

**MINUTES OF THE MEETING OF THE
BOARD OF REGENTS OF THE UNIVERSITY SYSTEM OF GEORGIA
HELD AT THE
Georgia Institute of Technology
Atlanta, Georgia
October 12 and 13, 2004**

CALL TO ORDER

The Board of Regents of the University System of Georgia met on Tuesday, October 12, and Wednesday, October 13, 2004, in rooms 323 and 324 of the Global Learning & Conference Center on the campus of the Georgia Institute of Technology. The Chair of the Board, Regent Joel O. Wooten, Jr., called the meeting to order at 1:00 p.m. on Tuesday, October 12, 2004. Present on Tuesday, in addition to Chair Wooten, were Vice Chair J. Timothy Shelnut and Regents Hugh A. Carter, Jr., Connie Cater, William H. Cleveland, Michael J. Coles, Joe Frank Harris, Julie Hunt, W. Mansfield Jennings, Jr., James R. Jolly, Donald M. Leebern, Jr., Elridge W. McMillan, Martin W. NeSmith, Patrick S. Pittard, Doreen Stiles Poitevint, Wanda Yancey Rodwell, Allan Vigil, and Glenn S. White.

ATTENDANCE REPORT

The attendance report was read on Tuesday, October 12, 2004, by Secretary Gail S. Weber, who announced that all Regents were in attendance on that day.

Chair Wooten asked that the Regents and others in attendance at this meeting turn off their cell phones and other personal devices because this meeting was being Webcast. He noted that the room next door to the meeting room had been set up with monitors, audio, and video of the meeting to accommodate any overflow of attendees at this meeting.

APPROVAL OF MINUTES

Motion properly made and duly seconded, the minutes of the Board of Regents meeting held on September 7 and 8, 2004, were unanimously approved as distributed.

SPECIAL PRESENTATION ON THE GEORGIA INSTITUTE OF TECHNOLOGY

Chair Wooten called upon President G. Wayne Clough of the Georgia Institute of Technology (“GIT”) to make a special presentation to the Board.

President Clough welcomed the Regents and guests to the campus of GIT and noted that the Global Learning & Conference Center (“GLCC”) is a new facility that was not state-funded. He said that

many people had worked very hard to prepare for the Board's visit to GIT, and he thanked them as follows: Dr. William Wepfer, Vice Provost for Distance Learning and Professional Education; John Mullin, Associate Vice President/Associate Vice Provost, Information Technology & Chief Information Officer; Lynn Durham, Event Coordinator; and Beth Gallant, Director, Stewardship. President Clough said that it is a great honor for him to serve at GIT, particularly because he is an alumnus of the institution with a great affection for the students. The Chancellor has rightfully and often spoken to the issue of quality in higher education and how the University System of Georgia's focus should be on quality. GIT is one of the institutions that support that mandate. GIT is ranked as one of the nation's top ten public universities. Its Engineering program is ranked among the top five in the country. GIT has nationally ranked programs in just about every area of study it offers, and almost all GIT are in the top 10% of their disciplines. President Clough remarked that he is very proud of the faculty and staff who make that so.

GIT's vision and mission statement guides GIT. It says that GIT will define the technological research university of the twenty-first century and educate the leaders of a technologically driven world. President Clough said this is a very important statement. As much as GIT has accomplished, there remains much work ahead. So, GIT holds itself to the very high standard that everything it does should set an example for every other technological research university in the world. GIT's strategic plan focuses first and foremost on its students, but all of the elements of the strategic plan drive the work of the institution everyday. Although resources are not abundance in these times, GIT stays focused on accomplishing great things.

President Clough noted that there are 16,837 students enrolled at GIT this semester. The vast majority of these students attend classes on the Atlanta campus, but 655 students attend other instructional sites or online. GIT has a growing online master's degree program, and President Clough said that he expects that component of GIT's educational services to grow because it provides access to students who, even in Atlanta, have a hard time getting to campus. GIT graduates the largest number of engineers in the country, and included in this number are the largest number of women engineers and the largest number of African-American engineers in the country, as well as a very large number of Hispanic engineers and other underrepresented minorities. GIT has accomplished something no other university has ever done. For two years in a row, GIT graduated the largest number of African-American engineers at all three degree levels: bachelor's, master's, and doctorate. GIT is the only institution to have accomplished this, and President Clough said this speaks to the institution's commitment to diversity and educational access for young men and women who have been traditionally underrepresented in engineering and science.

President Clough reported that GIT has experienced steady enrollment growth for the past decade. The incoming freshman class this year is the largest freshman class in GIT's history, and in every case, the diversity of each incoming class has increased. He noted that the numbers of students in minority groups grew faster than the class itself grew. The average SAT score of entering freshmen this year is 1337, the highest in GIT's history. President Clough said that when he came to GIT, the

average SAT score was approximately 1300. Over time, the numbers of students applying to GIT increased, and therefore, so did GIT's selectivity.

President Clough said that numbers do not do justice to GIT's incredibly bright students. After they have been enrolled for a few years, many students apply for the top scholarship and fellowship programs in the country and they often win them. Recent GIT graduate V. Blair Dowling was selected to receive one of 100 fellowships in the new Homeland Security Scholars and Fellows Program. Dowling will use the three-year graduate fellowship, which includes a stipend and full tuition, to pursue her doctoral degree in mathematics at Princeton University. Another recent GIT graduate, Laurence Ralph, is the recipient of a Mellon Fellowship, which he will use to attend the University of Chicago to study anthropology. President Clough said that GIT students not only achieve things individually, but also as teams. GIT strives to emphasize working in teams as part of its ethos. Students also give of their time and service to help improve their communities.

Next, President Clough discussed the programs offered by GIT, explaining that the institution does not offer as many programs as some other institutions because it is a focused institution. There are six colleges in the institution: the Colleges of Architecture, Computing, Engineering, Management, and Sciences, as well as the Ivan Allen College of Liberal Arts. He explained that GIT needs a college of liberal arts because students in all colleges need a foundation in liberal arts in order to become well rounded individuals. GIT has a fairly large humanities faculty, and it strives to have a liberal arts faculty that is on par with the engineering faculty. GIT has been careful about developing new degrees. Its objective is not to engage in mission creep, but rather to create interdisciplinary degrees to expand and combine disciplines to create innovative new programs, such as Biomedical Engineering, Bioinformatics, Human-Computer Interaction, Quantitative Computational Finance, and Digital Media. President Clough noted that the degree in Biomedical Engineering is a joint private-public program with Emory University. The department is now ranked the second best biomedical engineering program in the nation by *U.S. News and World Report*. He said that this kind of success is phenomenal because it usually takes years for a program to become so esteemed, but this program draws on the strengths of both institutions. A few years back, GIT undertook its undergraduate initiative in order to improve retention and graduation rates. The institution has taken many steps to enhance the undergraduate process, to support students, and to help students grow in and out of the classroom. For example, all freshmen and sophomores receive a mid-semester evaluation of where they are in their classes so that they can get help if they have problems. In 1999, GIT applied for and received the 1999 TIAA-CREF Hesburgh Award, a top award in the nation for innovative work at the undergraduate level. He noted that it is rare that a research university wins this award.

One way GIT is improving its graduation and retention rates is by developing innovative educational programs for its students, said President Clough. For example, there is a new program called the Technological Innovation: Generating Economic Results program ("TI:GER"). This helps students commercialize their ideas. TI:GER recently won the Price Institute Innovative Entrepreneurship Educators Award. There are also new programs that encourage students to be interested in the arts

as they relate to technology. He noted that in May 2004, the Board had bestowed the Regents' Award for Teaching Excellence for programs at research universities to the School of Modern Languages in the Ivan Allen College of Liberal Arts at GIT. President Clough noted that the technological world is a global environment that students must understand. So, GIT has identified 58 locations for students to study abroad. There has been a steady increase in the number of students participating in study abroad programs. Approximately one-third of GIT students graduate with study abroad experience. President Clough said that when he came to GIT in 1993, the first-year retention rate was at 85%. It is now at 92.4%, the highest retention rate in GIT history. In 1993, GIT's five-year graduation rate was at 56%, and now it is approximately 67%. He noted that the six-year graduation rate is the national standard, and this year, GIT's six-year graduation rate was a record high of 72.5%. The goal, he said, is to raise graduation rates to at least 80%.

Next, President Clough discussed the faculty. He said that there are 923 academic faculty; that is, faculty whose work revolves around teaching, research, and service. Most of those faculty (57%) are supported by state funds. GIT supports many of its faculty using research funds. GIT also has 955 research faculty and 185 post-doctoral fellows who work principally on research and are not expected to teach, although some teach part-time. Only 17% of these researchers' salaries are provided by state funds. GIT is leveraging state funds to enhance the educational experience of students through entrepreneurship. GIT currently has 115 endowed chairs and professorships, while it only had 22 in 1994. In 1980, GIT had only one member of the National Academy, and now it has 30. Moreover, 101 of the faculty have won either a National Science Foundation Faculty Early Career Development ("CAREER") Award or a Presidential Early Career Award for Scientists and Engineers ("PECASE") Award. These awards recognize the nation's most outstanding young faculty in science and engineering. President Clough noted that GIT has the second highest number of these award winners in the nation. The University of Illinois, Champagne-Urbana has a few more award winners, but that institution is three times larger than GIT. He said that GIT has a great faculty and it needs to keep its great faculty. Last year, there were 80 job offers made to GIT's top faculty. So, faculty retention is a growing challenge at GIT.

The faculty consistently win top honors, said President Clough. Dr. Russell Dupuis is a Professor of Electrical and Computer Engineering and Materials Science and Engineering in the School of Electrical and Computer Engineering. He also holds the Steve W. Chaddick Endowed Chair in Electro-Optics and is a Georgia Research Alliance Eminent Scholar. President George W. Bush awarded Dr. Dupuis the 2002 National Medal of Technology, which President Clough likened to a Nobel Peace Prize in engineering. Dr. Julia Kubanek is an Assistant Professor in the School of Biology and the School of Chemistry and Biochemistry who won a 2004 PECASE Award.

Dr. Charles A. Eckert is the J. Erskine Love, Jr. Institute Chair, Professor of Chemical Engineering and Chemistry, and Director of the Specialty Separations Center; and Dr. Charles Liotta is a Professor in the School of Chemistry and Biochemistry. Together, they won the 2004 Presidential Green Chemistry Challenge Award for their team's ongoing research in using tunable solvents for

sustainable technology. Dr. Jean-Luc Bredas is a new faculty member in the School of Chemistry and Biochemistry. He won the Descartes Prize, a prestigious European award for collaborative research.

President Clough reported that GIT has four instructional sites on three continents. GIT's main campus is in Atlanta, but it also has a campus in Savannah to support the Georgia Tech Regional Engineering Program ("GTREP"). GIT has a 12-year-old instructional site in Lorraine, France, as well as a 4-year-old site in Singapore. He noted that the state does not provide funding for GIT's overseas operations. The governments of those countries have provided the facilities for instruction, as well as residences for students and faculty. GIT offers joint degree programs with their resident local institutions. Today, approximately 120 to 150 French students earning their degrees through GIT.

President Clough stated that the goals and objectives of the GTREP program in Southeast Georgia are to develop a transportable model for engineering education, to meet the regional workforce need for engineers, to enhance access to engineering education with innovative programs, to build a sponsored research and technology transfer environment for regional economic development, and to put students first. GTREP is a partnership of several University System of Georgia institutions: Georgia Southern University, Savannah State University, Armstrong Atlantic State University, the Skidaway Institute of Oceanography, and GIT in Savannah. GTREP offers upper-level bachelor of science programs in civil, computer, electrical, and mechanical engineering, as well as master's programs in civil and environmental, electrical and computer, and mechanical engineering. There are 16 faculty in GTREP who deliver 110 on-site courses. In addition, GTREP offers 63 distributed learning courses from the Atlanta GIT campus. There are 450 undergraduates, 140 upperclassmen, and 37 graduate students in GTREP. All (100%) of the GTREP graduates have jobs, and 65% of them have remained in Southeast Georgia. Moreover, GTREP has a robust and growing research program focused on the marine and energy needs of the region.

Research at GIT covers many different areas, but there are a number of interdisciplinary themes on which the institute focuses: nanotechnology, biotechnology/nanomedicine, microelectronics/telecommunications, sustainable technology, logistics, and manufacturing. President Clough noted that all of these areas of focus fit well with the needs of the State of Georgia. GIT receives approximately \$342 million in research awards and approximately \$200 million in state allocations. In turn, it expends approximately \$425 million, \$23 million of which is state funds. He noted that the money expended generates jobs for Georgia. GIT is among the top five nationally of universities without medical schools. GIT also works for commercialization of its research. In the past year, it disclosed 277 inventions. GIT works with Emory University and Georgia State University to participate in National Institutes of Health funding, which has doubled to \$17.2 million in the past two years. GIT recently established its Ovarian Cancer Institute in the School of Biology, which focuses on early detection of this deadly killer. Moreover, GIT has won a number of one-of-a-kind National Centers of Excellence, including the Engineering Research Center ("ERC") Packaging Research Center, the Center for Organic Photonics and Electronics, the Center for the Engineering of

Living Tissues, the Mid-America Earthquake Center, and the Center for Environmentally Responsible Solvents and Processes. President Clough said this speaks to the quality of research at GIT.

GIT is also involved in the development of policy in the state and nation. President Clough co-chairs the National Innovation Initiative, a 15-month effort of the Council on Competitiveness, a nonprofit, nonpartisan association of leaders from the business, university, and labor communities working together to set a national action agenda for American leadership in the global marketplace, technological innovation, and education. Former Senator Sam Nunn has become more involved at GIT in his retirement. The Sam Nunn Policy Forum is an annual policy meeting that brings together noted academic, government, and private sector experts on international affairs, public policy, and technology to address issues of immediate and future importance to the nation. GIT is also one of 10 institutions helping build out the National Lambda Rail and is one of 13 institutions developing the National Nanotech Infrastructure Network. Moreover, President Clough is personally involved in the President's Council of Advisors on Science and Technology and the National Science Board.

GIT was founded in 1885 to help the State of Georgia move into the industrial economy. So, economic development is at the heart of what GIT does. The Southern Growth Policies Board did a study rating institutions on their economic development efforts, and it reported, "Perhaps more than any other research university in North America, economic development is an integral, critical component of the mission of the Georgia Institute of Technology, and this has been true since its very inception." President Clough said that he is very proud of what GIT does for the state in terms of economic development. GIT reaches out to companies, communities, and the world. The institution had a statewide network of 17 regional offices, but budget cuts have reduced it to 13 offices. Another example of innovative outreach is the Global Learning & Conference Center (the "GLCC"), which can deliver and receive education anywhere in the world. Through the GLCC, GIT currently delivers master's degrees in Mechanical Engineering to General Electric Company employees in Bangalore, India.

GIT also operates the state's business incubator, the Advanced Technology Development Center ("ATDC"). This year, ATDC received the U.S. Department of Commerce's Technology-Led Excellence in Economic Development Award. ATDC is now located in Technology Square and the Environmental Sciences and Technology Building on the Atlanta campus. It is also located at the GIT instructional site in Savannah, and ATDC has helped Columbus, Georgia, develop its own business incubator. ATDC also has a presence in France and Israel.

President Clough said that GIT is now competing in a global environment. India, the European Union, and China produce more engineers and scientists than the United States. They are investing in higher education and technology-based economic development. The United States' lead in innovation is dwindling. By 2050, it is estimated that China will have the world's largest economy. By 2020, 56% of the world's population will reside in Asia, while only 4% will be in the United

States. Georgia must compete with Shanghai, Bangalore, and Moscow for the technology industry. So, GIT must ramp up its efforts in this regard.

Turning to campus growth, President Clough reported that GIT recently opened its new Campus Recreation Center, the Penny and Roe Stamps Student Center Commons, the Klaus Advanced Computing Building, and the Molecular/Material Sciences and Engineering Building. The campus has grown with enrollments. In 1994, GIT had approximately 6 million square feet. In 2004, it is at approximately 11 million square feet. He noted that when he came to GIT, the institution had not built a science building in 30 years, so it had a lot of catching up to do. He also noted that only 17% of the construction costs in the last decade had been funded by the state. Although GIT appreciates any state funding, it also recognizes it must do its share.

In fiscal year 1995, state funding comprised 34% of GIT's total budget. Today, state funds comprise only 25% of the budget. In academic year 1994-1995, there were 12,900 students enrolled at GIT. Today, there are 16,837 students enrolled. So, GIT is doing more with less. President Clough said that GIT is doing its best to serve its students to enable their success and to contribute to the economy of the State of Georgia. He then called upon Dr. Suzanne Beckham Shuker, Assistant Professor of Organic and Biochemistry, to make some remarks to the Board. Dr. Shuker was accompanied by student Alana Moore, who is her undergraduate research assistant. Together, they are working on the synthesis of Human T-Lymphotropic Viruse I ("HTLV-I") protease inhibitors for the treatment of HTLV-I infection.

Dr. Shuker said that it was an honor to be able to tell the Regents about the research she has been doing. She noted that her research has been funded by the Georgia Cancer Coalition and a GIT/Centers for Disease Control ("CDC") collaborative seed grant, which have generated preliminary results that she is using in a grant proposal to the NIH. She noted that other students were also participating in this project and recognized graduate students Kelly Dennison, Bryan Herger, and Victoria Mariani, as well as undergraduate students Jessica Henry, David Gibson, Katelyn Swindle, and Daniel Yao. Dr. Shuker remarked that the students at GIT are very talented and that it is a joy to work with them. She said that working in a lab as an undergraduate shaped her view of what she wanted to do in her career and that it is very important to involve students in research. HTLV-I was the first oncogenic (cancer-causing) human virus discovered. It was isolated in the early 1980s from a patient in the United States. HTLV-I is the causative agent of Adult T-Cell Leukemia/Lymphoma. It has been designated as a dangerous emerging pathogen by the CDC, and there are currently no effective treatments for those infected with the virus. It is estimated that anywhere from 10% to 20% of those infected will develop Adult T-Cell Leukemia/Lymphoma, which is fatal. In their research, Dr. Shuker and her students are looking at a particular enzyme of the virus, HTLV-I protease. This is an essential enzyme for the virus to be able to mature and replicate, but little is known about it. The project goals are to understand the important features of the enzyme structure and interactions that affect binding in order to develop enzyme inhibitors and treatment options.

Ms. Moore further elaborated upon the project goals. She explained that the project is focusing on the preparation of inhibitors that mimic native cleavage intermediates, the synthesis on polymer beads, and testing of inhibitors with HTLV-I. She reported preliminary results of the project and said that the future work will consist of growing T-cells in order to infect those T-cells with the virus, treat them with the most potent inhibitors, and then test for effectiveness. She said that being an undergraduate research assistant and working in the laboratory have greatly influenced her decision to pursue graduate studies in chemistry. She thanked the Regents and stepped down.

In closing, President Clough quoted Chancellor Meredith as saying, “The choices we make and the solutions we devise must support one key principle – we will maintain and strengthen academic excellence!” He said that GIT has been a leader for academic excellence in the University System of Georgia. He stressed that adequate state funding is essential if GIT is to serve its students, remain a top-tier institution, and help Georgia compete economically in a global context in which it will be evermore challenging to maintain the present standard of living. He thanked the Regents for this opportunity to discuss GIT and asked whether they had any questions.

Seeing that there were no questions, Chair Wooten thanked President Clough for this very impressive presentation. He commended GIT for its quality students, faculty, and programs and for bringing national recognition to the University System of Georgia.

REMARKS FROM THE STUDENT ADVISORY COUNCIL

Chair Wooten next called upon Ms. Amy Phuong, President of the student government association (“SGA”) at the Georgia Institute of Technology (“GIT”), and Mr. Adam Sparks, President of the SGA at the University of Georgia (“UGA”), to make some remarks to the Board on behalf of the Systemwide Student Advisory Council (“SAC”).

Mr. Sparks greeted the Regents. He said that the students have been very concerned about the University System of Georgia budget crisis.

Ms. Phuong said that SAC felt obligated to voice the student opinions about the budget situation. That prompted a meeting of the students, which fostered a partnership of Mr. Sparks and Ms. Phuong. That partnership has spread across the University System to join in the effort to voice the concerns of the entire student body. The students’ efforts led to a breakfast meeting with Governor Sonny Perdue and 31 SGA representatives. It also led to a Systemwide petition drive that ended on Friday, October 8, 2004, with a rally to the Capitol in which SAC delivered 34,958 signatures voicing the concerns of students. It has also led to collaboration among the System’s SGAs to effect a collective voice.

Mr. Sparks said that the students remain greatly concerned about the quality of education in the

University System of Georgia. They are well aware of the incredible deal the students receive in the System and the high quality of education that they could not receive in public systems of higher education elsewhere in the nation. The students' position from the beginning of this movement has remained unchanged. The petition the students signed said in part, "I believe the recent budget cuts are harmful to our education." He said that the students are well aware of the trouble the System has faced in these tough economic times and they realize the extreme efforts the Board of Regents has made to deal with this situation. They know how the System has addressed potential inefficiencies to preserve the quality of education and instruction in the System, and they are thankful for that. The students also understand that it is difficult to find further inefficiencies, so while they sympathize with the Regents, their position is unchanged. They remain greatly concerned that the quality of education in the System remain at an excellent level, that the System maintain the progress it has made over decades of work to the quality it has become, and they remain concerned about an unprecedented midyear tuition increase. Mr. Sparks stated that the students are not opposed to tuition increases in every situation. They realize the good deal they have and acknowledge the tough economic times. If the Regents give the students a plan for tuition increases, the SAC and SGA leaders will work with the students and constituents to adequately prepare for such increases. However, they remain concerned that students are not yet prepared for potential tuition increases in January.

Ms. Phuong asked the Board of Regents to work with the Governor, the legislature, and the System presidents to come up with solutions for the current budget crisis as well as for the future that will help maintain the quality of education in the University System of Georgia. In the end, the quality of the System will have an impact on the economy in the State of Georgia.

Mr. Sparks said that he and Ms. Phuong were at this meeting because they love their institutions. They appreciate the opportunity they have to get a higher education. They understand that discussions in the past month have been rather heated on all sides. They wanted to appeal to the spirit of collaboration between the Regents, the presidents, the students, the Governor's Office, and the legislature that all parties continue to have an informed dialogue. The students also wanted to tell the Regents that they stand ready to give any advice or council they possibly can about how they feel about their education and their institutions. In closing, the students wanted to appeal to the Regents and to the Governor and to say they look forward to working together to somehow find the budget relief the System so desperately needs. The students understand that the Board of Regents has some very tough choices to make regarding the newest budget cuts. They are ready and willing to work with the Board, and they hope that whatever decision the Board makes will be in the best interest of the long-term health of the University System of Georgia and will continue the legacy of quality and access for students across the State of Georgia. In closing, Mr. Sparks thanked the Regents for the opportunity to make these remarks.

Chair Wooten thanked Ms. Phuong and Mr. Sparks for their remarks on behalf of the students of the University System of Georgia. He said that the Regents appreciate the students' concerns and

assured them that the Board shares the same concerns about quality and access, as well as the concerns about tuition increases, in particular.

At approximately 1:55 p.m., Chair Wooten adjourned the Regents into the regular Committee meeting of the Committee on Academic Affairs.

COMMITTEE ON FINANCE AND BUSINESS OPERATIONS, “COMMITTEE OF THE WHOLE”

At approximately 2:00 p.m., Chair Wooten reconvened the full Board as a Committee of the Whole and turned the Chairmanship of the meeting over to Regent Pittard, Chair of the Committee on Finance and Business Operations.

Chair Pittard explained that the Committee had two items on its agenda at this meeting. The first item would be a discussion of the University System budget and the latest budget reductions for fiscal year 2005, and the second item would be a presentation of potential measures to address that budget reduction. Chancellor Meredith would lead the Regents through the discussion and presentation.

Board Chair Wooten remarked that he, the Chancellor, and the Chancellor’s senior staff, had been working for two months with the Governor’s Office, the System presidents, and their senior staff to develop a workable plan to deal with the Governor’s requested \$64.8 million midyear budget cut. The Chancellor and staff had thoroughly reviewed every option in order to avoid cuts that might permanently damage the quality of higher education in the University System of Georgia. The Chancellor presented a workable plan for meeting the budget reductions, and some of the Regents had met with the Governor earlier on this day to discuss the Board’s budget proposal and other matters. Board Chair Wooten said that the proposed plan will address the Governor’s requested budget cuts. He then turned the floor over to the Chancellor to begin the budget presentation.

Chancellor Meredith made the following presentation to the Board:

When one hears the marvelous institutional presentation by the Georgia Institute of Technology (“GIT”) today and then when one hears the articulate Ms. Amy Phuong, President of GIT’s Student Government Association, and Mr. Adam Sparks, President of the University of Georgia Student Government Association, the reason for your dedicated service and work becomes evident. I am so very proud to be associated with such a great university. Thank you, President Wayne Clough, for your leadership. Our thanks also go to your outstanding faculty and staff for their extraordinary work.

Our thanks to Chairman Joel Wooten for leading us in stepping away from the norm to establish this meeting as primarily an educational meeting. I know you will find it

worthwhile. By now, you have received a couple of copies of our new informational piece called “Good News.” I hope you are finding it uplifting. You also have received three briefing papers from us entitled, “Why We Are Where We Are,” “Quality Counts,” and “Working Efficiently, Cutting Costs.” More will be forthcoming. We hope they are informative.

It seems everyone I know has been under a lot of stress the last two months. On August 6, we learned that the payroll shift had been rescinded and that we were going to have to handle a \$64.8 million midyear budget cut. Since then, that announcement has produced a lot of stress. Since that announcement, there have been lots of meetings, telephone calls, and hope that an adjustment would be made to reduce this latest cut to a more manageable level. I can’t compliment Chairman Wooten enough. I don’t know how he finds any time to practice law. We dominate his time, and he gives it willingly.

There have been talks of tuition increases, layoffs, enrollment caps, and program closings. However, we have developed a plan with the good help of Chairman Wooten and others that will provide a path for meeting the cut. Part of our recommendation involves one-time solutions that will have to be readdressed in fiscal year 2006.

Our objective was to develop a plan to handle a \$68.7 million budget reduction to minimize the impact on our students, to minimize the impact on operations, to maintain quality if at all possible, and to maximize the benefit to the state as a whole. The challenges in dealing with this include the timing of the cut. When the cut was announced, our faculty contracts were already in place, so we were somewhat restricted in the number of areas we could go to find the cuts. Student financial aid likewise was already in place. In terms of the magnitude of the cut, many of the marginal changes that we had been after – the low-hanging fruit, if you will – had already been pursued and were mostly already gone. And we are going to realize some major gains from efficiencies that are underway or will be underway in the coming months. However, a lot of those are going to take up-front costs, and we are still trying to identify what those up-front costs are going to be in order to put those in place.

We have been through a lot of consultative processes, and we have solicited input from various constituents. Students were concerned, of course, about the potential unplanned increase in tuition for spring semester and the potential loss of quality and access. Institutions were also concerned about the impact the cut may have on their quality as well as being able to meet the needs of those students.

We approached the budget cut in two ways. First, we considered a short-term strategy for fiscal year 2005. We examined how we can get by and still hold onto the good things we have. In addition, we also considered a long-term strategy for fiscal year 2006 and going forward. Our fiscal year 2005 cut was \$68.7 million, but the state adjusted the cut by \$3.9 million, which left the System with a \$64.8 million cut. We are imposing a \$20.3 million cut

on the institutions, which will be distributed proportionately. That leaves a balance of \$44.5 million. We then identified several areas that constitute one-time funding, as I mentioned a moment ago. These are items that will get us through the immediate budget cut, but they will not go away as the cut goes forward into the future. So, we will have to address the same cut in fiscal year 2006 because that money will be gone. This was an act of desperation in order to protect certain other things I will discuss in a moment.

One of the short-term cuts is \$9.4 million that we are recommending be redirected from economic development funds previously appropriated for a joint-venture project between the University of Georgia (“UGA”) and Merial Limited, a project involving the College of Veterinary Medicine which was under negotiation but did not materialize. The Governor has generously offered to make the initial effort to shift those funds from this defunct project to help reduce the budget cut to the System. If we take our health insurance reserve down to 45 days, then we can take \$18 million out of the health insurance reserve and apply it toward the cut. We have tried to keep the reserve at 60 days because that is what our actuaries say we should do. If we drop it to 30 days, we can apply another \$9.8 million toward the cut. Our actuaries are not very excited about that proposal, and we are pretty sure that if we take the reserve down to 30 days, we will get an audit finding and the University System will be somewhat at risk. However, we are willing to take that risk in order not to have to take cuts elsewhere. After these redirections, there remains another \$7.3 million that we believe can be addressed in other ways. We do not have those ways yet, but if we will find a way to make up that last \$7.3 million in cuts, we will be able to meet that one-time cut of \$44.5 million. I want to emphasize that we will start fiscal year 2006 with a shortfall of \$44.5 million because these are one-time solutions. That money will be used and we will not have it to cut again, but the hole in our budget will still be there next year. Still, we think it is worth it in order to avoid alternative options that we would have to do to get through this year.

The impact of this recommendation is that there will be no midyear tuition increase. We are pushing the envelope with the kinds of recommendations we are making to you, but we are doing this in order to avoid a midyear tuition increase and widespread layoffs. I don’t know of a single Regent on this Board who wanted to do either, and the staff certainly did not want to do that. So, we think we can avoid it by taking these one time measures for fiscal year 2005 and looking further at our options to find the \$44.5 million in fiscal year 2006. Unfortunately, our health insurance reserve will fall below our liability requirement of \$18 million, which is a risk we must be willing to take at this point.

Looking ahead at our long-term strategy, we are hopeful that the formula request will be fully funded for fiscal year 2006. We have assurance from the Governor that there is no barrier to our requesting full formula funding for fiscal year 2006. We will continue to reengineer our business processes. We have a lot of things already in place and underway, and more are coming. In our statewide assessment and mission review efforts, we have been looking for

almost two years now at exactly what we are doing at each of our institutions and what we should change in order to serve the population that will be in our institutions in the year 2015. We are reviewing the System's current enrollment capacity. We know that there is going to be a certain amount of dollars available. We have extraordinary quality across the System, and we now have to make a decision in terms of the dollars available and the number of students we can serve while maintaining that level of quality. We don't have that answer yet, but we will be coming back to the Board with that later. Also, about two weeks ago, I appointed a tuition task force to study tuition in this state. The task force's work has been divided into two-year, four-year, and research institutions. Each type of institution has a chair. Dr. Delmer D. Dunn, Vice President for Instruction and Associate Provost of UGA, is chairing the research university tuition task force; Dr. Nancy S. King, Vice President for Student Success and Enrollment Services and Professor of English at Kennesaw State University, is chairing the four-year institution tuition task force; and President John Bryant Black of East Georgia College is chairing the two-year college tuition task force. President Bruce Grube of Georgia Southern University is chairing the task force over all the sectors and will bring them together to create a single report and recommendations for a long-term tuition strategy that they will bring to me in the spring.

So, what am I recommending to you? Today, I am recommending that you approve moving forward with \$20.3 million in cuts that we will distribute to the institutions, that you give us the go-ahead on extracting \$27.8 million from the health insurance reserve over the course of the year, and that you endorse asking the Governor and the legislature to move the \$9.4 million in the Merial Limited project to our budget to assist in our cut. Mr. Chairman, that is my recommendation.

Chair Pittard thanked the Chancellor for his recommendation. He explained to the Regents that this recommendation must be treated as a walk-on item to the Committee's agenda. He asked the Regents for a motion to walk the item onto the agenda. With motion properly made and seconded, the item was added by unanimous consent as a walk-on item to the Committee's agenda. (This item appears as Item 3 on pages 25 to 26.)

Chair Pittard then asked for a motion to approve the recommendations presented by the Chancellor as walk-on Item 3 of the Committee's agenda. A motion was properly made and seconded.

Mr. Bowes noted that the appendix that had been distributed to the Regents was not correct and asked that the Regents approve a modification to the appendix to reflect the correct wording. With motion properly made, seconded, and unanimously adopted, the wording was corrected. (The correct wording is presented in Item 3 on pages 25 to 26.)

Chair Pittard then asked whether there was any discussion of the budget recommendations.

Regent Coles asked the Chancellor to elaborate on the health plan reserve and how taking the reserve down to 30 days puts the System at risk.

Chancellor Meredith said that the actuaries recommend keeping the health insurance reserve at 60 days.

Mr. Bowes said that from an accounting perspective, there is something called an incurred but not reported liability. The University System of Georgia must have sufficient reserves set aside to cover that liability. Right now, the liability is in the range of about \$27 million. The recommendations will bring the reserve down to approximately \$18 million, which will make the University System about \$9 million short of current liability projections. He noted that there are many assumptions in the projections that could change, but the recommended actions will put the System below its incurred but not reported liability projections.

Chair Pittard said that other state agencies only maintain a 30-day reserve.

Mr. Bowes said that the state health benefit plan has only a 30-day reserve, which is what the Chancellor was recommending to the Board as well.

Regent NeSmith commented that he has been on the Board for almost six years, and during that time, he has watched higher education become a centerpiece in Georgia and the quality continue to increase. He expressed concern about going forward. During the past five years, the University System has had to play catch-up, and now it seems the System will remain with the status quo or, worse yet, go backwards. With the increased number of students anticipated in the next decade, the System will either have to limit access or see its program quality decline. As a businessman, Regent NeSmith said that he understands well what it means to cut expenses; however, one must consider carefully where to make those cuts. He said that the System's disproportionate share of the state's budget cuts does not seem like the right time nor the right place.

Regent White said that the tuition task force is an important part of the long-term budget strategy. He said he will be anxious to hear the report of the task force because it will hopefully go a long way and be critical in meeting the educational needs of the state going forward and to the students in the System.

Seeing that there were no further questions, Chair Pittard stated that this has been a very tough time for the Governor, the Chancellor, and the Board of Regents. They all have so much passion for the University System of Georgia and its institutions. He said that if there had been a midyear tuition increase, it would likely have had an adverse impact on a great number of students around the state. So, when the Chancellor presented these alternative recommendations to him, Chair Pittard supported them. If the System had approved a midyear tuition increase, those funds would have been gone by the time the System approved a permanent tuition increase in the fall. So, in essence

was a one-time solution. The proposed recommendations also constitute a one-time solution. He said that although the possibility of a tuition increase in fall 2005 is likely, the Board and its advisors must consider carefully how much and how tuition increases are to be made strategically over the years to come. So, he recommended adopting the Chancellor's recommendations outlined in Item 3 and then consider further the System's long-term tuition plan. Having said that, he noted that there was a motion and a second on the floor and asked for a vote. With motion properly made, seconded, and unanimously adopted, the Board of Regents approved the Chancellor's budget recommendations as outlined in walk-on Item 3 of the Committee agenda. (See pages 25 to 26 for details.)

Chair Pittard noted that because there was a published agenda item recommending a 10% midyear tuition increase, there must be a vote to withdraw that item from the Committee agenda. With motion properly made, seconded, and unanimously adopted, the Board of Regents approved the withdrawal of Item 1 from the Committee agenda. Seeing that there was no further business to come before the Committee, he then adjourned the Committee on Finance and Business Operations as a Committee of the Whole and turned the chairmanship of the meeting back over to Board Chair Wooten.

Chair Wooten thanked Regent Pittard for leading the meeting of the Committee discussion. He thanked all of the Regents for their thoughtful and serious remarks. He said this is an important time for the University System of Georgia and its students and faculty. It is very important that the Board of Regents give serious consideration to matters such as this because they do affect not only the short-term, but also the long-term direction of the System. He noted that the Chief Operating Officer for the State of Georgia, James R. "Jim" Lientz, Jr., was in attendance at this meeting. Chair Wooten thanked Mr. Lientz for his participation in the many meetings between the University System Office staff and the Governor's Office about these budget issues.

Seeing that there was no further business, the Board recessed at approximately 2:25 p.m.

CALL TO ORDER

The Board of Regents of the University System of Georgia met again on Wednesday, October 13, 2004, in rooms 323 and 324 of the Global Learning Center on the campus of the Georgia Institute of Technology. The Chair of the Board, Regent Joel O. Wooten, Jr., called the meeting to order at 9:00 a.m. Present on Wednesday, in addition to Chair Wooten, were Vice Chair J. Timothy Shelnut and Regents Hugh A. Carter, Jr., Connie Cater, William H. Cleveland, Joe Frank Harris, Julie Hunt, W. Mansfield Jennings, Jr., James R. Jolly, Donald M. Leebern, Jr., Elridge W. McMillan, Martin W. NeSmith, Patrick S. Pittard, Doreen Stiles Poitevint, Wanda Yancey Rodwell, Allan Vigil, and Glenn S. White.

INVOCATION

The invocation was given on Wednesday, October 13, 2004, by Regent Joe Frank Harris.

ATTENDANCE REPORT

The attendance report was read on Wednesday, October 13, 2004, by Secretary Gail S. Weber, who announced that Regent Michael J. Coles had asked for and been given permission to be absent on that day.

Chancellor Meredith introduced Ms. Suzanna Williams, whom he is mentoring as part of the Georgia Education Mentorship program at Georgia College & State University.

UPDATE ON THE GEORGIA CANCER COALITION

Chair Wooten introduced Mr. William J. Todd, President and Chief Executive Officer of the Georgia Cancer Coalition (“GCC”).

Mr. Todd greeted the Regents and made a brief report to the Board on GCC. He reported that the mission of GCC is to reduce the number of cancer deaths in the state. In so doing, Georgia intends to become a national leader in cancer control by accelerating prevention, early detection, treatment, and research. The goals of GCC are to prevent cancer and detect existing cancers earlier, to improve access to quality care for all Georgians with cancer, to save more lives in the future, to train future cancer researchers and caregivers, and to realize economic benefits from eradicating cancer.

Mr. Todd reported that there are distinguished cancer clinicians and scientists at Emory University, the Georgia Institute of Technology, Georgia Southern University, Georgia State University, the Medical College of Georgia, Mercer University, the Morehouse School of Medicine, and the University of Georgia. In total, there are 31 cancer scholars in the University System of Georgia and 35 scholars in private institutions in the state. Therefore, a total of 66 distinguished cancer clinicians and scientists have been recruited to Georgia.

Chair Wooten expressed the gratitude of the Board to Mr. Todd for his significant work on behalf of GCC.

UPDATE ON THE COMMISSION FOR A NEW GEORGIA

Chair Wooten next called upon Ms. Annie Hunt Burriss, Executive Director of the Commission for a New Georgia (the “Commission”), and Mr. Lonice Barrett, Director of Implementation for the Commission.

Ms. Burriss explained that the Commission is a public-private partnership comprised of 21 top corporate executives from across the entire state. Its purpose is to examine the State of Georgia’s opportunities to improve the efficiency and effectiveness of state government and to envision

Georgia's strategic future. The Commission advances its mission through a series of small, topical task forces that are led by private sector leaders and composed of industry subject matter experts. Lasting 90 to 120 days, each task force performs diagnostics of state operations and offers recommendations that utilize best practices from the private sector. The Commission's small professional staff manages task force operations and receives program management support and guidance from Deloitte Consulting. Each task force is comprised of approximately ten business leaders from Georgia companies that represent Georgia's demographics and all regions of the state. Their task is to take an even-handed approach to diagnose operations and make recommendations to improve the state's management. Each task force receives programmatic support on a pro bono basis by highly regarded private sector consultants and academics to quickly produce analysis and recommendations. The types of recommendations vary by task force but include better managing the state's resources and services, generating jobs and revenue through sustainable economic development initiatives, and creating a well-educated, healthier, and safer Georgia. Upon the conclusion of each task force, recommendations are presented to the Governor and the Commission.

Ms. Burriss discussed specifically the Commission's strategic industries task force, which provides a forward-looking approach to where the state should concentrate its efforts for job growth and development. She explained that an industry is considered strategic if it has growth potential. The state's leadership must consider whether there are identifiable policies that can be instituted or other actions that can be taken to achieve measurable positive results in the near term. It must consider whether the state has a base upon which to successfully grow this industry and whether the industry presents opportunities for multiple regions within the state. In economic terms, it is important to consider whether this is an industry that can increase the average income of Georgians and whether the return on investment justifies an investment of state and local resources. It is also important to consider whether this is an industry with identifiable market segments that can be targeted by a focused and competitive strategy and whether this is an industry driven by innovation where economic development can be initiated or supported by research capabilities in Georgia. The strategic industries task force evaluated a number of potential strategic industries based upon favorable growth rates, industry presence in Georgia, average wages paid, market opportunities, and innovation potential. As a result, the task force recommended the following strategic industry clusters: aerospace, agribusiness, energy and environmental, healthcare and eldercare, life sciences, and logistics and transportation. It also recommended the following supporting industry clusters: advanced telecommunications, business and financial services, homeland security, and multimedia software development. Finally, it recommended the following supporting initiatives: nanotechnology, software, and entrepreneurship.

Ms. Burriss then turned the presentation over to Mr. Barrett. Mr. Barrett thanked the Regents for their support and said that their leadership and input are essential to the Commission's work. The goals of implementation are to change some paradigms, to avoid costs, and to improve customer service. The guiding principles of implementation are governance, feasibility, cost and savings, customer service, and continuous improvement. The benefits of more efficient state management are

clear management roles and responsibilities, a balance of agency responsibility and statewide efficiency, institutionalizing good practices, a path to continuous improvement, and a foundation for a healthier, safer, growing, and more educated Georgia. Mr. Barrett said that the Commission had already implemented some things. For example, it is collecting information on leased and owned real estate as part of the budget process. The state passed SB 531 allowing public-private partnerships for marketing Georgia and HB 1415 regarding hotel/motel tax reform. The Commission also created a tourism council to implement public-private partnerships and designed a leadership development curriculum.

Next, the Commission's policy staff will have to make some action, legislation, and budget decisions. They must do the hard work of implementation in order that state government may "do the right things right." The Commission will focus on strategic industries, competitiveness, and workforce development. While continuing current operations, the Commission will continue to target appropriate topics for diagnostics and ideas. Furthermore, the Commission will enter a new phase of envisioning Georgia's strategic future. It will also support the transition of the recommendations to the implementation organization to ensure that the original intent of the recommendations is properly understood. Mr. Barrett then thanked the Board and stepped down.

Seeing that there were no questions or comments, Chair Wooten thanked Ms. Burriss and Mr. Barrett for their presentation.

UPDATE ON THE GEORGIA INSTITUTE OF TECHNOLOGY MASTER PLAN

Chair Wooten next called upon President G. Wayne Clough of the Georgia Institute of Technology ("GIT") to update the Board on GIT's physical master plan.

President Clough explained that there are many strategic enrollment considerations in updating the GIT master plan, including State of Georgia initiatives, the University System of Georgia strategic plan, and GIT's own strategic plan initiatives, including the educational demand for GIT disciplines and interdisciplinary initiatives, the institution's research mission, and economic development/commercialization.

GIT serves 12,000 undergraduate students via its Atlanta campus and another 4,000 undergraduates via the Georgia Tech Regional Engineering Program ("GTREP") in Southeast Georgia. GIT serves 10,000 graduate students in Atlanta and another 400 graduate students at its Savannah instructional site. The institution also serves a significant number of undergraduate and graduate students through distance learning and off-campus instructional sites in France and Singapore.

The 2004 update of the master plan builds upon the 1997 master plan and reflects increased enrollments and research activities, resultant increases in faculty and staff, minimal additional property, evolving strategic initiatives, and special opportunities. The master planning process

focuses on specific elements, including sustainability, accessibility, the ground plane, the area of interest, collaborative planning with community constituencies, and carrying capacity for new facilities. The 1997 master plan included dedicated pedestrian ways, increased green space, and structured parking. It projected expansion of the campus to the southwest and new building sites with the capacity for 3.2 million gross square feet. In 2002, the master plan was updated with the intention of enhancing the campus environment, including open spaces that encourage and support passive and active recreation and buildings and building complexes that foster transdisciplinary interaction. The updated plan also supported strategic initiatives and goals, such as selected enrollment growth, academic excellence, and technology-based economic development for Georgia. The updated master plan also has respect for and renewal of the urban forest and the tree canopy, effective employment of “green building” technologies, use of natural/native vegetation systems, and substantial reduction of storm water runoff. The plan makes effective use and stewardship of current physical resources, including a respect for and maintenance of the historic districts and an effort to ensure infrastructure capacity for current and future facilities. The plan employs design guidelines that mandate flexibility, maintainability, and longevity. It also accommodates changing conditions and opportunities.

President Clough noted that a traditional campus is internally oriented, an “ivory tower” isolated and apart from the community with a “silos” of knowledge. A traditional campus has single-purpose facilities and uses traditional funding sources and project delivery methods. A knowledge-based campus, on the other hand, is internally and externally oriented. It is engaged with the community and has a transdisciplinary teaching and learning community. Its facilities are multifunctional, interdisciplinary, and adaptable. It is a live-work community that leverages partnerships and funding sources to achieve the best, most cost-effective facilities.

As of December 2003, the GIT campus currently has 5,967,041 gross square feet (“gsf”) of academic instruction and research space, 352,779 gsf of athletic association space, and 4,318,182 of student support and auxiliary services space. In addition, 725,000 gsf of space is under construction or in the planning stages. So, GIT currently has 11,363,002 gsf total campus space. President Clough projected that by the year 2020, the campus would have approximately 16,000,000 gsf of space. He showed the Regents a map of the campus and pointed out a number of potential new buildings. Assuming these buildings would have three or four stories each, the proposed building footprints will support an additional 3,000,000 to 3,500,000 gsf.

President Clough next discussed accessibility issues. He explained that the macro planning is for mobility impairments, while other disabilities are managed more at the micro level. The constituencies of concern in this regard are employees and visitors as well as students. He noted that handicapped accessibility is of critical influence in campus planning.

Environmental sustainability is also an important consideration, said President Clough. Three key components of environmentally friendly campus planning are facility design, operations, and

landscaping design and maintenance. Environmental issues involved in facilities design include energy conservation, indoor air quality, selection of materials, construction methods, and guidelines and standards. With regard to operations, it is important to consider energy management, alternative fuels, recycling, and thoughtful renovation. In terms of landscape design and management, it is important to include native vegetation and to increase the tree canopy on campus. Storm water management is also critical. The overall goals are to reduce hydrocarbon emissions, material consumption, water consumption, and storm water runoff.

President Clough showed the Regents pictures of special places on campus, including portions of the campus that, because of historic, aesthetic, and/or ecological significance, will be preserved in perpetuity. He also showed the Regents a map of the great GIT area, pointing out the area of Midtown Atlanta that is of particular interest to GIT in terms of future expansion. He noted that areas not adjacent to the campus are important as potential sites for development by entities sympathetic with or complementary to the mission of GIT. Areas immediately surrounding the campus may provide opportunity for partnerships or acquisitions that directly support the academic and research missions of GIT. He explained that GIT really cares about and wants to influence the development in these areas to ensure that future developments are mutually beneficial to GIT.

Next, President Clough discussed the land use on campus. Currently, only 10% of GIT's 400 acres is used for academic instruction and research, while 7% is used for athletics, 9% is used for student support and auxiliaries, 50% is open and/or green space, 4% is used for recreation, and 20% is streets and surface parking. In the future, he said he hoped to increase academic instruction and research space as well as green space while reducing space used for streets and surface parking. In closing, President Clough noted that the GIT facilities master plan can be found online at <http://www.space.gatech.edu/masterplan.htm>.

Regent NeSmith noted that GIT has been very involved in business incubation. He asked whether this had been considered in the master planning process.

President Clough said that it had and noted that such activity could be located on the periphery of campus. While the System, the Georgia Research Alliance, and the Georgia Cancer Coalition have invested in biological studies space, GIT needs wet-lab incubators. So, finding spaces for wet-lab incubators will be a challenge for the future. GIT already has one wet-lab incubators in an academic building in order to encourage researchers to commercialize their research. GIT seeks to be more aggressive and efficient about commercialization. The institution also has a joint wet-lab incubator on Briarcliff Road that it shares with Emory University.

Regent NeSmith asked whether GIT intends to leverage the commercialization of research to help it develop its campus master plan.

President Clough said that it does intend to do so. As state funding decreases, GIT must look for

ways to generate revenue. In addition, as land prices continue to escalate around campus, GIT will have a harder time acquiring property. So, it must find more creative ways to acquire property. One way to do this is to partner with the businesses GIT incubates. In addition, some properties may be acquired for the long term rather than the short term and leased out to companies in the meantime, particularly those who would partner with GIT. The revenue from leasing properties can then be used to acquire more land. He noted that Stanford University is an example of an institution that has done this successfully.

Chancellor Meredith asked President Clough how GIT will deal with parking demand.

President Clough responded that GIT will construct more parking decks to accommodate the parking demand on and around campus. The new campus recreation center, for example, has a large parking deck associated with it, as does the Global Learning & Conference Center. The Klaus Advanced Computing Building was the first building on campus to incorporate underground parking. The plan is to move the parking underground or to the periphery of campus.

Seeing that there were no further comments or questions, Chair Wooten thanked President Clough for this informative and impressive update. At approximately 10:35 a.m., he announced that the scheduled meeting of the Executive and Compensation Committee had been cancelled, and, therefore, there was no report for that Committee. He then called for the other Committee reports.

EXECUTIVE AND COMPENSATION COMMITTEE

Chair Wooten reported to the Board on Wednesday that the Committee had not met as scheduled.

COMMITTEE ON ACADEMIC AFFAIRS

The Committee on Academic Affairs met on Tuesday, October 12, 2004, at approximately 1:55 p.m. in rooms 323 and 324 of the Global Learning Center on the campus of the Georgia Institute of Technology. Committee members in attendance were Chair William H. Cleveland, Vice Chair Wanda Yancey Rodwell, and Regents Hugh A. Carter, Jr., Joe Frank Harris, Martin W. Nesmith, J. Timothy Shelnut, and Allan Vigil. Chancellor Thomas C. Meredith and Regents Connie Cater, Michael J. Coles, Julie Hunt, W. Mansfield Jennings, Jr., James R. Jolly, Donald M. Leebern, Jr., Elridge W. McMillan, Patrick S. Pittard, Doreen Stiles Poitevint, and Glenn S. White were also in attendance. Chair Cleveland reported to the Board that the Committee had reviewed one item, which required action. Within that item, 80 regular faculty appointments were reviewed and recommended for approval. With motion properly made, seconded, and unanimously adopted, the Board approved and authorized the following:

- 1. Administrative and Academic Appointments and Personnel Actions, Various System Institutions**

Approved: The administrative and academic appointments were reviewed by the Chair of the Committee on Education, Research, and Extension and approved by the Board. The full list of approved appointments is on file with the Office of Faculty Affairs in the Office of Academics and Fiscal Affairs.

COMMITTEE ON FINANCE AND BUSINESS OPERATIONS

The Committee on Finance and Business Operations met on Tuesday, October 12, 2004, at approximately 2:05 p.m. as a Committee of the Whole. Committee members in attendance were Chair Patrick S. Pittard, Vice Chair Hugh A. Carter, Jr., and Regents William H. Cleveland, Michael J. Coles, James R. Jolly, Donald M. Leebern, Jr., Doreen Stiles Poitevint, J. Timothy Shelnut, and Glenn S. White. Also in attendance for this meeting were Board Chair Wooten, Chancellor Thomas C. Meredith, and Regents Connie Cater, Joe Frank Harris, Julie Hunt, W. Mansfield Jennings, Jr., Elridge W. McMillan, Martin W. NeSmith, Wanda Yancey Rodwell, and Allan Vigil. This meeting is reported in full on pages 11 to 16.

Chair Pittard reported to the Board on Wednesday that the Committee had reviewed two items, one of which required action. Item 1 of the agenda was withdrawn, and Item 3 was a walk-on item. With motion properly made, seconded, and unanimously adopted, the Board approved and authorized the following:

1. Approval of Midyear Tuition Increase

Withdrawn: This recommendation was withdrawn from the agenda.

2. Information Item: Fiscal Years 2005 and 2006 Budget Issues and Solutions

The Committee on Finance and Business Operations as a Committee of the Whole discussed various budget issues facing the University System of Georgia and possible solutions to those issues. This discussion is reported in full on pages 11 to 16.

3. Approval of Plan to Meet the Fiscal Year 2005 Additional Reduction of \$68.7 Million

Approved: The Board approved the plan as presented by the Chancellor to meet the budget reduction of \$68.7 million for fiscal year 2005 announced in August 2004.

Walk-on: This item was added by unanimous consent as a walk-on item to the Committee's agenda.

Background: The additional \$68.7 million budget reduction announced by the Governor's Office of Planning and Budget in August 2004 reflects a 4.2% reduction of the fiscal year 2004 funding base.

Of the \$68.7 million in recommended reductions, all but \$20.3 million reflects one-time-only options. A \$3.9 million adjustment was included by the Governor’s Office of Planning and Budget as a correction to the cut of \$68.7 million and will be an ongoing part of the University System of Georgia funding base.

This item was addressed by the Committee of the Whole. (See pages 11 to 16.)

The plan included the following reductions, which were presented to the Committee in Appendix I of the Committee agenda:

1) Expected Budget Cut (to include position elimination, hiring freezes, delaying purchases, deferring maintenance, reducing operating hours, and hiring more part-time faculty)	\$(20.30) million
2) Reduce Health Plan Reserve to 45-Day Level	(18.00) million
3) Reduce Health Plan Reserve to 30-Day Level	(9.80) million
4) Recapture Funds From Meriel Limited Project at the University of Georgia	(9.40) million
5) Other	(7.30) million
Total Reductions	\$(64.80) million

STRATEGIC PLANNING COMMITTEE, “COMMITTEE OF THE WHOLE”

Chair Wooten next convened the Strategic Planning Committee as a Committee of the Whole and turned the Chairmanship of the meeting over to Regent Leebern, the Chair of the Committee. Committee members in attendance were Chair Donald M. Leebern, Jr., Vice Chair Doreen Stiles Poitevint, and Regents Elridge W. McMillan, Patrick S. Pittard, Wanda Yancey Rodwell, Allan Vigil, and Glenn S. White. Board Chair Joel O. Wooten, Jr., Chancellor Thomas C. Meredith, and Regents Hugh A. Carter, Jr., Connie Cater, William H. Cleveland, Joe Frank Harris, Julie Hunt, W. Mansfield Jennings, Jr., James R. Jolly, Martin W. NeSmith, and J. Timothy Shelnut were also in attendance.

Chair Leebern said that at this meeting, the Committee would consider the proposal of developing a state college in Gwinnett County. The Regents had been sent a very informative report about the history, development, and future proposals for this new college within the University System of Georgia. At this time, Chair Leebern called upon the Senior Vice Chancellor for Academics and Fiscal Affairs, Daniel S. Papp, and the Interim Director of the Gwinnett University Center (“GUC”), Robert E. Watts, to make this presentation and proposal to the Board.

Dr. Papp began with some background remarks regarding the concept and the proposal for the creation of a state college in Gwinnett County. The conception of a state college in Gwinnett County has flowed out of the strategic statewide assessment that Chancellor Meredith had commissioned approximately two years ago. The University System Office staff have been working on a statewide assessment initiative under which they have examined the projected needs of the State of Georgia in the year 2015, what the state itself will look like in 2015, and more particularly, what the University System of Georgia must be able to provide for the citizens and students of the state in 2015. The System is expecting as many as 200,000 new students by 2015, most of them in the metropolitan Atlanta area. At their retreat in August 2004, the Regents had already been briefed on a number of recommendations that will be coming out of the statewide assessment. Some of those recommendations have already been incorporated into the reformulated strategic plan. This amounts to investments for the future for the State of Georgia, for its citizens and students, and for the University System of Georgia to enable it to meet the needs of those citizens and students by 2015. The reformulated strategic plan specifically stresses reexamining the role, structure, and organization of university centers to ensure that they are in fact serving the needs of the communities in which they are located. Dr. Papp explained that the University System of Georgia has nine such centers around the state. A center is a permanent off-campus location at which one or more System institutions are authorized by the Board to offer whole degree programs, not just individual courses. Most centers have two or more institutions offering degree programs at that location. Dr. Papp said that the System currently has two state colleges: Dalton State College and Macon State College. A state college provides access for some students academically eligible to enter two-year colleges, but not necessarily state, regional, or research universities. Most importantly, a state college offers a limited number of four-year degree programs specifically targeted to the area's economic development needs.

Dr. Papp said that GUC was being proposed for future development of a state college for a number of reasons. First of all, GUC is only six or seven years old, but already it ranks as the ninth largest institution in the System. It is growing at the rate of approximately 1,000 students per year. The proposed administrative structure will be more efficient than the current structure. The original mission of GUC was that technology would be applied in ways, both on the administrative and academic side, in new and innovative ways both to improve overall efficiency and to reduce costs. The proposed cost structure would also be more cost-effective than the current structure. The rationale for this proposal includes maintaining quality, increasing administrative efficiency and lowering the cost of educational delivery compared to what would exist if the present organization were continued, improving the use of technology, and enhancing the institution's identity. Dr. Papp then turned the floor over to Mr. Watts.

Mr. Watts said that he has served as GUC's Interim Director for the past two years. Rarely in higher education does a System have the chance to start something entirely new. Mostly, they make small adjustments to existing models and ways of doing business. He said that the Board would have the

chance to put something new in motion at this meeting, something that reflects the Board's reformulated strategic plan, the Chancellor's goal of reengineering the System's business processes, the Governor's goal of making Georgia the best managed state by 2007, and the Commission for a New Georgia's attention to costs. This is a unique opportunity. If one assumes that funding for higher education will never flow again as freely as it did in the 1990s and if the Board were designing a new model college in the new century, what would it look like? If the System wants a college with high attention to mission and customer service but with low, no-frills support costs, what would it look like? Mr. Watts said that the Board's vision for reaching such a goal has been evolving for 20 years. The System institutions have laid a good foundation, and the GUC is the next logical step. In 1984, the Board commissioned Gainesville College ("GVC") to offer associate degree programs and the University of Georgia ("UGA") to offer graduate programs in Gwinnett County. In 1986, the Board changed the model somewhat and allowed Georgia Perimeter College ("GPC"), formerly DeKalb College, to offer associate degree programs and Georgia State University ("GSU") and UGA to offer programs at the undergraduate and graduate level in leased space. That model persisted for about ten years, and then in 1997, the Board authorized a new model for the center and the first facility in which GPC would offer associate degree programs and UGA would offer upper-level undergraduate and graduate programs. Gwinnett County donated approximately 160 acres of land at that time, as well as \$3 million in cash and infrastructure improvements. In 2002, a permanent site for GUC opened.

A facilities master plan for GUC was presented to the Board in November 1999 with three phases for development. The first phase anticipated enrollments of 4,078 students, the second phase 6,000 students, and the third phase 15,000 students. However, GUC's current enrollment at phase-one build-out is 8,000 students, almost double the number originally anticipated. GUC's enrollment is up 14% over last year, up 95% over three years, and up 123% over five years. Mr. Watts reiterated that GUC is growing at a rate of 1,000 students per year.

Mr. Watts noted that GUC's enrollments mirror the growth of the community it serves. Gwinnett County currently has a population of 676,000 residents, and it is projected that the population will exceed 1 million by 2020. Gwinnett County has the largest public school system in the state with 133,000 students this fall and adding 6,000 students per year. The county opened nine new public schools this year alone. The enrollments also mirror the findings of the Systemwide capacity study performed by Sasaki Associates, which depicts enrollment growths of approximately 66,000 new students in the metropolitan Atlanta area. Currently, enrollments at GUC include 7,000 freshmen and sophomores enrolled through GPC, 350 junior and seniors and 641 graduate students enrolled through UGA, 22 undergraduate students enrolled in an information technology program offered by Southern Polytechnic State University ("SPSU"), and 21 undergraduate students enrolled in two allied health programs offered by the Medical College of Georgia ("MCG").

The critical issues for the Board are threefold, said Mr. Watts. The first is size and growth. At some point in an institution's development, it benefits from having its own executive leadership on-site

in the local community. In two more years, GUC will be the same size as Valdosta State University and the State University of West Georgia. He asked the Regents to imagine either of those institutions without its own leadership on-site to lead the institution. GUC is already the ninth largest System instructional site, and it will soon grow to be the eighth largest. The second critical issue is mission. GUC was established to achieve a unique mission. It was to be a learning laboratory offering high-tech and alternative instructional delivery. Mr. Watts read from the minutes of the June 1996 Board meeting that the Board “wants to meet the challenge with a twenty-first century campus. They envision a University System center in Gwinnett, which would be a laboratory for new ideas, a place where concepts and ideas can be field-tested.” He also quoted UGA President Michael F. Adams from the December 1997 Board meeting minutes as saying that creativity and innovation should be the key words in every facet in the development of this center and that this center should be an example of innovative education in the United States and in Georgia. At the August 1999 Board meeting, Chancellor Emeritus Stephen R. Portch said that by 2001, GUC would be attracting people from all over the country to learn from this bold experiment. In September 1999, he went on to say that GUC was poised to give the System breakthroughs in academic programming and delivery through technology. Mr. Watts said that these goals are still worth keeping, and a state college would be a way to recapture these kinds of goals. The third critical issue is cost. He explained that GUC was intended to be very cost-effective. The emphasis was to be on instruction with limited administration. However, one of the natural tendencies of consortia is that all of the partners want to build their own infrastructures. This can result in administrative duplication. In addition, the cost structure of baccalaureate programs is very challenging. To have a research university offering baccalaureate programs means having the most expensive faculty in the System with the lowest teaching load and with research needs. A state college faculty would be a lower-cost faculty dedicated to teaching with no research component and, thus, would be much more cost-effective.

The proposal before the Board at this meeting was to transition GUC to a state college in Gwinnett County with UGA retaining its graduate and continuing education mission. This should be a model twenty-first century college. It will not be all things to all people, but rather, it will have a distinct mission. It will respond not to every single baccalaureate need, but rather to the critical workforce needs of its region. Given the fact that Gwinnett County has the largest public school system in the state, teacher education would likely be one such need. Certainly, nursing and allied health would also be important needs, as well as information technology, international business, and the like. The new state college could offer alternative learning delivery. Hybrid courses may be the default classes at the new state college, where students would attend one day a week in the classroom and one day a week online. This approach would double the capacity of facilities. Accelerated learning, different curriculum designs, and student assessments may also be employed. A new state college would also offer the opportunity to experiment with broad-ranging privatization of administrative support functions. It also presents an opportunity to pilot new faculty and academic policies, to set new standards for an electronic library, to make maximum use of facilities, and to lower costs and achieve greater efficiency.

Mr. Watts next discussed the costs of the proposed new state college, noting that it would not be the same as building a brand new college from scratch. The facilities already exist and are in operation. Formula funding for current GUC students is already being received by the System. Some transition funding has been requested from the Governor and the General Assembly this year. The Chancellor's strategic allocation process and a three-year transition will minimize impact on the institutions currently at GUC.

The next step for the Board would be to request a resolution from the General Assembly asking that a new college be created. Mr. Watts noted that the General Assembly reserved that right in the 1982 revision of the state constitution. With the approval of the General Assembly, the Chancellor would commission Dr. Papp to begin three-year transition plan with the institutional partners at GUC. He would also come back to the Board for approval of the new state college's mission statement, organizational structure, transition plan, and budget. The Chancellor would also return to the Board to hire a president for the new state college, to establish the academic programs, and to approve any new policies or waivers of existing policies.

In closing, Mr. Watts reiterated Dr. Papp's statements that a state college in Gwinnett County will maintain quality, increase administrative efficiency and lower the cost of educational delivery compared to what would exist if present organization were continued, improve use of technology, and enhance the institution's identity.

Chair Leebern asked whether the Regents had any questions for Mr. Watts or Dr. Papp.

Chancellor Meredith stated that the University System Office staff had been looking for some time at a number of alternatives before arriving at the conclusion that this was the only way to proceed. He said that a lot of work had already been done, but a great deal of work remains. The two primary institutions at GUC, GPC and UGA, have done an outstanding job, and this proposal should in no way be taken as a negative reflection on those institutions. This is just a natural progression.

Regent Carter said that he did not hear anything in the presentation about the budget. Given all the state money issues, he asked where the money will come from to support this effort. He asked whether the Board would be asking for funds that may be denied in these budget times.

Mr. Watts reiterated that there is already money in the System budget allocated to GUC and that the transition can take advantage of this existing funding. The staff have asked for some transition money from the Governor and the General Assembly. Even during these difficult budget times, the Board must still invest in the future. Gwinnett County is a rapidly growing area, and even though money may be constrained now, that should not stop the Board from trying to set the right course for the future.

Regent Carter agreed with Mr. Watt's comments, but he wanted to know the Board's fiscal plans

in this regard and what hurdles the Board may face.

Mr. Watts said that over a three-year period, the institutions currently involved in GUC would ramp down their efforts and the emerging state college would ramp up its efforts. There would be some one-time transition costs because the Board will need to hire a president, etc., and because, for accreditation purposes, the existing institutions cannot just drop out overnight. A three-year period will allow for proper transition of effort and formula funding. There would be some modest transition costs that the Chancellor will have to address through strategic allocation or will have to be provided by the General Assembly. The Board requested \$2 million in its fiscal year 2006 budget request to help the System with this transition.

Regent Carter asked whether \$2 million would be enough, and Mr. Watts responded that, for right now, it would be.

Board Chair Wooten said that the Board was going to do this in a fiscally responsible way, but if the System does not receive the transition funds through the budgetary process, the concept is still very good and is needed in Gwinnett County. He said that the Board would hate to delay the project, but if it had to do so, that would not discount the importance of the project.

Regent Carter agreed.

Dr. Papp stated that the admissions standards for the new state college would be the same as those standards currently in place for GPC. The advantage would be that the new state college would offer targeted baccalaureate programs for economic development purposes.

Seeing that there were no further questions, Chair Leebern asked for a motion to ask the General Assembly to approve the creation of a new state college in Gwinnett County.

Regent White made the motion, which was variously seconded. With motion properly made, seconded, and unanimously adopted, the Board voted to ask the General Assembly to approve the creation of a new state college in Gwinnett County.

Seeing that there was no further business to come before the Committee, Chair Leebern adjourned the Strategic Planning Committee meeting as a Committee of the Whole.

UNFINISHED BUSINESS

There was no unfinished business at this meeting.

NEW BUSINESS

There was no new business at this meeting.

PETITIONS AND COMMUNICATIONS

Secretary Gail S. Weber announced that the next Board meeting would take place on Tuesday, November 16 and Wednesday, November 17, 2004, in the Board Room in Atlanta, Georgia. She noted that the Board’s official photograph would be taken at that meeting.

On behalf of the Board of Regents, Chair Wooten thanked President G. Wayne Clough, Mrs. Clough, and the Georgia Institute of Technology (“GIT”) community for hosting this meeting of the Board. He asked President Clough to thank the Men’s Glee Club for their performance the previous night. He said the Regents had thoroughly enjoyed this campus visit and appreciated the hard work and hospitality of everyone at GIT.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at approximately 11:05 a.m. on October 13, 2004.

s/ _____
Gail S. Weber
Secretary, Board of Regents
University System of Georgia

s/ _____
Joel O. Wooten, Jr.
Chair, Board of Regents
University System of Georgia