

Twenty-two months ago, in November 2005, in the wake of a thorough process of consultation on her campus, Interim Chancellor Konan recommended against proceeding with the ARL on the Mānoa campus, noting that “Due to the potential for research to be classified ... (such) research would more appropriately be located off-campus.” Her summary statement also read, “I am firmly committed to the ability of individual faculty members to pursue defense related research and funding” and “Faculty will continue to engage in naval research at our university.” During these consultations, the Mānoa Faculty Senate, the undergraduate student association, ASUH, and the Kualī‘i Council all recommended against proceeding with the ARL. The Graduate Student Organization (GSO) took no position.

Twenty months ago, in January 2006, the Board of Regents in an informational meeting took six hours of testimony on the proposed ARL. The Board learned that the overwhelming majority of the 100 most productive researchers on the Mānoa campus supported the ARL; a poll conducted by the UH Association of Research Investigators (UHARI) reflected a similar preference. Testimony received at the Board of Regents meeting was on both sides of the issue; for example, most in the law school were opposed, and most in the engineering school were in support. Overall, a majority of those who testified orally and in writing at the BOR’s informational meeting were in opposition.

Nineteen months ago, in February 2006, I gave the Regents my recommendation on this matter. In coming to this recommendation, I met, *inter alia*, with the Pukoa Council, many of the members of which are also members of the Kualī‘i Council; Pukoa was against proceeding with the ARL at Mānoa. So also was the Student Caucus, composed of student representatives from each of the campuses in the UH System. I received no recommendation from the systemwide All Campus Council of Faculty Senate Chairs, but the Faculty Senate of Hawai‘i Community College recommended against proceeding with the ARL at Mānoa, as did the Faculty Senate of the College of Arts and Sciences at UH Hilo. This latter body does not represent all the UH Hilo faculty, but it represents most of them.

I also consulted with the Council of Chancellors, with several members of the Native Hawaiian community not employed at UH, and with numerous others. I noted that Board of Regents’ policy characterizes UH’s primary mission as “...to provide *environments (italics mine)* in which faculty and students can discover, examine critically, preserve and transmit the knowledge, wisdom and values that will help ensure the survival of the present and future generations with improvement in the quality of life.” And I reviewed and addressed all of the issues raised by outside counsel obtained by the UH Mānoa Faculty Senate to evaluate the January 2006 version of the contract.

I observed that, as other universities know well, a facility like the ARL is a financially attractive construct. The university’s proceeds from a contract vehicle like the ARL are about 25% higher than under normal research contracts. One reason is that some direct costs (including certain personnel costs) are reimbursed; in the typical contract only indirect costs can be recovered. The typical ARL contract also permits UH to charge a fee for its services, unlike in normal research contracts.

Whether these superior returns are justified by the start-up costs of an ARL (much of which would later be reimbursable), by the additional administrative burden and expense, and by the risks involved is a matter of judgment.

Assessment of these risks involves a question of balance between the rights of individual researchers to pursue topics that interest them, and the concerns of some on the campus – perhaps even a majority – that all must engage in activities congruent with the majority’s particular perception of the university’s mission, values and strategic plan.

Because of the inherent diversity and need for freedom of inquiry which in my view does and should characterize the academy, I tend to be biased in favor of measures to support the individual scholar no matter how popular – or even more importantly, how unpopular – his or her research interests.

Assessment of these risks also involves a question of the capability of our institution to respond to the additional administrative responsibility that would come with the establishment of such a facility, a responsibility that would be all the greater if classified research were to be included in the task orders.

Considering all these factors, my recommendation to the Regents (available on the UH System web site via the Office of the President, Remarks) consisted of five points:

1. Accept Interim Chancellor Konan’s recommendation that the ARL not be located on the Mānoa campus.
2. In its place, and in the tradition of our EPSCoR and P-20 grants and contracts, and the Maui High Performance Computing Center, the Regents should approve the establishment of the ARL as an administrative unit attached to the UH System.
3. Provide that the ARL will perform no classified task orders during its first three years of operation. This simplifies the administration of the ARL during its initial years, and addresses the “environments” issue profiled above.
4. Provide that the ARL will retain the option to terminate a task order should the research involved become classified after the task order begins. This approach mimics Stanford University’s approach to research which it finds is classified in mid-stream, and gives UH additional flexibility, over and above current practice of moving projects off campus, in this area.
5. Provide that UH will evaluate the ARL during its third year in terms of the financial and research returns received, and the costs and risks incurred, including the administrative burden associated with managing the ARL. If the ARL receives a favorable evaluation within UH, the UH would invite the U.S. Navy to exercise its option for renewal of the contract for an additional two years. If the ARL did not pass the UH evaluation, or if it did and the U.S. Navy elected not to exercise its option, UH would discontinue the ARL.

CURRENT STATUS:

We have now completed negotiations on a contract that places the ARL at the UH System level. The contract reflects our intention to perform no classified task orders during the first three years, in that provisions in earlier versions of the contract that dealt with the establishment of a senior intelligence officer and a scientific and technical intelligence liaison officer program have now been eliminated (see pages 40-41, paragraph H.11 of the January 2006 contract). Earlier versions of the contract provided, and the current version does as well, that the UH would not generate classified material while undertaking task orders. Earlier versions of the contract provided, and the current version does as well, that the Navy will evaluate its experience in the third year of the contract. The UH will do likewise, and if both sides agree, we may renew the contract for an additional two years.

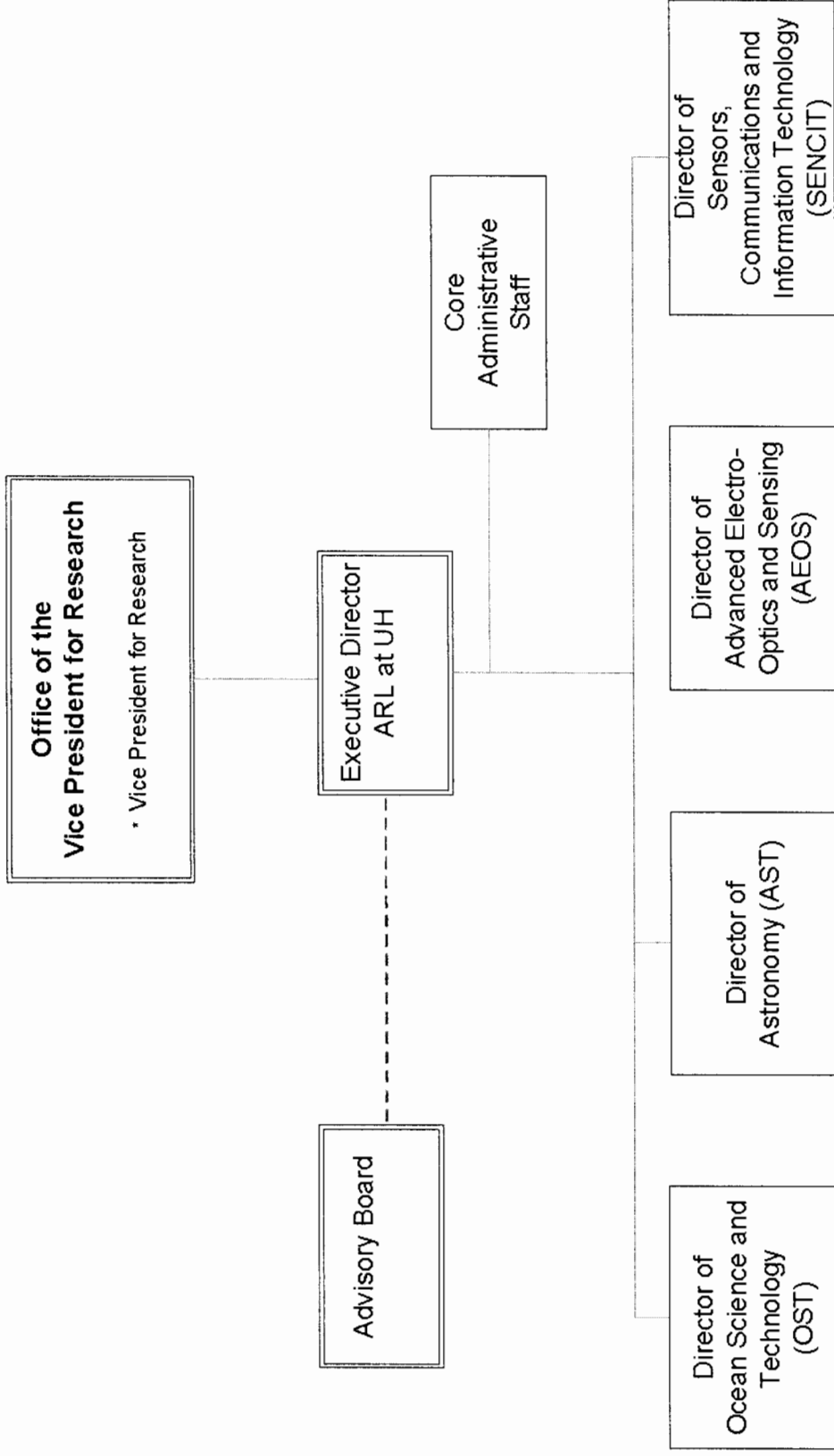
The financial plan for the ARL at the UH System level is attached, along with the organization chart indicating that the executive director of the ARL would report to the Vice President for Research. A complete copy of the contract is also attached and is available on-line at www.hawaii.edu/arl, as is a copy of my full statement to the Board in February 2006.

ACTION REQUESTED:

It is requested that the Board of Regents authorize the establishment of the Applied Research Laboratory at the University of Hawai'i, and delegate to the President the authority to execute the associated contract and all documents necessary for the contract's implementation, consistent with the provisions as provided hereinabove. The ARL, a University-Affiliated Research Center of the United States Navy, would be located administratively at the UH System.

Attachments

Applied Research Laboratory at the University of Hawaii Organizational Chart



University of Hawaii
 Applied Research Lab
 Prorated Direct Cost Budget
 Estimated FY 2008
 July 1, 2007 - June 30, 2008

Cost Categories	FTE	Salaries	Benefits	Services	Travel	Supplies	Lease Rental & Improvements	Vehicle Rental & Maintenance	Total
Executive Director's Office	2.00	293,504	82,181	0	28,106	8,600	0	0	412,391
Business Office	5.00	478,258	133,911	42,000	25,802	22,910	0	5,100	707,981
Department Administration	6.00	645,477	180,733	33,000	17,296	48,120	0	5,100	929,726
Facilities Support	1.00	30,064	8,418	0	0	16,728	120,492	0	175,701
Security Office	1.00	122,592	34,326	7,000	4,324	20,864	0	0	189,106
Capital Items							519,632		519,632
	15.00	1,569,895	439,569	82,000	75,528	117,222	640,124	10,200	2,934,538

Computation of PDC Rate:

Estimated PDC Expenditures	<u>2,934,538</u>
Estimated PDC MTDC	<u>4,923,722</u>
FY 2008 PDC Rate	<u>59.6%</u>

FEE REQUIREMENTS
APPLIED RESEARCH LABORATORY - UNIVERSITY OF HAWAII
JULY 1, 2007 - JUNE 30, 2012

Allowable Fee Uses	Fee Requirements - FYE June 30, 2008 (est.)	Fee Requirements Total 5 year (est)
a. IR & D and /or new research programs	236,299	1,181,497
b. Facilities and vessel construction or improvements	175,640	878,201
c. Equipment acquisition to maintain state-of-the-art laboratories	94,065	470,325
d. Stabilization fund to allow temporary salary support for ARL Staff	62,989	314,947
e. Employee pursuit of degree via ARL fellowship program	0	107,868
f. ARL employees scientific & technical exchange program	0	91,274
g. Graduate students in ARL Research Mentoring Program	12,661	63,303
h. Educational developmental program funds	2,007	15,825
i. ARL/UH business related expenses such as: Cost overruns, ARL Visiting Committee, employee seminars, awards, business meeting food and non-alcoholic beverages, business related tuition or training	60,027	300,137
j. Funds for purposes which ARL & Navy agree	0	0
TOTAL FEE	643,689	3,423,378

NAVSEA COST PROPOSAL
APPLIED RESEARCH LABORATORY - UNIVERSITY OF HAWAII
JULY 1, 2007 - JUNE 30, 2012

	Year 1	Year 2	Year 3	Year 4	Year 5	Totals
ESTIMATED SALARIES						
Professionals, Faculty, Classified	3,222,181	3,370,605	3,438,012	3,506,767	3,576,899	17,114,464
Graduate and Undergraduate Students	195,144	217,349	221,696	226,131	230,653	1,090,973
Support	192,664	196,517	200,448	204,457	219,360	1,013,446
Sub total	3,609,989	3,784,471	3,860,156	3,937,355	4,026,912	19,218,883
ESTIMATED OTHER COSTS						
Services	278,680	284,254	289,939	295,737	301,653	1,450,263
Supplies	735,108	825,860	840,036	865,800	881,028	4,147,832
Travel	199,945	203,944	208,023	212,184	216,427	1,040,523
*Subcontracts	140,000	142,800	145,656	148,569	151,541	728,566
*Equipment	160,026	163,226	166,491	169,820	173,217	832,780
Prorated Direct Cost (59.6%)	2,934,538	3,038,723	3,098,100	3,165,401	3,233,907	15,470,669
ARL-UH Indirect Cost (8.90%)	699,385	724,215	738,367	754,406	770,733	3,687,106
ESTIMATED TOTAL COST	8,757,671	9,167,493	9,346,768	9,549,272	9,755,418	46,576,622
Fixed Fee	643,689	673,811	686,986	701,870	717,022	3,423,378
TOTAL EST COST PLUS FEE	9,401,360	9,841,304	10,033,754	10,251,142	10,472,440	50,000,000