

PUBLIC-PRIVATE VENTURES IN GEORGIA'S PUBLIC HIGHER EDUCATION:
A CASE STUDY OF THE GEORGIA INSTITUTE OF TECHNOLOGY
AND ITS USE OF DIFFERENT FINANCIAL MODELS
FOR THREE HOUSING FACILITIES

by

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(Under the Direction of Karen L. Webber)

ABSTRACT

Public higher education in the U.S. has become more privatized over the last half-century. One way it has adapted to this privatized environment is through the use of a new funding model, the public-private venture (PPV). PPVs are increasing rapidly in Georgia's higher education system, and yet little is known about the implications of their use. This issue is significant because billions of dollars are invested in Georgia alone. Leaders must be able to utilize privatized financial tools, and understand the best conditions for their use.

With the goal of contributing to the literature about how PPVs are used, there are four research questions that guide this study: 1) how has the PPV model been used in an urban public university?, 2) what are the internal and external forces that cause a public university to use the PPV model?, 3) what is gained and lost by using this model?, and 4) what strengths and challenges have resulted from the implementation of PPVs? A qualitative case study was conducted on the Georgia Institute of Technology, and specifically, three of its housing facilities – two of which are PPVs, and one which is a non-PPV.

Six findings about the breadth and extent of PPV use at this institution included: 1) the need to determine control, responsibility, oversight and autonomy, 2) a balance of risk and debt, 3) how closely to follow the market model, 4) the effects of decreased state support, 5) the connection between strategic planning and the use of PPVs, and 6) the creation of new, even more privatized financial models.

The seventh and most significant finding was the identification of three, distinct pressures present in the public-private venture model – control, responsibility and oversight – or a “triangle of pressures.” This newly-introduced concept emphasizes the three pressures that must be carefully balanced against each other when engaging in partnerships that involve both public and private entities in public higher education.

A trend of privatization in the academy is here for the foreseeable future and leaders should carefully consider the implications to their institutions, their state systems, their students, and plan accordingly.

INDEX WORDS: Public Higher Education, Public-Private Venture, Georgia Institute of Technology, Housing, Financial Model, Control, Responsibility, Oversight, Risk, Debt, Market Model, Decrease in State Support, Strategic Planning

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DEDICATION

This dissertation is dedicated to my family who has given me their unwavering support – my husband, Todd Stephens; my daughters, Jessica and Emily Stephens; my mother, Judy Delany; and my stepfather, Wayne Haskins. My heart is overwhelmed with deep appreciation and love for each one of you.

I also dedicate this paper to my heavenly Father who has faithfully given me the help that I have needed at every turn. “I lift up my eyes to the hills—where does my help come from? My help comes from the Lord, the Maker of heaven and earth.” (Psalms 121:1-2).

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CHAPTER 1

INTRODUCTION

Public-Private Ventures in Georgia's Public Higher Education

Public higher education in the United States has become more privatized over the last half-century. This privatization phenomenon can be defined as containing several different, and yet converging elements — a decrease in state support, a replacement of public dollars with private dollars, a pursuit of diverse revenue streams, increased competition, freedom from public regulation, a reliance on market mechanisms, a new definition of higher education as a quasi-state entity, a shift from need-based grants to loans, and the encouragement of entrepreneurial behaviors. All definitions of privatization in postsecondary education contain several, if not many, of these core elements.

It is not difficult to see how this transformation has occurred when one looks at the ebbs and flows of change throughout the entire 20th century which brings us to today's complex economic environment filled with uncertainty and constraints for public institutions struggling to acquire needed resources.

There are numerous key factors that have driven this privatization dynamic. They include a decrease in state support and a corresponding increase in diverse revenue streams, the deregulation of tuition-setting authority and the diminishing direct control over the governance and management of campuses by the state, the growth of pre-paid tuition and college savings plans, the shift from need-based grants to loans and merit scholarships, governance

decentralization, the emergence of a conservative, political culture that values new public management, and the cutting back of public services.

In addition to the field of higher education, privatization has increased in the government sector as well, and the trend will continue into the future. E.S. Savas (2000) has written extensively about the privatization of the government sector and suggests three broad methods that result in privatizing government-run services and functions, government-owned enterprises and assets: 1) *Delegation*, where government retains responsibility and oversight but uses the private sector for service delivery; 2) *Divestment*, where government relinquishes or “sheds” a responsibility; and 3) *Displacement*, where the private sector grows in a way that displaces a government activity. The same privatization methods seen in the government sector can also be seen in the field of higher education.

Following its use in the private sector, public higher education has had no option but to adapt and become more privatized in a number of ways. One way it has adapted is through the use of a relatively new funding model, the public-private venture (PPV). The academy’s use of PPVs has grown rapidly. From 2000 - 2012, the University System of Georgia (USG) has constructed 175 facilities or renovation projects using the PPV model without adding any of the debt to the state of Georgia. One can see why this new model would be appealing to the state which declared in 2000 that it would no longer pay for facilities such as student housing, student centers or stadiums that do not fall in the core of the academic function. Using this new model, these facilities can still be built with a private party assuming all the financial risk, and yet higher education’s primary customers (students and their families) can still enjoy the services and amenities they expect and (would probably argue) that they deserve.

Savas' (2000) typology on privatization can help to frame this conversation with a theoretical framework. This typology allows us to conceptualize privatization and specifically, PPVs. In his typology, he identifies the public-private partnership (or PPV) as a method of privatization that he labels "delegation." The USG has its own definition of a public-private venture (I will address this in Chapter 2) which is much more narrow than that of Savas, but it falls easily within the same theoretical construct.

Miles & Cameron (1982) address the way organizations adapt to pressures or threats in their environment, and they suggest that organizations tend to implement strategies in domain defense (legitimacy), domain offense (efficiency) and domain creation (growth and security). While there are certainly ways that higher education is establishing its legitimacy, enabling it to become more efficient and grow its markets, the focus of this research study is on the strategy of domain offense. To survive in this new and uncertain environment, public institutions are actively seeking ways to become more efficient and reform their operations. With this as a focus, Savas' conceptualization of privatization in the government sector is an excellent framework that can be applied to public higher education and its efforts in operational reform.

Problem Statement and Knowledge Gap

There is no doubt that privatization is increasing in postsecondary education, and that public higher education must adapt to its new, increasingly-privatized environment through the legitimization of its value, pursuit of operational reforms and the growth of new markets. While much has been written in the literature about privatization in the government sector and in public higher education, very little has been written about one, unique tool that public postsecondary institutions are using at a significant rate to expand their facilities — the public-private venture model. PPVs have increased rapidly in the state of Georgia, and yet very little is known about

how and why they are created, as well as the implications of their use. These issues are significant because billions of dollars are currently invested in the state of Georgia alone in a financial model that has received little to no scholarly examination. Campuses are utilizing both traditional, state-funded approaches to build facilities, and alternative approaches such as the PPV, and yet there is a lack of understanding of the operational, academic, or financial implications of the use of this new model. Additional research on PPVs is needed to address the unique opportunities and challenges associated with them.

Purpose of the Study

The purpose of this study is to contribute to the literature about how PPVs are created in public postsecondary education, and to further understand the implications associated with their use. If this is to be a significant adaptive tool for public higher education, then it is critical to research this issue in more depth. This can help higher education meet the needs of its customers and operate in a financially sound manner.

In light of the increased privatization of public higher education and guided by the conceptual framework provided by Savas (2000), this study will research examples of public-private ventures that exist today in public higher education in Georgia that show alternative approaches to campus facility expansion. Specific research questions are:

- 1) How has the PPV model been used in an urban public university?
- 2) What are the internal and external forces that cause a public university to use the PPV model (other than the obvious USG requirement of its use for specific facilities)?
- 3) What is gained and what is lost by using a PPV model (e.g., university mission and values, reputation, revenue streams)?
- 4) What strengths and challenges have resulted from the implementation of PPVs?

Significance

Study of this topic is important because the privatization of public higher education will likely continue to increase in the future. Today's leaders must respond to utilize new, privatized financial tools, understanding the best conditions for their use. Not only are the financial stakes high today, but they could be very high for the future of the academy as current administrators and boards accumulate significant debt that must be paid for decades to come.

CHAPTER 2

LITERATURE AND THEORY

The Privatization of Public Higher Education

Economic market forces are prompting public higher education officials in the United States to rethink their management strategies. One result of these changes is a movement toward the privatization of public higher education. American colleges and universities currently serve more than 21 million students in undergraduate and graduate degree programs (U.S. Department of Education, 2011). States are supporting postsecondary education at steadily decreasing levels while students pay more and more of actual costs and new and additional revenue streams are being sought. Administrative functions are outsourced. Due to funding decreases, a mindset of efficiency and financial reform is being applied to the academy. What does this mean for the future of higher education? What are the implications, challenges, opportunities and pitfalls that should be avoided?

What is Privatization in Public Higher Education?

As our nation's colleges and universities struggle to navigate, survive and thrive in a new, uncertain, and often volatile economic environment, the knowledge of practices that can ensure efficiency is critical. Privatization may provide some answers. The way that public higher education is funded now is changing so how then should it act in, and react to, this phenomenon? How is privatization defined in the literature, and what is gained and lost in light of this new dynamic? What are the implications for the future of public higher education? These questions are critical to the survival and success of our nation's public higher education system to be sure –

with the diminishing of traditional revenue streams and the addition of new revenue streams, there are implications to the academy. This new dynamic has benefits and lessons to teach us as well as dangers to avoid, but it is clearly here to stay for some time in the foreseeable future. A beginning point, though, is to understand what privatization is, what are the factors that drive institutions to privatize, and what are the major issues for today's leaders.

A review of the literature on the privatization of America's public higher education reveals several scholarly definitions to help describe and define this phenomenon. One of the challenges in this area of emerging research is that the concept of privatization is defined in many different ways by different scholars, and also by academia's many different constituents. Morphew & Eckel (2009) noted that the first decade of the twenty-first century in the U.S. is well known for its pro-market, anti-tax, and small-government sentiment. As a result of this sentiment, public higher education faces challenging times that are marked by privatization - defined as the replacement of public dollars with private funds, the loosening of governance and oversight in favor of market forces, and increasing competition among institutions. In fact, privatization is defined in most contexts as the retreat of public dollars from public universities and a corresponding increased reliance on private money and diverse revenue streams, increased competition for resources, and freedom from excessive public regulation (Eckel, Couturier, & Luu, 2005). The rationale is that revenue and governance factors privatize the institution, replacing historic public policy controls and revenue streams with those of the market, which in turn means that institutions must compete vigorously in the economic marketplace and are viewed by policymakers and university leaders as quasi-state agencies, if state-related at all.

A second definition of privatization (McLendon & Mokher, 2009) focuses on the privatizing efforts in higher education state policy which are encompassed by a broad range of

approaches, including: 1) a growing dependence on private sources of revenue to finance public higher education; 2) an increasing reliance on market mechanisms with which to promote competition and through which to allocate higher education goods and services; and 3) the diminishing direct control over the governance and management of campuses, both substantively and procedurally. The growing dependence on private resources is a direct result, at least in part, of declining state funding efforts. Although total appropriations have increased, state investment in higher education has substantially declined relative to changes in enrollment, state wealth, and in growth of institutional budgets. Increased competition in the higher education sector has motivated universities to find new sources of funding, and declining state funding has resulted in a growing dependence on private funding sources, while prepaid tuition and college savings plans indicate a greater reliance on individual choice and equity markets for financing public higher education.

A third definition (Breneman, 2004) focuses on the declining share of college and university budgets provided by the states, the redefinition of higher education as a quasi-independent or quasi-state entity - not a state entity - and the use of four primary tools of control: tuition control, regulatory flexibility, performance contracting and vouchers. National data clearly document the declining share of college and university budgets provided by the states. The share dropped from a peak of about 50 percent in 1979 to about 36 percent in 2000. The cuts have been particularly sharp in recent years. In fiscal year 2002, total state appropriations for higher education were \$63.3 billion; in fiscal 2004, \$60.5 billion, or a drop of 4.4 percent in just two years (Breneman, 2004). As a result of the redefinition of colleges and universities as independent agencies, they are then able to enter into contracts with the state, set their own prices, and be free of much of the regulatory mechanisms that historically have pertained to state

agencies. In return, these newly-independent entities forgo the basis of their prior claim on state support, with new terms and conditions to be negotiated. This redefinition of public higher education then prompts discussions on how to use these four key tools of control in this new world of finance.

While the three previous definitions all include some similar constructs, a fourth and alternate definition is contributed by Bok (2003): the efforts to sell the work of universities for a profit. Bok focuses on the opportunities to make money from intellectual work which is pursued throughout the university by professors of every discipline. This is done through incentive mechanisms created by university administration to help expand the size and reputation of the university. From athletics, to entrepreneurial business ventures, to scientific research – the commodification, commercialization and privatization of higher education and its profit-seeking activities are widespread.

Finally, a fifth definition contributed by St. John & Paulsen (2001) emphasizes that the shift from need-based grants to loans and the decline in the investment of public systems has resulted in an incremental movement toward the privatization of public universities on a global scale along with overt efforts to encourage entrepreneurial behavior in colleges. This national pattern of increasing total revenues from sources other than state appropriations and tuition means that the new pattern of institutional finance involves seeking revenues from alternative sources. This movement toward a new market approach was influenced by the new and emerging conservative, political ideologies that argue for cutting back on public investment in social programs.

While these five definitions of the privatization of public higher education seen in the scholarly literature help us to recognize and research this emerging phenomenon, there are nine

core ideas or concepts that are in some way a part of all of these definitions: 1) a decrease in state support; 2) the replacement of public dollars with private dollars; 3) an increase in new and diverse revenue streams; 4) a reliance on market mechanisms; 5) an increase in competition; 6) the redefinition of public higher education as a quasi-state entity; 7) a shift from need-based grants to loans and merit-based scholarships; 8) an increased freedom from governmental regulation; and 9) the encouragement of entrepreneurial behaviors. Different scholars define the privatization of public higher education in different ways or may emphasize different aspects of these ideas, but these nine core concepts thread throughout the literature. With these core concepts in mind to focus and guide this discussion on privatization, the next question to address is—how did we get here?

Events leading into this privatization dynamic began more than a century ago. Even as early as the beginning of the 20th century, incentive mechanisms were in place to sell efforts of the university for a profit. As early as 1915, Yale earned more than \$1 million from its football team in current dollars (Bok, 2003). Today, enrollment and institutional growth in higher education have increased rapidly over the past century, the national system has responded successfully to a massive influx of students with the GI Bill in the 1940s which helped to create the middle class, and higher education has continued to respond to a new influx of students associated with the baby boom generation. A general decrease of the government support of public higher education began in the 1970s after the energy crisis and economic slow-down (Bok, 2003). Congress could no longer support the rapid increases in research funding that had occurred in the 1950s and 1960s. In the late 1970s, the economic recession coupled with the strong industrial competitors in Europe and Japan caused Congress to look for new ways to emphasize U.S. competitiveness in the world economy. In the 1980s and 1990s, state legislatures

became burdened by the growing costs of prisons, welfare and healthcare and continued to cut appropriations to higher education. A result was to look for new sources of funding, and enterprising university presidents found ways to market specialized knowledge and discoveries in return for much of the declining state support. In 1980, the Bayle Dole Act made it much easier for universities to own and license patents on discoveries made through research paid for by public funds. Both federal and state governments offered subsidies to help translate science into new products and tax breaks encouraged industry to invest in university-based science. Within a decade, 200 universities had established offices to seek out commercially promising discoveries and patent them for licensing to companies. At the end of the 20th century, American universities were clearly a chief source of highly-trained specialists and there were active and ongoing efforts to sell the work of the academy. Expert knowledge and scientific advances can be transformed into valuable new products that can be utilized and sold for a profit. This dynamic has brought increased funding from governments and foundations, and also brought new scrutiny and accountability from public officials (Bok, 2003).

Through the end of the 20th Century, corporations have increased their private support of public higher education which has relieved government of some of the burden of financing education and research. As well, market forces have caused universities to become more vigorous in their efforts to aid economic growth. Today, opportunities to make money from intellectual work and from the enterprise of higher education are pursued throughout universities by professors and administrators at every level because university presidents seek to expand the size and reputation of their institutions – a necessary activity in today’s new highly-competitive marketplace (Bok, 2003).

Factors that Drive Privatization in Public Higher Education

With this backdrop of definitions, core concepts and history in place, a look at these key factors assist in the examination of some of the major issues that public higher education faces today. From the literature, I identified six key factors that have evolved over the last several decades and have become critical threads in a tapestry of what is today's higher education environment. All six of these key factors play a role in today's major issues. The first key factor in privatization is a decrease in state support and a corresponding increase in diverse revenue streams (McLendon & Mokher, 2009; Breneman, 2004; Ehrenberg, 2006; Pusser, 2002; Morphew & Eckel, 2009; Eckel, Couturier & Luu, 2005). Traditionally, public colleges and universities have received the majority of their funding in the form of direct appropriations from state government. Although total appropriations have increased, state investment in higher education has substantially declined relative to changes in enrollment, state wealth, and in the growth of institutional budgets. Increases in enrollments have coincided with a decrease in state block support, and in response, institutions have rapidly increased tuition, and students and parents have taken on a significantly larger portion of higher education finance (Pusser, 2002). Because Medicaid and other public services have increased and because higher education is one of the few discretionary categories in state budgets that can charge for its services, the proportion of state support has decreased at the same time that enrollments have expanded. This decrease in state support has created a need for institutions to diversify their revenue streams, a growing dependence on private sources of revenue, and demonstrates a national pattern of increasing total revenues from sources other than states and tuition.

A second key factor in privatization is the deregulation of tuition-setting authority and the diminishing direct control over the governance and management of campuses by the state, both

substantively and procedurally (McLendon & Mokher, 2009; Breneman, 2004). State appropriations and tuition/fees are the two primary sources of revenue, and public universities generally only have control over the tuition and fees. In addition, there is a new freedom from excessive public regulation which is actually allowing public higher education institutions to be seen not as much as state entities, but as quasi-state entities. This redefinition of higher education as quasi-independent involves the use of four key tools of control: tuition control, regulatory flexibility, performance contracting, and vouchers. As a result, higher education can enter into new and different kinds of contracts with the state, enjoy freedom from regulatory mechanisms and use the tools to control their financial environments.

A third key factor is the growth of pre-paid tuition and college savings plans (McLendon & Mokher, 2009). In response to public concern, states have provided incentives for families to save for college through the use of college savings or pre-paid tuition plans. These plans have helped to institutionalize the shift of paying for college as a public responsibility to a private one. This also represents the diminishing state control over the management of the fiscal resources and an increasing reliance on market mechanisms. If higher education is seen as a private responsibility and benefit, then parents save and pay for college and the states help to facilitate the saving or pre-payment. This is a shift from seeing higher education as a public benefit where the state should contribute the majority of needed resources.

A fourth key factor contributing to increased privatization in higher education is the shift from need-based grants to loans and merit scholarships (McLendon & Mokher, 2009; St. John & Paulsen, 2001). State-based merit aid scholarship programs provide high school graduates meeting certain academic criteria with financial awards to cover all or part of the tuition and fees to attend in-state institutions. These are designed to keep the most talented students in the state,

but they represent a fundamental shift in the conceptualization of higher education from a public good to a private benefit. It is yet another indication of the decline of investment in public systems.

A fifth key factor in the evolution of privatization in public higher education is governance decentralization (McLendon & Mokher, 2009). There is increased competition in the higher education sector which has, in turn, motivated universities to find new sources of funding. This movement is toward increased campus autonomy since campuses must be more autonomous if they are to identify new sources of funding to be competitive.

A sixth key factor is the emergence of a conservative, political culture that values new public management and the cutting back of public services (Morphew & Eckel, 2009). New public management is a mindset made up of conservative political ideologies and the cutting back on public investment. In this new political reality, public higher education is now required to demonstrate efficiency, effectiveness and value on the “product” it delivers. An implication of this new mindset requires that economic development must now be a consideration in the core components of the public university’s mission.

Major Issues Related to Privatization that Face Public Higher Education Leaders Today

Described above, the synthesis of six key factors that have driven the privatization of public higher education now brings us to the identification of today’s major issues that must be included in any contemporary discussions of privatization in higher education. There are four major issues that any leader in public higher education must face, including: 1) new ways of seeking funding; 2) new ways of organizing and governing the academy; 3) new ways of contracting with the state; and 4) implications to the students, quality and value of higher education.

It can be difficult to know if the new ways of seeking funding for higher education today is a cause or an effect of the many changes seen in the political and economic environment. While it is probably more of an effect, it is at a very least a parallel development. With state funding in a steady decline, other stakeholders – primarily parents and students – are taking on a greater portion of paying for college (Pusser, 2002). Tuition and fees are steadily increasing, and of great concern is that a high-tuition policy for public higher education could reduce the fraction of the population that is going on to and completing college (Breneman, 2004). Public higher education has a long tradition of low-tuition. This is a significant policy shift from earlier decades and has significant implications for student and institution success.

New ways of seeking funding requires the academy's adoption of new business-like perspectives that involve fiscal constraints, public policies that foster a greater role for market forces, changing levels of student demand, increased competition both within and outside higher education. The increase in merit-based aid prompts public institutions to recruit more highly-desirable students and faculty stars, both of which seem to be contrary to a more traditional public higher education mission of access and equality. Institutions are investing in amenities for their students – which students demand and expect – and there is a greater reliance on private dollars and market mechanisms. Entrepreneurial behavior is encouraged because the commercialization of knowledge results in the ability for institutions to change and respond quickly to their environments. This new public management approach (Eckel, 2007) has the market and deregulation as the dominant policy model, and is supported by the public belief that private management is more efficient than public management.

New ways of seeking funding involves an increase of tuition and fees, the academy's adoption of business-like perspectives and a new emphasis on private fundraising. At this time,

most have accepted that with student enrollment swelling, modern public institutions have had to respond to the cuts by hiking tuition rates and relying more on their affiliated foundations to raise private funds to preserve quality and maintain financial health. This represents a shift at the margin of the burden of financing higher education from government to students and the attempt to rely increasingly on private patronage either through voluntary gifts or through mutually advantageous arrangements with industry (Breneman, 2004).

A second major issue related to the privatization of public higher education today is the new way of organizing and governing the academy. This new way of organizing can be seen in four different facets. One is the increased use of garbage cans (e.g., business incubators, advisory and fundraising boards) that are linked to specific revenue streams (Morphew & Eckel, 2009). These cans may provide a means for universities to be increasingly responsive and in turn, competitive. Universities must still pursue their core activities vigorously. The diminished state support makes funding resources a high priority for central administration, and it is useful to create subunits that act as garbage cans so problems, solutions and participants deemed to be outside the technical core can be relegated there. Decisions to act are more decentralized creating more flexibility to take advantage of the environment. There are better sensing mechanisms in these subunits, and better interface with external audiences.

Connected to the idea of increased use of garbage cans are new decision-making dynamics (Morphew & Eckel, 2009). In general, higher education decision-making has not been hierarchical. It has been less oriented toward economic utility and less preoccupied with efficiency, but now, institutions must do what businesses do routinely – they must change as revenue possibilities change. Institutions must become more adaptable while remaining true to the essential tradition of self-management and intellectual achievement.

Another facet of the new forms of organization and government is the move to increased use of part-time and non-tenure track faculty members, and fewer traditional, full-time tenure track faculty. Contingent faculty members are paid less and are, therefore, less likely to participate in the decision-making process. Shared governance traditionally includes governing boards, administration, faculty, staff and students. This governance approach requires contributions from all members in a group consensus process. The erosion of faculty participation in the decision-making process is one possible result of the restructuring of the higher education workforce. This creates a concern that there will be an ultimate negative effect on graduation rates and first-year drop out rates if members of the faculty are less engaged. Another related facet of the new forms of organization and government in public higher education is the changing role of governing boards. Trustees are integrally involved in these new institutional models, especially with increased independence and tuition authority, and they are advocates to elected leaders and other stakeholders to provide assurance that public missions will not be abandoned. Trustees articulate the role of public higher education to states, citizens, students, businesses and other stakeholders, and they must be exceptionally vigilant in monitoring and ensuring institutional accountability.

A third major issue today related to the privatization of public higher education is its revised approach to contracting with the state. The traditional role for public higher education has been to receive full and adequate support from state sources. In turn, higher education provides for the state's needs for diverse and skilled graduates to fulfill workforce needs, leaders for all aspects of society, research to improve society and quality of life for all, and service to strengthen communities. Due to inadequate funding, this traditional contract is not being filled, thus the two entities engaged in the contract – the state and public higher education – are

renegotiating the contract and redefining the agreement. Governing boards are becoming refigured with members that are now appointed, as opposed to elected, and other board members are even self-appointed to represent certain groups like alumni or industry. There is also a facet of contracting out services, restructuring the workforce, and the use of outside vendors for less “academic” services which changes more traditional interactions with the state. In addition, there is an integration of incentive-based budgeting or other budgeting and administrative strategies which are being implemented to help public higher education as it adapts to this new market environment. Ultimately, all existing renegotiations between public higher education and the state reduce to considerable tuition increases which create greater independence for institutions and direct more state subsidies toward students rather than institutions.

A fourth and final major issue that must be included in any discussion regarding the privatization of public higher education is the implication of privatization to students, and to the quality and value of higher education. The implications of privatization are concerning because the market is at the center of the model, not the student or the university mission. One significant implication is the potential for increased social and economic stratification among students attending highly-selective public colleges and their less-selective counterparts. There could be greater bifurcation of public higher education where some institutions provide a more time-honored liberal arts program to conventional students, while other institutions focus on the skills needed for immediate employment. This could be a blow to equal opportunity as there are implications to students in the form of quality and value. As state legislators continue to perceive higher education as a public utility, the public commitment to basic research, open debate, academic freedom and faculty autonomy will continue to be minimized. The demand for the most effective service at the most affordable price will continue, while the collegial environment

is weakened. For two centuries, the value of public higher education has been linked to the long-term welfare of communities made up of informed citizens actively participating in the democratic process. Our nation has created a destination model supported by U.S. taxpayers demonstrating that mass higher education at the highest and broadest levels is possible and critical to the success of this nation.

In conclusion, the four major issues that are included in contemporary discussions of privatization in public higher education today are the: 1) new ways of seeking funding; 2) new ways of organizing and governing the academy; 3) new ways of contracting with the state and certainly; and 4) the implications to the students, quality and value of higher education. As these discussions continue and evolve in the future of this new “normal” economic environment, leaders must consider that, while it may be possible to generate additional revenue to replace state funding, the alternative revenue does not replace the need for state funding to support instruction. Private funding can certainly enhance the enterprise, but it does not ultimately replace the need for government support and tuition as the primary sources of revenue. Endowments may pay for professorships and other features, but tuition and state subsidies must pay for the majority of direct costs of instruction. The development of commercial enterprise at higher education institutions may improve revenue at the margins, but these innovations can be risky and are not “gold mines” capable of replacing tax dollars. Responsible action on the part of leaders is necessary. Students and their families are paying more and have now become an increasingly important revenue source for the core teaching function. Responsible leadership is critical. If the pursuit of new revenues themselves becomes a major institutional focus, it should be with the understanding that new revenue-oriented initiatives will be undertaken only after

rigorous consideration of the associated costs, including the opportunity costs of foregoing other initiatives.

Central to any idea around decision-making and new revenue streams is the local context of mission, vision, students, faculty, curricula, economic, political, technological and social conditions. Any decisions around the pursuit of new revenues ultimately must address the question of why new revenues are being sought – will it involve minor adaptation or major institutional change? Leaders must also consider that while the new market does have lessons to teach us about how to make our system work better, revenue-generating strategies must align with the strategic planning and decision-making processes of the university. Seeking alternative revenue sources can have different sorts of outcomes, from enriching them and building endowments to putting the academy at extreme financial risk and undermining access. Explicit consideration of mission is central to discussions of revenue substitution (Hearn, 2003).

A shift is underway from the public funding of colleges and universities as a means of providing access to higher education to a new market system with a reduced level of public funding per student. Public colleges and universities have only partially adapted to this new policy direction, but they demonstrate a responsible pattern of change with respect to the generation of alternative revenue streams. While colleges and universities may have become more directly responsive to external markets through their new finance strategies, it is unlikely that these new strategies will substantially reduce students' cost of higher education. College enrollment rates have improved in spite of a decline in state funding. This is a prime indicator that institutions have responded to their changing conditions by increasing their opportunity, but these adaptive strategies have accentuated inequalities in the gap between low-income students and similarly-prepared peers. Racial and financial inequalities in higher education are now

greater than at any period since the 1960s and if the market approach to higher education finance continues to predominate, the challenge of ensuring equal opportunity will become more urgent in the future.

Privatization and Public-Private Ventures in the Government/Public Sector

While we know that public higher education has become more privatized over the last half-century and there is great concern since projections indicate that this trend will continue, we also know that the entire government and public sector has become more privatized as well. The trend toward privatization is not limited to the field of public postsecondary education. Over the last 25-50 years, public entities have been influenced more by the market (which provides private benefits) and less and less by the pursuit of the public good (which provides public benefits). The tensions associated with the growth of privatization in the public sector are also evident in higher education. With this knowledge, there is opportunity to learn from the public financial administration literature about how privatization and, more specifically, how public-private ventures are defined and described. While it can be difficult to define privatization in the government sector just as it is difficult to define it in public higher education, one scholar, Savas (2000), suggests a typology for privatization of the public sector which can help to inform our thinking in higher education. His conceptual framework can also assist our understanding of PPVs seen in public higher education today.

The public financial administration literature has much to contribute to the discussion of privatization and public/private ventures that can be seen within the government or public sector. To frame this entire discussion, I focus on the work of Savas (2000), who has written extensively on the privatization of the government sector and offers a theoretical framework in the form of a typology that allows us to conceptualize privatization and specifically, public-private

partnerships. As shown in Table I, Savas introduces three broad methods that result in privatizing government-run services and functions, government-owned enterprises and assets: 1) Delegation – where government retains responsibility and oversight but uses the private sector for service delivery, 2) Divestment – where government relinquishes or “sheds” a responsibility; and 3) Displacement – where the private sector grows in a way that displaces a government activity.

Table 1: Forms of Privatization

Method	Tools	Example
Delegation	Contract	Facilities construction and maintenance, food services, data processing, architecture
	Public-private competition	“Managed competition” or “competitive sourcing”
	Franchise	Airwaves, streets, taxis, utilities, infrastructure projects
	Public-private partnership (or public-private venture)	Roads, bridges, airports, water systems, pipelines, power plants, prisons, stadiums, schools
	Grant, loan, favored tax status, etc.	Mass transit, low-income housing, maritime shipping
	Voucher	Food stamps, housing, education, job training, health care, drug treatment, day care, transportation
	Mandate	Family leave, aid to the handicapped, job training
Divestment	Sale	Land, equipment, buildings
	Free transfer	Land, equipment, buildings
	Liquidation	Land, equipment, buildings
Displacement	Default	Private transportation (cabs), homeschooling, private police
	Withdrawal (load shedding)	Museums, zoos, opera houses, theatres, libraries, social service agencies
	Voluntary Action (voluntarism)	Cleaning local streets, removing snow, bus shelters, street furniture

Source: E.S. Savas, *Privatization and Public-Private Partnerships*

The three broad methods that result in the privatizing of government-run services involve the use several tools that are also listed with examples in the chart above. This typology can be extremely helpful in understanding the evolution of how government-run functions have migrated toward a more privatized approach over the last several decades. Savas (2000) states

that privatization and public-private partnerships reflect market principles and together constitute a strategy for improving public management. The opposition to privatization is based on numerous examples of poor management of the process as well as fundamental opposition to the concept on ideological grounds (Savas). Savas defines privatization as more than a financial or managerial action, but a philosophical position concerning the roles and the relationships of society's private institutions and government. Society's principal private institutions are the market, voluntary nonprofit associations of all kinds, and the family. "Privatization is the act of reducing the role of government or increasing the role of the private institutions of society in satisfying the needs of a population. It is relying more on the private sector and less on government" (Savas, pg. 2).

Savas offers a broad definition of a public-private partnership as *an arrangement in which a government and a private entity, for-profit or nonprofit, jointly perform or undertake a traditionally public activity. It is defined more narrowly as a complex relationship – often involving at least one government unit and a consortium of private firms – created to build large, capital-intensive long-lived public infrastructure, such as a highway, airport, public building, or water system, or to undertake a major civic redevelopment project. Private capital and management of the design, construction and long-term operation of the infrastructure is characteristic of such projects, along with eventual public ownership* (Savas, 2000, pg. 1).

PPVs in Postsecondary Education

With a conceptualization of how privatization and public-private partnerships are defined in the public financial administration literature, we can now look specifically at the public higher education sector to identify what public-private ventures exist today and what they look like.

Many of the same privatization dynamics seen in the government sector are also seen in public higher education.

A good example is the Public-Private Venture Program of the University System of Georgia (USG). In the USG, there were \$3.6 billion in outstanding bonds representing 175 privatized projects as of June 30, 2012, all of which were built after the program began in 2000 (USG, 2011). Each of these PPVs is a facility that has been constructed on a public campus. Thirty-two of the (then) 35 USG institutions participate in its PPV Program as well as two USG facilities – the Office of Information Technology Services building in Athens, and the Shared Services Center in Sandersville. These projects include student housing, food courts, dining facilities, recreational and athletic facilities, parking structures, space for offices, research, and instruction, and two stadiums. The implementation, operations, and support of the USG PPV Program are a collaborative effort between the USG institution, the USG System Office, and the related foundations that are responsible for PPV debt. At each of the local USG institutions, the USG PPV Program has shared responsibilities among many different offices including business, facilities, student affairs, academic affairs, housing, auxiliary services, parking services, legal, campus planning, and the campus police.

In the past, the construction of USG facilities and buildings were usually funded with General Obligation (GO) bonds issued by the state of Georgia but during the early 2000s, the Georgia General Assembly funded only college or university construction projects that were to be used for classroom, libraries, or research laboratories. This left a funding void for student housing, food courts, parking lots, recreation facilities, student unions and stadiums. The USG created the PPV Program to fill this void. Up until the early 2000's, the construction of all USG facilities with independent revenue streams (e.g., mandatory student fees, parking fees, student

housing rentals, or food service revenue) typically was financed through the issuance of GO bonds approved by the General Assembly. The state, in turn, would loan funds generated by the issuance of the GO bonds to the USG for capital projects. The USG paid the annual debt service on these loaned funds through reduced appropriations. The reduced appropriations were replaced with the project-generated revenue (e.g., student fees, rental income, and food service revenues).

Since 2001, USG construction projects with independent revenue streams typically have been financed through the PPV Program. Unlike GO bonds, the construction of USG facilities through the PPV Program does not require General Assembly approval since the PPV debt is assumed by a private foundation. PPV financing is not subject to the constraints associated with the constitutional ceiling on state indebtedness. The State Constitution places a ceiling on state indebtedness by limiting general obligation bond debt service payments to 10 percent of net treasury receipts for the prior fiscal year. The liability for the PPV bonds payable is recorded on the private foundation's balance sheet. The public institution records a lease purchase obligation. The current economic recession offers some incentives to expand the use of PPV projects. Such incentives include:

1. Low interest rate environment resulting in very favorable financing alternatives;
2. Reduced construction costs as much as 20 to 30 percent due to the current low demand for construction services; and,
3. Economic stimulus to the Georgia economy.

The University System of Georgia defines a PPV as:

“a contract between a public sector authority and a private party, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project. For the University System of Georgia, a PPV is a financing agreement utilizing an issuing authority which loans money to a foundation's LLC [Limited Liability Corporation] to construct physical plants (student housing, parking decks, food courts, and student support facilities) to be rented to the USG for the use of students, faculty and staff of a USG institution. The USG PPV Program traditionally enables financing for

projects that have their own dedicated funding (revenue) stream, such as mandatory student fees, parking fees, student housing rentals, bookstore revenue, research grants, or food services revenue. These projects are stand-alone projects that should be self-supporting, (i.e., project-generated revenues should cover project expenses),” (USG, 2011, pg. 5).

This USG definition of a PPV is not altogether different than the definition that Savas (2000) offers. However, the USG definition of a PPV, which is more contractual, is more narrowly focused than Savas’ model.

According to the 2011 *PPV Audit and Consulting Engagement Report*, the process to create a PPV within the University System of Georgia includes the following steps:

1. The USG is the owner of the land and leases the land to the foundation in the form of a ground lease with the provision that the structure built on the land reverts to the University System after a defined time period (usually once the bond matures and the bond debt is paid in full). The lease agreement usually requires the full payment to be paid in advance and is at a nominal rate.
2. A local development authority issues bonds for the project on behalf of a USG institution’s foundation (usually organized as a wholly-owned real estate LLC).
3. The local development authority loans the bond proceeds to the foundation’s LLC via a loan agreement.
4. The foundation’s LLC uses the loan funds for the acquisition and/or construction of the project. The foundation’s LLC owns the facility.
5. The foundation’s LLC leases the project facility to the Board of Regents through a rental agreement that provides ownership of the project to the Board of Regents at the end of the lease period.
6. The USG institution collects the related project revenue such as mandatory student fees, parking fees, student housing rentals, or revenue generated by providing food service.
7. This revenue is used to make lease payments to the foundation’s LLC.
8. The foundation’s LLC uses the funds received from the lease payment to make debt service payments for the bond.

At first glance, this new financial model opens the door to obtain the financial resources necessary to support a campus’ anticipated future needs. In this new, privatized environment, it is critical for public higher education to be prepared for the future needs of its customers. Public higher education has a well-established reputation for being slow to respond to the needs of its constituents and stakeholders, but this new, business-like mindset is more consumer-driven and it

drives universities to give their customers what they are expecting, when they are expecting it. On the other hand, the model involves a level of risk. The argument for privatizing aspects of the public sector do suggest improved efficiencies, more diverse revenue streams and more client satisfaction, but the question is at what cost. Should the academy shift to function as if an education is a product to be purchased to benefit the consumer, or is there a public good that the state should fund generously to ensure that future leaders, critical thinkers, and problem-solvers are prepared to be engaged in the betterment of their communities? The answer to both questions is ‘yes.’ It is critical for today’s university administrators to carefully determine which aspects of privatization benefit the efforts of the academy, and which aspects place it at risk of losing its focus on its mission.

Building facilities as PPVs is relatively simple in concept and the legal and financial model can easily be contractually defined. While there are internal and external relationships involved in these PPVs, they are relatively easy to identify and define. The focus tends to be on construction projects that have a clear start date and end date. These tend to fall easily within Savas’ description of a public-private partnership in the category of “Delegation” as a primary method that governments use to privatize their activities and services. PPVs seem to be a good fit for the funding gap that is present in the University System of Georgia to build facilities that do not directly impact the teaching function and are not funded by state dollars. These are facilities that today’s consumers (e.g., students, parents) demand, but are not essential to the core teaching function of the academy. In today’s new business-like framework and more privatized environment, it is important to create these PPVs in such a way that private entities can participate, profit, and still provide benefit to today’s students. It is also important that the leaders in today’s higher education environment act responsibly in terms of oversight and

accountability, and also protect the core mission and vision of the institution. The addition of diverse revenue streams should not cause the academy to lose sight of its purpose.

Public higher education is becoming more privatized and there are implications for the future of the academy. Public-private ventures are only one aspect of this phenomenon and, like the privatization dynamics seen in the public sector, they are an important tool in the privatization of public higher education. PPVs are just one example of the many privatized components of public higher education, but they can shed light on the larger discussion about the present and future role of public and private entities, and how new financial models are emerging that may have large implications for the future financial health of our nation's public colleges and universities.

Theoretical Framework

As we seek to understand more about the PPVs that exist today that show alternative approaches to campus facility expansion, how and why these PPV models are being used, and what the implications of their use might be, we can look to several theories that assist us in our thinking.

Broadly, we know that privatization dynamics in higher education are evidenced in a number of fundamental ways that include a decrease in state support, a replacement of public dollars with private dollars, an increase in new and diverse revenue streams, a reliance on market mechanisms, an increase in competition, a redefinition of public higher education as a quasi-state entity, a shift from need-based grants to loans and merit-based scholarships, an increased freedom from governmental regulation, and an encouragement of entrepreneurial behaviors. These core pressures cause organizations to respond in some way. Miles & Cameron (1982) write about the "big six" in the tobacco industry in the second half of the 20th century, and they

suggest that organizations, when under environmental pressures, will adapt. They define organizational adaptation as the process by which an organization manages itself or its environment in order to maintain or improve its performance, legitimacy, and hence, its survival potential. Organizations may adapt by reacting to environmental changes or by complying with external mandates. They may adapt by forecasting or anticipating environmental events so as to either restructure to cope with them in advance, or prevent or avoid their occurrence. Organizations may adapt by adding to, subtracting from, or even trading off threatening environments or environmental segments for ones more receptive to their needs, goals, strategies, resources, skills, competences, modes of operation, and outputs.

The three organizational adaption strategies that Miles & Cameron (1982) introduce are domain defense, domain offense, and domain creation. The goal of domain defense is to preserve the legitimacy and autonomy of the traditional domain (Legitimacy). The goal of domain offense is the enhancement of economic performance in the traditional domain (Efficiency), where strategies often include innovation. The goals of domain creation are the creation of new performance opportunities, and the minimization of risk of exposure (Growth and Security). Domain creation strategies often involve new products and new markets.

Because the privatization of higher education has indeed provided a threat to the academy's ability to attain needed resources, one could argue that it has responded on some level with all three of Miles & Cameron's (1982) adaption strategies. In domain defense, higher education is pushing its rhetoric into the public realm arguing their case — that public higher education brings a value to this nation worthy of significant taxpayer support. In domain offense, higher education is applying a new business mindset and is actively seeking efficiencies in its operations including the creation of public-private ventures and the outsourcing of non-academic

services. In domain creation, new ways of pursuing profits are actively being sought with examples including business incubators, research parks, technology transfer, and intellectual properties.

The adaption strategy of operational reform and increased efficiencies is the focus of this research study. While Miles & Cameron (1982) do have much to offer our thinking in terms of higher education's response to privatization, Savas' (2000) conceptual framework is more powerful to help us understand privatization, and answer the research questions around PPVs - how and why they were created, what is gained and lost by using this model, what are the internal and external forces that cause institutions to use this model, and what issues have resulted from the implementation of their use. Savas' conceptual framework provides an insightful typology that he uses to explain the privatization of the government sector and thus many similarities can be seen between the government sector and the field of postsecondary education. His typology is a powerful tool which I will use extensively to frame the purpose, methods and findings of this study.

In addition to Savas (2000), Thompson's environmentally-oriented organization theory (1967) is yet another theoretical approach that contributes fruitfully to our understanding of how and why there has been such a proliferation of PPVs in recent decades. Thompson's theory became a modern classic in the study of the sociological analysis of organizations. He is a structured theorist, is widely considered to be the "father" of contingency theory, and is one of the early thinkers about how environments shape organizations and how they, in turn, buffer themselves from the uncertainty of their environments. The dominant organization theory in the 1960's, Administrative Theory, focused on the "one best way" for organizations to function, but Thompson's new theory emphasized that organization structure and dynamics are heavily

dependent on the imperatives of technology, goals, environmental pressures and problems of coordination. The different types of organizational structures and responses are heavily contingent on differences in technology, coordination and environmental pressures found in different industries. Thompson's theory is a powerful tool to explain privatization and PPVs, especially in terms of complexity, interdependency, uncertainty, the pursuit of prestige, and activities that organizations use to buffer or adapt to their environments.

A strength of Thompson's (1967) theory is its explanation of the complexity of organizations. Earlier theories assumed a closed system strategy which is a determinate system. Fixing the present circumstances of a determinate system will determine the state it moves to next. Since a state cannot go to two states at once, the transformation will be unique. Fixing the present circumstances requires that the variables and relationships involved be few enough for us to comprehend that we have control over or can reliably predict all of the variables and relations. It requires that outside forces be predictable, and the focus of this literature is on planning or controlling. Thompson introduced the idea of an open system strategy in 1967 where there are more variables than can be comprehended at one time and where some of the variables are subject to influences we cannot control or predict. Approached as a natural system, the complex organization is a set of independent parts which together make up a whole because each contributes something and receives something from the whole, which in turn is interdependent with some larger environment. Survival of the system is the goal and the parts and their relationships are determined through an evolutionary process. Thompson suggests that complex organizations cope with uncertainty by creating certain parts specifically to address it, specializing other parts to operate under conditions of certainty or near certainty. When Georgia's state funding to build certain facilities stopped in 2000 (creating uncertainty), setting

up a PPV enables certain parts of the organization to focus on this problem of uncertainty and solve it with new revenue streams, while the academic function of the university, which Thompson called the “core technology,” can be protected and buffered from this loss of funding. Higher education is a complex organization and this theory explains well how higher education copes with a high number of variables and relationships.

Thompson’s theory (1967) is also strong in its explanation of interdependency, uncertainty, and the activities of organizations to buffer or adapt to their uncertain environments. Technical rationality is a system of cause and effect relationships which lead to desired results. The system emphasizes that organizations have a desired outcome, and the instrumentally perfect technology is the one which achieves such results. In higher education, the perfect technical core would be the academic core function – teaching, research and service. This theory argues that organizations seal off their core technologies from environmental influences because environments create uncertainties. Organizations seek to buffer environmental influences by surrounding their technical core with input and output components, and seek to smooth out or level these outputs while at the same time anticipating or adapting to environmental changes that cannot be buffered. Forecasting is also used to predict future environmental influences. This could explain how privatization has increased over the last several decades as a strategy to reduce uncertainty for the technical core. This also explains how PPVs have increased. Since the state will no longer pay for certain facilities – creating uncertainty – the creation of a PPV reduces uncertainty. This idea could explain why the academy would seek out diverse revenue streams to buffer the effect of decreased state funding. These new funding sources would create more certainty in the core. Outsourcing and PPVs would maintain a level of control, create more certainty in the core, and enable the institution to survive which is the ultimate goal. It also

explains why institutions would be compelled to continue to build facilities that the state would no longer pay for – because they are dependent on students for tuition and fees. It is imperative that this stakeholder group be satisfied or this critical resource stream will disappear.

In addition, Thompson's theory (1967) is a powerful tool to explain higher education's intense pursuit of prestige. The theory proposes that organizations who compete for support seek prestige because prestige is the "cheapest" way of acquiring power. The prestige of building new facilities that offer the newest and nicest amenities to students gives the impression that an education "purchased" at that institution has a greater value than at an institution without these facilities. The perception of higher value associated with an institution could increase their ability to raise funds which would, in turn, reduce their dependency on other agencies. Each of these factors increases the organization's ability to survive, which is ultimately the goal.

While there are significant strengths, Thompson's theory (1967) is weak in its explanation of higher education as an industry that embraces a high consensus decision-making process. While it does account for human actors in the organization, it assumes that decisions are made to protect the technical core and buffer effects from the environment because leaders see the need to do so. In a high-consensus environment like higher education, leaders do not always have the authority to act in the best interest of the university because the authority to do so is intentionally diluted across the institution. Faculty members have an important role in decision-making and they may choose to focus more on internal issues and decisions rather than decisions that involve their external environment.

Pfeffer & Salancik's (1978) resource dependency theory (RDT) is another important theoretical approach for us to consider as we ask questions about increased privatization and use of PPVs in public higher education. RDT is an organizational theory that focuses on how

organizational environments affect and constrain organizations, and how organizations respond to external constraints. The focus is on resource interdependence, external social constraint, and organizational adaptation. Scholars like Pfeffer, Salancik, and others have developed a theoretical perspective that helps to analyze organizations and assemble empirical evidence consistent with that perspective. The central thesis is that to understand the behavior of an organization, you must understand the context of the behavior — that is, the ecology of the organization.

Organizations are inescapably bound up with the conditions of their environment. A key focus of this theory is how organizations manage to survive. They survive to the extent that they are effective, and their effectiveness derives from the management of demands, particularly the demands of interest groups upon which the organizations depend for resources and support. The key to organizational survival is the ability to acquire and maintain resources. This problem would be simplified if organizations were in complete control of all the components necessary for their operation, but they are not. They are embedded in an environment comprised of other organizations on which they depend for resources. Problems can arise when organizations are dependent on their environment because environments are not dependable – they can change, new organizations enter and exit, and the supply of resources can become scarce. The theory takes into consideration individual behavior in organizations, motivation, leadership, interpersonal communication, organization design and also environments. What happens in an organization is not only a function of the organization, its structure, leadership, procedures or its goals – it is also a consequence of the environment and the particular contingencies and constraints deriving from that environment. It is an appropriate theory to explain this topic because it is a powerful tool to explain dependency, survival, constraints, multiple stakeholders, competing demands, and problems of acquisition of resources.

RDT is strong in that it helps to explain dependency and survival. The privatization of public higher education involves the diversification of revenue streams coming from sources other than the state. While the state has traditionally provided for the majority of needs in public higher education, now this funding is declining relative to growing enrollments and state wealth. When revenues come from new and different sources, then higher education is dependent on those new and diverse sources. The academy is adapting to this new environment as it tries to buffer this loss, protect the core academic function, and look for additional sources of revenue like increased tuition and fees, and funds from corporate and philanthropic sources.

RDT is also a powerful tool to explain constraints. The theory states that in a setting with constraints on behavior, an organization will tend to be influenced more the greater the dependence on the external organization. The effective organization then is the organization that satisfies the demands of those in its environment from whom it requires support for its continued existence. When the University System of Georgia introduced a policy change in 2000 which began its PPV program to fund facilities no longer funded by the General Assembly, it was adapting to its new constraints. After 2000, the only facilities to be funded any longer by the state were academic classroom buildings and libraries. If USG institutions were going to build dining halls, dorms, parking decks, student centers, athletics facilities or any facilities that fall outside of the “academic core function” but were demanded by students (the customer), then the System had to provide a way for institutions to adapt to their new environment and use a more privatized approach to fund these facilities.

In addition, RDT helps to explain issues related to multiple stakeholders and competing demands that are referenced in the literature on privatization. When the stakeholder who is providing a significant revenue source (students and their families) demands facilities like

student housing, parking decks or athletic facilities, and the state will not pay for them, then institutions will find other ways to pay for them. They are just as dependent on the students' source of funds as they are on state funding. Pfeffer states that faced with competing demands, the organization must decide which groups to attend to and which ones to ignore. When the criteria are compatible, the organization will find that satisfying one group would also increase the satisfaction of others. The privatized PPV model allows for these facilities to be built satisfying student demands, but also satisfying the demands of the state that the funding will come from other sources and not place debt on their books. The state still wants to see these facilities built, just not with state dollars.

RDT is also a powerful tool to explain the problems of acquisition of resources by social organizations which ultimately ensures the organization's survival. To acquire resources, organizations must interact with their social environments. No organization is self-contained or in control of the conditions of its own existence. Because organizations import resources from their environments, they depend on them. Survival comes when the organization adjusts to, and copes with, its environment.

Summary

This synthesis of existing literature and theoretical lenses provides an important context for this study. Public higher education in the United States has been becoming increasingly more privatized over the last half-century, and this dynamic is transforming the academy in significant ways. Even though it is still an emerging area of study in postsecondary education, privatization can be defined and described, but more rigorous research on this subject is needed. Little to no research has been done on one unique, privatized aspect of the academy – the public-private

venture. This is a relatively new financial model used in public higher education and it is imperative to know more about the underlying meaning and implications of its use.

Theories offered by Cameron & Miles (1982), Thompson (1967) and Pfeffer & Salancik (1978) all contribute to our understanding of how organizations adapt to their changing environments, the increase of privatization in public higher education, and the proliferation of public-private ventures in the state of Georgia. Each of these theories offers explanation for many of the core issues associated with privatization and PPVs - complexity, interdependency, uncertainty, the pursuit of prestige, activities that organizations use to buffer or adapt to their environments, dependency, survival, environmental constraints, multiple stakeholders, competing demands, and the problems associated with the acquisition of resources. While they do help to provide a contextual framework, it is the work of E.S. Savas (2000) that provides the most significant theoretical and typological framework for this study. His research on the privatization of the government sector introduces methods of privatizing government-run services, enterprises and assets that are also evidenced in the field of higher education. Savas' framework ultimately can provide a more powerful explanation of how colleges and universities privatize, and how public-private ventures can be a specific tool used by higher education institutions to adapt to their constrained, economic environment. It is with this backdrop that I have pursued the following study.

CHAPTER 3

METHOD AND RESEARCH DESIGN

With privatization increasing in postsecondary education, it is imperative that public higher education adapt through the legitimization of its value, pursuit of operational reforms and the growth of new markets. While much has been written in the literature about privatization in the government sector and privatization in public higher education, very little has been written about one financial tool that public postsecondary institutions are using at a significant rate to expand their facilities — the public-private venture model. PPVs are increasing rapidly in Georgia's higher education system, and yet very little is known about how and why they are created and the implications of their use. This issue is significant because billions of dollars are currently invested in the state of Georgia alone in a financial model that has received little to no scholarly examination. Campuses are utilizing both traditional, state-funded approaches to building facilities, and alternative approaches such as the PPV, and there is a lack of understanding of the operational, academic, and financial implications to the use of this new model. Additional research on PPVs is needed to address the unique opportunities and challenges associated with them.

The purpose of this study is to examine how PPVs are created in public postsecondary education, and what are the implications for their use. If the PPV model is to be a significant adaptive tool for public higher education, then it is critical to better understand this issue and how it can assist postsecondary leaders.

Research Questions

In light of the increased privatization of public higher education and guided by the conceptual framework provided by Savas (2000), this study has researched examples of public-private ventures that exist today in one public higher education institution in Georgia that show alternative approaches to campus facility expansion. Specific research questions are:

- 1) How has the PPV model been used in an urban public university?
- 2) What are the internal and external forces that cause a public university to use the PPV model (other than the obvious USG requirement of its use for specific facilities)?
- 3) What is gained and what is lost by using a PPV model (e.g., university mission and values, reputation, revenue streams)?
- 4) What strengths and challenges have resulted from the implementation of PPVs?

A Qualitative Single-Case Study with Embedded Units

For this study, I examined, via a qualitative case study approach, three facilities at the Georgia Institute of Technology. Of the three housing facilities at this institution, two of the facilities were financed with a PPV model and one was financed with a traditional, state-funded model.

A qualitative research study lends itself to the “how” and “what” questions that I have posed regarding PPVs, and the exploratory nature of understanding the forces, strengths and challenges surrounding their creation and implementation. The qualitative approach searches for meaning, and values the social, historical and financial context of a situation or decision, rather than antecedent conditions (Creswell, 2009). It explores how people construct their worlds and the meaning that they attribute to their experiences, and it uses a data collection strategy that is sensitive to underlying meaning when gathering and interpreting the data (Merriam, 2009). The

purpose of this study is to contribute to the literature about how PPVs are created and the implications for their use, and ultimately, I want to improve the practice in my discipline. My intent is that this study will be used by leaders, decision-makers, researchers and policymakers to improve the way things are done and identify opportunities for operational reforms. This goal is a good fit for an applied basic qualitative research study.

As a researcher, I hold a pragmatist worldview which means that I search for what works, what problems exist and what solutions there are to these problems (Creswell, 2009). A pragmatic worldview emphasizes the role of the context of a situation, and in the case of PPVs, the context surrounding their creation and purpose is critical to understand. As I observe the tremendous increase in the privatization of public higher education, I seek to find PPV models that can teach us what has been gained and lost in their implementation, what issues have resulted from their use, and which, if any, efficiencies have been attained. My goal is to see public higher education adapt to its constrained environment, and to determine if PPVs are an important tool that can aid in the adapting process. This pragmatic worldview lends itself to qualitative study.

Another reason that an initial exploratory approach is the most appropriate approach is because there is a gap in the literature on the use of the PPV model in public postsecondary education. Studies on privatization of the government sector can be seen in the field of public financial administration, and studies on privatization can be found in the higher education literature, but there are very few published studies on public-private ventures in public higher education. If a concept or phenomenon needs to be understood because little research has been done, if the important variables to examine are not yet known, or when existing theories have not yet been applied to a study, then it merits a qualitative approach (Creswell, 2009).

More specifically, I used a case study method since it is a strategy of inquiry where the researcher explores a program, event, activity or process in-depth. Cases are bound by time and activity which allows researchers to collect detailed information using a variety of data collection procedures over a sustained period of time. This case study approach was appropriate because the topic of PPVs is new and existing theories do not apply with this particular sample under study (Creswell, 2009). Case studies are preferred when “how” and “what” questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real life context. The distinctive need for case studies arises out of the desire to understand complex social phenomena, and they allow investigators to retain the holistic and meaningful characteristics of real-life events. Their purpose can be exploratory (what), descriptive (what) or explanatory (how and why), or all three. The essence of a case study, the central tendency among all types of case studies, is that it tries to illuminate a decision or set of decisions: why they were taken, how they were implemented, and with what result (Yin, 2003).

A single-case design was preferred over a multiple-case design for two reasons. One rationale is that a single case can serve as a representative or typical case, capturing the circumstances and conditions of a common occurrence and may represent a typical “project” among many different projects. The lessons learned from representative cases are assumed to be informative about the experiences of the average person or institution (Yin, 2003). Therefore, this approach would allow for an in-depth examination of a university (single-case) that is utilizing a PPV financial model which others in the University System of Georgia are also using. Thus, Georgia Tech is representative of other institutions using the PPV model. This design could help to answer my research question about how the PPV model has been used in an urban,

public university. A second rationale for the use of a single-case design is the fact that a longitudinal case can be utilized to study the same single case at two or more different points in time. These desired time intervals would presumably reflect anticipated stages at which the changes should reveal themselves (Yin, 2003). A study of different financial models at different times, but at the same university, would generally infer that the university conditions and culture would remain relatively similar which would better illuminate the implications of the use of different financial models. What is defined today as a PPV did not really exist in the state of Georgia prior to 2000 so it was important to study a single university that built facilities prior to that time with one financial model (traditional, state-funded), and after that time with a different financial model (PPV). This lends itself to a longitudinal approach. If a multi-case design were used and different cases at different universities were examined, it would be expected that the general conditions and culture of two or even three different universities would introduce multiple and complex variables making it much more difficult to answer the research questions.

In this study, a single-case design with embedded units was used since the single case could involve more than one unit of analysis. It was my intent to give attention to the case or main unit (a university) and the context in which it operates (state system), while also researching the embedded subunits (various funding models) within the main unit. While this case study is about a single organization and its parent organization, the analysis in a single-case study with embedded units could also include outcomes from the individual financial models used for various facilities at the university. This should strengthen our understanding of “how” the PPV model is used. In contrast, if a holistic design had been used (instead of an embedded units design), the case study would have examined only the global nature of the organization or program. The advantage of a holistic design is when no logical subunits can be identified (Yin,

2003). In a study on PPV financial models, though, logical subunits can be identified and therefore, the study lends itself to an embedded units design.

Of the four basic types of designs for case studies (Figure 1) suggested by Yin (2003), a single-case design with embedded units allows for multiple units of analysis including a case, the context in which it operates, and the embedded units. This design enabled me to emphasize the main unit and its context, while also adding detail from the embedded units which ultimately strengthened the analysis. It was not my goal to examine the individual financial models outside of their context, nor to examine the context itself without giving attention to the embedded units. To answer the questions in this study around how the PPV model has been used, the forces that cause universities to use it, what is gained and lost by its use and the strengths and challenges resulting from their implementation, it was critical to examine the university itself as a single case, examine the state context in which it operates, and examine the individual financial models being used at one organization.

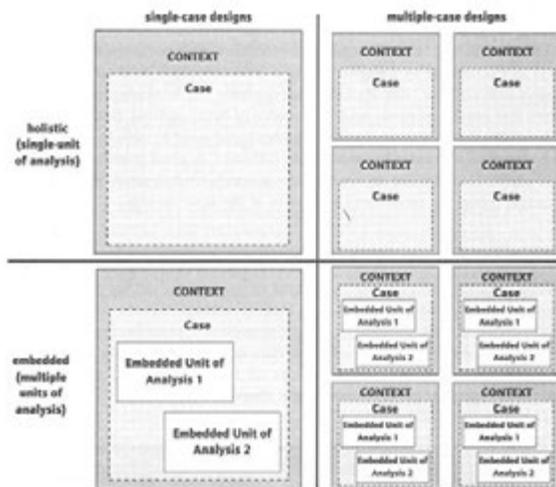


Figure 2.4 Basic Types of Designs for Case Studies
SOURCE: COSMOS Corporation.

Figure 1: Basic Types of Designs for Case Studies

Source: Yin (2003), pg 46.

Selection Criteria

The first research question asks - how has the PPV model been used in an urban public university? It was important that the selected sample case be an urban university that built a facility using the PPV financial model in the University System of Georgia. As I approached this study with the conceptual framework of privatization in the public sector provided by Savas (2000), I looked first at the typology that conceptualizes the privatization of the government sector into three broad methods – one category of which is Delegation. Within the category of Delegation, Savas identifies a tool called the public-private partnership (a term used interchangeably for public-private venture) that he defines:

More broadly, a public private partnership is an arrangement in which a government and a private entity, for-profit and nonprofit, jointly perform or undertake a traditionally public activity. More narrowly, it is a complex relationship – often involving at least one government unit and a consortium of private firms – created to build large, capital-intensive, long-lived public infrastructure, such as a highway, airport, public building, or water system, or to undertake a major civic redevelopment project (Savas, 2000, pg. 1).

A similar but more narrow definition of a PPV from the University System of Georgia, and falls easily within Savas' definition:

A contract between a public sector authority and a private party, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project. For the University System of Georgia, a PPV is a financing agreement utilizing an issuing authority which loans money to a foundation's LLC to construct physical plants (student housing, parking decks, food courts, and student support facilities) to be rented to the USG for the use of students, faculty and staff of a USG institution. The USG PPV Program traditionally enables financing for projects that have their own dedicated funding (revenue) stream, such as mandatory student fees, parking fees, student housing rentals, bookstore revenue, research grants, or food services revenue. These projects are stand-alone projects that should be self-supporting (i.e. project-generated revenues should cover project expenses) (USG PPV Audit and Consulting Engagement Report, 2011).

It was critical that the selected case fall within both Savas' definition of a PPV, and the University System of Georgia's definition of a PPV. A selection falling within the Savas definition can help to make connections with the existing literature and theory on privatization. A selection consistent with the USG definition increases the comparative power of the data since the PPV program in Georgia is based on a state policy, goes through a systematic and statewide auditing process, and came into existence in 2000 which draws a clear line as to how facilities were built both before and after the program's existence. Clarity is provided around the defined boundaries of the system.

As I began the case selection process, I explored several different strategies. I conducted numerous exploratory interviews with colleagues at the USG and at several universities with a PPV program to gather initial information. I also completed an initial review of several documents to help inform the case selection process.

While I ultimately decided against using a multi-case design, I explored this option and considered a comparative study among three different public institutions in Georgia (to help highlight differences) in the same Carnegie category (to help control for differences) that each have an example of a PPV on its campus. While three different PPVs of a similar facility-type on three different campuses would identify sample cases for comparison, this approach to case selection would have provided three very different examples in three very different contexts. As I explored this approach, however, it became clear this type of research design was not optimal and could add unnecessary complexity to the study. Working with three different institutions would introduce three different sets of forces, different time periods, different decision-making contexts, and even different variations on the same facilities (i.e., renovations of existing facilities vs. construction of new facilities).

I then explored a different approach that identified one public institution with examples of a facility-type that had been constructed on its campus with different financial models. This research design would have provided better control for the external and internal forces involved in the decision-making, and would have provided more obvious results in the data as to how the different models are, in fact, similar and different. The three different financial models I selected were: 1) a 100 percent PPV, 2) no private party involved or zero percent PPV, and 3) a hybrid example with both the state and a private party involved. These three models could be compared more easily if they were studied at the same institution. This data would have provided a better understanding of what has been gained and lost with the use of each model, what external and internal forces are involved, and the strengths and challenges that have resulted from the implementation of each model. Yin (2003) and Merriam (2009) recommend that case selection involve purposeful sampling to identify two or more cases that might show a similar result or theme, or two or more cases that might show contrasting results of themes, and so I explored a case selection process that might show contrasting results of themes.

However, after pursuing this strategy, it became evident that my early thinking around the three different financial models was flawed. Through a series of exploratory interviews, it was evident that there was not a continuum of PPVs, on which one end would reside a 100 percent PPV, and other end a zero percent PPV, with a ‘hybrid’ PPV in the middle. As I revisited the USG definition of a PPV – a contract between a public sector authority and a private party, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project – it was evident that a private party either assumes risk for the project or it does not. There is no “partial” assumption of debt. Because of the lack of

scholarly research on this topic, I found that some of my basic assumptions about PPVs were slightly flawed.

I then chose, therefore, to focus on one, single-case study that had examples of both PPVs and non-PPVs and that could be examined in light of the context both of the institution itself, and of the context of the University System of Georgia and its rapidly changing thinking and policies regarding PPVs. The single-case study with embedded units design accommodates for both Savas' and the USG's definition of a PPV, it controls for organizational condition and culture changes, and it allows for the examination of one organization over time that has utilized both a PPV model and the traditional, state-funded model.

Having selected a research design, it was then necessary to select a facility-type. After reviewing a list of PPVs in the state in consultation with the USG's PPV auditor (Table 2), it was evident that housing facilities and student union facilities are the most prevalent PPVs on Georgia's public campuses. During the time period when I was selecting a facility to study, in April of 2013, there were a total of 174 active PPVs in the state of Georgia's public higher education system, and 84 of those were housing facilities that met the USG definition of a PPV.

There were numerous institutions with multiple housing facilities built both through the traditional, state-funded model, and through the PPV model, thus I selected housing as the preferred facility-type to study. Because student union facility construction tends to be intertwined with services such as dining facilities or bookstore operations, I chose not to examine this as a facility-type due to the added complexity of the funding involved. I then further narrowed the facility-type criteria to that of newly-constructed or newly-purchased housing to avoid the complexities of renovation, expansion or refinance projects.

Table 2: Summary of USG-Bond Issues Outstanding by Repayment Source

	Institution	Number of active PPVs	Number of active PPVs that are housing facilities
1	Abraham Baldwin Agric. College	3	3
2	Albany State University	3	3
3	Armstrong Atlantic	8	4
4	Atlanta Metropolitan State College	1	0
5	Bainbridge College	1	0
6	Board of Regents/OIIT	2	0
7	Clayton State University	2	2
8	College of Coastal Georgia	2	1
9	Columbus State University	8	4
10	Dalton State College	1	0
11	Darton State College	2	1
12	East Georgia State College	1	1
13	Fort Valley State University	3	2
14	Georgia College and State University	7	3
15	Georgia Gwinnett College	7	1
16	Georgia Highlands College	1	0
17	Georgia Institute of Technology	25	8
18	Georgia Perimeter College	2	0
19	Georgia Regents University	7	3
20	Georgia Southern University	9	6
21	Georgia Southwestern State University	3	3
22	Georgia State University	10	2
23	Gordon State College	3	3
24	Kennesaw State University	23	9
25	Middle Georgia State College	6	5
26	Savannah State University	5	5
27	South Georgia State College	3	2
28	Southern Polytechnic State University	5	4
29	University of Georgia	15	6
30	University of North Georgia	9	5
31	University of West Georgia	12	7
32	Valdosta State University	7	4
	TOTAL	174	84

Source: University System of Georgia web site

After multiple discussions with professionals in the University System of Georgia who have decision-making and compliance roles within the PPV program, I selected the Georgia Institute of Technology (Georgia Tech) as a public, urban university that has examples of newly-constructed and newly-purchased housing facilities using both traditional and PPV funding models. Understanding how each facility was created contributes to our understanding of privatization dynamics in higher education, and whether or not the PPV model demonstrates captured efficiencies that allow for operational reforms in public higher education.

Brief Description of the Case Institution

To place the PPVs within a context, it is helpful to understand more about the Georgia Institute of Technology. It is one of the nation's top research universities, and it distinguishes itself with a commitment to improving the human condition through advanced science and technology. It is located in downtown Atlanta, sits on 400 acres, and serves more than 20,000 undergraduate and graduate students. With a focus on math, science and engineering programs, its student population is unique and the housing enterprise is a key component of the education process. Having been founded in 1885, it has a rich history of demonstrated financial stability, a well-established housing program, and a history of successfully using numerous financial models to fund numerous housing facilities.

As a major research institution, Georgia Tech has a focus on engineering, sciences, computing, business, architecture and liberal arts. It is ranked the #36 best national university and #5 best undergraduate engineering program in *U.S. News and World Report* in 2013. According to 2007 National Science Foundation data, GT is ranked 31st nationally, and 19th among public universities in research and development (Swant, S., McKenna, P., Byrne, K. & Bellwoar, H.J., 2007). Its main campus is in midtown Atlanta, but it also touts campuses in

Savannah (Georgia), France, Singapore and Shanghai. Of its more than 20,000 students, approximately 70 percent are undergraduate, 30 percent are graduate, and the average entering freshman SAT score in 2007 was 1342. The FY06 expenditures for GT and its affiliates was \$942.5 million, and in addition, research and development expenditures were \$445 million. In 2007, only about 20 percent of new construction was financed by state appropriations. The remaining 80 percent was financed by Georgia Tech and its affiliates (Swant, S., McKenna, P., Byrne, K. & Bellwoar, H.J., 2007).

After selecting Georgia Tech as the sample case, I then began a series of discussions with administrators at Georgia Tech that helped me to determine embedded subunits to examine. Since the 2000 USG policy change, two housing facilities have been constructed at Georgia Tech with a public-private venture model – North Avenue apartments which was purchased from Georgia State University (GSU) in 2007, and Tenth and Home Housing (family apartments) which opened as a newly-constructed facility in 2004.

Tenth and Home Housing was built in connection to Georgia Tech's strategic goal to increase the number of international graduate students and strengthen its graduate research agenda. The increase of international students and their families meant that family apartments were needed. This facility was financed as a simple and straightforward public-private venture through Georgia Tech Facilities, Inc. (GTFI) which served as the private party that assumed the debt and risk on behalf of Georgia Tech.

With a somewhat complex and interesting history, North Avenue apartments were built as a part of the Olympic Village housing when Atlanta hosted the Olympics in 1996. At the completion of the Olympics, the facility was then gifted to Georgia State University (GSU) who later sold it to Georgia Tech in 2007. When sold to Georgia Tech, the facility was financed as a

straightforward PPV through Georgia Tech Facilities Inc. Both the North Avenue apartments and Tenth and Home Housing serve as representative examples of a PPV at an urban, public university and operate under the University System of Georgia's PPV program policies.

Before 2000, the most recent housing facility constructed at Georgia Tech was Woodruff Housing. This undergraduate housing facility opened in 1984 and is not a PPV. It was fully-funded by the state of Georgia in a traditional financing model where the state assumed the debt, built the facility on the GT campus, and then paid the debt through reduced state appropriations to the university.

Numerous discussions that I completed with administrators at Georgia Tech confirmed that Tenth and Home Housing (2004), and North Avenue apartments (2007) were representative examples of the PPV model, and that Woodruff Housing (1984) was a representative example of a traditional, state-funded housing facility or non-PPV model. Throughout the interview process, I found that these three facilities were repeatedly suggested as good examples for this study.

Data Collection

For this study, I utilized a data collection strategy that included individual interviews and a review of existing documents. I completed the document collection and interviews first, and then conducted an analysis of the document and interview data. My initial list of key documents that I utilized in the study included the following:

1. USG Board of Regents Policy Manual, Section 9.8 Public-Private Ventures.
2. USG Business Procedures Manual, 24.3 Purposes and Uses of Fees.
3. All USG minutes that refer to public-private ventures and any associated policy changes.
4. USG Public-Private Venture Consulting Engagement, Internal Audit Report, September 14, 2011.
5. USG-Bond Issues Outstanding by Repayment Source, revised Dec 27, 2012.
6. All appropriate information regarding the three subunits on the Georgia Tech web site.

7. Public-Private Partnership Policy Reference Documents Report from the Georgia Higher Education Facilities Authority (GHEFA) web site.
8. Any key financial documents or statements associated with the three Georgia Tech case samples.
9. Any news articles related to the three case samples.
10. Biographies of all interviewees.

Based on Creswell’s (2009) recommendations, semi-structured interviews were conducted and included a heading, ice breaker question, ten questions (Table 3) on the topic, and appropriate follow-up questions. Semi-structured interviews use a guide of somewhat-structured interview questions, but all questions involve flexibility (Merriam, 2009). Each interviewee was thanked at the end of our meeting. I took handwritten notes during each interview and made audio recordings. Immediately after each interview, I made notations reflecting specific impressions and observations I made during the interaction. Each recording was transcribed. Although the list was modified during data collection, a list of key individuals that I initially planned to interview for data collection in the research study included:

1. Executive Director of Housing Operations at Georgia Tech
2. Associate Director for Finance for Georgia Tech Housing
3. Public-Private Venture Auditor, Internal Audit and Compliance Office at the USG
4. (Retired) Assistant Director of Business and Finance for Georgia Tech Housing
5. (Retired) Vice President for Campus Services at Georgia Tech
6. (Retired) Director of Housing Operations at Georgia Tech
7. Associate Vice Chancellor for Fiscal Affairs and Finance Director for the USG PPV Program
8. Director of Finance for Housing Operations at Georgia Tech
9. Chief Audit Officer and Associate Vice Chancellor of Internal Audits at the USG
10. Additional key USG Officers associated with PPVs
11. Key GHEFA Officer who oversees PPVs in state of Georgia

Table 3: Interview Questions

1. Tell me what you do and a little more about your background (related to work role).
2. Tell me the “story” of how each case sample/housing facility was created and implemented.
3. What was the rationale behind their creation?
4. Who was involved in the decision to create each case sample/housing facility?

5. Are there any financial documents available for each case sample/housing facility that I could access?
6. For each case sample/housing facility, what was the role of the state? The institution? The private entity (Foundation LLC)?
7. In your view, what have been the implications to funding the housing facility in this way?
8. What issues have been involved with the use of this funding model?
9. Describe your philosophy in terms of funding and higher education.
10. Is there anything else related to the PPV venture you would like to add?
11. Is there anyone else that I should speak with concerning this topic?

Beyond the individual interviews, there were no additional opportunities for observations of meetings or activities that emerged throughout the data collection process.

Description of Data

The interview data I collected was gathered over a period of approximately five months, March to July 2013. In March, I began a series of informal, exploratory discussions to learn more about the PPV program in the state of Georgia, and the types of PPVs that exist at various institutions. These discussions had a cascading effect – I would speak with one individual who would share information with me and would recommend others from whom I could request information and have subsequent discussions. These early discussions helped me form an understanding of the actors involved in PPVs in the state of Georgia and the information that was available, and they helped me to develop and shape my research proposal. It is important to remember that very little research on PPVs in public higher education has been completed, thus it was critical to place an early emphasis on exploration of the topic. Ultimately, I conducted a total of 10 formal, 60-minute interviews. In addition to the formal, semi-structured interviews, I spoke informally with many others who helped to guide me, provided information, and/or referred me to others. I communicated with a total of 23 individuals – 10 of whom agreed to participate in a formal interview. Nine individuals participated in an informal interview which lasted from 15 minutes to more than an hour. Some individuals agreed to participate both in

informal and formal interviews. I found many individuals to be helpful and enthusiastic to share their knowledge and experience. Four individuals, however, declined to participate in a formal interview but assisted in other ways such as referring me to others, with some going as far as helping me to secure and schedule those interviews. Some assisted by identifying and securing documents for me. An additional three individuals declined to be formally interviewed (for a total of seven declines). Some of these individuals who declined were non-responsive to emails and phone calls. Some suggested that because they were retired that their opinions were no longer relevant, and some suggested that they were not the “right person” to interview but they attempted to assist in other ways. An overview of all interviews conducted between March – July 2013 is listed in Table 4.

Table 4: Overview of Data Collection - Interviews

Number of Individuals with whom I have been in communication on PPVs	23
Formal interviews	10
Informal interviews/discussions	9
Declined to be formally interviewed, but assisted in other ways	4
Declined to be formally interviewed	7

A detailed chart (Table 5) of all data collection regarding interviews expands the description of this data showing the title of each individual, the organization(s) they represent, the format, type of interview/discussion, if the individual declined but assisted in other ways, or if they declined to be interviewed altogether. It is important to note that several individuals

represented more than one organization. One individual was an employee of the Georgia Institute of Technology, but also served on the board of the Georgia Tech Facilities, Inc., and served on the board of the Georgia Advanced Technology Ventures, Inc. Maintaining multiple roles enabled this person to share perspectives from multiple organizations. Two individuals were retired and shared their perspective from when they worked at Georgia Tech. One individual was currently employed at one organization (University System of Georgia), but had worked previously at another organization (Georgia State Financing and Investment Commission - GSFIC) and was able to share perspectives from both organizations.

The 10 formal interviews were conducted in June and July of 2013. After I identified an individual as a good interview candidate based on their level of involvement in decision-making and knowledge of PPVs at Georgia Tech and within the state, I sent an email request for an interview according to IRB-approved guidelines. If no response, I then placed a phone call to request an interview. If scheduled, I sent a reminder email two days prior to the interview confirming the time and location. I prepared for each interview by reviewing the interviewee's biography, what information I thought they might be able to share based on their role, and why I had selected them or who had recommended them and why. At each interview, I requested their signature on an IRB-approved consent form and requested permission to audio record the interview. When permission was granted, I then placed the recorder in plain sight in front of the interviewee and proceeded to ask the questions that had been previously developed. I took hand-written notes throughout each interview. One formal interviewee agreed to sign the consent form to be interviewed but declined permission to audio record the interview. He was concerned that the university's legal office might object to the recording. In this specific case, I proceeded to interview the individual and took hand-written notes without recording it. He later followed up

Table 5: Detailed Description of Data Collection - Interviews

	Title	Organization	Format for Data Collection	Formal interview	Informal interview or discussion	Declined to be formally interviewed, but assisted in other ways	Declined to be formally interviewed
1	Executive Director of Housing Operations	Georgia Institute of Technology	Formal in-person interview	X			
2	Associate Director, Housing Finance and Budget	Georgia Institute of Technology	Formal in-person interview and an additional one-hour informal discussion, provided documents	X	X		
3	Vice President Campus Services (retired)	Georgia Institute of Technology	Formal phone interview	X			
4	Senior Director, Housing Facilities Management	Georgia Institute of Technology	Formal in-person interview	X			
5	Director, Treasury Services	Georgia Institute of Technology	Formal in-person interview	X			
	Asst. Treasurer	Georgia Tech Facilities, Inc.					
8	Chief Audit Officer and Associate Vice Chancellor	University System of Georgia	Formal in-person interview	X			
9	Vice President, Legal Affairs and Risk Management	Georgia Institute of Technology	Formal in-person interview	X			
	Executive Director	Georgia Tech Facilities, Inc.					
	Vice President	Georgia Advanced Technology Ventures, Inc.					

10	Director of Facilities and Capital Planning	Georgia Institute of Technology	Formal in-person interview	X			
11	Public-Private Venture Auditor, Office of Internal Audits	University System of Georgia	Two informal phone interviews, assisted with document collection, recommended others to be interviewed, declined a formal interview		x	X	x
12	Associate Vice President of Auxiliary Services	Georgia Institute of Technology	One information discussion, recommended others to be interviewed, declined a formal interview		x	X	x
13	Assistant Director, Capital Planning and Space Management	Georgia Institute of Technology	Declined to be interviewed				x
14	Assistant Director, Business and Finance (retired)	Georgia Institute of Technology	Declined to be interviewed				x
15	Assistant Director, Capital Planning and Space Management	Georgia Institute of Technology	Informal phone interview, assisted with document collection, recommended others to be interviewed		x		
16	Director of Bond Finance	Georgia State Financing and Investment Commission	Informal email discussion, assisted with document collection		x		
17	Senior Director of Auxiliary Services	Georgia Institute of Technology	Informal phone interview, recommended others to be interviewed		x		
18	Executive Director of Real Estate Facilities	University System of Georgia	Declined to be interviewed, assisted with document collection			X	x
19	President and CEO	Hendessi and Associates	Declined to be formally interviewed, but recommended others to interview			X	x

20	Vice President for Facilities and Operations	Georgia Gwinnett College	Informal in-person interview, recommended others to be interviewed		x		
21	Archivist, Library	Georgia Institute of Technology	Assisted with document collection		x		
22	Real Estate Administrator, Real Estate Development Office	Georgia Institute of Technology	Assisted with document collection		x		
23	Executive Vice President for Administration & Finance	Georgia Institute of Technology	Declined to be interviewed				x

with me to tell me that he had consulted with the university's legal office and there were no concerns expressed regarding the interview.

I began each interview with an overview description of my research topic and my research questions. I also confirmed their names, titles and dates of employment or association with their respective organizations. This was a critical clarification especially when examining Woodruff housing which opened in 1984, or when interviewing retirees. Five interviewees had been employed at Georgia Tech for decades, and during that span had different titles and different roles with housing or PPVs at different times. I generally stayed on course in terms of asking the prescribed questions, but it was not unusual for interviewees to add new information or new ideas for which I had not accounted initially. When this happened, I incorporated their comments and then included follow-up or clarification questions. It was also not unusual for interviewees to recommend others with whom I should speak, or to refer to specific documents, charts or presentations. Each new recommended interviewee and new document was noted and I followed up at a later date. After each interview, I sent a brief thank you email to each individual. Most did not respond, but two interviewees responded and sent yet additional information. Comments during and after the interviews as well as nonverbal gestures during the interviews indicated a spirit of enthusiasm throughout the discussions about my interest in this topic, and a general desire to facilitate my research.

Within a day or two after each interview, I read and re-read my hand written notes. I wrote a brief summary of each interview based on my notes and general impressions, making note of tentative themes, interesting ideas or quotes, and items on which to follow up. A transcription was also secured for each formal interview. All items pertaining to each interview – signed consent form, handwritten notes, summarized notes and transcription – were all dated,

filed (hard copy and electronically), and kept in an excel inventory spreadsheet to monitor progress. Permission was granted via email with each individual to include direct quotes. Otherwise, no data was attributed to anyone by name, only by title and organization. As the principal researcher, I was the only individual who had access to the names of interviewees, and no names were published without first securing permission. After 10 formal interviews, a firm level of saturation was reached, and themes and information began to be repeated over and over again. The same documents were being recommended, and the same names were repeated as those who would have the most to contribute in an interview. My initial plan was to formally interview 15-20 individuals, but as I progressed, it was evident that I had achieved my goals through the 10 interviews and was also acquiring a large portion of the data through documents and information discussions. After all interviews were completed and all documentation was secured and filed, then a summary of the “unit” of all 10 interviews was written and is included in Chapter 4.

The collection of documents also took place over this same five-month period of time from March through July, 2013. In my initial research proposal, I included a list of documents that I recommended for analysis, but as the interview process proceeded, I found that many documents in addition to the ones I had first proposed were available for review, so the document collection process expanded rapidly and prolifically.

A total of 40 documents were collected, reviewed, coded and analyzed. Documents were obtained both through my searching for public information on the internet or in an archive, and by individuals sending documents to me that were public information but not necessarily readily accessible on the web. No private or confidential documents were included. I received enthusiastic support from many individuals who often went to great lengths to help me identify

and secure documents that could be used in this study. Many individuals expressed concern that my study be accurate and have original documents whenever possible so there would be no question as to the accuracy and reliability of the information that would be associated with this research study.

Table 6: Overview of Data Collection - Documents

Organization	Number of documents analyzed	Number of pages analyzed
Georgia Institute of Technology (Georgia Tech)	10	146
Georgia Tech Facilities, Inc. (GTFI)	7	456
Board of Regents of the University System of Georgia (USG)	18	93
Georgia Higher Education Facilities Authority (GHEFA), and Georgia State Financing and Investment Commission (GSFIC)	2	84
Georgia State Senate	1	1
Media articles	2	5
	40	785

Table 6 is an overview chart of all documents collected. From the total of 40 documents that contained 785 pages, I organized the documents based on the organization that they

represented: Georgia Tech; Georgia Tech Facilities, Inc.; the Board of Regents of the University System of Georgia; GHEFA and GSFIC; and media articles. As a single-case study that places emphasis on the sample case, Georgia Tech, it was appropriate that I collected 10 documents (146 pages) from that one, single organization. These documents contain data not just on the institution itself, but also on the embedded units of study: Tenth and Home Housing (PPV), North Avenue Apartments (PPV), and Woodruff Housing (non-PPV). I collected seven documents (456 pages) from GTFI which is the private entity through which all PPVs at Georgia Tech run. This is an important organization from which to have original data in my study. Most of these were large, legal documents. Georgia Tech's parent organization, the University System of Georgia, is also an important organization from which to collect data to provide critical context as it relates to the state's PPV program. A total of 18 documents (93 pages) were collected related to the USG. A total of two documents (84 pages) were collected from GHEFA and GSFIC, state organizations that also provide important context to the dynamic of PPVs at a state level. The remaining three documents (six pages) gathered from the Georgia State Senate and various media articles were ancillary but do provide perspective from other public organizations.

A detailed chart (Table 7) of all data collection related to documents expands the description of this data showing the name of the document, from whom it was received, the date it was received, a brief description of the content, the date that the document was revised, the number of pages, and the organization to which it applies.

In general, documents were readily available on the internet or in archives, and information was easily collected. The majority of documents came from the organizations that have the most responsibility with oversight, compliance and policy - Georgia Tech, GTFI, and

the University System of Georgia. While most of the documents are dated in the last five years, document dates ranged from 1984 to the present so history could be captured and described, as well as the current status of the housing facilities and the current economic conditions.

In Table 6 and Table 7, I removed all names associated with who sent information to me or names of those who made presentations, and used, instead, only titles, offices and names of organizations. Before selecting the final 40 documents, I chose to eliminate 5-10 documents that did not seem to add any significant information to the study. While there was a high level of saturation with the documents that I included in this study, there was also rich detail that continued to be added with each one. Because of the exploratory nature of this study and the emphasis on the context around why PPVs are chosen and how they are used, I chose to err on the side of including a large amount of data rather than err on the side of including a smaller number of documents that fell only into the strategic core of the study. Due to the lack of scholarly writing on this topic, I knew that a recommendation for future studies was critical and I wanted to have plenty of information to inform my recommendations.

Trustworthiness

To increase the study's trustworthiness, it is important to address the issues of reliability and validity. Reliability is an operational approach to ensure that a study can easily be replicated (Creswell, 2009; Yin, 2003). Yin describes reliability as demonstrating that the operations of a study can be repeated with the same results. Creswell purports qualitative reliability to be important because it ensures that the approach is consistent across different researchers and projects. I increased this study's trustworthiness and reliability through the following methods:

1. Checked transcripts to be sure they did not contain obvious mistakes;
2. Triangulated to verify information whenever possible;
3. Validated respondent data whenever possible;

Table 7: Detailed Description of Data Collection - Documents

	Document	Received From	Date Received	Description of content	Revision date of document	Number of pages	Organization
1	Georgia Tech Budget Document	GT Housing	6/7/13	List of all housing facilities and their maximum rentable sq ft by res hall	unknown	3	GT
2	Georgia Tech debt service schedule	GT Housing	6/7/13	Schedule for Family Housing, North Ave apts (Olympics facilities)	11/13/12	1	GT
3	Powerpoint presentation by GT administrators to National Association of College and University Business Officers	Office of the Vice President, Legal Affairs & Risk Management	8/9/2013	Public – Private Partnerships A Critical Component of the Georgia Tech’s Strategy for Success	April 2007	96	GT
4	General overview of information on Woodruff Residence Hall	GT web site	8/8/2013	Includes # of beds, architect, contractor, construction costs, year constructed, etc.	7/30/2013	3	GT
5	General overview of information on Tenth and Home	GT web site	8/8/2013	Includes # of beds, architect, contractor, construction costs, year constructed, etc.	7/30/2013	3	GT
6	General overview of information on North Ave	GT web site	8/8/2013	Includes # of beds, architect, contractor, construction costs, year constructed, etc.	7/30/2013	3	GT

	Apartments						
7	Article from GT Alumni magazine	GT web site	8/28/2013	Article by GT President about how the Olympics and academia will soon converge	Fall 1995	3	GT
8	Article from GT Newsroom	GT web site	8/28/2013	Article "North Avenue Apartments to Undergo Brick Repair Work"	7/1/2008	2	GT
9	GT presentation to BOR	Office of the Vice President, Legal Affairs & Risk Management	8/28/2013	Comprehensive Housing Plan and Married/Family and Graduate Student Housing Proposal	10/1/2002	22	GT
10	Housing System Financial Pro Forma Related to Acquisition of North Avenue Apartments	Office of the Vice President, Legal Affairs & Risk Management	8/28/2013	GT Housing System Current plan, working assumptions; North Ave apartments current plan, working assumptions	4/1/2007	14	GT
SUBTOTAL						146	
11	Ground lease	GT Real Estate Office Archive	7/23/2007	Ground lease for North Ave Apartments between BOR and GTFI	7/31/2013	20	GTFI
12	Lease Agreement - Amendment #1	GT Real Estate Office Archive	6/23/2010	Amendment #1 to Ground lease for North Ave Apts	7/31/2013	31	GTFI

13	Certification of GTFI/GTFI Articles of Incorporation	GTFI web site	8/2/2013	Official state document	12/19/1985	13	GTFI
14	Official Statements from 2003 bond issue	Office of the Vice President, Legal Affairs & Risk Management	8/5/13	Bond issue for Tenth and Home Housing	7/31/2003	66	GTFI
15	Official Statements from 2007 bond issue	Office of the Vice President, Legal Affairs & Risk Management	8/5/2013	Bond issue for North Ave Apts	8/28/2007	324	GTFI
16	Brief description of North Avenue Apartments	GTFI web site	8/28/2013	Brief description of North Avenue Apartments	current	1	GTFI
17	List of GTFI Board members	Director of Affiliated Organizations at GT	8/28/2013	Brief description of role of GTFI board members, their names, occupation, and date of expiration of term	current	1	GTFI
SUBTOTAL						456	
18	USG-Bond Issues Outstanding by Repayment Source	USG web site	6/13/13	List of all existing PPVs in the USG	4/15/13	23	USG

19	Public-Private Venture Consulting Engagement	BOR web site	12/12	Internal Audit Report, definition of PPV Program, Foundation and Control processes, also called PPV audit guide / PPV audit guidelines / Best Practices Guide - USG needed something to audit PPVs against	9/14/11	52	USG
20	BOR Policy Manual	BOR web site	6/13/13	All policies/text related to PPVs	current	10	USG
21	BOR powerpoint presentation on PPV Program	USG web site	6/13/13	Audit-consultation- compliance and ethics- ERM-investigations, presentation by USG and 2 lawyers at Facilities Officers Conference	10/27/11	35	USG
22	BOR powerpoint presentation on Key Focus Areas of System Office Audit	BOR web site	6/13/13	One of the nine areas of audit is PPVs	unknown	11	USG
23	USG Public- Private Ventures – list	BOR web site	6/13/13	List of all PPVs in the USG with project name, board action date, occupancy date and amount	4/15/13	4	USG
24	USG article announcing new PPV policies	USG web site	7/17/2013	Regents Approve New Oversight of Building Projects	11/13/12	2	USG

25	USG news release announcing new PPV policies	USG web site	7/17/2013	Regents Approve New Oversight of Building Projects	11/13/12	2	USG
26	BOR Business Procedures Manual	USG web site	7/17/2013	Procedures related to Capitalization, Leasing, Calculation of Liability	current	7	USG
27	BOR PPV update powerpoint presentation	USG web site	7/17/2013	Update on PPV program	8/8/2006	17	USG
28	BOR presentation on History of PPVs by USG in 2005	BOR web site	8/9/2013	PPV update	Aug 2, 2005	20	USG
29	BOR presentation in Oct/Nov 2012 by USG	BOR web site	8/9/2013	PPV Update	Nov 13, 2012	27	USG
30	USG Business Procedures Manual	USG web site	8/8/2013	24.3 Purposes and Uses of fees	current	5	USG
31	BOR Minutes Jan 9-10, 1996	USG web site	8/28/2013	Includes report on planning for the Olympics from GT president	Feb 1996	8	USG
32	BOR Minutes Feb 9, 2010	USG web site	8/28/2013	Modification of Ground Lease and Rental Agreement, North Avenue Apartments, GT	Jan 2010	1	USG
33	BOR Minutes Jan 2012	USG web site	8/28/2013	List of all PPVs in the state of Georgia - 47 total	Jan 2012	1	USG

34	BOR Minutes Oct 2002	USG web site	8/28/2013	GT VP presents a housing strategic plan to the BOR, and submits request for family housing funded as a PPV through GTFI	Oct 2002	1	USG
35	BOR Minutes Nov 2002	USG web site	8/28/2013	BOR approves ground lease and rental agreement for Tenth and Home	Nov 2002	2	USG
SUBTOTAL						93	
36	One of Eight, GSFIC Fiscal Managers Conference powerpoint presentation	GSFIC web site	7/17/2013	History of Debt Issuance, AAA Rating overview, post-issuance compliance	8/18/2012	43	GHEFA/GSFIC
37	Public-Private Partnership Policy and Procedures	GHEFA web site	8/8/2013	GSFIC document	8/4/2004	41	GHEFA/GSFIC
SUBTOTAL						84	
38	Notification from Georgia Association of the American Institute of Architects about a Georgia Senate Study Committee on PPVs	GT Architect	7/26/2013	Invitation to serve on a new study committee on PPVs	7/26/2013	1	Georgia State Senate
SUBTOTAL						1	

39	Inside Higher Ed article/letter from Purdue President Mitch Daniels	IHE web site	7/17/2013	New Sherriff in Town - problem with PHE "as I see it"	1/12/2013	3	Inside Higher Ed (media article)
40	Atlanta Business Chronicle article on P3 Projects	Atlanta Business Chronicle	8/12/2013	Georgia lawmakers weigh more 'P3' projects - state lawmakers are studying GDOT's use of PPVs and USG's use of PPVs for capital projects to determine if there is opportunity to expand reliance on private sector on govt projects	8/12/2013	2	Atlanta Business Chronicle
SUBTOTAL						5	

4. Ensured there was no drift in the definition of codes, or a shift in the meaning of the codes during the process of coding;
5. Used rich, thick description to convey the findings and transport readers to the setting and give the discussion an element of shared experiences;
6. Created an audit trail. Described how data was collected and how I arrived at my results;
7. Identified my personal bias as a researcher to ensure an open and honest narrative; and
8. Presented negative or discrepant information that runs counter to themes and patterns.

Another important way to increase the study's trustworthiness is through validity.

Validity is an operational approach to ensure the accuracy of information in a study (Yin, 2003; Creswell, 2009). Creswell defines qualitative validity as the researcher checking for the accuracy of findings or information by employing certain procedures. Steps to ensure this study's validity included:

1. Organized and prepared all data before a review is conducted;
2. Read through all data to obtain a general sense of the information before beginning the coding process;
3. Practiced triangulation whenever possible;
4. Practiced respondent validation whenever possible;
5. Completed a detailed analysis with a coding process – organized material into chunks, placed chunks in categories and created descriptive codes before bringing meaning to the information;
6. Used the coding process to generate a description of the setting or people as well as categories, themes or patterns for analysis. The description involved a detailed rendering of information about people, places or events in a setting;
7. Advanced the description by creating a narrative from the described data, patterns and themes; and
8. Interpreted the data and suggested meaning. I asked myself - what are the lessons learned?

Limitations

Several limitations were present in this study and should be acknowledged. A large limitation was the issue of the faulty memory of interviewees due to the time span associated with the study. Since the Woodruff Housing facility was built in 1984 and many of the dynamics around the creation of the PPV program took place in the late 1990s through to the present, I

found numerous discrepancies in the information and explanations in the interview transcriptions, especially regarding the timing of when things happened. Some memory issues were small, for example – one interviewee said that “Mr. X would know the story of Woodruff since he was here then,” but when I spoke with “Mr. X,” he was actually not there during that time and did not know the story of Woodruff. This type of faulty memory issue was easy to navigate, though, and I simply eliminated this type of information from the results. Another example was the discrepancy in information around the very first PPV in the state of Georgia. There were five different statements in the interview transcriptions revealing which project was actually the state’s first PPV project. Obviously there can only be one “first PPV” in the state of Georgia, but officials remembered differently about which one was the first one. Since there was really no need to state this fact in the results, this fact was simply omitted.

Other memory issues, however, were larger. For example – one interviewee stated that North Avenue Apartments were purchased for a certain amount on a certain date from a certain entity. With triangulation, however, it was evident that the information shared by that individual was not correct. I found that the triangulation of information was essential when weaving together the narrative of the case, its embedded units, and the state context surrounding the case over a period of twenty-five years. This triangulation also helped to increase the trustworthiness of the study. The document collection and analysis process assisted with this tremendously as I was able to check conflicting information shared in interviews against documents associated with their story.

Another limitation I found was that of vocabulary. Some interviewees used vocabulary that meant one thing to them, but something else to another interviewee. For example, there is a Georgia Tech Foundation (GTF), and a Georgia Tech Facilities, Inc. (GTFI). These two

organizations are different and have different purposes, governance, etc. Some of the interviewees interchanged one for the other because they were unfamiliar with their differences. Here, I relied on triangulation of the information against documents, and against interviews with those who were more familiar with the differences in the two organizations. The same dynamic was present with the Georgia Higher Education Facilities Authority (GHEFA) and the Georgia State Financing and Investment Commission (GSFIC). These state organizations were consistently confused by those not familiar with their differences and triangulation was critical in this instance.

Finally, a third limitation is that I do not have a legal nor a financial background. I reviewed numerous legal documents and interviewed three lawyers who have played a key role in GTFI. Much of the dynamics associated with PPVs involves legal description and understanding and so I approached it as a lay person trying to understand, to the best of my ability, without that legal training. Similarly, I do not have a sophisticated financial expertise but yet I reviewed numerous financial documents. I also approached this topic as a layperson trying to understand to the best of my ability. With both of these areas in mind, triangulation was essential to ensure that information I understood from a legal or financial document was carefully checked against a lawyer's or financial expert's description of the document.

CHAPTER 4

RESULTS

I began this study with a focus on the privatization of public higher education, and specifically, a focus on the use of one, unique privatized financial tool being used at a rapidly-increasing rate – the public-private venture model. The research questions that have guided this study are: 1) how has the PPV model been used in an urban public university?, 2) what are the internal and external forces that cause a public university to use the PPV model (other than the obvious USG requirement of its use for specific facilities)?, 3) what is gained and what is lost by using a PPV model (e.g., university mission and values, reputation, revenue streams)?, and 4) what strengths and challenges have resulted from the implementation of PPVs?

I selected the Georgia Institute of Technology as my sample case. I reviewed the context in which Georgia Tech operates, and studied two embedded units within GT that are public-private ventures, and one embedded unit that is a state-funded model (non-PPV). To answer my research questions, I spoke with 23 individuals, conducted 10 formal interviews and collected 50 documents related to this case and my questions about Georgia Tech’s use of PPVs.

I analyzed this data using open, axial and select coding methods, and using *a priori* themes to guide the process. Emerging themes were also seen in the study. Ultimately, a total of six final themes were identified – four of which reflected the discussions in the literature and two new themes on strategic planning and the future of PPVs. These themes are detailed later in this chapter. I also identified a new concept from the data which I present as a “Triangle of Pressure”

representing the three key pressures seen in decision-making around public-private ventures – responsibility, oversight and control.

While I began this study guided by Savas’ (2000) conceptual framework in the form of a typology, I found that my data indicated that perhaps a new dimension needs to be added to or emphasized in his typology – one that incorporates the issue of oversight in addition to responsibility and control.

Following Merriam’s (2009) outline for inductive and comparative data analysis, I used *a priori* themes to guide my analysis initially (Table 8), but I also used techniques drawn from grounded theory (Glaser & Strauss, 1967).

Table 8: A Priori Themes and Patterns Drawn from the Literature

1	Issues of Control/Responsibility/Oversight/Autonomy
	<ul style="list-style-type: none"> How do we maintain control and ensure quality and delivery? Public organization retains responsibility/control but private sector provides service Issues of poor management Who has discretion/influence? Miles and Cameron – domain defense: preserve the legitimacy and autonomy of traditional domain
2	Decrease in State Support for Public Higher Education
	<ul style="list-style-type: none"> Reduced level of public funding per student Students and parents increasingly pay more actual costs for higher education Reduced role of government in public higher education Funding void left by the state New definition of higher education as a quasi-state entity/new ways of contracting with the state
3	Public Higher Education and the Market Model
	<ul style="list-style-type: none"> Reliance on market mechanisms Emphasis on efficiency - i.e. reform current operations, Miles and Cameron – domain offense: enhance economic performance in traditional domain/efficiency Outsourcing Academy’s adoption of business-like perspectives Encouragement of entrepreneurial behavior Market is the center of the model, not students or university mission New financial models

	<p>Replacement of public dollars with private dollars, greater dependence on private sources, reliance on the private sector</p> <p>Students are customers/customer demand/client satisfaction</p> <p>Increased competition</p> <p>Importance for leaders to consider strategic planning and mission as it relates to decision-making and market opportunities/pressures</p> <p>Reliance on multiple stakeholders - i.e. changing role of governing boards/Trustees</p>
4	Public Higher Education and environmental uncertainty
	<p>How do we reduce risk and uncertainty?</p> <p>Economic constraints</p> <p>Importance of responsiveness/adaptability/survival/forecasting/anticipating environmental events/prevent/avoid/buffering from uncertainty</p> <p>Complex organizations, environments, relationships, partnerships – numerous variables</p> <p>Create more certainty, decrease dependency</p> <p>Organizations are inescapably bound up in the conditions of their environment</p> <p>Organizations adapt to pressures or threats in their environment</p> <p>Threats to academy's ability to attain needed resources</p>
5	Public Higher Education's pursuit of alternative and diverse revenue streams
	<p>Increase in diverse revenue streams/new ways of seeking funding</p> <p>Selling efforts of the university for a profit</p>
6	Issues of risk/debt
	<p>Who owns operational risk?</p> <p>Issues of debt – who should own and who should hold the debt? What is the indebtedness ceiling?</p> <p>Miles and Cameron – domain creation: creation of new performance opportunities, minimization of risk to exposure</p>
7	Issues of public/government regulation
	<p>Freedom from public regulation/loosening of government oversight in favor of market forces</p> <p>Deregulation of tuition-setting authority</p> <p>Growth of pre-paid tuition plans/diminishing state control over management of Public Higher Education's fiscal resource</p> <p>Shift from need-based grants to loans and merit scholarships/aid</p>
8	Issues of Governance
	<p>Governance decentralization</p> <p>New ways of organizing and governing the academy</p> <p>Increased use of garbage cans/Decisions more decentralized/better interface with external audiences</p>
9	Privatization in the government sector
	<p>New public management</p> <p>Conservative political ideologies</p>
10	Importance of Prestige

Through my data analysis, I identified themes or patterns that contributed insight on how PPV models are used in an urban, public university, what is gained and lost by using this model, the internal and external forces that cause institutions to use the model, and the strengths and challenges that have resulted from their implementation.

In the early stage of analysis, I created a large spreadsheet with each idea or point of information that I had noted. I then constructed categories and subcategories (Merriam, 2009) and created a simple list of codes that were in no particular order – just raw data – and a simple quantification of how many times the information or codes were present in the data (Table 9).

Table 9: Raw Code Data at the Completion of the Open Coding Process

Code **# of times appearing in data**

North Ave	28
Olympics	10
Third Party	11
Tenth and Home	14
Freeman	1
Traditional Funding	4
Revenue Stream	5
Strategic planning/mission	27
Poor quality/shoddy construction	10
Reserves	4
Customer demand	15
Customer service	1
Woodruff	7
Lack of customer demand	1
Control/financial control/compliance/oversight	24
Leadership	2
Risk/liability	7

Decline of state funding	2
GTFI /motive/description	12
Debt	33
Proliferation of PPVs/USG staff expansion	14
Competition	3
Traditional funding vs PPV	2
Prestige	4
PPV/why PPV/impact/process to set up a PPV	52
Efficiency	2
Story about PPVs in Georgia	1
Role of GSFIC and GHEFA	3
History of PPVs	9
Retention	2
Justification for new facilities	1
Cost to students/student affordability	10
Downside of PPV model	2
Future of PPVs	2
Accountability	12
Institution situation/About GT	1
History of facilities at GT	1
Management	6
Capacity	3
Conflict of interest	1
PPV policy	4
Outsourcing studies	2
Monitoring	4

Econ environment of Ga	4
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Of the 358 initial “bits” of information in the spreadsheet of raw data, 162 “bits” (or 45 percent of all the information) were directly related to information that is “About” the different aspects of the case and was needed only as technical background to write the narrative. The remaining 55 percent of the data were grouped into categories that became self-evident as the axial coding process progressed. I used *a priori* themes (Table 8) as an initial guide, and noted that four of the *a priori* themes were present extensively in the data:

<i>A priori</i> theme #1: Issues of Control/Responsibility/Oversight/Autonomy	58 bits of data
<i>A priori</i> theme #6: Issues of Risk/Debt	44 bits of data
<i>A priori</i> theme #3: Public Higher Education and the Market Model	21 bits of data
<i>A priori</i> theme #2: Decrease in State Support for Public Higher Education	12 bits of data

In addition to the four *a priori* themes, it is significant that two new themes that emerged. “Strategic Planning/Alignment of Financial Models with Planning” and “The Future of PPVs and New Models” received an important emphasis in the data collected and were selected as themes because of their uniqueness.

At the completion of the coding process, the following final themes included:

1. Issues of Control/Responsibility/Oversight/Autonomy
2. Issues of Risk/Debt
3. Public Higher Education and the Market Model
4. Decrease in State Support for Public Higher Education
5. Strategic Planning/Alignment of Financial Models with Planning
6. The Future of PPVs and New Models

Table 10: Primary Themes in the Data Set

Categories/Themes		Total bits of data
A priori theme #1: Issues of Control/Responsibility/Oversight/Autonomy		58
Control/financial control/compliance/oversight	24	
Accountability	12	
Management	6	
Outsourcing studies	2	
Monitoring	4	
Poor quality/shoddy construction	10	
A priori theme #6: Issues of Risk/Debt		44
Risk/liability	7	
Debt	33	
Reserves	4	
A priori theme #3: Public Higher Education and the Market Model		21
Customer demand/lack of customer demand	16	
Efficiency	2	
Competition	3	
A priori theme #2: Decrease in State Support for Public Higher Education		12
Decline of state funding	2	
Cost to students/student affordability	10	
Strategic Planning/Alignment of Financial models with planning		33
Strategic planning/mission	27	
Capacity	3	
Justification for new facilities	1	
Retention	2	
The Future of PPVs and new models		13
Third Party Financing	11	
Future of PPVs	2	

In my effort to link together the key six themes in terms of their conceptual elements, I observed that throughout the data, there are three primary pressures that constantly compete with

each other, and are ever-present in the discussions around public-private ventures. The categories and ideas seem to be connected like a triangle of pressures:



Figure 2: Triangle of Pressure

On one side of the triangle is the pressure of responsibility – signaling who is responsible for the financing and management of housing, the debt service, and ultimately who is responsible when something goes wrong. On the second side of the triangle is the pressure of oversight – signaling who is accountable for overseeing the responsible party(ies) to serve as a check and balance for responsibility. Questions must be answered about who is responsible for setting policy and procedure for PPVs, and who oversees the debt of the responsible party. The third side of the triangle is the pressure of control – questioning who controls the financing, the debt payments, the approval, construction, and maintenance. Savas (2000) would argue that privatization requires a continuing, active role for government, which retains responsibility for the function while delegating the actual production activity to the private sector. My research on three facilities at one public research university indicates that while there are two pressures involved in the arrangement and decision-making around a public-private venture – responsibility and control – there is also a third pressure that Savas does not address in any detail

– oversight. If a disaster were to happen at one of Georgia Tech’s housing facilities, it would not be appropriate for GT to take full responsibility for a service provided by a private entity of which GT has limited control over its delivery. Neither would it be acceptable for a private entity to have complete control over a service and not assume any responsibility for it at all. There must be an appropriate balance of responsibility and control. But what about oversight? This question was repeatedly addressed in this data. Is it the responsibility of the USG to oversee GT? Is it the responsibility of GT to oversee GTFI? What entity ultimately has oversight when a private entity has control of the funding and service delivery, or when a public entity has responsibility for the funding and service delivery? While I will expand on this idea more in chapter 5, it is interesting to note how each organization in this study wrestled with trying to attain their own ideal balance of control, responsibility and oversight as it relates to public-private ventures.

The Sample Case: The Georgia Institute of Technology

This single-case study focuses on the Georgia Institute of Technology as its sample case. A detailed description of this urban, public research institution can be found on page 52. Throughout the 1980s and early 1990s, Georgia Tech grew slowly and steadily in enrollment, academic quality, and reputation in the sciences and technology.

In the mid-1990s, under the leadership of President Wayne Clough, Georgia Tech initiated an aggressive strategic planning effort and set out ambitious plans for all aspects of the university. GT envisioned that it would “define the technological research university of the 21st century and educate the leaders of a technologically driven world.” A part of this strategic planning effort was the creation of a comprehensive development and capital plan. A facilities assessment and a program space needs study were conducted, followed by the formulation of a long-range capital plan and comprehensive campus master plan. A long-range capital financing

plan was also a part of this planning process, including the active involvement of third-party development partners with greater autonomy from the state/USG. A second update to the campus master plan was completed in 2004. Major capital initiatives were identified from the year 2000 moving forward and have continued to the current day. The Georgia Institute of Technology is a financially-healthy, complex organization with dozens of facilities on its campus, numerous examples of public-private ventures, and it serves as an excellent example to study PPVs and their context.

The research design model for this study is the qualitative single-case study with embedded units of analysis, shown in a visual representation in Figure 1. Figure 3 shows the model for this specific single-case study.

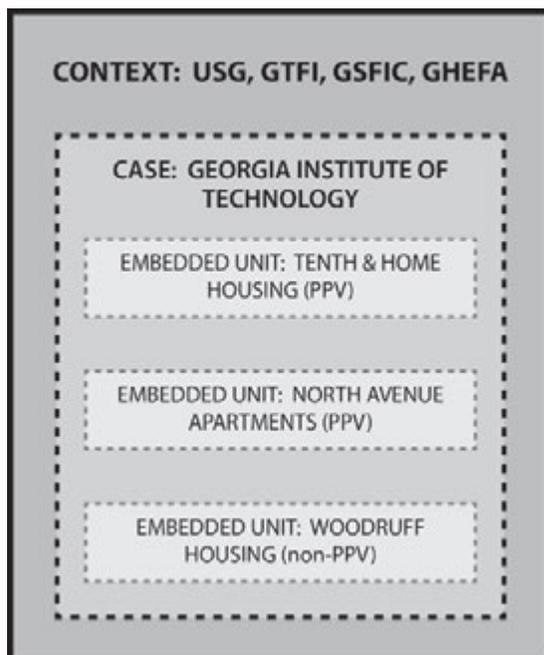


Figure 3: Description of Research Study Design

To continue the narrative associated with the Georgia Institute of Technology, it is important to describe the three embedded units of analysis, two of which are public-private ventures, and one which is a traditional state-funded model.

Embedded Unit of Analysis #1: Tenth and Home Housing – a Public-Private Venture

Tenth and Home housing is also referred to as “Family Apartments” in GT documents, and is located at 251 Tenth Street. This facility was proposed as a direct result of the strategic planning process that determined a need to expand the graduate student population. A major impediment to expanding that population was a lack of apartment-style housing designed for married students. At this time, the married student housing on GT’s campus was quite dated – having been built in the 1960s – and was in significant need of refurbishment. In GT’s subsequent proposals both to GTFI (first) and to the USG (second), it emphasized that this project was one with an identified revenue stream (rent) paid for by student residents. This revenue stream and partnership with a private entity that would assume responsibility for the debt (GTFI) meant that it met the USG criteria to be financed as a public-private venture. As such, GT needed approval from both GTFI and the USG. In the proposal presentation to GTFI, GT argued that it had identified a strategic need and asked GTFI to finance the project on behalf of GT. This then triggered the need to go to the Board of Regents (BOR) with all required due diligence and information on the project including a comprehensive pro forma. The BOR minutes note that a full information presentation was made to the BOR in October 2002 on GT’s updated comprehensive housing plan and its intent to request Family Housing, and USG approval of the ground lease for Tenth and Home as a public-private venture was requested and granted in November 2002.

Bonds were issued in 2003 for \$70,320,000 through the Development Authority of Fulton County and loaned to GTFI which financed the building of the facility. It was constructed in 2004, occupied in 2005, and totals 394,386 square feet. It includes a total of 448 rooms and a parking deck.



Figure 4: Tenth and Home Housing

Embedded Unit of Analysis #2: North Avenue Apartments – a Public-Private Venture

The North Avenue Apartments are located at 120 North Avenue, were constructed in 1995, and occupied by Georgia Tech in 2007. They total 966,203 square feet and include a dining service, a 783-space parking deck, 573 rooms and a police department. They were constructed in 1996 for the benefit of Georgia State University at a location adjacent to the Georgia Tech campus, and the BOR subsequently determined that it was in the best interests of Georgia Tech and Georgia State that the project be used to house Georgia Tech students instead of Georgia State students. The project was transferred to Georgia Tech in 2007 as a public-

private venture and currently houses approximately 2,000 GT undergraduate and graduate students. Major repair and renovation work was completed in 2009.

In some ways, this public-private venture was similar to the process associated with Tenth and Home. A strategic need to expand student housing through Georgia Tech's strategic planning process was identified. GT then went to GTFI to ask for their assistance since a revenue stream would accompany the project. GTFI agreed to fund the project, the USG approved the ground lease associated with the public-private venture, and three separate bonds issuances by the Development Authority of Fulton County occurred in 2007 – one for \$24,540,000 (a); another for \$33,225,000 (b) and a third for \$18,200 (c). All funds were loaned to GTFI which funded the entire project and assumed all associated debt.



Figure 5: North Avenue Apartments

What makes the story of the North Avenue Apartments rather unique is the fact that they were built in association with the 1996 Olympics. The Olympics organizing committee needed housing for athletes and provided funding for a portion of that cost. It was decided that all the

housing for the Olympics would be named “Olympic Village” – a total of eight facilities with between 4500-5500 beds – and be built on or close to the Georgia Tech campus. GT stated that it could not utilize all the additional housing after the Olympics, Georgia State had stated for some time that they had a need for housing at their campus even though they had no previously-existing residence program, and so it was arranged that North Avenue Apartments would be built as a part of the Olympic Village but would be dedicated to GSU. Most of the remaining aspects of the Olympic Village were dedicated to GT after the Olympics. At this time, GT was not involved in any aspects of the financing of North Avenue even though its location was adjacent to the GT campus. GSU subsequently decided that this housing was too distant from its campus so it initiated conversations with GT and the USG about shedding this facility. As negotiations progressed, GT went to GTFI and identified this property and facility as a strategic need, and requested their assistance with financing. The project proceeded from that point forward as a straightforward public-private venture.

Significant repair work on the North Avenue Apartments was crucial after its purchase in 2007 due to shoddy construction and a lack of maintenance. Brick repair began immediately in 2008 to correct poor construction problems associated with the accelerated timeline to meet the deadline for the Olympics.

Embedded Unit of Analysis #3: Woodruff Housing – a Non-PPV

Woodruff Housing is officially named the Irene & George Woodruff Residence Hall and is located at 890 Curran Street. Construction cost was \$8,500,000 when it was built in 1984. It totals 137,751 square feet and was occupied that same year. It contains a dining hall, and is designed with traditional suites. This was the last housing facility built at Georgia Tech prior to the Olympics, and is the last facility built on Tech’s campus with concrete block walls.

In the mid-1980s, there were no active public-private ventures in the state of Georgia, only early discussions of what a PPV might become. Therefore, Woodruff was financed through the traditional funding process at that time. GT officials presented their case to the USG that a facility was needed. If the USG agreed, then the facility project would go on a facilities list with the state providing the capital funding to finance the facilities on the list in order. Each year, institutions would “move up” on the list as the ones above them had been funded. If an institution was included on the list, it simply had to wait its turn for the funding to be allocated. The state would provide the capital funding through the use of general obligation (GO) bonds. The state would pay off the debt service through a reduction in state appropriations to the USG. This is known as a state-funded, or a traditionally-funded, financial model where the debt was on the state’s books. Today, Woodruff is paid off and considered a “cash cow” by the Georgia Tech Housing Finance office. At this point, all revenue goes back to Georgia Tech since there is no remaining debt service. It has exceeded its life expectancy at this time. GT’s strategic plan calls for a replacement of Woodruff in the near future.



Figure 6: Woodruff Housing

While it is important to understand the embedded units of analysis within the case, it is also important to understand the context of the case (See Figure 3). The context in which Georgia Tech operates as it relates to public-private ventures centers around four other affiliated organizations. One is Georgia Tech Facilities, Inc., the private organization through which all PPVs are funded at GT. The second organization is the University System of Georgia which is the parent organization for Georgia Tech and ultimately has oversight of all PPVs at GT and all other public institutions in the state. The third organization is Georgia State Financing and Investment Commission (GSFIC) which performs all financial services and has oversight for the issuance of all state debt and investments. Finally, the fourth organization is the Georgia Higher Education Facilities Authority (GHEFA) which is authorized to issue revenue bonds for the Board of Regents.

Context for the Case: Georgia Tech Facilities, Inc. (GTFI)

Georgia Tech Facilities, Inc. (GTFI) was incorporated in Georgia on December 3, 1985, through the Secretary of State's office. The purpose of the organization is to promote and support the Georgia Institute of Technology, an instrumentality of the Board of Regents of the State University System of Georgia, directed and empowered to erect such suitable buildings and other facilities as may be appropriate to the needs and goals of GT. It is a single-purpose organization dedicated to provide buildings and facilities for GT.

The non-profit corporation is managed by a Board of Directors with five members (originally) who are appointed by the President of the Institute. It is the instrument of indebtedness for facility growth at GT, and upon its dissolution, all assets will be transferred to the BOR of the USG. Current members of GTFI's Board of Directors are noted in Table 11.

GTFI does not initiate projects. It only pursues projects at the request of GT. GTFI is an affiliated organization of GT and has no additional motive or purpose other than providing assistance to Georgia Tech. It takes on the risk and debt associated with facilities so that the debt is not on the books of the state and/or the Board of Regents. It is the preferred funding entity for facilities at GT.

The process for financing a public-private venture like Tenth and Home or North Avenue Apartments would include the following steps:

- 1) The Board of Regents would enter into a long-term ground lease with GTFI;
- 2) GTFI finances, leases and owns the housing and parking facilities;
- 3) GTFI leases the premises to the BOR/GT to operate; and then
- 4) The facilities revert to the BOR at the term of the lease.

This is a proven methodology used with each public-private venture where the State/USG/GT is the public component of the arrangement, and GTFI is the private component of the arrangement.

The traditional funding model for facilities was used for Woodruff Housing and required the state to borrow money to build a facility on a campus and keep the debt on its (the state's) books. The state would pay the debt service through reduced appropriations to the Board of Regents. This process would run through the Georgia State Financing and Investment Commission (GSFIC) who issued the bonds. When that process was no longer available around 2000, the only way for Georgia Tech to finance facilities was to use a private non-profit corporation. GTFI was formed to serve as the instrument of indebtedness to support GT's facility construction.

Table 11: Members of the 2013 GTFI Board of Directors

Board of Directors

GT Facilities is governed by a Board of Directors consisting of up to eight members, each of whom is appointed by the President of Georgia Tech for a three-year term. Currently, there are eight members of the Board of Directors of GT Facilities. The name, occupation and date of expiration of current term are set forth below for each of the directors:

<u>Name</u>	<u>Occupation</u>	<u>Date of Expiration of Term</u>
Jack J. Faussemagne	Treasurer (Retired), W. B. Johnson Property, LLC	12/31/2014
Joseph P. Irwin	President, Georgia Tech Alumni Association	12/31/2015
N. Allen Robertson	President, SpatialAge Solutions Division, Byers Engineering Company	12/31/2014
Oliver H. Sale, Jr.	Chairman, NORX, Inc.	12/31/2013
Steven G. Swant	Executive Vice President for Administration and Finance, Georgia Tech	12/31/2015
Patricia Jones	Senior Vice President (Retired) Draper & Associates	12/31/2015
James W. Ray	Major General (RET) U.S. Army	12/31/2015
Dr. Rafael L. Bras	Provost and Executive Vice President for Academic Affairs	12/31/2015

Source: Georgia Tech Facilities, Inc.

Context for the Case: University System of Georgia (USG) and the Evolution of its PPV Program, the Georgia State Financing and Investment Commission (GSFIC) and the Georgia Higher Education Facilities Authority (GHEFA)

Including Georgia Tech in its ranks, the University System of Georgia is the umbrella or parent organization for 31 public higher education institutions in the state of Georgia. The System enrolls more than 300,000 students through the 31 institutions, and oversees the state's public library system and its archives.

Most facilities at public higher education campuses were historically funded through the State of Georgia's sale of general obligation bonds (GO bonds), but the state constitution places a limit on the total amount of bonds that can be sold in a given year – set at ten percent of the state's revenues from the previous year. This limit helps to protect the state's AAA bond rating.

From 1980 – 2000, GO bonds were used for “payback projects,” but revenue bonding concerns were expressed by state leaders. The decision by state leaders in the mid- to late-1990s was that academic facilities (i.e. classroom facilities, libraries or research laboratories) would continue to be funded with GO bonds, and student support facilities would need to be funded through alternative methods. This left a funding void for student support facilities, defined as projects outside of the academic core such as student housing, recreation facilities, research facilities, student centers, parking decks, dining halls and bookstores. The alternative method of funding these student support facilities that was ultimately identified was the public-private venture model, which required a revenue stream and a partnership with a private entity.

In the mid-1990s there was a great effort at the USG to determine how to use the revenue stream that was coming in from fee-supported projects in a mechanism permissible by the state constitution that would allow debt financing without having to go through the state's GO bonding process. The public-private venture funding model was being discussed as an alternative approach to facility construction. Since the BOR itself could not incur any debt as an agent of the state, a private conduit was needed. The newly-developed PPV financing structure was seen to be the best way to finance these non-academic projects given Georgia's constitution and the limited use of GO bonds. Numerous lawyers and bankers from both the government and corporate sectors brainstormed to create a legal and credit-worthy model. All of these discussions came together in the late-1990s and the USG's PPV program was officially created in 1997.

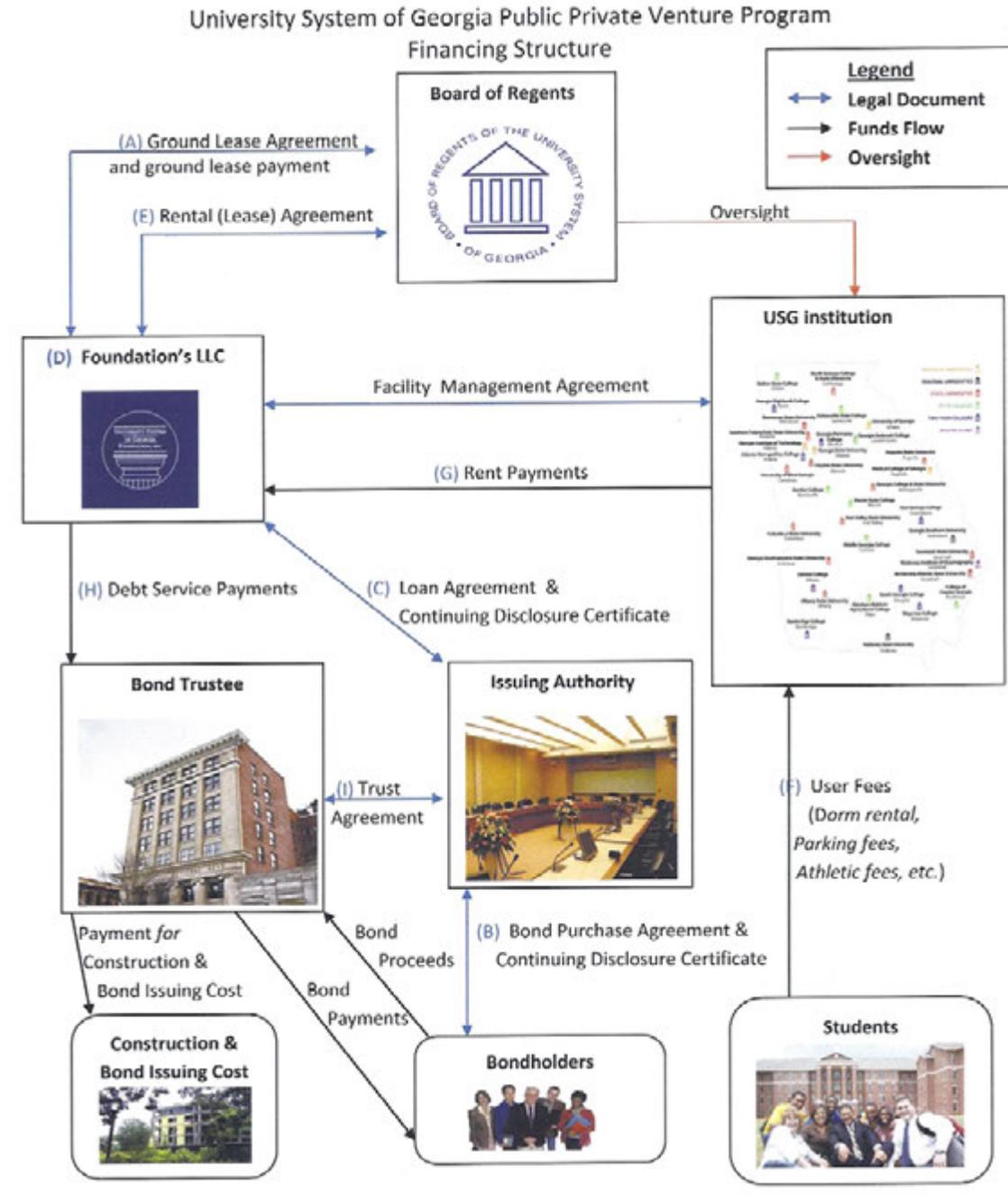
Prior to 1997, the constitutional limit on state issuance of GO bonds compelled the USG to address academic building needs over student support building needs. After the PPV program was created, this new financial model began to take hold as one that institutions were required to use to meet their student support facility needs. The use of the PPV model for facility construction does not require General Assembly approval since the debt is assumed by the private foundation. PPV financing is not subject to the constraints associated with the constitutional ceiling on state indebtedness. The liability for the PPV bonds payable is recorded on the private foundation's balance sheet, and the public institutions record a lease purchase obligation. A descriptive visual model of the PPV finance structure is shown in Table 12, identifying oversight responsibilities, required agreements, sources of funding, and where the debt lies.

The use of this model continued into the 2000s and there was a significant increase in terms of the number of projects, the amount of bonded indebtedness associated with these projects and their associated private foundations or other affiliated organizations. Under the PPV program, a college or university will partner with a private entity which then sells the bonds to fund the construction of a facility. The repayment of the bonds is the financial obligation of the private entity, which uses the revenues generated by the facility to cover the bond payments. Once the bonds have been paid, the ownership of the facility is transferred to the Board of Regents. The USG has oversight of all PPVs. Private entities have full financial responsibility.

In 2004, the USG introduced a strategic goal designed to increase privatization in the PPV program, and shorten the time between approval and use of facilities. At that time, there were 65 privatized projects (PPVs) totaling \$1.6 billion. To address the growing PPV program,

additional staff was hired to help with oversight and to reduce delays. A revolving fund was created and annualized reporting requirements were introduced.

Table 12: USG Public-Private Venture Program Financing Structure



Source: University System of Georgia Public-Private Venture Consulting Engagement

The Georgia State Financing and Investment Commission (GSFIC) was created in 1973 and is empowered to perform all services related to the issuance of state debt, invest and account for all state proceeds, manage all state debt issuance, provide financial advisory assistance to state authorities and acquire and construct projects for the benefit of any state agency. Because of the rising number of public-private partnerships in the early 2000s, in August of 2004, GSFIC published a policies and procedures manual for public-private partnerships applicable to the state of Georgia including the University System of Georgia.

In 2006, PPVs, or local development authority finances, accounted for more than 1/3 of all financed capital projects in the University System of Georgia. The largest facility type in the PPV program was student housing (30 projects out of 71 in 2006). USG staff continued to be hired, and the PPV program continued to grow in complexity and depth. In April of 2006, the Georgia Higher Education Facilities Authority (GHEFA) was signed into law with a five-member board having approval and monitoring responsibilities. It was authorized to issue revenue bonds for the BOR. The GHEFA program takes a similar approach to financing as the PPV program, but through a state board authorized to issue revenue bonds on behalf of the USG. The original authorization was a \$300 million maximum capacity and that maximum capacity increased to \$500 million in 2012. The governor wanted to be sure that a close eye was being kept on how much debt the BOR was getting into so he placed an initial cap on the total borrowing amount and attached that monitoring responsibility to the GSFIC. In 2006, GHEFA had no staff, only a board, so the GSFIC had the oversight and reviewing responsibilities, and the ability to make recommendations. So with this new model, GSFIC became yet another layer of oversight to ensure that the projects were self-liquidating, and that the fees to support the project were sufficient to cover the debt service. PPVs were an alternative for institutions with more

limited avenues of financing and/or to gain efficiencies. Table 13 below shows a comparison between financing through GO bonds, Traditional PPVs, and GHEFA.

Table 13: Financing Comparison

	<u>G.O. Bonds</u>	<u>Traditional PPVs</u>	<u>GHEFA</u>
Security	State Credit	Project Revenue/ System Lease	Project Revenue/ System Lease
Repayment Source	State Debt Sinking	Auxiliary, Fees and Non-State	Auxiliary, Fees and Non-State
Maximum Capacity	Constitutional – 10% of prior year revenue	No Firm Limit	\$500 Million
Normal Term	20 Years	25 to 30 Years	30 Years
Rating (Moody's)	Aaa	Aa1 to Baa1	A2
Rating (S&P)	AAA	AA- to A+	A+

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Source: Presentation to the Board of Regents on Public-Private Ventures and GHEFA, November 13, 2012

Around 2009, the USG Office of Internal Audit and Compliance (OIAC) implemented a new audit program as a result of questions they were receiving from rating agencies about the oversight that comes from the System level of all PPVs. All of these questions came with the understanding that legally, PPVs are not the debt or a capital liability of the USG. Discussion at the USG was focused on what percent of the institution’s revenue or expenses should be the limit for PPV indebtedness. It was evident that there was no prior policy or even an audit guide to assist in oversight. It was not clear against what they were to audit. With the increased scrutiny as a backdrop, a USG PPV audit guide was developed and published in September of 2011 and

new policies were published in 2012. A new emphasis on justifying the need for these student support facilities to the USG was instituted even though the debt did not technically reside with the USG. The System office has oversight of the PPV program, but the level of responsibility also was being increased because of pressure from rating agencies. It was evident that the PPV program could not grow at the rate that it had been growing. The USG thought a more measured, steady pace was needed. This meant the PPV approach became less institutionally-driven and more System-managed. These changes from 2010-2012 were primarily financially-driven.

To illustrate the intense growth of the PPV program since its creation in 1997, and the addition of GHEFA projects in 2006, Table 13 shows the PPV and GHEFA projects through June 30, 2012 which total more than \$3.6 billion. None of the projects funded through the PPV program were facilities at the academic core of the academy.

Table 14: PPV and GHEFA Projects Through June 30, 2012

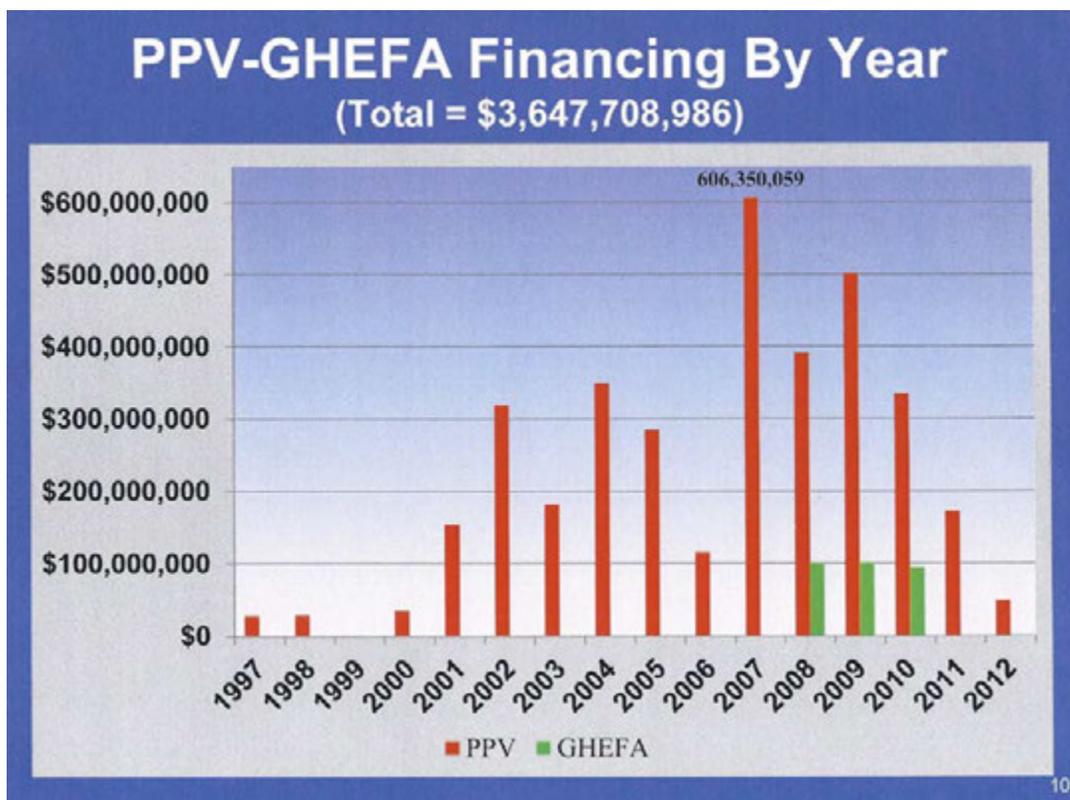
<u>Project Type</u>	<u>Number</u>	<u>Amount Outstanding</u>	<u>Comments</u>
Student Housing	71	\$1,880,809,074	40,273 Beds
Recreation	21	389,119,924	1,183,918 Sq. Feet
Research	9	353,525,000	1,449,421 Sq. Feet
Student Center	22	349,139,811	1,064,148 Sq. Feet
Parking	21	274,487,499	27,697 Spaces
Office	8	96,334,600	999,762 Sq. Feet
Dining	6	74,766,950	183,489 Sq. Feet
Bookstore	4	33,441,175	149,893 Sq. Feet
Other	13	196,084,953	1,044,275 Sq. Feet
Grand Total	175	\$3,647,708,986	

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Source: Presentation to the Board of Regents on Public-Private Ventures and GHEFA, November 13, 2012

To further illustrate the intense growth period of PPV and GHEFA financing, Table 15 shows the debt totaling \$3.6 billion in 2012 for facilities on the campuses of Georgia public higher education institutions that do not fall into the academic core function. Debt peaked in 2007, GHEFA projects were introduced in 2008, and new USG policies and procedures were introduced from 2010-2012 intended to slow the growth.

Table 15: PPV-GHEFA Financing By Year

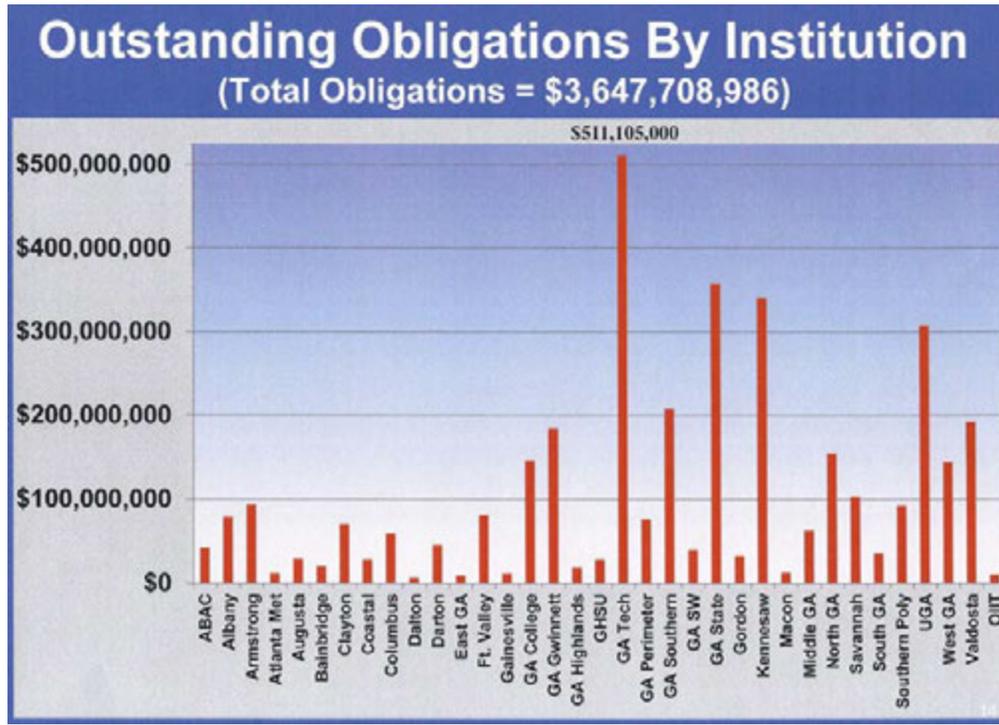


Source: Presentation to the Board of Regents on Public-Private Ventures and GHEFA, November 13, 2012

When reviewing outstanding obligations by institution, Georgia Tech had, by far, more outstanding debt than any other institution in the state (Table 16). This was due primarily to its

Technology Park, Technology Square and Biotechnology Campus, all constructed in the early 2000s and all financed through a complex arrangement including both public and private funds.

Table 16: Outstanding Obligations By Institution



Source: Presentation to the Board of Regents on Public-Private Ventures and GHEFA, November 13, 2012.

At that same time in 2012, it is also important context to see the state’s perspective in Table 17 showing state debt associated with all state agencies. In this chart, one can see the amount of debt associated with GHEFA and USG facilities outside of the academic core, \$292,910,000, and how that relates to other agencies. While this is only a fraction of the number of public-private ventures, it is still a significant amount of debt related to the state’s total debt.

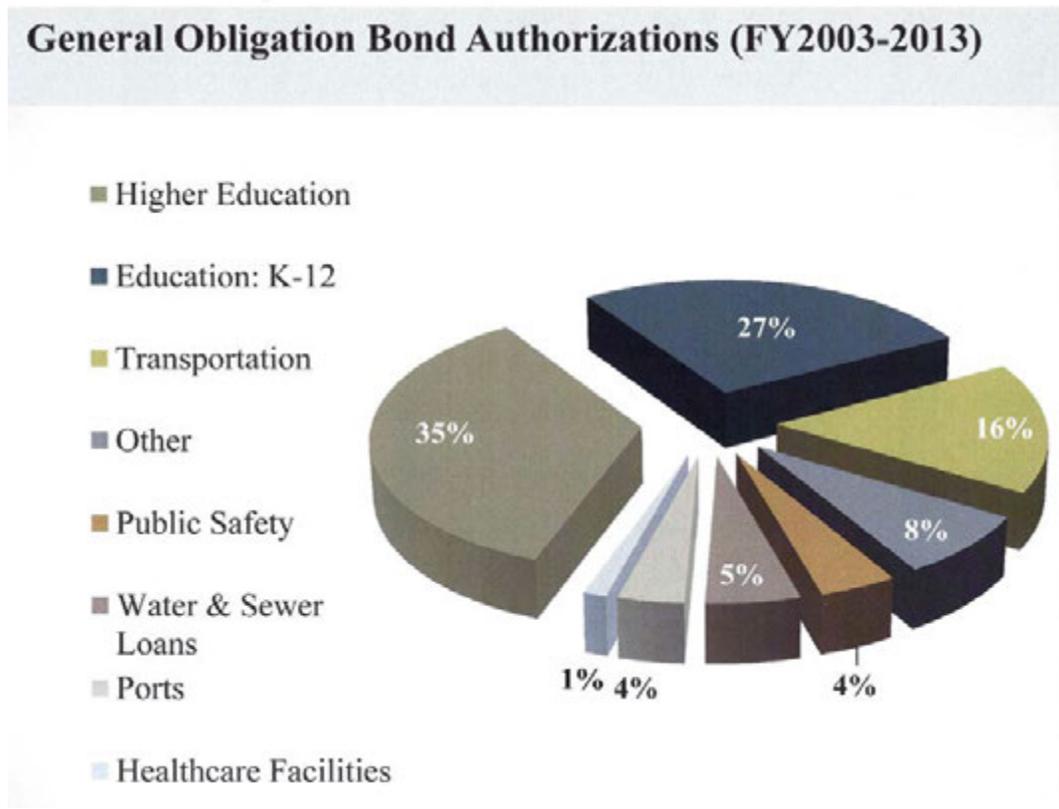
Table 17: Georgia State Financing and Investment Commission

GEORGIA STATE FINANCING AND INVESTMENT COMMISSION	
Authority Debt: Outstanding Principal as of June 30, 2011	
Georgia Development Authority	\$4,890,016
Georgia Environmental Loan Acquisition Authority	\$225,400,000
Georgia Higher Education Facilities Authority	\$292,910,000
Georgia Housing and Finance Authority	\$943,205,000
Georgia Ports Authority	\$35,575,000
Georgia World Congress Center Authority	\$112,600,000
Lake Lanier Islands Development Authority	\$24,238,207
State Road and Tollway Authority	\$1,777,780,000

Source: GSFIC Presentation at a State Fiscal Managers Conference, September 18, 2012

From the perspective of the GSFIC, one can see that GO bonds, which are issued for facilities in higher education that fall within the academic core, make up 35% of all bond authorizations for the state of Georgia between FY03 and FY13. This is yet another illustration of the significant growth of both public-private ventures in the state, and the growth of traditional, state-funded facilities during the same decade.

Table 18: General Obligation Bond Authorizations (FY2003-2013)



Source: GSFIC Presentation at a State Fiscal Managers Conference, September 18, 2012

There was significant focus and discussion on the financing of facilities in public higher education in 2011 and 2012 among state officials from numerous agencies. In 2011, a new USG focus on PPV management was introduced. With such a tremendous proliferation of PPVs, it was critical to educate those involved of their responsibilities. This new complex world of privatized participation in public higher education required an expansion of outsourcing, new conflict of interest responsibilities, and improved financial performance monitoring. The PPV program became a key focus area of the USG's Office of Internal Audit and Compliance.

In 2011, an Internal Audit Report was published, the Public-Private Venture Consulting Engagement, to help guide the program and establish guidelines against which the office could

audit the near-160 PPVs that existed in the USG that were approaching \$3 billion in outstanding balances. The debt in the PPV program was at a record high. The Consulting Engagement defined a PPV, defined its financing structure, and the documents and control processes associated with it. At this time, a new oversight process for PPVs was put in place that focused on how proposals for new student-support facilities would meet critical needs by bringing together academic, fiscal, facilities and internal audit offices at the beginning of the process to determine if there was a need.

In November of 2012, the Board of Regents approved four new policies to govern the financial oversight of the USG's PPV program since the program was an important means of financing student facilities within the System. In 2012, it was noted that 175 projects had been constructed in the program totaling \$3.6 billion since its inception in 1997. These four new policies put rules in place for projects financed through the PPV program and GHEFA by setting maximum capacity limits, establishing a reserve fund, requiring refinancing reviews and revising the existing private housing policy. The new policies were designed to maintain affordability for students, ensuring that projects meet the critical needs of the USG, ensure the fiscal viability of projects, protect the credit of the state and the USG, and maintain the two programs as financing alternatives.

While GO bonds and the traditional, state-funding financial model continues to address academic needs, the PPV and GHEFA models offer a means of low cost financing and bond issues with overall strong ratings. Additionally, no institution has ever missed a lease payment.

Significant Themes in the Data

As part of the study's narrative, it is not only important to give a descriptive account of the single case, its embedded units and context, but it is also critical to provide a narrative description of the themes, categories and patterns that emerged from the data. There were six primary or significant categories or themes that emerged which permeated throughout all the units of data. While Table 10 shows a chart of those themes, the narrative below provides an expansion on this table.

The theme that had the greatest presence in the data was related to issues of control, responsibility, oversight and autonomy. This theme was also the *a priori* theme that was noted in the literature review and had the greatest presence in the scholarly discussions. The prevalence of this theme in my data mirrored the scholarly discussion on privatization in public higher education in the sense that whenever the public sector becomes more privatized, there are logical discussions about who is in control, who has oversight, who is the manager, what is outsourced/not outsourced, who is the monitor, and what happens when there is poor quality or poor performance.

One Georgia Tech administrator commented on the tension between the state having control over the financing and using the low-bid process, and the possibility of poor quality as a result. However, if the institution has control over the financing through the PPV model, then GT can ensure that proper controls are in place and give them the ability to manage the project well:

If you do a housing project 100% by the state – they will do it their way, their controls, using low bid, doesn't make a lot of sense. Concerned about quality. If you do a housing project 100% PPV – you hire the right people, you're careful about how it's done like a business would be, you use GT's architects. Done well.

Respondents also expressed concerns about the oversight of the public-private venture program in general. While it is a program that provides great flexibility through a private funding entity, oversight by the institution and the USG is still critical even though the financial control is less than through the traditionally-funded model. One GT administrator notes a concern about whether the right level of oversight is present, especially at smaller institutions:

...if there were a downside [to the PPV model] it was at the risk of something happening at an institution that wasn't done with sufficient oversight. GT has an advantage because we are a big institution and we have a lot of people who know how to do this.

Another dimension of this theme of control and responsibility is the potential misuse of the public-private model and desire to build as many facilities as possible since the level of responsibility is perceived to be less than with the traditionally-funded model. One USG administrator described the approach that an institution might take if they thought they did not have to accept full responsibility for a project. Institutions might be more likely to build facilities that they might not necessarily need:

We're gonna go out and build em. We can right...here's this model that now is being used and it gives us the ability to do it ourselves without having to get GO bond money, which isn't gonna happen
...

While the first theme of control, responsibility, oversight and autonomy was the most prevalent theme, a second key theme included issues of risk and debt. This theme in the data was also an *a priori* theme seen prevalently in the literature review. There was a significant amount of discussion around questions such as - how much debt was too much debt, and who should assume the debt. Much of this idea was seen in the document data associated with monitoring and tracking debt levels, but one interviewee's comment on how things work when the state

owns the debt and when GTFI owns the debt illustrates how the PPV model is an important differentiation from the traditional model:

And the state watches what bonds it has. It doesn't want to get itself into too much debt so naturally it only approves a certain number of projects each year for bond funding. It can't do an unlimited number [that] anybody in the state wants. So they have their list and they approve a certain number each year. By forming GTFI, Georgia Tech created its own bonding entity outside of the state so there's no liability on the state's part and these bonds are not on the books of the state or of the BOR.

Another GT administrator's comment illustrates the advantage of the PPV model by not having to pay the debt service. The shift of the debt means that another entity has the responsibility to pay the debt, and to address GT's customer demand:

If we have a private entity to build our buildings we don't have to worry about paying the debt service, we don't have to worry about catering to our student body's needs all the time, because that becomes other people's business to deal with.

A third key theme in the data is that of public higher education and the market model – also an *a priori* theme seen prevalently in the literature review. Sub-themes associated with this theme were issues of customer demand (or lack of), efficiency, and competition. Some interviewees saw great advantage in allowing the private sector to address issues of customer demand. The private sector is seen as more efficient at doing this and it allows institutions to focus more intently on their academic mission:

From my perspective, higher education should be into delivering instruction and into delivering the educational facilities and providing educational facilities, delivering the knowledge to our future leaders and our student body. We should not be in the business of providing amenities like food courts for example or housing or anything of that nature for our students because those are not the core mission of a college or university to begin with. As soon as we decide to go ahead and take over these ventures, by

providing housing, by providing food services and other things that could be privatized, we are asking for trouble. Why? Number one, our decision-making ability would be limited. Number two, we have to cater to our students demand for additional amenities continuously. We have to upgrade, update things continuously, all the time.

Another interviewee focused on the market model as applied to higher education as just shifting costs around, and not really improving the situation even though efficiencies might be gained:

When you use PPVs, you don't really change the cost structure at all, just how you do it. I don't see any savings at all using PPVs. I guess if you look at PPV projects, you can see that they are more efficient because it is more like a company. With a state project, it tends to be less efficient. North Avenue was started by the state and finished as a PPV. Tremendous renovation was needed since the contractor did such a shoddy job. The contract work was really shoddy. Students pay for it with either model. When you use a PPV, I don't see any real savings.

Another idea expressed was one of need for the market model in public higher education. The concern was that if the market model was not introduced and there was only reliance on state funding, then little to no growth at institutions would occur at all:

There is currently a lot of PPV projects in the state of Georgia. If it wasn't, all of those projects would have been paid for by the state, or they simply would not have been built and we would have been even more behind than we are now.

A fourth key theme in the data is the decrease of state support for public higher education. This, too, was an *a priori* theme found extensively in the scholarly literature on privatization in public higher education. This idea includes the two partnered concepts of state funding declines and student cost increases. When describing the PPV model, one GT administrator alludes to the fact that if state funding declines, then tuition has to go up and

facilities still need to be funded. The funding needs have not changed even though those who finance those needs may be changing:

The PPV is just a different method of funding. It's just a different way of accomplishing something. The costs are being shifted. Tuition has to increase if state funds decline. You have to continue to support facilities and meet the needs of students. PPV or not PPV, it's just a matter of how you get it done.

Another administrator comments on his concern about the cost shifting from the state to students, especially for smaller institutions.

I think the truly big picture strategic kind of stepping back from all of it – this is ultimately about the sustainability of the cost model and the revenue model for higher education. This is really what this is about. What's the value proposition for public higher education and what are our assumptions? And I think our assumptions across the country maybe even, have been we can build our way into being more and more competitive ... But I think we believe, here, certainly I do, that just doing business where we're building all this stuff and creating additional costs, at the end of the day that students are paying, isn't necessarily the recipe for success. Particularly for institutions that don't have the long traditions and the alumni base and the diversification of revenue from research dollars and everything else.

The first four themes identified in my data all connect clearly to the literature, but the final two themes that emerged were not identified as having a large presence in the literature. The fifth theme, strategic planning and the alignment of financial models with planning, was seen extensively in the data and was almost a mantra for officials at Georgia Tech. There was clearly an emphasis on connecting the strategic planning process to public-private ventures or any type of financial model that was used. Sub-themes connected to this were related to the institution's mission, capacity, justification for new facilities and retention goals. One GT administrator said it as clearly when he stated:

... the first thing is to be sure that the project that is being done supports the strategic plan of the institution.

This idea was seen over and over again in interviews and presentations. The strategic planning process was comprehensive and occurred first. Then the funding discussions and construction of facilities was a subsequent activity regardless of the funding model identified. The issues of mission – what do we do for our students? – and capacity – how many students can we serve and house? – and retention – how many students can we keep? – were at the heart of the strategic plans behind the rationale for both the traditional funding model and the PPV model.

The sixth and final theme that emerged from the data focused on the future of PPVs and newer models that are being considered at this time. Because of the proliferation of PPVs and concern about their overuse, discussions are active now about third party models where a private party offers a service to public higher education, and assumes all of the debt, responsibility and oversight. This would not be a public-private venture since there is not a true public component to it. It could be considered a private model, or a third party model. A prevalent concern about the gravitation toward this new model is the loss of control by institutions. GT has a responsibility to provide a high quality service to their customers and if GT has no active role in providing that service, then how can they ensure quality?

I'm very concerned about 3rd party activity. I'm concerned about quality and safety.

A distinguishing factor between public-private ventures and third party ventures is the motive of the funding organization. One GT administrator calls out the importance of that difference and was not sure whether or not a third party model could provide a better solution than the PPV model:

And we have clearly insulated [the state] from liability by using GTFI as a financing vehicle and a leasing vehicle. The state can walk away from these projects any year and that's very important and everyone understands that and the risks associated with it. But it's not as if we are the third party with a profit motive and that is coming in and doing everything we can to make money on this. And some people might argue that perhaps a commercial developer may be able to do this more effectively than we would through this mechanism than we call PPV. The jury is out on that – we don't know the answer to that question.

The seven key findings in this study (six themes and one new concept) contribute to our understanding of this unique financial tool, the public-private venture, which has proliferated in the state of Georgia over the last 10-15 years. Because little research has been done on PPVs, it is not surprising that four of the themes are evident in the scholarly research regarding privatization, and yet two of the themes are not evident in the literature and have emerged as significant in this study. A new conceptual model – a triangle of pressure – has also emerged that can be used to help us visualize the balance of pressures that organizations experience as they navigate through the growing privatization of public higher education.

CHAPTER 5

CONCLUSIONS AND IMPLICATIONS

I began this research study with an understanding that very little has been written in the literature about one, unique financial tool that public postsecondary institutions are using at a significant rate to expand their facilities – the public-private venture model. With the goal of contributing to the literature about how PPVs are used, I posed four research questions to guide this study: 1) how has the PPV model been used in an urban public university?, 2) what are the internal and external forces that cause a public university to use the PPV model (other than the obvious USG requirement of its use for specific facilities)?, 3) what is gained and what is lost by using a PPV model (e.g., university mission and values, reputation, revenue streams)?, and 4) what strengths and challenges have resulted from the implementation of PPVs?

I identified seven key findings in this study. The first four findings are themes seen both throughout this study and throughout the literature on privatization in public higher education and include: 1) the need to determine control, responsibility, oversight and autonomy, 2) a balance of risk and debt, 3) how closely to follow the market model, and 4) the effects of decreased state support. The presence of these four themes in this study and in the literature confirms that privatization is occurring in the state of Georgia's public higher education system, and that the public-private venture model is a form of privatization. The fifth and sixth findings in the study were themes that were present in this study, but not necessarily seen in the literature. These themes – 5) strategic planning and alignment of financial models with planning, and 6) the future of PPVs and new models – were areas not highlighted in previous literature but emerged

herein. They are themes that have implications in terms of the need for future studies. The seventh and final finding is the identification of a “triangle of pressures” that was present throughout all discussions in this research study as actors sought to find the right balance of control, responsibility and oversight as they operated in and shaped the privatization dynamics occurring in Georgia’s public higher education system. In this chapter, I will describe each finding in more detail, and include my discussion and thoughts on the implications of this study.

The first of the seven key findings in this study is the first theme identified in the data: the need to determine control, responsibility, oversight and autonomy. This theme was dominant both in the data from this research study and in the literature review. Questions persisted throughout all the public-private venture discussions at Georgia Tech as to what level of control, responsibility and oversight that each involved entity had in this financial model. With a traditional state-funded model like the one used for Woodruff Housing, the state and the USG have a high level of financial control and oversight of the project while Georgia Tech has responsibility for the project and a lesser level of control and oversight. While the check and balance system for these issues may be evident to all those involved, this model clearly could not sustain all needed growth in the University System of Georgia. A new model, the PPV model, was introduced in the late 1990s and with it, there were new struggles as each involved agency attempted to attain the right levels of responsibility, control and oversight in light of the introduction of a new private funding entity into the equation. When a private foundation is involved in the project and has financial control, what level of responsibility does the institution and System have, and what level of oversight does the institution and System have? There are benefits to the state and to the institution in terms of not having to take on debt to fund the facility. There are also costs associated with maintaining a level of responsibility and oversight

for a facility in which you have limited control. From 2010-2012, the USG increased their oversight of the PPV program as a result of self-imposed pressures and external pressures from rating agencies. They took on more responsibility for the projects and increased the responsibility for institutions by requiring them to provide a more rigorous justification for new PPVs, creating an integrated review process, and increasing the due diligence associated with them. The USG acknowledged that while a PPV model does meet a need in the System utilizing a market model approach, it does not relinquish the System from oversight and responsibility. This is a key discussion throughout the data accounting for between 1/4 and 1/3 of all information collected.

Following responsibility, the second of the seven key findings is a need to balance risk and debt. This issue could be seen primarily in the numerous documents associated with debt monitoring and tracking. Certain agencies (e.g., GSFIC) were created to monitor debt. Other agencies (GTFI) were created to assume debt. Agencies (the State) that used to hold debt have shed that responsibility on some projects, while other agencies (USG and Georgia Tech) are prohibited from assuming debt. There was discussion of debt limits for the various agencies, and concern about the debt ratios for various institutions. There was also great concern over increasing costs to students which would cause them to assume more debt in the future. There was a tremendous amount of discussion, presentation and energy around issues of debt and associated risk, both in the data for this research study and in the scholarly literature. As enrollments grow across the nation, as institutions aspire to grow their facilities, and as costs shift from group to group when new financial models are introduced, then discussion around debt and risk becomes central. Each new funding model must have a clear rationale behind who assumes the debt and why.

The third of the seven key findings involved discussions around how closely public higher education should follow the market model. Seen prevalently in the literature, this discussion centers around the implications of a more market-centered approach to public postsecondary education. In the literature, there is discussion about competition, reliance on market mechanisms, customer demand, and the adoption of business-like perspectives in the academy (Eckel, Couturier, & Luu, 2005; McLendon & Mokher, 2009; Eckel, 2007; Morphew & Eckel, 2009). In this current research study, the interview data and review of documents showed that Georgia Tech is attentive to customer demand. When determining whether or not to include housing in their strategic plan, great effort goes into identifying the level of demand, and how important the housing facility is to increasing their competitiveness. Tenth and Home was created primarily to provide their international customers with adequate housing, understanding that a key component to achieving the institution's academic goals was to increase the number of international and graduate students in the areas of engineering, math, science and technology. Some of the interviewees in this study embraced the market model wholeheartedly and saw the need to expand its use in public higher education to improve efficiency. Others expressed concern that the market model was capturing higher education's attention at the expense of its public mission and without delivering any real savings – only shifting costs. In both this study and in the literature, there was a general acceptance of the fact that the market model was being applied to the academy and would continue to be applied for the foreseeable future. Since state funding cannot fully support the future of public higher education, a new model was needed to seek out new, alternative solutions and revenue streams.

The fourth of the seven key findings is the effect of decreased state support for public higher education. In both the literature and in the data, this emerged as a fact of which all actors

were aware, and the idea that states would continue to disinvest was an underlying assumption. There was no discussion around the possibility that state funding might increase in the near or distant future. The “new normal” of decreasing state support threaded through every discussion. There was a high level of awareness of the funding gap that was being created by this decrease, and that students and their families were paying more of this gap than any other group. The most evident example was the state’s decision in the late 1990s to no longer fund any facilities outside the academic core. This decrease of support led the System to create the PPV program to fill this funding gap. With this new public-private mechanism, student fees could be channeled through a private entity to finance new facilities like housing. There was a general understanding that even though the state’s support is decreasing, costs have not decreased, and so alternative revenues must be pursued for the organization’s survival.

The fifth of the seven key findings is the importance of strategic planning and alignment of financial models. This theme was present in the literature, but not in a significant way. Strategic planning at Georgia Tech, however, emerged as an important theme in this research study with a strong connection to each financial model that was discussed. The three housing facilities researched in this study – two public-private ventures and one non-PPV – were strongly connected to a comprehensive, ongoing planning process that permeated the Georgia Tech administrative culture. Even public-private ventures that were not examined in this study like the Technology Enterprise Park, the Biotechnology Campus and Technology Square – all outside the scope of this study – were all rooted in a decade of strategic planning. Many of the documents reviewed were presentations of plans that had clearly taken several years to complete, and involved numerous offices across the institution. All of the facilities on campus, and all of the

funding models used for each facility were connected to the master plan. One GT administrator summarized it this way:

The key to any PPV project is to be sure that it is driven by strategy, not by opportunity.

The sixth of the seven key findings is the future of PPVs and newer models. I found no evidence of this theme in the literature prior to my study. While the public-private venture model has been extremely successful as an alternative model to the state-funded model, it has been used to such an extent in Georgia that efforts are underway to strengthen it, provide appropriate restrictions on its use, and safeguard it as an alternative for future use. The USG's intent is to ensure that all future PPVs are aligned with the academic mission and that they maintain affordability for students. PPV management has been refined and enhanced. New and more rigorous processes are in place to regulate the creation and monitoring of public-private ventures. As of June, 2012, the program had 175 active projects totaling \$3.6 billion. With such a large amount of debt in place, the USG is focused on fortifying the current program. With my information collected, there appears to be general agreement that the PPV program is meeting a need and should continue, but at a more measured and controlled pace.

Based on comments I received from the interviewees, I learned that new funding mechanisms are currently being explored that would extend the current use and/or understanding of PPVs in higher education settings. A recent bid was issued for a real estate consultant to assist the USG in their exploration of a new, more privatized mechanism that may possibly be modeled after the University of Kentucky. One USG administrator described recent efforts:

We are exploring a new model for housing in particular that is a true P3 model. Similar to what University of Kentucky has done...Ohio State was interested in cashing out. We're not really going down the path of trying to cash out. A lot of these projects

have debt outstanding on them but we are exploring whether or not it makes sense for the private sector to operate our housing. When I say private sector that includes non-for-profit public REITs for example. REIT – real estate investment trust...Kentucky has a lot of old housing stock and they are going to tear down some, renovate some and build new. Basically in return for all of this investment by this third party, they have a 70 year concession to operate that housing on the Kentucky campus and there is a provision for revenue sharing once profits exceed a certain margin. There are limits on the annual rental increases that can be charged to students, there is involvement with the campus on rental rates.

The reference above to Ohio State University (OSU) refers to a \$483 million bid that the institution received from a private company in 2012 for a lease to operate the university's parking facilities for 50 years. The \$483 million would be received as a lump sum by Ohio State in return for the company's opportunity to operate parking. This may have been the first agreement of its kind at a large university. OSU administrators noted that the state aid for the university accounts for only seven percent of the institution's \$5 billion budget (Perez-Pena, 2012). While this is not the model that the USG is considering, it is indicative of the trend toward the development and use of new and more privatized models in public higher education. One USG administrator described the motive behind this effort to develop a new funding mechanism, which is rooted in a desire to increase efficiency, minimize risk, and meet customer demands:

We think there may be value in a new model, particularly for housing. We think it's possible that the private sector might do a better job at this than we can. They might build it smarter, they might maintain it better, they might be more efficient in how they maintain it. We think there may be a way to return some value to students in that way and not have the debt on our books.

The Triangle of Pressure

A seventh and final finding in my research was a connection I saw between numerous categories, themes and ideas throughout the data. I have termed this connection of ideas the

“Triangle of Pressure” and consider it the most significant finding in this research study. This concept, which I first introduced on page 81, illustrates the tensions seen throughout the entire process of considering the use of a PPV, setting up, implementing and monitoring a PPV.



Figure 2: Triangle of Pressure

As the market model is applied to public higher education, alternative revenue streams are sought and private entities play a larger role in a once primarily state-funded industry. The tensions over organizational oversight, responsibility, and control are consistently at the center of the discussion. There is a shift of control, responsibility and oversight toward private entities, and yet, public entities still seem to retain high levels of these three roles. Savas (2000) identifies the concept of delegation – where government is required to play an active role and retains responsibility for the function while delegating the actual production activity to the private sector. While that does apply to public-private ventures at Georgia Tech – there is a responsibility role that is retained by GT while the production activity is provided by GTFI – and questions remain about where the oversight should lie. Responsibility and oversight have increased for the USG and for institutions in order to protect ratings. Even though the debt lives

on the books of private foundations, the debt levels are so high within the USG that issues of oversight have needed to be addressed.

As I have mentioned above, exploratory discussions are underway now regarding the possible use of an even more privatized model, such as a 3rd party model. As new models are explored and developed for future use in the state of Georgia, this same triangle of pressure will likely apply. If a 3rd party entity has control over the financing and debt, and responsibility for providing the service, what oversight will be provided to be sure the USG's students are not harmed in any way? How are these three pressures kept in balance in this new model being discussed, and how is that balance different than that of the PPV model, or even the traditional state-funded model? Is it possible to spread out the debt so that all students cover the costs for services from which only a few students will benefit, diluting the responsibility, or should only students who will benefit from living in housing pay for housing facilities? This is an important question of responsibility. Is it possible to have shared control by both public and private entities so that public institutions can fulfill their public mission, but private entities have the control they need to accomplish their economic goals? This is an important question for control. Is it possible to have a shared oversight approach where both public and private entities oversee each other, or must oversight be delegated to only one entity? This is an important question for oversight.

This "Triangle of Pressure" is not identified in the scholarly literature regarding the privatization of public higher education, and I believe it is a significant contribution to our understanding of this dynamic. As private entities play an increasing role in what has traditionally been a public activity, the pressure points are changing which will change the responses and choices of public higher education in the future. It is important to consider the

implications of these pressure points, and to clearly define in public-private relationships who has what level of responsibility, control and oversight in each situation. Consideration must be given to how a new market model approach is changing the way that public higher education operates, and research is needed on what financial models may be best to balance the responsibility, oversight and control needed in today's economic environment. Current and new financial models must be studied and analyzed.

Based on information gleaned from interviews and documents, I believe these pressures are critical for leaders to understand and wrestle with in light of the increased privatization of Georgia's public higher education system.

Research Questions

Every research study seeks to answer questions related to a specific topic. In this study, four questions were posed and researched, and below is the response to each question.

The first question was – *how has the PPV model been used in an urban public university?* This question is answered best with a focus on Georgia's PPV program that incorporates all urban public universities in the state. The public-private venture model has been used in Georgia since the late 1990s as a way to fund certain facilities that are needed but often secondary to more academic-oriented buildings during times of limited state funding. The PPV model requires a dedicated revenue stream (i.e. housing rent or parking fees), and is an agreement utilizing an issuing authority which loans money to a foundation's LLC (private entity) to construct the facility. The model provides a low financing cost, enjoys strong ratings, and relieves the state from assuming this debt.

The PPV model is used extensively in the state of Georgia with a 2012 total of 175 active projects totaling \$3.6 billion. If these projects had not been built utilizing the PPV model, then

the state's institutions would have had to fund them individually through endowments or reserves, or the buildings would simply not have ever been built. The PPV model has been an instrumental financial tool to meet the needs of the state's public institutions that were not necessarily academic needs, but were secondary needs based on customer demand.

The second question was – *what are the internal and external forces that cause public universities to use the PPV model (other than the obvious USG requirement of their use for specific facilities)?* A first response to this question refers to the late 1990s when the state reached a debt ceiling and would no longer fund non-academic facilities in the public postsecondary system. The state's decision not to finance these projects created a funding void and that decision caused the USG and other entities to work together to create and use the PPV model. The state's disinvestment in public higher education due to scarce resources was the initial force that prompted its use. With that external pressure as a backdrop, however, a new funding solution was created as an innovative way to relieve the state of debt and be a credit-worthy way to partner with the private sector to continue to meet student needs. Here, a USG administrator describes the (then) newly-created PPV model:

Well, I think it was innovative. I think it took a lot of brainstorming and work for lawyers and bankers and the folks here to come up with the structure that would a) pass legal muster and b) be credit-worthy and be able to be underwritten by banks and rated by the rating agencies.

A secondary response to this question is that PPVs were also created as a result of high demand from students. While one external force of decreased funding was driven by the state, a second, equally powerful force was driven by students who expect facilities that are both academic- and student support-oriented. Customers expect classrooms *and* housing accommodations *and* parking facilities *and* student centers when they attend urban public

universities. To meet this demand, the involvement of the private sector and identification of alternative funding models were necessary. One GT administrator said it this way:

Research institutions and places like Georgia Tech could never grow and develop without a model that allows them to secure private funding.

While it is true that the USG required the use of the PPV model for specific facilities beginning in 1997, there were two powerful forces influencing this dynamic simultaneously – the state’s decreasing financial support and the students’ demand for services.

The third question was – *what is gained and what is lost by using a PPV model (e.g., university mission and values, reputation, revenue streams)?* The data suggest several responses. First, the PPV model provides a way to meet customer demands and build facilities in a responsible way that minimizes risk to the institution and to the state. Additional revenue streams are gained and accordingly, reputation is gained. These facilities and amenities most likely would not have been built if the PPV model had not been used. One USG administrator describes the “gains” this way:

You get to provide things that you wouldn’t otherwise be able to provide. There’s probably a sense out there that for at least some students, they’re gonna be sold on attending your institution because you have the kitchenette and the climbing wall and the performing arts center. Right – these are the amenities that they expect as opposed to - here’s your two beds in the dorm room the size of a closet and you’re going down to the hall...right, that sense of you’ve gotta keep up with the Joneses and there’s some truth to that and spreading the cost out among that large of a population, you aren’t marginally charging that much additional to provide those sorts of things to a whole population of students. It hasn’t hurt the state’s credit rating so it’s...that certainly is a positive thing.

Secondly, another GT administrator describes the “gains” of PPV use in this way:

I think it's had a positive influence on the GT campus in that it's enabled GT to add facilities in a responsible way that it might not have otherwise been able to do.

While gains do occur from the PPV model, there may also be some loss. At the top of the "loss" list is control. As public higher education increasingly involves private entities and relinquishes a large amount of financial control, there is clearly a new tension now around how much oversight and responsibility that public higher education now has when private organizations are providing services that have been traditionally provided by the state. Along with control, flexibility is also lost. When a PPV is created, it is a financial agreement that is in place that must be funded by students for (often) decades to come. This could impede the ability for institutions to change course in the future, or adjust their strategic plans when debt has been incurred by a private entity on behalf of the public institution. One USG administrator described it this way:

One, it decreases your flexibility. If later you say...we really don't want such and such...well whether you want it or not, it's there. Not only do you own it but you've got a revenue stream that you need to keep going so that you can make good on your rent payment. People can say well you can walk away from that...but it's sitting on your property, it's there and you're not gonna do that. I think it decreases flexibility when you say strategically what direction do we want to take with the campus.

It begs the question ... if control and flexibility are lost, is public higher education able to adequately pursue its mission in the future with the added distraction of constantly needing to identify new and alternative revenue streams?

The final research question was – *what strengths and challenges have resulted from the implementation of PPVs?* One response to this question is the challenge of increasing student debt. Because PPVs are funded ultimately by students and not by the state, this issue is of great

concern when examining the implementation of public-private ventures in Georgia. Is it the right course for public postsecondary education to intentionally shift costs to students? One GT administrator expresses this concern:

Because the state and federal government funding has declined dramatically to the public institutions so that the public institutions have no choice but to close the gap. The only way to do is to look for a source of revenue and that's our student population. To continuously increase the tuition and fees. Now with that, of course, comes student loans. Which is getting bigger and bigger, because the majority of students cannot afford to pay so they have to borrow. The majority of students don't have a big savings to pay for their education so they have to borrow ... we are creating this huge bubble by creating a huge amount of student loans out there that the majority of our students may not be able to pay in the future.

Another challenge that has resulted from the implementation of PPVs has been the tremendous proliferation of their use. Utilization of the public-private venture model has grown to such high levels and at such a rapid rate that oversight and monitoring from the University System of Georgia has had to intensify with an equal level of intensity in the last three years. While the program seems to be a good alternative, there must be appropriate restrictions in place to ensure the program can continue to grow in the future with reason and measure. One retired GT administrator described the explosive growth of PPVs in the mid-2000s:

I mean there are just buildings going up left, right, and sideways. Everybody's building like crazy.

A final issue that has resulted from the implementation of PPVs has been the evolution of discussion toward identifying new, more privatized models that could be used in the future in addition to the state-funded model, and the PPV model. I have referenced these discussions in the findings section, but the funding gap left by decreasing state support and the increase in student demand means that other alternatives are also needed. States like Ohio and Kentucky

have explored the use of two very different but highly-privatized models, and Georgia is also actively developing a new, more privatized, funding mechanism at this time to help meet the future needs of public higher education.

Implications for Future Policy and Practice

To date, little has been included in the scholarly literature about one, unique financial tool that public postsecondary institutions are using at a significant rate to expand their facilities – the public-private venture model. The purpose of this study was to contribute to the literature about how PPVs are created in public higher education, and what are the implications of their use. If this model is to be a significant adaptive tool for public higher education, then it is critical to research this issue in more depth. I expected to find a mixture of opportunities and challenges associated with the use of PPVs. I did not expect to find that PPVs were the magic solution to Georgia’s funding constraints, but I did expect to see some gained efficiencies and perhaps some intended and unintended complexities associated with their use. Much of this I did find. Since public higher education is becoming more privatized in Georgia, it was not surprising that the top four findings in this study were themes that were present in the literature on the privatization of the government and higher education sectors:

1. Issues of Control/Responsibility/Oversight/Autonomy
2. Issues of Risk/Debt
3. Public Higher Education and the Market Model
4. Decrease in State Support for Public Higher Education

These four themes permeated the data collected in this study, and the scholarly discussions on privatization confirming that privatization is, indeed, occurring in Georgia’s public higher education system, and that the public-private venture is a form of that privatization.

I did not expect, but did find a strong connection between strategic planning and the use of public-private ventures at this urban research university. I originally thought that the use of PPVs was driven more by opportunity and a lack of options than by strategy or mission. However, my findings indicate that Georgia Tech's successful use of the PPV can be attributed, at least in part, to this strong connection between strategic planning and the use of PPVs for planned growth. Hearn (2003) cautions that any decisions around the pursuit of new revenue streams must ultimately deal with the question of why new revenue streams are being sought - will it involve minor adaptation or major institutional change? In the strategic planning process, GT addresses the "whys" of new revenues before it seeks and embraces the new revenues. Because seeking alternative revenue sources can have different sorts of outcomes, explicit consideration of mission is central to discussions of revenue substitution (Hearn, 2003). Georgia Tech modeled this consideration of mission, and the USG has also increasingly emphasized that new PPVs must be strongly connected to the academic mission of the institution. Even though these facilities are not academic facilities (i.e., classrooms or laboratories), they must be directly linked to the technical core of the university. The connection between strategic planning and privatization in public higher education is an area where this study contributes to the literature and much more research on this connection is still needed.

Related to this connection between strategic planning and privatization is the understanding offered by Thompson's theory (1967) about the way that organizations adapt by forecasting change, anticipating change, and trading off threatening environments for ones that are more receptive to their needs, strategies, resources, skills, competences, modes of operation, and outputs. The USG has adapted to the environment where the state no longer provides for student support facilities by utilizing a new funding mechanism with a strong connection to their

academic mission. As such, the USG now continues to adapt as new models are explored for use in the future. According to Thompson (1967), it is this adaption strategy that allows organizations to survive by reforming their operations and increasing efficiencies in a financially-constrained environment.

The most significant finding was the identification of three, separate pressures that were consistently balanced against each other. This finding was not expected. The three pressures of control, responsibility and oversight threaded throughout the data. This reminded me of the iron triangle of access, cost and quality (Daniel, Kanwar, & Uvalić-Trumbić^c, 2009) that is seen in the higher education literature. What I saw in this study was similar, except that it was a triangle of pressure that all organizations associated with the blending of public and private activity were wrestling with. This finding is a contribution to the literature and more research is needed on the relationship between these three pressures and how these forces shape the privatization of America's public higher education enterprise. Research in other states and how their public higher education systems have shaped the privatization dynamics in their states is also recommended. While a study in the state of Georgia has provided a contribution, it is important to note that Georgia is unique in its state constitutional debt limit and so other states would not have the limits in place that Georgia does.

Related to this idea of a triangle of pressure is the Savas (2000) typology that guided this study. Savas addresses the role of responsibility and control in his theoretical framework, but it does not accommodate for the issue of oversight. Perhaps his framework could be expanded to incorporate the idea of oversight and how it interplays with responsibility and control. More studies could be done here to explore this relationship, and could explore how financial control can be delegated, how responsibility can be retained and what role oversight can play.

A final topic for discussion is the future of public-private ventures in the state of Georgia, and new models that may be created in the near future. While PPVs have provided great opportunities for public higher education that might not otherwise have been available, their use has grown rapidly and – guided by the pressure of increased oversight – is now being tempered with a stronger connection to strategic planning and the academic mission. I envision that PPVs will continue into the future, but most likely not at the rate that has been seen in the past. Models that are more privatized might work well for certain facilities (i.e., housing), but not others (i.e., student centers). I envision that facilities in the academic core will continue to have a strong level of state support, but facilities outside the academic core will need to have at least two different options for models that can serve as a funding mechanism – perhaps the PPV and some sort of P3 model which is yet to be fully defined. Based on the information gleaned from documents and interviewees in this study, the USG is wrestling now with how to create a mechanism that allows for more private support and involvement but does not relinquish too much control, oversight, and responsibility away from the USG. More research is certainly needed on the public-private venture model, and on the new privatized models currently being utilized across the nation. As these models are created and used, this would most likely create more shifts in the triangle of pressure. The “right balance” should be sought and studied.

While many findings in this study were expected, there were findings that added a new dimension of thought toward the privatization of public higher education and the use of public-private ventures. Future studies are needed on PPVs, other privatized models used in public higher education, and the role that strategic planning and oversight play in these models. A trend of privatization in the academy is here for the foreseeable future and leaders should carefully consider the implications to their institutions, their systems, their students, and plan accordingly.

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APPENDIX
UNIVERSITY OF GEORGIA
CONSENT FORM

Public-Private Ventures in Georgia’s Public Higher Education: A Multi-Case Study of Three Unique Financial Models Used at the Georgia Institute of Technology

Researcher’s Statement

I am/We are asking you to take part in a research study. Before you decide to participate in this study, it is important that you understand why the research is being done and what it will involve. This form is designed to give you the information about the study so you can decide whether to be in the study or not. Please take the time to read the following information carefully. Please ask the researcher if there is anything that is not clear or if you need more information. When all your questions have been answered, you can decide if you want to be in the study or not. This process is called “informed consent.” A copy of this form will be given to you.

Principal Investigator: *Dr. Karen Webber*
 University of Georgia, Institute of Higher Education
 kwebber@uga.edu; 706-542-6831

Purpose of the Study

This study is a comparative multi-case study of three different Public-Private Ventures (PPVs) at the Georgia Institute of Technology. These three PPVs are financial models which have funded three different housing facilities that were constructed by Georgia Tech within the last 15 years. Data will be collected through numerous documents and interviews with 15-20 key individuals associated with the three PPVs, and will be analyzed comparatively. One of the PPVs is a 100% PPV model where 100% of the financial risk is held by a private entity. One of the PPVs is a 0% PPV model where none of the financial risk is held by a private entity. The third PPV is a hybrid model where part of the financial risk is held by a private entity, and part of the financial risk is held by the state of Georgia.

You have been asked to participate in this study because of your role in the decision-making process, or in the implementation, of a public-private venture.

Very little has been written about this unique financial tool – the PPV – that public postsecondary institutions are using at a significant rate to expand their facilities. PPVs are expanding rapidly in the state of Georgia and yet little is known about how and why they are created and the implications of their use. This issue is significant because billions of dollars are currently invested in the state of Georgia alone in a financial model that has received little to no scholarly examination.

Study Procedures

If you agree to participate, you will be asked to ...

- *Participate in a one-hour in-person interview answering questions about your knowledge of a specific public-private venture, your role in the decision-making process and/or the implementation process, your opinions on the model, and implications of its use. Follow up email(s) may also be involved to ensure that information obtained in the interview is understood and accurate.*
- *There will be approximately two contacts for each individual – one in-person interview that will last approximately one hour, and follow up email(s) to double check for accuracy. The total duration of participation will be 1 ½ - 3 hours depending on the amount of follow up necessary.*
- *Interviews will be audio recorded and then transcribed for analysis.*
- *All data will be kept secure and destroyed after two years – electronic files deleted, paper files shredded.*
- *Interview questions include:*
 - *Tell me what you do and a little more about your background.*
 - *Tell me the “story” of how each case sample/housing facility was created and implemented.*
 - *What was the rationale behind their creation?*
 - *Who was involved in the decision to create each case sample/housing facility?*
 - *Are there any financial documents available for each case sample/housing facility that I could access?*
 - *For each case sample/housing facility, what was the role of the state? The institution? The private entity (Foundation LLC)?*
 - *In your view, what have been the implications to funding the housing facility in this way?*
 - *What issues have been involved with the use of this funding model?*
 - *Describe your philosophy in terms of funding and higher education.*
 - *Is there anyone else that I should speak with concerning this topic?*

Risks and discomforts

- *Potential risks and/or discomforts associated with this study are minimal. If any interviewee reveals information or action associated with a PPV constructed in the past that was illegal or questionable in any way, or expresses disagreement with actions in the past, then inadvertent release of that information in the public could contain risk for both the interviewee and/or others associated with the project.*
- *To minimize this risk, data collected from interviews will be kept confidential and used only for the purpose intended. Consent will be requested to enter into the case study, and consent will be requested a second time for use of identifiable quotes in the final report.*

Benefits

- *There may perhaps be some additional understanding of PPVs that study participants may gain, but direct benefits to study participants is expected to be minimal.*
- *Information learned about PPVs will assist decision-makers in the future who are determining whether or not to use this financial model, and the implications of its use.*

Alternatives

N/A

Incentives for participation

No incentives will be used for participation in the study.

Audio/Video Recording

Audio tapes will be made of each interview and then transcribed. This will assist in the data analysis stage. Audio tapes and transcripts will be destroyed after a two-year period.

Please provide initials below if you agree to have this interview audio recorded or not. You may still participate in this study even if you are not willing to have the interview recorded.

_____ I do not want to have this interview recorded.

_____ I am willing to have this interview recorded.

Privacy/Confidentiality

Data collected from you will include information that identifies you directly (e.g., name, e-mail address). The only researchers who will have access to this data are Dr. Karen Webber and Ms. Jennifer Stephens. Data will be stored in computer files secured with encryption, and in locked filing cabinets.

The project's research records may be reviewed departments at the University of Georgia responsible for regulatory and research oversight.

Researchers will not release identifiable results of the study to anyone other than individuals working on the project without your written consent unless required by law.

Taking part is voluntary

Your involvement in the study is voluntary, and you may choose not to participate or to stop at any time without penalty or loss of benefits to which you are otherwise entitled.

If you decide to withdraw from the study, the information that can be identified as yours will be kept as part of the study and may continue to be analyzed, unless you make a written request to remove, return, or destroy the information.

If you have questions

The main researcher conducting this study is Dr. Karen Webber, a professor at the University of Georgia's Institute of Higher Education. Dr. Webber can be contacted at kwebber@uga.edu or 706-542-6831. Assisting in this research is Ms. Jennifer Stephens, a doctoral student with the University of Georgia's Institute of Higher Education. Ms. Stephens can be contacted at jhstephe@uga.edu or 678-628-2922. If you have any questions or concerns regarding your

rights as a research participant in this study, you may contact the Institutional Review Board (IRB) Chairperson at 706.542.3199 or irb@uga.edu.

Research Subject's Consent to Participate in Research:

To voluntarily agree to take part in this study, you must sign on the line below. Your signature below indicates that you have read or had read to you this entire consent form, and have had all of your questions answered.

Name of Researcher

Signature

Date

Name of Participant

Signature

Date

Please sign both copies, keep one and return one to the researcher.