

**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 7 and 8, 2004**

CALL TO ORDER

The Board of Regents of the University System of Georgia met on Tuesday, September 7 and Wednesday, September 8, 2004, in the Board Room, room 7007, 270 Washington St., S.W., seventh floor. The Chair of the Board, Regent Joel O. Wooten, Jr., called the meeting to order at 1:00 p.m. on Tuesday, September 7. Present on Tuesday, in addition to Chair Wooten, were Regents Hugh A. Carter, Jr., Connie Cater, William H. Cleveland, Michael J. Coles, Joe Frank Harris, Julie Hunt, James R. Jolly, Donald M. Leebern, Jr., Elridge W. McMillan, Martin W. NeSmith, Patrick S. Pittard, Doreen Stiles Poitevint, Wanda Yancey Rodwell, Allan Vigil, and Glenn S. White.

ATTENDANCE REPORT

The attendance report was read on Tuesday, September 7, 2004, by Secretary Gail S. Weber, who announced that Vice Chair J. Timothy Shelnut and Regent W. Mansfield Jennings, Jr. 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 meeting held on August 3 and 4, 2004, were unanimously approved as distributed.

WORDS OF APPRECIATION FOR MICHAEL F. VOLLMER

Chair Wooten called upon the Chancellor to thank the new Commissioner of the Department of Technical and Adult Education (“DTAE”), Michael F. Vollmer, for his prior service as President of Abraham Baldwin Agricultural College (“ABAC”) and in other capacities within the University System of Georgia. Commissioner Vollmer and Chair Wooten joined the Chancellor at the podium.

Chancellor Meredith said that Commissioner Vollmer has had a long career in education in the State of Georgia, most recently as President of ABAC. He remarked that President Vollmer had done a phenomenal job as President of the institution, which is demonstrated by the new student housing that is now fully occupied. Vollmer was appointed Commissioner by Governor Purdue. He brings to this new position not only an understanding of how the state works, but also a knowledge of how the University System works with DTAE. The Chancellor remarked that this will prove to be

extraordinarily valuable to the state economically and in terms of the education being provided to its citizens. Chancellor Meredith and Commissioner Vollmer have been talking about ways in which the System and DTAE can work more closely together. They have planned a series of meetings together with Chair Wooten and the Chair of the DTAE board, Harold R. Reynolds, to discuss ways to better utilize this state's resources as they work together to "create a more educated Georgia." The Chancellor lamented the fact that Commissioner Vollmer was leaving the University System, but he said that he was delighted that they would still have an opportunity to work together. He said that the Board of Regents appreciates all that Commissioner Vollmer has done for the University System and all he will continue to do for the State of Georgia.

Commissioner Vollmer said that it had been a privilege to work with the Board of Regents for many years. For the past seven years, he had tremendous opportunities that the Board had given to him. Over the last 25 years, he had worked with two great Chancellors: Chancellor Meredith and Chancellor Emeritus Stephen R. Portch. He worked on behalf of the University System in Washington, D. C. He worked for the System under four governors. He remembered with fondness when he was assigned to resolve a football dispute at Middle Georgia College. He served as Acting President of Clayton College & State University during its presidential search, and he served briefly as Interim Senior Vice Chancellor for Human and External Resources. He remembered the late Regent George M. D. (John) Hunt III and Regent Julie Hunt asking him to come to Tifton, and since April 2001, he has had, as President of ABAC, the very best time professionally that he has ever had. Commissioner Vollmer said that ABAC was committed, like all System institutions, to giving students access to education. So, he left the University System of Georgia with a lot of mixed feelings because of his fondness for ABAC.

Commissioner Vollmer said that sometimes in Atlanta, it is easy to lose track of the real meaning of higher education. So, he wanted to share two stories about that. The first took place at a graduation ceremony that took place recently for ABAC's licensed practical nurse to registered nurse ("LPN to RN") transition program. During the graduation, Commissioner Vollmer saw entire families moved to tears as they watched their children move into a professional career. The second story took place at another ABAC graduation about two years ago. After graduation, President Vollmer stayed for pictures. A young man and his extended family came up to him, and he asked the new graduate how the day was going. The man replied that it was the proudest day of his life and for his entire family. President Vollmer asked the young man what he intended to do after that day, and he responded that he was going to go back and help his father on the family farm. Commissioner Vollmer said that this is what it is all about: helping hundreds of thousands of Georgians with their education.

In closing, Commissioner Vollmer said that it was a true privilege for him to work for the Board of Regents for the last seven or eight years. He said that he will always remember these times, and he was not going to say goodbye because he knows that he will continue to work together with the University System of Georgia in the future.

GEORGIAHIRE UPDATE

Chair Wooten called upon the Executive Director of the Office of Economic Development, Joy Hymel, to introduce the GeorgiaHIRE Director, Kristie Couch, who would update the Board on that program.

Ms. Hymel greeted the Regents. She said that Ms. Couch joined the Office of Economic Development in 2002. She has over ten years of human resources experience in corporate recruiting. She was a recruiter for The Coca-Cola Company and the American Red Cross. Ms. Couch would be discussing GeorgiaHIRE and its efforts to help Georgians find great jobs.

Ms. Couch thanked the Regents for this opportunity to speak with them about GeorgiaHIRE. She said that she was very excited to tell them about this unique economic development tool that is “connecting the most talented college students and alumni with Georgia’s best employers.” In her presentation, she would cover three areas. First, she would give an overview of what GeorgiaHIRE is and who uses it. Then, she would discuss the impact that GeorgiaHIRE is having on Georgia’s college students and graduates. Finally, she would explain how it helps Georgia’s employers and economy.

Ms. Couch began with an overview of GeorgiaHIRE. She explained that GeorgiaHIRE is a technology-driven innovation that helps employers find the college-educated talent they need. The heart of GeorgiaHIRE is the online database of resumes from students and alumni from Georgia’s colleges and universities. These students and alumni go through their institutions’ career services offices to post their resumes on GeorgiaHIRE, either by visiting the respective campus office or through its Web site. Employers use the search engine to find talent with the education and experience that they need, and then, the employers email job information and an invitation to apply to their top choices. Employers also have the option of posting a job announcement on GeorgiaHIRE for a small fee, currently \$245, which equals approximately \$4.30 per school. This job announcement is seen on the available jobs database at each of the 57 participating institutions.

Ms. Couch then showed the Regents the Web site and demonstrated a sample search. The GeorgiaHIRE Web site is designed for and targeted to employers, so its home page has a welcome message for employers. Students usually access GeorgiaHIRE through their campus career services offices. If a student arrives at this page, he or she can click on the link titled “Students” at the top left of the screen, which links to a page that lists all 57 participating campuses. Students can click on their respective institution and immediately be connected to their institution’s career services Web site. First-time visitors to GeorgiaHIRE are directed to request a password. The site uses passwords to qualify employers; that means that an employer has to request a password to search the GeorgiaHIRE resume database. Staff verify that the employer has a hiring need before providing a password. That protects our students from those people with less-than-honorable intentions.

Ms. Couch went on to demonstrate how the GeorgiaHIRE Web site works. Employers click on the “Search Resumes” link to find people with the education and experience that they need. Before employers can search the student and alumni resumes, they must enter their current password. With the correct password the GeorgiaHIRE search page is displayed. Employers may select any or all of the following areas to refine their search:

- Keyword – allows for any words that the employer wishes to search for specifically;
- Class Standing – includes options for selecting freshman, sophomore, up to different years of graduate school, and alumnus;
- Industry Preference – includes more than 30 industry areas to choose from;
- Job Type Preference – includes a choice of full-time, part-time, summer, and internships;
- Job Category Preference – breaks down very specific careers;
- Job Search Status – indicates if the student or alumnus is actively looking for employment;
- Area of Study – provides a list of all majors available through the 57 participating institutions;
- Degree – offers a range of choices from associate’s degree to doctorate; and
- Graduation Date Range – provides a variable graduation date, in the past or future, to choose candidates currently enrolled, pending graduation, or who are alumni.

For the purposes of this demonstration, Ms. Couch focused on area of study, degree, and graduation date range. She had chosen a sample search used by a financial institution. If a Georgia bank or financial institution were searching for candidates to fill positions within an entry-level management training program, they may look at individuals with an area of study in accounting or finance, those who have a bachelor’s degree, and those who graduated during the last academic year. If they wanted graduates with experience, they would choose earlier graduation dates. If they wanted interns, they would choose later graduation dates. At this point, the GeorgiaHIRE search had generated more than 400 responses. The employers may view each resume by clicking on the name, then printing out their top choices. The employers may also click the boxes next to the names of students and alumni to create a pool of top candidates and then email those candidates with information about the company and the job opening. The employers may also point the student to the company’s Web site to learn more about their organization and other available jobs. The search results included students from a variety of System institutions, such as the University of Georgia (“UGA”), the Georgia Institute of Technology (“GIT”), Georgia State University, Kennesaw State University (“KSU”), and Augusta State University. Also among the results were students from the System’s private partners, including Clark Atlanta University, LaGrange College, and Berry College.

Ms. Couch next discussed the institutions who currently participate in GeorgiaHIRE. All 34 University System of Georgia institutions are part of GeorgiaHIRE, along with 23 of Georgia’s private colleges and universities. The GeorgiaHIRE collaboration provides Georgia employers with a single point of entry to Georgia’s college-educated talent. GeorgiaHIRE began when the career services offices statewide looked for and found a way to collaborate so that they could better serve

Georgia's students. Today, the campus career services offices are one of the main reasons for GeorgiaHIRE's success. GeorgiaHIRE spans the entire state. This gives even the smallest Georgia company access to the best college-educated talent statewide.

Ms. Couch stated that the resumes on GeorgiaHIRE range from current students looking for part-time work, summer work, or internships, to recent graduates (or soon-to-be-graduates) looking for their first jobs, to alumni with one to ten years of experience. Their degrees range from an associate degree all the way up to the doctorate level, and those degrees are in a wide variety of majors. Currently GeorgiaHIRE has more than 1,850 employers actively using the Web site, up from about 1,200 at this time last year. The employers come from a wide range of industries with the largest percentages coming from engineering and technology, manufacturing, and insurance. GeorgiaHIRE provides any Georgia company, no matter how small it is or where it is located, with access to talent from around the state. Some examples of companies that have had successful hires using include the American Family Life Assurance Company of Columbus ("AFLAC"), Fort Dearborn Company in Brunswick, and FusionPoint Technology Solutions ("FusionPoint") in Macon. For example, Vice President Carol Lee at FusionPoint was able to locate and hire three GIT graduates using GeorgiaHIRE. She told Ms. Couch, "We're a small company, and most recent graduates don't know about us. Through GeorgiaHIRE, I could contact students from colleges from across the state in one easy computer session at my desk."

On July 1, 2004, GeorgiaHIRE had more than 11,000 active resumes posted by students and alumni. Ms. Couch noted that GeorgiaHIRE automatically archives each resume if it has not been updated in 180 days to ensure that the resumes are current and the candidates are still in the job market. This feature was added in response to requests from the participating employers. During July, 78 employers used GeorgiaHIRE for the first time. The monthly average is typically 60 new employers, so this shows a significant increase. During July, employers did more than 500 resume searches and reviewed more than 9,000 resumes. Both of these numbers are nearly double the previous monthly averages. The staff track the usage of GeorgiaHIRE on a monthly basis and survey participating employers annually in order to measure the program's effectiveness. In July 2003, the staff sent out an email survey to all employers. Of those who responded, 54% had successfully used GeorgiaHIRE to find and hire college-educated Georgians during the past 12 months. Ms. Couch said that all of the campus career services offices can be very proud of this incredible measure of success. These annual surveys are one facet of the staff's commitment to accountability.

Of course, there is a good reason for this phenomenal rate of success, she said. GeorgiaHIRE offers tremendous benefits both to Georgia's college students and alumni and to Georgia employers. GeorgiaHIRE helps students and alumni find good jobs. Resumes from students and alumni can be searched by any employer in Georgia, 24 hours a day, 7 days a week. There's no middleman, so employers, students, and alumni can connect directly. With GeorgiaHIRE, students and alumni can be considered for jobs that are not advertised, either for internal company reasons or because employers cannot easily control the flow of resumes and phone calls that result from placing an ad.

That is how it worked for Vice President Keith Herndon of Hartwell Industries, which is located in Hartwell, Georgia. He could not find candidates with the specific technical skills that he needed when one of his company's major contracts expanded. Then, he found GeorgiaHIRE. He told Ms. Couch, "I realized that rather than posting the job opening and dealing with the people who replied, I could search the database for people who had the HTML and Photoshop experience that I needed, and contact them." He did his search and eventually narrowed the group down by searching for students who would want to work in the Hartwell area and for August graduates (because he had an entry-level position). He chose the top six resumes, talked with each student by phone, and set up an interview with his top choice. Wendy Oyster from Homerville graduated from UGA with a Bachelor of Arts in Journalism on August 7. She began her new job at Hartwell Industries on August 23 and said, "I never would have found my new job if it weren't for GeorgiaHIRE."

Employers report that they find GeorgiaHIRE a very cost-effective recruiting tool. They like the 24/7 direct access to Georgia's best college-educated talent across the state. Because GeorgiaHIRE includes all of the women's colleges and historically black colleges and universities throughout Georgia, it also provides employers with an incredible diversity of job candidates. That diversity is a key benefit for Senior Medicare Specialist Bill Menzie of United American Insurance Company in Smyrna. Mr. Menzie began using GeorgiaHIRE three months ago. So far, he has hired two management trainees: a psychology major from UGA and a general business major from KSU. He reported that both have been great hires. He told Ms. Couch, "GeorgiaHIRE provides a pool of people who are finishing school and interested in making their mark in the world." Mr. Menzie found GeorgiaHIRE to be user-friendly, even though he has very little computer experience. He said, "I avoided computers as long as I could, but GeorgiaHIRE was easy to use."

Finally, Ms. Couch discussed how GeorgiaHIRE benefits the State of Georgia. GeorgiaHIRE offers a unique collaboration among public and private colleges and universities within Georgia. No other state has this type of partnership. This unique economic development incentive gives Georgia a competitive advantage in attracting companies to relocate or expand in Georgia. Economic developers have used GeorgiaHIRE to display Georgia's college-educated talent in all areas of the state since the program began in 1999. The first question asked by a business that is considering a relocation or expansion is whether Georgia can provide the workforce that the business needs to sustain its business. GeorgiaHIRE immediately answers the workforce question with proven technology that can be demonstrated online immediately.

In closing, Ms. Couch encouraged the Regents to try out the GeorgiaHIRE Web site for themselves. She noted that she had included the current GeorgiaHIRE password in the Regents' notebooks and would be happy to set up individual demonstrations. She stated that GeorgiaHIRE is an Intellectual Capital Partnership Program ("ICAPP[®]") initiative administered through the Office of Economic Development. She then asked whether the Regents had any questions.

Seeing that there were no questions for Ms. Couch, Chair Wooten thanked her for the update on

GeorgiaHIRE and remarked that this is a great collaboration to serve the students and alumni of various institutions, as well as the employers in the state.

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

Chair Wooten 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 Pittard, the Chair of the Committee.

Chair Pittard stated that at this time, the Board would be considering the fiscal year 2006 operating and capital budget. The fiscal year 2005 budget request is comprised of the formula, enhancements, and special funding initiatives. The fiscal year 2006 capital budget request includes previously approved projects on the major capital outlay list, equipment funds for projects under construction, minor capital projects, and one payback project. Chair Pittard turned the floor over to the Chancellor to begin the budget presentation.

Chancellor Meredith said that this was a very unique budget request in that this is the first time in the history of the budget formula that the University System of Georgia has not been allowed to ask for full formula funding. Instead, the Board would consider a basic formula request within the Governor’s guidelines, some enhancements the staff were proposing, and the capital budget. The Chancellor then called upon the Vice Chancellor for Fiscal Affairs, William R. Bowes, to continue the presentation.

Mr. Bowes stated that although the Board and staff had expectations that fiscal year 2006 would see an improved budget outlook for the state and for the University System of Georgia, it was clear that the state’s recovery from the recent economic downturn had been much slower than anticipated. It also appeared that the combination of continuing cost pressures on the state budget coupled with issues regarding the state’s tax structure signal less favorable long-term budget prospects for the University System. The Board learned in August that the state is projecting revenues to increase by 6.1%, but this is viewed as a high-end estimate by the state’s economic advisors. At 6.1%, the state would realize an increase in revenues of just under \$1 billion, based on the current base budget of approximately \$16 billion. Although \$1 billion may seem like a fairly significant increase, Mr. Bowes said, the Board was advised that nearly all of this projected new revenue would be needed to pay for Medicaid increases, the state employee health benefit plan, and annualization (or full-year funding) of the 2% salary increases approved for fiscal year 2005 that become effective on January 1, 2005. To illustrate annualization, he hypothesized that if it costs \$50 million to fund a 2% salary increase for one half of a fiscal year, then to fund that same increase for a full fiscal year would require \$100 million. The net additional cost becomes \$50 million, or \$100 million less \$50 million. Of the \$1 billion, only \$50 million to \$60 million would be available to fund cost increases or new programs throughout state government in fiscal year 2006.

The Governor issued his budget guidelines on August 11, and Mr. Bowes remarked that they clearly reflect continuing concern over the slow economic recovery. All state agencies have been asked to continue the priority program process begun last year, whereby reductions and increases are predicated upon program performance and the priorities, which are attached to the programs to achieve agency goals and objectives. Mr. Bowes reminded the Regents that the Board responded to this last year by identifying over 70 programs within the University System of Georgia where our core mission of teaching, research, and service was given the highest priority and other programs having less impact on students were given lower priorities, despite the fact that many of those programs contribute to institutional and System goals and are valuable to citizens of the State of Georgia. In addition, the Governor has asked agencies to prepare three separate budget requests for fiscal year 2006. The first is termed a “minimum” budget and is based upon an expenditure reduction of 3%, or 97% of the current base budget for fiscal year 2005. The second is called a “baseline” budget, essentially the same as the current fiscal year 2005 budget. Finally, the Governor has asked for an “enhancement” budget, or 105% of the current base funding, thus allowing for budget enhancements of up to 5%. Within each of these budgets, the Governor is also asking agencies to reduce or redirect funds in accordance with priorities and not to make adjustments to programs across the board. He noted that the University System Office budget staff held discussions with the System presidents to develop budget reduction proposals under similar guidelines issued last year. For the first time in recent years, the formula request for the University System of Georgia is not being treated as being above and beyond other enhancement requests. This is a significant departure from past practice. In other words, the formula request for the System is not being treated as an addition to other enhancement requests as has been past practice. Finally, the Governor has advised all agencies that there will be no new funding available in the fiscal year 2005 amended budget. Agencies were asked to consider redirecting funds from current budgets to meet any increased needs in fiscal year 2005. In response, the were staff were not recommending to the Board any items for inclusion in the fiscal year 2005 amended budget, but they will work with the Governor and his staff over the next weeks to determine if there may be opportunities to revisit this if revenues improve. If that occurs, the staff would of course come back to the Board with some specific recommendations.

Before explaining how these guidelines affect the University System’s budget for fiscal year 2006, Mr. Bowes mentioned one other factor. He stated that as part of his fiscal year 2005 budget recommendations, the Governor included a \$179 million funding reduction. This reduction was based upon an estimate of the June 30, 2005, payroll for all state agencies that the Governor planned to shift the payment of to July 1, thus moving the budget cost to fiscal year 2006. The System’s share of that \$179 million is \$68.7 million, or about 38%. Under the Governor’s original plan, these funds were to be restored to each agency in fiscal year 2006. However, in his letter to state agencies in August, the Governor advised agencies that the payroll shift would not occur and the reduction in funding would stand as a permanent cut. The University System will not receive those funds back in its budget base. This represents a very significant further reduction to the System’s budget, about

4.2%, which, if applied equally to all state agencies would have been only 1.25%. Although the University System Office budget staff had been and remained in discussion with the Governor's key staff regarding possible restoration of some or all of these funds, the cut stood at the time of this meeting. Mr. Bowes brought this to the Board's attention because, as he discussed the budget recommendations for fiscal year 2006, he wanted the Regents to be cognizant that the beginning point for the request, the fiscal year 2005 base budget, at this time reflects that \$68 million reduction. The Chancellor would have more to say about this matter in his report to the Board on Wednesday. (See pages 68 to 74.) Plus, in its regular session, the Committee on Finance and Business Operations would consider an item to approve a reallocation of this cut to the System institutions. (See Item 16, pages 46 to 47.)

Mr. Bowes showed the Regents a table illustrating the impact of the three separate budget requests on the University System budget. He noted that there is the potential for a range of approximately \$138 million, spanning from a possible reduction of some \$48 million under the 97% minimum budget to an \$80 million increase under the 105% enhancement budget. He also noted that the \$80 million enhancement limit would not be sufficient to cover the full formula amount for fiscal year 2006. The Chancellor and his staff will be presenting recommendations to the Governor and the Governor's Office of Planning and Budget ("OPB") that comply with these guidelines. However, they have not had any opportunity since receiving the Governor's guidelines to fully explore how reductions or redirection might occur within these various budget options nor how they would be distributed across the many programs the staff have identified. This is something that will require consultation with the System presidents. For now, the staff would simply show the budgets with any reduction or redirection across the board. During the coming week or so, they would have those discussions and come back to the Board with more specific recommendations.

Next, Mr. Bowes discussed the budget development process. As has become tradition and practice, the Chancellor appointed a presidential advisory committee in June to work with the University System Office budget staff on the development of the request. This group represented a cross section of the University System and helped the staff identify the major budget issues and priorities for System institutions through consultation with their colleagues. Mr. Bowes thanked the members of the presidential advisory committee, who spent time with the budget staff on this process through meetings, conference calls, and emails over the course of the summer months. Those presidents were as follows: Bruce F. Grube, Georgia Southern University; Dorothy Leland, Georgia College & State University; Kofi Lomotey, Fort Valley State University; John Randolph Pierce, Floyd College; Daniel W. Rahn, Medical College of Georgia; Beheruz N. Sethna, State University of West Georgia; and Lawrence V. Weill, Gordon College.

In August, the presidential advisory committee presented its recommendations to the Chancellor and to all of the institutional presidents. It was shortly after that time that the budget staff received the formal budget instructions from the Governor. Normally, they would have received instructions in June, which would help shape and guide this process. However, knowing that the Governor has been

operating under very uncertain budget circumstances and that he wanted to obtain as clear a picture as possible concerning current and future revenues, the staff fully understood the reasons why the instructions were issued later in the process. The staff were scheduled submit the formal budget request to the Governor and OPB on September 15.

Mr. Bowes noted that over the last few years and despite receiving formula funds, the University System of Georgia has experienced significant budget reductions. At the April 2004 Board meeting, the staff reported a cumulative total of \$313 million in cuts. With the recent decision to reduce the System's budget further by the \$68.7 million, the cumulative cut now exceeds \$382 million, representing nearly one-quarter of the current total formula funding. Since 2000, the System is down some \$50 million in total funding. Yet, during this period, the System experienced increased enrollments of nearly 50,000 students. As a result, the System's funding per full-time equivalent ("FTE") student has dropped by nearly \$1,700 per student (21%) and the System's share of the state budget has declined to the lowest level since 1967, a little less than 11%. It is also during this period that the University System Office staff began to take a look at the future needs of the state and how the University System of Georgia would need to adjust and prepare for that future. This is the statewide assessment, which the staff have discussed with the Regents, which looked at demographic trends, student enrollment trends, and the state's economy, among other factors. While much of that assessment's recommendations focus on efforts the System needs to initiate to achieve greater efficiency and effectiveness, many of which are already underway, the System cannot escape the fact that additional resources are needed now and in the future to achieve its goals while ensuring that quality and access are maintained and enhanced. Therefore, the staff were presenting at this meeting a highly focused budget recommendation to the Board that speaks to the System's current needs but also moves the University System of Georgia along a path that addresses needs for the next decade. Mr. Bowes would be discussing a few of these items as he presented the budget figures. His presentation would be followed by presentations regarding the System's long-term strategy given by the Vice Chancellor for Academic, Student, and Faculty Affairs, Frank A. Butler; the Associate Vice Chancellor for Academic Affairs and Co-Facilitator of the Georgia P-16 Initiative, Jan Kettlewell; and the Executive Director of the Office of Economic Development, Joy Hymel. Finally, the Vice Chancellor for Facilities, Linda M. Daniels, would discuss the System's capital budget request.

For the benefit of the newer members of the Board, Mr. Bowes highlighted some key budget terms so that they would better understand the presentation. He explained that the USG receives state appropriations in two separately identified forms. The first is referred to as the "A" budget. The "A" budget represents the formula funds that are generated by enrollment increases in the form of student credit hours and new facilities space expressed as square footage. These funds are appropriated in a lump sum to the Board of Regents for allocation to all University System of Georgia institutions. The second form is the "B" budget. This budget consists of specifically identified programs or agencies for which state appropriations are provided directly. Included among these are, for example, the Georgia Public Library Services, the Skidaway Institute of Oceanography,

the agricultural experiment stations, and the cooperative extension service. Finally, there are a group of programs and agencies that also receive funds but, unlike the “B” budget units, develop their budget requests independent of the Board of Regents. These are called “pass-through” budgets, and they are included in the System’s operations for administrative purposes but are not subject to direct control by the Board of Regents. Included in this category are the Georgia Public Telecommunications Commission, the Georgia Military College, and the Georgia Research Alliance. As Mr. Bowes presented the budget figures, these and other agencies for which the System receives pass-through funds would be excluded.

Mr. Bowes said that the System’s current budget formula has been used since the mid-1980s as the method by which the annual request for state operating funds is developed. There have been some changes to the formula over time, but overall, it has remained the same. There are basically four major parts of the formula. First, it generates funds for the System’s core functions using credit-hour enrollments. So, credit hours are the basis for all of the functions that are part of the institutional mission. The System also receives funding for plant operations, maintenance, utilities, and major repairs and renovation (“MRR”) based upon square footage. So, as square footage increases, the amount of funding for those items also increases. The third major part of the formula is continuing education. The continuing education units have been used to generate funding for continuing education, but the System has not been funded for increases in this area for a number of years and the staff are not requesting an increase in this area for fiscal year 2006. The final part of the formula is fringe benefits, which are developed based upon actual and projected costs. Mr. Bowes noted that there was a two-year lag between enrollment change and funding. For example, students who are entering the System in this academic year will not generate credit hours for the formula until fiscal year 2007. Currently, the formula generates about 30%, or \$1.4 billion, of the total System funding of \$4.7 billion. So, this is a significant part, but not the entirety of the budget. The System generates approximately 15% to 20% of its budget from tuition, about \$900 million from sponsored research, and other funds from auxiliary enterprises, continuing education, and so forth.

Mr. Bowes stated that the fiscal year 2005 base budget was \$1.6 billion, including a cut of \$68 million. The staff were asking for three components of the formula: enrollment earnings of \$90.4 million based upon an enrollment increase of approximately 5.7%, new square footage maintenance and operation costs of \$7.7 million; and \$5.3 million to cover the cost of fringe benefits for new retirees. So, the total formula request for fiscal year 2006 is \$103.4 million. The staff has also developed a package containing a number of program initiatives, all of which relate to the statewide assessment and to the Board’s strategic plan. Some of these are continuations of initiatives that were started in past years, including the Medical College of Georgia (“MCG”) faculty research initiative, the Georgia Tech Regional Engineering Program (“GTREP”), programs in which four-year institutions offer four-year degrees at two-year institutions (the “4-4-2 initiative”), and the Georgia Leadership Institute. The total budget enhancement for fiscal year 2006 for the “A” budget is approximately \$130.5 million. There were also a number of enhancements for the public service institutes, special funding initiatives, “B” units, and some line-item “A” units. Based on a 5%

enhancement, the total enhancement request for fiscal year 2006 is almost \$141 million. There are also funding requests for the salary annualization costs to provide full funding for the 2% salary increase in fiscal year 2005 that will go into effect on January 1, 2005. So, the total fiscal year 2006 budget request is \$1.766 billion.

Next, Mr. Bowes discussed faculty and staff salaries. He noted that the University System of Georgia currently ranks fourth among Southern Regional Education Board (“SREB”) states in average faculty salaries, and the System has been no higher than fourth for at least five years. In the five-year period 1997-2002, the average annual salary increase for faculty at System four-year colleges and universities was 6.6%, below that of five other SREB states. In the two-year college category, the average annual increase for the same period was only 4.3%, below that of eight other SREB states. Additionally, an April 2004 survey by the American Association of University Professors (“AAUP”) published in the *Chronicle of Higher Education* shows that the average professor salaries (assistant through full professor) at Georgia’s public four-year institutions in fiscal year 2004 range from 6.3% to 7.7% below the national average. Georgia’s two-year public institutions professors’ salaries range from 5.4% to 11.7% below the national average. In fiscal year 2005, Virginia and North Carolina, two states that compete for faculty with Georgia, had faculty increases of 3% and 2.5%, respectively. Although these increases are only slightly more than the 2% midyear increase approved in the Georgia state budget, it is clear the University System of Georgia risks losing its competitive position with respect to other states in recruiting and retaining top-notch faculty. Georgia’s reputation as a leader in public higher education may be challenged if other states are able to attract the best and brightest faculty away from the state. The quality of faculty has proven to be the most important factor for academic excellence in teaching and research. Part of the budget recommendation at this meeting was that the Board of Regents request that the Governor and General Assembly support a multi-year strategy of faculty and staff salary increases that will enable Georgia to regain its competitive advantage in faculty recruitment and retention. This concluded Mr. Bowes segment of the presentation, and he turned the floor over to Dr. Butler.

Dr. Butler said that there were 11 principles in effect as part of the statewide assessment effort that was shared with and discussed by the Board. Broadly speaking, these principles related to facing a major enrollment bulge, improving access and participation, enhancing system efficiency, ensuring program quality, and contributing in a significant way to the economic health of the State of Georgia. The fiscal year 2006 budget enhancement request package reflects these discussions of the statewide assessment. Some initiatives are already underway (e.g., GTREP, the 4-4-2 initiative, and the MCG research faculty initiative). Dr. Butler focused on two major new items in the package, explaining that some items will require further planning and development and the staff will bring specific recommendations to the Board over the next few months, but it is important to seek funding now. One of the critical goals of the request is “to enhance the ability of the University System to meet critical needs of the State of Georgia for qualified professionals.” Georgia’s shortage of teachers and nurses is acute and is threatening to worsen. When it comes to teachers, research shows teacher quality is the single most important factor influencing student achievement. Georgia will need over

171,000 teachers by 2013. Although the University System, as the public higher education system preparing teachers, should be the primary provider of teachers for the public schools, it is not. Dr. Kettlewell would next discuss the budget enhancement request aimed at ameliorating the teacher shortage in Georgia. When it comes to nurses, research shows that Georgia's vacancy rate for registered nurses will reach 23% by 2010. The Intellectual Capital Partnership Program ("ICAPP[®]") has identified innovative opportunities to make a significant contribution to solving this critical shortage of healthcare professionals. After Dr. Kettlewell's presentation, Ms. Hymel would discuss how, through ICAPP[®], the University System can address this important need.

Dr. Kettlewell stated that the numbers she would present were provided by the Georgia Professional Standards Commission ("PSC"), which is the official record-keeper for the number of teachers prepared. In fall 2003, there were 12,500 new teachers hired in the State of Georgia. However, the University System of Georgia and the private institutions in the state are only preparing about 2,347, or 19%, of those new teachers. She noted that the PSC only counts the undergraduate population. It does not include teachers prepared at the graduate levels. According to institutional records, in fiscal year 2003, System institutions prepared 3,053 newly prepared teachers, including both teachers prepared at undergraduate and graduate levels. So, the actual percentage for the System alone, not including private institutions, is 24%. The System's proposed initiative to address the teacher shortage will target those institutions that can ramp up capacity through flexible programs to double the numbers and increase the diversity of teachers. While about 45% of the children in Georgia's public schools are minorities, of those 3,053 teachers prepared, 78% were Caucasian and 22%, or 660, were ethnic minorities. In the proposed new initiative, Double the Numbers, Double the Diversity, the System will move the number of new teachers prepared in year five to at least 6,106 (double the current production), of which 1,320 will be ethnic minorities. However, incremental gains will be seen annually, beginning in year two, so that the total gains from this initiative will be 7,633 new teachers prepared, for a cost of approximately \$6,550 per new teacher.

Regent Hunt asked Dr. Kettlewell how the state makes up the difference between new teacher production and new teacher hires.

Dr. Kettlewell responded that some of the teachers are returning after having stopped out or are coming from other school districts. Others are uncertified but are filling a position because there is no certified teacher available. Some are delayed-entry teachers, and the balance of them are long-term substitute teachers. She continued, saying that the new initiative aims to increase the capacity of the current institutions that prepare teachers by adding 100 new teacher preparation faculty and additional clinical support positions for field experience supervision and new teacher induction. The initiative will focus on areas of severe shortage, such as science, mathematics, and special education, and will give priority to programs that are flexible and have greater appeal to minorities and nontraditional students.

Through the federally funded Teacher Preparation Recruitment Initiative, which Dr. Kettlewell had

discussed with the Regents previously, in six pilot institutions, the initiative targeted recent college graduates, mid-career professionals, paraprofessionals, and location-bound students. Within two years, these six institutions increased enrollment in alternative preparation programs by 23%. These 213 new candidates are 59% minority. In the proposed initiative, Double the Numbers, Double the Diversity, the staff will build upon lessons learned in the Teacher Preparation Recruitment Initiative statewide. In conclusion, Dr. Kettlewell said that without quality teachers in the P-12 schools, there will not be qualified graduates prepared to succeed in the University System of Georgia. She said that this is a critical problem worthy of the Board's focus.

Regent McMillan noted that some institutions had gone backwards in terms of the quality of their teacher preparation programs. He asked how much influence the University System Office can have in insisting that certain programs be in place. The Board had approved a unique pilot program at one institution, which the institution later abandoned. He said that the Regents approved it believing that the program would make a difference, but the institution did not follow through with the Board's wishes. He asked whether there can be any enforcement of these types of programs from the University System Office.

Dr. Kettlewell responded that if an institution prepares teachers, it takes on a special mission. If that institution chooses to prepare teachers, then it must make teacher preparation a very high priority. The weight of the Board and the Chancellor, as well as the P-16 Office, can certainly be helpful in this matter. If an institution decides teacher preparation is not a high priority, then there are certainly other institutions that would like to prepare teachers. In that case, the Board may have to make a choice and shift resources accordingly. Seeing that the Regents had no further questions for her, Dr. Kettlewell turned the floor over to Ms. Hymel.

Ms. Hymel said that she would discuss two proposed ICAPP[®] initiatives. The first initiative is the Health Professionals Initiative. The first item under this initiative is additional funding for phase two of this initiative. She explained that Georgia already is experiencing worse nursing shortages than most other states, with a vacancy rate of more than 12% in hospitals and slightly higher vacancy rates in nursing homes, and it is just going to get worse. The U.S. Department of Health and Human Services projects that Georgia's vacancy rate for registered nurses ("RNs") will reach 23% by 2010 and 40% by 2020, which is 11% higher than the projected national vacancy rate in 2020. The ICAPP[®] Health Professionals Initiative has increased the number of nursing and allied health graduates in the University System; however, additional funds are needed to fully fund phase two of this project. Phase two will educate 721 nurses, medical technicians, pharmacists, and imaging professionals. This number is an increase of approximately 25% over what the University System graduates each two years without the ICAPP[®] Health Professionals Initiative. As the ICAPP[®] Health Professionals Initiative has increased the number of nursing graduates, the shortage of nursing faculty has been a challenge. University System nursing programs are already turning away qualified applicants because they do not have enough nursing faculty. The average age of Georgia's nursing faculty is 55. The SREB estimates that 65 of the 444 faculty positions in Georgia's nursing programs

will be vacant by the end of the 2004 academic year. So, the second item under this initiative is putting an accelerated nurse educator program of study online faster. ICAPP® recently funded an accelerated Master of Science in Nursing with teacher certification at Georgia College & State University. This program will reduce the required completion time from 14 semesters to 8. Additional funds will allow ICAPP® to speed up the process of putting the program online, making it available to people across Georgia more quickly.

Another obstacle to graduating more nurses is a shortage of work sites for nursing students to complete their required clinical rotations. Therefore, in the third part of this initiative, ICAPP® will develop more nursing clinical sites. To do this, ICAPP® will hire program managers at hospitals in locations where there is no System nursing program to administer the clinical rotations. ICAPP® will work with its partner in the Health Professionals Initiative, the Georgia Hospital Association, to identify and implement the additional clinical sites statewide. The fourth part of this initiative is to develop an expedited RN pilot program. The Georgia Department of Community Health has recommended a reexamination and reshaping of nursing curricula to bring more nontraditional students into nursing. ICAPP® will collaborate with the Georgia Board of Nursing to find additional creative ways to accelerate the education of RNs. The expedited RN pilot curriculum would be based more on content mastery and less on process and seat time. An important evaluation tool of this pilot will be the pass rates of students on the national nursing examination, the NCLEX.

Ms. Hymel turned to the second proposed ICAPP® initiative, The ICAPP® workforce needs assessment. This assessment will support two of the Governor's major economic development initiatives. The first is the centers of innovation. Governor Perdue is committed to creating innovation centers around key industries in selected geographic locations around the State of Georgia. Three centers have been announced to date – Warner Robins (aerospace), Savannah (marine logistics), and Tifton (precision agriculture) – and others are expected. The centers are designed to bring university researchers together with private industry and entrepreneurs. ICAPP® proposes to assess the workforce needs of these industry areas and to develop public-private partnerships for educational programs to meet the identified workforce needs in support of the Governor's initiative. The second of Governor Perdue's major economic development initiatives can be described as Georgia's strategic industries. In August 2004, the Governor's Commission for a New Georgia identified six industries that have significant, strategic importance for Georgia's economic future: aerospace, agribusiness, energy and environmental, healthcare and elder care, life sciences, and logistics and transportation. ICAPP® proposes to determine the workforce needs of these six industries using the resources of the University System of Georgia. After identifying the workforce needs, ICAPP® will develop initiatives to address those needs to ensure that the education of System graduates is aligned with Georgia's strategic industries. Ms. Hymel stated that an educated workforce is and will be vitally important to help Georgia businesses in these strategic industries to compete and succeed. In closing, Ms. Hymel turned the floor over to Ms. Daniels.

Ms. Daniels stated that in April 2004, the Board updated and reformulated its 2002 strategic plan.

The Board's seventh strategic goal focuses on the associated facilities need related to enrollment projections. This update added recommendations and action steps that respond to significant changes in Georgia's economy but continue to position the University System of Georgia for projected growth in Georgia's population, planning specifically for the significant increase in higher education students through the year 2015. There are three action items where the Board have given the staff a very specific charge. First, to meet new space needs, the Board encouraged the staff to initiate a comprehensive building program. Second, the Board encouraged the stewardship of existing facilities by addressing renovation and/or replacement based upon return on investment. Third, the Board charged the staff to improve coordination of the innovative privatization funding efforts.

To best understand state wide needs, the staff engaged in a Systemwide facilities capacity study. This involved review from the top down, focusing on statewide demographic, economic, and planning data that affect the growth of the student cohort and its relationship to the geographic location of the System institutions. It also involved a bottom-up approach based upon the 34 institutions' facilities master plans, which assess the existing physical capacity of the campuses to accommodate additional enrollment. Information from the Sasaki Associates study projected a median 50% increase in enrollment. Based upon that enrollment increase, space needs were projected to increase by 30%. This is not a one-to-one correlation, said Ms. Daniels, and that difference in percent increase can in part be attributed to economies of scale. In addition, this system committed to push the envelope on finding ways to be more efficient in space utilization. This includes exploring distance learning and hybrid coursework that reduces seat time in facilities; stretching the day by offering earlier and later classes, as well as weekend classes, where feasible; and using scheduling software to maximize efficient utilization of the existing classrooms and labs. Unfortunately, if the System's current level of state funding remains the same going forward, the System could increase its facilities by only about 10% (or 6 million to 7 million gross square feet). Ms. Daniels showed the Regents a chart representing the condition of the System's existing space. The majority of that space is in good operating condition. However, the staff's analysis of these existing facilities indicates that a little over 25% of the current inventory needs significant upgrades and improvements within this same ten-year time frame. Those facilities will require major renovations costing somewhere between 25% and 100% of the replacement value of the particular facility. This translates into a cost of approximately \$2.4 billion dollars for renovation or replacement of existing space in the next ten years. She noted that this is over and above annual MRR formula funds, which have historically been allocated in cash. Existing space, even with ongoing MRR must still be renovated for programmatic upgrades and additional building integrity because the MRR funds the System receives at approximately 1% of replacement cost are about one-third the industry standard.

Ms. Daniels reported that there is an additional need for infrastructure investments to support the System's campuses in the amount of another \$600 million. Because of higher education's campus configuration, the System has some infrastructure-related costs that need to be addressed if it is going to minimize its future operating cost and maximize efficiency. Whether talking about central energy

plants and power distribution systems or sustainable landscapes and water recycling, there are economies of scale to be realized on the campuses. The concept of life cycle costing is critical to the System's long-term success. She said that there is no uncertainty about what will happen to utility costs: they will go up. The numbers the System can anticipate are sobering. The concept of sustainability must be a cornerstone of the System's planning for future facilities development. The staff are aware that all cost decisions must be made from the perspective of life cycle costing and return on investment. Ms. Daniels stressed that no MRR funds are generated to sustain campuswide infrastructure systems because they do not translate into the space square footage numbers, which are the basis of the MRR formula. She said this is one of the reasons the Regents see so many infrastructure projects on the minor capital projects list. All told, the System will need capital funding totaling \$7 billion dollars over the next ten years. Ms. Daniels noted that the Board of Regents has not been sitting back, hat in hand, waiting for the state to pony up. Instead, the University System of Georgia has been working to help itself. The staff have been proactive in finding alternative mechanisms to leverage this state's legacy commitment to facilities for higher education. The Regents are familiar with the System's privatized projects, but over the past five years, almost twice as many funds as the state has committed for new facilities in the University System have come through privatized rather than state funding. That is over \$600 million in state funding and \$1.2 billion in privatization in the last five years. These projects have included dorms, parking decks, research facilities, and athletic and recreational venues. In fact, any project where the staff can find a legitimate revenue stream has been considered. Ms. Daniels said that future new space will be split about half and half between projects with a potential revenue stream and those without. However, with regard to renovation and infrastructure, it is harder to make the privatization equation work. Based upon current experience, less than one-third of those needs can be met through privatization.

"How does this information stack up to our legacy funding?," asked Ms. Daniels. She showed the Regents an actual history (and an optimistic projection) of state funding since the early 1970s, when the state began selling General Obligation ("G.O.") bonds. It was 2000 when the System's privatized program came into being. Since then, privatization has outpaced state funding two to one. Based upon the previous breakdown of space requirements, the System will need to increase its state G.O. bond funding up to \$400 million dollars every year for the next ten years in addition to maintaining a \$300 million dollar annual average of privatized funding. In this day and age, she said, expecting to more than double the System's state G.O. funding is certainly optimistic at best. If, however, the System can get some traction on reinstating the use of the Georgia Education Authority Udiv ("GEAU") or some other form of payback or revenue bonds leveraged at the System level, it could aim for a more attainable level, closer to \$300 million in state G.O. funding. One way or another, spread evenly over the next ten years, the System is looking at a need of an average annual investment of \$700 million dollars. Ms. Daniels acknowledged that these needs are daunting, but the Board of Regents is doing everything in its power to minimize the impact on the state's budget and to be a partner in creatively addressing this need.

Ms. Daniels presented to the Regents the proposed fiscal year 2006 capital budget request. At the top of the list was needed equipment funds for projects previously funded for construction. Next was funds for the System's top eight major capital projects. Major capital projects are defined as those projects requiring \$ 5 million or more of state funding and are on a rolling, prioritized list. The Board of Regents adds new projects to the bottom of that list each June. Next on the list were the System's minors projects. This cohort of projects is limited to projects requiring less than \$5 million in state funding, and these projects are divided into three categories based on project type: infrastructure, renovation, and opportunity projects. Opportunity projects include both the construction of new space and leveraged acquisitions of property, often with an associated facility. The staff were also proposing a couple of payback projects as their segue to reinstating some form of Systemwide revenue-based projects into the System's portfolio. The staff were recommending that the Board request full funding for the major capital projects so that the staff can "fast track" them and begin to meet the System's increasing facilities needs. In addition, the System has an almost \$20 million capital program for Georgia Public Library System. These projects are typically leveraged by local funding, and the projects are typically constructed by the local funding partner. The state match will be used to complement local funds for 14 library projects.

Ms. Daniels noted that MRR funds historically have been formula-generated dollars and, except in tough times, are usually provided in cash not bonds. She reiterated that the requested funding level (1% of replacement value) is about one-third the industry standard. She stressed again the importance of the stewardship responsibility the Board shoulders in maintaining over half of the state's facilities and the critical importance of fully funding this MRR funding request.

Mr. Bowes said that this concluded the staff's fiscal year 2006 operating and capital budget proposal presentation.

Chair Pittard asked whether the Regents had any questions or comments.

Regent Coles asked whether the maintenance of a building given to the System as a gift is included in the formula.

Mr. Bowes responded that it is because facilities given to the System become part of the inventory.

Regent Coles asked whether the System should be more cautious about accepting such gifts if there are maintenance costs involved.

Mr. Bowes said that does raise a question about the System's ability to maintain its facilities.

Chair Pittard added that the System could turn around and sell the facility for whatever cash it can get. He noted that seldom are facilities given to the System that are appropriate for educational purposes.

Regent Coles said that he was specifically thinking of buildings that come to the System through privatized funding.

Ms. Daniels said that student housing was built with the intention that these could be 30-year facilities and the System may be able to come away from such projects with a clean slate. She stated that Regent Coles' point was well taken as it relates to other, more creative ventures associated with research facilities and student-fee-funded activity centers. If they are on the campus proper, they will continue to cost more because the System is having to build better facilities. She said that the Board must look at all gifts of facilities with a cognizance of whether the System will have to maintain them.

Chancellor Meredith said that the System is not going to receive the money needed to maintain these buildings whether they are existing buildings or gifts. That is in essence another budget cut with which the Board must cope. In the future, the System will have to use more money from its operating budget than ever before just to keep buildings maintained because state support is falling away.

Chair Pittard asked for a motion to approve the proposed fiscal year 2006 operating and capital budget request.

Regent Coles made the motion, which was variously seconded.

Regent NeSmith asked how the System is going to deal with the increases in enrollments considering these budget cuts.

Mr. Bowes said this is a very good question. With regard to facilities needs, the staff are looking at privatization projects and possibly getting the GEAU reinstated to help support some projects. He stated that he did not really have an answer for this dilemma.

Chair Pittard said that if the enrollment-based formula has been thrown out as it seems to be, institutions may be forced to limit enrollments, which may negatively affect access, because once an institution is at full capacity, it will have to make harder decisions about who may be admitted. This has the potential to create a wider gap in access.

Mr. Bowes said that if an institution is truly at full capacity, there is no incentive to admit more students. At that point, the amount of funds the institution receives would not make up for the additional cost of adding to that capacity.

Chair Pittard asked whether such a scenario constituted a loss leader.

Mr. Bowes responded that the cost of building a new facility to educate more students would far exceed the benefit to the institution in terms of additional formula funds. He noted that the System historically has operated under a mode that more students means more money. If that is changing, he asked how that changes the dynamic of how the Board creates the budget request and how it should address this in terms of allocations to the institutions.

Seeing that there were no further questions, Chair Pittard called for a vote on the motion. With motion properly made and seconded, the Board voted unanimously to approve the fiscal year 2006 operating and capital budget request. There being no further business to come before the Committee, he then adjourned the meeting of the Committee on Finance and Business Operations as a Committee of the Whole.

Chair Wooten noted that the Chancellor would address some of these major, continuing issues in his report to the Board on Wednesday. He said that recent developments constituted a change in the budget process and that the Board would have to evaluate carefully and wisely the System's needs within the latest reductions and new budget guidelines to determine how the System will need to adapt.

Regent Coles said that due to inclement weather and power outages, the dinner event planned for that evening at his home would have to be rescheduled.

At approximately 2:30 p.m., Chair Wooten adjourned the Regents into their regular Committee meetings.

CALL TO ORDER

The Board of Regents of the University System of Georgia met again on Wednesday, September 8, 2004, in the Board Room, room 7007, 270 Washington St., S.W., seventh floor. The Chair of the Board, Regent Joel O. Wooten, Jr., called the meeting to order at 9:00 a.m. Present on Wednesday, in addition to Chair Wooten, were Regents Hugh A. Carter, Jr., William H. Cleveland, Michael J. Coles, Joe Frank Harris, W. Mansfield Jennings, Jr., James R. Jolly, Donald M. Leebern, Jr., Martin W. NeSmith, Patrick S. Pittard, Doreen Stiles Poitevint, and Wanda Yancey Rodwell.

INVOCATION

The invocation was given on Wednesday, September 7, 2004, by Regent Joe Frank Harris.

ATTENDANCE REPORT

The attendance report was read on Wednesday, September 7, 2004, by Secretary Gail S. Weber, who announced that Vice Chair J. Timothy Shelnut and Regents Connie Cater, Julie Hunt, Elridge W.

McMillan, Allan Vigil, and Glenn S. White had asked for and been given permission to be absent on that day.

Chancellor Meredith noted that the meeting was being Web cast for the University System Office and East Georgia College. He said that this was a test run for future Web casts across the University System of Georgia and other agencies across the State of Georgia.

At approximately 9:05 a.m., Chair Wooten adjourned the Regents for the meeting of the Committee on Academic Affairs. After this Committee, Regent NeSmith would reconvene the Committee on Real Estate and Facilities in Executive Session to conduct some unfinished business from the previous day (Item 5, page 47).

EDUCATION SEMINAR: REPORT FROM THE TASKFORCE ON GRADUATION RATES

At approximately 9:35 a.m., Chair Wooten reconvened the full Board meeting. He announced that the Chancellor had appointed a taskforce to study University System of Georgia graduation rates and to recommend ways in which the System can try to grow these rates. Chair Wooten called upon Provost Ronald J. Henry of Georgia State University (“GSU”), who had chaired that taskforce, to make a report to the Board.

Dr. Henry stated that the Chancellor had appointed the taskforce on graduation rates in January 2004. The taskforce found that there were three major reasons students do not graduate on time: 1) students’ lack of preparation for college, 2) student characteristics, and 3) institutional practices. The taskforce focused primarily on the latter. The first thing the taskforce did was develop a questionnaire to send to the various institutions asking them what they think were the main reasons students did not graduate in a timely manner and why they drop out. Under-preparation was one of the main things they identified. They also identified students’ transferring prior to graduation due to both curricular considerations and population mobility; conflicting demands of school, work, and family responsibilities resulting in frequent stop-out; financial issues, especially loss of the HOPE Scholarship; and no original intention to graduate, particularly at the two-year college level.

Student characteristics are important, said Dr. Henry. The taskforce considered the six-year graduation rates from 1997. On average, the six-year graduation rate of the University System of Georgia was 43.5%, but the national average was 54%. The Chancellor charged the taskforce with finding ways to improve the six-year graduation rate over the next five years to at least the national average. Nationally, the six-year graduation rate for students who score under 990 on the SAT is 35%. However, for highly selective institutions with entering SAT scores of greater than 1100, the six-year graduation rate is 69%. So, student characteristics clearly can make a difference. However, the taskforce was primarily concerned with changes the System can make in terms of institutional practices because it must deal with the students that come into the System. In 1995, the Board of Regents raised the admissions criteria for the University System of Georgia and put in a tiered

system. So, each set of institutions in the System must deal with a certain cohort of students.

The taskforce looked at two groups nationally, Dr. Henry reported. One group was the institutions that are performing significantly better than their peers. The State University of New York, Binghamton (“SUNY Binghamton”), had a 77% graduation rate overall and a 79% graduation rate for African-American students, compared to 70% and 59%, respectively, at SUNY Binghamton’s peers. A historically black university, Elizabeth City State University in North Carolina, had an overall graduation rate of 53% and an African-American graduation rate of 60%, while its peers had graduation rates of 39% and 37%, respectively. East Carolina University had an overall graduation rate of 54% and an African-American graduation rate of 60%, which were again significantly better than the institution’s peers (41% and 32%, respectively).

The taskforce also looked at institutions that have improved significantly over the past five years. The University of Florida, for example, had a six-year graduation rate of 64% in 1997 compared to a rate of 77% in 2002. Dr. Henry said that the institution experienced a significant improvement because it implemented a student tracking system. Weber State University also experienced solid improvement because it implemented an improved advising system and first-year experience programs.

From such exemplary institutions, the taskforce gleaned a set of eight principles to help improve University System of Georgia graduation rates. The first principle was that retention and increased graduation rates will be the shared responsibility of all facets of the institution. For example, officials at Elizabeth City State University said that the institution has a culture of commitment to student success from the chancellor to groundskeeper. The second principle was that institutions must demonstrate their intent to improve overall retention and graduation rates by regularly and systematically collecting, reviewing, and analyzing reliable data. The focus should be on disaggregated data with intent to narrow the gaps among ethnicity and sex groups. First-year through third- or sixth-year retention rates should be monitored and assessed. Data focus has helped the University System of Georgia institutions increase first-year retention rates from 68.2% for fall 1997 cohort to 73.9% for fall 2002 cohort. Dr. Henry noted that there is a significant difference between six-year retention rates and six-year graduation rates. He explained that although some students take longer than six years to graduate, six years is considered the standard national benchmark.

Regent Pittard reiterated Dr. Henry’s earlier remark that some students go to college for purposes other than earning a college degree. He asked whether that question is asked of students during the application process.

Dr. Henry responded that institutions do not normally ask that question. He said that this issue is more predominant at the two-year colleges, where many students attend for a certain set of courses pertaining to a particular skill set, not necessarily for a degree.

Regent Pittard asked whether the taskforce had an opinion about that.

Dr. Henry replied that it is perfectly normal for some students to attend college for specific purposes other than to earn a degree. The University System of Georgia is developing many certificate programs, which are short of a degree but still constitute a collection of courses with a coherent set of skills.

Regent Pittard agreed but asked whether those numbers of students should not be separated out from the numbers of all students.

Dr. Henry responded that six-year graduation rates were just one way to look at student success. The System captures statistics for the institutions and for the System as a whole. So, all statistics must be understood in their context.

Regent Pittard expressed concern that students with no intention of earning degrees constitute a part of the System's already overextended capacity. He said that the Board must consider how much of the System's capacity should be reserved for non-degree-seeking students.

Dr. Henry replied that if the Board adopted that approach, students would always say they were seeking degrees in order to gain admission.

Regent Jennings noted that students seeking registered nurse ("RN") certification, for example, only go to college for two years unless they want to earn a bachelor of science in nursing. He agreed that perhaps students who were not seeking degrees should be extrapolated from the statistics.

Regent Pittard said that having such students included in the statistics obscured the failures of the students and the System in terms of graduation rates.

Dr. Henry agreed that Regent Pittard had a very good point. He reiterated that six-year graduation rates are just one measure of student success. He then returned to his discussion of institutional practices. Nationally, the first-year attrition rate is 21% and the typical second- to third-year attrition rate is 10%. Typically, another 9% of students will drop out over the course of the next four years. In the first year, white males and females tend to drop out in greater numbers than African-Americans. However, in subsequent years, black men in particular drop out in greater numbers. Dr. Henry noted that the Board has been examining this issue through its African-American Male Initiative and that, hopefully, the Board will identify some interventions that will help to improve the retention of all students.

The third principle recommended by the taskforce was that a wide variety of academic programs and support services and proactive interventions should be provided. The fourth recommended principle was that institutions should positively address those populations most vulnerable to drop out, stop

out, or fail out. Dr. Henry stated that institutions have been implementing new strategies for the last several years. For example, the first-year retention rate for the System in 1997 was 68.3%, but in 2002 it had increased to approximately 73%. Many institutions have implemented first-year programs, freshman learning communities, and other interventions. The System must continue this effort and build upon it in years beyond the freshman year, he said, although the first year, and even the first six weeks, is particularly important.

The taskforce's fifth recommended principle was that an academic advising plan should be developed, including at least the three areas of emphasis. The first area is to offer training sessions for faculty and full-time advisors that emphasize advising as more than simply scheduling. Developmental advising has a positive impact on retention. The second area is to provide rewards and recognition for advising. The institution should emphasize advising as teaching and develop a program that recognizes and rewards outstanding achievement in advising. The third area is to conduct continual assessment on the effectiveness of advising.

The sixth recommended principle was to examine and modify Systemwide and institutional policies that might potentially delay graduation. For example, East Carolina University found that if it limited the number of withdrawals a student can make to four, it had a positive effect on retention. Dr. Henry noted that GSU does not intervene until a student has made 16 withdrawals, which is clearly too large a number. The seventh recommended principle pertained to the idea that high expectations are important conditions that promote student learning. The Chancellor has already embraced Systemwide use of the National Survey of Student Engagement and the Community College Survey of Student Engagement. These surveys reveal a lot about the attitudes of students, what is working, and what is not. The System will glean a lot of information from these surveys. Along these lines, the seventh recommended principle was that the quality of academic offerings should be examined to ensure a high level of intellectual work is required of students and there are high expectations for all students. The eighth and final recommended principle was that the quality of campus climate should be examined to ensure a positive learning environment exists for all students. Dr. Henry noted that this was particularly important for minority students.

In addition to principles, the taskforce was also recommending a set of institutional actions. First, the institutions should be required to develop a plan for improving disaggregated retention and three- or six-year graduation rates by implementing these principles. The taskforce report also provides a set of rubrics for institutions to monitor their progress on the implementation of principles and the results. Overall, the Board should require annual progress reports on disaggregated retention rates for years one through five and on disaggregated three- or six-year graduation rates. From those reports, the System can identify programs that work and those that do not. However, Dr. Henry stressed that a lot depends upon the culture of a particular institution. That is, one size does not fit all. The taskforce was also recommending that institutions develop procedures to follow students who transfer to them and then analyze data to develop strategies for enhancing transfer student success. Since many students transfer, it is important to know how they are faring. Implementation

of many of the principles should positively affect transfer students. The last action the taskforce was recommending was that the institutions develop stronger relationships with feeder high schools to help narrow the gap in expectations between high school and college. Dr. Henry stated that underpreparation of students for college is a serious problem in Georgia. Institutions need to work closer with their P-12 counterparts to strengthen the curriculum and teacher preparation/professional development. In closing, Dr. Henry thanked the Regents and said it was a pleasure to serve on the taskforce.

Regent NeSmith asked whether the institutions have an attendance policy.

Dr. Henry replied that some faculty members have individual attendance policies, and some do not. It varies with the individual instructor.

Regent NeSmith said that some students may get into trouble by missing classes and falling behind.

Dr. Henry said that the federal government requires that institutions know where students are attending classes if they are receiving financial aid, because if the student drops a class, the institution is liable for some of that financial aid. So, institutions do monitor whether students are attending classes to some degree, but there is not a uniform attendance policy for every class.

Chancellor Meredith agreed that attendance is a key part of student success. Many students are the first in their family to attend college, so they are uncertain what is expected of them. Even though they are generally over 18, that does not mean they are fully responsible for their lives. So, there is a lot of work to do in that regard. The Chancellor thanked Dr. Henry for the many things he does for the University System of Georgia.

Regent Coles asked whether the taskforce had performed any peer-to-peer comparisons of individual institutions.

Dr. Henry responded that part of the questionnaire, which had been included in the taskforce report, asked the institutions to identify their peers that were doing a good job in the area of retention and graduation rates. So, they did get some comparisons. The taskforce tried to identify the retention practices of successful peer institutions for the institutions to consider. He noted that The Education Trust would soon launch a new Web site that will enable institutions to compare themselves to their peers. He stated that there is a great deal of interest in this issue nationwide, and the University System of Georgia can take a leadership role in this effort.

Regent Carter asked whether there is a systematic way to ask students who drop out why they drop out.

Dr. Henry responded that there is no systematic way, but a number of institutions do try to follow

up with students who drop out. However, students often are not forthcoming with that information. Wyoming has systematically pursued drop-outs who were close to graduation to encourage them to return to college and finish their degrees, and this effort has been successful. He said this is a good question and there are best practices the System can emulate.

Chancellor Meredith asked whether this was included in the rubrics.

Dr. Henry responded that it was included in the questionnaire, but not the rubrics.

The Chancellor said that the taskforce may want to add this to the rubrics.

Regent Rodwell asked what was the next step with regard to the taskforce report and recommendations.

Dr. Henry responded that the taskforce had completed its work. The next step was up to the Chancellor and the Board of Regents.

Chancellor Meredith said that he intends to move quickly on this matter.

Regent Pittard asked where the recommendations reflected the issue of withdrawals.

Dr. Henry replied that this issue fell under the sixth recommendation pertaining to institutional and Board policies.

Regent Pittard stated that this was a very important issue, and Dr. Henry agreed.

Regent Cleveland asked whether there are any incentives for the institutions to improve their retention and graduation rates.

Dr. Henry said that within the University System of Georgia, 5% of budget allocations are based upon first-year retention rates and six-year graduation rates. The intrinsic incentive, however, is that all institutions want their students to be successful, and it behooves institutions to move students through programs more quickly as System enrollments grow. Students must graduate in order to make room for incoming enrollments.

Chancellor Meredith added that retention and graduation rates are also considered relevant to presidential evaluations.

Chair Wooten asked Dr. Henry to relay the Board's appreciation for their efforts and hard work in assimilating this information and creating this report.

At approximately 10:00 a.m., Chair Wooten called for a brief break. At approximately 10:15 a.m., he reconvened the Board and called for the Committee reports.

AUDIT COMMITTEE

The Audit Committee met on Tuesday, September 7, 2004, at approximately 10:45 a.m. in the Board Room, room 7007. Committee members in attendance were Chair Glenn S. White, Vice Chair Connie Cater, and Regents Julie Hunt, James R. Jolly, Martin W. NeSmith, and Allan Vigil. Chancellor Thomas C. Meredith and Regent Patrick S. Pittard were also in attendance. Regent Joe Frank Harris attended part of the meeting. Regent Jolly 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: Institutional Plan for Improving Audit Results for Fort Valley State University

At the May 2004 Audit Committee meeting, the Associate Vice Chancellor for Internal Audit, Ronald B. Stark, presented the fiscal year 2003 audit ratings of the System institutions that are audited by the State Department of Audits and Accounts. The Committee requested that the presidents, chief business officers, and campus-based auditors from the institutions that received a Code 5 rating present their corrective action plans to improve their audit results. (A Code 5 rating is the worst possible audit rating, indicating several significant observations or one or more major observations, significant risk for noncompliance with regulations, and/or serious violation of laws, etc.) Fort Valley State University (“FVSU”) was unable to present at the June 2004 Audit Committee meeting; therefore, at this meeting, representatives from FVSU presented the institution’s plans for improvement.

President Kofi Lomotey began the presentation and introduced FVSU’s Vice President for Business and Finance, E. Thomas Oliver. Mr. Oliver discussed FVSU’s recent audit history and the institution’s plans to improve its audit rating. President Lomotey assured the Committee that FVSU takes the audit findings seriously and is working hard to rectify the situation. Also in attendance on behalf of FVSU was Internal Auditor Isaac Eferighe.

2. Information Item: Update on Corrective Action Plan for Clayton College & State University and Albany State University

At the May 2004 Audit Committee meeting, the Associate Vice Chancellor for Internal Audit, Ronald B. Stark, presented the fiscal year 2003 audit ratings of the System institutions that are audited by the State Department of Audits and Accounts. At the June 2004 Audit Committee meeting, the Committee received a report from representatives from Albany State University (“ALSU”) and Clayton College & State University (“CCSU”) regarding their respective corrective action plans to improve their audit ratings. At this meeting, representatives from both universities

were scheduled to give an update on their corrective action plans; however, representatives from ALSU were excused by the Chancellor because of inclement weather associated with Hurricane Frances.

President Harden of CCSU reported that all findings reported in the fiscal year 2003 audit had been corrected. He noted that CCSU staff were undergoing training to improve accounting procedures and business processes.

3. Information Item: Summary of Fiscal Year 2004 Internal Audits

The Associate Vice Chancellor for Internal Audits, Ronald B. Stark, presented a summary of audits completed by University System Office and campus-based auditors. He discussed the number of audits completed, ranking of audit findings, and rating of individual audits. He said that 126 audits were performed and 626 findings were made. Of the audits, 43% were rated excellent; 36% were rated good; 17% were rated fair; 3% were rated poor; and only 1% was rated adverse. None of the audit findings were considered major, and only 16% were significant. Mr. Stark remarked that there had been improvement in the quality of controls in general and that corrective actions had been taken on most audit findings.

4. Information Item: Status of Implementation of Audit Findings

The Associate Vice Chancellor for Internal Audit, Ronald B. Stark, receives quarterly reports from all institutions regarding the status of all audit findings (state, Board of Regents, and campus-based). This information is recorded and evaluated quarterly. These data have been used to determine the implementation of all audit findings.

At its May 2003 meeting, the Audit Committee expressed concerns about how long findings remained open and the frequency of repeat findings. At the August 2003 meeting Mr. Stark presented an audit follow-up process to more closely monitor open audit findings. At this meeting, Mr. Stark updated the Committee on the new monitoring process and presented data to demonstrate the success of this process. Mr. Stark remarked that the data showed significant improvement over the prior year. He noted that System presidents and vice presidents for finance now sign quarterly audit reports on outstanding findings.

The Committee commended Mr. Stark and the institutions for their good work.

EXECUTIVE AND COMPENSATION COMMITTEE

The Executive and Compensation Committee met on Tuesday, September 7, 2004, at approximately 11:30 a.m. in room 7019, the Chancellor's Conference Room. Committee members in attendance were Chair Joel O. Wooten, Jr. and Regents Joe Frank Harris, Donald M. Leebern, Jr., Elridge W.

McMillan, and Patrick S. Pittard. Chancellor Thomas C. Meredith and the Secretary to the Board, Gail S. Weber, were also in attendance. The meeting concluded at 12:15 p.m. Chair Wooten reported to the Board on Wednesday that the Committee had reviewed one item, which did not require action. That item was as follows:

1. Information Item: Future Issues

Chair Wooten reported that there was a general discussion on issues that may be coming before the Board in upcoming months and that no actions were taken.

COMMITTEE ON FINANCE AND BUSINESS OPERATIONS

The Committee on Finance and Business Operations met on Tuesday, September 7, 2004, at approximately 2:30 p.m. in the Board Room. Committee members in attendance were Chair Patrick S. Pittard, Vice Chair Hugh A. Carter, Jr., and Regents William H. Cleveland, Michael J. Coles, James R. Jolly, Donald M. Leebern, Jr., Doreen Stiles Poitevint, and Glenn S. White. Chancellor Thomas C. Meredith and Regents Connie Cater, Julie Hunt, and Martin W. NeSmith were also in attendance. Chair Pittard reported to the Board on Wednesday that the Committee had reviewed 16 items, all of which required action. Item 16 was a walk-on item. With motion properly made, seconded, and unanimously adopted, the Board approved and authorized the following:

1. Approval of Fiscal Year 2006 Operating and Capital Budget and Fiscal Year 2005 Amended Budget Requests (To be addressed by the Board of Regents as a Committee of the Whole)

Approved: The Board approved the fiscal year 2006 operating and capital budget request, which also included a 97% budget request, a 100% budget request, and a 105% budget request. There was no fiscal year 2005 amended budget request.

This item was addressed by the Committee of the Whole. (See pages 8 to 22.)

2. 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 approved contract extension is for the period from January 1, 2005, through December 31, 2005.

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 is comprised of a network

of healthcare providers that have signed direct contracts with Beech Street to provide medical treatment and services at discounted rates.

In the original 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 will 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 2005 will remain unchanged from plan year 2004.

3. 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, 2005, through December 31, 2005. The health 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 respective University System of Georgia preferred provider organization (“PPO”) and indemnity healthcare plans for plan year 2005 is \$20.01 per employee per month. The plan year 2005 administrative fee reflects a 5.5% increase above the plan year 2004 administrative fee. The plan year 2005 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 June 2004.

According to Towers-Perrin, the plan year 2005 administrative fee negotiated by the Board of Regents for its PPO and indemnity healthcare plans is less than the benchmark for the Towers-Perrin book of business.

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

4. 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, 2005, through December 31, 2005. 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 2005 is \$2.48 per employee per month. The plan year 2005 administrative fee reflects a 6.9% increase above the plan year 2004 administrative fee. The plan year 2005 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 June 2004.

According to Towers-Perrin, the plan year 2005 administrative fee negotiated by the Board of Regents for its indemnity dental plan is less than the benchmark for the Towers-Perrin book of business. Blue Cross Blue Shield of Georgia, Inc. will administer the dental insurance administrative services contract.

5. 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 is for the period of January 1, 2005, through December 31, 2005.

Background: The medical management services that are provided by Unicare for the University System of Georgia include the following: hospital inpatient precertification, alternative medical care, medical case management, outpatient review services, precertification of indemnity healthcare plan participants for behavioral health services, MedCall, PPO network channeling, access and utilization of the Asthma Disease State Management Program, access and utilization of the Diabetes Disease State Management Program, access and utilization of the Oncology Disease State Management Program, access and utilization of the Congestive Heart Failure Disease State Management Program, and compliance with the state-mandated Consumer's Health Insurance Protection Act.

For plan year 2005, the Board of Regents will add a new disease state management program for cardiovascular disease ("CVD") with a stroke overlay. Cardiovascular disease is an umbrella term for several heart-related conditions. In 1999, CVD was the number one cause of hospitalizations in the United States. In 2001, it was the number one cause of death in the United States. The primary reason for the existence of the CVD program is to prevent or delay disease progression. Over the past decade, the focus of CVD management has changed from the offering of post-acute episodic event support to the prevention of such events before they occur.

It is now recognized that enhancing the self-management skills of individuals living with CVD is essential in positively impacting these chronic diseases. Early intervention helps minimize the risk of more serious morbidity, even mortality, and frequent or lengthy hospitalizations.

The Office of the Associate Vice Chancellor for Human Resources will require WellPoint and Express Scripts, Inc., the University System's pharmacy benefit manager, to work collaboratively to identify members who could benefit from participation in this voluntary program. Of the top ten prescription medications used by University System members between April and June 2004, four were directly associated with conditions of high cholesterol, high blood pressure, and/or heart disease. These are major contributors to CVD and stroke.

In addition, one of the plan year 2005 recommendations that was provided by the System's actuarial, Towers-Perrin, was that the Board of Regents consider adding additional disease state management programs to address escalating healthcare plan costs. The CVD with stroke overlay program should result in additional cost avoidance for the System's members and the System's healthcare plan reserves over the next few years.

The cost to add the CVD with stroke overlay disease state management program will be \$0.64 per contract per month. The Board of Regents preferred provider organization ("PPO"), PPO Consumer Choice, and indemnity healthcare plans will be the first State of Georgia government employer programs to offer this particular disease state management program.

The plan year 2005 Unicare composite administrative fee for the Board of Regents, exclusive of the CVD with stroke overlay program, is \$5.62 per contract per month. The plan year 2005 Unicare composite administrative fee for the Board of Regents represents a 5% increase above the plan year 2004 administrative fee. The plan year 2005 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 June 2004.

The total plan year 2005 Unicare administrative fee for the Board of Regents, inclusive of the CVD with the stroke overlay disease state management program, will be \$6.26 per contract per month.

The University System of Georgia will continue to participate in the Unicare national transplant network. The Unicare national program provides coverage for heart, liver, lung, and bone marrow transplants. For plan year 2005, the System will pay Unicare an access fee of \$6,750 for each of these respective types of transplants. The Unicare national transplant network access fee for the University System of Georgia for plan year 2005 will remain unchanged from plan year 2004.

6. 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 contract extension is for the period of January 1, 2005, through December 31, 2005.

Background: Magellan provides network access, utilization review, and managed care for preferred provider organization (“PPO”) plan participants who require behavioral healthcare services.

The administrative fee for the University System of Georgia for plan year 2005 is \$2.11 per contract per month. The administrative fee for the University System of Georgia for plan year 2005 will remain unchanged from plan year 2004.

7. **Approval of Continuation of the Administrative Services Contract Between the Board of Regents, the Georgia Department of Community Health, and 1st Medical Network**

Approved: The Board approved the continuation of the administrative services agreement between the Board of Regents, the Georgia Department of Community Health, and 1st Medical Network. The contract extension is for the period of January 1, 2005, through December 31, 2005.

Background: 1st Medical Network is the vendor for the preferred provider organization (“PPO”) 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 1st Medical Network to provide medical treatment and services at discounted rates.

The administrative fee for the University System of Georgia for plan year 2005 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 four plan years.

8. **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 is for the period of January 1, 2005, through December 31, 2005.

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.

For plan year 2005, the Express Scripts, Inc. national book of business is projected to trend at a 14.8% rate of increase.

The administrative fee for the University System of Georgia for plan year 2005 is \$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 four plan years.

9. Approval of Health Maintenance Organization Healthcare Plan Premiums for Plan Year 2005

Approved: The Board approved the health maintenance organization (“HMO”) healthcare plan premiums for the University System of Georgia for plan year 2004. The Board of Regents has HMO contracts with Kaiser Permanente and with Blue Cross Blue Shield of Georgia, for its Blue Choice HMO product. The HMO contract extensions are for the period of January 1, 2005, through December 31, 2005.

Background: As of February 1, 2004, there were approximately 10,565 HMO contracts in the University System of Georgia. This represents approximately 24% of all healthcare plan contracts for the University System of Georgia for plan year 2004. For plan year 2004, Kaiser Permanente has 3,183 contracts, and the Blue Choice HMO has 7,382 contracts.

For plan year 2005, Kaiser Permanente will continue to offer two different HMO plan options. One option is designated the “Premium Plan,” and the second option is designated the “Standard Plan.”

The Premium Plan will have a 9.9% premium increase for plan year 2005, effective January 1, 2005. The Standard Plan will have a 10.0% premium increase for plan year 2005, effective January 1, 2005. The changes to the plan year 2005 Kaiser Permanente Premium Plan design are as follows:

- 1) An increase in the outpatient surgical copayment from \$15 to \$50;
- 2) A change to the inpatient behavioral health benefit. The plan year 2005 plan design will provide for a maximum of 30 days of inpatient behavioral health services per member per year; and
- 3) A change to the outpatient behavioral health benefit. The plan year 2005 plan design will provide for a maximum of 20 outpatient visits per member per year.

The changes to the plan year 2005 Kaiser Permanente Standard Plan design are as follows:

- 1) A change to the inpatient behavioral health benefit. The plan year 2005 plan design will provide for a maximum of 30 days of inpatient behavioral health services per member per year; and
- 2) A change to the outpatient behavioral health benefit. The plan year 2005 plan design will provide for a maximum of 20 outpatient visits per member per year.

The Blue Choice HMO will have an 11.25% premium increase for plan year 2005, effective January 1, 2005. The change to the plan year 2005 BlueChoice HMO plan design is as follows:

- 1) An increase in outpatient surgical copayments from \$15 to \$50.

10. Approval of Preferred Provider Organization Healthcare Plan Premiums, Indemnity Medical Healthcare Plan Premiums, and Indemnity Dental Premiums for Plan Year 2005

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 2005.

Background: Towers-Perrin was retained by the University System Office to conduct an actuarial review of the System’s PPO healthcare plan, indemnity medical plan, and indemnity dental plan. The PPO and the indemnity healthcare plans are self-insured options. Based upon the findings and recommendations of the Towers-Perrin report and in consideration of current health insurance reserve balances, the following recommendations regarding premium increases were approved by the Board:

- 1) That there be no change in premiums for the University System of Georgia PPO healthcare plan for the first six months of plan year 2005 (January 1, 2005 – June 30, 2005) and that there be a 5% increase in premiums for the University System of Georgia PPO healthcare plan for the second six months of plan year 2005 (July 1, 2005 – December 31, 2005);
- 2) That there be no change in premiums for the University System of Georgia indemnity healthcare plan for the first six months of plan year 2005 (January 1, 2005 – December 31, 2005) and that there be a 5% increase in premiums for the University System of Georgia indemnity healthcare plan for the second six months of plan year 2005 (July 1, 2005 – December 31, 2005).
- 3) That there be a 2.87% premium increase for the University System of Georgia dental indemnity plan for plan year 2005, effective January 1, 2005;
- 4) That the wellness benefit be increased from \$500 per member per year to \$750 per member per year, effective January 1, 2005; and
- 5) That the University System of Georgia begin offering additional disease state management programs and that the Office of the Associate Vice Chancellor for Human Resources facilitate collaborative vendor efforts to identify and increase the numbers of potential program participants. If successful, these efforts will result in enhanced constituent service and additional cost avoidance for the plans.

11. Approval of the Continuation of the University System of Georgia Indemnity Health Insurance Plan in the Blue Cross and Blue Shield National Plan of Participating Providers

Approved: The Board approved the continuation of its agreement with Blue Cross and Blue Shield of Georgia to access its national plan of participating healthcare providers. The contract extension is for the period of January 1, 2005, through December 31, 2005.

Background: Effective January 1, 2003, the Board of Regents approved the recommendation for the University System of Georgia indemnity healthcare plan to access the Blue Cross and Blue Shield, Inc. national plan of participating providers.

The Blue Cross and Blue Shield, Inc. 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, Inc. plans. The ITS network is available to all University System of Georgia indemnity healthcare plan participants who access/require medical services while residing/working/traveling outside of the State of Georgia.

The administrative fee for access to the ITS network will remain at \$11 per facility claim processed and \$5 per professional claim processed for plan year 2005. The administrative fee for the University System of Georgia for plan year 2005 will remain unchanged from plan year 2004.

12. Approval of the University System of Georgia Employer Contribution for Basic Life Insurance for Plan Year 2005

Approved: The Board approved the continuation of its agreement with Cigna Group Insurance to administer the basic life insurance and supplemental life insurance programs for the University System of Georgia. The contract extension is for the period of January 1, 2005, through December 31, 2005.

Background: Cigna Group Insurance administers the life insurance program for the University System of Georgia. As an item of information, the University System of Georgia pays the entire premium for the basic life insurance program. Employee participation in the supplemental life insurance is voluntary, and the cost for such participation is borne entirely by the employee.

Towers-Perrin was retained to assess the financial stability of our life insurance program reserves for plan year 2005. There will be no increase in basic life insurance premiums or in supplemental life insurance premiums for plan year 2005.

13. Approval of the Continuation of the University System of Georgia in the Blue Cross National Network of Participating Dental Providers

Approved: The Board approved the continuation of the agreement with Blue Cross and Blue Shield of Georgia, Inc. to access to the Blue Cross National Network of participating dental providers. The contract extension is for the period of January 1, 2005, through December 31, 2005.

Background: Through the Blue Cross National Network, participating dental providers contract with local Blue Cross and Blue Shield plans. The Blue Cross National Network will be available to all University System of Georgia indemnity dental plan participants who access/require medical services while residing/working/traveling inside and outside of the State of Georgia.

Enrollment in the indemnity dental plan will be permitted for current employees who did not elect to participate during initial eligibility. Enrollment by current employees will be permissible during the plan year 2005 open enrollment period of October 12, 2004, through November 12, 2004. This opportunity will not be extended beyond the plan year 2005 open enrollment period.

There will be no separate administrative fee charged to the University System of Georgia for access to the Blue Cross National Network.

14. Revision of The Policy Manual, Section 802.18 Career Development

Approved: The Board approved revisions to Section 802.18 Career Development of The Policy Manual, specifically as it pertains to Tuition Remission and Reimbursement (“TRR”), as presented below, effective November 1, 2004.

Background: During calendar year 2003, the Associate Vice Chancellor for Human Resources was asked to appoint an advisory committee to review and prepare recommendations regarding the University System of Georgia’s TRR program. Each invited member of the TRR advisory committee served as the primary TRR representative for his/her respective research, regional, four-year, or two-year college or university.

The revision to Section 802.18 Career Development of The Policy Manual affords internal consistency with the recommended revisions to Section 802.20 Tuition Remission and Reimbursement of The Policy Manual. (See Item 15 on pages 43 to 46.)

Previous Policy

Section 802.18 CAREER DEVELOPMENT

The Board of Regents of the University System of Georgia is committed to the continued professional growth and development of System personnel.

Faculty, staff, and administrators are encouraged to participate in development activities and study. Career development opportunities may include, but are not limited to, the following examples of program offerings:

1. Tuition Remission and Reimbursement;
2. Courses offered through Continuing Education;
3. Courses offered through a Department of Technical and Adult Education (“DTAE”) institution;
4. External professional programs and conferences; and
5. Systemwide/institutional faculty and staff professional development programs.

Each University System institution shall commit at least one percent of full-time employee salaries to be used for faculty and staff development. This one percent will be matched by state appropriated funds to the extent that funds are available (BR Minutes, April 2002).

New Policy

Faculty, staff, and administrators are encouraged to participate in development activities and study. Career development opportunities may include, but are not limited to, the following examples of program offerings:

1. ~~Tuition Remission and Reimbursement~~ **Tuition Assistance Program**;
2. Courses offered through Continuing Education;
3. Courses offered through a Department of Technical and Adult Education (“DTAE”) institution;
4. External professional programs and conferences; and
5. Systemwide/institutional faculty and staff professional development programs.

Each University System institution shall commit at least one percent of full-time employee salaries to be used for faculty and staff development. This one percent will be matched by state appropriated funds to the extent that funds are available (BR Minutes, April 2002).

15. Revision of The Policy Manual, Section 802.20 Tuition Remission and Reimbursement

Approved: The Board approved revisions to Section 802.20 Tuition Remission and Reimbursement of The Policy Manual, as presented below, effective November 1, 2004.

Background: During calendar year 2003, the Associate Vice Chancellor for Human Resources was asked to appoint an advisory committee to review and prepare recommendations regarding the University System of Georgia's Tuition Remission and Reimbursement ("TRR") program. Each invited member of the TRR advisory committee served as the primary TRR representative for his/her respective research, regional, four-year, or two-year college or university.

As part of its mission statement, the University System of Georgia is committed to "the recruitment, hiring, and retention of the best possible faculty, staff, and administration." The Board of Regents of the University System of Georgia is likewise committed to "creating a more educated Georgia." Both of these commitments extend internally as well as externally. In 1996, the Board of Regents created the TRR program to support the educational enhancement and the career advancement opportunities for University System employees.

For the past six years, the State of Georgia and the University System of Georgia have been forced to address constituent service needs with fewer available fiscal resources. Recognizing the importance of balancing fiscal responsibility with constituent service, the TRR advisory committee recommended that the tuition reimbursement component of the current TRR policy be discontinued. The advisory committee further proposed that the TRR program be redesignated as the Tuition Assistance Program ("TAP").

TAP will be a supplemental educational assistance program. TAP will ensure consistency in employee eligibility and program participation across all University System of Georgia institutions. For the first time, there will be a single, user-friendly, Web-based, TAP application form for all eligible University System of Georgia employees. In addition, there will be a consistent Systemwide TAP participant application deadline for each semester: fall semester – July 15, spring semester – November 15, and summer semester – April 15. TAP access and participation will be limited to only those approved academic courses offered by a University System of Georgia institution.

Participation in TAP will be available to full-time benefits-eligible employees of the University System of Georgia who have successfully completed at least six months of employment in a benefits-eligible position as of the date of the TAP application deadline for the desired academic semester.

An eligible employee may seek approval to enroll in up to eight academic semester credit hours for each of the three designated semester periods: fall semester, spring semester, and summer semester.

Student status will be secondary to employee status in all considerations, including student fee waivers. Tuition assistance is the waiver of tuition and the waiver of certain fees. TAP participation will be granted on a space-available basis and/or with the approval of the teaching institution for limited-slot enrollment programs.

To the extent possible, an employee should plan to take a course at times that will not require him/her to be absent from his/her work location during regularly scheduled work hours. If attendance in an approved TAP course requires that an employee be absent from his/her assigned workstation during normal work hours, various accommodations may be possible, depending upon the needs of the unit/department and of the employee.

Employees may not enroll in the following professional schools: dental, law, medical, pharmacy, veterinary, or executive/premiere or comparable graduate programs.

An employee must receive a grade of C or better in each approved TAP course.

Information regarding the Systemwide TAP application form; the respective institutional TAP employee registration periods; the name, title, address, email address, telephone number, and fax number for each institutional TAP coordinator; and the University System of Georgia TAP policy and procedures is located at www.usg.edu/admin/humres/benefits/tuition/.

Previous Policy

SECTION 802.20 TUITION REMISSION AND REIMBURSEMENT

The University System and the institutions will encourage full-time faculty, staff, and administrators to participate in development activities and study by remitting or reimbursing tuition for those activities that have been authorized by the employee's institutions and are clearly related to the employee's job or career in the University System of Georgia. Participation in the Tuition Remission and Reimbursement Program shall be available to individuals who have been full-time, benefit-eligible employees for at least six months.

Full-time employees (who meet the applicable admissions standards and who have received appropriate prior authorization from their institution) may register without tuition or fees for up to three academic credit courses per semester on a space available basis at his/her own University System institution or at any other University System of Georgia institution.

Employees may not enroll in dental, medical, pharmacy, veterinary, or law schools or executive programs under this policy.

If the course or program of study needed by the employee is not available at an institution within

the University System, a full-time employee may be granted permission to register for courses offered by a DTAE institution or an in-state, private institution. The employee will be reimbursed for tuition and fees by his/her home institution upon successful completion (grade of C or better depending on course requirements to receive credit) of the course.

Attendance at an in-state, private institution is permitted only if the equivalent course is not available at a University System of Georgia institution within 70 miles of the employee's home institution. Tuition reimbursement shall be limited to the in-state rate of an equivalent course at the employee's home institution (BR Minutes, 1996).

New Policy

SECTION 802.20 TUITION ASSISTANCE PROGRAM

The University System and the institutions will encourage full-time faculty, staff, and administrators to participate in development activities and study by remitting ~~or reimbursing~~ tuition for those activities that have been authorized by the employee's institutions, ~~and are clearly related to the employee's job or career in the University System of Georgia.~~ Participation in the Tuition ~~Remission and Reimbursement~~ **Assistance** Program shall be available to ~~individuals who have been full-time, benefit-eligible employees for at least six months~~ **full-time benefits-eligible employees who have successfully completed at least six months of employment in a benefits-eligible position as of the date of the Tuition Assistance Program application deadline for the desired academic semester.**

Full-time employees (who meet the applicable admissions standards and who have received appropriate prior authorization from their institution) may ~~register without tuition or fees for up to three academic credit courses per semester on a space-available basis at his/her own University System institution or at any other University System of Georgia institution~~ **enroll in up to eight academic semester credit hours for each of the three designated semester periods: fall semester, spring semester, and summer semester.**

Student status will be secondary to employee status in all considerations, including student fee waivers. Tuition assistance is the waiver of tuition and the waiver of certain fees. Tuition Assistance Program participation will be granted on a space-available basis. For limited-slot enrollment programs, approval must be granted by the teaching institution. An employee must receive a grade of C or better in each approved Tuition Assistance Program academic course.

Employees may not enroll in **the following professional schools:** dental, medical, pharmacy, veterinary, ~~or law, schools or executive programs under this policy~~ **or executive/premiere or comparable graduate programs.**

~~If the course or program of study needed by the employee is not available at an institution within the University System, a full-time employee may be granted permission to register for courses offered by a DTAE institution or an in-state, private institution. The employee will be reimbursed for tuition and fees by his/her home institution upon successful completion (grade of C or better depending on course requirements to receive credit) of the course.~~

~~Attendance at an in-state, private institution is permitted only if the equivalent course is not available at a University System of Georgia institution within 70 miles of the employee's home institution. Tuition reimbursement shall be limited to the in-state rate of an equivalent course at the employee's home institution (BR Minutes, 1996).~~

16. Approval of Change in Fiscal Year 2005 Budget Allocations

Approved: The Board approved the change in allocation of state appropriations for fiscal year 2005 among the institutions and operating units of the University System of Georgia.

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

Background: The fiscal year 2005 state appropriations included a reduction of \$68.7 million for the University System of Georgia to reflect a transfer of the June 30, 2005, payroll to July 1, 2005 (fiscal year 2006). The payroll shift and corresponding reduction were applicable to other agencies in the state as well. In August 2004, the Governor's Office of Planning and Budget ("OPB") advised all agencies that the payroll shift would no longer go into effect. However, OPB further stated that the funds removed from each agency's budget would be retained by the state thus requiring each agency to absorb the loss of funds in its fiscal year 2005 budget. In effect, the withholding of \$68.7 million by the state means a further budget reduction to the University System of Georgia.

When it had been believed that the funds would be returned to the University System in fiscal year 2006, the manner in which the reduction (i.e., the distribution based on payroll) was taken did not pose significant concern. However, with the cancellation of the payroll shift coupled with the reduction of \$68.7 million, the Board approved that the cut be allocated to System institutions on the basis of share of budget.

COMMITTEE ON REAL ESTATE AND FACILITIES

The Committee on Real Estate and Facilities met on Tuesday, September 7, 2004, at approximately 2:50 p.m. in the Board Room. Committee members in attendance were Chair Martin W. NeSmith, Vice Chair Allan Vigil, and Regents Connie Cater, Michael J. Coles, Julie Hunt, Donald M. Leebern, Jr., and Glenn S. White. Chancellor Thomas C. Meredith and Regents Hugh A. Carter, Jr., William

H. Cleveland, James R. Jolly, Elridge W. McMillan, Patrick S. Pittard, and Doreen Stiles Poitevint were also in attendance. Chair NeSmith reported to the Board on Wednesday that the Committee had reviewed six items, four of which required action. Item 4 was withdrawn, and items 6 and 7 were walk-on items. With motion properly made, seconded, and unanimously adopted, the Board approved and authorized the following:

1. Naming of the Hans K. Mueller Public Safety Building, Armstrong Atlantic State University

Approved: The Board approved the naming of the existing public safety building at Armstrong Atlantic State University (“AASU”) the “Hans K. Mueller Public Safety Building” to honor Mr. Hans K. Mueller.

Understandings: AASU had previously honored Mr. Mueller by naming the 200-square-foot security building on the AASU campus the “Hans K. Mueller Public Safety Office.” Demolition of this office is scheduled for late August 2004. Therefore, AASU requested that the existing public safety building be named the “Hans K. Mueller Public Safety Building.”

Mr. Mueller was a special agent with the United States Bureau of Alcohol, Tobacco, and Firearms who retired in 1981.

In 1982, Mr. Mueller was appointed Director of AASU’s Office of Public Safety and provided outstanding service to the university until his death in 1989. Mr. Mueller was a dedicated employee of AASU. He and his wife, former Representative Anne Mueller, have been strong supporters of higher education in Georgia for many years.

2. Easement, Ground Leases, and Rental Agreement, Electrical Substation and Electrical Distribution System, Georgia Institute of Technology

Approved: The Board declared approximately 0.7569 acre of real property on the campus of Georgia Institute of Technology (“GIT”) no longer advantageously useful to GIT or the University System of Georgia but only to the extent and for the purpose of granting an exclusive easement to Georgia Power Company (“Georgia Power”) for the purpose of constructing, owning, and operating the high side of a main campus electrical substation to support GIT.

Modified: This item was approved contingent upon requested back-up materials acceptable to the Vice Chancellor for Facilities.

The Board authorized the execution of an exclusive easement to Georgia Power for the above-referenced tract of land.

The Board declared approximately 0.6255 acre of real property on the campus of GIT no longer advantageously useful to GIT or the University System of Georgia but only to the extent and for the purpose of leasing this real property to Georgia Tech Facilities, Inc. (“GTFAC”) for the purpose of constructing and owning the low side of a main campus electrical substation to support GIT.

The Board authorized the execution of a ground lease between the Board of Regents, Lessor, and GTFAC, Lessee, for the above-referenced approximately 0.6255 acre of real property on the campus of GIT for a period not to exceed 30 years with an additional construction period of not more than 3 years for the purpose of constructing and owning the low side of a main campus electrical substation to support GIT.

The Board declared locations on the campus of GIT as shown on certain drawings titled “#835 – Campus New Electrical Substation” dated 05/17/04, as prepared by the Georgia Institute of Technology Office of Facilities Design and Construction, including, but not limited to, Sheets T-1, GT-2.01, GT-2.03, GT-4.01, GT-4.02, GT-4.03, GT-4.04, GT-4.05, GT-4.06, GT-4.07, GT-5.01, GT-6.01, GT-6.02, GT-6.03, and GT-6.04, no longer advantageously useful to GIT or the University System of Georgia but only to the extent and for the purpose of conveying the use of the electrical distribution system to GTFAC. These drawings are on file with the University System Office of Facilities.

The Board authorized the execution of a ground lease between the Board of Regents, Lessor, and GTFAC, Lessee, or other appropriate legal agreements, for the above-referenced electrical distribution system on the campus of GIT for a period not to exceed 30 years with an additional construction period of not more than 3 years for the purpose of constructing and owning the electrical distribution system to support GIT.

The Board authorized the execution of a rental agreement between GTFAC, Landlord, and the Board of Regents, Tenant, or other appropriate legal agreements, for the above-referenced approximately 0.6255 acre of real property containing the low-side of a main electrical substation and the above-referenced electrical distribution system for the period commencing when GTFAC obtains completion of the improvements consisting of a low side of a main campus electrical substation and the electrical distribution system and ending the following June 30 at a rent not to exceed \$3.0 million annually with options to renew on a year-to-year basis for up to 30 consecutive one-year periods (the total not to exceed 30 years from the commencement date) at the same rent rate.

Authorization to execute the rental agreement was delegated to the Vice Chancellor for Facilities.

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

Understandings: The high side and low side of a main campus electrical substation and the electrical

distribution system will modernize obsolete equipment, convert the campus to a single point of service from Georgia Power, and increase electrical services capacity and reliability.

In August 2004, the Board authorized easements for Georgia Power to align transmission lines on the boundary of this high side and low side substation property.

Consideration for granting Georgia Power an easement is the construction and operation of the high side of a main campus electrical substation.

The total anticipated cost is approximately \$34.0 million. If approved, construction is expected to commence in late 2004 and be substantially completed by early 2007. Once construction is completed, the agreements will be revised to include contractor-certified surveys of route of the electrical distribution system and list of equipment assets in place.

Funding is from GIT operating funds.

3. Information Item: Master Plan and Housing Plan Presentation, Middle Georgia College

President Richard J. Federinko of Middle Georgia College (“MGC”) presented general information on the master plans for the main campus in Cochran and the Dublin Center. Mr. Walter Miller of John Portman & Associates assisted in the presentation by providing a technical summary of the two master plans. President Federinko concluded with a brief summary of the college’s comprehensive housing plan. Highlights of the presentations included:

- The purpose of the MGC master plan for the main campus in Cochran is to provide for orderly growth and development. The college’s plan proposes site improvements for transportation routes, green spaces, parking, and historical areas while proposing academic program-specific development and residential hall expansion for a projected enrollment of 2,500 students (with 1,300 students residing on campus) by the year 2012. The plan also contains a physical capacity study demonstrating the ability to ultimately accommodate an enrollment of 4,000 to 4,500 students.
- The purpose of the Dublin Center master plan is to provide for the orderly development of the 39 acres of land donated to the Board of Regents by the United States Veterans Administration. The plan creates a detailed scenario for the development of this property into a full-service commuter campus for MGC with a projected enrollment of 1,300 students by the year 2012. In addition, there is schematic plan outlining an ultimate capacity of up to 3,000 students.
- The purpose of the MGC comprehensive housing plan is to provide for the orderly expansion of the institution’s residential mission. Justification includes addressing statewide access needs

and maximizing the use of currently available excess, general-purpose, academic space. The plan proposes the immediate construction of up to 420 beds with a target residential capacity of 1,207 beds by the year 2008 to accommodate a projected campus enrollment of 2,129 students.

4. Information Item: Potential Newton County Site, Georgia Perimeter College

Withdrawn: This item was withdrawn prior to the Committee meeting.

5. Information Item: Executive Session, Property Acquisition

At approximately 9:15 a.m. on Wednesday, September 8, 2004, Chair Martin W. NeSmith called for an Executive Session for the purpose of discussing the future acquisition of property at Armstrong Atlantic State University (“AASU”). 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 NeSmith and Regents Michael J. Coles, W. Mansfield Jennings, Jr., and Donald M. Leebern, Jr. Board Chair Joel O. Wooten, Jr. and Regents Hugh A. Carter, Jr., William H. Cleveland, Joe Frank Harris, James R. Jolly, Patrick S. Pittard, and Doreen Stiles Poitevint were also in attendance, as were Chancellor Thomas C. Meredith; the Secretary to the Board, Gail S. Weber; the Senior Vice Chancellor for External Activities and Facilities, Thomas E. Daniel; the Vice Chancellor for Facilities, Linda M. Daniels; the Assistant Vice Chancellor for Facilities (Real Property and Administration), Peter J. Hickey; the Assistant Vice Chancellor for Legal Affairs (Contracts), Robyn A. Crittenden; the Director of Administration and Compliance Policy, Mark Demyanek; AASU President Thomas Z. Jones (via conference call); and the Assistant to the President for Strategic Initiatives (AASU), William L. Megathlin. 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 9:35 a.m., Chair NeSmith reconvened the Committee meeting in its regular session and announced that no actions were taken in the Executive Session.

6. Nonexclusive Easement for Natural Gas Main, City of Cartersville, Bartow County Property

Approved: The Board declared an approximately 10-foot-wide strip of real property adjacent to the north right-of-way of Highway 20, an approximately 10-foot-wide strip of real property adjacent to the west right-of-way of Roving Road, and an approximately 10-foot-wide strip of real property adjacent to the west right-of-way of Market Place Boulevard totaling approximately 1.18 acres of real property in Cartersville, Georgia, to be no longer advantageously useful to the University System of Georgia but only to the extent and for the purpose of granting a nonexclusive easement to the City of Cartersville (the “City”) for installation of a natural gas main.

The Board authorized the execution of a nonexclusive easement with the City for the above-referenced tracts of real property.

The Board declared an approximately 10-foot-wide strip of real property on each side of each of the above-referenced tracts of real property totaling approximately 2.16 acres of real property in Cartersville, Georgia, to be no longer advantageously useful to the University System of Georgia but only to the extent and for the purpose of granting a temporary construction easement to the City for installation of a natural gas main.

The Board authorized the execution of a temporary construction easement with the City for the above-referenced tracts of real property.

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

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

Understandings: The City requested this 10-foot-wide nonexclusive easement for the purpose of installing a natural gas main along Highway 20. Currently, the natural gas main terminates along Highway 20 at Roving Road.

Consideration for granting this easement is installation of a natural gas main which will provide service and redundancy of service to the Bartow Center.

Negotiations with the City have resulted in reducing the width of the easement from 20-foot-wide to 10-foot-wide and a realignment of the easement to minimize the impact to future development of Board of Regents land.

7. Naming of the John Hunt Town Hall Center, Abraham Baldwin Agricultural College

Approved: The Board approved the naming of the community activity building at Abraham Baldwin Agricultural College ("ABAC") the "John Hunt Town Hall Center" in honor of the late Regent George M. D. (John) Hunt, III.

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

Understandings: In May 2003, the Board approved 835 beds of new student housing at ABAC. Construction is complete, and this student housing is currently 100% occupied. This housing complex was constructed to create a learning village. An integral part of this learning village is the community activity building.

The term legacy is used to describe the impact an individual has during his or her lifetime. In this case, the strong advocate for this housing development was Regent John Hunt.

Regent John Hunt graduated from ABAC in 1960. He began his career in the automobile business. He built upon his success in the automobile industry, becoming a successful entrepreneur in real estate, advertising, and restaurant businesses.

He served on the Stone Mountain Authority for 17 years, half of those as chairman. The popular laser show is just part of Regent John Hunt's legacy during his tenure serving on the Stone Mountain Authority. He also served on the Board of Industry, Trade & Tourism for seven years.

In 1997, he was appointed to the Board of Regents, where he became Chair of the Board's Committee on Real Estate and Facilities. During his tenure, the University System of Georgia became a leader in the development of student housing and institutional research facilities through public private partnerships, leveraging private dollars for the construction of much needed educational and housing facilities. Regent John Hunt oversaw the construction of more than \$1 billion worth of new and renovated facilities at the System's 34 public institutions.

COMMITTEE ON ORGANIZATION AND LAW

The Committee on Organization and Law met on Tuesday, September 7, 2004, at approximately 3:45 p.m. in room 7019, the Chancellor's Conference Room. Committee members in attendance were Chair James R. Jolly and Regents Connie Cater, William H. Cleveland, Jr., Elridge W. McMillan, and Doreen Stiles Poitevint. Chair Jolly reported to the Board on Wednesday that the Committee had 12 applications for review; of these, 10 were denied and 2 were continued. 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. With motion properly made, seconded, and unanimously adopted, the Board approved and authorized the following:

1. Applications for Review

- a. In the matter of Yetta Ingram-Canty, at Columbus State University, concerning exclusion from the nursing program, the application for review was denied.
- b. In the matter of Mohammed Sarhan, a former employee of Georgia Southern University, concerning nonrenewal of his contract, the application for review was denied.
- c. In the matter of Dagmar Bardo, a former employee of Georgia Southern University, concerning termination of employment, the application for review was denied.

- d. In the matter of Brian Hogan, a former employee of the Georgia Institute of Technology, concerning the elimination of his position, the application for review was denied.
- e. In the matter of file # 1712 at Georgia State University, concerning denial of admission, the application for review was denied.
- f. In the matter of file # 1713 at the University of Georgia, concerning denial of readmission, the application for review was denied.
- g. In the matter of file # 1714 at the University of Georgia, concerning denial of readmission, the application for review was denied.
- h. In the matter of file # 1715 at Georgia Southwestern University, concerning denial of admission to student teaching program, the application for review was denied.
- i. In the matter of Jimmy L. Solomon at Georgia Southern University, concerning a salary dispute, the application for review was denied.
- j. In the matter of Betty D. Hatcher at Albany State University, concerning her removal from an administrative role, the application for review was continued.
- k. In the matter of Tracey Ford, a former employee of the University of Georgia, regarding her termination as Administrative Director for the Office of Institutional Diversity, the application for review was continued.
- l. In the matter of Latasha Lewis at Columbus State University, concerning exclusion from the nursing program, the application for review was denied.

COMMITTEE ON ACADEMIC AFFAIRS

The Committee on Academic Affairs met on Wednesday, September 8, 2004, at approximately 9:10 a.m. in the Board Room. Committee members in attendance were Chair William H. Cleveland, Vice Chair Wanda Yancey Rodwell, and Regents Hugh A. Carter, Jr., Joe Frank Harris, and Martin W. Nesmith. Board Chair Joel O. Wooten, Jr., Chancellor Thomas C. Meredith, and Regents Michael J. Coles, W. Mansfield Jennings, Jr., James R. Jolly, Donald M. Leebern, Jr., Patrick S. Pittard, and Doreen Stiles Poitevint were also in attendance. Chair Cleveland reported to the Board that the Committee had reviewed six items, five of which required action. Additionally, 524 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. **Establishment of the Associate of Applied Science in Criminal Justice Technology,**

Bainbridge College

Approved: The Board approved the request of President Clifford M. Brock that Bainbridge College (“BC”) be authorized to establish the Associate of Applied Science in Criminal Justice Technology, effective September 8, 2004.

Abstract: The purpose of the Criminal Justice Technology program is to prepare individuals to pursue diverse opportunities in the corrections, security, law enforcement, investigative, and police administration fields by developing competencies and skills needed in these areas. The program will provide theoretical and practical knowledge necessary to the field and also will provide greater depth to concepts covered in police academies to current and future law enforcement officials.

Need: The Criminal Justice Technology program will enhance program offerings at BC and respond to the needs of the local service area. BC administrators have met with area law enforcement officials to develop the program, its electives, and options. According to the Department of Labor’s *Occupational Outlook Handbook, 2002–2003*, “Law enforcement agencies are encouraging applicants to take postsecondary school training in law enforcement related subjects. Employment of police and detectives is expected to increase faster than the average for all occupations through 2010.” According to the Georgia Department of Labor, law enforcement is one of the 15 fastest growing occupations in Southwest Georgia with a 16.33% change in employment growth for years 2000 to 2010.

Objectives: Students will develop academic, occupational, and professional knowledge and skills required for job acquisition, retention, and advancement. Program graduates will be prepared to work in various facets of public and private security, law enforcement, and crime prevention.

Curriculum: The program will require 69 semester hours and will include courses in civil procedure, criminology, criminal investigation, constitutional law, law enforcement management, juvenile delinquency, community relations, and safety and first aid. Students will perform internships at agencies in the service area. The program offers options in criminal justice, law enforcement, and fire science.

Projected Enrollment: The institution anticipates enrollments of 24, 30, and 40 during the first three years of the program.

Funding: BC currently offers a certificate in Criminal Justice Technology and all of the general education courses required by this degree. Existing faculty will teach the courses with the additional hire of an adjunct faculty member. President Brock has provided reverification that funding for the program is available at the institution.

Assessment: The Office of Academics and Fiscal Affairs will work with the institution to measure

the success and continued effectiveness of the program. The program will be reviewed in concert with the institution's programmatic schedule of comprehensive program review.

2. Revision of The Policy Manual, Section 402.0101 Freshman Requirements

Approved: The Board approved revisions to Section 402.01.01 Freshman Requirements of The Policy Manual as presented below, effective September 8, 2004.

Background: The replacement of the Post Secondary Option ("PSO") program by the ACCEL program has made it necessary to revise section 402.01.01 a.6 by deleting reference to the program as a funding source for jointly enrolled or early admission students. The requirements to participate in the ACCEL program, funded by the Georgia Student Finance Commission, are such that for clarity it is recommended that two new categories, Residential Programs and Early College, be added to the subsection entitled "Exceptions to the Freshman Admission Requirements for Special Groups of Students." These programs allow dual enrollment in high school and college, but each has unique admission requirements and funding options under ACCEL.

402.0101 FRESHMAN REQUIREMENTS

Students applying for freshman admissions to a University System institution must meet the following criteria:

College Preparatory Curriculum. Completion of the University System of Georgia's College Preparatory Curriculum ("CPC") requirements and graduation from a high school accredited by a regional accrediting association (such as the Southern Association of Colleges and Schools) or the Georgia Accrediting Commission or from a public school regulated by a school system and state department of education. Students applying to any institution must present credit for 16 specified CPC units.

The 16 specified University System CPC courses are:

- a. **MATHEMATICS:** 4 college preparatory Carnegie units of Mathematics, including Algebra I, Algebra II, and Geometry.
- b. **ENGLISH:** 4 college preparatory Carnegie units of English which have as their emphasis grammar and usage, literature (American, English, World), and advanced composition skills.
- c. **SCIENCE:** 3 college preparatory Carnegie units of Science, with at least one laboratory course from the life sciences and one laboratory course from the physical sciences.

- d. SOCIAL SCIENCE: 3 college preparatory Carnegie units of Social Science, with at least one course focusing on United States studies and one course focusing on world studies.
- e. FOREIGN LANGUAGE: 2 college preparatory Carnegie units in the same foreign language emphasizing speaking, listening, reading, and writing.

In addition to these minimum requirements, students are encouraged to take additional academic units in high school to improve their probability for admission and success.

Freshman Index. A designated score on the Freshman Index (“FI”), which is based on a combination of a student's SAT I or ACT assessment scores and high school grade point average (HSGPA). The Freshman Index is:

$$FI = 500 \times (HSGPA) + SAT\ I\ Verbal + SAT\ I\ Math$$

OR

$$FI = 500 \times (HSGPA) + (ACT\ Composite \times 42) + 88$$

The minimum FI required for admission to a research university is 2500; regional university--2040; state university--1940; and a state or two-year college--1830.

In addition to the FI, students must have a minimum SAT I Verbal score of 430 and Mathematics score of 400 (or ACT equivalent) for admission to a university (research, regional, or state). Students without these minimum scores but with SAT I scores of at least 330 Verbal and 310 Mathematics may be considered for admission to a two-year college but will be required to exempt or exit learning support (“LS”) in the areas of deficiency.

Institutions may set higher requirements for admission. Students meeting the minimum FI requirements are not guaranteed admission.

a. EXCEPTIONS TO FRESHMAN ADMISSION REQUIREMENTS FOR SPECIAL GROUPS OF STUDENTS

Students may also be admitted as freshmen based on alternative evidence of college readiness. Following are modified or additional requirements for specific groups of applicants:

1. LIMITED ADMISSIONS CATEGORY

In recognition of the fact that a limited number of students do not meet established standards but do demonstrate special potential for success, institutions are authorized to grant

admission to a limited number of such students. Institutions will use multiple measures whenever possible, such as interviews, portfolios, and records of experiential achievements, for students being considered for Limited Admission. The number of students who may be granted Limited Admissions will be restricted based on institutional sectors, with two-year colleges allowed the highest percentage for Limited Admissions. The FI required for Limited Admission to a research university is 2020; regional university, 1830; and state university, 1790.

Nontraditional freshmen will not be included in the Limited Admissions percentage allowed for each institution.

In addition to the FI, Limited Admissions students must have a minimum SAT I Verbal score of 430 and Mathematics score of 400 (or ACT equivalent) for admission to a university (research, regional, or state). Students with SAT I (or ACT equivalent) scores of at least 330 Verbal and 310 Math may be considered for Limited Admission to a two-year college but will be required to exempt or exit LS in the areas of deficiency.

At research, regional, and state universities, students granted Limited Admission must also have completed the 16-unit College Preparatory Curriculum (“CPC”). At state and two-year colleges, students may be considered for Limited Admission if they have a high school diploma or GED and meet the minimum SAT/ACT score requirements. A GED is acceptable only if the student's high school class has graduated. Certificates of attendance or special education diplomas are not acceptable.

PRESIDENTIAL EXCEPTIONS: Presidents of University System institutions may grant exceptions to the CPC and FI requirements for Limited Admissions if the student shows promise for academic success in college and has at least a high school diploma or GED credential. Institutions will be required to report to the Senior Vice Chancellor for Academics and Fiscal Affairs on those students granted Presidential Exceptions. Presidential Exceptions must be included as part of the institution’s maximum percentage for Limited Admissions.

Students who enter under the Limited Admissions category (including Presidential Exceptions) must make up any CPC deficiencies in accordance with University System procedures. They must also be screened, as applicable, for placement in LS courses using the CPE or COMPASS administered by a University System institution and must meet University System criteria for exemption or exit of learning support in reading, English, and mathematics. (For students transferring from a Commission on Colleges ["COC"]-accredited DTAE technical college, comparable scores from the DTAE technical college may be used according to guidelines issued by the Senior Vice Chancellor for Academics and Fiscal Affairs.)

2. ALTERNATIVE REQUIREMENTS FOR HOME-SCHOOLED STUDENTS AND GRADUATES OF NONACCREDITED HIGH SCHOOLS

Applicants from home schools or graduates of nonaccredited high schools may validate the CPC in an alternative way. SAT I scores and satisfactory documentation of equivalent competence in each of the CPC areas at the college-preparatory level may be used in lieu of the FI and Carnegie unit requirements of the CPC.

A student whose SAT I Composite (Verbal plus Mathematics) (or ACT equivalent) score is at or above the average SAT I score of the previous year's fall semester first-time freshmen admitted to the University System institution to which he or she is applying and who has completed the equivalent of each of the CPC areas as documented by a portfolio of work and/or other evidence that substantiates CPC completion qualifies for consideration for admission. Students in this category must also meet the minimum SAT I Verbal requirement and the minimum SAT I Mathematics requirement (or ACT equivalent) for the sector to which they apply.

Applicants who achieve designated scores on each of the following SAT II Subject Tests in a CPC area will be considered to have demonstrated equivalent CPC competence and do not need to submit additional documentation in that area: English Writing, Literature, Math IC or Math IIC, American History & Social Studies, World History, Biology, and one of the following: Chemistry or Physics.

Students admitted in this category with satisfactory documentation of CPC competence in all areas will not be counted in the institution's Limited Admissions (including Presidential Exceptions) category. Those with qualifying SAT I scores and documentation of partial CPC completion may be admitted on the same basis and with the same conditions as other students with CPC deficiencies.

3. ADMISSION OF STUDENTS WITH OUTSTANDING SCORES

Students who demonstrate very high academic ability by achieving a composite SAT I Composite (Verbal plus Math) score in the upper five percent of national college-bound seniors according to the most recent report from the College Board and who show other evidence of college readiness may be admitted under this section. (An ACT score which is equivalent to this SAT I score may also be used.) Institutions must carefully evaluate such students to determine their ability to benefit from college coursework. Students must satisfy any CPC deficiencies in areas other than English or mathematics through college coursework.

Students admitted in this section will not count in an institution's Limited Admissions exceptions.

4. ADMISSION OF INTERNATIONAL STUDENTS

Freshman international students may be admitted in another admissions category or may be admitted in a separate category for international students under procedures established by the University System of Georgia. If these students do not meet the alternative admission procedures established under the University System of Georgia, they might be considered as Presidential Exceptions.

5. ADMISSION OF STUDENTS WITH DISABILITIES

Because the core curriculum of each institution requires students to complete college-level courses in English, mathematics, social science, and science, all students must complete the high school CPC in these areas. Students with disabilities that preclude the acquisition of a foreign language may petition for admission without this CPC requirement according to procedures established by the System. Students with disabilities are expected to meet the sector's minimum SAT I or ACT score requirements but should request the appropriate testing accommodations from the agencies administering the SAT I or ACT.

6. JOINT ENROLLMENT/EARLY ADMISSION OF HIGH SCHOOL STUDENTS/ ~~POSTSECONDARY OPTIONS~~

The University System of Georgia recognizes the need to provide academically talented high school students with opportunities for acceleration of their formal academic programs. This recognition has led to the development of two organized programs: (1) a joint enrollment program in which a student, while continuing his/her enrollment in high school as a junior or senior, enrolls in courses for college credit and (2) an early admissions program in which the student enrolls as a full-time college student following completion of the junior year in high school. The minimum admissions standards for both the joint enrollment and early admissions programs have been developed to allow certain advanced students to receive both high school and college credit for some courses. ~~Students enrolled in Georgia's public high schools who are interested in either of these program may be eligible for tuition reimbursement under the state's Postsecondary Options ("PSO") program. Further information is available from the student's high school. (BR Minutes, February 2004).~~ **Procedures for admission, course selection, and instruction can be found in sections 301.01–301.06 of the Academic Affairs Handbook.**

7. RESIDENTIAL PROGRAMS

The University System of Georgia offers residential programs for gifted, talented, and motivated students at two institutions: the Advanced Academy of Georgia at the State University of West Georgia and the Georgia Academy of Mathematics, Engineering,

and Sciences at Middle Georgia College. Admissions and program requirements are established by the individual institutions.

8. EARLY COLLEGE

Early Colleges enhance students' opportunities to accelerate their education by participating in a joint high school/college program. Each Early College represents an approved partnership between a Georgia public school system and a University System of Georgia college or university. Students in University System of Georgia recognized Early Colleges are eligible for enrollment in college courses while they are enrolled in the Early College.

3. 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.

4. Termination of the Major in Exercise Science Under the Doctor of Education, University of Georgia

Approved: The Board approved the request of President Michael F. Adams that the University of Georgia ("UGA") be authorized to terminate the major in Exercise Science under the Doctor of Education ("Ed.D."), effective September 8, 2004.

Abstract: UGA's Department of Exercise Science sought termination of the major in Exercise Science under the Ed.D. due to changing requirements for graduate professional education in the field of exercise science. Further, the department's successful functioning of the Doctor of Philosophy program meets all needs for a terminal degree in Exercise Science. The small demand for the program did not justify its retention. No students have been admitted to the Ed.D. major since 1999. The decision to terminate the program was ratified by faculty in the Department of Exercise Science.

5. Establishment of the Pauline M. Berger Professorship in Family and Child Welfare, University of Georgia

Approved: The Board approved the request of President Michael F. Adams that the University of Georgia ("UGA") be authorized to establish the Pauline M. Berger Professorship in Family and Child Welfare, effective September 8, 2004.

Abstract: UGA sought to establish the Pauline M. Berger Professorship in Family and Child Welfare in the School of Social Work. UGA's School of Social Work received a \$250,000 gift to establish an endowed faculty position that honors the late Pauline M. Berger, a former professor in the school. This gift is a way to ensure that her interests in family development and child development continue. The holder of the professorship will advocate for the needs of children at state and national levels; educate future policymakers in the School of Social Work, conduct research on the effects of current legislation on families and children, collaborate with colleagues throughout the state, and develop policies that better serve Georgians. In addition, the duties associated with the professorship will include teaching, research, and public service consistent with the purpose of the special faculty position.

Biographical Sketch: Dr. Berger had a distinguished career in social work practice and education. After earning her Master of Social Work degree in 1941 from the New York School of Social Work (now Columbia University), her social work skills were used in the World War II effort through her work with the American Red Cross and Norfolk Naval Hospital. She also served as a caseworker in several family service agencies located in New York, Virginia, Louisiana, California, and Georgia. In 1966, she joined the faculty of the UGA School of Social Work as an Assistant Professor and the school's first Admissions Director. Professor Berger drew from her extensive practice experience with families and children in educating students about social work practice. She served on the faculty until 1976.

6. 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:

Medical College of Georgia

Department of Human Resources Provide hemoglobinopathies testing during numerous pediatric visits during course of study	7/1/04 – 6/30/05	\$670,509
Department of Human Resources Expand child welfare services through purchase of community-based family support, family preservation, time-limited reunification, and adoption promotion and foster care transitional support services provided as part of a comprehensive, coordinated service delivery system	10/1/03 – 11/15/04	\$75,000

University of Georgia

Department of Agriculture Use facilities and personnel to render diagnostic services relative	7/1/04 – 6/30/05	\$3,189,678
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to the control, diagnosis, treatment, prevention, and eradication of livestock disease		
Department of Education Conduct culinary institute for school nutrition managers in order to improve preparation and service of quality food under federal guidelines, introduce computer technology to food service, and introduce healthy behaviors	5/15/04 – 1/31/05	\$36,000
Department of Education Provide scoring and reporting services for the Georgia High School Graduation Tests and the Georgia Basic Skills Tests	6/29/03 – 6/28/04	\$40,000
Department of Education Occupational Research Group to assist Department of Education in gathering and reporting information about use of and satisfaction with the Supplemental Educational Services and providers required by federal legislation for Title 1 schools not making adequate yearly progress in student achievement measures	11/15/03 – 6/30/04	\$10,800
Department of Education Develop Georgia performance standards for grades six through eight in subject of technology/career education in accordance with State Board of Education rule 160-4-2-03	5/1/04 – 6/30/04	\$20,200
Department of Human Resources Provide development and technical support for Performance Measurement and Evaluation System	7/28/04 – 6/30/04	\$19,200
Department of Technical and Adult Education Provide applied research and program performance measurement services that enable the Commissioner and the Georgia Department of Technical and Adult Education to continuously analyze the quality of training programs by performing the annual follow-up survey of the class of 2003 and the client satisfaction survey and implement approaches toward improvement of those programs	7/1/04 – 6/30/05	\$178,963
Department of Transportation Construct bicycle facility along each campus road from Green Street to Williams Street, Clarke County	3/9/04 – 12/31/04	\$292,000
General Assembly Provide research, training, technical assistance, and other services to members of the Georgia General Assembly in areas such as science, coordination of the Georgia Legislative Intern Program, and other needs on an ad hoc basis	7/1/04 – 6/30/05	\$132,500
Governor's Office of Planning and Budget	7/1/04 –	\$185,250

Jointly develop in cooperation with the Governor's Office of Planning and Budget, State Department of Audits, State Merit System of Personnel Administration, and the State Government Financial Management Training Task Force curricula in accounting and other financial management topics for state government officials	6/30/05	
Secretary of State Conduct training for municipal and county election officials at regional workshops and statewide conferences on an annual basis	7/1/03 – 6/30/04	\$125,000
Georgia Vocational Staff Development Consortium, Inc. Provide workshops for personnel from Georgia Vocational Staff Development Consortium, Inc., member systems, and other organizations that satisfy participation requirements	6/1/04 – 5/13/05	\$92,400

Georgia Southern University

Georgia Southeast Health Unit Hire external evaluators to oversee, monitor, and provide feedback on Perinatal Health Partners program implementation	2/1/04 – 8/30/04	\$9,000
Professional Standards Commission Provide the Principles of Teaching Training Programs for teacher-candidates in fiscal year 2004 Georgia Teacher Alternative Preparation Program	5/1/03 – 4/31/05	\$6,000
Various Georgia School Boards Conduct summer workshops for science teachers	7/1/04 – 6/30/05	\$60,000

TOTAL AMOUNT – SEPTEMBER	\$ 5,142,500
TOTAL AMOUNT FY 2005 TO DATE	\$ 6,113,462
TOTAL AMOUNT FY 2004 TO SEPTEMBER	\$ 109,657,779*
TOTAL AMOUNT FY 2004	\$ 131,651,016

*The large income from service agreements last year was due primarily to a \$106 million agreement between the Medical College of Georgia and the Department of Corrections for inmates' healthcare.

CHANCELLOR'S REPORT TO THE BOARD

After the Committee meeting reports, Chancellor Meredith gave his report to the Board, which was as follows:

Thank you, Chairman Wooten. You have approved a very tough fiscal year 2006 budget request that frankly will not provide the state dollars needed to meet the growth on our 34

campuses. However, we were limited in what we were allowed to request. As a part of state government, the University System is not exempt from the state's overall financial condition. Since November of 2001, we have undergone \$382 million in cuts. In part, that is a result of the concentration of economic sectors in Georgia that have suffered the hardest: technology, transportation, and tourism.

Governor Perdue assumed leadership at a very difficult period. I appreciate the job he has in front of him. Governor Perdue has been very supportive of higher education since he has been in office. As a matter of fact, he has been supportive since his days in the Senate. We deeply appreciate his support and understanding. We continue to stand ready to be of assistance to him and the State of Georgia.

Our recent retreat reinforced my strong belief in the engagement, wisdom, and good common sense of this Board. You do not draw back from the hard questions and tough decisions. You have indicated that you are ready to rethink many of our usual practices. As a Board, you have two paths from which to choose. One path is to make short-term decisions that solve problems in the simplest – though perhaps most brutal – way. But that's not the way this Board has historically dealt with challenges. You don't make decisions just to get through the short term. Instead, we follow the second path. We have a history of making decisions for the future, for long-term success.

We are not going to shirk our long-term responsibility for “creating a more educated Georgia.” If we shirk that responsibility, who will pick it up? We have been challenged by our Governor to rethink the way we do business so that we can become the “best managed state in the nation by 2007.”

The University System works with four key assumptions that drive many of our current policy decisions. Each of these assumptions demands that we make a choice. These are hard choices because, at this stage, we have exhausted all of the ready solutions. We have picked the low-hanging fruit. These four assumptions are:

- 1) The level of state support,
- 2) Low tuition,
- 3) Broad access, and
- 4) Labor-intensive support functions.

The choices we make and the solutions we devise must support one key principle: we will maintain and strengthen academic excellence! Our predecessors turned their backs on mediocrity. We will continue to resist that easy path as well.

Assumption One: Level of State Support

Since the 1980s, we have counted on formula funding that supports increasing enrollment and maintains academic quality. The fiscal year 2006 request marks the first time since the formula has been in effect that we have not been allowed to ask for full formula funding. Looking ahead, growing state needs and smaller revenue growth appear to mean that we should not expect to depend on the state for full formula funding. The rules of the game have changed! The choice we must make is either to adjust to a funding shortfall or alter policies to compensate. As we consider this choice, let me remind you – quality is the guiding principle.

Assumption Two: Low Tuition

Historically, Georgia is a low-tuition state. We rank eleventh out of the 16 Southern Regional Education Board (“SREB”) states in tuition and fees at our two-year colleges and fourteenth out of 16 at our four-year colleges. As Regent Pittard noted at our recent retreat, we have a \$10,000 product that is priced far below its value. That means that a Georgia resident can attend either of two of the nation’s top 20 public universities for just \$3,368 a year in tuition. At Western Kentucky, where I was president, the current tuition is \$1,000 more than the tuition at our research universities.

Why is Georgia a low-tuition state? Because this Board and state leaders want more Georgians to earn a college degree. Thus, historically, state funding has kept tuition at very affordable levels compared to other states. But the new economic situation challenges this low-tuition assumption. The state is clearly shifting a greater share of the cost for providing higher education to its students. The choice we must make is either we live with the effect of reduced resources on academic quality or change our tuition policies. Again, quality is the guiding principle.

Assumption Three: Access

The University System has embraced the goal of access for all Georgians. By access, we mean geographic, as in access to a campus within a certain number of miles; access to specific disciplines, such as access to teacher education baccalaureate programs; access for underprepared students or for students whose first language is not English. It can be financial access, as in ensuring limited access for those to who cannot afford to pay, or electronic, as in access to online courses and degree programs. Regardless of the definition, the goal has been to provide greater access. The new rules challenge that assumption. The current revenue picture does not allow us to continue to provide broad access without sacrificing academic quality. The choice we must make is to either live with the effects of keeping the doors open to all those prepared for college or revise our policies to reflect the size of the student body we can serve well. As we consider this choice, quality is the guiding principle.

Assumption Four: Labor-Intensive Support Functions

Teaching students doesn’t start or end with a professor in a classroom. Providing a quality

academic experience requires advising offices, admissions offices, counseling offices, registration offices, financial aid offices, business offices, bookstores, security, and maintenance operations. Traditionally, all of these – from the classroom to the boiler room – are labor-intensive. The choice we must make is to either live with not having sufficient resources to continue our support functions as they currently exist or alter policies to reengineer them and lower their cost structure. Once again, quality is the guiding principle.

What then, are the types of decisions we might consider? On assumption one, state support, starting with fiscal year 2006, the Governor’s Office of Planning and Budget has told us we cannot ask for full formula funding. This will perhaps be the trend for the next several years. What does this mean? The already large gap between available dollars and student enrollment will widen. To narrow that gap, our policies must change. If the state is not going to fund our basic formula request, then state law, for example, must be changed to allow us to carry forward funds from one fiscal year to another.

It also means policy changes in tuition, access, and support functions. So, on assumption two, tuition, we must increase tuition faster than in recent years to make up a part of the shortfall or reduce academic quality. Our tuition for two-year colleges and state universities will move from among the lowest of the SREB states to at least the median on a planned schedule. At our research universities and some institutions with special missions, tuition may need to be above the SREB median.

And changes may be in order to our “one-size-fits-all” tuition policy. For example, why not give students financial incentives to attend classes in nonpeak hours and nonpeak sessions? Why not provide financial incentives for students to attend the few institutions where we have excess capacity? Why not charge market-driven tuition for high-cost and/or high-demand programs? Why not explore greater tuition differentials within campuses?

Georgia’s economic success has ridden on the shoulders of its higher education system. The health and vitality and resulting reputation of that System has developed because of the strong faculty and professional staff who have been attracted to Georgia and who have stayed. The commitment to a competitive compensation base in Georgia for these individuals has paid off handsomely for this state. But we now find ourselves losing ground in this regard. With no raise in fiscal year 2004, a 2% raise delayed six months in fiscal year 2005, and no word on fiscal year 2006, we are slipping. If the state can no longer play its traditional significant role in providing competitive salaries, then we must examine the role of tuition in meeting this need. We cannot allow quality to be supplanted with mediocrity – not on my watch and certainly not on yours.

As Chancellor, I will immediately initiate a thorough analysis of these and other tuition-related policy questions. What does this mean for our students? We are not going to make up the entire funding gap on the backs of students and families. We are going to continue to implement cost efficiencies and shift dollars internally to support core functions. It will impact all students, but unfortunately, it will have the biggest impact on lower-income students whose Pell Grants are fixed. Georgia's future economic prosperity depends upon our ability to provide higher education to young people from low-income families. Thanks to the HOPE program, Georgia awards more merit-based aid than any other state. But Georgia has an extremely limited need-based financial aid program. Currently, we rank forty-second in the share of Pell Grant recipients in four-year institutions. We will ask the Governor and the General Assembly to change state law and allow us to use a portion of the tuition our institutions receive to create need-based scholarships.

Our third choice is on access. We can either live with the effects of keeping the doors wide open or revise our policies to reflect the size of student body we can realistically manage. We will reevaluate our admissions policies. As a System, we will need to reset optimal enrollment targets for our institutions based on the facilities and financial resources for faculty that are available. It would be fraudulent on our part to accept students we are not able to serve appropriately or who cannot get the classes they need. Where we need residence halls and parking decks, we encourage the Governor and the General Assembly to revive the Georgia Education Authority, which will give us another tool to meet space needs.

Access in high-growth areas of the state also is a particular challenge. We should plan to increase capacity at existing institutions and create new institutions or centers where the data show a clear need for our presence. This requires a higher degree of planning. For example, an aggressive capital construction program by the state can help us avoid selected enrollment limitations at some institutions by increasing our capacity.

And our fourth area is our labor-intensive support functions. We will continue to pursue aggressive cost-reduction strategies that include: increasing automation of back-office processes, privatization, regionalization or consolidation of more functions, and reducing or possibly eliminating the range of services provided for students. This is not all future tense. One of our institutions has reduced its telecommunications costs by moving to voice-over-IP. Three others are in the transition stage. Similarly, we have been working with the Department of Administrative Services on new purchasing initiatives to lower our costs. We think this will require action by the Governor and the General Assembly. One institution has privatized its physical plant operations, and others are exploring this concept.

Some of the processes we would like to automate to a greater degree are dependent upon outside parties. For example, if all transcripts from Georgia high schools were submitted electronically in the same format to our institutions, then the transcript evaluation process

could almost be completely automated. In your packets is a list of 30 items we are currently pursuing to increase efficiencies and effectiveness.

Ultimately, reducing our cost structure means reducing personnel costs in these support functions. Like the private sector, we will reduce our support personnel first through attrition, next through retirements, and only then – if we cannot meet the workforce reduction through those means – through layoffs. We will set a target for support-personnel cost savings at the System level and work with institutional presidents to meet the target. There is some normal attrition in any year, but not enough to meet the anticipated reduction nor does the attrition always occur where you need for it to happen. There are retirements, but again not enough. The University System does not determine its retirement policies; state law and the Teachers Retirement System control those. It would help us soften the impact on support employees for the Governor and the General Assembly to provide a one-time early retirement plan. This may allow us to meet new personnel levels without layoffs. If attrition and retirements do not produce the required results, then layoffs are inevitable.

This is our long-term strategy in light of what the state is realistically able to afford:

- Increasing tuition to manage a portion of the funding gap;
- Adjusting student enrollment and admissions to our actual physical and financial capacity to deliver high-quality instruction and research;
- Continuing to find efficiencies and savings wherever possible; and
- Cutting support-personnel costs to handle part of the shortfall.

As [the Vice Chancellor for Fiscal Affairs, William R. Bowes] noted in the budget presentation yesterday, the University System of Georgia has been asked to bear 38% of the state's latest cut of \$179 million. This means \$68 million must be removed this year.

A payroll shift had been enacted by our funding partners to protect the current year's state budget. This money was to be made up in next year's budget. We now have been told no money will be available to pay us back and we must make up the \$68 million. We are hard pressed to understand why the University System and [the Department of Technical and Adult Education] are being asked to take such disproportionate cuts given our rapid growth and people-intensive business. Unfortunately for the University System, notification came after our employees already were under contract and another increase in enrollment was on the way. Let me show you the cuts for each institution and their cumulative cuts since November 2001.

Here are some of the choices we are facing:

Personnel: We can take the entire \$68 million through personnel reductions. To do so, we would eliminate more than 1,700 positions, or about 4% of the System's workforce. To take

half of the cut, or \$34 million, through personnel reductions, we would eliminate 850 positions, or about 2% of our workforce.

Tuition: If we handle the entire \$68 million cut through a mid-year tuition increase, then it would require an increase of approximately 27%. A 10%, mid-year tuition increase would generate \$25.6 million.

At the October Board meeting, I will recommend a combination of personnel reductions and a mid-year tuition increase to you. At the same time, we will be working on a plan to raise tuition to the median of the SREB states on a specific timetable. At that same meeting, I will bring a number of other recommendations for your consideration, which will allow us to focus our resources on our core mission and stay true to our budget principles.

One thing I have learned from our friends in the private sector is to focus, focus, focus on our core mission in order to achieve excellence. It is important to note that this \$68 million cut is a long-term issue because it is a permanent reduction to our base budget. We know that the state's financial constraints are not expected to ease soon. So, we will work with institutions on a case-by-case basis to slow these enrollment increases to match their physical and financial capacity. Some institutions will need to defer all new admissions for spring semester; others will need to control their next fall's freshman class more tightly; and some will need to tighten transfer requirements. We will work very hard to minimize the impact on students wherever possible.

Our current challenge is to protect the System's legacy of academic excellence for the next generation. To meet that challenge requires that we remain focused on our core mission of providing quality higher education and research that benefits the state.

The changes that must be made will be tough. We will be questioned about our decisions. But we cannot fail if we continue to remember our vision and make policy decisions that keep us focused. Ladies and gentlemen, we have been dealt our hand. It appears to me there are two ways to address significant problems and challenges. One is to keep talking about the problem and lamenting its presence. Or one can recognize the problem, and then begin planning and making decisions to do something to solve it. We are pursuing the latter.

We are blessed with talented and creative minds in this office and on our campuses. The rules for funding postsecondary education in Georgia have changed. We will meet the challenge. We are not whiners or hand-wringers. We will meet the challenge of "creating a more educated Georgia" with the resources available. My favorite quote is from John Steinbeck's *The Grapes of Wrath*: "It is the nature of man to rise to greatness, if greatness is expected of him." We will expect greatness of each other during the formidable days ahead.

Mr. Chairman, that concludes my report.

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Chair Wooten thanked the Chancellor for his report. He said that the Regents agree that the quality of the University System of Georgia must be maintained during these challenging economic times.

STRATEGIC PLANNING COMMITTEE, “COMMITTEE OF THE WHOLE”

Chair Wooten next convened the Strategic Planning Committee as a Committee of the Whole and turned the Chairmanship of the meeting over to Regent Leebern, the Chair of the Committee. Committee members in attendance were Chair Donald M. Leebern, Jr., Vice Chair Doreen Stiles Poitevint, and Regents Michael J. Coles, Patrick S. Pittard, and Wanda Yancey Rodwell. Board Chair Joel O. Wooten, Jr. and Regents Hugh A. Carter, Jr., William H. Cleveland, Joe Frank Harris, W. Mansfield Jennings, Jr., James R. Jolly, and Martin W. NeSmith were also in attendance.

Chair Leebern noted that the Committee on Information and Instructional Technology had heard a major technology systems update at its May 2004 meeting, and Committee Chair Coles felt that this needed to be brought before the full Board. So, at this meeting, the Vice Chancellor for Information and Instructional Technology and Chief Information Officer, Randall A. Thursby, and the Assistant Vice Chancellor for Information Technology, Thomas L. Maier, would be providing an update as well as some late-breaking news about an opportunity to provide long-term, inexpensive, high-bandwidth fiber capabilities to the eastern and southern parts of the University System of Georgia. This is a similar opportunity to the one the Board approved in June 2004 primarily for the western part of the System. With the full Board’s approval, this would be brought forward for consideration as a walk-on item.

Mr. Thursby thanked the Regents and the Chancellor for the opportunity to tell them about progress on the major technology systems. He also thanked the Committee on Information and Instructional Technology and Committee Chair Coles for their guidance over the last year during particularly difficult fiscal times. Mr. Thursby began the presentation by highlighting one of the most important information and instructional technology (“IIT”) systems. He said that IIT is all about people finding new and better ways to help them accomplish their goals. In higher education, IIT is an effective tool to improve, enhance, and expand instruction, research, and public service. It takes people to make this happen, highly skilled and dedicated people who work very hard. So, he began the update with a major achievement that the Board and the Chancellor have provided to help the Office of Information and Instructional Technology (“OIIT”) staff: the new OIIT facility in Athens. He noted that the OIIT Athens staff were scheduled to move into the new facility on September 23 and 24, 2004. On behalf of the staff, he thanked the Board; the Chancellor; the Senior Vice Chancellor for Academics and Fiscal Affairs, Daniel S. Papp; the Vice Chancellor for Facilities, Linda M. Daniels; and her staff for their support and assistance making this building a reality.

Mr. Thursby then turned to the subject of the status of the major technology systems. He reminded the Regents that the University System Office is all about providing value to the institutions and their students, faculty, and staff. Each student, faculty, and staff member should be able to expect consistent network access through PeachNet, as well as consistent access to library materials through Georgia Library Learning Online (“GALILEO”), robust course management software through WebCT, and applications software through PeopleSoft and Banner. The University System of Georgia leverages its economies of scale through Systemwide contracts such as the GALILEO databases or Microsoft software licenses. The System pays less than \$15 per computer to license desktop software such as Microsoft Word, Excel, and PowerPoint. The System gains efficiency by hosting applications like PeopleSoft Human Resources, Payroll, and Financials; library automation software; and the WebCT course management system at the System level rather than having those programs deployed at each institution. Where there are System-implemented applications such as these, changes can be made once rather than having to be made at each institution by that institution’s staff. The Board would hear more about the integrated learning environment the System has been pursuing. It depends on there being consistency among applications so that information may be shared among institutions and students find their experiences consistent as they move among institutions, even in the same semester, whether in person or by online courses. The consistency in applications allows for a high level of integration among the applications. When a student enrolls in a course today, that student is immediately validated to use GALILEO or is placed into the WebCT course management system. That student then has access to course information and is able to communicate with his/her professors from day one. Mr. Thursby said that the key to the System’s success has been the planning process that supports and directs its efforts, the IIT strategic plan, “Learning Without Limits,” which the Board adopted in April 2002. He then turned the floor over to the Assistant Vice Chancellor for Information Technology, Thomas L. Maier.

Dr. Maier reviewed briefly the goals of the System’s IIT strategic plan, which were to enhance student learning, to expand reliable and secure access to information and services, to increase customer focus, to ensure continuous innovation, and to effectively and efficiently plan and manage IIT operations. To reach these goals, the staff have been developing an integrated learning environment that the Assistant Vice Chancellor for Advanced Learning Technologies, Kris Biesinger, and Dr. Maier presented to the Strategic Planning Committee in September 2003. All of the various systems and applications are integrated with one another such that the sum of them together is greater than the individual parts. The foundation for this integrated learning environment is the strategic architecture the University System has been constructing over the last decade. This represents a sound, Systemwide approach using “industrial strength” systems and software. The approach starts with PeachNet, the University System network that connects the more than 34 System institutions and locations to each other and to the Internet. The System utilizes a very robust operating system, UNIX, and database, Oracle. It is also using more “middleware,” such as the System data warehouse, which is becoming an increasingly useful tool. There are many applications that work together to provide service and value to the System, such as PeopleSoft, Banner student

information system, WebCT, GALILEO, and GALILEO Interconnected Libraries (“GIL”) library systems. All of this is focused on providing a common set of applications and a common portal (Luminus) for all University System customers.

At this meeting, Dr. Maier would focus on what the System has accomplished, what the staff are doing to keep things going, and challenges going forward due to reduced funding. He said that the System has recently seen a rollout of a hosted new WebCT enterprise-class learning management system called Vista. Georgia State University and the University of Georgia (“UGA”) are hosting the system, and Georgia Southern University is managing the system testing and training. This system is already up and running at 10 institutions, while support continues for the 20 institutions on the previous version system. GALILEO is another of the System’s great success stories. It provides a universal catalog, universal borrowing, the New Georgia Encyclopedia, and other unique features throughout the System and the State of Georgia. GALILEO is a cooperative effort with the Department of Education, the Department of Technical and Adult Education, the Georgia Public Library System, and private colleges and universities. The System also went through a recent major upgrade of PeopleSoft. Dr. Maier noted that one of the challenges the System faces is moving 30 institutions (in this case) from one version of the program to another in a short period of time. The System accomplished this upgrade in two waves over the course of two months, which was quite a milestone. The data warehouse is used both for sharing and processing information in terms of financial data, and now the System is moving into academic data, such as retention and graduation rates. Perhaps the most significant IIT accomplishment in the past year was the dark fiber acquisition that Mr. Thursby had mentioned. With the Board’s approval in June 2004, and thanks to the hard work and leadership of Mr. Thursby and the Executive Director for Enterprise Infrastructure Services, John Scoville, the System has been able to secure over 1,600 miles of fiber exclusively for the System’s use, which basically means unlimited bandwidth between 20 campuses. This 15-year lease was concentrated on the western part of the state and will connect 20 campuses, including UGA. It will enable these System institutions access to the National Lambda Rail initiative. Staff are currently working on the eastern part of the state, which will connect five more institutions and the Georgia Tech Regional Engineering Program (“GTREP”) in Savannah.

Dr. Maier said that another critical issue is security. Even in these tough budget times, the Chancellor supported going ahead with the security project, a joint effort between OIIT and the System campuses which attacks security issues on multiple fronts. The number one vulnerability in terms of security is educating people about how to work in this environment. Providing user education will be coupled with intrusion detection and prevention technologies, System-level monitoring, and enhanced IIT auditing.

In reality, probably the most significant accomplishment has been the System’s ability to sustain its many ongoing IIT operations; 70% of the effort is focused on sustaining current operations in spite of very difficult economic conditions. Dr. Maier explained that current IIT funding models are based mainly on timing and opportunities. Besides these major systems, many of the hardware and

software upgrades at the System level were paid for by lottery funds or special funding initiatives that are no longer available. The student technology fee the Board approved several years ago has been of great benefit to campuses, but none of those funds come back to the University System Office. The technology factor that was incorporated in the formula three years ago is too low and again goes to the institutions for their use. GALILEO and the materials it has available can also be negatively affected by the budget situation, and the data warehouse will not be able to grow without proper funding. Moreover, the PeopleSoft Financials program upgrade may have to be delayed. Similarly, the certain administrative training procedures may be negatively affected without development funds.

Dr. Maier next discussed how the System can leverage its current technology-rich environment to increase the educational experiences in spite of the budgetary problems it faces. He said it is important to look at the long-term funding strategy for IIT. Currently, funding is diverse. Some of it is central, and some is charged back to the institutions. The staff propose to couple the strategic plan with a financial plan that sustains progress, provides adequate levels of service, and has flexibility to meet shifting demands and new priorities. To that end, the staff will work to develop a new funding model to address the IIT needs of the University System of Georgia. The staff will bring this proposed model to the Committee on Information and Instructional Technology at the November 2004 Board meeting. Dr. Maier then turned the floor back over to Mr. Thursby.

Mr. Thursby said that the Board can address funding issues for System-level services in a number of ways. Redirecting funding at the System level would lower overall costs to the System but would raise the budget for OIIT. For example, where it may take 30 database administrators to handle a system at each institution, it may take only 5 database administrators to handle a consolidated system for all 30 institutions. The Board may find new sources of revenue, such as a Systemwide technology fee or institutional assessment for technology services provided at the System level. The Board can shift responsibilities for System-level services to the institutions. This will increase overall costs to the System, but will allow OIIT to reduce its budget and meet budget reduction goals. This would also mean that the integrated learning environment now being coordinated at the System level would become the responsibility of each institution. The Board will continue to explore ways to reduce costs for existing services. An example of the latter is the work underway to expand the fiber network previously approved in June 2004 by the Board. Mr. Thursby announced that the Regents at this time had the opportunity to expand the network to six additional sites and nearly complete a fiber ring around the state. The infeasible right to use lease acquisition would not only greatly increase the available capacity of the network, but would also provide significant long-term savings over the existing proprietary circuits now in use. Over the 15-year period, the System should expect to save over \$6 million. Even if a new technology should come along and make the fiber approach obsolete in as little as five years, the University System would still be ahead, he said. He showed the Regents a slide that listed the advantages to the extension of the network, which were very similar to the advantages provided by the initial acquisition approved in June 2004. He said that he believes it is a System responsibility to seek ways to maintain or improve services while lowering overall

System costs. It is also the responsibility of his office, he said, to seek and recommend ways to lower costs while providing equal or greater service to the institutions. In closing, he said that he believes the fiber project is certainly one such effort. He then stepped down.

Chair Leebern thanked Mr. Thursby and Dr. Maier for this presentation and asked whether the Regents had any questions or comments.

Regent Cleveland noted that some of the dark fiber in question was in Florida, and he asked how the University System of Georgia would use that fiber.

Mr. Thursby explained that the company from which the System acquired the fiber uses that part of Florida to close the loop between the eastern and western parts of the State of Georgia.

Regent Coles asked whether the System would have any opportunity to go through the middle of the state.

Mr. Thursby responded that there are opportunities to go through the middle of the state, but right now, most of those institutions would be most cost-effectively served through a propriety circuit because of the amount of bandwidth they use now. One of the drivers for the eastern part of the state was that there were new grants requiring collaborative efforts among the institutions closer to Savannah, including Georgia Southern University (GTREP) and the Medical College of Georgia (“MCG”). The National Lambda Rail that connects the research institutions nationally requires direct fiber connections. So, the proposed fiber acquisition would allow the inclusion of GTREP and MCG, which would qualify them for research grants for which they did not previously qualify.

Chair Leebern said that the Regents agree that linking UGA and MCG should be a high priority in the System.

Mr. Thursby said that the System has an almost complete fiber loop except for the piece from Athens to Augusta. It is critical to complete the primary research circuit that can only be done on dark fiber. He assured the Regents that the staff are working hard to get that one critical piece but that right now there is only one provider of that fiber and the provider guards it very jealously. For that reason, the staff have not yet been able to secure a cost-effective solution.

Chair Leebern asked whether research between the two institutions can be accomplished wirelessly.

Mr. Thursby responded that wireless could complete the circuit, but it does not have the capacity to meet the research requirements. He explained that the research requires specific secure high-bandwidth connections that cannot be provided using a wireless solution.

Chair Leebern asked whether security is the reason why research cannot be handled over a wireless

connection.

Mr. Thursby replied that it was certainly part of the problem and that bandwidth was the other critical component.

Chair Leebern said he did not understand why it would be so difficult to connect UGA to MCG.

Mr. Thursby said it is possible to establish a single connection between the two institutions, but it is very expensive.

Seeing there were no further questions or comments, Chair Leebern called for a vote to present a walk-on item to the Board. The Regents voted unanimously to add this item to the agenda.

Next, Chair Leebern made a motion to approve the acquisition through leasing of fiber resources for PeachNet for the eastern part of the state. Seeing that there was no further business to come before the Committee, he then adjourned the Strategic Planning Committee meeting as a Committee of the Whole.

Chair Wooten noted that there was a motion on the floor and asked for a second to the motion. With motion properly made, seconded, and unanimously adopted, the Board of Regents approved the acquisition through leasing of fiber resources for PeachNet.

UNFINISHED BUSINESS

There was no unfinished business at this meeting.

NEW BUSINESS

Chancellor Meredith noted that there was a list of “good news” items in the Regents’ folders.

PETITIONS AND COMMUNICATIONS

Secretary Gail S. Weber announced that the next Board meeting would take place on Tuesday, October 12 and Wednesday, October 13, 2004, on the campus of the Georgia Institute of Technology in Atlanta, Georgia. She noted that spouses were invited to this meeting and that many issues brought up at the recent Regents’ retreat would be discussed at that time.

Chair Wooten stated that the October meeting would indeed be a very important meeting of the Board. He encouraged the Regents to consider the items brought forward at the retreat and in the Chancellor’s report at this meeting so that they may wisely consider some of the suggestions the Chancellor made with regard to maintaining the quality of education in the University System of

Georgia.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at approximately 11:20 a.m. on September 8, 2004.

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

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