

ANNUAL REPORT TO THE
GENERAL ASSEMBLY

2018







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INTRODUCTION

From President Joe DiPietro

As I prepare to leave the University of Tennessee, I am proud to say that the University is performing at levels unseen for many years.

There are many ways to measure great universities. You can assess the caliber of students enrolled or the kinds of research that provide solutions to problems. In both, we would fare well. One of the measurements that I like the most is how engaged alumni and donors remain in the life of the university. At no other place where I have served have the alumni and donors been more engaged, more concerned and more helpful to the university than at the University of Tennessee. It shows in our accomplishments.

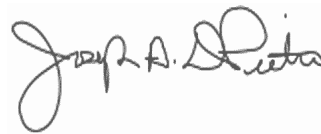
After becoming president of this great university in 2011, trustees, administration and faculty came together to establish a strategic plan to align our priorities with state and national goals. We have made significant strides.

We are attracting more students, keeping more students and graduating more students. Since 2011, we have constructed or renovated more than 240 projects totaling more than 11.5 million square feet. Those projects reflect investments of \$727 million by the state partnered with the \$1.25 billion that we secured. We've had a record fundraising year with more than 64,000 alumni and friends contributing almost \$400 million. We also had a record-high, system-wide \$481 million in sponsored-program expenditures. We continue to make more than 5 million contacts with Tennesseans across the state through our Extension agents and Institute of Public Service staff. Truly, everywhere you look across the state, UT is there. We change and impact people's lives daily.

There's one accomplishment of which I am most proud because it affects our students and their families now and in the future. In 2015, when I learned of a significant budget shortfall by 2025 coupled with a few years of

high tuition increases, I knew we had to fix our long-term sustainable funding. I didn't want to leave it for the next president to solve. We formed the Budget Advisory Group—made up of faculty, staff, administrators, students and external leaders—and got to work finding ways to increase revenue and cut costs. Through our efforts—and increases in state appropriations—we've had a record four years of low tuition, including with three campuses having a zero percent increase in tuition this year. It was our problem to fix and we solved it.

It was important to me to leave the university in better shape than I found it. It is.

A handwritten signature in black ink, reading "Joseph A. Stebbins". The signature is written in a cursive, flowing style.



UT Sets Record Fourth-Year of Low Tuition

The University of Tennessee celebrated a record fourth year of low tuition increases, which continues a trend unseen since the UT system was established in 1968.

Also, unseen since 1984, UT Knoxville, UT Chattanooga and the UT Health Science Center did not increase tuition for fiscal year 2018-2019. UT Martin had a 3 percent increase, which was within the Tennessee Higher Education Commission range of 3 percent or less.

“I’m also pleased that at a time when stories of high student debt make headlines, 44 percent of UT undergraduates finish with a bachelor’s and without debt,” UT President Joe DiPietro said. “That beats the national average of 30 percent of students graduating without debt.”

UT has maintained the low tuition while rebuilding its business model. When notified in 2014 of an impending \$377 million shortfall by 2025, DiPietro established the Budget Advisory Group to find a solution that did not rely on tuition increases to close the gap. The group developed a plan with self-

imposed budget boundaries and the University set about increasing revenue, cutting costs, establishing spending parameters, enhancing internal controls and setting goals for campuses to address short- and long-term priorities through reallocations and cost savings.

Through that work and unexpected increases in state allocations, the project shortfall has been erased while keeping the tuition low for students.

Record-Setting Research

The University of Tennessee achieved a record-high, system-wide \$481 million in sponsored-program expenditures in 2017.

Years of the University's life-changing research continues to produce real-world results.

Also, in 2017, the University of Tennessee ranked among the top universities in the world that were granted U.S. utility patents in 2017, according to the National Academy of Inventors and the Intellectual Property Owners Association.

The UT Research Foundation, which filed patents for technology discovered across the UT System, had 25 patents granted in 2017, ranking UT 98th on the top 100 list. This is the third year that UT has made the list since the rankings began in 2013. UT made the top 100 list in 2013, when it ranked 80th with 26 patents, and in 2014, when it ranked 91st with 24 patents.

Giving Sets Record

More than 64,000 alumni and friends contributed more than \$397 million to the University of Tennessee in 2017-2018, giving it the best fundraising year to date. The total was up more than \$176 million from 2016-2017.

This year, the University added two named colleges—the Herbert College of Agriculture at the the UT Institute of Agriculture and the Rollins College of Business at UT Chattanooga—to join UT Knoxville's Tickle College of Engineering and Haslam College of Business, which were named in the past four years.

As part of the record-breaking year, the University's planned gifts totaled more than \$190 million for 2017-2018, which is up from \$83 million in fiscal year 2016-2017.

From 2011 to 2017, alumni donors also increased by 17.5 percent, from 26,323 to 30,926 alumni contributors.



Further Achievements

University increased student enrollment by 2.6 percent from 2011 to 2017.

UT graduated almost 14 percent more students from 2011 to 2017.

University's system-wide freshman retention rate rose from 75.6 percent in 2011 to 81 percent in 2017.

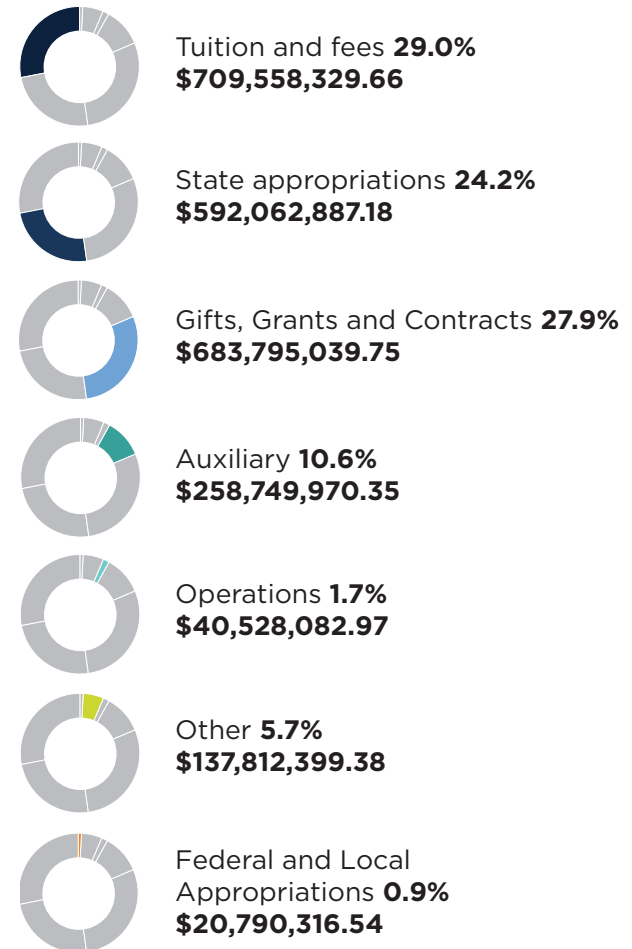
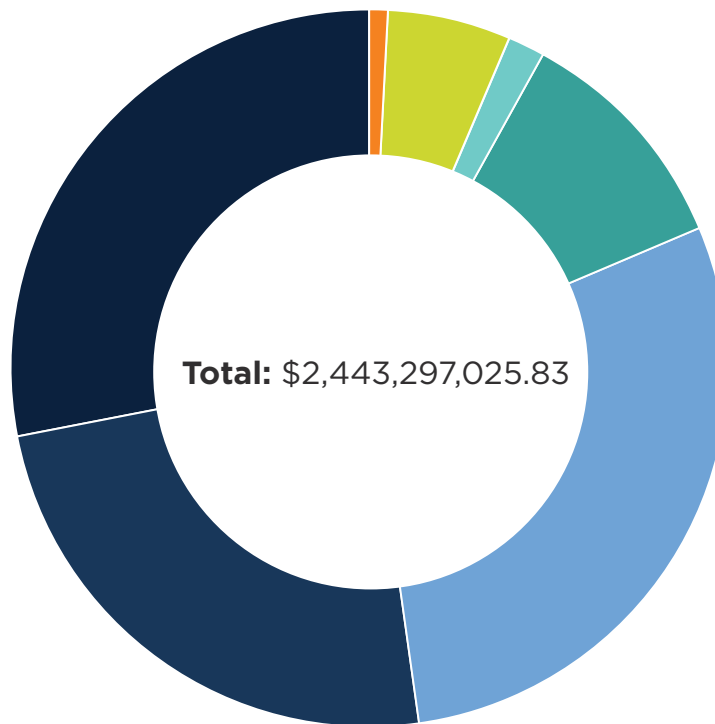
Since 2011, UT has constructed or renovated more than 240 projects totaling more than 11.5 million square feet. Those projects reflect investments by the state of more than \$727 million and more than \$1.25 billion by the University.

More at tennessee.edu/bag



Sources of Current Funds

FOR THE FISCAL YEAR ENDED JUNE 30, 2018



Uses of Current Funds

FOR THE FISCAL YEAR ENDED JUNE 30, 2017



● Instruction	663,340,645.04	28.8%	● Public Service	143,890,076.93	6.2%
● Research	309,413,467.67	13.4%	● Student Services	96,010,963.13	4.2%
● Student Aid	282,317,076.96	12.2%	● Long Term Debt		
● Academic Support	206,547,129.22	9.0%	& Other Transfers	63,147,881.44	2.7%
● Auxiliary Enterprises	197,897,606.97	8.6%	● Independent Operations	40,528,082.97	1.8%
● Institutional Support	159,430,735.84	6.9%			
● Physical Plant	144,701,491.35	6.3%			

Total: \$2,307,225,157.52

Current Fiscal Year

At fiscal year-end total assets invested for the benefit of University of Tennessee stood at \$1.3 billion, \$87 million more than last year's number. Overall, solid corporate earnings and nonthreatening central bank policies helped mute investors' concerns about rising inflation in the U.S. and increased geopolitical tension around the globe. Accordingly, market forces pushed asset values higher but not in uniform fashion. U.S. stocks led the way with mostly double-digit returns, as did private equity and venture capital. Outside of those market subsets, however, returns were subdued. International equity and global real estate indices produced only single-digit positive performance, as did commodities. Global fixed-income market returns were mixed, however, mostly due to negative total returns from interest-rate sensitive bonds. In the months to come, global tariffs, China's economy, and inflation are likely to play a key role in driving market returns and consequently, the growth of the University's globally diversified asset base.

Of the University's total assets, internally administered endowments accounted for \$986 million, \$976 million of which was the Consolidated Investment Pool and \$10 million, separate endowments. Chairs of Excellence were \$160 million, and the University of Chattanooga Foundation was \$149 million. Finally, Life Income Trusts

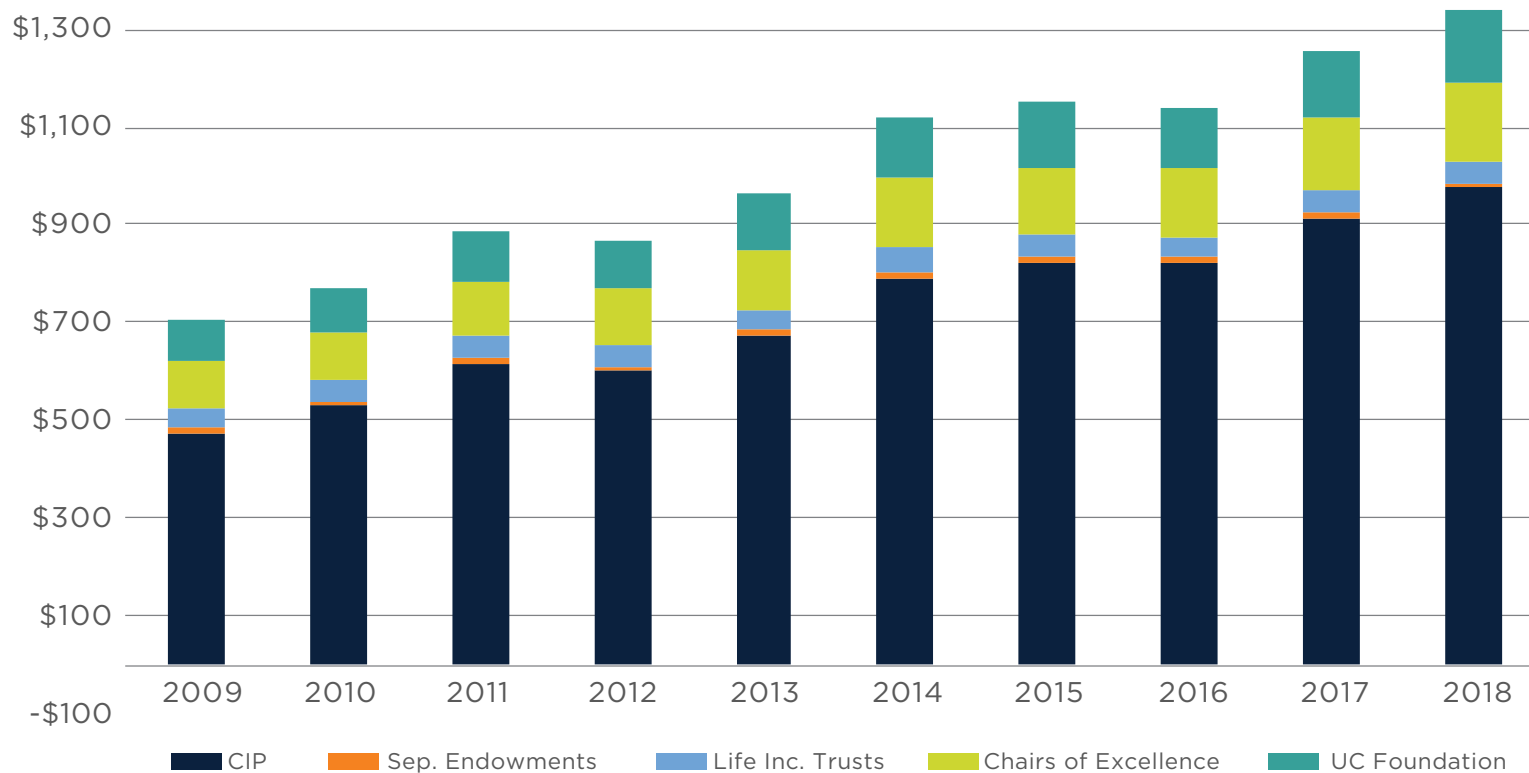
stood at \$46 million. The accompanying chart displays these categories at each fiscal year-end for the past ten years.

The Consolidated Investment Pool (the Pool) is the largest component of invested funds and was established in 1954 to allow for the diversification and efficient investment of any endowment, regardless of size. With the dual mandate of generating long-term total returns above the spending rate while simultaneously managing downside risk, it maintains a globally diversified portfolio. For the year ending June 30, the Pool's one, five and ten-year total returns were +8.1 percent, +6.6 percent and +4.7 percent, respectively. The Pool distributed more than \$41 million for the 12-month period, a \$2 million increase from the last fiscal year.

Other distributions included those made by The Tennessee Chairs of Excellence and the University of Chattanooga Foundation of \$4 million and \$7 million, respectively. 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.

TOTAL FUNDS INVESTED FOR THE BENEFIT OF UT, 2009-2018

(1=\$1,000)






















	CIP	SEP. ENDOWMENTS	LIFE INC. TRUSTS	CHAIRS OF EXCELLENCE	UC FOUNDATION
2009	\$ 475	\$ 10	\$ 42	\$ 93	\$ 87
2010	\$ 531	\$ 10	\$ 40	\$ 99	\$ 88
2011	\$ 619	\$ 11	\$ 42	\$ 113	\$ 103
2012	\$ 601	\$ 11	\$ 42	\$ 114	\$ 101
2013	\$ 672	\$ 12	\$ 44	\$ 123	\$ 112

	CIP	SEP. ENDOWMENTS	LIFE INC. TRUSTS	CHAIRS OF EXCELLENCE	UC FOUNDATION
2014	\$ 791	\$ 15	\$ 50	\$ 139	\$ 127
2015	\$ 822	\$ 15	\$ 44	\$ 137	\$ 131
2016	\$ 820	\$ 14	\$ 43	\$ 140	\$ 125
2017	\$ 911	\$ 15	\$ 42	\$ 152	\$ 135
2018	\$ 976	\$ 10	\$ 46	\$ 160	\$ 149



University of Tennessee Fall Student Enrollments Headcount

	2014	2015	2016	2017	2018	1-Yr Change N	%	% 5-Yr Change	5-Yr Trend
UT System									
Undergrad	38,656	38,646	38,875	39,162	40,043	881	2.2%	3.6%	
Grad / Professional	10,442	10,489	10,512	10,717	10,767	50	0.5%	3.1%	
Total	49,098	49,135	49,387	49,879	50,810	931	1.9%	3.5%	
UT Knoxville									
Undergrad	21,451	21,863	22,139	22,317	22,815	498	2.2%	6.4%	
Grad-Academic	5,219	5,259	5,244	5,280	5,350	70	1.3%	2.5%	
Grad-Professional	740	723	669	724	729	5	0.7%	-1.5%	
Total Graduate/Prof	5,959	5,982	5,913	6,004	6,079	75	1.2%	2.0%	
Total	27,410	27,845	28,052	28,321	28,894	573	2.0%	5.4%	
UT Chattanooga									
Undergrad	10,315	10,083	10,170	10,176	10,195	19	0.2%	-1.2%	
Grad	1,355	1,304	1,363	1,411	1,393	(18)	-1.3%	2.8%	
Total	11,670	11,387	11,533	11,587	11,588	1	0.0%	-0.7%	
UT Martin									
Undergrad	6,677	6,435	6,279	6,330	6,674	344	5.4%	0.0%	
Grad	365	392	426	442	374	(68)	-15.4%	2.5%	
Total	7,042	6,827	6,705	6,772	7,048	276	4.1%	0.1%	
UT Health Science									
Undergrad	213	265	287	339	359	20	5.9%	68.5%	
Grad-Academic	1,063	1,093	1,068	1,099	1,133	34	3.1%	6.6%	
Grad-Professional	1,700	1,718	1,742	1,761	1,788	27	1.5%	5.2%	
Total Graduate/Prof	2,763	2,811	2,810	2,860	2,921	61	2.1%	5.7%	
Total	2,976	3,076	3,097	3,199	3,280	81	2.5%	10.2%	

Notes:

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

UTHS excludes Residents in Health Sciences

Grad-Professional = Medicine: MD, Dentistry: DDS, Pharmacy: PHARMD, Law: JD, and Vet Med: DVM







The University of Tennessee is an EEO/AA/Title VI/Title IX/Section 504/ADA/ADEA Institution.