of all ages, from 4-H for schoolchildren to certifications for law enforcement and government officials, and from parenting classes for young parents to business development workshops for entrepreneurs.

The University provides training and educational programs for Tennesseans of all ages, from 4-H for schoolchildren to certifications for law enforcement and government officials, and from parenting classes for young parents to business development workshops for entrepreneurs.
FINANCIALS / SOURCES OF CURRENT FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL AND LOCAL APPROPRIATIONS $20,527,711.32

INDEPENDENT OPERATIONS $79,656,919.32

OTHER $566,702,873.82

AUXILIARY ENTERPRISES $789,529,286.81

TUITION AND FEES $142,021,843.48

STATE APPROPRIATIONS $437,546,017.31

GIFTS, GRANTS, AND CONTRACTS $930,055,881.90

Total: $1,789,531,653.96

FINANCIALS / USES OF CURRENT FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

LONG TERM DEBT & OTHER TRANSFERS $517,463,787.37

RESEARCH $263,559,997.29

INSTRUCTION $536,233,974.57

STUDENT SERVICES $77,832,677.16

INDEPENDENT OPERATIONS $79,656,919.32

INSTITUTIONAL SUPPORT $98,670,387.70

PHYSICAL PLANT $108,459,239.82

ACADEMIC SUPPORT $131,769,548.99

AUXILIARY ENTERPRISES $131,769,548.99

PUBLIC SERVICE $146,569,899.05

STUDENT AID $222,788,444.97

Total: $1,837,954,817.95
Over the course of the 2012 fiscal year ending June 30, the total funds invested for the benefit of the University of Tennessee System declined slightly to $869 million from $889 million. This $20 million decrease from the previous year was driven by negative performance in the global equity markets, as well as the domestic small and midcap sectors of the market. In contrast, large cap stock and high-quality bonds produced positive returns as investors sought shelter from the ongoing uncertainty troubling global capital markets.

The attendant chart displays the total historical funds available to UT at each fiscal year-end for the past ten years, broken down into four categories. On June 30, 2012, endowments stood at roughly $612 million and the Chairs of Excellence, $114 million; the University of Chattanooga Foundation held $101 million; and Life Income Trusts contained $42 million.

The $612 million in endowments are invested through the University’s Consolidated Investment Pool, which was established in 1954 to allow for diversification and efficient investment of all endowed assets, regardless of size. The long-term goal of the pooled-endowment investment program is to provide a sustainable and increasing level of support for University programs, while preserving the real purchasing power of the endowments for the future in perpetuity.

Over the last 12 months, the pool generated a total return of -2.2 percent, and +5.5 percent over the last decade. In addition, it distributed $26.4 million in fiscal 2012, a decline of $5.5 million from the prior year. The distribution, calculated using a rolling calendar three-year average of the pool’s market value, was affected by both the increase in the expenses charged against the pool and the lingering effects of the credit crisis. The funds distributed in any given year equal 4.5 percent of that three-year rolling average.

Finally, the Tennessee Chairs of Excellence provided $3.4 million and the University of Chattanooga Foundation $6.1 million for the fiscal year. Both of these categories are managed outside the pool. The Chairs of Excellence are administered by the treasurer of the state of Tennessee for the benefit of all UT campuses. The University of Chattanooga Foundation is managed by its foundation board and supports programs at UT Chattanooga only.

Over the course of the 2012 fiscal year ending June 30, the total funds invested for the benefit of the University of Tennessee System declined slightly to $869 million from $889 million. This $20 million decrease from the previous year was driven by negative performance in the global equity markets, as well as the domestic small and midcap sectors of the market. In contrast, large cap stock and high-quality bonds produced positive returns as investors sought shelter from the ongoing uncertainty troubling global capital markets.

The attendant chart displays the total historical funds available to UT at each fiscal year-end for the past ten years, broken down into four categories. On June 30, 2012, endowments stood at roughly $612 million and the Chairs of Excellence, $114 million; the University of Chattanooga Foundation held $101 million; and Life Income Trusts contained $42 million.

The $612 million in endowments are invested through the University’s Consolidated Investment Pool, which was established in 1954 to allow for diversification and efficient investment of all endowed assets, regardless of size. The long-term goal of the pooled-endowment investment program is to provide a sustainable and increasing level of support for University programs, while preserving the real purchasing power of the endowments for the future in perpetuity.

Over the last 12 months, the pool generated a total return of -2.2 percent, and +5.5 percent over the last decade. In addition, it distributed $26.4 million in fiscal 2012, a decline of $5.5 million from the prior year. The distribution, calculated using a rolling calendar three-year average of the pool’s market value, was affected by both the increase in the expenses charged against the pool and the lingering effects of the credit crisis. The funds distributed in any given year equal 4.5 percent of that three-year rolling average.

Finally, the Tennessee Chairs of Excellence provided $3.4 million and the University of Chattanooga Foundation $6.1 million for the fiscal year. Both of these categories are managed outside the pool. The Chairs of Excellence are administered by the treasurer of the state of Tennessee for the benefit of all UT campuses. The University of Chattanooga Foundation is managed by its foundation board and supports programs at UT Chattanooga only.
### FALL ENROLLMENT 2011 - 2012 (HEADCOUNT)

**UT SYSTEM**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>5-Year Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate</td>
<td>37,249</td>
<td>37,807</td>
<td>38,573</td>
<td>38,605</td>
<td>38,401</td>
<td>3.1%</td>
</tr>
<tr>
<td>Graduate</td>
<td>10,546</td>
<td>10,764</td>
<td>10,992</td>
<td>10,940</td>
<td>10,843</td>
<td>2.8%</td>
</tr>
<tr>
<td>Total</td>
<td>47,795</td>
<td>48,571</td>
<td>49,565</td>
<td>49,545</td>
<td>49,244</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

- Includes non-degree seeking and dual enrollment (high school) students
- Excludes students enrolled in audited classes and co-op courses
- UTK includes Space Institute and Veterinary Medicine students
- UTHSC excludes Residents in Health Sciences

<table>
<thead>
<tr>
<th>UT KNOXVILLE</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>5-Year Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate</td>
<td>21,475</td>
<td>21,006</td>
<td>21,308</td>
<td>21,226</td>
<td>20,829</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Graduate Academic</td>
<td>5,505</td>
<td>5,313</td>
<td>5,395</td>
<td>5,339</td>
<td>5,407</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Graduate Professional</td>
<td>759</td>
<td>788</td>
<td>820</td>
<td>854</td>
<td>782</td>
<td>3.0%</td>
</tr>
<tr>
<td>Total</td>
<td>27,739</td>
<td>27,107</td>
<td>27,523</td>
<td>27,379</td>
<td>27,018</td>
<td>-2.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UT MARTIN</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>5-Year Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate</td>
<td>7,127</td>
<td>7,586</td>
<td>7,947</td>
<td>7,500</td>
<td>7,326</td>
<td>2.8%</td>
</tr>
<tr>
<td>Graduate</td>
<td>451</td>
<td>515</td>
<td>522</td>
<td>413</td>
<td>425</td>
<td>-5.8%</td>
</tr>
<tr>
<td>Total</td>
<td>7,578</td>
<td>8,101</td>
<td>8,469</td>
<td>7,913</td>
<td>7,751</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UT CHATTANOOGA</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>5-Year Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate</td>
<td>8,405</td>
<td>9,039</td>
<td>9,229</td>
<td>9,891</td>
<td>10,159</td>
<td>20.9%</td>
</tr>
<tr>
<td>Graduate</td>
<td>1,402</td>
<td>1,487</td>
<td>1,552</td>
<td>1,547</td>
<td>1,501</td>
<td>7.1%</td>
</tr>
<tr>
<td>Total</td>
<td>9,807</td>
<td>10,526</td>
<td>10,781</td>
<td>11,438</td>
<td>11,660</td>
<td>18.9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UT HEALTH SCIENCE CENTER</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>5-Year Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate</td>
<td>242</td>
<td>176</td>
<td>89</td>
<td>88</td>
<td>87</td>
<td>-64.0%</td>
</tr>
<tr>
<td>Graduate Academic</td>
<td>770</td>
<td>996</td>
<td>1,062</td>
<td>1,115</td>
<td>1,111</td>
<td>44.3%</td>
</tr>
<tr>
<td>Graduate Professional</td>
<td>1,659</td>
<td>1,665</td>
<td>1,641</td>
<td>1,612</td>
<td>1,617</td>
<td>-2.5%</td>
</tr>
<tr>
<td>Total</td>
<td>2,671</td>
<td>2,837</td>
<td>2,792</td>
<td>2,815</td>
<td>2,815</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

- Includes non-degree seeking and dual enrollment (high school) students
- Excludes students enrolled in audited classes and co-op courses
- UTK includes Space Institute and Veterinary Medicine students
- UTHSC excludes Residents in Health Sciences