

**MINUTES OF THE MEETING OF THE
BOARD OF REGENTS OF THE UNIVERSITY SYSTEM OF GEORGIA
HELD AT
270 Washington St., S.W.
Atlanta, Georgia
September 10 and 11, 2002**

CALL TO ORDER

The Board of Regents of the University System of Georgia met on Tuesday, September 10 and Wednesday, September 11, 2002, in the Board Room, room 7007, 270 Washington St., S.W., seventh floor. The Chair of the Board, Regent Joe Frank Harris, called the meeting to order at 1:00 p.m. on Tuesday, September 10. Present on Tuesday, in addition to Chair Harris, were Vice Chair James D. Yancey and Regents Hugh A. Carter, Jr., Connie Cater, William H. Cleveland, Michael J. Coles, Hilton H. Howell, Jr., George M. D. (John) Hunt III, Donald M. Leebern, Jr., Elridge W. McMillan, Martin W. NeSmith, Wanda Yancey Rodwell, J. Timothy Shelnut, and Joel O. Wooten, Jr.

Chair Harris noted that Chancellor Thomas C. Meredith was in Piedmont Hospital. He was hospitalized on Saturday afternoon and remained under observation. He was diagnosed as having a bleeding ulcer, which was cauterized. The Chancellor was in exceptionally good spirits and was in regular contact with the University System Office via phone and email. He continued to serve in his role as Chancellor, and no one was deputized to handle the affairs of the University System Office, which remained under his strict supervision. Chair Harris then asked for a moment of silence, followed by a prayer for the Chancellor.

ATTENDANCE REPORT

The attendance report was read on Tuesday, September 10 by Secretary Gail S. Weber, who announced that Regents Allene H. Magill and Glenn S. White had asked for and been given permission to be absent on that day.

APPROVAL OF MINUTES

Motion properly made and duly seconded, the minutes of the Board of Regents meetings held on May 28, 2002, and August 6 and 7, 2002, were unanimously approved as distributed.

Chair Harris repeated his comments at the August 6 and 7, 2002, Board of Regents meeting thanking Regent Hilton H. Howell, Jr., who was absent at the August meeting, for his service as last year's Chair.

PRESENTATION: UPDATE ON PUBLIC LIBRARIES

Chair Harris called upon the Assistant Vice Chancellor for the Georgia Public Library Service (“GPLS”) and State Librarian, Lamar Veatch, to make a presentation to the Board.

Dr. Veatch thanked the Regents for this opportunity to discuss GPLS. He recognized Joan Adams, Director of the Sequoia Regional Library in Canton; Theresa Haymore, Director of the Mountain Regional Library in Young Harris; and Darryl Wylie, Director of the DeKalb County Public Library. Dr. Veatch acknowledged those individuals who had made him very welcome in his first year and had helped GPLS integrate into the University System of Georgia operations.

GPLS began in 1898 as one of the first state library commissions in the country. In 1943, GPLS was moved to the Board of Education, and in 1945, the first \$100,000 of state support was appropriated for public library service. In 1996, GPLS was moved to the Department of Technical and Adult Education, and in 2000, it was moved again to the University System of Georgia. The mission of GPLS is to improve the quality of life for all Georgians by providing information and by encouraging reading, literacy, and education through the continuing support and improvement of Georgia’s public libraries. These are familiar but very important themes that are fundamental to what GPLS does on a daily basis. Most of the work of GPLS is done through the public libraries scattered throughout the State of Georgia. The goals of GPLS are to coordinate advantageous statewide activities and programs, to promote awareness of public library services and increase the visibility of public libraries in Georgia, and to assist individual public library systems in ways that will improve their ability to offer enhanced levels of service to their residents. GPLS has 34 staff members in three locations, all three of which need to relocate very soon. Dr. Veatch noted that there are items in the fiscal year 2004 budget request that will help GPLS with that. GPLS has a central agency budget of approximately \$2.6 million, plus an additional \$37 million in state funds appropriated for the public library systems and approximately \$4 million in federal funds provided to Georgia’s 58 library systems.

Dr. Veatch showed the Regents a map of the State of Georgia and its 58 public library systems. He noted that 33 of these are multi-county systems, while 25 are county systems. There are 2,704 staff members in 366 facilities in every county of the state. The state’s public libraries use a very small fraction of the public’s tax money to provide their services. There has been an increase of 15% over the last seven years in circulation, which means books checked out through the public libraries. There has also been a 46% increase in library visits, which Dr. Veatch attributed to the availability of computers and resources such as Georgia Library Learning Online (“GALILEO”). The services provided by GPLS include administering state and federal grant funds, administering statewide high-speed computer network for public libraries, coordinating public library participation in GALILEO, and administering the Public Information Network for Electronic Services (“PINES”). GPLS also coordinates the annual statewide Vacation Reading Club program, provides and conducts extensive training and continuing education activities, provides consulting and technical assistance to Georgia’s public libraries, and is home of Georgia Library for Accessible Services (“GLASS”), which he would discuss more later. A very important service is the administration of

state public library grant funds, which are appropriated by the Governor and the legislature. Dr. Veatch stressed how important Chair Harris has been to Georgia's public libraries. Because of him, during his governorship, approximately 200 library buildings were constructed around the state. There is even a library in Unadilla named the Elizabeth Harris Library. Dr. Veatch expressed his deep appreciation to Chair Harris for his support. He noted that 81% of library funding comes from local funds.

One of the most important services GPLS provides is networking. Through its established network, it currently provides T-1 lines to 325 public library buildings. The T-1 lines are the pipelines through which materials flow to the libraries. This effort is funded partly by state funds (29%), but primarily by Universal Service E-Rate funds (71%). He noted that GPLS is installing a T-1 line to Sapelo Island because there is a library included in the new community center on Sapelo Island. Dr. Veatch showed the Regents a map of the public library network. There are six points into which all of the T-1 lines run, and those are the points at which there is a direct connection to PeachNet, the University System's network, which is how public libraries have access to GALILEO and other University System materials. GALILEO provides incredibly good content and resources to the public libraries. GPLS ensures that the public libraries have adequate access to GALILEO and that employees have the training and knowledge to use those databases and help the public make the best use of state resources. Through public libraries, everybody has access to GALILEO. It is critically important, particularly in places like the Glascock County Public Library in Gibson, Georgia, which is the only public library in the county and which is located in the annex of an old school building. Inside, it is a fully functional public library with T-1 lines, Internet accessibility, and GALILEO. Through the library, the community can access millions of volumes and journal articles. Providing equal access to people in the most rural areas of the state is critically important. It is also important to have public library computers in rural locations because they are often the only public computers in the county. Computers are very heavily used and are very important in such communities.

The PINES program has become one of the GPLS's most important services, said Dr. Veatch. It is unique in the United States because this public information network for electronic services provides a circulation system, an automation system, patron registration system, and a computer catalog for 43 of the 58 public library systems. It provides to users a single catalog of 7.4 million books accessible with a single library card at any participating library. The program has dramatically improved access to library materials, which are shared among the participating libraries. This is the kind of service that few libraries could afford to provide on their own. However, through a statewide collaborative program such as PINES, they all can afford first-rate, state-of-the-art computer systems. Some of the wealthier public libraries that have their own computer systems may not have joined PINES program yet. However, Dr. Veatch predicted that gradually almost all public libraries in Georgia will be using this program. The computer that runs PINES is housed at Georgia State University, which represents great cooperation between the University System of Georgia and GPLS. Libraries such as the one in Warrenton could not have afforded this kind of program on their own.

Dr. Veatch next discussed GPLS's Vacation Reading Program. Over 200,000 children read almost 4 million books in summer 2001. Approximately 359,000 attended over 7,000 educational programs made possible through the program. He stressed that it is important to get children reading as soon as possible to avoid future reading difficulties. GPLS also does consulting and continuing education. For example, the Ocmulgee Regional Library System in Eastman, Georgia, has a continuing education wing. GLASS, which he mentioned earlier, is another GPLS initiative that includes a library for the blind and others unable to read regular print. GPLS does this through 14 subregional libraries. GLASS has wonderful services, but its facilities are lacking. GPLS is working to upgrade facilities and install a new computer system that will cover the entire state to make these services much more accessible to the citizens of Georgia. Dr. Veatch noted that GPLS cooperates closely with its partners around the state to provide the best possible library service. He thanked the Board and Chair Harris for their support and then stepped down.

Regent Coles asked whether the libraries charge for any of their services, including Internet access.

Dr. Veatch replied that they do not.

Regent Coles asked whether any of the libraries have wireless technologies.

Dr. Veatch responded that some of them do. For example, the Mountain Regional Library, located in an old storefront in Young Harris, has 19 computers on a wireless network.

Regent Coles asked whether people could bring in their own laptops and get onto the network.

Dr. Veatch replied that this is currently under development.

Regent Coles noted that many students today have laptops and wireless is becoming more standard. He suggested that wireless capacity would provide more access to more people.

Dr. Veatch responded that this is just a matter of time and money, but the public libraries are anxious to adopt wireless technologies.

Regent Leebern asked Dr. Veatch why some areas of the state, including Atlanta, Columbus, and Savannah, were not participating in PINES program.

Dr. Veatch responded that PINES was first developed in response to year 2000 technology issues. It started with the smallest public libraries because those were the ones that had either no automation systems or very old ones. PINES has not yet reached all areas of the state. However, there are other libraries interested in participating that may join in time, and they may find ways to interconnect their existing catalogs.

Seeing that there were no further questions, Chair Harris thanked Dr. Veatch for his leadership and for this update on GPLS. He remarked that he is very proud of what the public libraries have been able to accomplish, but there is still a long way to go.

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

Chair Harris next convened the Committee on Finance and Business Operations as a Committee of the Whole and turned the Chairmanship of the meeting over to Regent Shelnut, the Chair of the Committee.

Chair Shelnut stated that at this meeting, the Board would consider the fiscal year 2004 operating budget request, which includes the formula, special funding initiatives, and lottery funds. The Board would also consider the fiscal year 2004 capital budget request, which includes projects on the major capital projects list approved by the Board in June 2002, equipment funds for previously approved projects, minor capital projects, and one payback project. Finally, the Board would consider the fiscal year 2003 amended operating and capital budget request. He then called upon the Senior Vice Chancellor for Academics and Fiscal Affairs, Daniel S. Papp, to present the budget recommendations.

Dr. Papp stated that upon approval of the fiscal year 2004 and amended fiscal year 2003 budget requests, the request will be sent to the Governor for his review and his final recommendation to the legislature. He noted that it was important to place Georgia's situation in a broader context in terms of public higher education and not only regional, but also national perspective. Despite the continued weak economy in Georgia, the state's budget picture continues to be more positive than many of the other 49 states. Georgia is in relatively good shape as the result of three factors: 1) the Governor's early and prudent fiscal budget constraint; 2) this Board's high level of credibility and accountability in the eyes of its funding partners in the legislature, the Governor's Office, and the Governor's Office of Planning and Budget (“OPB”); and 3) solid leadership at the System institutions. Dr. Papp said that he was not saying this to obscure the difficult choices before the Board. It would not be easy this year nor the next.

Dr. Papp explained that he would be discussing the fiscal year 2004 budget request in general. Then, the Vice Chancellor for Fiscal Affairs, William R. Bowes, would be discussing the budget in greater detail, and the Budget Director, Usha Ramachandran, would discuss the fiscal year 2003 amended budget request. He stated that Georgia, like most states, has a weak economy. If, as many economists say, the recession Georgia is experiencing is based on telecommunications, then it becomes clear that Georgia's economy has taken some severe hits and will probably continue to be hit. In fact, Georgia set a dubious record in its revenue history with 14 consecutive months of declining revenues, and that pattern is continuing. Even with economic recovery, Georgia will still experience a lag between economic growth and increased revenue and tax collections. This means there will be a growing gap between projected program costs and revenues. With this in mind, the Governor has issued a number of guidelines for fiscal year 2004 and amended fiscal year 2003 budget requests. First, enhancements must be accompanied by reductions in existing expenditures. Second, the 3% holdback will continue, along with a fiscal year 2003 budget reduction of 5.9%. Third, consideration of requests will be based on workload (formula) changes, such as increased numbers of students, student hours, square footage, etc. Dr. Papp noted that given the overall economic picture and the fact that fall enrollments are very good, this is a very positive sign. Finally, there are no restrictions on the fiscal year 2003 amended budget request, but funds are very limited.

The development of the overall budget request was a multipart project. First, Chancellor Meredith appointed a presidential advisory committee consisting of seven presidents: G. Wayne Clough, Georgia Institute of Technology; Nathaniel Hansford, North Georgia College & State University; Kofi Lomotey, Fort Valley State University; Barbara P. Losty, Waycross College; Betty L. Siegel, Kennesaw State University; Michael F. Vollmer, Abraham Baldwin Agricultural College; and Harold E. Wade, Atlanta Metropolitan College. These presidents met a number of times from late spring through the summer to help develop the budget recommendation to the Board. The suggestions made by the presidential advisory committee under the leadership of Chancellor Meredith and the budget staff were presented to the presidents at their August 2002 meeting. The presidents were in agreement, and since that time, there had been discussions between the staff and the Regents about the budget proposal. If approved by the Board, this collaborative effort would be submitted to the Governor and OPB. The money received from these budgets will be used to continue the momentum of the University System of Georgia. In closing, Dr. Papp called upon Mr. Bowes to discuss the budget in greater detail.

Mr. Bowes began by highlighting some important trends in the University System's budget. After several years of positive growth due to the formula, salary increases, and growth in special funding initiatives, fiscal year 2003 was the first year since fiscal year 1992 that there was a downturn in state appropriations to the University System of Georgia. Had it not been for formula increases last year due to the System's credit hour enrollment, the reduction might have been much larger than the net cut of 1.8%. The University System's share of the state budget had been declining since 1985, when it was at a high of 14.7%, to a low of 11.4% in fiscal year 2002. This is due to the increasing demands placed upon the state in areas such as Medicaid and corrections. The good news is that the downturn trend was reversed in 2003. The University System's budget increased slightly to 12% as a share of total state appropriations, owing in large measure to formula increases. The best news is that the System's credit hour enrollment has fully recovered from pre-semester conversion levels. The 6.6% growth in credit hour enrollment in fiscal year 2002 produced a significant increase in the formula budget for fiscal year 2004.

Next, Mr. Bowes discussed the "A" budget. The "A" budget reflects state appropriations to institutions that are unrestricted for educational and general costs. The overall requested increase for fiscal year 2004 was for approximately \$1.6 billion, or 8.3% above the adjusted base, including last year's reduction of 5% and a further reduction 0.86%. The 3% budget holdback for fiscal year 2004 was just over \$21 million, but there was also an overall funds increase of approximately \$144.7 million. The enrollment increase was based on a 6.6% increase in credit hour enrollment in fiscal year 2002, the enrollment year upon which the formula was based. This generated about \$81.5 million, which was an improvement over recent years. In the area of new facilities, the System has a 1.6 million increase in square footage, which generated a Systemwide increase of \$7.7 million. There were also a number of fringe benefit changes, including costs for new retirees, such as health and life insurance benefits, plus an increase in the required contribution for the Regents' Optional Retirement Plan ("ORP"). The health insurance cost increase of \$14.1 million reflects a proposed change in premiums for the indemnity and preferred provider organization ("PPO") plans. This recommendation would be discussed in depth during the Committee meeting of the Committee on Finance and Business Operations. Based on medical care and prescription drug cost projections by Towers-Perrin, the staff were proposing a

15% increase in premiums for the indemnity plan and a 5% increase in premiums for the PPO plan. The difference in rate reflected differences in claims versus premium experience for the two plans. With regard to life insurance, the University System of Georgia provides a basic plan with \$25,000 coverage for employees, and employees can also choose to purchase supplemental life insurance, which would also be covered during the regular Committee meeting. The recommended \$4.7 million increase represented the cost of premium changes, which would go into effect on October 1, 2002. The formula generated \$2.7 million in new funding based on the increase in square footage. The staff were also proposing as part of the formula request that the \$25 million for major repairs and renovations (“MRR”) that was removed from the budget in fiscal year 2003 be restored in the fiscal year 2004 budget so that the full amount of \$59 million would reflect 1% of building replacement cost. These funds are vital to the institutions as a primary source for maintaining facilities and ensuring the integrity of the state’s investment in capital assets. Finally, based on growth in the number of continuing education units, the formula produced an increase of \$5.2 million for continuing education. The Board has a policy commitment to continuing education which is a cornerstone of the strategic plan’s efforts to support the economic development of the state by providing professional development opportunities. In all, the requested formula increase was \$144.7 million.

The staff were also recommending that funding for special funding initiatives of \$33.9 million be continued at the current level in fiscal year 2004. Included among the special funding initiatives are important programs, such as the Intellectual Capital Partnership Program (“ICAPP[®]”) Health Care Professionals and 4-4-2 initiatives, as well as the Georgia Tech Regional Engineering Program (“GTREP”) and a number of other programs. In addition, the staff were recommending that lottery fund initiatives continue forward at \$23.9 million. These funds cover a number of important technology initiatives, such as Georgia Library Learning Online (“GALILEO”), as well as \$15 million for the Equipment, Technology, and Construction Trust (“ETACT”), which supports a number of projects at the institutions.

Mr. Bowes stated that the “B” budget includes those units that receive a line item appropriation from the legislature, such as the agricultural experiment stations, cooperative extension, hospitals and clinics, the University System Office, the Georgia Public Library System (“GPLS”), and a number of other programs. The “B” budget base for fiscal year 2003 was approximately \$205.6 million. There was a 3% budget holdback for these programs in fiscal year 2004, which amounted to approximately \$3.6 million. Annualized salary costs and other increases would be added in, including \$2.4 million for GPLS based on the population formula used to generate funds for the local libraries for personnel and materials. The overall increase was \$8.4 million, or about 1%. Mr. Bowes noted that per the Governor’s guidelines, there were no enhancements in the “B” budget. It was basically salary annualization and the GPLS increase. The overall “B” budget request for fiscal year 2004 was approximately \$207.7 million.

Mr. Bowes noted that the 3.25% salary increase approved by the Governor and legislature in fiscal year 2003 appeared, based on an informal survey, to have raised the University System’s rank among Southern Regional Education Board (“SREB”) states from fifth to third in terms of average faculty salaries. The System’s ability to attract and retain exceptional faculty is a critical component of quality. Therefore, the

staff were recommending that the Board once again urge the Governor and legislature to consider faculty and staff increases in fiscal year 2004. The staff proposed no specific recommendation on percentages, since they recognized the constraints on state revenues.

Next, Mr. Bowes discussed the capital budget request. He stated that there were 22 projects on the major capital projects list, including those approved at the June 2002 Board meeting. Three projects were added to the list at that time: the academic and classroom building at Armstrong Atlantic State University, the special libraries collection building at the University of Georgia, and the clean room complex at the Georgia Institute of Technology. He noted that a priority capital projects list for GPLS would be presented to the Committee on Finance and Business Operations at the October 2002 Board meeting as an addendum to the capital budget request. There were nine projects that received construction funding in recent years but for which equipment funding was removed. There was a \$12.9 million request in the fiscal year 2004 capital budget request to make those facilities fully operational. There was also a total of 24 minor capital projects, which are defined as projects costing less than \$5 million. Together, they totaled approximately \$68 million. There were seven projects designed to address infrastructure issues, such as water and sewer lines, electrical, HVAC, etc. There were also projects to make improvements to existing facilities to enhance their utility. There were also projects that are labeled new construction, most of which entail building additions to existing structures. Finally, there was one payback project at Georgia Perimeter College for the construction of a student center facility on the Clarkston Campus. Payback projects are those that are funded by student fees for the construction of housing, parking facilities, and student centers whereby the state issues bonds for construction and reduces the University System's budget to cover debt service. In closing, Mr. Bowes called upon Ms. Ramachandran to review the recommendations for the fiscal year 2003 amended budget request.

Ms. Ramachandran greeted the Regents and explained that the amended budget request gave the University System of Georgia an opportunity to ask for things for the current fiscal year that were not included in the original budget. This year's amended budget requests were all related to one of three categories: buildings, benefits, and books. In the first category of buildings, the staff were proposing five requests. First, the MRR program is critical to maintaining the System's buildings in a usable and safe condition. The System has over 3,000 buildings, of which 606 buildings are over 50 years old and 1,926 buildings are over 25 years old. The System represents 55% of the total real estate holdings of the state. In all, there are 60 million square feet of space with an estimated replacement value of \$5.8 billion dollars throughout the state. Therefore, the state has a huge investment to protect and preserve, and so, the staff were recommending that the System request a restoration of the \$25 million dollars in MRR funding that was reduced for the current year. This was in addition to the restoration in the fiscal year 2004 budget request. The second request pertained to the Yamacraw building, which was funded in the current year's budget with an expected occupancy date of January 2003. However, the building would be completed a month sooner, in December of this year, and this would require an additional lease payment, parking, and operating funds of \$600,000. The third request was for the Camden Center, which will be operational in July 2003. It is the first planned joint delivery of technical education and associate degree programs by the Department of Technical and Adult Education and Coastal Georgia Community College.

This request was for science lab equipment, furnishings, and other one-time costs totaling \$683,000. The fourth request in the Buildings category was the rent adjustment for the University System Office and GPLS, which the Georgia Building Authority has assessed at \$13,082.

Last in the category of buildings was the data warehouse, not exactly a building in physical terms, but certainly a structure built to house information. The initial objective is to capture financial data to meet the state's as well as the System's reporting requirements. The Board would be hearing a presentation on this at Wednesday's full Board meeting. This will be expanded in the future to include data on students, facilities, and human resources. However, as more and more information is fed into the system, additional demands are placed on servers and computer hardware. Therefore, the staff are recommending a request of one-time funds in the amount of \$500,000 for hardware and software.

Ms. Ramachandran next discussed the second category, benefits, in which the staff were recommending three requests: health insurance, life insurance, and Regents' Optional Retirement Plan ("ORP"). For fiscal year 2003, the recommended health insurance premiums would increase by 15% and 5% for the indemnity and PPO plans, respectively. Since these changes would become effective January 2003, the amount needed for the current year was \$7 million. The recommended increase in life insurance premiums from \$0.43 to \$0.57 per \$1,000 of coverage would become effective October 1, 2002, and will increase employers' cost by \$3.5 million. Third was the ORP. The employer contribution rate increased from 9.62% to 10.02% effective July 1, 2002, with a resulting increase in cost of \$1.55 million.

The last category in the fiscal year 2003 amended budget request was books. Ms. Ramachandran said, "When we think of books, we think of learning... and who better to learn from than an eminent scholar?" The eminent scholars program has been a major success for the University System of Georgia in attracting top faculty. This very important program was introduced and established during the gubernatorial administration of Chair Joe Frank Harris. Under this program, private donations are matched with state funds. So far, System institutions have raised private funding for 17 eminent scholars in fields ranging from high-speed electronics to civil engineering to early childhood education. A total of \$7 million would be required in state matching to fund all 17 eminent scholars. "When we think of Books, we also think of libraries," said Ms. Ramachandran. GPLS was requesting \$4.5 million, of which \$2.1 million was for renovations and repairs of libraries housed in aging facilities. The remaining \$2.4 million was to replace outdated computer workstations at public libraries, which provide the access point to online resources and computer databases. Moreover, Georgia Library Learning Online ("GALILEO") required \$115,000 for increase in database costs.

Ms. Ramachandran stated that all of the fiscal year 2003 amended budget requests total \$50.5 million dollars. She then thanked the Regents and turned the floor back to Chair Shelnut.

Chair Shelnut thanked the presenters and asked how long the private commitments to the eminent scholars program had been in place.

Dr. Papp responded that the program itself was begun seven or eight years ago. The current requests were for state funds to match private monies that institutions have already raised. Some of the 17 eminent scholars requests had been sitting in the foundations at the institutions for as long as three and four years, so there was some degree of urgency.

Regent Coles remarked that the Regents should put forth a real effort to get these funded, especially in times of budget cuts. He said that this is one of the Board's most successful programs, and there would probably be even more private contributions if the state had been able to match the existing private funds. He said that this is a great way to create a faculty position and have it done in a private-public partnership. He suggested the Board look at the levels of funding and whether \$1 million per eminent scholar is enough money in today's market.

Chair Shelnut agreed and said that he was concerned whether private contributors will change their minds if state funds continue not to match.

Regent Coles responded that the foundations already have the private contributions. The problem is that the contributions are sitting in the foundations until the state matching funds are provided because the foundations cannot fund the eminent scholar positions without the state matching funds.

Chair Shelnut asked whether there were any further questions.

Regent NeSmith asked what was the probability that the fiscal year 2003 amended budget request would be funded and whether it was prioritized in the event it was not fully funded.

Mr. Bowes responded that the list was not prioritized, but the eminent scholars program and MRR were the two most critical needs.

Dr. Papp added that the presidential advisory committee was unanimous that these two were the most critical needs.

Chair Shelnut called for a motion to approve the fiscal year 2004 operating and capital budget request and the fiscal year 2003 amended budget request.

Regent Coles made the motion, which was seconded by Regent NeSmith and unanimously approved.

At 2:00 p.m., Chair Shelnut adjourned the Committee on Business and Finance Operations as a Committee of the Whole.

Then, Chair Harris adjourned the Board into its regular Committee meetings.

CALL TO ORDER

The Board of Regents of the University System of Georgia met again on Wednesday, September 11, 2002, in the Board Room, room 7007, 270 Washington St., S.W., seventh floor. The Chair of the Board, Regent Joe Frank Harris, called the meeting to order at 9:00 a.m. Present on Wednesday, in addition to Chair Harris, were Vice Chair James D. Yancey and Regents Hugh A. Carter, Jr., Connie Cater, William H. Cleveland, Michael J. Coles, Hilton H. Howell, Jr., George M. D. (John) Hunt III, Donald M. Leebern, Jr., Elridge W. McMillan, Martin W. NeSmith, J. Timothy Shelnut, and Joel O. Wooten, Jr.

INVOCATION

The invocation was given on Wednesday, September 11 by Regent Michael J. Coles.

ATTENDANCE REPORT

The attendance report was read on Wednesday, September 11 by Secretary Gail S. Weber, who announced that Regents Allene H. Magill, Wanda Yancey Rodwell, and Glenn S. White had asked for and been given permission to be absent on that day.

Chair Harris reported that Chancellor Meredith's condition was continuing to improve and he may soon be released from the hospital.

AUDIT COMMITTEE

The Audit Committee met on Tuesday, September 11, 2002, at approximately 11:20 a.m. in room 7005. Committee members in attendance were Chair Joel O. Wooten, Jr., Vice Chair Connie Cater, and Regents Hilton H. Howell, Jr. and James D. Yancey. Chair Wooten reported to the full Board on Wednesday that the Committee had reviewed four items, none of which required action. Those items were as follows:

1. Information Item: Summary of Internal Audits for Fiscal Year 2002

The Associate Vice Chancellor for Internal Audit, Ronald B. Stark, presented a summary of audits completed by University System Office and campus-based auditors at the 13 institutions with internal audit departments. The campus-based auditors rate the audit reports and rank each audit finding at their institutions. Mr. Stark receives and reviews all audit reports. He stated that 126 audits were completed in fiscal year 2002. There were 468 findings in these audits, 118 of which were significant and 2 of which were major. The statuses of these findings are monitored quarterly. Mr. Stark said that, overall, the auditors in the University System of Georgia are doing a good job and that there are no serious concerns.

2. Information Item: Summary of Value-Added Advisory Services

In addition to audits, internal audit departments contribute to their institutions in many other ways. They provide advisory services and serve on campus and Systemwide committees. The Associate Vice Chancellor for Internal Audit, Ronald B. Stark, discussed some of the value-added services provided by System internal audit departments. For example, the Internal Audit Department of the University System Office interpreted and helped implement Governmental Accounting Standards Board (“GASB”) Statements 34, 35, 37, and 38 Systemwide; prepared the consolidated annual financial report for fiscal year 2001; helped in an advisory capacity with PeopleSoft implementation Systemwide; led negotiations with the federal Department of Education regarding Fort Valley State University’s financial aid issues; and represented the University System Office on the Governor’s Statewide Financial Steering Committee. Mr. Stark also discussed the value-added services of the internal audit departments at a number of System institutions.

3. Information Item: Summary of Organizational Structure

The Associate Vice Chancellor for Internal Audit, Ronald B. Stark, reported that Chancellor Thomas C. Meredith has communicated with University System presidents regarding reporting relationships. To ensure their independence and objectivity, all campus-based auditors now report dually to their respective presidents and Mr. Stark, who now reports directly to the Chancellor. Mr. Stark also introduced Scott C. Woodison, Information Technology Audit Manager, who is filling a newly created position in the Internal Audit Department of the University System Office.

4. Presentation on Enron and the Sarbanes-Oxley Act of 2002

Congress passed the Sarbanes-Oxley Act of 2002 (the “Act”) in response to the Enron bankruptcy and subsequent corporate financial fraud. Although the Act has no direct impact on the University System of Georgia, the associated media coverage and public outcry will have far-reaching consequences on senior management, financial accounting, and boards of regents/trustees. The Associate Vice Chancellor for Internal Audit, Ronald B. Stark, presented an overview of the Act and its possible implications. He noted that the Act promotes a number of good business practices.

Chair Wooten asked Mr. Stark to meet with the Chancellor to review the Act and to develop recommendations for the University System of Georgia incorporating best business practices as outlined in the Act.

COMMITTEE ON FINANCE AND BUSINESS OPERATIONS

The Committee on Finance and Business Operations met on Tuesday, September 10, 2002, at approximately 2:20 p.m. in the Board Room. Committee members in attendance were Chair J. Timothy Shelnut and Regents Connie Cater, Michael J. Coles, George M. D. (John) Hunt III, Donald M. Leebern, Jr., Martin W. NeSmith, Joel O. Wooten, Jr. Chair Shelnut reported to the Board on Wednesday that the Committee had reviewed 15 items, all of which required action. With motion properly made, seconded, and unanimously adopted, the Board approved and authorized the following:

1. **Approval of Fiscal Year 2004 Operating and Capital Budget and Fiscal Year 2003 Amended Budget Requests (To be addressed by the Board of Regents as a Committee of the Whole)**

Approved: The Board approved the fiscal year 2004 operating and capital budget and the fiscal year 2003 amended budget requests. (The budget request document is on file with the Office of Academics and Fiscal Affairs.)

This item was considered by the Committee on Business and Finance Operations as a Committee of the Whole. (See pages 5 to 11.)

2. **Approval of Fiscal Year 2003 Additional 2% Holdback Allocation**

Approved: The Board approved the prorated allocation of the additional 2% holdback instituted by the Governor for fiscal year 2003 among the institutions and operating units of the University System of Georgia. The direct instruction component of the formula is exempt from the holdback.

Background: In response to the downturn in the economy, in April 2002, the Governor directed all agencies to withhold expenditures of 1% for fiscal year 2003. However, with revenues continuing to decline and July 2002 marking the thirteenth consecutive month of declining revenues, the Governor's Office of Planning and Budget ("OPB") has directed each state agency to increase the withholding by an additional 2% of appropriations, bringing the total withheld to 3%. The holdback does not apply to the instruction component of the formula.

The holdback applies to all state appropriations and special funding initiatives for "A" and "B" budgets. The additional 2% holdback includes \$12.88 million in state appropriations for System institutions, \$696,197 in special funding initiatives, \$366,050 in research consortium, and \$4.65 million for the "B" units. The state appropriation holdbacks have been allocated proportionately for all institutions, "B" units, and special funding initiatives.

3. **Approval of Addition to The Policy Manual, Section 704.041 Out-of-State Tuition Waivers**

Approved: The Board approved an addition to The Policy Manual, Section 704.041 Out-of-State Tuition Waivers.

Background: Georgia, among other states, has a teacher shortage. The state has instituted several initiatives to encourage both students and current professionals to seek teacher certification through traditional or nontraditional methods. The state and federal governments currently offer several different incentives, such as scholarships and alternative preparation programs for people who may want a second career. Retired or separated military personnel offer a pool of potential teachers for Georgia, since Georgia is home to several military bases. While some of the recently separated military are Georgia residents and can receive in-state tuition upon separation, there are others who have maintained residency in other states but desire to become teacher certified and teach in Georgia. Currently policy requires one year residency before a student can be eligible for in-state tuition. This recommended addition to the out-of-state tuition waiver will allow a recently separated military person to begin a teacher certification program and pay in-state tuition while establishing permanent residency in the State of Georgia.

The revised policy, with the addition highlighted, is as follows:

704.041 OUT-OF-STATE TUITION WAIVERS

An institution may waive out-of-state tuition and assess in-state tuition for:

- A. Academic Common Market. Students selected to participate in a program offered through the Academic Common Market.
- B. International and Superior Out-of-State Students. International students and superior out-of-state students selected by the institutional president or an authorized representative, provided that the number of such waivers in effect does not exceed 2 percent of the equivalent full-time students enrolled at the institution in the fall term immediately preceding the term for which the out-of-state tuition is to be waived.
- C. University System Employees and Dependents. Full-time employees of the University System, their spouses, and their dependent children;
- D. Medical/Dental Students and Interns. Medical and dental residents and medical and dental interns at the Medical College of Georgia (BR Minutes, 1986-87, p. 340);
- E. Full-Time School Employees. Full-time employees in the public schools of Georgia or of the Department of Technical and Adult Education, their spouses, and their dependent children. Teachers

employed full-time on military bases in Georgia shall also qualify for this waiver (BR Minutes, 1988-89, p. 43);

- F. Career Consular Officials. Career consular officers, their spouses, and their dependent children who are citizens of the foreign nation that their consular office represents and who are stationed and living in Georgia under orders of their respective governments.
- G. Military Personnel. Military personnel, their spouses, and their dependent children stationed in Georgia and on active duty, unless such military personnel are assigned as students to System institutions for educational purposes;
- H. Research University Graduate Students. Graduate Students attending the University of Georgia, the Georgia Institute of Technology, Georgia State University, and the Medical College of Georgia, which shall be authorized to waive the out-of-state tuition differential for a limited number of graduate students each year, with the understanding that the number of students at each of these institutions to whom such waivers are granted shall not exceed the number assigned below at any one point in time:

University of Georgia	80
Georgia Institute of Technology	60
Georgia State University	80
Medical College of Georgia	20

- I. Border County Residents. Residents of an out-of-state county bordering a Georgia county in which the reporting institution or a Board-approved external center of the University System is located.
- J. National Guard Members. Full-time members of the Georgia National Guard, their spouses, and their dependent children. (BR Minutes, April, 1998, pp. 16-17);
- K. Students enrolled in University System institutions as part of Competitive Economic Development Projects. Students who are certified by the Commissioner of the Georgia Department of Industry, Tourism and Trade as being part of a competitive economic development project;
- L. Students in Georgia-Based Corporations. Students who are employees of Georgia-based corporations or organizations that have contracted with the Board of Regents through University System institutions to provide out-of-state tuition differential waivers;
- M. Students in Pilot Programs. Students enrolled in special pilot programs approved by the Chancellor. The Chancellor shall evaluate institutional requests for such programs in light of good public policy and the best interests of students. If a pilot program is successful, the tuition program shall be presented to the Board for consideration;

- N. Students in ICAPP[®] Advantage programs. Any student participating in an ICAPP[®] Advantage program; and
- O. Direct Exchange Program Students. Any international student who enrolls in a University System institution as a participant in a direct exchange program that provides reciprocal benefits to University System students.
- P. Families Moving to Georgia. A dependent student who, as of the first day of term of enrollment, can provide documentation supporting that his or her supporting parent or court-appointed guardian has accepted full-time, self-sustaining employment and established domicile in the State of Georgia for reasons other than gaining the benefit of favorable tuition rates may qualify immediately for an out-of-state tuition differential waiver which will expire 12 months from the date the waiver was granted. An affected student may petition for residency status according to established procedures at the institution.
- Q. Recently Separated Military Service Personnel. Members of a uniformed military service of the United States who, within 12 months of separation from such service, enroll in a program for teacher certification and demonstrate an intent to become a permanent resident of Georgia. This waiver may be granted for not more than one year.

4. **Approval of Continuation in the Georgia Department of Community Health Contract With Beech Street Corporation**

Approved: The Board approved the continuation of the administrative services agreement between the Board of Regents, the Georgia Department of Community Health (“DCH”), and Beech Street Corporation (“Beech Street”). The contract extension will be for the period from January 1, 2003, through December 31, 2003.

Background: Beech Street is the vendor for the preferred provider organization (“PPO”) healthcare plan for the national network service area. The national PPO service area includes a comprehensive network of healthcare providers that have signed direct contracts with Beech Street to provide medical treatment and services at discounted rates.

In the agreement signed between DCH and Beech Street, the amount of the administrative fee was agreed to be 5% of “savings.” “Savings” is defined in the contract as the difference between the billed charges from the PPO provider and the application of the Beech Street discounted fee schedule. Notwithstanding the percent-of-savings payment methodology, the maximum administrative fee that the University System of Georgia would pay to Beech Street for access to its national network is \$0.35 per contract per month.

The administrative fee for the University System of Georgia for plan year 2003 will be unchanged from plan year 2002.

5. Approval of Continuation of the Health Insurance Administrative Services Contract With WellPoint Health Networks, Inc.

Approved: The Board approved the continuation of the health insurance administrative services contract with WellPoint Health Networks Inc. (“WellPoint”) from January 1, 2003, through December 31, 2003. The health insurance administrative services contract will be administered by WellPoint’s wholly owned subsidiary, Blue Cross Blue Shield of Georgia, Inc.

Background: The proposed administrative fee for the respective University System of Georgia PPO and indemnity healthcare plans for Plan Year 2003 is \$17.73 per employee per month. The proposed plan year 2003 administrative fee reflects a 7% increase above the plan year 2002 administrative fee. The proposed plan year 2003 administrative fee is consistent with the agreement that was signed between the Georgia Department of Community Health, on behalf of the Board of Regents, and WellPoint in December 2000.

Blue Cross Blue Shield of Georgia, Inc. will administer the health insurance administrative services contract.

6. Approval of Continuation of the Dental Insurance Administrative Services Contract With WellPoint Health Networks, Inc.

Approved: The Board approved the continuation of the dental insurance administrative services contract with WellPoint Health Networks Inc. (“WellPoint”) from January 1, 2003, through December 31, 2003. The dental insurance administrative services contract will be administered by WellPoint’s wholly owned subsidiary, Blue Cross Blue Shield of Georgia, Inc.

Background: The administrative fee for the University System of Georgia indemnity dental program for plan year 2003 will be \$2.17 per employee per month. The plan year 2003 administrative fee reflects a 7% increase above the plan year 2002 administrative fee. The plan year 2003 administrative fee is consistent with the agreement that was signed between the Georgia Department of Community Health, on behalf of the Board of Regents, and WellPoint in December 2000.

Blue Cross Blue Shield of Georgia, Inc. will administer the dental insurance administrative services contract.

7. Approval of Continuation of the Administrative Services Contract Between the Board of Regents, the Georgia Department of Community Health, and Unicare

Approved: The Board approved the continuation of the administrative services agreement between the Board of Regents, the Georgia Department of Community Health (“DCH”), and Unicare. The contract extension will be for the period of January 1, 2003, through December 31, 2003.

Background: The DCH-Unicare contract states that annual Unicare administrative fee increases will be

determined by DCH. The 2003 proposed administrative fee is determined by the amount of the increase in the Consumer Price Index. For plan year 2003, the administrative fee increase approved by DCH was 2.7%. The increase in the administrative fee will be allocated as follows:

<u>Program</u>	<u>Plan Year 2002 Administrative Fee</u>	<u>Plan Year 2003 Administrative Fee</u>
Hospital Inpatient Precertification	\$1.97 per contract/month	\$2.02 per contract/month
Alternative Medical Care	\$0.37 per contract/month	\$0.38 per contract/month
Medical Case Management	\$0.63 per contract/month	\$0.65 per contract/month
Outpatient Review Services	\$0.51 per contract/month	\$0.52 per contract/month
Precertification of Indemnity Healthcare Plan Participants for Behavioral Health Services	\$0.45 per contract/month	\$0.46 per contract/month
MedCall	\$0.64 per contract/month	\$0.66 per contract/month
PPO Network Channeling	\$0.10 per contract/month	\$0.10 per contract/month
Asthma Disease State Management Program	\$0.37 per contract/month	\$0.38 per contract/month
Diabetes Disease State Management Program	\$0.29 per contract/month	\$0.30 per contract/month
Oncology Disease State Management Program	\$0.10 per contract/month	\$0.10 per contract/month
Congestive Heart Failure Disease State Management Program	\$0.20 per contract/month	\$0.21 per contract/month

Senate Bill 476, the Consumers' Health Insurance Protection Act, was passed in the 2002 session of the Georgia General Assembly. The effective date of the statute is October 1, 2002. The statute requires that any managed care plan requiring precertification shall have sufficient personnel available 24 hours a day, seven days a week, to provide such precertification for all procedures other than for nonurgent procedures.

The administrative fee that will be required by Unicare to provide this state-mandated requirement will be \$0.43 per contract/month. This fee must be paid to Unicare, effective October 1, 2002. This fee will be guaranteed for the Board of Regents from October 1, 2002, through December 31, 2003.

The University System of Georgia will continue to participate in the Unicare national transplant network. Under this agreement, the System will pay Unicare \$6,150 for each transplant, excluding kidney, kidney/pancreas, and cornea transplants.

For plan year 2003, the University System of Georgia will add a \$10,000 lifetime benefit for those healthcare plan participants requiring transplant donor search services. To access this transplant donor search healthcare plan benefit, a member must use the Unicare Centers of Expertise Program. As an information item, during plan year 2002, the University System of Georgia had five individuals access the Unicare transplant program. There will be no increase in the administrative fee for access to the Unicare Centers of Expertise Program for plan year 2003.

8. Approval of Continuation of the Administrative Services Contract Between the Board of Regents, the Georgia Department of Community Health, and Magellan

Approved: The Board approved the continuation of the administrative services agreement between the Board of Regents, the Georgia Department of Community Health, and Magellan. The requested contract extension will be for the period from January 1, 2003, through December 31, 2003.

Background: Magellan provides utilization review and managed care for preferred provider organization plan participants who require behavioral healthcare services. The administrative fee for the University System of Georgia for plan year 2003 will be \$2.07 per contract per month.

For plan year 2002, the University System of Georgia paid an administrative fee of \$2.15 per contract per month. The proposed plan year 2003 administrative fee represents a 3.96% decrease in the contract per month cost for plan year 2002.

9. Approval of Continuation of the Administrative Services Contract Between the Board of Regents, the Georgia Department of Community Health, and MRN/GeorgiaFirst

Approved: The Board approved the continuation of the administrative services agreement between the Board of Regents, the Georgia Department of Community Health, and MRN/GeorgiaFirst. The contract extension will be for the period from January 1, 2003, through December 31, 2003.

Background: MRN/GeorgiaFirst is the vendor for the preferred provider organization healthcare plan for the Georgia network service area. The Georgia PPO service area includes a comprehensive network of healthcare providers that have signed direct contracts with MRN/ GeorgiaFirst to provide medical treatment and services at discounted rates.

The administrative fee for the University System of Georgia for plan year 2003 will be \$1.59 per contract per month. There is no increase in the administrative fee from the rate that has been charged for the last two plan years.

10. Approval of Continuation of the Administrative Services Contract Between the Board of Regents, the Georgia Department of Community Health, and Express Scripts, Inc.

Approved: The Board approved the continuation of the administrative services agreement between the Board of Regents, the Georgia Department of Community Health (“DCH”), and Express Scripts, Inc. The contract extension will be for the period from January 1, 2003, through December 31, 2003.

Background: In August 2000, DCH executed a pharmacy benefit management contract with Express Scripts, Inc. on behalf of the Board of Regents, the State Health Benefits Plan, the state Medicaid program, and the state PeachCare for Children program.

The contract includes pharmacy cost-containment strategies and pharmaceutical rebate provisions to benefit each of the state stakeholders. The pharmacy benefit plan design includes a \$10 generic prescription drug co-payment, a \$20 preferred brand name prescription drug co-payment, and a 20% co-payment for nonpreferred brand name prescription medications. The minimum member co-payment for a nonpreferred brand name prescription medication is \$35; the maximum member co-payment is \$75.

In plan year 2002, the plan added a monthly maximum out-of-pocket member benefit. The prescription drug plan covers both the preferred provider organization and indemnity healthcare plans.

The administrative fee for the University System of Georgia for plan year 2003 will be \$0.38 per electronically filed pharmacy claims and \$1.50 per paper filed pharmacy claims. There is no increase in the administrative fee from the rate that has been charged for the last two plan years.

11. Approval of Health Maintenance Organization Healthcare Plan Premiums for Plan Year 2003

Approved: The Board approved the health maintenance organization (“HMO”) healthcare plan premiums for the University System of Georgia for plan year 2003. The Board of Regents has HMO contracts with Kaiser Permanente and with Blue Cross Blue Shield of Georgia, Inc., for its Blue Choice HMO product. The HMO contract extensions will be for the period from January 1, 2003, through December 31, 2003. The plan premiums are on file with the Office of Fiscal Affairs.

The Board also approved a requirement that any University System of Georgia institution located in an HMO vendor identified service area be required to offer that HMO as an additional healthcare plan option to its employees. This decision will increase the opportunity for System employees to consider other cost-

competitive healthcare plan options.

Background: As of February 1, 2002, there were approximately 7,931 HMO contracts in the University System of Georgia. In February 2001, there were approximately 6,953 HMO contracts in the University System of Georgia.

For plan year 2002, Kaiser Permanente had 3,360 contracts, and the Blue Choice HMO had 4,571 contracts. For plan year 2002, approximately 19.1% of all University System of Georgia healthcare contracts were with HMO plans. For plan year 2001, approximately 17% of all University System of Georgia healthcare contracts were with HMO plans.

In November 2001, the Georgia Department of Community Health and the Board of Regents jointly released an HMO request for proposal (“RFP”) for the selection of HMO vendors to serve the State Health Benefits Plan and the Board of Regents for plan year 2003. A number of the changes in the Kaiser Permanente HMO option and in the Blue Choice HMO option are consistent with the desired plan design features presented in the RFP.

Kaiser Permanente requested a 9.78% increase in premiums for plan year 2003. The changes to the plan year 2003 Kaiser Permanente HMO plan design are as follows:

1. An increase in physician office visit co-payments from \$5 to \$10;
2. A member co-payment of \$10 for generic prescription medications and a member co-payment of \$20 for brand name prescription medications obtained from a Kaiser Permanente medical center;
3. A member co-payment of \$16 for generic prescription medications obtained from an Eckerd pharmacy and a member co-payment of \$26 for brand name medications obtained from an Eckerd pharmacy;
4. The addition of a \$200 member co-payment for an admission to a hospital;
5. The addition of a \$15 member co-payment for chiropractic care; and
6. A reduction in the extended care facility benefit from 100 days to 30 days.

Blue Cross Blue Shield of Georgia, Inc. proposed a 12% decrease in its requested premium amounts for its BlueChoice HMO product for Plan Year 2003. The changes to the plan year 2003 BlueChoice HMO plan design are as follows:

1. The addition of a \$200 member co-payment for an admission to a hospital;
2. The discontinuation of benefits coverage for the extraction of impacted teeth; and
3. The discontinuation of the BlueChoice Platinum HMO plan.

The University System has eight retirees who currently participate in the BlueChoice Platinum HMO plan product. These individuals will be permitted to elect other healthcare plan coverage options during the

upcoming open enrollment/retiree annual change period scheduled from October 14, 2002, through November 14, 2002.

12. Approval of Preferred Provider Organization Healthcare Plan Premiums, Indemnity Medical Healthcare Plan Premiums, and Indemnity Dental Plan Premiums for Plan Year 2003

Approved: The Board approved the preferred provider organization (“PPO”) healthcare plan premiums, the indemnity medical healthcare plan premiums, and the indemnity dental plan premiums for the University System of Georgia for plan year 2003. The plan premiums are on file with the Office of Fiscal Affairs.

Background: For plan year 2003, it was predicted that health maintenance organization plans would face premium increases ranging from 9% to 12%. Premiums for PPO healthcare plans have been predicted to have premium increases of between 16% and 20% for plan year 2003.

Towers-Perrin was retained by the University System Office to conduct an actuarial review of the System’s PPO healthcare plan, the System’s indemnity medical plan, and the System’s indemnity dental plan. Towers-Perrin was requested to identify the required premiums for the respective health and dental plans for plan year 2003.

Among the recommendations proposed by Towers-Perrin were:

1. There should be a 15% increase in the total premiums for the University System of Georgia indemnity healthcare plan for plan year 2003, and there should be a 5% increase in the total premiums for the University System of Georgia PPO healthcare plan. The proposed rates should be sufficient to cover the costs for paid medical claims, to cover the costs for plan administration fees, to remain current with increasing medical trending costs, and to enhance the financial stability of the current plan reserves.
2. There should be no increase in the premiums for the University System of Georgia dental indemnity plan for plan year 2003. The employee premium rates for plan year 2003 will be \$30.78 for “employee only” coverage and \$65.92 for “family” coverage. The current premiums for the University System of Georgia dental indemnity plan are borne entirely by the employee.

13. Approval of Transition of the University System of Georgia Indemnity Health Insurance Plan to the Blue Cross and Blue Shield National Plan of Participating Providers

Approved: The Board approved the transition of the University System of Georgia indemnity health insurance plan to the Blue Cross and Blue Shield national plan of participating providers effective January 1, 2003.

Background: In 1994, the Board of Regents retained the services of Blue Cross Blue Shield of Georgia to serve as the claims administrator for the University System of Georgia indemnity healthcare plan. One of the unique plan design features, contained within this initial contract, related to the matter of a University System of Georgia indemnity healthcare plan member using an out-of-state provider (physician and/or healthcare facility).

Under the initial and the existing indemnity healthcare plan contracts, medical claims that are incurred by an indemnity healthcare plan member using an out-of-state provider are reimbursed at “billed charge.”

The Blue Cross and Blue Shield national plan of participating providers is known as the Interplan Teleprocessing System (the “ITS”). The ITS is a national network of providers that contract with local Blue Cross and Blue Shield plans. The ITS network will be available to all University System of Georgia indemnity healthcare plan participants who access/require medical services while residing, working, and/or traveling outside of the State of Georgia.

The use of the ITS network by an indemnity healthcare plan participant who resides, works, and/or travels outside of the State of Georgia will result in that member minimizing his/her out-of-pocket costs. A University System of Georgia indemnity healthcare plan member who accesses/requires medical services within the State of Georgia will continue to minimize his/her out-of-pocket costs by using a Blue Cross Blue Shield of Georgia participating physician.

Blue Cross Blue Shield of Georgia has provided the University System Office with a summary document that identifies all of the respective Blue Cross and Blue Shield plans that participate in the ITS network. The data identifies the percentage of network facilities and the percentage of network physicians that are participants in the ITS program.

Information regarding the ITS national network of providers will be shared with each University System of Georgia member institution. Information will also be shared with each University System of Georgia employee and retiree through the use of various member communication pieces and various Web sites. All relevant information will be available for a member’s consideration during the plan year 2003 open enrollment/annual retiree change period.

Under the ITS plan, medical claims incurred by an indemnity healthcare plan member using an out-of-state provider, will be reimbursed at “allowable charge,” rather than being reimbursed at “billed charge.” An “allowable charge” will be based upon the contracted rate that a national participating provider has agreed to accept from the local Blue Cross and Blue Shield plan in which such member medical services are rendered.

Currently, the University System of Georgia has approximately 2,700 covered indemnity healthcare plan members who reside and/or work outside of the State of Georgia. By approving the transition to the Blue

Cross and Blue Shield national plan of participating providers, the University System of Georgia should experience immediate and significant indemnity healthcare plan reserve savings.

During plan year 2001, the University System of Georgia paid approximately \$7.9 million in out-of-state hospital claims and approximately \$4.5 million in out-of-state physician claims. This equated to \$12.4 million that was paid for indemnity healthcare plan out-of-state medical claims.

Blue Cross and Blue Shield has reported that the University System of Georgia should expect to receive at least a 15% discount on out-of-state hospital costs, and at least a 10% discount on out-of-state physician costs, by transitioning to the ITS program. If one applies these projected discounts to plan year 2001 incurred out-of-state medical claims, the University System of Georgia would have saved approximately \$1.65 million in its indemnity healthcare plan reserves. The University System of Georgia should anticipate similar indemnity healthcare plan reserve savings if it adopts this ITS proposal.

If an indemnity healthcare plan participant fails to utilize an ITS national participating provider, he/she will be subject to balance billing. This is consistent with what members experience if they have elected to participate in the PPO healthcare plan. If a PPO member fails to access an in-network provider, he/she is subject to balance billing.

The University System of Georgia is one of the few major clients of Blue Cross Blue Shield of Georgia that does not currently participate in the ITS program. The transition to the ITS program would not result in any concerns with regard to required plan audits. The transition to the ITS program would permit the University System Office to continue to reimburse claims on a "cleared check" basis. Reimbursements for cleared checks would be electronically transmitted from the University System Office to the bank account established with Blue Cross Blue Shield of Georgia on a daily basis.

The University System of Georgia will incur an additional administrative fee for its transition to the ITS program. The administrative fee will be \$11 per facility claim processed and \$5 per professional claim processed. Blue Cross Blue Shield of Georgia has projected that the annual ITS program administrative fee will be approximately \$270,000 for the University System of Georgia.

14. Approval of the University System of Georgia Employer Contribution for Basic Life Insurance for Plan Year 2003

Approved: The Board approved the increase in the employer contribution for basic life insurance effective September 1, 2002, and the Board approved the increase in the employee contribution for supplemental life insurance effective October 1, 2002. Regent Hunt voted against this item. Chair Shelnut requested further information on this subject.

Background: Cigna Group Insurance ("Cigna") administers the life insurance program for the University System of Georgia. The University System of Georgia pays the entire premium for the basic life insurance

program. An employee pays the entire premium for the supplemental life insurance component of the life insurance program. Employee participation in the supplemental life insurance program is voluntary.

In collecting basic and supplemental life insurance premiums, Cigna blended these employer and employee contributions into a single plan reserve account. In 1995, Cigna conveyed to the University System Office that the University System had experienced extremely favorable claims experience resulting in an unusually large premium stabilization reserve. Cigna requested that the University System of Georgia reduce the employee premium contribution to the supplemental life insurance plan.

In 1996, 1997, and 1998, employees received reductions each year in the premium amount for supplemental life insurance. The purpose of these employee reductions was to reduce the amount of the life insurance program premium stabilization reserves. Supplemental life insurance rates were reduced by 50% between plan year 1997 and plan year 1998. As a result, an individual less than 30 years of age paid \$0.03 per \$1,000 for supplemental life insurance in 1998. An individual age 70 and older, paid \$0.63 per \$1,000 for supplemental life insurance in 1998.

Employees paid for their supplemental life insurance coverage amounts with pretax dollars. However, the supplemental life insurance premiums that were requested by the plan underwriter failed to be consistent with some specific applicable Internal Revenue Service guidelines. These guidelines identified a recommended premium that should be charged to a plan participant based upon his/her age.

The result of nonconformance was that an individual became subject to imputed income. Imputed income incurred by some supplemental life insurance plan participants negated the benefit derived from pretax contributions.

As of December 31, 1999, the life insurance program had a premium stabilization reserve of \$4.7 million. As of December 31, 2000, the life insurance program had a premium stabilization reserve of \$3.45 million. As of December 31, 2001, the life insurance program had a premium stabilization reserve of approximately \$400,000.

Effective January 1, 2002, employees experienced a 50% increase in their respective premiums for supplemental life insurance. A 50% increase for an individual less than 30 years of age paying \$0.03 per \$1,000 of supplemental life insurance only increased to \$0.05 per \$1,000 of supplemental life insurance. For an individual aged 70 and older his/her supplemental life insurance premium increased from \$0.63 per \$1,000 to \$0.95 per \$1,000.

In June 2002, the University System of Georgia retained the services of Towers-Perrin to review the University System of Georgia life insurance program. Towers-Perrin was requested to review the current life insurance program to determine whether basic life insurance premiums and supplemental life insurance premiums were at appropriate levels to provide the requisite funding required to support this program.

Towers-Perrin was requested to provide recommendations regarding 1) experience rating the basic life insurance component and 2) pooling the premiums for the supplemental life component. If adopted, such actions would result in the discontinuation of a blended premium stabilization reserve.

Towers-Perrin was asked to recommend supplemental life insurance premiums that would afford compliance with IRS guidelines and that would remove the requirement to withhold imputed income.

Towers-Perrin was asked to develop an appropriate and market-based age-rating strategy for the supplemental program.

Towers-Perrin has provided the following recommendations, effective October 1, 2002:

1. The University System of Georgia employer contribution for basic life insurance for active employees should increase from \$0.43 to \$0.57 per \$1,000 of coverage. The University System of Georgia employer contribution for basic life insurance for retired employees should increase from \$0.73 to \$0.96.
2. The costs for supplemental life insurance rates should increase as follows:

<u>Supplemental</u>	<u>Current Active/Retiree</u>	<u>Proposed Active Rate</u>	<u>Proposed Retiree Rate</u>
Under 25	\$0.05	\$0.06	\$0.06
25-29	\$0.05	\$0.07	\$0.07
30-34	\$0.07	\$0.09	\$0.09
35-39	\$0.09	\$0.10	\$0.10
40-44	\$0.12	\$0.12	\$0.12
45-49	\$0.15	\$0.17	\$0.17
50-54	\$0.20	\$0.26	\$0.27
55-59	\$0.27	\$0.49	\$0.51
60-64	\$0.38	\$0.77	\$0.78
65-69	\$0.60	\$1.52	\$1.55
70 and Over	\$0.95	\$2.46	\$2.60

Beginning January 1, 2003, employees with supplemental life insurance will no longer have the ability to pay for their supplemental life insurance coverage with pretax dollars. As a result, employees with supplemental life insurance will not be subject to imputed income.

Proposed rate increases, effective October 1, 2002, for basic and for supplemental life insurance, will be guaranteed through December 31, 2003.

15. Approval of Cancer Clinical Trial Agreement Between the Board of Regents and the

Georgia Cancer Coalition

Approved: The Board approved the proposed Cancer Clinical Trial Agreement that has been submitted to the Board of Regents by the Georgia Cancer Coalition.

Background: On June 5, 2002, Governor Barnes announced a Cancer Clinical Trial Agreement between the Georgia Cancer Coalition and the state's major health insurers. The purpose of the agreement is to align all available resources in a concerted initiative to reduce cancer morbidity and mortality in Georgia.

At his June announcement, Governor Barnes conveyed that the following healthcare plan insurers had executed the desired agreement with the Georgia Cancer Coalition: Kaiser Permanente, Blue Cross and Blue Shield of Georgia, United Health Care, Aetna, Humana, Coventry, OneHealth, Cigna Group Insurance, and the Georgia Department of Community Health ("DCH"). DCH is responsible for the administration of Medicaid, PeachCare for Children, and the State Health Benefits Plan.

Clinical trials are research studies in which physicians and researchers discover ways to improve health, cancer detection and cancer care. Each trial attempts to answer specific questions. A clinical trial is one of the final stages of a long and careful cancer research process. Studies are conducted with cancer patients to determine whether promising approaches to cancer prevention, diagnosis, and treatment are safe and effective.

For the purpose of the proposed agreement, a clinical trial must either 1) involve a drug that is currently exempt under federal regulations from a new drug application or 2) be a trial that is approved by one of the following:

- A. A cooperative group or one of the National Institutes of Health;
- B. The Federal Food and Drug Administration, in the form of an investigational new drug application;
- C. The United States Department of Defense;
- D. The Veterans Administration of the United States;
- E. The National Cancer Institute; or
- F. An institutional review board of any accredited school of medicine, nursing, or pharmacy, in the State of Georgia.

One of the key provisions in the agreement states that an insurer has agreed "that for those insured, diagnosed with cancer, and accepted into a Phase I, Phase II, Phase III, or Phase IV clinical trial for cancer, all the insurance policies issued by the insurer that provide for hospital, medical, or surgical coverage in the state shall provide coverage for all routine patient costs related to a clinical trial in cancer if a physician who is providing or is authorized to provide covered healthcare services to the insured under the insured's healthcare benefit plan contract recommends participation in the clinical trial." That determination by the physician must be made after determining that participation in the clinical trial has a meaningful potential to

benefit the insured.

The respective University System of Georgia preferred provider organization and indemnity healthcare plans are self-insured healthcare plans. The approval of the Board of Regents is required for the University System of Georgia to permit its self-insured healthcare plans to provide coverage, as is requested in this agreement.

COMMITTEE ON REAL ESTATE AND FACILITIES

The Committee on Real Estate and Facilities met on Tuesday, September 10, 2002, at approximately 2:50 p.m. in the Board Room. Committee members in attendance were Chair George M. D. (John) Hunt III, Vice Chair Martin W. NeSmith, and Regents Connie Cater, Michael J. Coles, Donald M. Leebern, Jr., J. Timothy Shelnut, Glenn S. White, Joel O. Wooten, and James D. Yancey. Chair Hunt reported to the Board on Wednesday that the Committee had reviewed 9 items, 8 of which required action. Item 9 was a walk-on item. After this report, Board Chair Harris thanked Regent Hunt for the workshop on privatization held before the Board meeting on Tuesday. With motion properly made, seconded, and unanimously adopted, the Board approved and authorized the following:

1. Naming of John H. Owen Hall, North Georgia College & State University

Approved: The Board approved the naming of the newly built residence hall at North Georgia College & State University (“NGCSU”) the “John H. Owen Hall.”

Understandings: Dr. Owen was the institution’s twelfth president, having served from 1970 to 1992. He and his wife, Margaret, sponsor basketball scholarships for a male and female student each year, provide cash awards to the highest ranking physical therapy graduate and best shooter on the rifle team, and, along with the Dahlonega Women’s Club, provide a full scholarship to a high school graduate.

This is the first new residential hall to be built on the campus of NGCSU in more than 25 years.

2. Ground Lease for Housing, Georgia Southern University

Approved: The Board declared approximately 8.125 acres of real property located on the campus of Georgia Southern University (“GSOU”), Statesboro, Georgia, no longer advantageously useful to GSOU or other units of the University System of Georgia but only to the extent and for the purpose of allowing this real property to be leased to the Georgia Southern University Foundation One, LLC (the “LLC”) for the purpose of constructing, renovating, and owning student housing for GSOU.

The Board authorized the execution of a lease agreement between the Board of Regents, Lessor, and the LLC, Lessee, for the above-referenced approximately 8.125 acres of real property on the campus of GSOU, Statesboro, Georgia, for a period up to 2 years for construction, 25 years for a primary term, with

the option for up to an additional 5 years, for the purpose of constructing and owning student housing.

The Board declared approximately 8.97 acres of real property located on the campus of GSOU, Statesboro, Georgia, no longer advantageously useful to GSOU or other units of the University System of Georgia but only to the extent and for the purpose of allowing this real property to be leased to the LLC for the purpose of constructing, renovating, and owning student housing for GSOU.

The Board authorized the execution of a lease agreement between the Board of Regents, Lessor, and the LLC, Lessee, for the above-referenced approximately 8.97 acres of real property on the campus of GSOU, Statesboro, Georgia, for a period up to 2 years for construction, 25 years for a primary term, with the option for up to an additional 5 for the purpose of constructing and owning student housing.

The Board also authorized the execution of a rental agreement between LLC, Landlord, and the Board of Regents, Tenant, for 1,100 student housing beds for the period commencing on the first day of the first month after LLC obtains a certificate of occupancy for the improvements and ending the following June 30 at a monthly rental of \$236,493 (\$2,837,921 per year) with options to renew on a year-to-year basis for up to 30 consecutive one-year periods at the same rent rate.

The terms of these lease agreements are subject to review and legal approval of the Office of the Attorney General.

Understandings: In October 1997, the Board passed a new student housing policy that requires the preparation of a comprehensive plan for student housing together with a financial plan to support the housing program objectives. GSOU has developed a comprehensive student housing plan that is consistent with the policy.

In January 2002, President Bruce F. Grube presented to the Board of Regents as an information item GSOU's need to obtain new student housing through a privatization process.

The GSOU plan will provide apartment-style accommodations for 480 students on the site of the vacant Oxford Hall, which will be demolished as part of the development, and suite-style accommodations for 620 students on the site of the vacant In The Pines apartments, which will also be demolished as part of the development.

3. Amendment to Rental Agreement, 1000 University Center Lane, Lawrenceville, Gwinnett University Center

Approved: The Board authorized the execution of an amendment to the rental agreement between TUFF Gwinnett Center, LLC, Landlord, and the Board of Regents of the University System of Georgia, Tenant, for build-out of five additional science labs for the period September 11, 2002, through June 30, 2003, at a monthly rent of \$16,667 (\$200,000 per year) with options to renew on a year-to-year basis for 11

consecutive one-year periods (totaling 132 months maximum) with rent remaining the same for all option periods for use of the Gwinnett University Center (“GUC”).

The terms of this amendment to the rental agreement are subject to review and legal approval of the Office of the Attorney General.

Understandings: GUC currently occupies 120,000 square feet of space. The initial development left four lab spaces unfinished for future build-out. One additional lab will be developed from two existing classrooms. Current growth trends, new upper-division University of Georgia classes, and the anticipated addition of the Medical College of Georgia’s Bachelor and Master of Science in Nursing programs have necessitated the need for a two additional biology labs, a second chemistry lab, a second nursing lab, and an organic chemistry lab. This amendment will allow these new wet labs to be constructed.

This rent is in addition to the current base rent for the entire facility approved by the Board in November 2000. All operating expenses will remain as stated in the existing agreement. Funding has been budgeted in GUC’s 2003 operational budget.

4. Appointment of Managing Engineer Firm, Middle Georgia College

Approved: The Board appointed the first-named managing engineer firm listed below for the identified major capital outlay project and authorized the execution of a contract with the identified firm. Should it not be possible to execute a contract with the top-ranked firm, staff will then attempt to execute a contract with the other listed firms in rank order.

Following a selection process for a managing engineer firm, the following recommendation is made:

Project No. J-31, “Campus Utilities Loop,” Middle Georgia College

Project Description: The infrastructure project will provide a new central plant, hot and chilled water piping system for heating and air conditioning, underground electrical service, underground telecommunications services to 16 existing buildings, and one proposed building. Minimal relandscaping will occur where the ground has been razed. Design and construction will be via a fast-track construction procurement method.

Total project funding is \$16,494,000, comprised of \$170,000 appropriated by the legislature in the fiscal year 2002 supplemental budget and \$16,324,000 to be appropriated by the legislature.

Total Project Cost	\$16,494,000
Construction Cost (Stated Cost Limitation)	\$13,500,000

Number of managing engineer firms that applied for this commission: 21

Recommended program management firms in rank order:

- 1) Nottingham, Brook & Pennington, Inc., Macon
- 2) Newcomb & Boyd, Atlanta
- 3) Sizemore Group, LLC, Atlanta

5. Appointment of Managing Architect Firm, University of Georgia

Approved: The Board appointed the first-named managing architect firm listed below for the identified major capital outlay project and authorized the execution of a contract with the identified firm. Should it not be possible to execute a contract with the top-ranked firm, staff will then attempt to execute a contract with the other listed firms in rank order.

Following a selection process for a managing architect firm, the following recommendation is made:

**Project No. J-34, “Performing and Visual Arts Center, Phase II (School of Art)
University of Georgia**

Project Description: The building will be approximately 208,000 gross square feet and will include numerous studio/class/lab teaching spaces for painting, sculpture, ceramics, etc., as well as administrative and faculty offices. Design and construction will be via a fast-track construction procurement method.

Total project funding is \$39,272,000, comprised of \$200,000 appropriated in the fiscal year 2002 supplemental budget and \$39,072,000 to be appropriated by the legislature.

Total Project Cost	\$39,272,000
Construction Cost (Stated Cost Limitation)	\$31,500,000

Number of program management firms that applied for this commission: 25

Recommended program management firms in rank order:

- 1) Menefee & Winer, PC, Atlanta
- 2) Mack Scogin Merrill Elam Architects, Inc., Atlanta
- 3) Stevens & Wilkinson of Georgia, Inc., Atlanta

6. Exchange of Property, University of Georgia

Approved: The Board declared 80.53 acres of land at the University of Georgia (“UGA”) Griffin Experiment Station in Pike County, Georgia, to be no longer advantageously useful to the University of Georgia or other units of the University System of Georgia and authorized the exchange of this property for 83.69 acres of land located in Pike County, Georgia, owned by the Gregg Family Partnership, for the use and benefit of the UGA.

The legal details involved with the exchange of land are subject to review and legal approval by the Office of the Attorney General.

Understandings: The property to be exchanged (also known as the Beckham Farm), acquired in 1980, is currently used for research by Crop and Soil Science, Entomology, and Plant Pathology. There are no improvements on the property. The location is no longer rural as small home sites are being developed.

A Phase I Environmental Assessment indicating no significant problems at either site has been received.

The property to be acquired is located approximately six miles west of the property to be exchanged. It will increase the number of research plot acres and has the capability for irrigation.

This land transaction complies with the policies set forth in the UGA College of Agricultural & Environmental Sciences physical master plan, which is a subset of the UGA physical master plan.

The three appraisals of the Beckham Farm property to be exchanged are as follows:

<u>Appraiser</u>	<u>Appraised Value</u>	<u>Average</u>
Wilson Appraisal and Consulting Services, Inc. (MAI)	\$400,000	
Bass and Associates (MAI)	\$440,000	\$413,833
Gerhardt and Contemporaries (MAI)	\$401,500	

The three appraisals of the Gregg Farm to be acquired are as follows:

<u>Appraiser</u>	<u>Appraised Value</u>	<u>Average</u>
Wilson Appraisal and Consulting Services, Inc., (MAI)	\$255,000	
Bass and Associates (MAI)	\$397,000	\$328,000
Gerhardt and Contemporaries (MAI)	\$332,000	

The exchange will result in a net decrease of \$85,833 in the value of the property owned by the Board of Regents based on the appraised value of the properties. The Gregg Family Partnership will pay the difference in value. These funds will be used for fencing, construction of a shop/storage shed, and installation of irrigation systems.

7. Resolution, 2002 and 2002 General Obligation Bond Issue, Georgia State Financing and Investment Commission, University System of Georgia

Approved: The Board adopted the Resolution prepared by the Revenue Division of the Department of Law covering the issuance of 2002E and 2002F General Obligation Bonds (“G. O. Bonds”) by the State of Georgia through the Georgia State Financing and Investment Commission for use in funding projects for the University System of Georgia.

The Revenue Division of the Office of the Attorney General has prepared on behalf of the Board of Regents a Resolution (Appendix “I”) to cover the sale of 2002E G. O. Bonds for the following projects:

Various Projects		
	Georgia Research Alliance	\$5,385,000

The Revenue Division of the Office of the Attorney General has prepared on behalf of the Board of Regents a Resolution (Appendix “I”) to cover the sale of 2002F G. O. Bonds for the following projects:

I-84	Health Science Building Medical College of Georgia	\$33,320,000
J-19	Klaus Advanced Computing Building Georgia Institute of Technology	\$31,880,000
J-24	Renovation of Nevins Hall Valdosta State University	<u>\$ 4,500,000</u>
	Total	\$69,700,000

8. Information Item: Role and Responsibilities of the Real Estate and Facilities Committee

The Vice Chancellor for Facilities, Linda M. Daniels, provided a review of the role and responsibilities of the Committee on Real Estate and Facilities to assist the new members. She stated that the Board of Regents has responsibility for 2,984 buildings, 63% of which are more than 25 years old, as well as land and infrastructure on 34 campuses and numerous other sites around the state and beyond. Currently, active projects with a total dollar volume of almost \$2 billion are in one stage or another from planning and design through construction closeout. This volume does not include privatized projects that are being handled by

institutions through their various foundations.

The Board of Regents, through the Committee on Real Estate and Facilities, has overall authority for facilities and property of the University System of Georgia and has, through policy, delineated the decisional structure including the delegation of authority to the Chancellor's Office. The Board, through the Committee on Real Estate and Facilities (or acting as a Committee of the Whole), authorizes all projects and approves the consultant selection for contracts over \$500,000 regardless of fund source. This generally relates to all projects with a construction cost in excess of \$5 million. (Fund sources include state bond funds, state lottery funds, university/college operating funds, fees for service including auxiliary service revenues, interest income, private gifts and donations, contracts, and grants, and now third-party-financed bond funds.) Lower-cost projects are approved by the Office of Facilities or delegated to the individual campus.

Additionally, the Board approves any leases of University System property and any leases of private property for use by University System of Georgia institutions over \$50,000. Leases of private property under \$50,000 are approved by the Office of Facilities. The University System currently rents or leases over 3.7 million square feet of building space and 325 acres of real property. The Committee on Real Estate and Facilities authorizes all purchases of real property and acceptance of any gifts of real property over \$100,000. The Committee authorizes all sales of property owned by the Board. Finally, the Committee approves resolutions for bond sales, demolitions of buildings, and authorizes the naming of facilities after living persons under certain circumstances.

The Office of Facilities consists of 15 staff, 3 of whom provide office support services. The office includes five areas of responsibility: design and construction, real property, environmental safety, planning, and contracts administration. The Vice Chancellor for Facilities organizes all agendas for the Committee on Real Estate and Facilities, ensuring that all decisions the Board has reserved for its own discretion come before that Committee and ensuring that all major policy matters or issues relating to facilities or real property are reported in a timely fashion to the Committee.

9. Authorization of Rental Agreement for Advanced Technology Development Center, Georgia Institute of Technology

Approved: The Board authorized the execution of a sublease agreement between Georgia Advanced Technology Ventures, Inc. ("GATV"), Primetenant, and the Board of Regents of the University System of Georgia, Subtenant, covering 32,000 square feet of office space at Centergy One Building, 55 Fifth Street, Atlanta, Georgia, for the period commencing on occupancy, no earlier than July 1, 2003, and ending June 30, 2004, at a monthly rent of \$64,000 (\$768,000 per year/\$24 per square foot per year) with options to renew on a year-to-year basis for six consecutive one-year periods with rent increasing 3% each year for the use and benefit of Georgia Institute of Technology's ("GIT") Advanced Technology Development Center ("ATDC").

The terms of this rental agreement are subject to review and legal approval of the Office of the Attorney

General.

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

Understandings: ATDC accelerates the formation and growth of technology-based companies in Georgia. ATDC provides faculty and other entrepreneurs the assistance they need to rapidly bring new innovations to market. In more than 20 years of experience, ATDC has a track record of 90 successful start-up companies. ATDC member companies attracted more than \$500 million in investment during 2000. Headquartered at GIT, ATDC currently serves approximately 40 member companies operating in a wide range of technologies. ATDC also manages the ATDC Seed Capital Fund, part of Georgia's economic development initiative in broadband technologies.

ATDC's office space at Centergy One Building, adjacent to the Yamacraw Research building, will be the primary location for incubating and serving member companies. The leased space will house ATDC administrative functions and also provide common use space, such as conference and support rooms, for ATDC member companies. Member companies will lease their sole-use space directly from GATV. Leasing of the common use space by ATDC will allow GATV to charge a reduced rate for incubated start-up companies consistent with the mission of ATDC. The new ATDC location will help ensure the continued positive economic development impact that ATDC has accomplished over the past 20 years for the State of Georgia. ATDC will provide an important component in the development of Technology Square as a center for high-tech growth and will help build strong linkages between GIT and the business community.

All operating expenses, including janitorial services, utilities, insurance, maintenance/repairs, and security are included in the rent rate.

COMMITTEE ON EDUCATION, RESEARCH, AND EXTENSION

The Committee on Education, Research, and Extension met on Tuesday, September 10, 2002, at approximately 2:05 p.m. in room 6041, the Training Room. Committee members in attendance were Chair William H. Cleveland and Regents Hugh A. Carter, Jr., Hilton H. Howell, Jr., Elridge W. McMillan, and Wanda Yancey Rodwell. Chair Cleveland reported to the Board that the Committee had reviewed ten items, nine of which required action. Item 10 was a walk-on item. Additionally, 416 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. Revision to The Policy Manual, Section 803.08 Criteria for Promotion

Approved: The Board approved revisions to The Policy Manual, Section 803.08 Criteria for Promotion, effective September 11, 2002.

Abstract: The revision to Section 803.08 Criteria for Promotion is the result of a reexamination of changes

in the promotion criteria at regional universities. Promotion to the rank of associate or full professor at a regional university now requires the earned doctorate or its equivalent in training, ability, and/or experience. Promotions will not be guaranteed solely on the basis of an earned doctorate or longevity of service. Proposed revisions are as follows. Please note that the strike-through texts represent deletions from the current version and highlighted texts represent additions.

803.08 CRITERIA FOR PROMOTION

Each University System institution shall establish clearly stated promotion criteria and procedures that emphasize excellence in teaching for all teaching faculty. These policies will be submitted to the Senior Vice Chancellor for Academics and Fiscal Affairs for review.

- A. Minimum for all three types of institutions in all professorial ranks:
1. Superior teaching,
 2. Outstanding service to the institution,
 3. Academic achievement, and
 4. Professional growth and development.

Noteworthy achievement in all four of the above need not be demanded, but should be expected in at least two. A written recommendation should be submitted by the head of the department concerned setting forth the reasons for promotion. The faculty member's length of service with an institution shall be taken into consideration in determining whether or not the faculty member should be promoted.

B. Research and Regional Universities: In addition to "A" above, promotion to the rank of associate or full professor ~~an associate or full professorship~~ requires the earned doctorate ~~doctor's degree~~ or its equivalent in training, ability, and/or experience. Neither the possession of a doctorate, nor longevity of service is a guarantee per se of promotion.

C. Regional and State Universities: In addition to "A" above, promotion to the rank of professor requires the earned doctorate ~~doctor's degree~~ or its equivalent in training, ability, and/or experience. Neither the possession of a doctorate ~~doctoral degree~~ nor longevity of service is a guarantee per se of promotion.

D. State and Two-Year Colleges: In addition to "A" above, promotion to the rank of professor requires at least the equivalent of two years of full-time study beyond the bachelor's degree. Longevity of service is not a guarantee per se of promotion.

2. Approval of Updated List of External Degrees Offered at Board-Approved Centers

Approved: The Board approved the updated list of external degrees offered at Board-approved centers,

effective September 11, 2002.

Abstract: In August 2001, the University System Office began an inventory of all external degrees offered by System institutions, many of which were offered at off-campus centers established by the Board of Regents.

During the inventory process, it became apparent that there was a lack of clarity regarding whether degrees offered at these centers required separate Board approval. As a consequence, for some of the degrees that were offered, there was no documented date of Board approval.

This requested action, to approve external degrees offered at System centers, will bring the listed external degree programs offered at System centers that have not been specifically and individually approved fully and completely into compliance with Board policy. The table below includes external degrees currently offered by System institutions at System centers that are offered less than 50% through distance learning.

SYSTEM INSTITUTION OFFERING DEGREE	DEGREE	LOCATION
Armstrong Atlantic State University	Bachelor of Arts in History	CGCC Brunswick Center
Armstrong Atlantic State University	Bachelor of Science in Criminal Justice	CGCC Brunswick Center
Armstrong Atlantic State University	Master of Science in Nursing	CGCC Brunswick Center
Armstrong Atlantic State University	Bachelor of General Studies	Liberty Center at Fort Stewart
Armstrong Atlantic State University	Bachelor of Health Science	Liberty Center at Fort Stewart
Armstrong Atlantic State University	Bachelor of Science in Criminal Justice	Liberty Center at Fort Stewart
Armstrong Atlantic State University	Bachelor of Science in Education - Early or Middle Grades	Liberty Center at Fort Stewart
Coastal Georgia Community College ("CGCC")	Associate of Science in Criminal Justice	Liberty Center at Fort Stewart
East Georgia College	Associate in Arts - Business Administration and Economics	Liberty Center at Fort Stewart
Georgia Southern University	Education Specialist programs in Reading, Secondary Education, Counseling, Instructional Technology	Coastal Georgia Center, Savannah
Georgia Southern University	Bachelor of Business Administration	Dublin Center
Georgia Southern University	Bachelor of Science in Criminal Justice	Dublin Center
Georgia Southern University	Master of Public Administration	Dublin Center
Georgia Southern University	Master of Science in Nursing	CGCC Brunswick Center
Georgia Southern University	Master of Business Administration	Liberty Center at Fort Stewart
Georgia Southern University	Master of Education	Liberty Center at Fort Stewart
Georgia Southern University	Master of Public Administration	Liberty Center at Fort Stewart
Savannah State University	Bachelor of Business Administration	Liberty Center at Fort Stewart

3. Establishment of the Bachelor of Fine Arts With a Major in Visual Arts, Armstrong Atlantic State University

Approved: The Board approved the request of President Thomas Z. Jones that Armstrong Atlantic State University (“AASU”) be authorized to establish the Bachelor of Fine Arts with a major in Visual Arts, effective September 11, 2002.

Abstract: AASU proposed the Bachelor of Fine Arts with a major in Visual Arts due to the societal need to establish a professional art studio program that prepares students to meet demands in the art world with skills using traditional media and computer technology. The degree program will enable students to pursue higher-paying art-related positions, establish their own studios, and pursue a master’s degree in fine arts.

Need: A survey of *America’s Job Bank* on the Internet indicated that 117,000 new job openings in art and commercial art would be established between 1994 and 2005. Many nontraditional students cannot leave their jobs and homes to attend other institutions that are farther away from the Savannah area. The thriving arts community in Savannah lends support to the establishment of a Bachelor of Fine Arts degree as indicated by the number of commercial galleries and nonprofit arts organizations within Chatham County.

Objectives: The Bachelor of Fine Arts with a major in Visual Arts will provide professional education in art and design at the undergraduate level and will enable graduates the opportunity to enter professional careers in such fields as design, painting, photography, ceramics, and sculpture.

Curriculum: The 120-semester-hour degree will give students an understanding of the production of art through the eyes of the creator, reviewer, critic, communicator, theorist, historian, and problem-solver. The program of study will prepare students to meet these goals by helping them become visually literate; will develop their ability to make visual, verbal, and written responses to visual art; will cultivate their ability to understand and evaluate contemporary thinking about art; and will assist them in gaining familiarity with major achievements and contributions to the history of art and design.

Projected Enrollment: The institution anticipates enrollments of 100, 110, and 120 during the first three years of the program.

Funding: The institution will reallocate resources to implement the program. The facilities and faculty resources exist to implement the program.

Assessment: The Office of Academics and Fiscal Affairs will work with the institution to measure the success and continued effectiveness of the proposed program. The program will be reviewed in concert with the institution’s programmatic schedule of comprehensive program reviews.

4. Establishment of the Major in History Under the Existing Bachelor of Arts, Clayton College & State University

Approved: The Board approved the request of President Thomas K. Harden that Clayton College & State

University (“CCSU”) be authorized to establish the major in History under the existing Bachelor of Arts, effective September 11, 2002.

Abstract: CCSU’s major in History under the existing Bachelor of Arts is a key component of the academic and economic partnerships that will be established through the location of the Georgia state archives and the regional federal archives in the Gateway Village development adjacent to the campus of CCSU. The degree will meet the needs of a new generation of history graduates who have both the technological and historical perspectives essential to the preservation of vital records and artifacts.

Need: CCSU predicts that the high profile of the state and regional federal archives will be a significant factor in attracting students to the university and the major. As the population of south metropolitan Atlanta increases, especially in Henry County and the I-75 south corridor, the need for additional baccalaureate degrees expands. In addition to the partnership with archival institutions, the History major is an element of CCSU’s emerging liberal arts curriculum. History graduates pursue a diverse array of career options, including professional school, graduate school, teaching, and corporate training.

Objectives: Graduates of the History program will receive instruction enabling them to interpret and critically evaluate primary and secondary historical sources, examine and evaluate conflicting historical interpretations of events, perform historical research using primary and secondary sources, and interpret and explain historical information from several cultures, both within the United States and from other countries.

Curriculum: The 120-semester-hour program includes major course requirements such as Historiography and Historical Methods, Introduction to Archives and Public History, and an archival internship.

Projected Enrollment: The institution anticipates enrollments of 40, 50, and 60 during the first three years of the program.

Funding: Establishing this major at CCSU can be accommodated within funds presently anticipated and available.

Assessment: The Office of Academics and Fiscal Affairs will work with the institution to measure the success and continued effectiveness of the proposed program. The program will be reviewed in concert with the institution’s programmatic schedule of comprehensive program reviews.

5. Establishment of the Bachelor of Science in Biotechnology, Kennesaw State University

Approved: The Board approved the request of President Betty L. Siegel that Kennesaw State University (“KSU”) be authorized to establish the Bachelor of Science in Biotechnology, effective September 11, 2002.

Abstract: KSU’s Bachelor of Science in Biotechnology is designed to meet a growing need in the area of

biotechnology. A multiple-track approach will provide KSU with opportunities to develop courses and research in cytogenetics, molecular diagnostics, and forensic molecular biology. A new and emerging field, biotechnology is best described as a combination of established fields such as biochemistry, chemistry, microbiology, molecular biology, and immunology. It has applications in medical science, pharmacology, agriculture, food technology, waste management, and environmental engineering.

Need: The bioscience industry is growing in the State of Georgia. Since 1995, approximately 200 bioscience or biotechnology firms and related organizations employing more than 13,000 workers have been established. The average salary in this industry approaches \$75,000. The biotechnology program will support the industry's growth by providing highly skilled employees and students who are prepared to obtain advanced degrees in the industry within the University System.

Objectives: The program is designed to provide graduates with a conceptual foundation and laboratory skills in biotechnology. Students will have sufficient knowledge to complete advanced degrees.

Curriculum: The 120-semester-hour program consists of four tracks: General Biotechnology, Cytogenetic Technology, Molecular Diagnostics, and Forensic Molecular Biology. Major course requirements include Immunology, Medical Genetics, Bioethics, Human Physiology, Case Studies in Forensic Science, and Human Physiology. Opportunities to present appropriate courses in a Web-delivered or Web-enhanced format will be explored.

Projected Enrollment: The institution anticipates enrollments of 150, 188, and 220 during the first three years of the program.

Funding: In addition to institutional endowments, the reallocation of resources will be used to establish and maintain the program.

Assessment: The Office of Academics and Fiscal Affairs will work with the institution to measure the success and continued effectiveness of the proposed program. The program will be reviewed in concert with the institution's programmatic schedule of comprehensive program reviews.

6. Acceptance of Revised Institutional Statutes, Georgia Southwestern State University

Approved: The Board approved the request of President Michael L. Hanes that Georgia Southwestern State University ("GSSU") be authorized to establish revised institutional statutes, effective September 11, 2002.

Abstract: The revision of the statutes reflects a thorough review and brings the statutes into line with current Board of Regents policies and procedures. Without altering the basic governance structure, the revised statutes reflect current faculty governance issues. The general faculty approved the changes, which have been reviewed by the Office of Legal Affairs and were found to be consistent with current organization and

administrative processes at the institution. The revised statutes will remain on file in the Office of Academics and Fiscal Affairs at the University System Office.

7. Termination of Specific Academic Programs, Savannah State University

Approved: The Board approved the request of President Carlton E. Brown that Savannah State University (“SSU”) be authorized to terminate specific academic programs as a result of comprehensive program review, effective September 11, 2002.

Abstract: SSU requested approval to terminate specific majors that have undergone analysis through the institution’s comprehensive program review process. Following a period of three years, SSU sought approval to terminate the following programs due to low numbers of majors and graduates over the last ten years:

- Bachelor of Arts with a major in Music
- Bachelor of Arts with a major in Parks and Recreation
- Bachelor of Business Administration with a major in International Business

The institution has taken significant measures to accommodate any remaining students in the academic pipeline with regard to the programs. The termination of these programs has the support of all parties involved and does not pose any adverse consequences for students nor faculty members.

8. Renaming of the Section of Otolaryngology to Establish the Department of Otolaryngology, Medical College of Georgia

Approved: The Board approved the request of President Daniel W. Rahn that the Medical College of Georgia (“MCG”) be authorized to rename the Section of Otolaryngology, currently within the Department of Surgery, as the Department of Otolaryngology within the School of Medicine, effective September 11, 2002.

Abstract: MCG requested approval for the Section of Otolaryngology within the Department of Surgery to be established as the Department of Otolaryngology within the School of Medicine. The faculty, residents, and support staff currently assigned to the Section of Otolaryngology will transfer to the new department. MCG requested this change in order to provide a close association among basic and clinical services and the academic concept of otolaryngology within the School of Medicine. The organizational change will aid in the recruitment and retention of high-profile faculty and attract competitive individuals to MCG’s residency program. The establishment of the Department of Otolaryngology will also serve to further strengthen the existing relationship between MCG and the Veterans Affairs Medical Center. The establishment of the Department of Otolaryngology does not pose any adverse consequences for faculty or staff. Costs associated with the establishment of the department are minimal, since the request involves a shift in

reporting from within a department to the broader domain of the School of Medicine. The proposed Department of Otolaryngology has its own practice plan, staff, and faculty members.

9. Information Item: Service Agreements

Pursuant to authority granted by the Board at its meeting on February 7 and 8, 1984, the presidents of the listed institutions have executed service agreements with the indicated agencies for the purposes and periods designated, with the institutions to receive payment as indicated:

University of Georgia			
Purpose	Agency	Duration	Amount
Study peach chilling and market	Georgia Commodity Commission for Peaches	7/1/02 – 6/30/03	\$9,187
Support county agents meeting attendance	“ “ “ “	7/1/02 – 6/30/03	\$4,000
Study effects of variables on peanut root-knot	Georgia Commodity Commission for Peanuts	7/1/02 – 6/30/03	\$6,000
Conduct educational programs	“ “ “ “	7/1/02 – 6/30/03	\$12,000
Study development of spotted wilt virus	“ “ “ “	7/1/02 – 6/30/03	\$4,000
Support school and community nutrition program	Georgia Department of Education	4/1/02 – 1/1/03	\$25,000
Score and report results of Georgia Writing Assessment Program for 2002	“ “ “ “	7/1/02 – 6/30/03	\$969,000
Collect, summarize and report GKAP-R data for 2002	“ “ “ “	7/1/02 – 6/30/03	\$75,000
Develop curriculum	“ “ “ “	7/1/01 – 6/30/02	\$4,000
Develop and host web-enabled mapping site	Georgia Department of Human Resources	6/15/02 – 6/15/03	\$28,600
Conduct training programs	Georgia Department of Labor	7/1/01 – 6/30/03	\$5,000
Conduct training programs and provide various support services	“ “ “ “	7/1/01 – 6/30/03	\$85,000
Plan US 441 Heritage Highway project	Georgia Department of Transportation	4/29/02 – 8/31/03	\$169,200
Design energy conservation in agriculture program	Georgia Environmental Facilities Authority	10/1/01 – 9/30/02	\$15,000
Develop watershed restoration for Chattooga River	Georgia Environmental Protection Division	5/13/02 – 12/31/05	\$116,801

Provide reapportionment services	Georgia General Assembly	7/1/02 – 6/30/03	\$451,622
Provide technical assistance with regional advisory councils	Georgia Industry and Trade	6/1/01 – 5/31/03	\$14,450
Increase awareness of osteoporosis and screening	Georgia Commission on Women	3/22/02 – 6/30/02	\$1,000
Provide education to Georgia pharmacists on osteoporosis	“ “ “ “	3/22/02 – 8/01/02	\$4,875
Conduct state judicial education program	Administrative Office of the Courts	7/1/02 – 6/30/03	\$482,119
Direct Children, Families and the Courts program	“ “ “ “	7/1/02 - 6/30/03	\$50,000
Develop more efficient collection of soil insect data	Georgia Commodity Commission for Peanuts	7/1/01 – 6/30/03	\$5,000
Advance use of Doppler radar-based system in detecting peanut disease	“ “ “ “	7/1/01 – 6/30/03	\$7,500
Provide technical assistance to increase organizational efficiency	Georgia Department of Motor Vehicle Safety	6/25/02 – 6/24/03	\$300,000
Provide kits, strategies and marketing campaign	Georgia Department of Community Affairs	6/15/00 – 6/15/03	\$45,000
Provide rural development strategy for Georgia	“ “ “ “	11/15/01 – 6/30/03	\$24,943
Provide image scanning and cataloging to support downtown and community design program	“ “ “ “	5/1/02 – 10/01/02	\$6,400
Provide rural development strategy for Georgia	“ “ “ “	6/15/00 – 6/30/03	\$50,000
Conduct balanced growth initiative	“ “ “ “	11/01/01 – 1/31/03	\$30,000
Conduct leadership institute	Georgia Department of Corrections	8/1/00 – 6/30/03	\$50,000
Conduct survey on charter schools' effectiveness	Georgia Department of Education	6/13/02 – 3/30/03	\$25,000
Score and report results of Georgia Basic Skills test 2002-03	“ “ “ “	6/20/02 – 6/30/03	\$294,000
Conduct surveillance of West Nile Virus in wild birds	Georgia Department of Human Resources	7/1/02 – 6/30/03	\$178,340
Study management and organizational development	“ “ “ “	6/30/97 – 10/31/02	\$60,000
Develop and host web-enabled mapping site	“ “ “ “	6/15/02 – 6/15/03	\$65,000

Conduct performance measurement and evaluation system project	“ “ “ “	7/01/02 – 6/30/03	\$109,047
Train Georgia’s case managers and medical specialists	“ “ “ “	6/28/02 – 6/27/03	\$480,732
Conduct Institute for Georgia Environmental Leadership	Georgia Department of Natural Resources	6/21/02 – 6/20/03	\$26,800
Perform consumer studies and education initiative	Governor’s Office of Consumer Affairs	7/1/02 – 6/30/03	\$499,796

TOTAL AMOUNT – SEPTEMBER	\$ 4,789,412
TOTAL AMOUNT FY 2003 TO DATE	\$ 4,961,340
TOTAL AMOUNT FY 2002 TO SEPTEMBER	\$ 8,232,192
TOTAL AMOUNT FY 2002	\$25,222,651

10. 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.

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

COMMITTEE ON ORGANIZATION AND LAW

The Committee on Organization and Law met on Tuesday, September 10, 2002, at approximately 2:30 p.m. in the room 7019, the Chancellor’s Conference Room. Committee members in attendance were Chair Hilton H. Howell, Jr., Vice Chair Elridge W. McMillan, and Regents Hugh A. Carter, William H. Cleveland, Allene H. Magill, and Wanda Yancey Rodwell. Chair Howell reported to the Board on Wednesday that the Committee had 13 applications for review; of these, 9 were denied, 2 were continued, and 2 were settled. With motion properly made, seconded, and unanimously adopted, the Board approved and authorized the following:

1. Applications for Review

- a. In the matter of Kashi Nath Tiwari, at Kennesaw State University, concerning withdrawal of pay, the application for review was continued.

- b. In the matter of Sarah Caldwell Tillery, at Fort Valley State University, concerning her tenure, the application for review was denied.
- c. In the matter of file number 1585, at Fort Valley State University, concerning the extension of the deadline applicable to the mediated settlement, the application for review was settled.
- d. In the matter of Ronald J. Sheehy, at Georgia Perimeter College, concerning termination, the application for review was settled.
- e. In the matter of file number 1588, at the State University of West Georgia, concerning termination, the application for review was denied.
- f. In the matter of file number 1589, at the University of Georgia, concerning the denial of a waiver to independent study policy, the application for review was denied.
- g. In the matter of Brenda Sullivan, at Savannah State University, concerning her tenure decision, the application for review was denied.
- h. In the matter of file number 1591, at North Georgia College & State University, concerning failure to pass the Compass Examination, the application for review was denied.
- i. In the matter of James L. Hill, at Albany State University, concerning his reassignment and salary, the application for review was denied.
- j. In the matter of file number 1593, at the Medical College of Georgia, concerning her dismissal from the Medical College of Georgia, the application for review was continued.
- k. In the matter of file number 1594, at the Georgia Institute of Technology, concerning the Honor Committee's ruling on academic integrity case, the application for review was denied.
- l. In the matter of Joseph A. Mayo, at Gordon College, concerning his salary increase, the application for review was denied.
- m. In the matter of file number 1596, at the University of Georgia, concerning early readmission, the application for review was denied.

PRESENTATION: STATEWIDE MULTIMEDIA CAMPAIGN

Chair Harris said that he has always been proud that the State of Georgia, especially the Board of Regents, participates in public-private partnerships. At this meeting, the Board would be hearing about how one of its successful partnerships, the Intellectual Capital Partnership Program (“ICAPP[®]”) Health Care Professionals Initiative, is being leveraged further. Chair Harris introduced Mr. Brue Chandler, President of Saint Joseph’s Hospital of Atlanta (“Saint Joseph’s”) and Co-Chair of the Georgia Hospital Association (“GHA”) Work Force Development Committee. Chair Harris noted that Mr. Chandler is not only a strong leader in the Georgia healthcare community, but also under his leadership, Saint Joseph’s is recognized as a magnet hospital by the American Nurse Association, which means that Saint Joseph’s is one of the best hospitals to work for in the nation. Joining Mr. Chandler was Ms. Holly Bates Snow, Senior Vice President of the GHA.

Mr. Chandler greeted the Regents and thanked them for the opportunity to share with them the activities of the GHA, to celebrate the ICAPP[®] partnership, and to give them an insider’s insight on a new media campaign. He noted that the Board was the first group outside of the GHA Board to see these television promotions. GHA has been actively involved in workforce issues for many years. One of the more important aspects of its activity has been its close partnership with the Board of Regents. For example, about a year and a half ago, representatives of GHA met with University System Office staff and articulated GHA’s urgent need for nurses, healthcare professionals, medical technicians, and pharmacists. At this time last year, the Board voted to recommend to the Governor that ICAPP[®] be expanded to meet the huge shortfall of healthcare professionals. Governor Barnes, in partnership with the legislature and the Board of Regents, delivered \$1.5 million. ICAPP[®] redirected \$500,000 to that, and through the GHA member’s, an additional \$2.55 million in funds and in-kind support was raised from 19 hospitals. All this public-private partnership resulted in the \$4.55 million ICAPP[®] Health Care Professionals Initiative. In less than three months. ICAPP[®], in partnership with the Department of Community Health, moved through 18 concepts with a \$5.4 million price tag to 12 funded projects at 13 System institutions serving 19 Georgia communities. Over time, the effort will result in 564 jobs for Georgians. Mr. Chandler noted that this equals more than \$40 million in salaries. He showed the Regents a map of Georgia depicting this effort’s impact on the state. He said that the members of the GHA are very excited about this public-private partnership and believe it serves as a model for other states.

Mr. Chandler said that he was at this meeting to share with the Regents a new partnership between the GHA and ICAPP[®]. Now that there are additional programs in place for students, the GHA board felt it was important to encourage students to pursue health careers. For that purpose, the board proposed a media campaign with a focus on both new students and second career individuals. Students need to receive the message about the positive aspects of health careers and why students in high school or even those individuals looking for a second career should consider pursuing these professions. As part of that effort, the GHA board asked that hospitals make voluntary contributions to this plan that would support the development of television and radio ads, print media, and posters which could be used throughout the state to promote health careers. The theme in this campaign is “Healthcare: A Career You can Feel Better

About.” At the end of the ads, the viewers or listeners can visit a newly created healthcare careers Web site (www.abettercareer.org) or call a 1-800 number for an information kit. Mr. Chandler thanked the Regents for this opportunity to share the ad campaign with them. He recommended that together we continue to explore ways in which we can collaborate to address the healthcare needs of the state. As Chair Harris said, this is a partnership that reflects well on both parties as well as producing positive results for the state. He thanked them again and said that the GHA shares the Regents’ excitement about future efforts and thanks them for their leadership in this area. Mr. Chandler then showed the Regents three television ads. Afterwards, he asked whether there were any questions.

Seeing that there were no questions, Chair Harris thanked Mr. Chandler for his presentation and for showing the Regents the ads, which were impressive.

Mr. Chandler responded that GHA has enjoyed its partnership with the Board and looks forward to continuing it for years to come.

Chair Harris thanked Mr. Chandler and Ms. Snow for coming and said that the Board of Regents is also excited about this partnership and is pleased that Governor Barnes, the legislature, and the hospitals have provided funds for this initiative. He noted that in less than three months, the hospitals and System institutions developed proposals for this initiative. No time was wasted in putting those state funds to work and leveraging those funds by the hospitals. Most importantly, more than 500 Georgians will be educated to fill jobs in critical shortage areas. ICAPP[®] has been a good partner to the state and good for the Board of Regents.

STRATEGIC PLANNING COMMITTEE, “COMMITTEE OF THE WHOLE”

Chair Harris 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.

Chair Leebern explained that at this meeting, the Regents would focus on parts of the third, sixth, and eighth goals of its new strategic plan. (The Board’s official goals statements can be accessed at www.usg.edu/admin/regents/.) First on the agenda was a presentation and demonstration of the Board’s new data warehouse, entitled USG by the Numbers. He reminded the Board that the action plan for the third goal was to add student information to the University System’s Web site. He said that the staff have not only accomplished this, but they have also added financial data as well. This presentation was a month earlier and had more information than anticipated. He then introduced the Senior Vice Chancellor for Academics and Fiscal Affairs, Daniel S. Papp, to begin the presentation.

Dr. Papp agreed that the staff had made impressive strides in the development of the data warehouse over the course of the past year. At this meeting, two particular elements of the data warehouse would be discussed: student information and financial data. The staff who would be making the presentation were the Assistant Vice Chancellor for Library and Customer Information Services, Jayne Williams, and the Vice

Chancellor for Fiscal Affairs, William R. Bowes. Dr. Papp stated that the reasons to improve data collection were extensive, ranging from the Governor's Education Reform Act to the Board's strategic plan to new Governmental Accounting Standards Board ("GASB") requirements. Most importantly, this needed to be done so that the University System can serve its institutions and itself better through its information efforts. A number of staff have been involved in an effort to bring this data warehouse to its beginning stages, and Dr. Papp stressed that this is only the beginning. A couple of years ago, the Board requested a sizeable amount of funding to move forward with this effort, but it only received a limited amount of funding. The work the staff have put in to bring the project to its present stage with limited funding and time has been absolutely incredible, he said. He recognized the Associate Vice Chancellor for Strategic Research and Analysis, Cathie Mayes Hudson; the Assistant Vice Chancellor for Planning, Joseph J. Szutz; and many people from the Office of Information and Instructional Technology ("OIIT"). Although this presentation would focus on student and financial data, the data warehouse will eventually include curriculum, facilities, human resources, and external data acquired via surveys, national statistics, etc. There will be not only internal information, but also ready and accessible comparisons to external data. The data will be accurate, and the system will be dynamic, such that data can be updated almost immediately. It will be accessible from anywhere, including home computers. Moreover, the data will be interactive, allowing people to make comparisons and do their own analyses. There will be different levels of access, and not everyone will have access to all information, but the Regents, of course, will have access to absolutely everything. In closing, Dr. Papp called upon Ms. Williams to demonstrate the new student information component of the data warehouse.

Ms. Williams stated that the OIIT staff were very excited to debut USG by the Numbers. She noted that this was a collaborative project, which had made it all the more successful. In the student reporting system, she would demonstrate four components: retention, enrollment, graduation, and degrees conferred. She noted that USG by the Numbers could be accessed from the University System Web site at www.usg.edu. She then gave the Regents a tour of the data warehouse, focusing on the design of the Web site and explaining that the data are printable. She stressed that in order to run the dynamic report, the user must have Adobe Acrobat loaded onto his/her computer, but there is an option to download the free program from the data warehouse Web site. Student data is open to the public, but the financial data are secured based on the role of the user. Right now, there is not a lot of public financial information on the Web site, but this will be improved in the next phase of development. Ms. Williams pointed out the standardization of the Web site and how every Web page had definitions, reports or graphs, facts, and trend data. She demonstrated how a user would run and print a report on the headcount enrollment of first-time freshmen at all institutions. She noted how every report includes the source and the date of the report and how the colors of the graphs are consistent. She also demonstrated how one would run reports on retention and graduation rates and how one could include a graph. A user can run a report on all institutions, institutions by sector, or specific institutions. Ms. Williams also showed the Regents what would happen if the user entered a search for information that does not exist, such as bachelor degrees at Waycross College. In closing, Ms. Williams introduced Lori Jarrard, Project Director for this project, and thanked her for her hard work. She then called upon Mr. Bowes to demonstrate the financial component of the Web site.

Mr. Bowes greeted the Regents and explained that unlike the student information, much of the financial data

are not publicly accessible, but rather are accessible dependent on the particular user's role and responsibilities and how data are entered into the data warehouse system. He said that the public view will be expanded in the next phase of development. He demonstrated how the program would work from the perspective of a secured user, that is, someone who has login access to the system, and from the perspective of the institution entering data into the data warehouse. Finally, he demonstrated the perspective of the staff of the University System Office, who validate and verify the data before it actually populates the system. He noted that the University System has been implementing PeopleSoft over the past year or so. This program takes information from PeopleSoft for the various institutions, such as their revenue expenditure accounts, assets, liabilities, fund balances at the account level, not at the transactional level. The financial data are collected every month. For secured users, certain package reports are available, such as the new Governmental Standards Accounting Board reports, monthly budget reports, etc. There is also the ability to do some ad hoc query, and this is one of the real strengths of the system. It provides not only static information, but it can also provide information through the use of query tools to create specialized reports. For their work in developing this system, Mr. Bowes thanked the Director of Financial Applications, Lina Brennan; the Executive Director for Enterprise Application Systems, John Graham; the Assistant Director for Financial Systems and Services, Mike Cole; Budget Director, Usha Ramachandran; and the Associate Vice Chancellor for Internal Audit, Ronald B. Stark.

Mr. Bowes demonstrated public access to the financial data. He noted that the financial component of the Web site looks very similar to the student information component. In the future, the public will be able to create customized reports with the financial data just as they currently can with student data. Then, Mr. Bowes demonstrated a login to the system as a secured user. He noted that a secured user would have the option to create whatever chart or graph he/she wanted to see. All of the data are updated on a monthly basis. Mr. Bowes downloaded the GASB report for fiscal year 2002 for all institutions in the System, noting that the institutions are still in the process of entering data from fiscal year 2002. Once the data have all been entered, the data warehouse will include all reports for all institutions. As the system is developed, there may be reports that should be read on a regular basis. He demonstrated how the staff at an institution would enter data and how the staff at the University System Office would extract the data. The University System Office staff can accept or reject the data. They can also list validation errors on data submitted. These tasks are done before the information is submitted to the data warehouse. Mr. Bowes then stepped down.

Dr. Papp stated that he was very pleased with and proud of the staff's work on this project and thanked them again. He reiterated that this was just the first phase of the data warehouse project. He said that every Wednesday afternoon at 3 p.m., staff from many different offices met with the programmers working on the project to work on this project. Dr. Papp said that though there is a long way to go, the project has come a long way already.

Chair Leebern asked the Regents whether they had any questions or comments.

Regent Coles asked how concerned the staff were about security.

Dr. Papp stated that the staff were very concerned with security, and he called upon the Vice Chancellor for Information and Instructional Technology and Chief Information Officer, Randall A. Thursby, to respond further.

Mr. Thursby responded that public information is open to everyone, but other areas are very secure using logins and passwords. There will be standards in place to create more complex passwords to make the system more difficult to access. He added that the University System Office has just hired its first information technology audit manager who will also be working to ensure security.

Regent Coles asked whether the Regents would have access to this system.

Mr. Thursby said that they would.

Regent NeSmith asked whether this system would be sophisticated enough that Mr. Stark and his staff would be able to perform off-site audits using it.

Mr. Bowes responded that they can do that now, but they do it on an institutional basis. In fact, the staff have worked with the state auditors on developing a query capability for them. The state auditors are already doing remote audits, and Mr. Stark will likely do the same thing, but it will be institution specific. Mr. Stark would be interested in transactional data, which is not yet in the system, though the capability exists.

Mr. Thursby added that the state auditors already have access to live data at the institutions. The data warehouse is more for reporting and data generation on a monthly basis.

Dr. Papp noted that when this system first went online, there was a demonstration for the Office of the State Auditor, the Governor's Office of Planning and Budget, and others. Everyone was extremely pleased with the progress and the possibilities.

Regent Coles asked whether the data are subject to open records act.

Dr. Papp replied that they are.

Regent Coles noted that some programs have a second level of security where in addition to user name and password, the program also requires the user to answer security questions.

Mr. Thursby responded that for a system like this that is primarily for reporting purposes, security is not as critical as for a system that might be generating checks or where financial data can actually be changed.

Mr. Bowes stressed that there are different levels of security with different types of access based on the different roles of those using the system.

Regent Harris asked how the staff would know whether the system's security had been breached.

Mr. Thursby responded that there are many different ways. There are audits of modifications. With a system like this, if someone were to make a change in financial reporting, there would be a log of the change unless the system is compromised at such a level that it might not be detected. Typically, that would take quite an effort that someone would not be interested in at the reporting level.

Regent Harris asked how often the log would be reviewed.

Mr. Thursby replied that the system and database administrators have logs that are active and would alert of any activity.

The Assistant Vice Chancellor for Enterprise Systems and Services, Beth Brigdon, added that there is a daily log review of all systems that house all of the University System data. All of these systems are secured in same fashion as the PeopleSoft transaction systems, which have passed an information technology audit. There is also a machine-automated comparison of today's log versus yesterday's log to highlight differences. So, there are both humans and machines reviewing the day-to-day activity.

Dr. Papp added that the machine review can detect real-time changes.

Ms. Bridgon said that these machines actually page staff members 24 hours a day, 365 days a year.

Regent Hunt asked whether this would bring the staff's attention to any inordinate amount of financial aid that a student might receive.

Mr. Bowes responded that the system does not yet have faculty and staff information, but this will be included in another level of the project.

Ms. Brennan added that the program can perform reasonability checks against financial amounts, but it does not have detail regarding how much financial aid a particular student has received. It is part of Mr. Cole's responsibility to examine financial data at the transactional level and determine whether they are reasonable.

Chair Leebern thanked the presenters and said that this had been a very impressive demonstration. He then called upon the Vice Chancellor for Facilities, Linda M. Daniels, to present an approval item concerning a facilities policy addition.

Ms. Daniels greeted the Regents and noted that they had received the proposed policy language prior to the Board meeting. Since the August 2002 presentation of the draft policy language, the staff had incorporated requested language related to landscape and grounds into the final proposed policy.

Chair Leebern asked whether the Regents had any questions or comments regarding the proposed policy. Seeing that there were none, he called for a motion to approve. Motion properly made, seconded, and unanimously adopted, the Board approved the following addition to The Policy Manual:

908.03 CAMPUS GROUNDS AND FACILITIES DEVELOPMENT

USG buildings and grounds shall be planned and developed to provide long-term lifecycle benefits, and each campus's individual architectural character and landscape shall be maintained in a coordinated and consistent manner. In order to ensure that this intent is achieved:

908.0301 Each campus shall employ design and construction concepts to allow for adaptive reuse, appropriate infrastructure, and flexibility to accommodate evolving technology. State-funded educational buildings shall be designed and constructed to provide quality service for 50 or more years, ultimately serving the citizens of Georgia by achieving long-term life cycle benefits (a positive cost-to-benefit return on the initial investment); and

908.0302 Each campus shall develop standards that establish basic aesthetic expectations for construction. These standards shall be founded on and complementary to the University System of Georgia's preplanning guidelines. Campus standards shall establish the campus's architectural theme and provide specificity sufficient to guide future construction activities to achieve harmony with the existing facilities while providing modern teaching and learning spaces. These standards shall ensure that the exterior architectural character of each building conveys the college/university character in a cohesive, attractive, and timeless manner. Each campus shall develop an "architectural palette" (list of materials) to guide the selection of exterior materials for construction projects. Enduring and easily maintained materials shall form the basis of these design standards. Although various products may be used as incidental or accent points, typically more traditional and durable materials, such as masonry, shall form the basis of each campus's selection of materials.

908.0303 Each campus shall develop standards that establish basic expectations for landscaping and grounds. These standards shall be founded on and complementary to the University System of Georgia's preplanning guidelines. Campus standards shall establish the campus's landscape plan and provide specificity sufficient to guide the planning and development of outdoor common space, including hardscape and signage, to achieve a cohesive and sustainable campus. These standards shall ensure that the campus grounds convey an attractive and inviting college/university character. Each campus shall establish material and plant lists to guide the development of public green spaces, and plantings shall be predominantly indigenous, maintainable, and diverse.

Chair Leebern next called on the Assistant Vice Chancellor for Development and Economic Services, Annie Hunt Burriss, to make a brief presentation on continuing education.

Ms. Burriss stated that at its August 2002 meeting, the Regents surprised and delighted her with their response to the Lifelong Education and Economic Development Services (“LEADS”) report. The staff have since been hard at work developing a policy and an implementation plan at the Regents’ request. Within ten days of the August 2002 Board meeting, representatives from the 34 institutions of the University System of Georgia convened in Macon to consider the Board’s original 1971 policy on continuing education and how to implement a new policy. At this time, Ms. Burriss wanted to share three aspects of their progress with the Regents to ensure they are headed in the right direction. First, since the August 2002 presentation to the Board did not address it, the staff felt it was important for the Regents to look at the existing policy. Second, the new policy was being drafted, so the staff wanted to share some of its key tenants to see if the Regents concur. Third, Ms. Burriss would give the Regents a progress report on the implementation plan. She noted that in each of the Regents’ notebooks was a copy of the existing policy on continuing education. Many System staff members had been reviewing this policy and how it affects their areas of responsibility. The Senior Vice Chancellor for Support Services, Corlis Cummings, said it best when she said this policy is like an octopus: over the past three decades, it has developed many arms, and those arms are woven all through other Board and academic policies. So, a group from the University System Office led by the Special Assistant to the Chancellor, Shelley Clark Nickel, was carefully reviewing how this policy and the new one work to ensure all of the Board’s policies are consistent. She noted that many sections of the existing policy in Section 500 are not really relevant anymore. Named programs are probably not wise for the Board policy because some, such as the Urban Life Center in Section 502.04, have been nonexistent for many years. Other language, like Section 502.01’s Cooperative Extension Service, must remain for funding and legal purposes. Moreover, the existing Board policy does not specifically mention economic development as a mission, but the Board’s last two strategic plans have focused on this area as a key emphasis. So, the staff plan to integrate it into the revised policy.

Ms. Burriss shared some of the new ideas the staff plan to incorporate in the revised policy, including responsiveness to market needs and conditions, a results-oriented approach to program operations and funding mechanisms, recognition that financial incentives are important to encourage institutional support of lifelong education programs, encouragement of the use of technology to improve access and improve productivity, and support for an integration of credit and noncredit offerings, as feasible. The Regents want to encourage a more educated Georgia in professional and personal development, but they also recognize that not all Georgians need or want another degree.

Next, Ms. Burriss discussed the Georgia LEADS implementation plan requested by the Board. She reported that there is a lot of collaboration underway to develop a implementation plan. There are two groups of people from the institutions working on this project. One group is framing the scope of the plan, and the other is very focused on procedures to improve operations and marketing efforts. Today, the Regents had seen the existing policy, and at the next meeting, they would consider a revised policy. She then turned the floor back to Chair Leebern.

Chair Leebern asked whether there were any questions or comments, and seeing that there were none, he thanked Ms. Burriss for this update and adjourned the meeting of the Strategic Planning Committee as a Committee of the Whole.

Chair Harris thanked Regent Leebern and the presenters and remarked that he was very impressed with the data warehouse and the potential it has for providing access to information. He also thanked Dr. Papp for his leadership and noted that the Regents wished him well in his recent decision to accept the position of Chancellor of the State University System of Florida.

UNFINISHED BUSINESS

Regent Hunt thanked Regent NeSmith and the Vice Chancellor for Facilities, Linda M. Daniels, for their help with the workshop on privatization held before the Board meeting on Tuesday, September 10.

Chair Harris thanked Regent Hunt for these recognitions. He remarked that he had sat in on the workshop and was pleased with both the attendance and the information brought forward.

NEW BUSINESS

Chair Harris called upon the Secretary to the Board, Gail S. Weber, to present an honorary degree recommendation to the Board.

Secretary Weber announced that President Michael F. Adams of the University of Georgia (“UGA”) had nominated Civil Rights Attorney Donald L. Hollowell for an honorary degree to be awarded at UGA’s December 2002 commencement. On behalf of President Adams, Secretary Weber submitted this nomination for the Board’s approval. With motion properly made, seconded, and unanimously adopted, the Board approved the honorary degree.

PETITIONS AND COMMUNICATIONS

Secretary Gail S. Weber announced that the next Board meeting would take place on Tuesday, October 8 and Wednesday, October 9, 2002, on the campus of Abraham Baldwin Agricultural College in Tifton, Georgia. She noted that spouses, guests, and the Regents Emeriti were also invited to this Board meeting.

Regent Hunt said that he looked forward to seeing the Regents in Tifton and promised that they would have a good time.

Chair Harris expressed the Board’s appreciation that Regent and Mrs. Hunt would be hosting a special event at their home during the Regents’ visit to Tifton.

EXECUTIVE SESSION

At approximately 10:15 a.m. on Wednesday, September 11, 2002, Chair Harris called for an Executive Session for the purpose of discussing compensation issues. With motion properly made and variously seconded, the Regents who were present voted unanimously to go into Executive Session. Those Regents were as follows: Chair Harris, Vice Chair James D. Yancey, and Regents Hugh A. Carter, Jr., Connie Cater, William H. Cleveland, Michael J. Coles, Hilton H. Howell, Jr., George M. D. (John) Hunt III, Donald M. Leebern, Jr., Elridge W. McMillan, Martin W. NeSmith, J. Timothy Shelnut, and Joel O. Wooten, Jr. Chancellor Thomas C. Meredith and the Secretary to the Board, Gail S. Weber, were also in attendance during the Executive Session. In accordance with H.B. 278, Section 3 (amending O.C.G.A. § 50-14-4), an affidavit regarding this Executive Session is on file with the Chancellor's Office.

At approximately 10:30 a.m., Chair Harris reconvened the Board meeting in its regular session and announced that no actions were taken in Executive Session. Chair Harris then called for a motion that the Board approve Chancellor Meredith's fiscal year 2003 salary recommendations for the Senior Vice Chancellor for Support Services, Corlis Cummings; the Senior Vice Chancellor for External Activities and Facilities, Thomas E. Daniel; the Senior Vice Chancellor for Academics and Fiscal Affairs, Daniel S. Papp; the Vice Chancellor for Fiscal Affairs, William R. Bowes; and the Secretary to the Board, Gail S. Weber; as well as the Board's fiscal year 2003 salary recommendation for Chancellor Emeritus Stephen R. Portch. With motion properly made, variously seconded, and unanimously adopted, the Board approved this motion.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at approximately 11:35 a.m. on September 11, 2002.

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

s/ _____
Joe Frank Harris
Chair, Board of Regents
University System of Georgia