

**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 9 and 10, 2003**

CALL TO ORDER

The Board of Regents of the University System of Georgia met on Tuesday, September 9 and Wednesday, September 10, 2003, in the Board Room, room 7007, 270 Washington St., S.W., seventh floor. The Chair of the Board, Regent Joe Frank Harris, called the meeting to order at 1:00 p.m. on Tuesday, September 9, 2003. Present on Tuesday, in addition to Chair Harris, were Vice Chair Joel O. Wooten, Jr. and Regents Hugh A. Carter, Jr., Connie Cater, William H. Cleveland, Michael J. Coles, Julie Hunt, W. Mansfield Jennings, Jr., Donald M. Leebern, Jr., Allene H. Magill, Elridge W. McMillan, Martin W. NeSmith, Patrick S. Pittard, Wanda Yancey Rodwell, J. Timothy Shelnut, and Glenn S. White.

ATTENDANCE REPORT

The attendance report was read on Tuesday, September 9, 2003, by Secretary Gail S. Weber, who announced that Regents Hilton H. Howell, Jr. and Allan Vigil 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 5 and 6, 2003, were unanimously approved as distributed.

COMMITTEE ON FINANCE AND BUSINESS OPERATIONS, "COMMITTEE OF THE WHOLE"

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

Chair Carter stated that at this time, the Board would be considering the fiscal year 2005 operating and capital budget and the fiscal year 2004 amended budget requests. The fiscal year 2005 budget request is comprised of the formula, special funding initiatives, and lottery funds. The fiscal year 2005 capital budget request includes previously approved projects on the major capital outlay list, equipment funds for projects, instruction space, minor capital projects, and one payback project.

Chair Carter turned the floor over to the Chancellor to begin the budget presentation.

Before beginning the presentation, Chancellor Meredith introduced Mr. John Brown, Director of the Education Development Division of the Governor's Office of Planning and Budget ("OPB"). Mr. Brown was formerly Director of the General Government and Public Safety Division. He is a nineteen-year veteran of state government who has worked in three agencies: the Department of Audits and Accounts, the Joint Board of Family Practice, and OPB. For ten years in OPB, he served in various leadership positions within the Education Development Division. He also played a vital role in the development of the first HOPE program. Mr. Brown has a two-year degree from Gainesville College, a bachelor's and master's of business administration from the University of Georgia. The University System Office staff are all very pleased that Mr. Brown will be responsible for the University System budget at OPB. Chancellor Meredith had already met with Mr. Brown, and he remarked that he looked forward to many more meetings with him. The Chancellor also thanked Mr. Terry Gandy, the former Director of the Education Development Division. Mr. Gandy is now Director of the Physical and Economic Development Division of OPB.

Chancellor Meredith next introduced the budget presentation. He stated that these are the best of times and also the worst of times. Students are flocking to University System institutions in record numbers and are approaching the 250,000 mark. This is great for the state and the System as they move toward creating a more educated Georgia. However, this is happening at a challenging time when there is less money to support enrollments. The State of Georgia continues to have a weak economy with revenues down 5.4% in July; however, there was an increase of 4.1% in August. So, the Chancellor is optimistic that things will change. In order to meet this year's budget, there must be a 6.4% increase. However, considering the shortfall from fiscal year 2003, the state really needs a 7.5% increase just to meet the budget for this year. That is why the state has announced "probable cuts" of 2.5% for the current year and another "possible cut" of another 5% for fiscal year 2005. So, the gap between the increase in the numbers of students and the decrease in funding is growing wider, and this is a reality with which the Board must deal going forward. At the August Board meeting, the Chancellor had shared with the Regents a brief history of the University System of Georgia. It was created during a time of great economic distress, the Great Depression, and yet, look where it is today. So, even during these tough times, the University System will not be defeated. In fact, it will grow even stronger as it reinvents how it does its business. The University System Office staff have developed the best budget possible under the circumstances. They want to do everything possible to preserve the quality of the University System of Georgia, but it will mean a reduction of needed services and, in some instances, access. The budget presented at this meeting follows the guidelines established by OPB. The figures are realistic and not inflated. When funded, the budget will allow the University System of Georgia to make targeted advances. The institutions have been heavily involved in the budget development process. Chancellor Meredith remarked that the staff under the leadership of the Vice Chancellor for Fiscal Affairs, William R. Bowes, have done an extraordinary job as usual. He invited Mr. Bowes to approach the Board and introduce his staff.

Mr. Bowes introduced the Assistant Vice Chancellor for Fiscal Affairs and Special Assistant to the Chancellor, Usha Ramachandran; the Assistant Budget Director, Gerald Vaughan; the Budget Policy Analyst, Susan Wright; the Budget Specialist, Josephine Pearson; the Staff Assistant, Santrica Duhart; and the Administrative Coordinator for Fiscal Affairs, Angelia Thomas. Mr. Bowes noted that this had been an unusually difficult budget development process and that the staff had worked very long hours to have the budget proposal ready for Board consideration. He said that this year's budget process more so than any other had required a lot of collaboration. The staff had worked with OPB and the Governor on new program guidelines. He thanked the University System Office staff for working hard to meet these new guidelines. The challenge of these guidelines is determining how to make 2.5% and 5% budget reductions for fiscal years 2004 and 2005, respectively. The guidelines allow the Board of Regents to make its request for formula and workload increases, which is a very positive sign. The Board is also permitted to request a 2% enhancement of the current budget base, another positive sign. Finally, there were no restrictions on what the Board could request for the fiscal year 2004 amended budget, although it is clear there may be few dollars available to support such requests.

Mr. Bowes noted that the budget proposal had been distributed to the Regents. Each year, the Chancellor appoints a presidential advisory committee representing a cross-section of the University System to work with the staff on the budget. This year's committee included the following presidents:

- David Bell, Macon State College
- Carlton Brown, Savannah State University
- Richard Federinko, Middle Georgia College
- Martha Nesbitt, Gainesville College
- Carl Patton, Georgia State University
- Lisa Rossbacher, Southern Polytechnic State University
- Ronald Zaccari, Valdosta State University

The budget development process begins with a June meeting of the presidential advisory committee to identify items the presidents feel are important to include in the budget request. The staff then reviews these recommendations with all University System presidents at the end of July. Then, the staff meet with the Regents individually in August and September to get their input. Finally, the staff will submit the budget request to the Governor in September, after the Board of Regents has approved it.

For the benefit of new Regents, Mr. Bowes explained that the formula is the method by which the annual request for general state operating funds is developed. Formula funds are generated for four major categories of expenditures: 1) academic and institutional support functions based upon credit hour enrollments; 2) maintenance, operations, utilities, and major repairs and renovations ("MRR") based upon square footage; 3) continuing education programs based upon continuing education units

("CEUs"); and 4) fringe benefits based upon actual or projected costs. Mr. Bowes further explained that the "A" budget is formula funds appropriated to the Board of Regents in a lump sum for allocation to University System of Georgia institutions. The "A" budget also includes special funding initiatives. The "B" budget comprises funding that is appropriated on a line item basis for specific activities and functions, including the University System Office, the Georgia Public Library System ("GPLS"), cooperative extension services, agricultural experiment stations, etc. The "D" budget encompasses activities and functions supported by lottery revenues. These are limited to equipment and other non-personnel expenditures. Finally, pass-through budgets are funds included in the Board of Regents budget but over which the Board has no direct control. These include activities such as the Georgia Public Telecommunications Commission ("GPTC") and the Georgia Military College.

Mr. Bowes next discussed the "A" budget. He explained that the System is starting fiscal year 2004 with a base budget of approximately \$1.463 billion, which reflects \$211 million in budget cuts, plus formula funding received. If the Governor goes forward with planned budget reductions, this base will be cut by approximately \$107.9 million. The first part of this cut is based on the Governor's call for recommendations for a probably 2.5% budget cut in fiscal year 2004, which is approximately \$36.6 million. However, there may also be an additional 5% cut in fiscal year 2005, which totals another \$71.3 million reduction. Mr. Bowes noted that the 5% reduction is based upon the reduced budget base, and together, these cuts total approximately \$107.9 million. The staff have not yet detailed how these cuts will be made, but they will soon be meeting soon with the Chancellor and the presidents to discuss where they can make these cuts on a programmatic basis. The next part of the budget request is the formula funds. The staff were recommending a very significant increase of approximately \$108.1 million in that part of the formula that is based on enrollment. That is based upon an enrollment increase of 8.4%. Mr. Bowes noted that the enrollment increase is from two years ago, so it is really reflecting the enrollment increase of 2003 to project the dollar amount in 2005. So, the \$108.1 million will not begin to cover the enrollment increases of the past year and those projected for the fall 2004 term. The second piece of the formula request was approximately \$8.2 million based upon an increase of approximately 1.8 million square feet of new square footage.

He noted that this covers not only custodial and maintenance costs, but also the cost of utilities. The third piece of the formula request pertains to MRR funds, which are used for renovations, repairs, and facilities emergencies. They are calculated as a dollar amount per square foot based upon replacement value and is based upon less than 1% of the total building replacement costs. Mr. Bowes noted that this is well below industry standards. The Vice Chancellor for Facilities, Linda M. Daniels, would address this in more detail during her portion of the budget presentation. In 2005, the staff would like to get full restoration of the amount the formula generates, which is \$63.8 million. This is something that the presidents agree is very critical and should be included in the base budget. The remaining items in the formula funds request pertained to fringe benefits, such as life insurance, retirement costs, etc. Mr. Bowes focused primarily on health insurance costs, which comprise the majority of these costs. He noted that the Committee on Finance and Business Operations would learn much more about health insurance programs when they would consider the renewal of a number

of contracts later at this meeting. He noted that a few years ago, the Board established a preferred provider option (“PPO”) in concert with the Department of Community Health (“DCH”) to reduce costs. Since that time, a number of employees have switched from the self-insured indemnity plan to the PPO and HMO plans. The staff have adjusted premiums for all contract types to better match insurance premiums with actual costs. They have negotiated very beneficial contracts with various health insurance providers that have helped also to reduce administrative costs, and they have established reserves sufficient to meet outstanding liabilities and contingencies. Despite all of these measures, however, medical and pharmaceutical costs continue to increase. Based upon the recommendation of consultants, the University System of Georgia is looking at an approximately 20% in pharmaceutical costs and 15% in medical costs. The staff are therefore proposing a 10% increase in premiums. The \$33.4 million formula increase is to cover the costs of the premium increase that went into effect January 2003 but was not funded in the fiscal year 2004 budget plus the full-year cost of the premium increase that would be recommended during the meeting of the Committee on Finance and Business Operations. The last formula increase Mr. Bowes discussed was continuing education. He noted that there has been a large surge in CEUs generated at institutions, and therefore, the request for funding will be approximately \$23 million. He noted that continuing education has not been funded by that legislature for the past two years, but it is part of the Board’s strategic plan and formula that serves very important policy interests. So, the staff are including the recommendation again this year. In total, the fiscal year formula request is approximately \$245.3 million.

Another part of the Governor’s budget guidelines is that agencies are allowed to include requests for enhancements in the amount of 2%, or approximately \$27.3 million. Mr. Bowes discussed some of the items included in these enhancements. Among the enhancements is \$10 million for the Medical College of Georgia (“MCG”) to hire faculty and provide start-up packages, including equipment, laboratory renovations, technical support, and other costs. This is the first year of a multi-year effort to expand and enhance MCG’s research capability and to leverage additional federal research dollars to position MCG as one of the best public medical colleges in the nation. Mr. Bowes noted that for every state dollar invested in MCG, the institution raises four. This enhancement will be a very good investment and will help MCG move forward in its research enterprise. Another enhancement of \$1.5 million is for the African-American Male Initiative (“AAMI”). These funds are recommended to support and develop programs to attract, recruit, retain, and graduate black men, but such programs will also have an impact on other at-risk populations in the State of Georgia. These funds will also be used to develop partnerships with other state agencies and civic groups, for marketing, and to develop means of monitoring the success of various programs. An enhancement of approximately \$4.4 million is for the Intellectual Capital Partnership Program (“ICAPP[®]”) Health Professionals Initiative to address the state and national healthcare workers shortage. ICAPP[®] is currently funding 12 programs, and this funding would expand this to a total of at least 18 programs. Also under the ICAPP[®] umbrella is a \$1 million program aimed at Georgia’s military workforce. Mr. Bowes noted that federal defense spending is a major contribution to Georgia’s economy and has an annual impact of more than \$25 billion and that there are 13 military installations across the state.

The purpose of this initiative is to respond to the request of the Governor's Military Affairs Coordinating Committee to support strategies that will help improve the mission, value, and quality of life at each of the state's military bases to make them more competitive for the upcoming base realignment and closure process, which is scheduled to begin in early 2005. The ICAPP® program can provide the means to help complement this effort. This request has three dimensions: 1) to assist in the development of a certified statewide assessment of the economic impact of those military installations on Georgia, 2) to undertake specific studies to assess the status of the local infrastructure and its ability to support military installations, and 3) to work with institutions located near these installations to develop accelerated certificate programs in high-priority areas. Also included in budget enhancements was a \$1 million request to launch new study abroad programs in disciplines and locations that are critical to Georgia's economic development and other related international education programs. There was also a \$1 million request for online courses to help address the dramatic enrollment increases. The purpose would be to create an integrated plan that would increase the number of hybrid and fully online courses offered by University System of Georgia institutions. He noted that the major cost associated with online courses is development, and that would be the primary use of those dollars. The enhancements also include approximately \$7.7 million in transfer lottery initiatives. Mr. Bowes explained that a number of key programs, including Georgia Library Learning Online ("GALILEO") and critical technology initiatives, are funded by lottery revenues. However, those lottery revenues are beginning to level off, and there is clear indication that those funds may no longer be available to support anything beyond the HOPE Scholarship Program and prekindergarten programs. The recommendation is that those initiatives that are currently funded under the lottery be transferred to the base budget of the University System. The last item in the category of enhancements is a collection of very small increases in funding requested by some of the special funding initiatives totaling less than \$0.7 million. In summary, the 2004 base budget began at \$1.463 billion and was reduced by \$107.9 million, followed by the addition of a formula funds request in the amount of \$245.3 million and enhancements in the amount of \$27.3 million, for a total of fiscal year 2005 budget request of approximately \$1.628 billion.

Next, Mr. Bowes addressed the "B" budget. He explained that the current "B" budget is approximately \$205.3 million. However, there were reductions of 2.5%, or approximately \$14.2 million, and a small one-time adjustment of \$85,000. The staff were recommending formula requests for GPLS in the amount of \$495,095 million and enhancements of approximately \$3.6 million. Therefore, the total fiscal year 2005 B budget request is approximately \$195.2 million.

The "D" budget, as Mr. Bowes had already explained, pertains to lottery funds initiatives. The first of these was the Equipment, Technology, and Construction Trust ("ETACT"), funds provided to the institutions on the basis of a formula. The institutions have to match a portion of that amount. Last year, the System received \$12 million; this year, the staff were proposing a request of \$15 million. The remaining "D" budget programs were technology initiatives, particularly GALILEO. The total "D" budget request was \$22.7 million.

Next, Mr. Bowes discussed the fiscal year 2004 amended budget request, which totaled approximately \$77.2 million. The first part of the amended budget request was to restore funding for the MRR fund. The 2004 formula budget would have generated \$59 million for MRR, but the legislature approved only \$20 million in bond funds. So, the staff were requesting restoration of the difference, \$39 million. Three items in the amended budget request – health insurance, life insurance, and ORP rate increase – were requested to cover the annualized cost of these different items. The health insurance item relates to last year’s premium increase as well as the half-year cost of the premium increase that will become effective January 1, 2004. Another important item in the amended budget request is the eminent scholars program, which was established several years ago to bring an additional level of expertise to institutions, to enhance programs, and to help in the recruitment of top students. This is a matching program in which institutions are required to match state funds with private contributions. The program requires a minimum contribution by the institution of \$1 million. Under the current policy, research institutions are required to raise \$750,000 in private funds for each eminent scholar chair, while other institutions must raise \$500,000. The funds are used for salaries and salary supplements, and they are deposited with the institutions’ private foundations. Currently, the University System of Georgia has 19 private funding commitments for eminent scholars that have not received matching state funds. The staff were recommending a request of \$8.25 million to meet the existing need. Mr. Bowes stressed that this is a very critical request. Also included in the amended budget request were two very important items for GPLS. One is for the Public Information Network for Electronic Services (“PINES”), which is the GPLS online catalog system and lending network. It links 44 of the 58 public libraries in the system. An amended budget request of \$1.25 million will cover the current year costs of the program, not an expansion of the program. The second GPLS item was to provide funding for a technology update across GPLS. The last time computers were updated was during Y2K rollout, and this is to replace some outdated machines. The total fiscal year 2004 amended budget request is approximately \$77.2 million. Mr. Bowes asked whether the Regents had any questions thus far.

Regent Coles asked whether the Governor is aware of the critical need for funding for the eminent scholar program. He said this is one of the most important fund-raising vehicles the institutions have, but if the state does not match the promised private dollars, the program may lose its momentum.

Chancellor Meredith agreed with Regent Coles and assured him that the Governor has been made aware of this and does appreciate the importance of the initiative. The contribution of the eminent scholars program to the economic wellbeing of the state has been well documented and distributed. He reiterated that there are 19 eminent scholars for which private funding has already been raised, but the System is waiting on the matching state funds.

Regent Magill noted that June 2003 was the last month that public K-12 education received any lottery funds at all. She expressed her concern that the Board of Regents may not be able to count on its \$22.7 million request. Technology is so important that she hoped the System would not lose its focus on it.

Mr. Bowes agreed and noted that all of the items in the “D” budget are critical budget requests and that is why the staff are trying to move these items to the base budget formula.

Regent Pittard requested a list of technology that will be shut off if not funded.

Mr. Bowes said that he could provide that information. He noted that GALILEO is critical to the databases of all System institutions.

Regent Magill added that public K-12 education also depends on GALILEO.

Mr. Bowes agreed and added GPLS and other agencies depend on it as well.

Regent Leebern said that he was very concerned about the reduction of the MRR component of the budget.

Mr. Bowes turned the floor back to the Chancellor to begin the discussion of the capital budget.

Chancellor Meredith said that he has serious concerns about the ground that has been lost in this area of the budget. He noted that the appropriation for the System’s requested amount of MRR funding continues to fall woefully short. The Regents have a responsibility to preserve and enhance the facilities that have been placed in their trust. Private resources are generally not available for MRR uses, and therefore, state resources are essential. The Board’s preventive maintenance program is limping along due to a shortage of funds necessary to implement those ideas. His second concern was new facilities as well as the projects on the minor capital projects list. He said this Board’s system for prioritizing facilities needs is the best he has seen. Enrollment growth dictates more facilities to provide access for Georgians. That assumption was confirmed by the consultant the Board used to study the System’s current capacity. Therefore, the staff approached the capital budget request process a little differently this time. Given the low interest rates, high unemployment rates, and dramatic need for capital improvements in the System, the Vice Chancellor for Facilities, Linda M. Daniels, would present to the Regents a package of capital items that the staff believe are essential to position the System to meet future enrollment demands. Georgia ranks very low when it comes to the postsecondary participation rates. That is now turning around. Increasing numbers of Georgians want higher education. The Board of Regents must be in a position to provide the necessary facilities for them to be educated. Some online programs may alleviate the need for classroom space, but the System still needs facilities. The Chancellor said that he does not want to fall behind anticipated enrollment increases, and he stressed that the Board must act now because the facilities process is a long one. He then called upon Ms. Daniels to speak.

Ms. Daniels greeted the Regents and said that, for the benefit of the new Regents, she would explain the components of the capital request package. She said that the five-year rolling major capital

projects list currently has 21 prioritized projects with a total state cost just under \$500 million. The legislature has historically funded projects off the top of this list, and each June, the Board adds projects to the bottom of the list. A project is designated a major project based upon its budgeted cost of over \$5 million in state funding. Recently, within the major capital projects list, OPB and the Governor have deleted the costs of equipment in the actual construction funding package and delayed equipment funding for one year. So, another component in the capital request this year is an equipment line item to put the equipment components back into the projects funded for construction last year. In addition, there is a minor capital projects list. The state-funded portion of a minor capital project has a \$5 million cap. These projects are not necessarily prioritized, but they are categorized by type of construction under the areas of infrastructure, renovation, or new construction. There is also the payback list, which is somewhat of a holdover, given that it has not been funded in the past few years. The payback list precedes the System's movement into the privatized project arena. There is only one item on the payback list, and it is actually a small portion of a larger major capital project. Ms. Daniels explained that in June 1998, when Georgia Perimeter College ("GPC") presented its student center project for the major capital projects list, it included a certain component of space for auxiliary services, which is not traditionally funded by General Obligation ("G. O.") Bonds. At that time, however, there was consideration of revenue-generating projects on the payback list, which was so named because institutions paid back for projects such as parking decks on the debt service in order to build those types of facilities. Since that time, the System has moved in the direction of privatization, and GPC has responded to the staff that if the state does not fund this payback project, it will finance that portion of the project through privatization in order to complete the major capital project.

Ms. Daniels next addressed the MRR component of the capital budget request. She noted that MRR is typically included in the operating budget, and only in tough economic times has OPB shifted MRR over into the bond-funded category. MRR projects seldom exceed \$1 million and more typically cost much less. For a number of years, the state has provided formula funds in the operating budget to address the Board's stewardship responsibility for repairing existing facilities. She said that she knows how seriously the Regents take this responsibility and reminded them that over 65% of the System's existing space is more than 25 years old. So, this is not a problem that will ever be solved; rather, it is a continual need.

After a relatively stable few years, headcount enrollment has increased by over 6% in fiscal year 2002. This fall, the System is experiencing record-breaking enrollments across the state. Several institutions are struggling with capacity issues. Ms. Daniels said that it is important that the Regents consider the current capital budget request in the context of both the near and long-term needs of the University System of Georgia. After reviewing ten different models for enrollment growth developed both by the University System Office and outside consultants, the staff have conservatively predicted that total headcount will increase from last year's 233,000 students to over 325,000 students by the year 2020. She stressed that is a full 50% increase. While dramatic, this represents only 2.4% compounded annual increase. This enrollment projection reflects Georgia's exploding

population growth but is nonetheless conservative because many projection models do not take into account such factors as increasing participation and greater retention rates of traditional students nor a potential increase and greater participation among nontraditional students. Using data from the facilities master plans, space utilization norms, and guideline space projections, this 50% increase in enrollment will require a 30% increase in space for the University System by the year 2020. At today's prices, the cost to construct this increase in square footage will be in the range of \$4 billion. In addition, an analysis of the System's existing facilities indicates that at least 25% of current facilities need significant upgrades and improvements within the same time frame. This would be at a cost of approximately \$2.4 billion for renovation and replacement of existing space. Ms. Daniels stressed that this figure is over and above the dollars included in MRR. Finally, there is an additional component: a need for infrastructure investments to support campus infrastructures. This adds another \$600 million. In total, the System will need \$7 billion in capital funding over the next 15 years. Ms. Daniels noted that the System is being proactive in seeking alternative funding sources to leverage the state's commitment. In August 2003, the Committee on Real Estate and Facilities heard a presentation on privatized projects. Over the past five years, approximately half of all funds expended for new facilities have come through privatization or other non-state-funded sources. If this trend continues, half of the \$4 billion for new construction could possibly come through non-state funding, leaving a net total of \$5 billion to be funded by the state. Spread evenly over the next 15 fiscal years, the System is anticipating a need of an average annual state investment of slightly over \$330 million.

Ms. Daniels next turned specifically to the fiscal year 2005 capital budget request. In view of the significant facilities needs, she said it is essential to proceed aggressively with the fiscal year 2005 capital budget request. At the top of the list is the remaining equipment funding she had already discussed in the amount of approximately \$8.5 million. The major capital projects request includes the first ten projects on the major capital projects list as well as design funding for the eleventh project for a total of almost \$200 million. The staff are also recommending the request of 24 minor capital projects with a total of almost \$108 million. Including the remaining payback project (\$1.1 million), the total capital budget request for the System is approximately \$317 million. In addition, there would be a request for approximately \$20 million in state matching funds for local funding for GPLS library facilities. Ms. Daniels reminded the Regents that if the higher portion of new construction was of concern, it should be noted that this is part of the legacy of deferred maintenance issues and their effect on the efficiency of operations. Especially at institutions experiencing existing space shortages, additional swing space must be built while existing space is being renovated. The intent is to avoid the unnecessary use of interim rental space or modular trailers as part of the solution. The staff feel that better planning and use of swing space would be the best use of tax dollars in this regard. In addition, some new construction projects are actually replacement facilities, meaning that renovation was needed, but once the project was analyzed, the cost-effectiveness of the project was not proven, and thus, the existing space needs to be demolished and replaced with more efficient new space. The overall renovation plan is critical. The System must renovate antiquated space to ensure that all facilities are equipped and technology savvy. They must be

efficient to operate and maintain. The forward-looking solution to meet these needs is not just yesterday's traditional bricks and mortar. Technology is now the solution to educational needs. The proposed array of projects meets both the Board's stewardship responsibilities and the System's enrollment growth demands. Some institutions are already pushing their capacity for key types of space. Many others will reach capacity in critical areas over the next three to five years. Now is the time to act, said Ms. Daniels, if the System does not want to be behind the construction curve three years from now.

Ms. Daniels noted that there is also an opportunity factor associated with acting now as well. Given that space is needed, this is a strategic business investment. Long-term interest rates are very low. Debt service on bonds issued to finance the Board's capital request will support 15% more construction than it would have supported just three years ago. In other words, the debt service required for the proposed capital request will buy the System about \$45 million more worth of projects than it would have three years ago. The current difficult economic times will not continue forever, said Ms. Daniels, so the time to take advantage of these low rates is now. Because of the stagnant economy, the building and construction community is hungry. This will lead to very attractive pricing on these projects. The positive impact on these construction projects could play a significant role in Georgia's economic recovery. The time to jumpstart Georgia's economic recovery is now. To achieve maximum impact, the System now has alternative construction delivery methods that, when appropriately used, allow it to accelerate projects on a fast-track basis. There is a significant multiplier on every construction dollar introduced into a local economy. These projects can have a dramatic impact in communities across the state. The time to help the local communities get back to work is now, she said. Now is the time to take advantage of a great opportunity. Now is the time to set the facilities cornerstone for creating a more educated Georgia. With that, Ms. Daniels stepped down.

Chair Carter thanked the Chancellor, Mr. Bowes, and Ms. Daniels for their presentation and their hard work to find ways to save money and increase efficiency in these challenging economic times. He then asked the Regents whether they had any questions about the fiscal year 2005 operating budget in particular. Seeing that there were no questions on that part of the budget package, he asked whether any Regents had questions about the fiscal year 2004 amended budget. Again, there were no questions, so he asked whether the Regents had any questions or comments about the fiscal year 2005 capital budget request.

Regent NeSmith asked Ms. Daniels how the Regents can get information about facilities needs to the general public, who might put pressure on the legislature to increase capital projects funding.

Ms. Daniels stated that if the budget proposal were to be approved by the Board, the staff would certainly use all of their resources to publicize the facilities needs of the University System.

Chair Carter thanked Regent NeSmith for this suggestion. He noted that this is a very critical time

for the System because of its enrollment boom of 30,000 students.

Regent Magill stated that there are many discussions about institutions' capping freshman enrollments in response to overwhelming demand, which is causing some bad publicity for the Board of Regents. She suggested that this capital budget request be clearly aligned with the Board's efforts to accommodate rapid enrollment increases.

Chair Carter called for a motion to approve the fiscal year 2005 operating and capital budget and the fiscal year 2004 amended budget requests.

Regent Cater made the motion, which Regent Shelnut seconded.

Chair Carter asked whether the Regents had any further questions or comments on the budget requests. Seeing that there were none, he called for a vote. With motion properly made and seconded, the Board voted unanimously to approve the fiscal year 2005 operating and capital budget and the fiscal year 2004 amended budget requests. 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 Harris thanked Regent Carter for his leadership at this meeting, and he thanked Mr. Bowes, Ms. Daniels, and the budget staff for their hard work developing the budget requests. He also thanked Mr. Brown from OPB for attending this meeting and being a part of this process.

At approximately 2:05 p.m., Chair Harris adjourned the Regents into their regular Committee meetings. He reminded them that they would be meeting with the Boards of Education and the Department of Technical and Adult Education for breakfast at 7:30 a.m. in the Empire Room of the Twin Towers.

CALL TO ORDER

The Board of Regents of the University System of Georgia met again on Wednesday, September 10, 2003, in the Board Room, room 7007, 270 Washington St., S.W., seventh floor. The Chair of the Board, Regent Joe Frank Harris, called the meeting to order at 9:10 a.m. Present on Wednesday, in addition to Chair Harris, were Vice Chair Joel O. Wooten, Jr. and Regents Hugh A. Carter, Jr., Connie Cater, William H. Cleveland, Michael J. Coles, Julie Hunt, W. Mansfield Jennings, Jr., Donald M. Leebern, Jr., Elridge W. McMillan, Martin W. NeSmith, Patrick S. Pittard, Wanda Yancey Rodwell, J. Timothy Shelnut, Allan Vigil, and Glenn S. White.

INVOCATION

The invocation was given on Wednesday, September 10, 2003, by Regent Connie Cater.

After the invocation, Chair Harris called on President G. Wayne Clough of the Georgia Institute of Technology (“GIT”) to tell the Regents about the visit they would make to GIT after the meeting.

President Clough greeted the Regents. He said that at lunch, the Regents would visit Technology Square. He said that when he came to GIT, the surrounding neighborhoods were in very bad shape. Fortunately, the 1996 Olympics helped to improve the Techwood Homes area, but the east side of the campus was still rather dismal. So, GIT took some aggressive action to improve the area. GIT took this request to the Georgia Tech Foundation, Inc. (the “Foundation”), and Foundation resources were used to buy land while it was relatively cheap with the understanding that GIT would repay the foundation as the properties were developed. So, the Foundation bought a number of blocks in the area. GIT first began building a continuing education center but soon realized that one building would not make enough of a difference. GIT began to coordinate its efforts with others in the midtown area. As a result, six buildings were constructed, each with different funding plans. Over time, GIT must pay the Foundation back through a combination of gifts and income streams, such as the hotel and the global learning center. President Clough said that he is extremely proud of this development. He stressed that no state funds went into the construction of the complex: development on the south side of Fifth Street was financed by the Foundation, and development on the north side of Fifth Street was financed by The University Financing Foundation, Inc. Technology Square was designed explicitly with people in mind, and Pedestrians Educating Drivers on Safety (“PEDS”) recently named it the most pedestrian-friendly development in Atlanta. President Clough said that he hoped the Regents would enjoy their visit.

Chair Harris thanked President Clough and said that the Regents were looking forward to the visit.

ATTENDANCE REPORT

The attendance report was read on Wednesday, September 10, 2003, by Secretary Gail S. Weber, who announced that Regents Hilton H. Howell, Jr. and Allene H. Magill had asked for and been given permission to be absent on that day.

Chair Harris explained that the Board meeting had begun a few minutes late because the Regents had a breakfast meeting with the Boards of Education and Department of Technical and Adult Education.

COMMITTEE ON INFORMATION AND INSTRUCTIONAL TECHNOLOGY

The Committee on Information and Instructional Technology met on Tuesday, September 9, 2003, at approximately 11:00 a.m. in room 6041, the Training Room. Committee members in attendance were Chair Michael J. Coles, Vice Chair W. Mansfield Jennings, Jr., and Regents Hugh A. Carter, Jr., Allene H. Magill, and Wanda Yancey Rodwell. Regent J. Timothy Shelnut and Chancellor Thomas C. Meredith were also in attendance. Chair Coles reported to the full Board on Wednesday

that the Committee had reviewed two items, one of which required action. With motion properly made, seconded, and unanimously adopted, the Board approved and authorized the following:

1. Information Item: Consolidation of Information and Instructional Technology Services

As higher education in general and the University System of Georgia in particular struggle to meet higher demands for services with decreased funding, achieving Goal 5 of the information and instructional technology strategic plan, “Learning Without Limits,” becomes more critical. Goal 5 indicates that to effectively and efficiently plan and manage information and instructional technology operations, resources are to be shared and used to their maximum potential with collaboration as a priority.

The Office of Information and Instructional Technology and the Advanced Learning Technologies Division continue efforts to coordinate, develop, and provide shared resources that maximize use and provide better services at lower cost to System institutions. As a result, many Systemwide applications have been or are in the process of being deployed in a consolidated manner. The Office of Information and Instructional Technology and the Advanced Learning Technologies Division continue efforts to coordinate, develop, and provide shared resources that maximize use and provide better services at lower cost to System institutions. The Vice Chancellor for Information and Instructional Technology and Chief Information Officer, Randall A. Thursby, provided an overview of these efforts in terms of the planning for and the deployment of major enterprise systems that provide the foundation for improved and more efficient services. For example, Mr. Thursby referenced the standard System architecture that has made consolidation possible such as the PeachNet wide area network, the choice of common operating (UNIX) and database (Oracle) systems that are able to support large-scale deployment. Layered on top of this foundation are consolidated enterprise systems, such as PeopleSoft, the human resources and financials system; Georgia Library Learning Online (“GALILEO”), the online library resource; and WebCT, the standard Systemwide course management system, which directly supports instruction.

Mr. Thursby stressed the need to continue progress toward consolidation, especially in these difficult financial times. He cautioned that continued progress will require efforts to ensure that realistic goals are set and pursued without letting the technology and systems overwhelm people and processes, while at the same time not letting concerns for autonomy inhibit change.

2. Endorsement of Feasibility Study for Consolidation of Banner Hosting Services

Approved: The Board endorsed a study of the possibility of consolidating Banner hosting.

The Banner student information system from Systems & Computer Technology Corporation (“SCT”) is used by 32 System institutions to provide services to students in areas such as

admissions, registration, and financial aid. A site license was purchased for all System institutions in 1994 that allowed distribution of Banner software to each participating campus for implementation. As a result, the 32 institutions using this product all have separate installations requiring each campus to provide and maintain an environment that includes all hardware and supporting software (UNIX operating system and Oracle database) required to host Banner. The Office of Information and Instructional Technology provides support for UNIX, Oracle, and Banner for technical staff on each campus in terms of upgrades and problem resolution.

Given the lack of uniformity with the various campus implementations of Banner and the need to increase efficiency and effectiveness of operations, the Office of Information and Instructional Technology requested that the Board endorse a study of the possibility of consolidating Banner hosting. The objective is to use the results of the study to develop a plan on how best to support Banner and to bring such a plan back to the Board for consideration at a later date.

COMMITTEE ON FINANCE AND BUSINESS OPERATIONS

The Committee on Finance and Business Operations met on Tuesday, September 9, 2003, at approximately 2:10 p.m. in the Board Room. Committee members in attendance were Chair Hugh A. Carter, Jr. and Regents Connie Cater, Michael J. Coles, Julie Hunt, Donald M. Leebern, Jr., Martin W. NeSmith, Patrick S. Pittard, J. Timothy Shelnut, and Glenn S. White. Chair Carter reported to the Board on Wednesday that the Committee had reviewed 14 items, all of which required action. With motion properly made, seconded, and unanimously adopted, the Board approved and authorized the following:

1. Approval of Fiscal Year 2005 Operating and Capital Budget and Fiscal Year 2004 Amended Budget Requests

Approved: The Board approved the fiscal year 2005 operating and capital budget and the fiscal year 2004 amended budget requests.

This item was addressed by the Committee of the Whole. (See pages 2 to 13.)

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 will be for the period from January 1, 2004, through December 31, 2004.

Background: Beech Street is the vendor for the preferred provider organization (“PPO”) healthcare

plan for the national network service area. The national PPO service area includes a comprehensive network of healthcare providers that have signed direct contracts with Beech Street to provide medical treatment and services at discounted rates.

In the agreement signed between DCH and Beech Street, the amount of the administrative fee was agreed to be 5% of “savings.” “Savings” is defined in the contract as the difference between the billed charges from the PPO provider and the application of the Beech Street discounted fee schedule. Notwithstanding the percent-of-savings payment methodology, the maximum administrative fee that the University System of Georgia 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 2004 will be unchanged from plan year 2003.

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, 2004, through December 31, 2004. The health insurance administrative services contract will be administered by WellPoint’s wholly owned subsidiary, Blue Cross Blue Shield of Georgia, Inc.

Background: The approved administrative fee for the respective University System of Georgia PPO and indemnity healthcare plans for plan year 2004 is \$18.97 per employee per month. This plan year 2004 administrative fee reflects a 7% increase above the plan year 2003 administrative fee. The plan year 2004 administrative fee is consistent with the agreement that was signed between the Georgia Department of Community Health, on behalf of the Board of Regents, and WellPoint in December 2000.

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

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, 2004, through December 31, 2004. 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 2004 is \$2.32 per employee per month. The plan year 2004 administrative fee reflects a 7% increase above the plan year 2003 administrative fee. The plan year 2004 administrative fee is consistent with the agreement that was signed between the Georgia Department of Community Health, on behalf of the Board of Regents, and WellPoint in December 2000.

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

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 will be for the period of January 1, 2004, through December 31, 2004.

Background: On August 12, 2003, the University System of Georgia received a formal written proposal from Blue Cross Blue Shield of Georgia, Inc., a wholly owned subsidiary of WellPoint Health Networks Inc., to continue to provide the University System of Georgia with medical management services through Unicare.

The medical management services that are provided by Unicare for the University System of Georgia includes: 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.”

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

In years prior to plan year 2004, the Board was asked to approve a separate, individual administrative fee for each of the 12 medical management services. For plan year 2004, the University System Office requested that Unicare establish a single, composite fee for the University System of Georgia that would cover the costs for these medical management services.

The composite fee for plan year 2004 for medical management services is \$5.35 per contract per month. The plan year 2004 composite fee is based upon the actuarial experience of the PPO/PPO

Consumer Choice and indemnity healthcare plan participants of the University System of Georgia for plan year 2003.

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 2004, the System will pay Unicare an access fee of \$6,750 for each of these respective types of transplants. This represents an increase of \$600 compared to the access fee that was approved for plan year 2003. This is the first increase in the access fee for the Unicare national transplant network for the University System of Georgia since the program was implemented three years ago.

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 (“DCH”), and Magellan. The contract extension will be for the period of January 1, 2004, through December 31, 2004.

Background: Magellan provides utilization review and managed care for preferred provider organization plan participants who require behavioral healthcare services. The 2004 administrative fee is determined by the amount of the increase in the Consumer Price Index.

For plan year 2004, the administrative fee increase approved by DCH was 2.1%. The administrative fee for the University System of Georgia for plan year 2004 is \$2.11 per contract per month.

7. Approval of Continuation of the Administrative Services Contract Between the Board of Regents, the Georgia Department of Community Health, and 1st Medical Network (Previously Known as MRN/GeorgiaFirst)

Approved: The Board approved the continuation of the administrative services agreement between the Board of Regents, the Georgia Department of Community Health (“DCH”), and 1st Medical Network (previously known as MRN/GeorgiaFirst). The contract extension will be for the period of January 1, 2004, through December 31, 2004.

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 2004 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 three 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 will be for the period of January 1, 2004, through December 31, 2004.

The Board also approved changes to the plan year 2004 pharmacy benefit plan design.

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 2004, the pharmacy benefit plan design will maintain a \$10 generic prescription drug copayment, increase the member copayment for preferred brand name prescription medications from \$20 to \$25, and continue with a 20% member copayment for nonpreferred brand name prescription medications.

For plan year 2004, the minimum member copayment for a non-preferred brand name prescription medication will increase from \$35 to \$40; the maximum member copayment will increase from \$75 to \$100.

There have been no increases in member pharmacy copayments since the University System of Georgia initiated this program in plan year 2001. For plan year 2001, the Express Scripts, Inc. national book of business pharmacy costs trended at a 15.4% increase. For plan year 2002, the Express Scripts, Inc. national book of business pharmacy costs trended at an 18.5% increase. For plan year 2003, the Express Scripts, Inc. national book of business pharmacy costs have trended at a 15.5% increase. For plan year 2004, the Express Scripts, Inc. national book of business is projected to trend at a 16.0% rate of increase.

In plan year 2002, the plan added a monthly maximum out-of-pocket member benefit. The prescription drug plan covers both the PPO and the indemnity healthcare plans. For plan year 2004, the monthly maximum out-of-pocket member benefit will be changed to a quarterly maximum out-of-pocket member benefit. In prior plan years, an individual had a \$100 maximum monthly out-of-pocket cost and a family had a \$200 maximum out-of-pocket monthly cost.

For plan year 2004, the University System of Georgia will adopt a four-tier quarterly maximum out-of-pocket member benefit. Upon a member's reaching his/her quarterly out-of-pocket maximum, his/her prescription drug copayments will be waived for generic and preferred brand name medications for the remainder of that quarter. Member copayments will resume at the beginning of the next quarter and will be charged until the plan thresholds for that quarter are met. A quarter will consist of three consecutive months and will be designated as follows:

- First quarter – January through March
- Second quarter – April through June
- Third quarter – July through September
- Fourth quarter – October through December

The quarterly maximum out-of-pocket amounts for members who obtain generic and preferred brand name medications will be as follows:

Employee Only (1 person)	\$ 450 per quarter
Employee + Child (2 persons)	\$ 900 per quarter
Employee + Spouse (2 persons)	\$ 900 per quarter
Family (3 or more persons)	\$1,350 per quarter

Actuaries have projected that these recommended pharmacy benefit plan design changes will generate an additional healthcare plan reserve savings of approximately \$4 million for the University System of Georgia for plan year 2004.

The administrative fee for the University System of Georgia for plan year 2004 is \$0.38 per electronically filed pharmacy claim and \$1.50 per paper-filed pharmacy claim. There is no increase in the administrative fee from the rate that has been charged for the last three plan years.

9. Approval of Health Maintenance Organization Healthcare Plan Premiums for Plan Year 2004

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, Inc. for its Blue Choice HMO product. The HMO contract extensions will be for the period of January 1, 2004, through December 31, 2004.

Background: As of February 1, 2003, there were approximately 9,563 HMO contracts in the University System of Georgia. For plan year 2003, Kaiser Permanente has 3,156 contracts, and the Blue Choice HMO has 6,329 contracts. For plan year 2003, approximately 22% of all University System of Georgia healthcare contracts were with HMO plans. For plan year 2002, approximately

19% of all University System of Georgia healthcare contracts were with HMO plans.

For plan year 2004, Kaiser Permanente presented the Board of Regents with two different HMO plan options. One option is designated as the “Premium Plan,” and the second option is designated as the “Standard Plan.”

The “Premium Plan” will result in an 8.3% net premium increase for plan year 2004. The “Standard Plan” will result in an 8.1% net premium decrease for plan year 2004. The changes to the plan year 2004 Kaiser Permanente “Premium Plan” design are as follows:

- (1) An increase in physician office visit copayment from \$10 to \$15;
- (2) An increase in member pharmacy copayment from \$20 to \$25 for brand name prescription medications obtained from a Kaiser Permanente medical center;
- (3) An increase in member pharmacy copayment from \$26 to \$31 for brand name medications obtained from an Eckerd pharmacy; and
- (4) An increase in the extended care facility benefit from 30 days to 100 days.

The physician office visit copayment for the plan year 2004 Kaiser Permanente HMO healthcare plan option is \$5 less than the physician office visit copayment for a plan year 2004 PPO/PPO Consumer Choice healthcare plan participant. The pharmacy copayment for a brand name prescription is the same as the pharmacy copayment for a brand name prescription for a plan year 2004 PPO/PPO Consumer Choice or an indemnity healthcare plan participant.

The new Kaiser Permanente HMO “Standard Plan” will require a member deductible for medical services and for pharmacy services before he/she will begin receiving plan benefits.

A member deductible will not be required for the following plan coverages: maternity care, wellness care, allergy shots and serum, second surgical opinions, treatment of temporomandibular joint syndrome, hospice care, home nursing care, home hyperalimentation, durable medical equipment, chiropractic care, and some behavioral health benefit services. All of these plan design details will be reflected in plan year 2004 open enrollment member communication pieces.

Blue Cross Blue Shield of Georgia, Inc. proposed a 16.7% increase in its requested premium amounts for its BlueChoice HMO product for plan year 2004. The changes to the plan year 2004 BlueChoice HMO plan design are as follows:

- (1) An increase in physician office visit copayments from \$10 to \$15; and
- (2) An increase in member pharmacy copayment from \$20 to \$25 for brand name prescription medications.

For plan year 2003, Blue Cross Blue Shield of Georgia, Inc. submitted a 12% reduction in premiums as compared to the previous year. For plan year 2004, Blue Cross Blue Shield of Georgia, Inc. originally proposed an increase in excess of 20%. The Blue Choice HMO premium accepted by the State Health Benefit Plan for its plan year 2004 was 20%. Had Blue Cross Blue Shield of Georgia, Inc. proposed a 0% increase in Blue Choice HMO premiums for plan year 2003, the plan year 2004 premium increase for the Board of Regents would have been less than 5%.

10. Approval of Preferred Provider Organization Healthcare Plan Premiums, Indemnity Medical Healthcare Plan Premiums, and Indemnity Dental Premiums for Plan Year 2004

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 2004.

Background: Towers-Perrin was retained by the University System Office to conduct an actuarial review of the System’s PPO healthcare plan, the System’s indemnity medical plan, and the System’s indemnity dental plan. Towers-Perrin was requested to identify the required premiums for the respective health and dental plans for plan year 2004.

The Board approved the following:

- (1) That there be a net 10% increase in the total premiums for the University System of Georgia PPO healthcare plan for plan year 2004, and that there be a net 10% increase in the total premiums for the University System of Georgia indemnity healthcare plan.

The rates should be sufficient to cover the costs for paid medical claims, to cover the costs for plan administration fees, to cover the costs for incurred-but-not-reported claims, to remain current with increasing medical trending costs, and to enhance the financial stability of the current plan reserves;

- (2) That the University System of Georgia adopt a four-tier plan structure for its PPO/PPO Consumer Choice healthcare plan, its indemnity healthcare plan, and its two HMO healthcare plans;
- (3) That there be no increase in the premiums for the University System of Georgia dental indemnity plan for plan year 2004; and
- (4) That the University System of Georgia adopt a four-tier plan structure for its indemnity dental plan.

For plan year 2004, the University System of Georgia will migrate from a three-tier plan to a four-tier plan. The premium tiers will be designated as “Employee Only,” “Employee + Child,” “Employee + Spouse,” and “Family.”

For the actuarially sound four-tier medical plan, the total premium for “Family” coverage will be 2.9 times greater than the total premium for “Employee Only” coverage. The total premium for “Employee + Spouse” coverage will be 2.1 times greater than the total premium for “Employee Only” coverage. The total premium for “Employee + Child” will be 1.8 times greater than the total premium for “Employee Only” coverage.

From an actuarial perspective, the healthcare costs for an “Employee + Child” are less than the healthcare costs for an “Employee + Spouse.”

Initially, the premium differentials among tiers will be the same for all of the respective healthcare plan options. In a year of 0% employee raises, the introduction of a four-tier healthcare premium structure will minimize the increased premium costs borne by certain healthcare plan participants.

For the actuarially sound four-tier dental plan, the total premium for “Family” coverage will be 3.2 times greater than the total premium for “Employee Only” coverage. The total premium for “Employee + Spouse” coverage will be 2.0 times greater than the total premium for “Employee Only” coverage. The total premium for “Employee + Child” will be 1.9 times greater than the total premium for “Employee Only” coverage.

With the introduction of the four-tier dental plan, individuals in the “Employee Only,” the “Employee + Child,” and the “Employee + Spouse” categories will pay less in premiums than they paid for plan year 2003.

For plan year 2004, the actuarial recommendations of Towers-Perrin were reflected in this action by the Board.

11. Approval of 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 Blue Shield of Georgia, Inc. to access its national plan of participating healthcare providers. The contract extension will be for the period of January 1, 2004, through December 31, 2004.

Background: In 1994, the Board of Regents retained the services of Blue Cross Blue Shield of Georgia, Inc. to serve as the claims administrator for the University System of Georgia indemnity healthcare plan. One of the unique plan design features contained within this initial contract related

to the matter of a University System of Georgia indemnity healthcare plan member using an out-of-state provider (physician and/or healthcare facility).

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 national plan of participating providers.

The Blue Cross and Blue Shield national plan of participating providers is known as the Interplan Teleprocessing System (“ITS”). The ITS is a national network of providers that contract with local Blue Cross and Blue Shield 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 use of the ITS network by an indemnity healthcare plan participant who resides/works/travels outside of the State of Georgia has resulted in a member minimizing his/her out-of-pocket costs. A University System of Georgia indemnity healthcare plan member who accesses/requires medical services within the State of Georgia will continue to minimize his/her out-of-pocket costs by using a Blue Cross Blue Shield of Georgia, Inc. participating physician.

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

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

Last year, staff reported that by approving the transition to the Blue Cross and Blue Shield national plan of participating providers, the University System of Georgia should experience immediate and significant indemnity healthcare plan reserve savings. They also reported that the University System of Georgia had approximately \$12.4 million that was paid for indemnity healthcare plan out-of-state medical claims during plan year 2001. They predicted that the University System of Georgia would avoid approximately \$1.65 million in costs if it implemented the ITS network for plan year 2003.

From January 1, 2003 through June 30, 2003, the University System of Georgia expended approximately \$2.3 million for plan year 2003 ITS network claims. The plan year 2003 cost for the University System of Georgia to access the Blue Cross and Blue Shield ITS network has been \$10 million less than staff expended for out-of-state indemnity medical claims in plan year 2001.

These dramatic and significant plan savings have helped the Board in its efforts to stabilize the University System's indemnity healthcare plan reserves.

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 2004.

12. Approval of University System of Georgia Employer Contribution for Basic Life Insurance for Plan Year 2004

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 requested contract extension will be for the period of January 1, 2004, through December 31, 2004.

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

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

Beginning in October 2002, the Board approved the Towers Perrin recommended increases in basic life insurance and in supplemental life insurance. These Board-approved decisions have stabilized the University System's life insurance reserves.

There will be no increase in basic life insurance premiums or in supplemental life insurance premiums for plan year 2004.

13. Approval to Access the Blue Cross National Network of Participating Dental Providers

Approved: The Board approved an agreement with Blue Cross Blue Shield of Georgia, Inc. to access to the Blue Cross national network of participating dental providers. The agreement will become effective October 1, 2003, and will continue through December 31, 2004.

Background: In 1994, the Board of Regents retained the services of Blue Cross Blue Shield of Georgia, Inc. to serve as the claims administrator for the University System of Georgia indemnity dental plan. One of the unique plan design features contained within this initial contract related to

the matter of a University System of Georgia indemnity dental plan member using a nonparticipating network provider.

Under the initial and the existing indemnity dental plan contract, dental claims that are incurred by a plan member using either a nonparticipating provider within the State of Georgia or an out-of-state provider are reimbursed at “billed charge.”

The Blue Cross national network of 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.

The use of the Blue Cross national network will result in that member minimizing his/her out-of-pocket costs. A member who fails to use the Blue Cross national network will be subject to balance billing.

Information regarding the Blue Cross national network of providers will be shared with each University System of Georgia member institution. Information will also be shared with each University System of Georgia employee through the use of various member communication pieces and various Web sites.

Under the Blue Cross national network plan, dental claims incurred by an indemnity dental plan member will be reimbursed at “allowable charge,” rather than being reimbursed at “billed charge.” “Allowable charge” will be based upon the contracted rate that a national participating provider has agreed to accept from the local Blue Cross and Blue Shield plan.

Through its transition to the Blue Cross national network of participating providers, the University System of Georgia should experience increased indemnity dental plan reserve savings.

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 2004 open enrollment period of October 14, 2003, through November 14, 2003. This will be a one-time opportunity and will not be extended beyond the plan year 2004 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. Acceptance of Gifts for the Georgia Institute of Technology

Approved: The Board accepted on behalf of the Georgia Institute of Technology (“GIT”) gifts-in-

kind from the following corporation:

<u>Company</u>	<u>Value</u>	<u>Items</u>	<u>Department</u>
Intel Corporation	\$101,672	Various computer Equipment, including notebooks, mini-towers, and flat-panel monitors	College of Computing

Background: Board policy requires that any gift to a University System of Georgia institution with an initial value greater than \$100,000 must be accepted by the Board of Regents. GIT has advised that there are no material costs associated with the acceptance of this gift.

COMMITTEE ON REAL ESTATE AND FACILITIES

The Committee on Real Estate and Facilities met on Tuesday, September 9, 2003, at approximately 2:50 p.m. in the Board Room. Committee members in attendance were Chair Martin W. NeSmith, Vice Chair J. Timothy Shelnut, and Regents Hugh A. Carter, Jr., Connie Cater, Michael J. Coles, Hilton H. Howell, Jr., Julie Hunt, Donald M. Leebern, Jr., Patrick S. Pittard, and Glenn S. White. Chair NeSmith reported to the Board on Wednesday that the Committee had reviewed nine items, seven of which required action. Board Chair Harris remarked that he knew William M. Suttles, for whom a terrace at Georgia State University (“GSU”) was being named in Item 6. He said that Mr. Suttles had worked on his staff during his term as Governor and that he was a wonderful person who made many important contributions not only to GSU, but also to the State of Georgia. With motion properly made, seconded, and unanimously adopted, the Board approved and authorized the following:

1. Ground Leases and Rental Agreements for Student Housing, Southern Polytechnic State University

Approved: The Board declared approximately 13.21 acres of land on the campus of Southern Polytechnic State University (“SPSU”), Marietta, Georgia, including Howell Hall and Norton Hall, no longer advantageously useful to SPSU or other units of the University System of Georgia but only to the extent and for the purpose of allowing this tract of land, including Howell Hall and Norton Hall, to be leased to SPSU Student Housing I, LLC (the “LLC”) for the purpose of constructing student housing to be known as University Courtyard and renovating Howell Hall and Norton Hall, which will all together contain approximately 845 student housing beds, parking for approximately 481 cars, support facilities, and site amenities.

The Board authorized the execution of a ground lease between the Board of Regents, Lessor, and the LLC, Lessee, for the above-referenced approximately 13.21 acres of land on the campus of SPSU for a period not to exceed 28 years (including up to 3 years for construction of University Courtyard)

with the option to renew for up to an additional five years for the purpose of constructing student housing to be known as University Courtyard, renovating Howell Hall and Norton Hall, and owning University Courtyard, Howell Hall, and Norton Hall, which will all together contain approximately 845 student housing beds, parking for approximately 481 cars, support facilities, and site amenities.

The Board authorized the execution of a rental agreement between the LLC, Landlord, and the Board of Regents, Tenant, for housing facilities containing approximately 845 student housing beds, including parking for approximately 481 cars, support facilities, and site amenities, for the period commencing on execution of the above-referenced ground lease and ending the following June 30 at a rent not to exceed \$25,772 per month (\$309,264 per year annualized) with options to renew on a year-to-year basis for up to 33 consecutive one-year periods (not to exceed 30 years from completion of construction of University Courtyard) with rent increasing to no more than \$161,011 per month (\$1,932,132 per year annualized) upon completion of construction of University Courtyard, increasing \$934 per month (\$11,208 per year annualized) upon completion of renovations of Norton Hall, and increasing \$1,385 per month (\$16,620 per year annualized) upon completion of renovations of Howell Hall.

The Board authorized the execution of an amended and restated ground lease between the Board of Regents, Lessor, and the LLC, Lessee, for approximately 6.66 acres of land on the campus of SPSU for a period ending November 1, 2027, for the purpose of owning student housing known as University Commons, containing approximately 288 student housing beds, parking for approximately 286 cars, support facilities, and site amenities.

The Board authorized the execution of a rental agreement between the LLC, Landlord, and the Board of Regents, Tenant, for housing facilities known as University Commons, containing approximately 288 student housing beds, parking for approximately 286 cars, support facilities, and site amenities, for an initial period commencing on execution of the above-referenced amended and restated ground lease and ending the following June 30 at a rent not to exceed \$86,670 per month (\$1,040,045 per year annualized) with options to renew on a year-to-year basis for up to 24 consecutive one-year periods, the last option period to end November 1, 2027.

The Board authorized the execution of construction easements and site licenses as necessary during the period of construction of the above-referenced improvements and renovations of Norton Hall and Howell Hall for approximately 12.334 acres of land required to construct the above improvements, renovate the above facilities, and add additional improvements to the 12.334 acres of land.

The authorization to execute the rental agreements 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: In October 1997, the Board passed a new student housing policy that requires the preparation of a comprehensive plan for student housing together with a financial plan to support housing program objectives. SPSU has developed a comprehensive plan that is consistent with the policy. SPSU presented a comprehensive student housing plan to the Committee on Real Estate and Facilities at the February 2003 meeting.

The SPSU housing development plan is phased to accommodate the renovation of two existing residence halls while maintaining current level of occupancy during the construction process. University Commons, approved by the Board in July 1997, will be assigned by the Piedmont Foundation, Inc. to the LLC. The existing Howell Hall and Norton Hall will be occupied during the construction of new facilities, to be known as University Courtyard, containing approximately 412 student housing beds.

The term for University Commons will not exceed the term approved by the Board in July 1997. The term for University Courtyard, Howell Hall, and Norton Hall will be 25 years from the date of occupancy of University Courtyard, with an option to renew for up to an additional five years.

Norton Hall will be renovated during summer semester 2004. Howell Hall will be renovated during the summer semester 2005. The rents for Howell Hall and Norton Hall will increase upon of renovations for each building.

2. Authorization of Project “Family Development Center,” Fort Valley State University

Approved: The Board authorized the Family Development Center project, to be located on the Fort Valley State University (“FVSU”) campus, with a total project budget of \$2,326,000 funded by the United States Department of Agriculture/Cooperative State Research Education and Extension Services (“CSREES”).

Understandings: This project will include the construction of a facility of approximately 15,000 gross square feet for a Family Development Center (the “Center”), which will house the FVSU Department of Family and Consumer Services’ live-in laboratory. In addition, the new facility will provide meeting and classroom space.

CSREES approved the construction of the Center for teaching and community outreach.

The Center is currently located in a home-management house on the FVSU campus. The home-management house will be evaluated for the economic feasibility of renovation. Based upon the findings, it will be demolished or renovated for another use.

Determination of the location of the Center on the FVSU campus will be coordinated with the physical master plan efforts currently in progress.

The construction cost for the Center is estimated at \$ 1,950,000 (\$130 per square foot).

If authorized by the Board, the University System Office staff and FVSU will proceed with selection of appropriate professional consultants.

3. Appointment of Design/Build Firm, Project No. BR-90-0401, “English Classroom and Office Addition,” Kennesaw State University

Approved: The Board appointed the first-named design /build firm listed below for the identified minor capital outlay project and authorize the execution of a contract with the identified firm at the stated cost shown. Should it not be possible to execute a contract with the top-ranked firm, staff would then attempt to execute a contract with the other listed firms in rank order.

Following a selection process for a design/build firm, the following recommendation is made:

**Project Number BR-90-0401 “English Classroom and Office Addition”
Kennesaw State University**

Project Description: The English Classroom and Office Addition will be approximately 31,000 gross square feet of new construction providing classrooms and office for the English Department.

Total Project Cost	\$4,960,000
Estimated construction cost	\$4,434,000

Number of design/build firms that applied for this commission: 18
Recommended design/build firms in rank order:

- 1) Whiting-Turner and Hellmuth, Obata + Kassabaum, Atlanta
- 2) Batson-Cook Company and The Sizemore Group, Atlanta
- 3) Turner Construction and The SLAM Collaborative, Atlanta

4. Authorization to Demolish Old Forest Hills Golf Clubhouse, Augusta State University

Approved: The Board declared the Old Forest Hills Clubhouse, located on the Forest Hills campus of Augusta State University (“AUSU”), Augusta, Georgia, to be no longer advantageously useful to AUSU or any other units of the University System of Georgia and authorize demolition and removal of this building.

The Board requested that the Governor issue an Executive Order authorizing the demolition and removal of this building from the campus of AUSU.

Understandings: The Old Forest Hills Clubhouse is an approximately 6,000-square-foot one-story building located at 1500 Comfort Road. The exterior of the building is constructed of wood clapboard and asphalt shingles.

It was originally constructed as a small (400-square-foot) army hostess house (circa World War I) and moved to the site between 1925 and 1927 when the Forrest Hills Ricker Hotel was opened. The federal government acquired the property in 1939 and made numerous additions to the building until 1977, when the property was declared surplus. The property was deeded to the Board of Regents in 1978.

From 1978 until 1992, AUSU maintained and operated the facility as a golf clubhouse. In 1992, a new golf clubhouse was constructed. The old clubhouse has been unoccupied since that time. AUSU constructed a new golf practice facility next to its field house, which is located across the golf course from both the new and old clubhouses. The university's master plan calls for all future athletic facilities to be located in that field house area. There is no identifiable use for the old clubhouse facility for AUSU or the University System of Georgia.

In an effort to preserve some of the history associated with the site, which is believed to be the site of the tournament where Bobby Jones began his Grand Slam year in 1930, AUSU plans to construct a "Bobby Jones Park," which will include features such as a pavilion with a seating area, archival photos, displays of golf history at Forest Hills, and a scoreboard. This project is consistent with the AUSU master plan and will cost an estimated \$125,000, which is to be funded by the Augusta State University Foundation, Inc. and the Forest Hills Management Committee.

A Georgia Environmental Policy Act evaluation and environmental site assessment report was completed for this project. All hazardous materials will be removed and disposed of properly.

5. Rental Agreement, Institute Engineering Center, 575 Fourteenth Street, Atlanta, Georgia Institute of Technology

Approved: The Board authorized the execution of a rental agreement between The Institute of Paper Science and Technology, Inc. or assignee, Landlord, and the Board of Regents of the University System of Georgia, Tenant, covering 6905 square feet of office space located at the Institute Engineering Center, 575 Fourteenth Street, Atlanta, Georgia, for the period October 1, 2003, through June 30, 2004, at a monthly rental of \$12,068.33 (\$144,819.96 per 12 months/\$20.97 per square foot per year) with the option to renew on a year-to-year basis for two consecutive one year periods for the use of the Georgia Institute of Technology ("GIT") at the same rental subject to an annual increase of 3% percent per year.

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

Understandings: GIT's School of Mechanical Engineering's Energy Efficient Thermal Management and Sustainable Thermal Systems Research program will occupy this space. This program is involved with the cooling of computer server clusters and multiple telecommunications cabinets; chip, package and module integrated cooling; enhanced air natural convection heat sinks; composite heat spreaders; liquid-cooled micro fabricated devices; thermosyphons; and other novel schemes related to Energy Efficient Thermal Management and Sustainable Thermal Systems.

All operating costs, except parking, are included in the rental rate. The employees of this program are responsible for paying their own parking fees. Rent will be paid from GIT operating funds.

6. Naming of the William M. Suttles Terrace, Georgia State University

Approved: The Board approved the naming of the terrace located adjacent to both the Lanette Suttles Child Development Center and the university's primary administration building, Alumni Hall at Georgia State University ("GSU"), the William M. Suttles Terrace.

Understandings: Dr. William M. Suttles graduated from GSU in 1942 with a Bachelor of Commercial Science degree. Dr. Suttles served as a professor, dean, vice president and, between July 1987 and June 1989, as Acting President for GSU.

Dr. Suttles and his wife, Lanette, have also contributed, together with gifts in their honor, more than \$1,500,000 to GSU. The gifts have supported worthy programs including the Lanette L. Suttles Child Development Center, a presidential scholarship, a chair in Religious Studies and a graduate fellowship.

Dr. Suttles died in spring 2003.

7. Transfer of the Brooks M. Pennington Military Leadership Center Name, North Georgia College & State University

Approved: The Board approved the transfer of the Brooks M. Pennington Military Leadership Center (the "Center") name at North Georgia College & State University ("NGCSU") to a newly constructed facility.

Understandings: In 1991, the Board approved the request of NGCSU to honor Mr. Pennington by renaming Memorial Hall on the NGCSU campus to the "Brooks Pennington Military Building and Wellness Center." In September 2000, the Board authorized construction of a new military

leadership center at the site of the former plant operations building on the NGCSU campus. This is the building to which the name will be transferred.

Mr. Pennington was a farmer, businessman, and community leader in Morgan County, Georgia. He founded the Pennington Seed Company, which developed into the multi-million dollar firm, Pennington Enterprises, Inc.

Mr. Pennington and his family have been strong supporters of higher education in Georgia for many years and have provided significant assistance in the form of student scholarships and grants to educational institutions. A trust fund to support the nationally recognized Military Leadership program at NGCSU has been established by the family in honor of Brooks M. Pennington. The Pennington family has also made a generous donation of \$280,000 to be used toward the construction of the new Center.

8. Information Item: Housing Plan Update, Georgia State University

President Carl V. Patton presented to the Committee the Georgia State University (“GSU”) updated housing plan. He explained that the original 1999 facilities master plan projected a student enrollment of 28,000 by 2007 and that GSU is four years ahead of that projection. This semester, GSU experienced the largest student enrollment in its history: 28,101 students. Moreover, the demographics of GSU’s students are changing. In the past five years, the number of undergraduates has steadily increased. This semester, 73% of GSU students are undergraduates and more than 95% of freshmen are now traditional, college-aged students. However, GSU’s current housing provides only 2,400 beds at the University Village (the “Village”) and the University Lofts (the “Lofts”), and that number is inadequate to house the numbers of students who want to live on campus. The Village on North Avenue houses 2,000 students. It was purchased after the 1996 Olympics. It has been full from the start and always has a waiting list of several hundred students. The Lofts opened last fall and houses 400 students. It is adjacent to campus on Edgewood Avenue. This was a Georgia State University Foundation, Inc. (the “Foundation”) privatized project. Not only are the Lofts full, they are over capacity. Because of high demand, GSU has placed two students in the one-bedroom apartments.

President Patton said that a recent market study conducted for GSU by Anderson Strickler documented a demand for an additional 2,000 beds for GSU students. He noted that this is a conservative estimate because the study was based on fewer students than GSU has today. GSU’s current ratio of beds to enrollment is below 10%. The study’s peer average is 16%, and in GSU’s master plan, its target is set at 15% beds to enrollment. Adding 2,000 beds would take GSU to the 16% mark with a total of 4,400 beds. Because the university is land-locked, it is taking advantage of opportunities as they arise. For example, the Foundation purchased the former Beaudry Ford site two blocks from campus, which is an ideal location for construction of a residence complex that will meet the current unmet demand. President Patton assured the Regents that construction of such a

project would require no state dollars. In closing, he said that he will soon return with a proposed approval item to help GSU meet its increasing housing demand.

9. Information Item: Space Analysis Report Summary, Georgia Public Library Service

Dr. Lamar Veatch, State Librarian for the Georgia Public Library Service (“GPLS”), presented to the Committee a summary of the space analysis study recently conducted for GPLS. He reminded the Regents that on July 1, 2000, the General Assembly moved GPLS under the management of the Board of Regents. On average, GPLS facilities are not up to the standards of the University System of Georgia. GPLS’s 43 staff members are in three separate facilities in Atlanta that total 38,600 square feet. The yearly cost of these leases is \$474, 690. The condition of one of these facilities convinced the members of the General Assembly to initiate some action, and in fiscal year 2002, the General Assembly appropriated \$150,000 for a facilities study. The study was performed in fiscal year 2003 and concluded this past June.

GPLS subleases approximately 9,000 square feet from the Department of Technical and Adult Education (“DTAE”). This facility contains 35 staff. The current sublease is on a one-year extension and is due to expire on June 30, 2004. The same is true for the DTAE staff that lease the majority of the building. The second GPLS facility is located at 156 Trinity Avenue. For many years, this was the main headquarters of the public library service, but it now only holds the remainder of the old public library collection, which now consists of a professional library collection and Georgia history materials. This building is owned by the state and operated by the Georgia Building Authority (“GBA”), and it is in very poor condition. GBA is trying to move the last two tenants out and has plans to demolish the structure. The third GPLS facility is the worst of the three. This is Georgia’s Library for Accessible Services (“GLASS”). This facility provides books in audio and Braille to the state’s blind and physically challenged. Located in an old state-owned warehouse complex, it is in very poor physical condition and has long outlived its useful life.

The facilities study analyzed GPLS’s space needs and developed cost estimates for the reasonable alternatives. It considered different combinations of functional areas, and it studied the alternatives of lease, build-to-suit, and purchase options. The objectives are to improve efficiency and effectiveness, contain costs over the long term, raise standards, and help improve the image and identity of GPLS. Among the factors that the consultants considered were the location of the current staff, the changing technology of talking books and the significant warehouse/distribution function of this service, and the cost benefit of the different alternatives. The consultants concluded that the best and most cost-effective solution is to purchase an existing facility of about 21,000 square feet. Further, they recommended leasing 10,000 square feet to house the GLASS talking books and distribution facility. This could be remote, lower-cost warehouse space. The consultants’ cost estimates indicated that a capital budget of around \$5 million in today’s dollars would be necessary, based on existing qualified buildings in the Atlanta area that would meet GPLS needs. The cost estimate includes initial purchase, renovation, technology, furniture, and moving. In addition, the

consultants estimated that approximately \$500,000 annually would be needed for the two facilities for ongoing operational costs.

Acknowledging that \$5 million for this project is not available in the current economic climate of the state, Dr. Veatch offered some interim solutions for consideration. He said that it would not be difficult to find alternative space for the central staff if the DTAE sublease is not extended. GPLS is also considering outsourcing the Braille service, thus freeing up considerable space to move the Trinity Avenue collections in with the GLASS talking books. This would consolidate GPLS from three facilities to two. Of course, GPLS would prefer to follow the consultants' recommendations to purchase a facility that will meet most, if not all, of the program requirements. Dr. Veatch said that GPLS will continue to examine its options and will bring this forward as a capital project proposal in the fiscal year 2006 budget request.

COMMITTEE ON ACADEMIC AFFAIRS

The Committee on Academic Affairs met on Tuesday, September 9, 2003, at approximately 2:10 p.m. in room 6041, the Training Room. Committee members in attendance were Chair William H. Cleveland, Vice Chair Allene H. Magill, and Regents W. Mansfield Jennings, Jr., Elridge W. McMillan, Wanda Yancey Rodwell, and Joel O. Wooten, Jr. Board Chair Joe Frank Harris was also in attendance. Chair Cleveland reported to the Board that the Committee had reviewed five items, four of which required action. Additionally, 450 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 Major in Gerontology Under the Master of Arts, Georgia State University

Approved: The Board approved the request of President Carl V. Patton that Georgia State University ("GSU") be authorized to establish a major in Gerontology under the Master of Arts degree, effective September 10, 2003.

Abstract: During the 20 years between 2009 and 2028, some 77 million American baby boomers will reach age 62. Georgia's share of this boom will provide for the fourth largest increase among the states and the ninth largest number of persons aged 65 and over (U.S. Census Bureau, 2002). During this same time period, the number of professionals trained to plan and administer programs for seniors and to conduct research on the aging process is projected to lag behind demand. The major in Gerontology will build upon existing graduate certificate programs with the objective of increasing the numbers of trained professionals and researchers in gerontology to meet the state's elderly population growth.

Need: The growing need for all types of workers in the field of aging includes those trained in both

administration and basic gerontology. Employers are reporting that gerontology students need additional training and knowledge in addition to a certificate curriculum.

Objectives: The major in Gerontology will have three main objectives: 1) to prepare students for both professional and research careers in the field of aging, 2) to create a new interdisciplinary course of study that would further specialized training, and 3) to enhance understanding and administration of programs concerning the long-term care needs of the elderly.

Curriculum: The 36-semester-hour curriculum will include courses in areas such as social work with the aging, health and aging, psychology of aging, gerontology internships, and research.

Projected Enrollment: The institution anticipates enrollments of 16, 32, and 40 during the first three years of the program.

Funding: The program will build upon and reconfigure existing courses that are currently offered by the institution in addition to establishing new courses. President Patton has reverified that funding for the program is available at the institution.

Assessment: The Office of Academic 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 reviews.

2. 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 Academic Affairs.

3. Reorganization of Institutional Units to Establish a Separate Department of Anthropology, State University of West Georgia

Approved: The Board approved the request of President Beheruz N. Sethna that the State University of West Georgia ("UWG") be authorized to reorganize institutional units to establish a separate Department of Anthropology, effective September 10, 2003.

Abstract: UWG sought approval to establish a separate Department of Anthropology. The request was based upon completion of institutional program reviews for the undergraduate program in anthropology. Simultaneously, organizational change will improve the effectiveness of academic leadership at the departmental level. The Anthropology program has separate endowment funds of

approximately \$1.25 million available. Organizational separation will support the effective management of these resources and will not increase costs of operation.

Administrative Efficiency and Advocacy: Anthropology existed within the Department of Sociology, Anthropology, and Criminology, which included three undergraduate degrees in three disciplines (Sociology, Anthropology, and Criminology) and two graduate degree programs (Sociology and Gerontology). Separate departmental status makes this structure less cumbersome for all programs, allows development of discipline-specific evaluation criteria, provides for the administrative needs of Anthropology, and allows further development of all program components. The new structure will bring efficiencies and improvements in learning effectiveness.

Impact on Cost: Funding for the Department of Anthropology will be met by redirecting existing funds within the College of Arts and Sciences. No new expenditures will be required, and no new funding is required.

Benefit to Students: Independent status will increase UWG's ability to respond to students' academic needs, enable students to be more competitive for graduate programs, and give students increased academic visibility.

Strengthened Identity: Within and outside of the institution, an independent department would enhance the status of Anthropology and increase opportunities for external funding to both students and faculty.

4. Ratification of Revised Mission Statement, Georgia College & State University

Approved: The Board ratified Chancellor Thomas C. Meredith's approval of the revised mission statement of Georgia College & State University ("GCSU"). At its June 2003 meeting, the Board of Regents authorized Chancellor Meredith to take any actions necessary on behalf of the Board between the June meeting and the August 2003 meeting with such actions to be ratified by the Board at the August meeting. This ratification supports action taken by the Chancellor in a letter dated July 29, 2003.

Abstract: Interim President David G. Brown requested that GCSU be authorized to clarify its mission statement, which was approved in July 1996, in order to conform to the Southern Association of Colleges and Universities' requirement. The revision makes the institution's mission as the state's public liberal arts institution clearer. The approved clarification in no way changes GCSU's mission.

Previous Mission Statement

Georgia College & State University is the senior comprehensive institution of the University System with a liberal arts mission. Georgia College & State University is composed of a residential campus in Milledgeville, a commuter campus in Macon, and a commuter center in Warner Robins. Georgia College & State University promotes diversity in its students, faculty and staff.

The University admits qualified applicants on the basis of increasingly selective criteria. The undergraduate student is involved in a liberal arts core curriculum. Advanced students may enter an Honors Program as part of the core curriculum and a Scholars Program as part of their major.

The undergraduate course offerings of Georgia College & State University emphasize liberal arts and include professional degree programs, which provide students with breadth and depth of preparation for their intended careers. All degrees build on a broadly based liberal arts program, which includes the humanities, languages, natural sciences, mathematics and social sciences. The undergraduate programs offer opportunities for specialization in the arts and sciences and in pre-professional and professional areas including business, education and nursing.

Georgia College & State University emphasizes international and global educational opportunities by enrolling international students through student and faculty interchanges and by providing an increasingly inter-cultural curriculum.

Georgia College & State University is the internationally recognized center for the study of Flannery O'Connor, as it houses the O'Connor collection of manuscripts and books of the Georgia College & State University graduate of 1945. Special Collections also include recent southern history and the University Archives.

Georgia College & State University recognizes that education occurs beyond the classroom. Students have access to information in various forms and delivery systems.

Instruction in accessing and processing information is available through the library and academic computing services. Through its co-curricular and wellness programs, the University provides opportunities on the residential campus to fulfill the student's cultural, recreational, athletic, and other personal needs, and promotes healthy lifestyles.

Georgia College & State University also provides graduate degrees in several majors of the arts and sciences and in business, education and nursing. Admission is based on criteria specific to each program. Graduate programs are designed and delivered to be responsive to the needs of contemporary students.

Academic quality is achieved through service to students and attention to faculty development. Georgia College & State University supports instructional quality by providing relatively small classes and low student/faculty ratios. The campus context is one in which students

receive personal attention and conscientious service from their instructors and their faculty advisers. Teaching is the foremost area for faculty contribution. A strong instructional program is reinforced by a philosophy of faculty development, which stresses professional creativity, including research and service to the college and community, and is further reinforced by a faculty-centered advising system.

A wide range of non-credit continuing education experiences and services are offered on both the residential and commuter campuses. Those include business services, leisure activities, in-service workshops for area professionals, and varied programs for pre-college populations and out-of-school adults.

Long-range planning, evaluation and program assessment are part of the decision-making process at all levels of the University. The University commitment to improving quality extends to its administrative services and provides support to maintain the infrastructure, beautify the grounds, ensure fiscal responsibility, provide public safety and promote institutional advancement.

With its residential campus located in Milledgeville, Georgia's former capital, the University recognizes that it is a partner with the community in the enrichment of the lives of students and in encouraging and supporting service on the part of both students and faculty. The University takes this partnership seriously and provides a wide array of cultural opportunities and a number of business, health and educational services to the regional community.

Revised Mission Statement

I. Institutional History, Tradition, and Setting

Georgia College & State University is Georgia's designated Public Liberal Arts University, located in historic Milledgeville, Georgia, less than a dozen miles from the geographic center of the State. Milledgeville was the antebellum capital of Georgia and is a center of history and culture featuring beautiful antebellum homes and historic buildings. The University enhances the town's beauty with its architectural blending of majestic buildings of red brick and white Corinthian columns. Georgia's Old Governor's Mansion, one of the finest examples of Greek revival architecture in the United States, is the founding building of the University and remains central to the University's Mission. The Milledgeville campus is complemented by additional acreage in Baldwin County with facilities for athletics, recreation and outdoor and integrative education.

GC&SU was chartered in 1889 as Georgia Normal and Industrial College. Its emphasis at the time was largely vocational, and its major task was to prepare young women for teaching or industrial careers. In 1917, in keeping with economic and cultural changes in the state, Georgia Normal and Industrial College was authorized to grant degrees, the first of which was awarded in 1921. In 1922, the institution's name was changed to Georgia State College for Women. The University has been

a unit of the University System of Georgia since it was formed in 1932. The name was changed to Women's College of Georgia in 1961, and, when the institution became coeducational in 1967, it became Georgia College at Milledgeville. The name was later shortened to Georgia College. In August of 1996, the Board of Regents approved a change of name to Georgia College & State University, and a new mission as Georgia's Public Liberal Arts University.

II. Vision

As the state's designated public liberal arts, Georgia College & State University is committed to combining the educational experiences typical of esteemed private liberal arts colleges with the affordability of public higher education. GC&SU is a residential learning community that emphasizes undergraduate education and offers selected graduate programs. The faculty are dedicated to challenging students and fostering excellence in the classroom and beyond. GC&SU seeks to endow its graduates with a passion for achievement, a lifelong curiosity, and exuberance for learning.

III. Principles

Georgia College & State University aims to produce graduates who are well prepared for careers or advanced study and who are instilled with exceptional qualities of mind and character. These include an inquisitive, analytical mind; respect for human diversity and individuality; a sense of civic and global responsibility; sound ethical principles; effective writing, speaking, and quantitative skills; and a healthy lifestyle.

While GC&SU faculty are committed to community service and are creatively engaged in their fields of specialization, they focus their attention primarily on maintaining excellence in instruction and guiding students. Students are endowed with both information and values through small classes, interdisciplinary studies, close association with the faculty and staff in and beyond the classroom, lively involvement in cultural life, and service to the community. In turn, GC&SU seeks to provide communities and employers with graduates who exhibit professionalism, responsibility, service, leadership, and integrity.

IV. Core Mission Statement for State Universities

In addition to the University's Vision Statement and Principles, the University's mission embraces the following principles from the Board of Regents' Core Mission Statement for State Universities:

The core characteristics include:

- a commitment to excellence and responsiveness throughout the state, and outstanding programs with a liberal arts foundation that have a magnet effect throughout the region and state;

- a commitment to a teaching/learning environment, both inside and outside the classroom, that sustains instructional excellence, serves a diverse and college-prepared student body, promotes high levels of student achievement, offers academic assistance, and provides learning support programs for a limited student cohort;
- a high quality general education program supporting a variety of disciplinary, interdisciplinary, and professional academic programming at the baccalaureate level, with selected master's and educational specialist degrees;
- a commitment to public service, continuing education, technical assistance, and economic development activities that address the needs, improve the quality of life, and raise the educational level within the university's scope of influence;
- a commitment to scholarly and creative work to enhance instructional effectiveness and to encourage faculty scholarly pursuits, and a commitment to applied research in selected areas of institutional strength and area need.

5. Information Item: Service Agreements

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

University of Georgia

Administration Office of the Courts Continuation of the University of Georgia School of Law's support of the state's program of judicial education	6/18/03 – 6/30/04	\$482,119
Georgia Commodity Commission for Peanuts Fund five Georgia county agents to attend the 2003 American Peanut Research and Education Society meeting to be held July 2003 in Clearwater Beach, Florida	7/1/03 – 6/30/04	\$5,000
Georgia Commodity Commission for Peanuts Develop a risk index that will allow peanut growers to estimate the severity of fungal diseases	7/1/03 – 6/30/04	\$7,500
Georgia Department of Agriculture Use facilities and personnel to render diagnostic service relative to the control, diagnosis, treatment, prevention, and eradication of livestock disease	7/1/03 – 6/30/04	\$3,443,648

Georgia Department of Community Affairs Provide applied research, meeting coordination, and administrative staffing services to the Department of Community Affairs and the Georgia Rural Development Council	11/15/01 – 6/30/04	\$50,000
Georgia Department of Corrections Provide leadership training and instructional services in Corrections Leadership Institute for the Georgia Department of Corrections	7/1/03 – 6/30/04	\$50,000
Georgia Department of Education Provide services and products relating to the scoring and reporting of results for the Georgia Kindergarten Assessment Program	6/20/03 – 6/30/04	\$82,500
Georgia Department of Education Conduct a weeklong, hands-on culinary institute for school nutrition managers in a local school system or state or private school participating in the National School Lunch Program	1/1/03 – 1/1/04	\$57,500
Georgia Department of Education Provide support services for the Agriculture Education Regional Office, Curriculum Development Office, and other offices housed at the university facilities	4/1/03 – 6/30/03	\$11,000
Georgia Department of Human Resources Provide data analysis for bone density screenings and serve as educational consultants for the Georgia Division of Public Health	6/30/02 – 6/29/03	\$6,500
Georgia Department of Juvenile Justice Provide counseling services to delinquent youth in Clarke County under court supervision	7/1/02 – 6/30/03	\$8,260
Georgia Department of Natural Resources Perform the Georgia Estuarine and Littoral Sampling Study to investigate the relationship among three analytical methods used to determine the numbers of enterococci in coastal waters	4/15/03 – 10/14/03	\$65,971

Georgia Department of Natural Resources Perform analysis of the estuarine water samples collected by the Georgia Department of Natural Resources	3/6/03 – 6/30/03	\$7,254
Governor's Office of Consumer Affairs Continue the Consumer Financial Literacy Program in Region 9 and expand the project to ten additional counties	7/1/03 – 6/30/04	\$499,733
Governor's Office of Consumer Affairs Equip college students with a basic understanding of personal financial management to help them meet life's challenges and opportunities	5/19/03 – 5/24/04	\$60,369

Georgia Humanities Council Provide a grant to the Georgia Museum of Art for the project “Lecture Series for Becoming a Nation”	6/1/03 – 12/31/03	\$2,000
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Georgia Southern University

Georgia Department of Human Resources Serve as project evaluator, meet with CWC partners, consult, and provide written evaluation report	1/1/03 – 12/31/03	\$3,000
Georgia Department of Human Resources Serve as project’s data analyst, map distribution of women enrolled in Southeast Health Unit Breast and Cervical Cancer Program, and develop database	2/1/03 – 12/31/03	\$7,000

TOTAL AMOUNT – SEPTEMBER	\$ 4,849,354
TOTAL AMOUNT FY 2004 TO DATE	\$ 114,507,133
TOTAL AMOUNT FY 2003 TO SEPTEMBER	\$ 4,961,340
TOTAL AMOUNT FY 2003	\$ 25,349,678

COMMITTEE ON ORGANIZATION AND LAW

The Committee on Organization and Law met on Tuesday, September 9, 2003, at approximately 2:30 p.m. in room 7019, the Chancellor’s Conference Room. Committee members in attendance were Chair Joel O. Wooten, Jr., Vice Chair Elridge W. McMillan, and Regents William H. Cleveland, W. Mansfield Jennings, Jr., Allene H. Magill, and Wanda Yancey Rodwell. Board Chair Joe Frank Harris was also in attendance. Chair Wooten reported to the Board on Wednesday that the Committee reviewed two items, both of which required action. Item 1 included three applications for review, all of which were denied. 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 file number 1638, at Columbus State University, concerning academic exclusion, the application for review was denied.
- b. In the matter of Stephen D. Alphabet, at Georgia State University, concerning termination, the application for review was denied.
- c. In the matter of Sylviane Townsel, at the Albany State University, concerning

termination, the application for review was denied.

2. Resolution of Potential Lawsuit Against University System of Georgia Institution

Approved: The Board approved the resolution of a potential lawsuit against a University System of Georgia institution.

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, Mr. Chairman. As a Board, you just approved a fiscal year 2005 budget and capital request that will now go to the Governor. It is obvious that this request is very lean and does not position the University System where we ideally want it to be, but it reflects the reality of the state's current budget picture. I am proud of the approach this Board and this System are taking with the budget.

Today, we all stand at a crossroads. The decisions our funding partners will make in the coming months will truly determine the type of public higher education system this state wants. Those decisions begin with us and the kind of vision we are able to paint and the case we can make to them.

During tough times, there are two ways to handle cuts. The first – and the easiest – is to make decisions about budget cuts that are the most politically expedient. By that I mean to purposely make cuts that will cause students, parents, and constituents to scream the loudest. Hopefully, this tactic will impact funding partners and cause them to reverse their decision. Of course, in the meantime students suffer. We could take that road, cause a lot of noise, and create enormous anguish. We could defer the tough decisions to the Governor and the General Assembly. But that's not the road we've chosen. This Board historically has never put the tough decisions on the backs of our funding partners, and we are not starting now. Instead, we have taken the harder path. That route demands tough decisions. We have buckled down and are making decisions on our campuses to preserve quality educational programs and access for our students and a growing population. Your work has been difficult, but it's not over.

During the past months, the University System has absorbed budget cuts totaling \$211 million. This has been accomplished in a thoughtful, well-crafted manner. We have made decisions in a way that has caused the least possible disruption for our students. Because of that approach, it's now easy to feel somewhat under-appreciated. Because we've been so thoughtful in our approach and because screaming and yelling has not been prominent, there

are those who say that the University System has not been hurt by the cuts. There are those who say it doesn't appear we have lost any blood. So, there is no obvious impact or suffering. That's because of the illusion of delay. What do I mean by this? Think about your car. You can delay doing things – having the oil changed, your cooling system flushed, putting on new tires, replacing brake pads. To all appearances, the car looks fine. It still runs. It's difficult to see how any harm has been done. But eventually, if you don't do those things, the car falls apart. We have taken these cuts, and we are delaying critical elements that, at some point, will create serious problems for our institutions. We have been so good at managing these cuts that there is a feeling we are magicians. Well, we are good managers, but we are not doing magic tricks.

Last April, when the System faced the possibility of an eleventh hour, new 1% cut in the fiscal year 2003 budget, I used the metaphor of the System as a plane and the Regents as the pilots. I noted we had taken on our initial "fuel" and had then taken on more passengers than planned in terms of student enrollment and increased credit hours. But we had budgeted carefully to make it to our destination. Then, once we were in the air, we discovered we had less fuel than planned. On top of this, the last-second proposed 1% cut put us, I noted, in danger of crashing the plane. At that time, the Governor and the General Assembly heard our message. We did not have to look at another cut for fiscal year 2003.

But now, in fiscal year 2004, we are looking at a possible 2.5% cut – that's \$42 million – and yet another 5% cut for fiscal year 2005 – another \$80 million. So the real impact – how we have handled cuts – becomes more important to us as we seek to move forward.

As I said in April, despite the exceptional management on our campuses and in the University System Office, any additional cuts to the University System will have a dramatic impact on our campuses and on our students and the citizens of this state. Our record enrollment last fall meant that we taught 2,200 more classes than the year before, and these classes needed professors that we didn't have. Because of our budget cuts, only 16% of those classes (350) were taught by full-time professors. And with another enrollment increase this fall and fewer dollars, the squeeze in our classrooms is going to become more and more problematic.

We are seeing an impact of reduced funding that goes far beyond recent budget cuts. In fact, declining state support reaches back a decade. Georgia State University just released a paper analyzing budget trends in Georgia. This paper has received a great deal of attention in the press. The paper, "Twelve Years of Budget Growth: Where Has the Money Gone?," reviews state expenditures from fiscal year 1991 to fiscal year 2003, specifically analyzing how much each agency's expenditures exceeded the growth in population and inflation from 1991 to 2003. The report has an interesting and important observation about the University System. It concludes that if salary increases in excess of inflation are not considered, the

System's budget would have decreased by \$248 million as compared to the baseline budget. By "baseline budget," we mean what the Regents' budget would have been in fiscal year 2003 if it had grown at the rate of population growth and inflation alone. In other words, we have been doing more with less for more than a decade. Our institutions are not hiring as many full-time faculty as needed. They are using more and more part-time faculty and administrators to teach classes. These classes are getting larger or are not offered as frequently. Fewer classes mean students will be taking fewer credit hours. This means more students taking longer to graduate. That's an additional financial cost to those students and to the state.

So what steps are we taking now in the face of additional cuts? The budget process is an inclusive one. We don't make decisions in the University System Office in isolation. As we have worked through the past budget cuts, the presidents have been involved in all of our discussions and decisions. With the input of our presidents, our staff, and you, we have developed guiding principles that will help drive our continued look at budgets. These principles help ensure that everyone works from the same framework when analyzing programs and activities. As you know, we have a number of efforts underway that will result in greater operational efficiencies: consolidation, regionalization, barnacle scraping, purchasing alliance, and statewide assessment, to mention a few. We will be holding budget meetings with each president this month. They will propose how they wish to handle new cuts. I've asked our presidents to consider these issues:

- Would additional cuts trigger enrollment limits at an institution?
- Would cuts force the restructuring or even elimination of the summer semester?
- What are administrative costs? Are they above sector norms or external benchmarks?
- Are there any low-enrollment, low-graduation programs?
- Do any departments, divisions or even colleges fail to meet quality standards on state or national exams?
- Are continuing education programs becoming financially self-sufficient?
- Are utility costs being curtailed?

These are all tough questions. They are the kind of questions we must ask – and answer – on the road we have chosen. We need your input and participation as well in this process. You have a sense of the larger picture and the big themes. We are going to aggressively communicate our position and the impact of past and future cuts. One means will be a new

newsletter – “Mission Possible” – that will be distributed on a regular basis to our funding partners.

Finally, as we continue to operate in this fiscally tight environment, we must remain focused on our students and on protecting the quality, access, and momentum that we have worked so hard to build and generate. If the proposed \$42 million in new cuts for fiscal year 2004 and then the \$80 million in cuts for fiscal year 2005 do go through, we will begin to slice through programs and people.

I know how hard this Board has worked to reach two goals – increase quality and access. Those are both worthy goals. But as we look at the budget picture, we must recognize that access without academic quality is perpetuating a fraud on our students and our state. And that comes to the core of our actions in the coming months. What sort of System do we want for Georgia? Do we want a System that continues to provide access to all who want it but cannot provide quality academic programs? Or do we focus on the highest quality at the expense of access? Your challenge as a Board is to have the focus and provide the direction that somehow, despite cuts, finds the path that maintains quality, momentum, and access if possible. Given these times, we are having to say “no” to more people – both students and presidents. We must say “no” at times in order to find the needed balance between our resources and our core instructional mission of serving students. With your continued guidance and wisdom, I know we can find that balance.

Let me mention salaries. Georgia has been very supportive of faculty salaries. It has made us nationally competitive and we have been able to attract top faculty from around the nation. But there were no dollars for faculty increases in the current fiscal year and the last increase was 3.25%. We have begun to slip. We were third in the Southern Regional Education Board (“SREB”) states for faculty salaries, and we’ve now slipped to fourth. We’ve also slipped below the national average. It would take an increase of 6.1% to move us back up to third in the SREB, assuming Virginia, which is now third, does nothing to improve their faculty salaries. And we would need a 5% increase to move back to the national average. That’s a lot of dollars. We know Georgia just doesn’t have those dollars in this tight fiscal climate. So in our letter to the Governor that accompanies our budget request, we are laying out the facts and asking him to do what he can.

Let me close this report by stating that my goal is threefold:

- We will find ways to make the required cuts while maintaining quality to the best of our ability.
- We will make sure our real needs are known to our funding partners. We have done that in our fiscal year 2005 budget request.

- We will take care of our own business by reinventing how we do business as we focus on our core mission with the resources available.

Thank you, Mr. Chairman. That concludes my report.

STRATEGIC PLANNING COMMITTEE, “COMMITTEE OF THE WHOLE”

Chair Harris next convened the Strategic Planning Committee as a Committee of the Whole and turned the Chairmanship of the meeting over to Regent Leebern, the Chair of the Committee.

Chair Leebern called upon the Senior Vice Chancellor for Academics and Fiscal Affairs to begin the presentation to the Board.

Dr. Papp said that over the past several years, the University System of Georgia has initiated and implemented a significant number of technologically based systems and programs. These systems and programs include Georgia Library Learning Online (“GALILEO”), WebCT, Banner, Georgia Application and Electronic Advisement System (“GA EASY”), and PeopleSoft financial and human resources components. These systems and programs are in the process of creating a matrix, the purposes of which are to enhance student learning; to ease the transition of students from high school to college; to improve academic and financial reporting, research, and accountability; to enhance the efficiency of institutions and the System; and in general, to improve the lives of students, faculty, staff, administrators, alumni, and other people in the State of Georgia as the University System moves toward creating a more educated Georgia. During this meeting, the Regents would hear two different presentations: one on GA EASY (www.usg.edu/ga-easy/) and one on the integration of a host of these different systems and programs. The Vice Chancellor for Academic, Faculty, and Student Affairs, Frank A. Butler, would introduce the first presenter. After the first presentation, the Vice Chancellor for Information and Instructional Technology and Chief Information Officer, Randall A. Thursby, would introduce a second set of presenters.

Dr. Butler greeted the Regents and explained that in 1998, the Board of Regents charged the Office of Student Services in partnership with the Office of Information and Instructional Technology (“OIIT”) to provide a single source, or location, where prospective students, guidance counselors, and others from around the state could find information about colleges and universities in the University System of Georgia. With admissions standards changing, the Board wanted to make it easy to find a complete and accurate source of admissions information. Then Regent Juanita P. Baranco said that there should be one centralized place where students could apply to colleges all over the University System of Georgia and that it should be easy. Since the GA EASY Web site went live in February 1999, the site has been visited by over 213,000 visitors. The first year, there were approximately 3,000 admissions applications processed through GA EASY. Last year, over 41,000 applications were submitted via GA EASY, and the number is anticipated to be even higher

this year as several institutions are now requiring students to apply online. Dr. Butler introduced the Interim Associate Vice Chancellor for Student Services, Tonya R. Lam, who would demonstrate for the Regent how the GA EASY Web site works.

Ms. Lam showed the Regents the original GA EASY Web site on the screen in the Board Room. She explained that this was a collaborative effort among various departments of the University System Office to help students find all of the information they need to select a University System of Georgia institution on the World Wide Web. Since the original launch of GA EASY, the Web site has been upgraded with color, pictures, and the addition of three new sections. One of the most frequently asked questions of potential students is which institution offers a particular program. So, the staff partnered with the Georgia Career Information Center at Georgia State University (“GSU”) to build a database. Now, a student can select various attributes of the institution he wants to attend and perform a search of University System of Georgia institutions. Ms. Lam demonstrated how a student would perform such a search in the Selecting a College section of the Web site, noting that the database lists only System institutions. She then demonstrated how a student would use the Getting Into College section of the Web site. Included in this section is information about admissions requirements and how to chart a course from middle school to gain college admission. This helps students understand how to prepare for college. The message is that students should begin planning for college as early as sixth grade. The site also provides a link to the Georgia Higher Education Savings Plan Web site (www.gacollegesavings.org). Next, Ms. Lam demonstrated the Parent Information section of the GA EASY site. She reminded the Regents that this section of the Web site is new and is still being developed. It has a checklist for parents to help them help their children begin preparing for college early. The staff are consulting the Georgia Department of Education (“DOE”) in the development of this section so that students and parents will know what courses are available and should be taken to prepare students for college. This section also includes tips on exploring student interests and visiting colleges. Finally, Ms. Lam demonstrated how a student would apply to any University System of Georgia institution through the Apply section of the GA EASY Web site. In closing, she encouraged the Regents to visit the GA EASY Web site and explore it on their own.

Regent Coles asked Ms. Lam who developed the Web site.

Ms. Lam responded that it was developed collaboratively among the Georgia P-16 Initiative staff, the Web development staff in OIIT, and others in the University System Office. She said that the OIIT staff in particular brought GA EASY into being.

Regent McMillan asked whether the University System of Georgia has a single online application for all institutions.

Ms. Lam responded that the Chancellor is pushing in that direction, but it is not there yet.

Regent McMillan made a motion to instruct the staff and institutions to do so. He explained that it simply makes sense to do so.

Chair Leebern called for a vote. Motion properly made, seconded, and unanimously adopted, the Board approved the motion.

Ms. Lam responded that it would be done.

Chair Leebern asked whether high school counselors are aware of GA EASY and whether they use it to help students prepare for college.

Ms. Lam replied that the GA EASY site has a link to the College PROBE Fair (the “Fair”) Web site (www.gaprobe.org). The Fair is sponsored throughout the State of Georgia in the fall of each year. As part of the Fair, there are eight counselor workshops. Ms. Lam has participated in those workshops for the past two years and has handed out brochures to counselors to make them aware of GA EASY. This year’s goal is to reach out to middle schools next. She said that when GA EASY was launched in 1999, the focus was on changing admissions standards and the target was high school students. Now it is important to work at the next level, middle school, and P-16 will help reach out to guidance counselors and parents at that level. So, the staff are working to get the message out, but they still have a long way to go.

Chancellor Meredith noted that this was simply a ten-minute presentation, yet that was all that was necessary to inform the Board about GA EASY. The staff must find ways to communicate this innovation to elementary, middle school, and high school counselors and teachers so they understand what resources are available to their students.

Ms. Lam noted that the staff have met with representatives of the DOE and they said they would help the University System in this regard.

Seeing that there were no further questions about this presentation, Chair Leebern called upon Mr. Thursby to make the second presentation.

Mr. Thursby greeted the Regents and explained that his presentation would be about integrating systems and leveraging the various technology investments the System has made. At this meeting, the Assistant Vice Chancellor for Advanced Learning Technologies, Kris Biesinger, and the Executive Director for Strategic Planning and Policy Development, Thomas L. Maier, would present how the University System of Georgia is moving from a perspective of looking at independent applications supplying the needs of institutions to a perspective to integrated applications focused on service to the students and faculty. The planning for this change to an integrated learning environment had been greatly enhanced by the guidance and advice of the Board’s Committee on Information and Instructional Technology and its advisory committee of business and education leader. Following this

presentation, the staff would elicit further guidance and advice from the full Board.

Dr. Maier thanked Mr. Thursby and the Regents for this opportunity to speak to them about these integrated systems. In April 2002, the Board adopted “Learning Without Limits,” the University System’s strategic plan for information and instructional technology (“IIT”). Dr. Maier reviewed the five goals of the IIT strategic plan, which are as follows:

- Enhance student learning
- Expand reliable and secure access to information and services
- Increase customer focus
- Ensure continuous innovation
- Effectively and efficiently plan and manage operations

Dr. Maier explained that the System is now ready to implement the IIT strategic plan. He stressed that this was not a one-time deal. Rather, this must be a continuing effort of enhancing what was developed in the initial planning process. All 34 System institutions participated in the national Campus Computing Survey last year. This survey produced a lot of data that can be used for benchmarking purposes. OIIT staff are working in partnership with the facilities staff to develop more technologically capable facilities. The staff are also analyzing the technology deployment strategy. They have also been working with the business staff to consolidate business services and with the audit division to hire the System’s first IIT audit manager. He stressed that the most important effort has been improvements in communications and collaboration.

Dr. Maier stated that the OIIT staff identified 36 projects that were then prioritized with the help of the rest of the University System Office staff. Together, they identified ten projects that went forward into the 2004 budget request. Of those ten projects, five were funded. These pertain to degrees and majors enhancement, multi-institutional functionality, online training, security training, and development of a prospective student portal. The staff are now ready to move from planning to action, and they have been developing a way to integrate the planning process into project management efforts. This has become more complicated because there are many projects already underway. The key, he explained, is to look at the projects holistically and how they fit together. The issue is not to focus on individual efforts but rather the overall goal, which is to develop an integrated learning environment.

Dr. Maier said that legacy systems are like log cabins. They were built to meet essential needs; everyone has built their own; and they are hard to change. Newer systems are more akin to today’s homes. They are built by a variety of specialized craftsmen to meet multiple needs, and enhancements are not uncommon. Taking the metaphor of home building further, he showed the Regents a floor plan. He noted that it was a rather large house. In fact, this was only the first floor of a mutli-level structure. He also noted that while the house was large, it was generally laid out by types of use. In this case, each room was associated with a different technological application. There

were some rooms that only came together through a small doorway, while other rooms were integrally linked and one functional area flowed into the next. Moreover, while there are multiple entrances, there is one primary entrance. Dr. Maier explained that there are potential difficulties in getting from one place to another. What is really needed is to look at systems as a group of tightly coupled applications. They are currently connected, but they are not connected effectively. A shift is underway from looking at a single application to looking at an application that bridges services. The shift is moving from providing solutions to individuals to providing services to everyone.

Dr. Maier said that the concept of portals is important because portals deliver information to a person rather than the person having to search for it. In other words, it is important to develop ways of communicating with students that provide the information they want. This idea is important for faculty as well as many other campus constituencies. Instead of being like rooms in a home, applications should be more closely connected and interactive. However, there are issues to address in accomplishing this. The staff have developed a plan that meets the System's needs, and it should stick to the plan, making modifications only as necessary. Moreover, the plan should follow standards. A critical foundation of the System's integrated technology is PeachNet, the statewide network that provides access to all institutions. On top of that foundation is an "industrial-strength" operating system called UNIX, which is used for many of the major IIT applications. On top of UNIX is a very robust database provided by Oracle. On the next level is what is referred to as "middleware," programs that reorganize information to make it more effective. This level includes the data warehouse and directory services. OIIT is involved in the integration of the next level of applications and building the portal perspective so that information is more easily accessible. The key responsibilities of this effort are to keep applications in production, to shift focus to the customers/clients, to move beyond interfaces to integrated services, to achieve an integrated learning environment, and to transform data collection systems to better enable strategic planning. "What have we learned?" asked Dr. Maier. He answered that technologies have improved, but expectations have increased. Standards enhance functionality. Enterprise solutions offer greater capability and scalability. Systems integration can improve efficiency and customer satisfaction. Finally, technology considerations should be a part of all planning discussions throughout organizations. He then turned the floor over to Dr. Biesinger.

Dr. Biesinger greeted the Regents and thanked them for their continuing support of instructional technology. She explained that she would be talking about the uses of technology in instruction and reminded them that technology is a tool that helps us to accomplish our goals. The goals of using technology in instruction is to increase participation, to improve retention, to improve time to graduation, to prepare students for careers, to prepare students for life, and to continuously improve the quality of an educational experience. Dr. Biesinger noted that technology does not only increase participation through online courses, but also through hybrid courses. If we approach instruction differently by offering part of a course online, that frees up facility space on campus that is becoming increasingly tighter as enrollments grow. Also, through the multi-institutional functionality project, students will be able to see the course offerings of all the institutions in the System, enabling

them to take required courses at other institutions in the event they are unable to get into the courses at their home institution.

Dr. Biesinger said that she would next discuss the past, present, and future of instructional technology in the University System of Georgia. She urged the Regents to consider the strategic plan and facilities needs as she did this. She explained that the System has planned for this effort. The University System Office staff have taken into consideration lessons learned from the deployment of other applications like Banner and PeopleSoft. They have taken into consideration what the institutions' faculty and staff have told them. They have evaluated throughout the process. They have leveraged technology capability. Most importantly, they have positioned the System to take advantage of opportunities as they become available. Dr. Biesinger said that eight years ago, through the Connecting Teachers & Technology initiative, the System began offering professional development experiences for faculty across the System. There were many instructional technology tools available, but each tool had a single function. Faculty were trained on email, discussion groups, authoring systems, testing tools, etc. Each tool had a single use, and more often than not, each tool was the product of a different vendor, thus a different interface. There was very little standardization across departments or institutions, and as such, training support was minimal. Faculty had to go it alone, and students had to depend upon one another and their faculty member if they had difficulty. Five years ago, a course management system called WebCT became the preferred choice for faculty and students. A course management system is a tool that through a single ID and password allows a person to access the various tools she had just mentioned. At that time, 14 institutions adopted WebCT. OIIT followed their lead and set up a system server with WebCT. There were three very good reasons for doing this. First, in 1999, the System was just embarking upon collaboratively developed courses, such as the eCore program, which offers undergraduate-level core classes online. Because these courses were developed by faculty from multiple institutions in the System, a common standard and hosting site were needed. The second reason for doing this was that 14 institutions had selected WebCT, but there were other institutions with no course management system. So, the staff wanted to establish equal access for all faculty in the System. The third reason was that the staff wanted to set up a model environment that implemented the standards that were to be put in place for serving an instructional system. In other words, the course management system must be reliable, backed-up, and secure. Traditionally, academic systems were not receiving the same attention that administrative systems were.

Now, there are 20 institutions hosted solely on the System WebCT server, said Dr. Biesinger. Since fall 1999, the number of courses hosted on this server has increased over 800%. These are primarily courses that support face-to-face traditional instruction. The system is not strictly for distance education. There are some distance education courses offered, but in addition, there are also hybrid courses, courses that support administrative needs, courses that support discussion needs, and one institution even uses WebCT to support annual performance reviews. A year ago, WebCT released a new product called Vista. Vista is an enterprise solution much like Banner and PeopleSoft. It can be deployed across the System to reach the needs of both small and large institutions. It is a very

capable product, and it runs on the technology infrastructure that Dr. Maier had described. The System entered into a site-wide license a year ago, and the plan was to establish a few more System servers to create even greater reliability and a more robust infrastructure.

In order to pay for the infrastructure to reduce the number of institutions that are establishing their own infrastructures, the University System Office staff have developed a chargeback process for the institutions which ranges in cost to the institutions from \$3,600 to \$131,000. Dr. Biesinger explained that the System chargeback provides unrestricted use to support institution services, course hosting, an around-the-clock help desk, around-the-clock systems support, training, and System-produced resource materials. Institution costs translate to an average of \$1.68 per student per term, which is a dramatic savings over what it would cost them to purchase this capability on their own. Integrated systems result in dramatic savings while creating efficiency and effectiveness. Moreover, integrated systems minimize the issues associated with user interface. They create an environment in which all System institutions are operating from the same high-level base of functionality. Dr. Biesinger said that all of this planning will allow the System to create a much more seamless environment that is much more customer focused.

In closing, Ms. Biesinger asked the Regents to take a couple of seconds to envision higher education in the near future. She asked them to imagine students anywhere in Georgia seamlessly registering for any course from any System institution without leaving homes; students accessing high-quality text and multimedia resources developed by System faculty and finding the instructional approach best suited to their individual learning styles; information and records shared effortlessly by every System institution so that students' information follows them during their lifetime learning; students with visual, auditory, or motor impairments having full access to all the online educational opportunities the System has to offer; a retired Army colonel taking courses for certification to teach high school physics at home through Web TV; students and faculty accessing course information through "smart" cell phones and voice-enabled dashboard computers for busy commuters. She said that that with the Board's continued support and vision, these can become realities for Georgia learners. The System is making technology work for it, but there are still challenges that will be coming back to the Board.

Dr. Papp concluded that there are policy issues to resolve concerning course transferability from one institution to another. The University System of Georgia is among the national leaders with regard to course transferability, but it is not yet perfect. There are also issues of academic calendar consistency. Some institutions start earlier than others, and some offer courses that start in the middle of the term. The challenge is to make this flexibility not limit the ability of students to transfer and take those courses. There are issues of external degree designations. Every time a program is offered more than 50% online, it must be approved by the Committee on Academic Affairs and the full Board as an external degree. Fiscal issues are also going to have an impact. Should the System maintain its full host of technologies but slow them down? Should it keep them but limit their capabilities? Or should it adopt a triage strategy and prioritize which ones are most important

and which ones must be put off? These are some of the issues the staff will be bringing back to the Board. Dr. Papp stressed that this is a work in progress and asked whether the Regents had any questions or comments.

Regent White said that the benefits of this process to the System will be incredible, and he thanked the staff for their hard work in getting the System to this point. He asked Dr. Papp to clarify the degrees and majors enhancement project.

Dr. Papp explained that the degrees and majors enhancement project is the creation of a completely interoperable listing of the almost 2,000 degrees and majors in the University System of Georgia so that a major can be selected on the Web and every institution offering that major will be listed. This would also allow for obtaining lists of every major offered at any institution.

Regent White said that he is getting complaints from students that they are not clear on what course requirements are necessary to earn their degrees in a timely manner. He asked whether there was any effort to address this concern.

Dr. Papp responded that the staff are in the process of implementing a program to address this issue, and he turned the floor over to Ms. Lam to elaborate.

Ms. Lam said that a year ago, the staff started a project with the institutions to implement software called Curriculum Advising Planning and Program (“CAPP”), which is designed to provide online information to students so they know exactly what courses they have taken and what courses they still need to complete their degrees. This program will be fully implemented by December 2003, but the institutions have been given another year to roll it out program by program. There are three institutions that are already in full production.

Regent White noted that 20 institutions are on the System WebCT server and asked when the other 14 would also be on the server.

Ms. Lam responded that the other 14 institutions are running their own servers and that all institutions are being migrated to the Vista product. So, all institutions are currently using WebCT, but only 20 are on a System server. She noted that the System is at an advantage because all of its institutions adopted a single course management program. Other systems are having difficulty because their institutions have adopted a number of different programs, and the systems are having to provide support and training for all of those programs.

Regent Carter asked how the University System of Georgia compares to other systems with regard to systems integration.

Dr. Papp said that he and Dr. Biesinger had recently attended the 2003 conference of State Higher

Education Executive Officers (“SHEEO”), where Dr. Biesinger had made a presentation similar to the one she made at this meeting. They learned at that conference that the System is much farther along than most states.

Dr. Biesinger agreed that the System has been very successful, but it has also taken great steps to integrate the technology online hybrid approach into the day-to-day operations of the institutions. The System has always focused on integration, which is in the best interests of the students, faculty, and staff.

Regent Pittard asked how Regents could explore these instructional systems for their own purposes, just to learn and understand what courses are available to the students and the faculty they serve.

Dr. Biesinger responded that the multi-institutional functionality project will be able to tell a person exactly which courses are offered at which institutions through which technologies. However, if a Regent actually wanted to get into the online courses themselves, the staff would have to facilitate access for them. She explained that the staff is very protective of course access as it relates to student performance and interaction in the course.

Regent Pittard asked how a student at say Albany State University could find out what courses are offered there.

Dr. Biesinger replied that a student can only access the syllabus and requirements for a particular course unless she is actually enrolled in that course. However, the process for doing this is not yet uniform across all institutions’ Web sites.

Regent Pittard said that students at the University of Georgia are able to access the syllabus and readings for his class online via Blackboard instructional management software to decide whether they want to take the course.

Dr. Biesinger said that the capability is there; however, permission must be granted by the institutions for it to be used in that manner.

Dr. Papp added that most institutions have their courses posted on their Web sites. However, the institutions do not all have open access to their courses on the Web.

Chancellor Meredith remarked that he is very proud of the OIIT staff, whom he said are extraordinarily talented and have a service mentality. They are always looking for ways through technology to make things better for students, faculty, and staff. He noted that there are 19 vacant positions in OIIT, but the staff are holding their own under increasing demands and projects. The Chancellor noted that Dr. David G. Brown, Interim President of Georgia College & State University (“GCSU”), was in attendance at this meeting and that he has an extraordinary interest in this topic.

Dr. Brown has been known as one of the nation's experts in faculty and instructional technology. His latest book on this topic was just published this year.

Dr. Brown said that he would like to respond to Regent Carter's earlier question about how the University System of Georgia compares to other systems with regard to technology. According to Dr. Brown, the System is first in the world in terms of the implementation of WebCT and first in the nation in getting faculty involved in the uses of technology for instruction, including the aforementioned Blackboard application.

Chair Leebern stated that the Regents are very proud of the University System of Georgia, but he cautioned the staff to be careful with regard to obsolescence. He also urged the institutions to create more online access to their courses for students and potential students. Seeing that there were no further questions or comments, he thanked the presenters and then adjourned the meeting of the Strategic Planning Committee as a Committee of the Whole.

Chair Harris thanked Regent Leebern for chairing another informative session of the Strategic Planning Committee and echoed the Chancellor's commendations to the staff.

UNFINISHED BUSINESS

There was no unfinished business at this meeting.

NEW BUSINESS

There was no new business at this meeting.

PETITIONS AND COMMUNICATIONS

Secretary Gail S. Weber announced that the next Board meeting would take place on Tuesday, October 7 and Wednesday, October 8, 2003, on the campus of Valdosta State University in Valdosta, Georgia.

Chair Harris announced that on September 11, 2003, at 1:00 p.m., there would be a groundbreaking of the new facility for the Office of Information and Instructional Technology in Athens. He also reminded the Regents that immediately following adjournment, they would need to gather for their annual photograph. Then, they would go by bus to the Georgia Institute of Technology for a tour of the Technology Square development.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at

approximately 11:00 a.m. on September 10, 2003.

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

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