ATTENDANCE:

Libby Young, Co-Chair of ACCFSC & Windward Community College  
David Duffy, Manoa Faculty Senate  
Evelyn Greene, Honolulu Community College  
Dennis Vanairsdale, Kapiolani Community College  
Paul Lococo, Leeward Community College  
Jenny Wells, UHM – College of Education  
Amarjit Singh, UHM – College of Engineering  
Joyce Chinen, UH – West Oahu  

VIA: POLYCOM  
Barbara Leonard, UH-Hilo – Faculty Senate & College of Business and Economics  
Rick Randolph, Kauai Community College – Language Arts & Humanities  
Elaine Yamashita, Maui Community College  
Ellen Okuma, Hawaii Community College  

GUESTS:  
Tom Ramsey, ACCFSC Rep. for the Regents Candidate Advisory Council  
Jo-Anne Itano, Director of Academic Affairs  
Howard Todo, Vice President for Budget & Finance

I. CALL TO ORDER, SIGN IN  
Co-Chair Libby Young called the meeting to order at 9:12 in Bachman Hall 113. Members from Kauai, Maui and Big Island were welcomed via. polycom.

II. APPROVAL OF FEB. 25, 2011 MINUTES  
The minutes of February 25, 2011 were approved as circulated and posted to the ACCFSC website.

Appointment of ACCFSC representative to the Regents Candidate Advisory Council (RCAC) [Tom Ramsey]  
Agenda item moved to the beginning of the meeting since Ramsey was present.  
Co-Chair Young opened the floor to Tom Ramsey, the ACCFSC’s current appointed representative to the Regents Candidate Advisory Council (RCAC), to explain the RCAC appointment process and history. ACCFSC appointed Ramsey to the RCAC for a 4-year term that ends on June 20, 2011.

- **Purpose:** The state passed an amendment to change the BOR appointment process 4 years ago. The process is now comparable to the judicial appointment process. The RCAC preselects the candidates and submits a nomination list to the governor who makes the appointment.
- **Appointment:** ACCFSC can reappoint Ramsey or select another representative to serve a 4-year term. The only legal requirement is that the appointee must not have served as a member of the ACCFSC within the 5-years immediately preceding appointment. *Appointment should be made this spring and is due by June 30, 2011.*
- **Workload:** On average UH now replaces 3 regents per year. Meetings are 1 or 2 times a month in the fall and through February. In September or October, the committee gathers nominations. In November, interviews are held – which usually consist of an intense 2-3 day-long session. In February, the committee finalizes its nomination list and transmits it to the Governor.
- **Procedure:** BOR members must be appointed as follows: 2 from Big Island, 1 from Maui, and 1 from Kauai. When there is a vacancy, the committee must provide at least 2-4 names by law. The nominee list is made public only after the Governor makes an appointment.
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[Approved unanimously on April 15, 2011]

- **Issues:** The committee generally experiences two overarching issues/criticism: (1) difficulty getting candidates from Kauai, Maui and Big Island (the committee may have to solicit candidates where nominations are not forthcoming) and (2) difficulty having women appointed to the BOR.

- **Q: Who else is on the RCAC?**
  One member appointed by: (1) senate president; (2) speaker of the House; (3) Association of former Regents; (4) Alumni Association; and (5) Governor. There is also one student member that is appointed by a complicated process that has recently been modified in the law.

- **Q: Are any members from outer islands?**
  No - all of the current RCAC members are from Oahu.

- **Q: What happens when a faculty member who is serving as the ACCFSC appointee resigns/retires?**
  ACCFSC would have to appoint a replacement. If the faculty member resigns/retires from this position, the ACCFSC has 90 days to appoint a new member. If ACCFSC fails to re-appoint within 90 days, then the Regents Council makes the replacement on its behalf.

- **Q: What is the timeline?**
  ACCFSC must make an appointment by June 30, 2011. There was a call for nominations earlier this year that was sent to the ACCFSC list via Barbara Leonard – but not all ACCFSC members reported to have received this call for nominees.

- **Q: What is the association of former regents?**
  This is a formal association comprised of former regents and is designated, by law, as the body that should appoint 1 member to the RCAC.

- **Q: Who is the current Chair of RCAC?**
  Roy Fujii, the Alumni Association’s appointee, is the current Chair of RCAC.

The ACCFSC thanked Ramsey for his description and service, and will consider him as a candidate for re-appointment. Ramsey left the meeting. ACCFSC then discussed the process for nomination and appointment.

- **Q: Should we appoint a member from a neighbor Island since all of the current RCAC members are from Oahu?**
  The representatives from the neighbor Islands agreed that it would be beneficial for the ACCFSC to appoint a representative from one of the neighbor Islands since it help increase BOR nominees from the neighbor Islands. Another member pointed out that the ACCFSC’s primary goal should be to appoint a member who represents the faculty’s interests, and warned against using the geographical issue as a trump card. Neighbor Island members agreed that geographic location was secondary to competence in representing the faculty’s interests.

- **Q: What will the selection process be?**
  ACCFSC will put together a standard list of criteria that each member will be responsible for circulating to their constituency. Interested faculty members will self nominate and submit a narrative, including a description of eligibility addressing the criteria explained below and a curriculum vital, to their ACCFSC representative. The ACCFSC representative will forward the nominee’s materials to the ACCFSC listserv. The criterion is as follows:

  1. Have you been a member ACCFSC within the past 5 years? [legal requirement]
  2. What experience do you have in terms of faculty representative bodies?
  3. Explain your commitment to diversity and/or experience serving the neighbor Island communities?
  4. Are you able to make a significant time commitment since the committee will meet twice monthly during the fall semester and your appointment will be for 4-years?
  5. How many years of service to the campus do you have/ discuss your understanding of the role of Regents and governance of the University?

- **Q: What about travel for non-Oahu appointees?**
  ACCFSC generally agreed that the University may be required to pay for travel if a neighbor-Island nominee was selected. **Co-Chair Young will follow up with Ramsey and/or the RCAC to determine the answer.**
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- **Q: Should the ACCFSC challenge the requirement that the appointee cannot have served on ACCFSC within 5-years prior to their appointment?**
  While the ACCFSC was concerned with the rationale behind this requirement, it elected to follow up with this issue at another time in the interest of time and because this is a legal requirement.

- **Q: It is generally worrisome that the ACCFSC has appointees out there who do not regularly report back to the Senate. What can we do about this?**
  The ACCFSC agreed that it will accept nominations through April 8, 2011. ACCFSC will make the appointment at the April 15 ACCFSC meeting. Co-Chair Young will provide Ramsey with the criteria, since he has expressed his desire to be considered for reappointment.

**III. CONTINUING BUSINESS**

**A. EVALUATION OF DEANS – JENNY WELLS (SEE S. HIPPENSTEELE MARCH 7 E-MAIL ON PRIVACY STATUTE)**

The BOR Policies include a list of appropriate activities for Faculty Senates – one of which concerns evaluation of Deans. Wells explained that the College of Education’s Faculty Senate Bylaws do not include such language and solicited input from the other Senates concerning the legality and implications of such evaluations.

- **Q: Does your Senate conduct a formal survey/evaluation of administrators?**

  **UHM - College of Engineering:** Singh explained that the UHM- College of Engineering conducts a formal evaluation of its administrators, via a survey with both numeric and qualitative comments filled out by faculty members. The results are transmitted to the faculty. Singh explained that it may not be necessary to have a specific statement endorsing administrator evaluations in Senate Bylaws. A broad statement such as “the college senate is tasked with the purpose of investigating issues etc…” may be sufficient. Singh also reviewed Hippensteele’s e-mail concerning the privacy issues thoroughly and does not see any potential legal issues surrounding publication of the results, particularly due to the ‘public’ nature of University officials.

  **Kauai Community College:** Randolph noted that their faculty senate decided to include in their Bylaws an evaluation of the Chancellor and Vice Chancellor. In sum, the Senate sends surveys to all faculty with questions created by the institutional researcher every 2 years. The survey results would be tallied by the Senate and the institutional researcher who would transmit a written summary of the results to the administrators who were evaluated. It was the job of the administrator to send a description of the results, along with methods of improvement, to the faculty. If the administrator does not complete this step – the Senate maintains the right to send out its own summary to the faculty. At this stage, there is no process in place to address an administrator’s refusal to participate.

  **Windward Community College:** Young noted that Windward Community College implemented an evaluation process based on a recommendation from its accreditation committee that had recognized a need to implement an annual process to assess effectiveness of leaders and decision making. Faculty were charged with coming up with a plan to assess not just administration – but all level of governance. The annual process of assessment that has been in place for two years now assesses leadership in all major units including faculty senate chairs, dept chairs, and chairs of standing committees at the college level. Initially – all of the results were made public. Now – the results are on a website that is attached to the institutional resource site and is only accessible to those with a UH log-in. The survey consists of a separate set of questions for those designated as (1) members; everyone who reports to the particular person directly; and (2) non-members; everyone else. The evaluated parties must come up with their own plan for how they will address any weaknesses. There should be a separate committee (not the Senate) that oversees the whole evaluation process. If there are any problems with someone not acting timely – then this committee could address the issue. Young provided the Chancellors’ self evaluation to the group as an example. The evaluation identified improvement statements/goals that must be measurable outcomes. The evaluated individuals are held accountable in this way because they are required to report back in next year’s survey about their progress on these goals/outcomes.

- **Q: Is there any formal grievance mechanism to address trouble with Deans with the Chancellors?**
Yamashita noted that Maui Community College’s faculty senate Charter identifies a mediation committee that is responsible for mediating issues between admin/faculty and faculty/faculty, but that this committee is not often activated. Another member noted that the Senate may pass a resolution to deal with these events such as a resolution passed and distributed the appropriate administrator. Duffy noted that the Manoa Faculty Senate has discussions with the Chancellors often and suggested this as a possible grievance channel.

- **Q: What are the legal implications?**
  Leonard sent a relevant statute from the State of Hawaii Information Code to the ACCFSC listserv and read it aloud for the record. The law required a compelling reason why the public interest outweighs the individual’s privacy interest, and listed evaluations as meeting this requirement. The ACCFSC further discussed the public v. private interests involved, given the rather ‘public’ official capacity of administrators at UH as compared to faculty members. They also discussed the impact of publishing administrator evaluations when faculty evaluations are maintained confidentially.

- **Q: Has the legal privacy issue of administrator evaluations come up formally at UH?**
  Itano said that this information issue did come up in Hilo several years ago. Leonard noted that she had spoken to the General Council about this incident. They informed her that faculty can conduct administrator evaluations, but advised her not to make the results public. Hilo was careful to keep their yearly evaluations of Chancellors, Vice Chancellors, and Deans confidential. Hilo only reports the results to the administrators, themselves, and not to the faculty in the interest of this privacy issue.

- **Q: Is there anything from General Council is writing that you can scan and send to the Senates?**
  Leonard will locate such a statement and will forward it to the ACCFSC listserv.

**B. UH SYSTEM LEADING INDICATORS DATA/DISCUSSION OF BEST PRACTICES – JOANNE ITANO**

Joanne Itano distributed the “Four-year success rates by student type and leading indicator” and reviewed the results with the ACCFSC. She is sharing this data so that the members can share it with their respective constituencies in an effort to increase the number of students who graduate. These are the characteristics that greatly increase the chance of earning a degree. A big issue is remediation at the community colleges. Community colleges are looking at ways to move students through remediation much faster.

**Q: Why did you only study a cohort and not the whole population?**
In order to measure standing after 4 & 6 years, they needed to study a small population designated by community college or 4-year College. Itano explained that the cohort started together in Fall 03.

**Q: Are these figures comparable to other institutions?**
Itano said that these figures were relatively comparable to other institutions.

One member noted that the figures for community colleges are comparable and explained that part-time community college students may take up to 6 years to earn a degree.

Itano noted that the community college graduation rate is about 15%.

Itano calculated success rates for AA seeking community colleges by soliciting responses to the following questions: (1) Did you transfer to any 4-year institution; (2) Did you earn a degree; (3) Are you still enrolled. At 5 years, about 50% of the students met one of the three criteria. Overall, the full-time group had a much higher success rate than part-time group. After 4 years, Itano explained that only about 2% more students graduate.

**Q: What about students who just take a few classes for their own needs and do not seek a degree?**
Itano agreed that these students need to be factored in somehow. They do have an optional form that enables students to self-identify their educational goals – but this is only optional and educational goals do may change.

**Q: Is data collection easily computed?**
Itano explained that all data had to be manually pulled from Banner and that scripts had to be written to do this. The process is not automatic. One analyst did the work part-time over a few months.

**C. International Engagement Mission Statement update**
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The final International Engagement Mission Statement was distributed to the group. Itano assumes that the Regents have accepted it - although she was not certain. Jo-Anne Tyra said it was final and available for distribution. At this point, Itano does not think there is any additional funding for this initiative or that an office will be established.

Co-Chair Young noted that many of the Senate’s suggestions were incorporated into the final version, including Oceania and the less commercial approach advocated by the ACCFSC.

Randolph agreed that this version was much better than the first, but does have some additional suggestions including (1) standardizing the use of third person perspective (the University of Hawaii) throughout the entire writing and deleting the instances where the document refers to the university in the first person as “ours;” (2) describing the list on page two as “goals” rather than “guidelines;” (3) substituting the word ‘implement’ for ‘effectuate;’ and (4) standardizing the use of a comma before ‘and’.

Overall, the ACCFSC agreed that this version was much better than the first.

- Q: In the BOR policy, why is UH Hilo still referred to as a regional campus in light of this initiative and Hilos’ engagement with international initiatives?
  
  Itano noted that she thought that ‘regional’ meant that the institution primarily served its local area.
  
  Leonard disagreed that Hilo primarily served only its local area and noted that it did serve international students. Leonard will address this specifically in Hilo’s Senate in light of the new international policy.

IV. NEW BUSINESS
A. BOR POLICY FOLLOW-UP

Duffy went to the Board of Regents meeting on behalf of the UH Senates to request a time extension for review of the BOR policies. UHPA also testified and had serious issues with the policies. UHPA’s website contains its analysis.

There was discrepancy about whether or not the Board extended the comment period. According to Duane Stephens with UHPA, the Board may have extended the comment period for another month. According to Itano, the BOR approved Chapter 1-8 and 10-12 (excluding Chapter 9 – which remains controversial). Itano explained that the Regents bought up issues with certain parts of the policies and passed the policies provisionally to include these changes. At its next meeting, BOR will review the final versions. Itano is not sure whether the faculty comment period was extended. Chapter 9, workload policy, will be on the Board’s agenda for its next meeting.

Co-Chair Young will follow up with the Board of Regent’s secretary to determine whether the comment period for faculty was extended. The ACCFSC agreed that it needs to act quickly if the comment period has been extended.

- Q: Were the ACCFSC’s comments included?
  
  Itano is working with Linda Johnsrud to draft a formal response to the ACCFSC which will address the status of its comments. Itano noted that the ACCFSC’S suggestions were incorporated into her section.

B. DISCUSSION TOPICS FOR APRIL 15 MEETING WITH UH BOR CHAIR HOWARD KARR

Board of Regents Chair, Howard Karr, will attend the April meeting. Co-Chair Young solicited questions for Karr.

- Q: What questions do we have for Howard Karr?
  
  The main point of concern was the issue of shared governance generally - particularly concerning ITS changes that are initiated before faulty consultation, rather than faculty having input or the opportunity to comment on impact going into decision making. One example is the Google transition.
  
  Another issue was the system-wide facility issue – particularly the mismanaged organization between the system and Manoa. Repair and maintenance is separated from CIP – and there are different departments managing these two issues separately, which have caused much confusion. Should there be a VC for facilities – as most comparable institutions have such a position?
  
  One member noted that if this is a Manoa issue – it should be dealt with through the Manoa Faculty Senate, rather than the ACCFSC.

Concerning the issue of shared governance, the ACCFSC discussed the role of the BOR as primarily business people and decided to emphasize the concept of shared governance with Karr to make sure that BOR is aware that the Senate wants to be included in formal consultation for all appropriate actions. One example is the BOR amendments.

5 | P a g e
V. STANDING COMMITTEE REPORTS

A. DISTANCE LEARNING ADVISORY COMMITTEE (JENNY WELLS FOLLOW-UP ON PARALLEL ACADEMIC COMMITTEE

Wells noted that DLAC met last month and that its next meeting is April 4. The committee meets on the first Monday of every month. They are meeting more regularly.

Co-Chair Young reminded the group that comments on the General Education Proposal (common course numbering) are due in May.

Legislative update and UH budget - VP Howard Todo (11 a.m.) Agenda item moved to the end of the meeting.

VP Todo provided a PowerPoint presentation and agreed to forward the presentation to the ACCFSC.

Slide 2 [The Flow of Funds]: Todo explained that this slide depicts funding at the Institutional level. Local and state governments help fund higher education, although the state must also fund K-12 education. The state only contributes a small amount directly to student aid. The federal government is now providing UH with some stimulus funds. Overall, UH funding comes from state fund appropriations, tuition revenue, federal funds, and gifts. Here, the federal funds are generally restricted to research and specific grants. These federal funds do add to the educational experience – but do not fund core costs.

- Q: Young noted that the Community Colleges receive Title 3 funds, and clarified that these would serve as instructional funds.
  VP Todo clarified that he was referring to the 5 million in federal funds that UH receives for research, which does not fund instruction. In most cases, donors give restricted money that also cannot be used for instruction.

Slide 3 [The Flow of Funds to Institutions]: Funding for the general core instruction comes from (1) general appropriations; and (2) tuition.

Slide 4 [Operating Budget—General Revenue]: The highlighted areas are additional funds that UH received in the 05-06 /06-07 Biennium and the supplemental budget (some additional money in second year or biennium). UH received 11 million in 05-06, 13 million in 06-07, and 29 million in supplemental funding. This 13 million is not in addition to the 11 million – so it is the 11 million plus 2 million. The additional funds were used to build up programs/faculty/staff. In the current biennium, we hit a cliff. In 2008, we started hearing that the economy was in a downturn and prepared for cuts. In the 2009 FY, we ended up getting about 8 million dollars of restrictions – which kept building (the Governor cut by 2%: then 4%; then another 2% - at the end of the day 8% was cut from budget). Within 1 year, there was a very quick decline in the revenue picture – as the Council of Revenue’s projections went from a plus number to a -9.5%.

Slide 8 [Biennium Budget Process]: The biennium begins on July 1. UH has to provide the budget to the BOR for approval in late August, and must submit the final budget to the Governor by September of the prior year. In 2008, UH had to finish the budget for July 1, 2009 in September 2008. The process takes so long because UH has to finish the budget 1 year in advance and project what will be happening 1 year in the future.

- Q: Is the delay because we’re trying to gauge the legislature?
  That’s part of it, but it is mostly because we’re trying to gauge what the economy is going to do. In this kind of economy, we must ask for a reasonable number and cannot ask for everything and look unreasonable because then the legislature can pick and choose which projects to fund and thus prioritize on our behalf.

- Q: The Budget Policy Paper came out in May. Can we know the categories before May so that we (units) can coordinate campus priorities list with what the system’s priorities are? By May – faculty have left and cannot weigh in.
  In the past, we would issue that memo (The Budget Policy Paper) in January. Because of the economic situation – it has been getting pushed back. Last time, release was delayed until May because of the economic downturn, our newly elected UH President, and issues quantifying the strategic plan. We’ve now have performance goals and
outcome measures that are related to the SP goals. So now, we have something to gauge measurable outcomes. To prioritize, we must (1) validate which strategic plan outcomes to target and (2) identify and incorporate the President’s initiatives.

**Act 188:** Act 188 tasked the University to use a performance based funding approach. We hired an outside consultant, who is respected and capable, but the model the consultant came up with didn’t work - it would have said that Community Colleges were underfunded by a lot and the numbers on the face of it didn’t work. John Morton was involved as a Co-Chair of ACCFSC. As we looked at this, we decided to build into our budget some aspect of performance funding. When I started at UH 5 years ago, the process was simple. Administration would solicit requests from departments and would receive over 200 separate requests. Then the legislature asked which requests were priorities. Before this past biennium, there were no more than three priorities/campus and they must relate to strategic goals and be quantifiable. This makes it a more reasonable process and one that we could get our hands around and prioritize. To prioritize, the administration evaluates them based on how well they meet the strategic outcomes and how likely they are to succeed.

- **Q:** How do we incorporate the performance funding approach?
  We needed an overall task that related to performance funding. UH came out with a performance funding proposal (at this point they didn’t have a funding model that worked.) We came up with what worked for us and then used that to satisfy Act 188.

- **Q:** Is this based on any mathematically calculations?
  We came out with an outcome based model, which was based on the goals in the Strategic Plan. It identified outcomes for each overarching goal. If we’re going to meet these goals by 2015 – then we reward people based on their attainment of these goals. We have computational charts for how you would calculate this – and can go through it next time.

The legislature liked that funding was contingent upon actually meeting the goals. The funds are appropriated to UH, can only be used if we meet the goals. One aspect that was outcome based was a category based on actual results (i.e. number of graduates, transfers to 4 years, etc…). There was also a second category for enrollment growth as an input or momentum measure. If you increase enrollment, you’ll likely get more graduates. If you get this much more enrollment, you’ll get this much more money in the formula. Once we identified the President’s initiatives, then we determined how to roll this in. Now, we have real basis for saying if we output this – then we get this money. The legislature liked the concept, but it is very different than how legislature usually gives money (usually gives money for input - we give you money for this) and not output (only get money if you meet defined goals).

Since UH was cut by 200 million over the last biennium, we don’t believe it is good enough for us to come back and say: give us this money back. It is better to say: if we achieve those goals – then you give us money. When we meet goals we will be rewarded. We did the best we could with a reasonable approach and now today it doesn’t look like we’re going to get any of that back and we may get cut.

- **Q:** We say the legislature made cuts, but there is 60-70 million in extra tuition revenue than there was 4 years ago. Where is this money?
  We increased our operations. The problem now is that that money is committed to people (70 % is people costs). Had we not committed this money – it would have been easier to manage. Part of the money goes to salary increases, as well. By the end of the 2009 session, the legislature had cut our budget by 45 or 46 million dollars. Thereafter, the Council on Revenues’ projections declined and the Governor retracted 52 million dollars for a total of 98 million dollars. Then, the legislature made those cuts permanent and added another 8 million in cuts. Overall, we lost 108 million dollars over the past two years. How do you reduce budget by 100 million/year?

- **Q:** Why did we declare fiscal exigency?
  The reason was because we needed to have the flexibility to make some major changes. If we don’t have flexibility – how can we make changes? This was made after the Governor announced a further cut. Why then? Because it takes a few years to make major changes to programs.

- **Q:** Was that intended to be a signal in advance of collective bargaining?
  That may have been part of it, but it wasn’t the only thing. It was the need to provide a degree of flexibility to allow for changes. Part of discussion with the Board was what fiscal exigency meant. We weren’t entirely sure – but needed to declare it so we can make these changes. One of the board members said well, if losing 100 million dollars of your
budget is not fiscal exigency - then I don’t know what is. This was when the economy was rapidly declining. We didn’t know what would happen then or after that.

**Q: What about our reserves?**

The legislature has been looking at all sources of revenue because of the economic downturn – including special funds, revolving funds etc . . . . The Council on Revenue Projections made the following projections for this year: (1) September: projected 2% increase for this year because they deferred tax refunds; (2) December: projected 3% increase projection; March .5% increase (last week). This was after the Finance Committee had already passed the budget that decreased our appropriation from what the Governor’s budget had by 16 million dollars. This was also before the tsunami hit.

**Q: How much has the University Requested?**

The 108 million that we’re already down is already part of the beginning budget. Minus the 108 million, we’re at 360 million dollars to start. Former Governor Lingle’s budget would have given us back 41 million dollars on top of the 360 million: specifically 25.7 million dollars to end furloughs (administrative leave) and 15.4 million of ARRA money (American Reinvestment and Recovery Act) on top of this. The legislature gave us 22 million of ARRA money but then reduced our budget by 15.4 million dollars. ARRA funding goes away at the end of this year. If nothing else happens, we lose the 22 million and now we’re at 378 million. But the latest finance budget cuts us another 16 million for a total of 362 million. This is before the earthquake and the Council on Revenue’s projections went down to .5 percent. They’re not just looking at our general funds. They’re looking at special funds and RTRF.

**Q: What about reduction in research?**

This is a separate pot of money. Were hoping to get 500 million in new awards this year (last year we got 452 million dollars). This was before the reduction. That doesn’t go to instruction – it goes to research. My point is that they’re looking at all of these funds. They look at it (special and revolving) like they’re extra pots of money.

**Q: How much do we have in reserves?**

Audited financial statements show that in June 30, 2010, we had about 300 million in reserves. The legislature views this at 300 million in extra cash. But that is inaccurate because this is our working capital. How much working capital should you maintain at any point in time? Strategically, 3 months of working capital is a minimum amount to maintain. If you look at what we expend, we spend 1.4 or 1.5 billion dollars. If you say we have 300 million and our total for a year is 1.4 billion - then we have less than 3 months of operating costs in our reserve. This is cash that is committed to special funds, special purposes etc. . . . We have 1.8 billion in net assets – so where is your fiscal exigency? 1 million is the value of buildings that we cannot spend. (Historical costs of the building – without inflation and including depreciation). Those are fixed assets. Then you have restricted amounts – both non-expendable and expendable. Of the restricted funds, 170 million is non-expendable and 500 million is expendable restricted funds. The non-expendable funds are basically our permanent endowment funds (donor restricted funds. [We cannot legally move external endowments public funds, and put them into the 501c3 UH foundation]. We can only spend income from these funds and they generally cannot be spent on operations. We receive 40 million in donations and less than 10 million is unrestricted. Of the 509 of restricted expendable funds, 343 million is plant facilities. Some is general obligation bond money appropriated for specific CIP projects from the state. We can only use it for what it was appropriated for and if we don’t spend it – it goes back to the state. The other restricted expendable funds are: donor restricted activities, loan activities, and external sponsor activities. The bottom line is that we can’t spend these on operations or our general mission. That leaves only 65 million in unrestricted funds, which is further reduced by encumbrances (financial commitments for contracts already signed) – which total 40 million.

**Q: What about the high Moody’s rating?**

On one hand, I try to fend off the legislature from sweeping our funds. We’re trying to say: you took 200 million plus and we cannot sustain cuts and continue to operate. However, our money will cost us more if we don’t have good bond ratings. We need to give the rating agencies confidence. The rating agencies’ determinations are based on how the process is managed. Our bond rating is AA. This is one notch below the state’s rating, which is AAA+. In our last bond issuance in October, we issued 296 million in bonds at a 3.7 % overall interest rate. This money is only going to projects that have a source of repayment: part is going to UH West Oahu, part to Cancer Research Center, and part to the campus center renovation and a number of other similar projects. We’re servicing the bond by about 15
million/year. The point is that the legislature is looking at those pots of money and it doesn’t help us on that hand to say: we’re fine we have AA rated debt.

- **Q: 70% have gone into salaries. Whose salaries were increased?**
  Compensation and benefits are almost 1 billion, and that’s off of 1.4 billion in total expenditures. This is where the 70% figure came from. Everyone took a cut in this latest reduction. In the years before that, everyone was getting pay increases. New moneys went to those salary increases. We’ve cut a lot of our discretionary non-salary expenditures – if we get a further cut the money has to come from somewhere.

- **Q: Where are the salary expenditures going? What kinds of positions? Positions at colleges are disappearing.**
  Other positions in administration are coming up.
  There are numbers out there through the Office of Human Resources. Generally, depending on what you consider administrative salaries – then that may be true. If you talk just about executive positions then it is not that true in terms of number of positions.

- **Q: If you reduced administrator’s salaries by 20%, how much can we save?**
  I don’t have that number of the total administrator salaries in the system.

- **Q: Can we find out how much foundation funds are allocated to each college?**
  Your College can tell you. Foundation is protective of donor information (names) but they will usually be able to give you an idea of how much money there is there for a specific college. Go to the college first, not through the foundation level.

- **Q: Is there a formal policy on financial reserves?**
  Neither the UH- system or the 4-year schools have policies on financial reserves. Community colleges have a policy on working capital reserves - which is 3-4% of expenditures + working capital. Accreditation visits do consider the reserves, but WASC does not have a best practices figure. We get hit with a 100 million dollar reduction in general funds– so we need to cut back expenses because we don’t know what is going to happen. We pretty much have to shut the pipes at this point in time just in case they cut more because we still have to pay our salary. 2/3 of our expenses only are covered by general funds. If we lose all of our special funds, we’re 1/3 short – which is the worst case scenario. At the end of this year, the Federal stabilization money also goes away. It means that we have to make the whole 108 million up if we get no more money from the legislature at all. Even if they don’t take our special funds, we still have to make up these costs.

- **Q: Do we have a plan on how to make this up?**
  We don’t know – but may consider using the reserves. We cannot keep this level of non-spending going. The reserves went up because we stopped spending. Our audited financials for this year were issued on January 31, 2011 for June 30, 2010. This is an improvement over prior years. We’ve always issued our financials before the federal deadline which is March 31 of the next year (9 months after). This year – we pushed it up to January 31, and would like to push it up further in subsequent years, although we rely on the state for certain figures. The State’s latest financial statement for June 30, 2009 was issued on Oct 20, 2010. The State has never gotten its financials issued by December 31 – and yet, they have a certificate of achievement for excellence in financial reporting. It take us longer because we don’t have personnel resources, and we’re limited by the state.

- **Q: Do we have a system that can show detailed expenditures by category?**
  Our audited financials show some level of detail in terms of operating expenses. If you want more detail you can get it – but it’s not easy to get. This is part of the reason why the audit takes so long. As inflexible as FMIS is, all the information is there in excruciating detail. The issue is how to accumulate this into meaningful pieces for individual people. Rolling it up into something we would like for our operation is a challenge because of the system. Tell me what you want and we can hopefully program it. We’re hoping Kuali will make this easier as a long-term goal. For example, in the current system, anyone can create an account for any purpose and we don’t have much control over the makeup of these accounts. In Kuali, the accounts are structured within the organizational structure of UH (1 account for each fiscal unit). The Kuali system will also be integrated with the HR and people soft systems to promote consistency. Right now, FMIS will give us what we’ve spend, but it cannot give us what out actual budget it so it cannot show budget to actual figures.

- **Q: What’s the timeline for Kuali?**
We’re hoping by the end of 2012. We’d want to have the data for that FY beginning July 1, 2012 so the whole fiscal year will be on it.

- **Do we earn money from the interest of tobacco settlement?**
  The State says that we can have a certain share of tobacco settlement moneys - but we have to give the interest back to the state.

- **Q: How do you investigate possible fraud?**
  We have both an internal and external audit function. But by and large – fraud gets caught with someone reporting it.

- **Q: I’m on the financial resources committee for Windward’s re-accreditation and we need to do a self-evaluation of the current system.**
  Our strategy last time was budget priories grounded in strategic outcomes. To me, you can’t go wrong if you’re looking at the strategic objective of the system and say how we best forward those objectives. Anything in the BOR approved budget, we support. Anything outside the BOR budget, we would put secondary to the BOR items.