

**MINUTES OF THE MEETING OF THE  
BOARD OF REGENTS OF THE UNIVERSITY SYSTEM OF GEORGIA  
HELD AT  
270 Washington St., S.W.  
Atlanta, Georgia  
May 2, 2007**

**CALL TO ORDER**

The Board of Regents of the University System of Georgia met on Wednesday, May 2, 2007, in the Board Room, room 7007, 270 Washington St., S.W., seventh floor. The Chair of the Board, Regent Allan Vigil, called the meeting to order at 10:00 a.m. Present on Wednesday, in addition to Chair Vigil, were Vice Chair William H. Cleveland and Regents James A. Bishop, Hugh A. Carter, Jr., Robert F. Hatcher, Felton Jenkins, W. Mansfield Jennings, Jr., James R. Jolly, Donald M. Leebern, Jr., Elridge W. McMillan, Patrick S. Pittard, Doreen Stiles Poitevint, Willis J. Potts, Jr., Wanda Yancey Rodwell, Benjamin J. Tarbutton, III, and Richard L. Tucker.

**INVOCATION**

Regent Doreen Stiles Poitevint gave the following invocation: “Heavenly Father, you have given us so much and we are thankful. Today, we think of your continued blessings for our lives, our families, this university system and our nation. Let us share your gifts with others and let our nation show generosity to people throughout the world. We are blessed that we might bless others. We commend to your gracious care and keeping all of the men and women of our armed forces, at home and abroad. And we express our thanks for your guidance in the deliberations of this Board. Amen.”

**SAFETY BRIEFING**

The Assistant Vice Chancellor for Administration and Compliance Policy, Mark Demyanek, gave the Regents and audience a briefing of basic safety information in the event of an emergency.

Chair Vigil acknowledged that the May meeting marked Mr. Demyanek’s last meeting with the Board of Regents as he would be taking a position with the Georgia Institute of Technology. Chair Vigil then thanked Mr. Demyanek for all of his help and continued good support. The audience applauded.

**ATTENDANCE REPORT**

The attendance report was read on Wednesday, May 2, 2007, by Secretary Julia M. Murphy, who announced that all Regents were present.

## **REMARKS FROM THE CHANCELLOR**

Chair Vigil asked Chancellor Erroll B. Davis, Jr. to address the Board at this time.

Chancellor Davis thanked Chair Vigil and echoed his thanks to the Assistant Vice Chancellor for Administration and Compliance Policy, Mark Demyanek, stating that Mr. Demyanek was a valuable member of the System Office staff who had made a lot of contributions in addition to the ones seen during the Board meetings. The Chancellor then began his remarks as follows.

“Let me start by thanking you for your presence at this special called meeting of the Board. Today will mark the conclusion of the annual budget cycle, and, as such, is a very important meeting for us. We do not have a lengthy agenda, or at least, we do not think it is a lengthy agenda; but the items before you for approval are critical. They are critical for our students, our institutions, and to the implementation of our strategic plan.

Shortly, you will hear from the Chief Operating Officer, Robert E. Watts, the Vice Chancellor for Fiscal Affairs, William R. Bowes, and me. A point we will continue to make about this budget is how it is driven by the policy directions we are setting and that you will see more resources aligned with those policy directions. If there is one thing I would like for you to take away, it is that the Governor and the General Assembly were, again, extremely supportive of the University System’s efforts. This was an extremely good budget for us, and I am very pleased that they continue to support our directions and our thrusts. From a statistical perspective, our increase in state funding is the largest increase that we have seen in 12 years. For the first time in history our appropriation will exceed the \$2 billion mark.

One of the measures we continue to look at is what share of the total budget is appropriated to education and, of course, higher education in particular. This latter allocation represents 11.7% of the state budget. That is the highest share that we have achieved in five years. In short, our quest to create another set of more educated Georgians has been robustly supported by our state funding partners. The changes we have made and continue to make in our budgeting process, in the development of our strategic plan, and in tuition are sending a signal to our funding partners and to our customers. That signal is that we are serious about exhibiting a high degree of accountability. We are serious about maintaining access, affordability, and predictability of cost for students and their parents. We are also serious about putting our money where our priorities are and having policy drive our budget decisions. We are serious, as well, about strengthening the ability of this System to transform lives and impact the state’s economic growth.

Before I conclude, I want to take this time to note the hard work of many individuals that have brought us to this point. First, of course, let me thank the Senior Vice Chancellor for External Affairs, Thomas E. Daniel, for his commitment, hard work and perseverance over the past few months. This was a very difficult legislative session, not only for us, but for everyone. Mr. Daniel, again, verified his reputation as ‘the hardest working man in show business,’ and we appreciate that. He was supported very ably by the Special Assistant to the Chief Information Officer, Jim D. Flowers, and the Legislative Analyst and Projects Director for External Affairs, Deborah R. Scott. In addition, Vice Chancellor Bowes has performed with his usual excellence

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on the financial side. The Assistant Vice Chancellor for Fiscal Affairs, Usha Ramachandran, and her budget staff have also performed the normal miracles to get all of the numbers ready today. They were joined by numerous others in the process who reviewed legislation, attended meetings, prepared reports, and made presentations. The Session truly requires a team effort; one person alone cannot get it done, and I am very proud of the performance of the team. So, please join me in expressing our appreciation to all of these individuals.” The audience applauded.

“Let me conclude by noting that today is not only the day that we address budget issues, it is also Usha’s birthday. I could tell you her age, but under our personnel rules, I would need her written permission to make that disclosure, and she has declined to provide that. While I leave the singing to others, I know you will join me in wishing Usha a very happy birthday Usha, I hope the remainder of your birthday, after this meeting, will be free of all numbers!

With that, Mr. Chairman, I conclude my comments. I will, of course, be happy to answer any questions at this point.”

There were no questions.

## **COMMITTEE OF THE WHOLE: REAL ESTATE AND FACILITIES**

Chair Vigil convened the Committee on Real Estate and Facilities as a Committee of the Whole and turned the Chairmanship of the meeting over to Regent Tucker, the Chair of the Committee.

Chair Tucker asked the Vice Chancellor for Facilities, Linda M. Daniels, to lead the Regents through the Real Estate and Facilities agenda items. Ms. Daniels thanked Chair Hatcher and stated that she hoped these would be “housekeeping” items as the bigger business of the day would be in the follow up session later that afternoon. However, since some of the approval items have time constraints, Ms. Daniels and her staff wanted to take the opportunity to present them to the Board at this time.

Ms. Daniel presented each agenda item, offering additional information as necessary. Chair Tucker called for a motion to approve and for discussion on each item as it was presented. Ms. Daniels also announced that Item 3, a rental agreement, was withdrawn by the requesting institution. The remaining three items, which included a gift of real property to the University of Georgia (“UGA”), a rental agreement, also for UGA, a project authorization for Fort Valley State University, and the appointment of a design-build firm for a project at the Medical College of Georgia, were approved in Committee.

The Committee adjourned at approximately 10:13 a.m. Chairmanship of the meeting was returned to Chair Vigil who called for a motion to approve the action items recommended by the Committee on Real Estate and Facilities. The motion was properly made, seconded, and unanimously adopted. The details regarding these items are included in the Committee Reports (see page 35).

## **COMMITTEE OF THE WHOLE: FINANCE AND BUSINESS OPERATIONS**

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

Chair Hatcher called the meeting to order, stating that there were a number of items to be covered involving the budget. He jokingly added that he was glad that Mr. Demyanek mentioned the defibrillators as he usually does during the safety briefing because during the budget process they probably are more useful than any other time. He then echoed several thanks that the Chancellor started out with that morning. First he thanked the Governor and General Assembly because they obviously have exhibited their very strong support of the University System with this budget. He also extended thanks to each of the Regents because they all have had a lot of work to do in studying all of the various items that have come before the Board. He further stated that the Board has had a lot of sessions to understand it all and that there is an awful lot of information to cover. He thanked each of the Regents for all of the time that each had already spent on it. Chair Hatcher then thanked the staff for getting the budget information into an understandable format and doing a great job of lining up the budget allocations to the strategic direction of the Board.

Moving into the business of the Committee, Chair Hatcher stated that there were four action items that the Board would be discussing. The first item would be the approval of the fiscal year (“FY”) 2008 budget allocations. The second would be the approval of the FY 2008 tuition. The third would be the approval of the 2008 mandatory student fees, which are approved each year. He noted that there were a number of changes there. The fourth item for approval would be the 2008 salary and wage administration policy. Chair Hatcher then yielded the floor to Chancellor Davis, explaining that he, the Chief Operating Officer, Robert E. Watts, and the Vice Chancellor for Fiscal Affairs, William R. Bowes, would all go through parts of the budget presentation.

Chancellor Davis thanked Chair Hatcher and echoed the Chair’s appreciation for all of the hard work, not only done by staff, but also by the Regents in trying to absorb all of the material. He said he hoped that they received it in a timely manner. If not, he asked that they indicate this on their feedback forms. He stated that this presentation marked the conclusion of his first full budget cycle. He noted that this Session took a little longer than usual due to factors outside of the System Office staff’s control, which was why this special called meeting of the Board was necessary.

Chancellor Davis stated that they would be talking about budgets, which is, of course, everyone’s favorite topic, which they like to get done always before lunch. He further stated that budgets are in many ways, necessary evils. Not many people like to put them together and fewer people like to analyze them. The time has come, however, to talk about budgets, allocations and how they will help move the System agenda forward. The staff, he said, has tried to implement a number of changes this year. These changes emanated from a budget philosophy which the Chancellor briefly discussed. He began with a premise to help everyone understand the complexity of budgeting. That premise is that allocations are more of an art than a science.

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Chancellor Davis then added that there were some key colors used to paint the System's canvas.

As the Chancellor has emphasized over the last year, the System's budgets must be policy implementing tools. The budget also must provide the means for organizations and institutions to reach their strategic goals. This year, he said, institutions would have greater accountability for their allocations, just as they did last year. New funds, he stressed, would not disappear into the base budgets, but would be reallocated, in some cases. Also, timelines have been set for evaluating programs. So, in the next budget cycle the staff may be suggesting to the Board, that money should be moved from one institution to another if an institution does not have the type of performance that the staff believes appropriate for the investments that the System is making. In other words, to the extent incremental funds are allocated for a purpose, that purpose must be achieved if funding is to be continued. This year the staff also undertook a shadow budget process that examined institutional budgets in far greater detail than has been done in the past. Chancellor Davis said that this process would be discussed in more detail later in the presentation. Lastly, the staff put together a new allocation model aimed at rewarding behaviors that supports the System's strategic goals and directions. One of the clear signals the Chancellor has received from the institutional level is that there is no reward for good performance. He said that the System Office is trying to rectify that with this budget process. Of course, given that it is a zero-sum game, Chancellor Davis added that there would be negative rewards for less than stellar performance.

Next, Chancellor Davis gave the Regents some context for how the staff developed the allocation recommendations. He reiterated his earlier statement that the budget must be a policy implementing tool driven by the strategic plan. Further, the staff used the shadow budget process to help inform their decision process. The staff also solicited institutional needs and priorities from the campuses. He added that these needs and priorities were not on any scale because the System would never have enough funds to meet all institutional needs and priorities. He continued his explanation of the process stating that as the System got its allocation, the staff tended to split it into three parts. Part one has to do with basic cost increases for fringes and salaries, salary annualizers, maintenance and operations, etc. The staff recommended that these be fully allocated to institutions. Part two is the enrollment increase in the formula totaling \$38.8 million, of which 2/3 will be allocated using a new model. Part three is the remaining 1/3 which would be utilized for other strategic priorities. Before moving on to the new allocation model, Chancellor Davis briefly explained how the shadow budget informed the staff's decisions.

For the first time, the System Office tried to do a more in-depth analysis of institutional budgets. To accomplish this, a number of people on staff in the System Office were identified to help. The System Office staff was then augmented by volunteers from other institutions. Four institutions were gracious enough to loan the System Office budget analysts during a very difficult period of time. The Chancellor expressed his appreciation for that. Once the team was formed, the staff asked a number of questions about each budget such as, "How does an institution's budget compare with that of its peers?" Chancellor Davis explained that the System Office understands that all of its "children" are unique, but noted that some of them can be grouped together.

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So, staff asked questions about how those institutions' budgets compare. Then they asked how much an institution spends on various functions such as academic support, students services, and, more importantly, administrative functions per student. As they got down into the bowels of budgets, Chancellor Davis said that they also asked if there were opportunities for redirection of funds. Within that, they questioned some aging projects and priorities that were still in the budgets. The team then held budget hearings with each institution to discuss the answers to these questions and the details in their base budget.

Although the staff did not accomplish all that they wanted to this year with the shadow budget process as that would take several more iterations, Chancellor Davis noted that it did, however, provide data to support a lot of the things that the staff knew in principle. Particularly it supported that is that the System's institutions are different. They have different structures, differing needs, and correspondingly different ways of utilizing dollars to fulfill their missions. Chancellor Davis stated that the System Office wants to maintain its respect for those differences, which, in turn, helped the staff put together a new allocation model that takes into account a number of variables.

Chancellor Davis then referred to a slide in the presentation which listed the six variables used in the model. He said they developed targets for each institution and sector for each of these variables. The goals ultimately are, first, to provide an appropriate level of base funding for each institution. The second goal is to start to strategically increase capacity. He further stated that as the Regents had heard in the strategic planning discussions, the staff expects an additional 100,000 students in the System by 2020. He said that they have to start doing the planning and making the strategic investments now to expand capacity to absorb those students and put them in the appropriate sectors. Third, the staff wants to continue the Board's focus on retention, progress, and graduation rates. Fourth, the staff wants to emphasize excellence in financial stewardship. One reason for this is that the System is putting large sums of money into institutions and expects those funds to be managed in a fiscally prudent manner. It noted that there are ways of measuring that already in place and, again, excellence in financial stewardship, from the System Office's perspective, would be rewarded. Lastly, the staff also wants to look at who is working on increasing their efficiency through continuous process improvement.

Chancellor Davis said that it was important to note that this is a temporary model. He stated that these factors were temporary until the Board approves the strategic plan. Then the staff would redo the model with factors from the approved strategic plan. The model, he continued, assigns weights to the variables, all of which can be argued. Everyone has a different perspective on what the weighting should be. The staff came up with the weighting and it generated an outcome, but the staff did not distribute the funds based on the outcome of this formula alone. Instead, the System Office staff considered the outcome as a bookend. The other bookend that was considered was the traditional formula that is used to generate revenue. So, they essentially had two bookends to look at for each institution, and, of course, this was where the art came in. The staff compared what the old model would generate with what the new model generates and used

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an artistic eye and some very vigorous debate on where they should land between those two numbers, particularly where the differences were significant.

Their process was based on objective measures, but, the Chancellor said, there is some subjectivity in the process. That subjectivity, he continued, should decline as the staff continues to seek to refine the process. The outcome, of course, results in an investment at the institutional level. These investments, he stated, would help the institutions and the System move forward.

Before discussing the strategic investments, Chancellor Davis gave a quick recap of the history of how the budget unfolded. Our external budget process began last August with your approval of the FY 2008 budget request that was then submitted to the Governor. Our request complied with the Governor's instructions for a flat budget, in addition to the formula request. Accordingly, we requested \$80 million in the formula along with a capital package totaling \$285 million. This budget was consolidated with all other state agency budgets. In December I met with the Governor to discuss our key priorities at which time I discussed our need for start up funds at Georgia Gwinnett College as well as our growing and continuing concerns about the number of physicians that we are training in this state and the need for more doctors in the state.

In January 2007, the Governor recommended an excellent budget for us with an increase of \$200 million which included \$80 million for the formula, plus salary annualizers, etc. We will get into the details of what makes up that number later. The capital package was \$208 million compared to our request of \$250 million, the difference being at the point in time there were no minors projects being recommended by the Governor. The General Assembly adopted a budget for the University System that included \$75 million in formula funds, plus other adjustments, all adding up to \$197.8 million, very close to the Governor's \$200 million recommendation. The Capital bond package adopted included a number of minors projects, and came in at \$233 million. We also had additional monies for the library system. Again, this was a very good package for us. There were funds included, for example, \$5 million in cash for the planning of a new dental school, which was certainly a welcome addition from our perspective to the budget.

All in all, it was an extremely good budget year. The System saw a 10.5% increase in state funding for the University System, the highest in 12 years, coming after a 6.6% increase last year. This marks an 18% increase in resources over a two year period. The Chancellor stated that, from his perspective, there was little to complain about with that kind of resource support and a lot to be happy about. He continued by commenting that state funds now cross the \$2 billion mark for the first time in the System's 75-year history. The System's share of state funding at 11.7% has now increased to the highest level in 5 years.

Chancellor Davis then said that he was reminded of the quote from Alice in Wonderland, "Would you tell me, please which way I ought to go from here?" He jokingly added that he did not really want an answer to that question from the audience. He then gave the reply from the story, "That depends a good bit on where you want to get to", said the Cat. Fortunately for the

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University System, Chancellor Davis stated, there is now a roadmap for reaching the Board's strategic goals, the strategic plan. At this time Chancellor Davis said that the Chief Operating Officer, Robert E. Watts, would talk about the policy directions for FY 2008 and the funding that follows.

Mr. Watts began his portion of the presentation by listing the six broad goals in strategic plan, which are as follows.

- Renewing excellence in undergraduate education
- Creating enrollment capacity
- Increasing the System's contribution to research and economic development
- Strengthening System partnerships with the state's other educational agencies
- Maintaining affordability
- Increasing efficiency

He then reiterated the Chancellor's earlier point that budgets are a policy implementing tool, adding that the System Office is proposing to begin significant investments in these goals in FY 2008.

At a summary level, the proposed budget calls for an investment of \$47 million to support action on these goals. Mr. Watts then referred to a pie chart on the strategic plan investment. He noted that approximately 7% of the total \$47 million would be allocated to renewing undergraduate education, including both transforming the core curriculum and increasing retention and graduation rates. Fifty-six percent of the funds would be invested in creating enrollment capacity, including both adding faculty and support staff and expanding distance learning. Mr. Watts said that 20% would be allocated to increase research and economic development, including both research efforts at the research universities and increasing nursing education, while 5% would go to strengthen the System's partnership with the K-12 system. Finally, 12% of the total funds would be allocated to efforts to increase efficiency.

Following this overview, Mr. Watts provided more details about what each strategic goal allocation would entail. He stated that there are two budget initiatives in the goal of renewing undergraduate education. President Dorothy Leland of Georgia College & State University is leading the effort in taking a fresh look at the core curriculum. Mr. Watts said an initial allocation of \$750 thousand would provide a framework for change and a preliminary set of recommendations for the Board to evaluate regarding the future of this effort.

The second initiative, related to student success, began last year. The Board's strategy was to target an investment of \$2.2 million to five institutions that have the best opportunity to improve their retention and graduation rates and consequently move the needle for the system rate as a whole. The five institutions are Georgia State University, Georgia Southern University, Valdosta State University, Kennesaw State University, and University of West Georgia. The proposed budget would re-allocate those funds to them for FY 2008. The institutions will provide a



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preliminary evaluation of their programs during the year.

Next, Mr. Watts addressed two proposed budget initiatives with respect to creating capacity. First, the System Office is proposing an allocation of \$25 million to the System's institutions to increase the number of faculty members and corresponding support staff to support additional enrollment growth Systemwide. This, he noted, is the largest recommended allocation in the budget. The second initiative is GeorgiaOnMyLine, a new effort to expand online programs to students beginning with a new masters' degree program in education in spring 2008. This will be a collaborative venture among several institutions and will also include a searchable database of all available online courses and programs in the System. Mr. Watts said \$600,000 is being proposed for this effort.

The System's research universities have the primary mission for research, and an investment of \$3 million will help leverage external funding. The aspirational goal is to increase the University System of Georgia from number 16 to 12 nationally in federal research funds.

President Daniel W. Rahn of the Medical College of Georgia has been leading the Nursing Education Task Force, which is working to increase the number of nurses produced in the state. For this effort, the System Office is proposing to allocate \$3 million for a competitive grant process to our institutions. The goal is to make strategic investments in those institutions that are most successful and that have private support and opportunities. In addition, the \$2.3 million from the nursing initiative last year is being re-allocated at the original institutions.

All the data indicate that the System needs more math and science teachers and students. Led by President Carl Patton of Georgia State University, the Science, Technology, Engineering and Mathematics ("STEM") initiative will build on the successful Partnership for Reform in Science and Mathematics ("PRISM") program for which the System received over \$30 million from the National Science Foundation ("NSF"). The goal is to increase the number of graduates in these disciplines from 3,213 to 5,000 by the year 2013. One million dollars is proposed for this activity.

A second initiative in the area of partnerships targets students who are at risk of dropping out of high school. The Early College program is a dual enrollment program, where after 5 years, a student gets a high school diploma and completes two years of college. This program was started two years ago with a grant from the Robert W. Woodruff Foundation, Inc. and the Bill & Melinda Gates Foundation. The System Office is proposing to invest \$1.2 million to expand the number of sites to include Albany State University, Coastal Georgia Community College, Georgia Southern University, Macon State College, University of West Georgia, and Valdosta State University. When fully implemented, 3,000 students will be served who would otherwise probably not have made it into the University System.

Efficiency has been a consistent theme in the Chancellor's remarks in his first year. In FY 2008, the System Office will begin intense, systematic efforts in the areas of energy conservation,

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business process improvement, human resources development and leadership, risk management, and information technology (“IT”).

Mr. Watts then turned the floor over to the Vice Chancellor for Fiscal Affairs, William Bowes, to summarize the budget numbers for FY 2008.

Mr. Bowes thanked Mr. Watts and stated that as he imagined that some of the Regents may have been getting number weary at this point, he would make sure his comments on the overall state appropriations were brief. He further stated that most of the Regents had seen the information on the budget through the various communications that the staff had sent out, so the items he would discuss should be very familiar.

Referring to another slide in the PowerPoint presentation, Mr. Bowes stated that the breakdown represented the total appropriation for the System. In FY 2007 the System started off with \$1.9 billion. It has now passed the \$2 billion mark at just over \$2.1 billion. The biggest and possibly most important piece of this is the formula funding of \$75 million. That number includes \$38.8 million for enrollment related increases, \$5.6 million for operation and maintenance of plant, \$4.3 million for new system retirees. Also two very important parts of that total figure are \$16.8 million for health insurance premiums implemented over the last two years and \$10 million for increased utility costs. Mr. Bowes said that these last two were very critical to the System because right now they represent out of pocket costs for the institutions. So this is a very positive outcome in terms of the formula funding.

The System received a 3% salary increase which becomes effective January 1, 2008, included as part of that is full funding to annualize the salary increase received last year. Mr. Bowes noted that one of the items on the agenda was the salary and wage policy, which he would discuss briefly toward the end of the presentation, outlines how those dollars would be distributed. Mr. Bowes made special mention that of the \$54 million appropriated for the 3% salary increase and annualizers, \$24 million represented the new salary increase.

Mr. Bowes stated that the System received a \$17.5 million cash appropriation for major rehabilitation and repair (“MRR”). He added that this was not the full amount of the MRR but the System was successful in getting support to begin to shift those dollars over from bond funding to the state appropriations. The staff’s hope and expectation is that over the next four years there will be more shifting from bond funding to appropriations.

Another very important item mentioned by Mr. Bowes is the \$10 million appropriation to assist Georgia Gwinnett College to hire faculty and staff to meet the needs of class entering this fall and achieve full accreditation in the next year. Another item is the planned expansion of the Medical College of Georgia (“MCG”) which includes \$2.8 million for the expansion of programs elsewhere in the state and \$5 million for the design of the dental school, which is very important for MCG.

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There are a number of other items that the System also received funding for as part of the process, including \$9.3 million for workers compensation and the teacher retirement system, \$1.3 million for the public library system, and \$1.5 million to provide for the operation of maintenance and plant for the agriculture experiment station and cooperative extension service. Mr. Bowes reiterated that the System's total budget is \$2.1 billion for next year, a 10.5% increase in funding over the current year.

Mr. Bowes then began his discussion of the capital budget summary. He stated that the Chancellor had mentioned some information about the capital budget and now he would show the Board a side by side representation of what the System had in its original request and what has been recommended by the Governor. Out of an initial request of \$250 million, the System received \$233.5 million, including funding for all of the major projects requested and approximately half of the minors projects. The MRR bond funding appears higher than initially requested. Part of the reason for that is because the System received more money on the bonding side instead of the full \$35 million in cash appropriation that was requested. A total of \$70 million was requested and the final number received was \$60 million.

However, the System received full funding of equipment for completed projects or projects nearing completion and funding for four projects for which design funds had been previously approved. The System also received full funding of projects characterized as part of the Board's strategic priorities including the Health Sciences building at Kennesaw State University, the library at Georgia Gwinnett College, and the design of the new dental school at the Medical College of Georgia, which was a cash appropriation.

The System received funding for 6 of 13 requested minors projects including:

- Renovation of the Academic Building at Warner-Robins (Macon State College)
- Renovation of Building 1 (Southern Polytechnic State University)
- Renovation of the Rock Eagle Dining Hall (University of Georgia)
- Infrastructure Improvements (University of West Georgia)
- Improvement of the HVAC & Exhaust System Natural Sciences Building (Georgia State University)
- Renovation of Nevins Hall (Valdosta State University)

In addition to that, Mr. Bowes noted funding was provided for several projects that were not included in the System's original request. A total of \$30.9 million is included in the total bond package the following five projects:

- Several Georgia Research Alliance Projects (\$19 million)
- Traditional Industries Program (\$900,000)
- Renovation of the Hinman Research Building (Georgia Institute of Technology)
- Renovation of the PE Building for compliance with the Americans with Disabilities Act (Georgia State University)
- Acquisition of Land for Research Park in Oconee County

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Finally, the System received funding of \$12 million for seven library projects:

North Paulding  
Jasper County  
Porter Memorial Branch  
Conyers-Rockdale County Headquarters  
Troup-Harris-Coweta Regional  
Pierce County Library  
Fairplay Public Library.

The System's appropriation is \$271 million in bonds and another \$5 million cash appropriation for the dental school design. So the System's total amount there would be \$276 million. Once again, Mr. Bowes stated that what was presented here that was not shown before was the \$30.9 million for the five projects for which funds were not requested and the \$12 million for the public libraries. With that statement, Mr. Bowes concluded the capital and operating budget summaries and turned the floor back to Chancellor Davis to discuss the tuition strategy for next year.

As he began the discussion on tuition, Chancellor Davis stated that he wanted to reorient the System's approach. In the past tuition was looked at almost as an end or even a balancing number as the System sought to set it based on its 25% share of the formula. He stated that as he noted earlier, policy drives the System's budget decisions, adding that policy should also drive the System's tuition decisions as well. Implementation of that philosophy started last year with the fixed for four process as the System Office started to send signals to students about the predictability of cost as well as a signal that the System Office and the Board wanted them to move through the System more quickly so that the System's assets could be more fully utilized at the institutions.

So, as the staff went about their tuition deliberations this year, they asked themselves a number of questions. One of the questions was, "what do we want to accomplish and how does tuition help us get there?" As with the budget, the staff started with a philosophy. First, they wanted to maintain affordability and access. The staff's clear view was that in order to achieve this, they would not only have to send the appropriate tuition signals, but also focus more on need-based aid and how to get more aid into the System. The Chancellor stated that he appreciated some of the suggestions that he had been given from members of the Board in this area, particularly from Regent Jenkins. This, he continued, is something that the staff would have to spend some time on for the next budget cycle. Second, the staff wanted to continue to provide predictability for students and parents, which was accomplished with the fixed for four change last year. Third, as the staff looked at capacity and where the System would put 100,000 additional students (the projected enrollment by 2020 based on strategic discussions), they concluded that these additional students would go into the access and the comprehensive institutions. The question then became, "how do we make that happen and can we do that with an appropriate set of price signals as well as enhancing the program array, the facilities, the quality of the

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educational experience in those two tiers?” With this the staff saw the need to start looking at how tuition could be used to help achieve that objective. These three principles, the Chancellor said, were embedded in the tuition recommendations. Chancellor Davis then said he would walk the Regents through how the tuition recommendations addressed these principles.

First, Chancellor Davis gave a brief review of how the fixed for four program works. This program addresses, from the System Office’s perspective, access, affordability, and predictability. With the Board’s commitment to guarantee tuition rates for incoming freshmen, the System is at an historic milestone today, he said. For the first time, a complete cohort of students will see no tuition increase. The freshmen who came in last fall will continue to pay the same rate that was set last year for four years. Then there were the students who were already with in the System and did not have a guarantee. These students will see a modest increase annually until everyone is on a fixed for four program. Last, the incoming cohort of freshmen this fall will also be given a new guaranteed rate for up to four years. In order to explain how the staff determined what the new rate ought to be, Chancellor Davis gave the following example from his former industry, energy.

In order to increase revenue to meet increased costs, he said, there are two primary sources for a power company, new customers and rate increases for existing customers. Also, to help customers with predictability, power companies offer options to lock in rates. In essence, he said, that is what the System has done with the fixed for four program, offered an option to lock in rates. By doing that, he emphasized, it does not eliminate the System’s need to meet its 25% share of the formula increase each year. Fixed for four, he stated has the propensity to reduce the System’s flexibility in meeting tuition obligations if it were looked at on a year by year basis and not on a multi-year basis. He further explained that statement using the following illustration.

As more cohorts of students come in with a locked-in rate, the System can no longer derive extra revenue from those students for four years. To shift the burden to the students who do not yet have a fixed rate could result in a much higher increase necessary for that group of students. For example, after four years, in order to achieve the System’s 25% share, the burden would have to be placed entirely on the incoming cohort, graduate students and others. The Chancellor said that would lead to some rather hefty increases. Therefore, it is important that the plan is looked at on a multi-year basis and that the necessary adjustments are made now to ensure future revenue is adequate to meet the needs of students. All in all, the goal is to be revenue neutral, yet, ensure that the System meets its obligations.

In order to demonstrate how this goal could be achieved, Chancellor Davis referred to a line graph on the fixed for four tuition plan which compared the traditional tuition model to the fixed rate model. The traditional model raises tuition approximately 6% a year to recover the annual increase in costs. Under the fixed for four model, the price is set initially to break even over a four-year period. In the first and second years the prices would be slightly higher but as by the third and fourth years, the normal increases would yield higher tuition levels. This, he explained, is a basic model for fixed for four that would be used this year. It will allow the System to do

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three things: (1) meet revenue requirement for that cohort over four years; (2) address declining pool of students eligible for an annual tuition increase; and (3) ensure the System's ability to meet its long-term formula obligations while maintaining a more modest tuition rate for future cohorts. This last item, the Chancellor said, covers the System's principles of access, affordability and predictability.

Next, Chancellor Davis discussed how tuition would help the System meet its strategic goal of creating capacity through appropriate price signaling. One way to do this, he said, is to have a range of pricing opportunities that lets students consider cost and educational goals throughout the state. The System is sending price signals to students; however, it is unclear how they will respond. The goal is for them to consider attending institutions where there is more capacity, but, in order to accomplish that, the System has to give them more of a reason to go there. Chancellor Davis emphasized that the student will not attend specific institutions just because the System Office or the Board wants them to or because the strategic plan wants them to. Staff has to appeal to their enlightened self interest. Therefore, a higher tuition rate at these institutions gives those campuses more flexibility to augment their program arrays to create stronger programs to attract more students. However, one, obviously, could make the argument that students could look at short-term enlightened self interest, see a higher sticker price and want to go elsewhere. That option is available for them as well.

With that background, the Chancellor once again turned the floor over to Mr. Bowes to discuss how the numbers should play out over time.

Mr. Bowes indicated that he would begin this segment of the discussion with the tuition for the research universities. He stated that, as the Chancellor mentioned, those classes that came in FY 2007 would see no increase. The \$1946 per semester that the Board approved last year would remain in effect for those students. For the current continuing students, there would be a modest increase. That rate per semester would be \$2044. The tuition for the entering cohort, under the strategy that the Chancellor outlined, would be \$2248 per semester.

One of the things that Mr. Bowes stated that he needed to mention concerns not only the research universities, but also the comprehensive state universities that offer graduate programs. In June of last year the Board made a policy change to the graduate tuition rates. When it approved the guaranteed tuition plan, it was understood that the graduate rates could no longer be pegged to the undergraduate rates. For this reason, the Board made the decision that it would now allow the institutions to present specific requests based upon market considerations. So, this year, he stated, what the Board would see, which is in Appendix II (the full appendices are on file with the Office of Fiscal Affairs), is that institutions have come back and the staff has recommended a number of differential rates at the graduate level reflecting those market considerations.

For the regional comprehensive universities, once again, no change for the FY 2007 cohort, it would remain at \$1,280 per semester. For the current and continuing students, those not eligible for the guaranteed tuition plan, the rate would be \$1,345 per semester. The tuition for the

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entering cohort for FY 2008 would be set at \$1,434 per semester. For Georgia Southern University, Kennesaw State University, the University of West Georgia, and Valdosta State University, there would be a slight bump in the rate to \$1,479 per semester for students under the fixed for four program and the rate would be \$1,357 for continuing students who are not under the fixed for four plan. Mr. Bowes explained that the differential rate for these four institutions would do two things: (1) begin the process of using price to influence student behavior in the choice of institutions; (2) provide additional resources to reflect the mission of these institutions as doctoral degree granting institutions. He also noted that these institutions have student bodies of roughly 10,000 or more. Mr. Bowes also reminded everyone that the System currently has differential rates at two of its institutions, Georgia College & State University and Southern Polytechnic State University, which were approved several years ago in recognition of the separate missions that those institutions have. Again, he said, the graduate tuition rate would be based upon institutional requests which looked at market consideration and how those institutions' graduate programs are competing in the general market.

Finally, with the two-year institutions and state colleges for the lower division, once again, there would be no change in the FY 2007 rate for students who came in last year. That tuition is set at \$802 per semester. He stated that the current and continuing students would see an increase, which would go to \$834 per semester. The tuition for the new entering cohort for FY 2008 would be established at \$875 per semester.

For the state colleges the staff is proposing another policy change that would create a single rate at the seven state colleges. Currently, there are two separate rates. One rate is a lower division rate, which has been adjusted in the same fashion as the rates at the two-year colleges. The second is an upper division rate, which has been adjusted in the same manner as has been done for our comprehensive state universities. When the guaranteed tuition plan was introduced last year, that model became very complex, not only for the System's institutions, but for its students and parents as well. Mr. Bowes stated that what the staff is recommending this year is that the System move to a single rate which would be established between what the upper and lower division rates would be. He added that these rates would be established closer to the lower division level because most of those institutions currently offer predominantly lower division courses. The staff is proposing for the current and continuing students, those who are not eligible for the fixed for four plan, a rate of \$888 per semester. The entering cohort rate would be fixed at \$936 per semester. Once again, these rates recognize that these institutions serve as access institutions in the University System; however, as the staff has done with the guaranteed tuition rate proposal elsewhere, it is attempting to capture the costs for those entering students for the duration of the guarantee.

At this time Regent Pittard posed a question about the fixed for four tuition rate. Regent Pittard asked Mr. Bowes if there was a sheet included with the Board book information that gave a *pro forma* on how the System will do in FY 2008 versus FY 2007 on overall tuition and in FY 2009, FY 2010, etc. He clarified his question by asking whether or not the System would maintain the revenue stream at about the same rate using the Chancellor's 6% number per year. Mr. Bowes

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stated that the staff has looked at what the formula would be out to 2010 because staff members had a fairly reasonable idea of what the enrollment would be. That analysis, he said, shows that the 6% would hold to 2010, which gives some idea of what the tuition rate increases would be. One of the things he pointed out, in terms of the rates for the guaranteed plan, is that rate would be established right now for the four years, and the rate in future years would more or less flow along the same line as the increase in costs. Again, it is a revenue neutral model as the Chancellor said. It is not additional money. He added that, of course, they could not predict what might happen over the next two years. Things could change.

Regent Pittard stated that it was possible that it could have a revenue positive effect because the System's biggest turn over is entering sophomores. The fixed for four plan means the System will have more entering sophomores that become new cohorts every year, which means that a revenue positive effect is possible. However, Regent Pittard stated that with all of the things the staff has to do, he did not know how much analysis they were able to do spreading out to 2010. He added that he believed revenue negative impact of 1 or 2% is a big deal on the campuses, so he was just wondering what Mr. Bowes' comment would be about that. Mr. Bowes answered regarding the first question about doing that analysis, that the staff has a projection of enrollment and that is what much of this was based on. If that changes in terms of what happens with attrition and so forth, obviously, he said, the staff would have to go back and take another look at that. Mr. Bowes also said that with the rates being proposed under the guaranteed plan for the research, the comprehensive, and the two-year institutions, there is no negative revenue outcome. He said it is revenue neutral from that perspective, which is where the staff started from in doing the analysis.

Regent Carter then asked Mr. Bowes if the staff considered what would happen if the System's state budget were to decrease, as it happened a few years ago, in making the revenue projections. He followed up by asking what the System would do if there were a reduction in state funding since, by approving the fixed for four plan, the Board has restricted its flexibility in changing tuition. Mr. Bowes answered that one of the advantages of doing this, this year is the fact that the staff does not know what the future is going to hold. Therefore, the rates are established at a point that allows for the flexibility in future years to look at what may happen with the state appropriation. It could go up or down. The fixed for four plan gives staff the flexibility in future years to make the adjustments based on that. Mr. Bowes added that is one of the advantages of what the staff is proposing for this year.

Regent Carter then asked if the staff had factored in the growth of students. Mr. Bowes replied that the staff did factor in student growth as the projection going out to 2010 is based on the enrollment projection. Regent Carter followed-up by asking whether or not projections were made further out than 2010, adding that FY 2008 to FY 2010 was a fairly short time span. Mr. Bowes deferred to the Assistant Vice Chancellor for Fiscal Affairs, Usha Ramachandran, who stated that the projection had been done only out to 2010. Mr. Bowes then added that they could extend it further.



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Mr. Bowes then asked for other questions, there were none at this time so he moved on to mandatory student fees. He stated that the Board of Regents is required by policy to approve all mandatory student fees. The System Office staff, he said, has looked at the requests that have come in from the institutions, and the staff's recommendations to the Board reflect the cost increases that the institutions have. Mr. Bowes pointed out that these fees pay for salary increases, which needs to be addressed. In some cases, he said, there was an interest in expanding the services to students. The students in many cases have voted on those themselves. In some cases there are new programs. Two of the big factors this year, according to Mr. Bowes, are facilities fees and technology fees. The facilities fees, he explained, are those fees that are mandatory to all students that cover the costs for things like recreation centers, student centers, and so forth. For many years the System did not increase technology fees. They were kept flat and some of the institutions have proposed some changes there.

As a reminder, Mr. Bowes stated that the Board's policy requires that there be student participation in the institutional fee request. The System requires, in fact, that the institutions establish a committee of which 50% are students that, not only look at the request, but look at how those dollars will be expended after the budget is approved. The staff also looked at the total cost of attendance at institutions in reviewing these fees. A total of 64 requests for fee increases were received. An additional seven were requested as new fees. The recommendations support 53 of these requests at the requested amount, and 15 at a level below the requested amount. Two fee requests were not recommended, which were concerning separate fees for international students. The System Office staff felt that those should be covered by regular state appropriations or tuition revenues.

Mr. Bowes then made a couple of final points about the salary and wage administration policy. The purpose of the policy is to make clear to the System's institutions that funds allocated for salary increases are to be distributed to employees based upon performance with the expectation that this will result in some employees obtaining increases greater than 3% and some lower. In addition, the policy recognizes that some institutions may need to use resources to address issues of salary compression and equity. To the extent that there are resources available here or resources available in the institution's base funding, they would be enabled to go forward and make some adjustments on that basis. The System Office asks that they provide documentation to its staff when they make those kinds of changes. The System Office also asks to be notified for any merit increase that would exceed 10%.

At this time, Mr. Bowes concluded his report and turned the floor back over to Chair Hatcher for any questions. Chair Hatcher thanked Mr. Bowes, Mr. Watts, and Chancellor Davis for the presentation. He said that it was a wonderful summary and a really good job of setting forth a tremendous amount of information. He then directed his fellow Regents to the Committee on Finance and Business Operations section of the Board book, which gave the details of all of the fees, the budget allocations, tuition rates, and the salary administration policy. Chair Hatcher said that they would take each one of the items individually to see what questions the Regents might have. He then asked if there were any questions on Item 1, the budget allocations.

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Regent Jenkins moved to adopt the budget allocation as presented. The motion was variously seconded. Chair Hatcher then asked if there was any discussion. Regent Jolly stated that the Governor was calling back the legislature for a final accounting reconciliation and asked what the impact would be of passing the budget today and perhaps some further action taking place after that. He followed-up by asking if the Board would then come back to make that modification and endorse it. Chair Hatcher stated that as he understood it, the FY 2008 budget that the Regents were working on had been passed. It was the FY 2007 supplemental that the legislators were working on. He asked Chancellor Davis if he would like to add to that. Chancellor Davis stated that it could have some effect or no effect depending upon, of course, what is in it. However, he stated that it would not have any effect on the 2008 proposals before the Board at all. He added that there were such things in the FY 2007 supplemental budget as paying for health care insurance, which the System Office is currently in the process of paying. He stated that by paying for the health care insurance, however, the System has compromised some other activity on campuses. Therefore, if the University System gets those monies it may be able to accomplish some things over the next two months that it would not have been able to accomplish. At any rate, the legislators' discussion of the FY 2007 budget would not, or at least should not, have any impact, based on what was in the earlier versions. Chair Hatcher added that it was a very good question because it effects what the Board is dealing with.

Regent Tucker then stated that he had a question that would need to be addressed when the Regents reached the item on tuition, but was not sure whether or not the adoption of the budget allocations in accordance with the motion on the floor would preclude his question. He stated that he was not sure whether or not his question would cause a need to modify the current motion. Regent Jenkins responded that his motion did not assume or dis-assume what might happen on the other three items, added that his motion stood on its own. Chair Hatcher said that if the Regents ended up changing one of the other items then they could go back to the budget allocations. Regent Pittard said that he thought what Regent Tucker was asking was whether or not they were going to have four separate motions on those four items. Chair Hatcher replied that was what he had planned to do because he thought it would provide a better opportunity to discuss each one. Various regents agreed with this comment. Chair Hatcher then asked if there were any more questions on the motion to adopt the budget allocations as recommended.

Regent Jenkins replied that he had several comments that he would like to make, adding that he hoped his fellow Regents would bear with him as he would try to go as quickly as possible. Regent Jenkins stated that he made the motion because he felt very strongly that this was a good budget and he liked the allocations. He added that he supports it 100%. He then stated that he had three specific comments that he would like to make and then one general comment. With respect to the three specific comments, he said that some of it, all but one, had already been covered in the comments that the various speakers had made. However, he said that he would like to emphasize some of them, stating that it might be helpful if those who cared about following with him would pull out their multi-colored sheet that is not in the Board book, but was mailed to the Regents separately. He said it might help to follow that.

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As the Regents attempted to locate the spreadsheet in question, Regent Jenkins stated that it was labeled “attachment 3.” Chancellor Davis said that it was the allocation of formula funds spreadsheet. Regent Jenkins noted that it said FY 2008 Allocation of Formula Funds. Usha passed out copies to those who did not have it.

Regent Jenkins continued, stating that his comments would first deal with graduation rates. He stated that the Chancellor and the Regents have all said enumerable times, that this is a very important part of the strategic plan. Regent Jenkins went on to give his personal view on graduation rates, prefacing his comments by stating that he was not trying to change anything in the presented materials. He said, however, that he feels the Board is not allocating enough money to this area. In his view, it is probably the most important aspect of the tuition plan. He further stated that if the System could change the graduation rate which, of course, includes the retention rate and the progression rate, it would do a great service to the state. For this reason, he feels very strongly about that. In fact, he pointed out, the graduation rate is the second item mentioned in the strategic plan under goal number one, so everybody recognizes that it is an important issue. He continued stating that he feels the Board ought to think about the possibility of adding more dollars to it. He also pointed out that President Grube’s presidential task force, as he understood it, has made its presentation on retention and graduation rates, but it had not been presented to the Board yet. He added that although he was not sure of the sequence, but he was sure that he had not seen it. Chancellor Davis interjected that Regent Jenkins was correct. Regent Jenkins continued stating that the findings of that report might affect what the Board would want to do with these dollars. He summarized his point stating that the graduation rates are a very important area and the Board ought to see that report and its recommendations and have some flexibility in respect to dollars that might be spent.

Regent Jenkins stated that his second specific comment had not been covered in earlier conversations regarding the strategic plan. This point dealt with public relations and advertising, which is a part of the strategic plan under goal number two. It specifically points out that beginning in FY 2008, the year that was being discussed, the System should develop a public relations and advertising plan to contact the group of people who are underserved. In other words, he said, there is a group of high school students who just do not think about college because of their economic situation, their family situation, or other reasons. He further stated that if the System could get to that group and convince them of the importance of college, then it would do them a great service and do the state a great service as well. For this reason, Regent Jenkins stated that he would like to see, as is called for in the strategic plan, some specific dollars, at some point—maybe not this year but at some point—directed to that advertising/public relations part of the strategic plan. He noted that individual institutions are doing a good job, a better job, in his view, of advertising. He said that just riding the street and looking at the billboards, individual schools are putting out a lot of billboards and a lot of advertising can be seen. However, Regent Jenkins believes that to make this a system, as opposed to a confederation as has been said so many times, there ought to be a public relations/advertising plan generated in the System Office. Regent Jenkins shared that he had spoken with President Lisa Rossbacher of Southern Polytechnic State University (“SPSU”), who

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was in attendance at this meeting, about a public relations plan that has been implemented her institution. For SPSU, Dr. Rossbacher, he stated, has hired a fairly new small public relations firm which she says does excellent work. Regent Jenkins said that he believes if the System could get someone like that, even perhaps on a pro bono basis, to begin to develop an overall public relations and advertising campaign for the System, it would be well worth the dollars. He emphasized that if they could find the right company, they might be able to get it done on a pro bono basis, at least initially.

The third point that Regent Jenkins made was regarding need-based aid. He stated that this was also an area that everyone had acknowledged as important and something that ought to be done. He stated that the problem with this issue is that it is such an extremely big problem in terms of cost that it is difficult to start attacking the issue. He stated that the Associate Vice Chancellor for Student Affairs, Tonya Lam, has a group appointed by the Chancellor, which has done some studies on need-based aid. According to those studies, Regent Jenkins said, about \$700 million a year, roughly \$675 million, is needed to take care of all of the need-based aid that is needed in the System. That figure is so staggering, he continued, that people just tend to say, “well we can’t do anything about that” and just sort of move on to something else. However, as he has discussed with the Chancellor, there are some possibilities of state money out there that would help the System do something about that. Regent Jenkins said he was reminded of the Georgia Institute of Technology (“GIT”) promise that was mentioned several meetings ago. He said that Regent McMillan made a very nice comment and everyone applauded what GIT was doing. Regent Jenkins stated that GIT has said that their program will cost them only \$2 million dollars a year. He further stated, knowing that there are many reasons why the GIT plan would not necessarily work for every institution, that if that was extended out, the same thing could be done for the entire System for less than \$30 million a year. He said, “All I am saying is we need to start somewhere.” He added that there are a lot of ways to control the costs to the System such as varying the family income qualification or having a grade point average requirement. He further stated that what the System needs is a complement to the HOPE Scholarship program. “We need a ‘HELP’ scholarship as well as a HOPE scholarship,” he said.

Regent Jenkins stated that those were the three items that he wanted to discuss and then made the following suggestion. He stated he was not suggesting changing the motion that he had made, but asked his fellow Regents to look on their FY 2008 Allocation of Formula Funds spreadsheet at the third line from the bottom called “unallocated.” He stated that he understood that to mean that the dollars across those columns, which total \$9.7 million, were unallocated to any specific institution. He further stated that this did not mean that the dollars were necessarily unallocated because they were in columns dealing with various strategic goals. Regent Jenkins then stated that he would like to suggest to the motion that I have made that we pass that motion with this assumption or understanding that the Chancellor and his staff will have the discretion to vary the allocations within those categories to put those dollars wherever the Chancellor might feel. In other words, he would not be bound to, for example, in the efficiency category you have \$5.4 million dollars. All I am suggesting is that the Chancellor be allowed, if he sees fit, in his sole discretion would be allowed to vary that allocation to other things, for example, advertising to

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use my example, but some of you may have other specific things. All I am trying to do is give the Chancellor the flexibility to use that \$9.7 million dollars as he sees fit and not absolutely necessarily in the column in which it appears. I am not asking for a change of any single figure. I don't want a nickel to change. I just want to give the Chancellor that discretion to make those allocations of these so called unallocated dollars if he sees fit. And of course he would report that back to the Board.

Regent Jenkins stated that his final comment deals with procedure. He said that everyone had said throughout the meeting how much they appreciate what the staff has done and that he wanted to emphasize that. He said he spent several hours with Mr. Bowes and that he could not have been more open and forthcoming, answering every question that Regent Jenkins could think about. Regent Jenkins further stated that he could not imagine having 16 Regents, at the moment, to present with that type of report. For this reason, he highly complimented all of the work that the staff has done. He prefaced his next comment by stating that he was not in any way criticizing the work of the staff. He then stated that he believes that the Regents, collectively as a Board, should have the opportunity to hear some of the issues discussed beforehand and make suggestions, as he has tried to do this morning. He stated that this might take place in a work session which would give the Board, without being in black and white and very definite, a way to make suggestions that would, perhaps, be well received. Regent Jenkins continued, stating that as he looked around the room, excepting only himself, everybody present was an accomplished business person. He further stated that in this case of a \$2.1 billion budget there could be some good suggestions as to how the budget could be improved. He added that he was not saying that there was anything wrong with the budget as presented. He stated that he thought it was wonderful, emphasizing that he made the motion and have said again, now for the fifth time, that he is very strongly in favor of it. However, Regent Jenkins stated that he thought that the combination of great minds, again, excluding himself, around the table could make some good suggestions. The fact is that the time restraints, he continued, are such that it is very difficult to do that, adding that the Regents and staff have not only this, but the budget allocation for all the System Institutions next month, a the FY 2009 budget in August. So it is really difficult, he stated. He then that, in his view, it would be helpful to the state of Georgia to use the man power/woman power present at the Board table to give those who have the expertise to make suggestions the ability to do it, rather than just saying it is to be adopted.

Regent Jenkins then thanked Chair Hatcher for the time, apologizing for being so long. "As they say in the Senate, under whose rules we operate," he added, "I yield back the balance of my time."

Chair Hatcher thanked Regent Jenkins for his very well thought out questions. He then added two thoughts, the first being that Regent Jenkins may have been looking at a different sheet because he did not find an unallocated line on his. Various Regents stated that the sheet that Ms. Ramachandran handed out was different from the sheet the Regents received in the mail.

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Regent Jenkins said that he would add that to his last comment, stating that the Regents ought to have the same materials. Chair Hatcher said that he brought the one that he went over with Mr. Bowes two weeks ago rather than the copy that was passed out during the meeting. Regent Jenkins said that he brought the one that Mr. Bowes gave him one week ago. Chancellor Davis added that the money had been allocated it since then. Regent Jenkins asked if he was looking at the wrong thing. He then asked if the other Regents' spreadsheets had a figure on that is \$9,685,000. Various Regents replied that they did not have that figure. Chancellor Davis stated that the funds had been spread out among the categories. One Regent added, jokingly, that the Chancellor used his discretion to move it. Regent Jenkins then said that it looked like he was successful in his suggestion. Various Regents added that it did, indeed, appear that he had been successful.

Regent Jolly then asked Chair Hatcher for a point of clarification, stating that he was following along with Regent Jenkins on the same sheet, attachment 3. He then asked if attachment 3, on which he spent an hour, among other items, going over on the phone the day before, was no longer valid. Mr. Bowes stated that the spreadsheet Regent Jolly was referring to, the last one that he received, was the one used during his phone call on the previous day. Regent Jolly then said that his on attachment 3, as Regent Jenkins said, the third line was labeled "unallocated" and \$9.7 million was the amount listed directly above the total line. Upon hearing this, Regent Jenkins then stated that the staff did send out different things because the sheet used came from the packet he was mailed, not from what Mr. Bowes gave him. Chancellor Davis called upon Ms. Ramachandran for assistance. Ms. Ramachandran asked permission from Chair Hatcher and the Board to explain the difference. Various Regents asked her to use the microphone so that they could all hear her.

Ms. Ramachandran stated that the numbers by institution were the same on all of the sheets whether the Regents received it during the meeting, a week ago or whenever they may have gotten it. She then said, what the staff tried to do with the spreadsheet was to give the Regents far greater transparency than they probably had ever seen before. She explained that typically, the Board sees the starting number and an ending number for every institution. The Chancellor, however, thought it would be a good idea for the Board to see where the System Office staff started and ended. What usually happens when the budget is prepared in the course of the strategic planning effort, the staff assigns sums of money to different initiatives in the strategic plan. Those funds are to be allocated. This spreadsheet, she said, not only shows the amounts by institution, but also gives a description of the initiatives in there. She explained that this information is in a text box, adding that anyone who uses spreadsheets would know that it is not possible to add a text box at the bottom. Therefore, one would have to plug in a number somewhere on the spreadsheet in order for the text box to work. However, she stated, it is the same number that is above it in the same column. She then asked if she was making sense, took the silence to mean that she was not and then took a different approach in her explanation. Ms. Ramachandran stated that the \$9 million that was being discussed was the amount that was in the strategic plan. It is a part of the numbers for the strategic plan and is not distributed at the

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institution level. She then used the first strategic goal, transforming core curriculum, as an example stating that the \$750,000 was not allocated to a particular institution, but as the initiative unfolds it would be. Therefore the \$750,000 is shown as part of the \$9 million. She then said that the \$9 million it is part of the strategic plan and it is part of each initiative.

Ms. Ramachandran asked if that made sense. Regent Jenkins said that it did make sense, pointing out that it was the same thing that he had said. Chancellor Davis then stated that the allocations had been made at this time, adding “we are just showing you the totals, but it has been made.” Regent Jenkins asked where the \$750,000 on the column Ms. Ramachandran mentioned had been allocated, pointing out that would change the allocations above, if it had been allocated. Chair Hatcher then asked if it had been allocated to the institutions or just to transforming core curriculum. Ms. Ramachandran stated that it was allocated to the initiative of transforming core curriculum. As a point of clarification, Chair Hatcher asked, “So it has not been spread to the institutions?” Regent Jenkins said that was exactly what his spreadsheet shows, that it had not been allocated. Chancellor Davis said that one had not been allocated because it is not an institutional project. Regent Jenkins then stated that he did have any further questions, adding that he was ready to go now.

At this time Regent Pittard said to Chair Hatcher that believes the issue on graduation, access, and the need-based aid are critically important. He stated that believed that they all knew and understood that graduation and access, by definition, work in conflict with each other. He explained that if access is made as available as possible, fewer people are going to graduate. Regent Jenkins interjected that would be the case unless some remediation is done. Regent Pittard stated that remediation takes decades, but added that Regent Jenkins was correct on that point. He then said that he was not saying that it is wrong for graduation rates to go down, just that they will. He said that he has always thought that first generation students, ones that do not have college graduates in their families, do not have the support systems, do not understand the sacrifices that are necessary to have dependence for 21 years, not dependence for 17 years, would have a higher drop out rate; however, if those same first generation students were able to attend a junior college or regional college for one year, they and all of their family benefit. He stated that there ought to be an education index rather than a graduation rate of those people who become more educated, more employable, better for the economy, and better for the culture because they have started gaining some education. Regent Pittard said that he would really like to see some significant study on that because he really does think that Georgia is a special state. He said that Georgia is a special state because it has the HOPE Scholarship and a special structure of the Board of Regents in that it lay at the Board’s table to decide what happens to those students who enter the System’s institutions. He then asked, “What are we trying to do with that entry?” He said that if what the Board is trying to do is graduate everyone who comes in, that is a laudable goal. He then asked, “If the students do not graduate, are they a failure as a student?” “Or are they a failure as a person in education?” He then said, “My answer is, to a great degree, I think not.” Regent Pittard then said that he did not know how his statement played into what Regent Jenkins said in terms of graduation being 80% of all he believes and the biggest

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thing he thinks ought to happen, adding that he did think it plays in.

From Regent Pittard's stand point, as someone who comes from a family with no means, and no college graduates, he said that he felt just as strongly about access as Regent Jenkins does for graduation rates. Regent Pittard further stated that he had three older siblings who did not graduate from college, but who all ended up being successes in life. As the last one coming along, he stated that he went a little further than every one of them did and graduated, and for this reason feels as strongly for access as Regent Jenkins does for graduation. He added that he thinks graduation is playing mathematics in a great degree. He said if one were to compare the mathematics of the states which have great graduation rates to Georgia's mathematics, the System is not that worse than they are. However, he added, the System has a larger denominator because it chooses to have a larger denominator. With that statement, Regent Pittard concluded his remarks.

Chair Hatcher asked the Chancellor to take Regent Pittard's comments as input. He then asked Regent Jenkins to clarify his earlier point because it appeared Regent Jenkins wanted some very specific things in terms of the Chancellor's discretion. He noted that there were some items that were allocated to large subjects, but not to an institution and asked Regent Jenkins to help him get some specifics for language for the Chancellor's discretion as part of his motion.

Regent Jenkins stated that what he was trying to say was that for those items that are special initiatives that have not been yet assigned to a specific institution, that the Chancellor would have the discretion to move those funds among initiatives as he sees fit without necessarily binding his hands to spend the money in the column in which it appears on his spreadsheet, which, maybe, nobody else had. He then added that whether the Regents had his page or not, all he was saying that he wanted to make it clear that the Chancellor can, at his discretion and reporting back to the Board of Regents, adjust and move dollars from one initiative to another. He added that, quite frankly, he believes the Chancellor probably already has this discretion. Chair Hatcher then asked if this was a part of Regent Jenkins' motion. Regent Jenkins replied that it was, with the approval of the motion, adding that was the understanding with which his motion was presented. Regent Leebern said that was the intent and the understanding of the Board. Regent Bishop asked if they were, again, referring to the \$9.6 million number.

Regent Jolly stated that he had one other point. He said that he thought they might be talking about two different things. He said he believed they were talking about monies that were at that point not allocated to the institution, but were allocated to a category of the strategic plan. He added that he thought the Chancellor and staff already have the total discretion as to how these monies get allocated to the institutions, making it something that the Board is not, per se, involved in. He asked Regent Jenkins to clarify whether or not he was talking about reallocating the monies already allocated to the strategic plan based on his input. Regent Jolly added that he thought that needed to be understood before moving forward because, as he understood it, there were two different things at play in the discussion. Chair Hatcher told Regent Jolly that he raised



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a very good point. He then asked Regent Jenkins if he wanted to respond. Regent Jenkins stated that he did not agree with Regent Jolly's statement. Chair Hatcher then asked Regent Jenkins, as a point of clarification, if what he was talking about was being able to allocate to the institutions within the transforming core curriculum column, but not from that one to somewhere else. Regent Jenkins replied, "No," and explained that his intention was for the Chancellor to have the discretion to transfer funds from the core curriculum column to the "ABC" column.

Chair Hatcher said to Regent Jolly that he believed that point was what he had been hesitant about in his statement. Chair Hatcher asked if he was correct. Regent Jolly said that he was. Regent Jolly then stated that, as he understood it, they all had the same sheet adding that although one line was different, they all worked out the same. He further stated that he was not trying to put words in Regent Jenkins' mouth, but he believed the budget that was presented represented the plan from the Chancellor's staff, noting that it followed the strategic plan. He then said that he thought what Regent Jenkins was saying is that he'd like to see the budget changed with some emphasis placed in other specific areas. Regent Jenkins stated that part was not right, adding that he would not like to necessarily see it change. He said that all he would like to do is give the Chancellor the discretion to change it if he wants to. He further stated that the fact that the Chancellor has put it the way that he has put it, the way it was presented, it was very highly unlikely that he would change his mind. Regent Jenkins said that he just wanted to give the Chancellor the discretion to be able to change his mind if he wanted to, based on whatever input, not just on what he had said, but any input that anyone might have to give. Chair Hatcher stated that the Chancellor would report back to the Board on any changes as a clarifying point. Regent Jenkins answered affirmatively and reiterated his earlier example of report on graduation retention from the presidential committee led by President Grube. Regent Jenkins stated that he did not know what the report says, but President Grube might have some wonderful, great idea that might need another five cents to make it work, and he wants there to be the discretion in the Chancellor's Office to be able to do that. He emphasized that was all he was saying, adding that he was not changing one single penny on the budget. Chair Hatcher then asked Regent Jolly if he was comfortable with that explanation. Regent Jolly stated that he was.

Regent Leebern then asked Chair Hatcher if they could move this on. He stated that the Chancellor certainly has the discretion, but said that the Board should have a discussion and approval on the line item. That way everybody would be saying the same thing. Regent Jenkins said that would just bind the Chancellor more, but if that was what Regent Leebern wanted to do then he did not have a problem with that either. He reiterated that he wanted to give the Chancellor the discretion with the understanding that he would just report back to the Board.

As an information item, Regent Leebern said that about four or five year ago, while at the University of West Georgia, Dr. Sethna had a truly exceptional report about at-risk children in the greater Carrollton area, where they brought people for the first time into the school in the summertime, utilizing the transportation that was available in the university transportation system. He stated that he would love for the Chancellor to bring that report/video to the Board in

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August or September. He further stated that it was very moving, very exceptional and that he thought they would all benefit by as it relates to Regents Jenkins' and Pittard's remarks. The Chancellor said that it would not be a problem.

At this time, Chair Hatcher brought the Board back to the motion that was on the floor. Regent Leebern seconded the motion. Chair Hatcher: asked if there was any further discussion or questions on that item. As there were none, he called for the vote and the item was unanimously approved.

Chair Hatcher then moved to the second item, tuition rates. He asked for motion to approve tuition rates as presented. The motion was made and properly seconded. Chair Hatcher then asked if there was any discussion. Regent Tucker apologized for focusing on one tuition issue, explaining the Mr. Bowes did call him for a comprehensive review of the budget and that he did not broach the subject at the time because he did not necessarily know it to be an issue at the time. He added that now that he knew it to be an issue, he wanted to bring it up. He then said that, as he understood it, and asked that anyone who had more knowledge on this subject than he would correct him, Georgia Gwinnett College ("GGC"), one of the state colleges, was the only one whose tuition per semester hour would decrease from \$106 to \$78 per semester hour. He asked if that was correct. Chancellor Davis stated that it was not true. Regent Tucker then asked, if it was not the only one, then was it, in fact, decreasing. He stated that he did not want to cause an argument or any dissension but when the bifurcated rate went away for the state colleges, some of which have two-year programs and some of which have four-year programs, those institutions were left with a blended rate. Since GGC did not have those two-year programs, it was at a figure, from his understanding, that was higher and currently is higher than what the new rate would be if the Board adopts this.

Mr. Bowes stated that the plan was established so that all of the state colleges, including GGC had the bifurcated rate so that the rate structure would be the same even though GGC does not have lower division students at the present time. He explained that for Macon State College, Dalton State College, GGC, and so on, the rate was currently \$106 per credit hour at the upper division and approximately \$67 at the lower division. He further explained that what would happen if the budget were adopted is that every institution including those three, plus the four others would go to the single rate for next year. Mr. Bowes stated that the issue that he has been talking with the presidents of these institutions about is what will happen next year to those students who are currently on the guaranteed rate from last year, who came in as upper division and are currently paying the \$106 per credit hour rate. He said they (the System Office staff and the presidents) would have those discussions and determine what the policy should be. He continued, stating that the idea is to have the single rate being proposed for those institutions that currently have the upper and lower division in between those rates. So it is lower than the upper division rate. Regent Tucker stated that as he understood it, out of the seven institutions, six of them, by them having the blended rate would be revenue neutral or maybe even get a little bump

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in overall tuition whereas GGC would get less because they do not currently have a the lower division now. He said that if was wrong or speaking out school then the staff could just take it under advisement and worry about it later as he did not want to “hold up the wheels of progress” over it. However, he added, it was called to his attention and he thought that he would voice the subject. Chancellor Davis responded that to the extent that GGC does not have first and second year now, it would have first and second year in the future. He added that if the institution stayed without change it would be charging not the rate that they are charging the upper division, but they would be charging a lower rate. The rate they have for the upper division now would not be the rate to charge first and second year students. When the institution gets a full cohort, then it will be put in that position. Regent Tucker said that he fully understood that, adding that, again, he should have broached this question prior to now, but did not have the information prior to now. He apologized again for the time his comments took. Chair Hatcher asked if he was comfortable with the explanation. Regent Tucker said that he was, as long as they are working on it.

Chair Hatcher asked if there were any other questions or discussion on the motion on tuition rates. As there were none, he called for the vote and Item 2 was unanimously approved.

Next, Chair Hatcher asked for a motion to accept the mandatory fees as presented. After the motion was properly made and seconded, He asked if there was any discussion. Regent Jenkins stated that he had a question for Mr. Bowes. He noted that two mandatory fees were rejected, one from the University of West Georgia and one from Kennesaw State University. Regent Jenkins pointed out that both fees dealt with international/global initiatives He then asked if the was that the committee comprised of 50% or more students approved these fees. Mr. Bowes stated that was not for certain, explaining that the System Office does not require that the committee take a vote on a fee nor does it require that the students approve it. The System Office simply requires that students make up 50% of the committee that reviews the fees. He added that the System Office has gotten information from the institutions indicating if there had been a vote and what the vote had been, but that he did not recall the specifics for these particular fees to which Regent Jenkins referred. Regent Jenkins stated that the follow up question to that was that sometimes there is a campus wide student vote, but at this time it is not know whether or not that happened in this case. Mr. Bowes said that he did not recall whether that happened. Dr. Sethna stated that he was pretty sure it was not a campus wide student vote. He explained that the committee is not constrained by this, but it is a committee dominated by students that reviews the fees. Regent Jenkins said that he understood, but asked if Dr. Sethna knew whether or not the student committee approved the fees in both cases in question. Dr. Sethna stated that he did not know of his own knowledge, but that his gut is that they probably would have had input.

Chancellor Davis stated that, from a governance perspective, he wanted to make it clear that the System Office staff does not change these recommendations. He explained that the staff reviews them, surfaces them to him with a recommendation, and then, after some robust discussion with the staff, and a number of times asking them to go back to the president and to the campus, the

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Chancellor changes them. Chancellor Davis said that this was a change because in the past, recommendations were essentially changed at the staff level and then shown to the Chancellor.

Last year, he stated, he took the view that if a person does not have accountability for decisions then that person should not make the decisions. Therefore, this year, the number of changes is far less than the number from last year and much more weight and deference were given to the recommendations coming from the campus because they were endorsed by the presidents, and there was a legitimate governance process. It was only with great concern, he added, that he made the several decisions that he did to not approve the recommendations in question. From a System perspective it was based more on precedent than it was on amount. For example, there was one fee suggestion which the Chancellor felt should be in the purview of the Board/System Office, adding that it is the type of activity that the Regents should pay for, not the students. He stated that this was the reason he made the judgment, adding that although he did not have the particulars in front of him, he wanted to assure the Board that this does go through a very thorough process at the campus level before coming to the System Office, which is followed by the staff making presentations to the Chancellor. He added that there were multiple iterations with on this information with him before a decision was made. Regent Jenkins stated that he appreciated all of that and that he was going to vote for it. However, he said that he would just observe that the area of international and global initiatives is very important in all of the Board's strategic plans and if students are saying this is what they want . . . Regent Jenkins stopped and stated that was the end of his comment. Chair Hatcher asked for further discussion and called for the vote. Item 3 was unanimously approved.

Chair Hatcher asked for a motion on Item 4, the salary and wage administration policy. The motion was properly made and seconded and the floor was opened for discussion. As there was none, Chair Hatcher called for the vote. The item was unanimously approved.

The Committee meeting was adjourned at approximately 11:50 a.m. Chairmanship of the meeting was returned to Chair Vigil who called for a motion to approve the action items recommended by the Committee on Finance and Business Operations. With the motion properly made and seconded, the Board unanimously voted to approve all four items as presented. The details regarding these items are included in the Committee Reports (see page 29).

## **COMMITTEE REPORTS**

### **COMMITTEE ON FINANCE AND BUSINESS OPERATIONS**

The Committee on Finance and Business Operations met as a Committee of the Whole on Wednesday May 2, 2007, at approximately 10:15 a.m. in the Board Room. Committee members in attendance were Chair Robert F. Hatcher, the Chair of the Board, Allan Vigil, Vice Chair William H. Cleveland and Regents James A. Bishop, Hugh A. Carter, Jr., Felton Jenkins, W. Mansfield Jennings, Jr., James R. Jolly, Donald M. Leebern, Jr., Elridge W. McMillan, Patrick S. Pittard, Doreen Stiles Poitevint, Willis J. Potts, Jr., Wanda Yancey Rodwell, Benjamin J. Tarbutton, III, and Richard L. Tucker. The Committee of the Whole reviewed four (4) items, all of which required action. With motion properly made, seconded, and unanimously adopted, the Board approved and authorized the following:

#### **1. Fiscal Year 2008 Budget Allocations (Addressed by Committee of the Whole)**

Approved: The Board approved the allocation of state appropriations for fiscal year (“FY”) 2008 among institutions and operating units of the University System of Georgia. All allocations are pending the Governor’s signing of the FY 2008 Appropriations Act.

Modified: This item was modified prior to the Committee meeting to specify the use of the \$2.8 million allocation given to the Medical College of Georgia (“MCG”). This modification is presented below with modified text in bold and highlighted.

Background: The FY 2008 budget approved by the Governor and General Assembly provides for total funding of \$2.1 billion for the University System of Georgia, including all institutions and organized activities, an increase of \$203 million, or 10.5% above last year’s appropriation. Formula funding increases comprise \$75.5 million of the total increase, a reflection of the continued strong support state funding partners provide to the University System of Georgia to fulfill its mission of teaching, research and service.

Other organized activities (“B” budget unit, and non-teaching “A” budget activities, special funding initiatives and Research Consortium) including, as examples, the Georgia Tech Research Institute, the Agricultural Experiment Station, the Cooperative Extension Service, the University System Office and the Georgia Public Library Service and line item A units received \$315.5 million in state appropriations, an increase of \$39.8 million or 14.4% above current funding levels.

#### **Operating Budget**

The FY 2008 approved budget for the University System of Georgia includes the following major components:

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- \$23.9 million is included to provide merit-based salary increases averaging approximately 3 percent. The increases for both faculty and staff will become effective January 1, 2008. Funds to annualize the FY 2007 pay increase in the amount of \$30.6 million are also included.
- \$75.5 million for formula increases. The formula comprises the major component of new state appropriations approved by the Governor and General Assembly for the University System of Georgia and includes \$38.8 million for enrollment-related increases; \$5.6 million is for operation and maintenance of new facilities, \$4.3 million for new system retirees, \$10 million for utility rate increases, and \$16.8 million for health insurance premium costs implemented in January 2006 and 2007.
- \$10 million is provided to assist Georgia Gwinnett College to hire faculty and staff and acquire other needed resources to develop programs and meet accreditation requirements.
- \$3.7 million is included to effect the transfer of the Georgia Aviation and Technical College to Middle Georgia College.
- \$17.5 million is provided to begin the transition of funding for the Major Rehabilitation and Repair Fund (“MRRF”) from bond funding to state appropriations (cash). This transition is expected to occur over a four-year period.
- \$2.8 million has been appropriated to provide for the planning and expansion of the Medical College of Georgia **for the planning and start up of a new facility in Athens.**
- \$1 million is included to provide for maintenance and operations for the Agricultural Experiment Station and Cooperative Extension Services.
- \$297 thousand is provided under the Georgia Public Library Services formula reflecting growth in population.

### **Capital Budget**

The total bond package for capital projects is \$271.5 million for FY 2008, excluding design funds for the school of dentistry at Medical College of Georgia and \$17.5 million in MRR funds, both of which were funded in cash. A list of approved projects appears in Appendix I.

*Note: All referenced appendices are on file in the Office of Fiscal Affairs.*

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### **Allocation Recommendations**

The allocation recommendations for FY 2008 called for \$25.4 million of enrollment-related formula funds to be allocated to institutions to support basic educational needs and create additional capacity for enrollment growth. The allocation strategy for fiscal year 2008 reflects findings from the new budget process begun last year by incorporating elements of institutional workload (enrollment), performance and efficiency. These elements include:

- Targeted Funding per full-time equivalent (“FTE”) Student
- Growth in enrollment
- Retention Rates
- Graduation Rates
- Audit Performance
- Institutional Support Efficiencies (Dollars spent on administrative support)

The allocation weighed each of these factors to develop a final allocation figure.

It was further recommended that new funds for maintenance and plant operations be allocated according to the formula. Funds for new retirees, electricity rate increases, and health insurance premiums were recommended for allocation to institutions based on actual costs or proportional share of estimated costs, except that it is proposed that \$2.5 million from new utility funds be reserved to establish a revolving fund in support of energy efficiency projects.

In accordance with the strategic plan initiatives now under the Board’s consideration, \$13.6 million in FY 2008 state appropriations was recommended for allocation as follows:

A. Renewing Excellence in Undergraduate Education (\$750,000)

Funding is recommended to establish an implementation structure for the Transforming the Core Curriculum project, producing initial core curriculum competency recommendations and designing the initial core curriculum framework.

B. Creating Enrollment Capacity (\$600,000)

In addition to the previously mentioned \$25.4 million which will be used to expand capacity at all University System of Georgia institutions and provide funding for Georgia Gwinnett College, \$600,000 in new funding is recommended to establish an online masters degree program in education, develop a franchise model for online degree programs, and develop a database of all available online programs in the University System. These funds add to \$2.2 million that will be allocated to Georgia Southern University, Valdosta State University, Kennesaw State University, and the University of West Georgia from base-level funds appropriated in FY 2007 to support retention and graduation rate improvement initiatives.

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### **C. Research and Economic Development (\$7.1 million)**

The recommendations provide \$800,000 to each of the four research universities to support expansion of research programs, \$500,000 to support the Archway Initiative at the University of Georgia, \$100,000 to explore opportunities to establish a research park and \$300,000 to expand the Intellectual Capital Partnership Program (“ICAPP ®”) to align with the strategic industry needs of the state as identified by the Commission for a New Georgia.

In addition, \$3 million is allocated to implement the recommendations of the Nursing Education Task Force. These funds will be used to support institutions who can demonstrate a capacity to increase the number of pre-licensure graduates with priority for funding based on factors relating to increased number of pre-licensure graduates; increased retention and graduation rates; partnerships/joint proposals among nursing institutions to increase the number of pre-licensure graduates and/or improve efficiencies; to identify matching funds from other sources including internal institutional funds, partner health systems funds, philanthropy, or grants; National Council Licensure Examination (“NCLEX”) pass rates within six months of graduation and cost per graduate.

These recommendations build upon the \$2.3 million in FY 2007 funds that were allocated to eleven institutions last year and which are proposed for reallocation to the same institutions in FY 2008 to increase the number of nursing graduates.

### **D. Building University System Partnerships with Other State Agencies (\$2.2 million)**

Funds are recommended for implementation of the initiative to improve learning in math and science (the STEM initiative) and to fund the Early College program.

### **E. Increasing Efficiency, Working as a System (\$2.93 million)**

In addition to the previously mentioned \$2.5 million to create energy efficiencies, \$500,000 is recommended for process improvement, lean six sigma and back office efficiency projects, \$400,000 is recommended for central hosting of student administration systems, \$275,000 is recommended for addressing issues of risk management, \$210,000 is recommended for expansion of the GALILEO databases, \$225,000 is recommended for the development of a leadership culture in the University System of Georgia, and \$1.32 million is recommended for expansion of programmatic capacity to provide system level services to institutions.

## **2. Fiscal Year 2008 Tuition (Addressed by Committee of the Whole)**

Approved: The Board approved the tuition rates for fiscal year (“FY”) 2008 to become effective in the fall semester 2007. Approved tuition rates appear in Appendix II.



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### **Undergraduate Tuition**

Last year marked the introduction of the guaranteed tuition policy, known also as the “fixed for four” plan. Under that policy, entering students are guaranteed a fixed tuition rate for four years, if enrolled in one of the University System of Georgia’s research or comprehensive state universities or three years, if enrolled at one of University System of Georgia’s two-year colleges.

The recommended FY 2008 tuition rates under this new policy reflect projections of operating budgets through the year 2010 based upon enrollment growth and the impact of that growth on the funding formula. Rates reflect the minimum needed to ensure that the full share of student cost is captured during the next four years from entering freshman. Rates for continuing students are recommended also in accordance with needs based on the formula.

### **Graduate and Professional Program Tuition**

In November 2006, the Board of Regents adopted a change to current policy on graduate tuition rates. The former policy indexed graduate tuition rates to amount equal to no less than 120% of undergraduate tuition rates. The adoption of the guaranteed tuition plan last year, which altered the fixed relationship between undergraduate and graduate rates, necessitated a change. The new policy gives University System of Georgia institutions having graduate programs the ability to request a separate “core” graduate tuition rate based on market and cost considerations while retaining and expanding policy provisions that also allow institutions to request approval for separate tuition rate adjustments for select competitive graduate and professional programs. Although the change to the graduate tuition policy was driven by the creation of the guaranteed tuition plan for undergraduates, it also serves the benefit of reducing the subsidy of graduate programs by undergraduate tuition and ensures that funds are available to promote excellence in competitive professional programs as well.

The approved “core” graduate tuition rates appear in Appendix II as do the changes in tuition rates for graduate professional programs. The recommendations support all of these requests.

Under current policy, Georgia College & State University and Southern Polytechnic State University have undergraduate tuition rates that differ from the other four-year comprehensive universities due to their unique missions. It was recommended that undergraduate tuition rates at Georgia Southern University, Valdosta State University, Kennesaw State University, and the University of West Georgia, also be differentiated based upon their mission as doctoral degree granting institutions and increased at the same rate that tuition rates at the research universities are increased.

Finally, it was recommended that tuition rates at the seven state colleges in the University System of Georgia, which are now divided between lower and upper division per credit hour

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rate, be transitioned to a single tuition rate. This change will simplify tuition rates for students at these institutions and facilitate the implementation of the guaranteed tuition plan at the state colleges.

### **3. Fiscal Year 2008 Mandatory Student Fees (Addressed by a Committee of the Whole)**

Approved: The Board approved increases and/or adjustments in mandatory student fees for various institutions of the University System of Georgia to become effective in the fall semester 2007. Approved mandatory student fees appear in Appendix III.

This item was discussed in full by the Committee on Finance and Business Operations as a Committee of the Whole.

Background: By policy, the Board of Regents is authorized to approve all mandatory fees and fee increases. The major mandatory fees include intercollegiate athletic fees, student health service fees, student activity fees, parking and transportation fees, and, in recent years, fees to support private funding of facilities such as recreation centers, parking decks, student centers and similar projects. The recommendations contained in Appendix III were developed following a review of institutional fee increase requests that considered, among other things, the current financial position of the programs and activities supported by fees. In addition, all requests were accompanied by documentation provided by each institution concerning the committee review process required by Board of Regents policy. That policy requires each fee and the budget it supports to be reviewed by a committee comprised of a minimum fifty percent of students.

There are currently 161 mandatory student fees in effect at University System of Georgia institutions. A total of 64 requests were submitted for fee increases. An additional seven were requested as new fees. The recommendations support 53 of these requests at the requested amount, and 16 at a level below the requested amount. Two fee requests are not recommended. One is a request by Kennesaw State University to establish a Global Learning Center; the second is a request by the University of West Georgia to create an international fee. Since the activities to be supported by these fees are tied to academic programs, it is recommended that they be funded from tuition revenues and/or state appropriations.

The overall system average increase in mandatory fees based on these recommendations is 9%. This is higher than in previous years. Most of the increase can be attributed to increases in technology fees which have been held constant at most institutions for 5-6 years and to new privatized capital projects for which financing is dependent upon the charging of facilities fees to students. Technology or facilities fees account for more than forty percent (40%) of the total recommended fee increases.

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### **4. Fiscal Year 2008 Salary and Wage Administration Policy (Addressed by Committee of the Whole)**

Approved: The Board approved the fiscal year (“FY”) 2008 salary and wage administration policy for the University System of Georgia.

Modified: This item was modified prior to the Committee meeting to give additional information pertaining to the change in the Salary and Wage Administration policy.

Background: The Board of Regents allocated to each institution funds to provide for a three percent (3%) salary increase for all employees. These funds must be provided to University System of Georgia employees for salary increases on the basis of merit. It is expected that individual merit salary increases will be reasonably distributed among employees in amounts ranging from zero to ten percent (10%). Salary increases may exceed ten percent for employees exhibiting exceptionally meritorious performance. Institutions must notify the Chancellor in writing of any merit increases they approved at a level exceeding ten percent 10%. **Additionally, the policy allows for institutions needing to make promotions or position reclassifications or to address market issues and issues of salary inequity or compression to make adjustments while requiring that these adjustments be supported by appropriate documentation (e.g., market analysis or internal salary studies).**

**Salary increases become effective January 1, 2008, for all System employees.**

## COMMITTEE ON REAL ESTATE AND FACILITIES

The Committee on Real Estate and Facilities met as a Committee of the Whole on Wednesday May 2, 2007, at approximately 10:05 a.m. in the Board Room. Committee members in attendance were Chair Richard L. Tucker, the Chair of the Board, Regent Allan Vigil, Vice Chair William H. Cleveland and Regents James A. Bishop, Hugh A. Carter, Jr., Robert F. Hatcher, Felton Jenkins, W. Mansfield Jennings, Jr., James R. Jolly, Donald M. Leebern, Jr., Elridge W. McMillan, Patrick S. Pittard, Doreen Stiles Poitevint, Willis J. Potts, Jr., Wanda Yancey Rodwell, and Benjamin J. Tarbutton, III. The Committee of the Whole reviewed four (4) items, all of which required action. One item, Item 3, was withdrawn at the request of North Georgia College & State University. With motion properly made, seconded, and unanimously adopted, the Board approved and authorized the following:

### **1. Gift of Real Property, 198 Waddell Street, Athens, University of Georgia (Addressed by Committee of the Whole)**

Approved: The Board accepted a gift of approximately 0.435 acre of improved real property located at 198 Waddell Street, Athens, from UGAREF Newton Street, LLC (the “LLC”) for the use and benefit of the University of Georgia (“UGA”).

## **COMMITTEE ON REAL ESTATE AND FACILITIES**

The legal details involved with accepting this gift of real property will be handled by the Office of the Attorney General.

Understandings: The property contains an approximately 3,328-square-foot frame structure with a basement.

The Board has rented this building since 2004. At the time of rental, the LLC indicated the intent to gift the real property to the Board.

This real property was acquired by the LLC in January 2003 for \$295,000. The LLC has invested \$184,000 to renovate the facility. An appraisal conducted by James L. Lee, MAI, Alpharetta, in January, 2007 values the property at \$360,000.

Acquisition of this real property is consistent with the UGA master plan.

An environmental site assessment has been conducted and indicates no significant adverse environmental issues.

This real property will continue to be used by the University of Georgia Office of Government Relations.

There are no restrictions on the gift and no known reversions, restrictions, or adverse easements on the real property.

### **2. Rental Agreement, 480 East Broad Street, Athens, University of Georgia (Addressed by Committee of the Whole)**

Approved: The Board authorized the execution of a rental agreement between Franklin House, Inc., Landlord, and the Board of Regents, Tenant, for approximately 10,460 square feet of office space located at 480 East Broad Street, Athens, Georgia, for the period July 1, 2007, through June 30, 2008, at a monthly rent of \$15,951.50 (\$191,418 per year annualized/\$18.30 per square foot per year) with options to renew on a year-to-year basis for 4 consecutive one-year periods with rent increasing 2.5% per year, for the use of the University of Georgia (“UGA”).

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

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

Understandings: In November 2004, the Board approved renting this property as swing space for the current tenants of Old College and New College during the renovation of these facilities. Renovation is on-going and there is a continuing need for this swing space.

## **COMMITTEE ON REAL ESTATE AND FACILITIES**

All operating expenses are included in the rent rate.

### **3. Rental Agreement, Vickery Drive, Dahlonega, North Georgia College & State University**

Withdrawn: This item was withdrawn at the request of North Georgia College & State University.

### **4. Authorization of Project, Stallworth Biotechnology Addition, Fort Valley, Fort Valley State University (Addressed by Committee of the Whole)**

Approved: The Board authorized Project No. BR-64-0603, “Stallworth Biotechnology Addition,” Fort Valley State University (“FVSU”), with a total project budget of approximately \$3.1 million to be funded from a United States Department of Agriculture facilities grant and other private funds.

Understandings: The project will involve construction of an addition to the Stallworth Building to house new laboratories, classrooms and offices. The new addition will enhance FVSU’s mission within the biotechnology arena through research, extension, and resident instruction. Specifically, the addition is necessary to accommodate the significant growth in biotechnology research being experienced within the College of Agriculture, Home Economics, and Allied Programs at FVSU. This project will provide an approximate 8,000-square-foot addition to the existing 23,650-square-foot facility.

The proposed addition will provide research laboratories, a general/prep laboratory, an interactive outreach laboratory, offices, restrooms, and a tiered seating assembly space dedicated to students and the public. The total construction cost for the project is estimated to be approximately \$2.4 million.

FVSU will proceed with the selection of design professionals in accordance with Board of Regents procedures.

### **5. Appointment of Design-Build Firm, Project BR-40-0701, Data Center Platform Upgrade, Annex Building, Medical College of Georgia (Addressed by Committee of the Whole)**

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

## **COMMITTEE ON REAL ESTATE AND FACILITIES**

Following public advertisement, a qualifications-based selection process for a design-build firm was held in accordance with Board of Regents procedures. The following recommendation is made:

Project No. BR-40-0701, "Data Center Platform Upgrade, Annex Building"  
Medical College of Georgia ("MCG")

Project Description: The proposed new construction/renovation, approximately 4,925 square feet, is to upgrade the existing data center reliability and infrastructure in the Annex Building and increase the floor and support space.

The current data center was originally designed and constructed as part of the Annex Building second floor renovation in 1992. This data center is the primary data center for both MCG and MCG Health System. It supports all the campus and hospital related IT functions. Both MCG and MCG Health System have experienced sizeable growth in the existing 2,925-square-foot data center, hence the need for this expansion to meet projected space and IT equipment growth over the next five years.

Total Project Cost:	\$3,906,500
Construction Cost (Stated Cost Limitation)	\$3,370,000

Number of design-build firms that applied for this commission: 6

Recommended firms in rank order:

- 1) Compucraft Construction Company, Alpharetta, Georgia
- 2) Holder Construction Company, Atlanta, Georgia
- 3) IBM, Providence, Rhode Island

## **UNFINISHED BUSINESS**

There was no unfinished business.

## **NEW BUSINESS**

There was no new business.

## **PETITIONS AND COMMUNICATIONS**

With the Chair's permission, Secretary Murphy made several announcements.

On behalf of Regent Doreen Poitevint, the Vice Chancellor for Academic Planning and Programs, Sandra Stone, prepared notes from the April 30, 2007 meeting of the Joint Education

**PETITIONS AND COMMUNICATIONS**

Boards Liaison Committee. Ms. Murphy then thanked the Board members for their support of the initiatives of the committee.

Ms. Murphy advised the Regents that lunch would be provided for them in their dining room immediately following the Board meeting, as some of them had other business to conduct at the University System Office later in the afternoon. She then announced that the Regents had received an invitation from Governor Sonny Perdue to join him on June 9, 2007 for receptions that he is hosting to celebrate the accomplishments of Georgia’s High School Valedictorians.

Finally, Ms. Murphy announced that the next regular meeting of the Board of Regents is scheduled for Tuesday and Wednesday, June 12 and 13, 2007, in the Board room in Atlanta, Georgia.

**ADJOURNMENT**

There being no further business to come before the Board, the meeting was adjourned at approximately 12:00 p.m. on May 2, 2007.

s/\_\_\_\_\_  
Julia M. Murphy  
Secretary, Board of Regents  
University System of Georgia

s/\_\_\_\_\_  
Allan Vigil  
Chair, Board of Regents  
University System of Georgia