MINUTES

BOARD OF REGENTS’ COMMITTEE ON INTERCOLLEGIATE ATHLETICS MEETING

February 12, 2015

I. CALL TO ORDER

Committee Chair, Jeffrey Portnoy, called the meeting to order at 12:00 p.m. on Thursday, February 12, 2015, at University of Hawai‘i, Bachman 113, 2444 Dole Street, Honolulu, Hawai‘i 96822.

Committee members in attendance: Committee Chair Jeffrey Portnoy; Committee Vice Chair Michelle Tagorda; Regent Barry Mizuno; Regent Stanford Yuen; Regent Simeon Acoba.

Others in attendance: Regents’ Vice Chair Eugene Bal III; Regent Gee, Regent Lee Putnam, Regent Pete Hoffmann, Regent Helen Nielsen (ex officio committee members); President David Lassner; Vice President for Legal Affairs and University General Counsel Darolyn H. Lendio; UH Mānoa Interim Chancellor Robert Bley-Vroman; UH Hilo Chancellor Don Straney; Executive Administrator and Secretary of the Board of Regents Cynthia Quinn; and others as noted.

Committee Chair Portnoy opened the meeting noting that the recent media coverage of the UH Mānoa Athletics financial report to be discussed on the agenda did not reflect the true purpose for which it was requested and will be explained when it comes up on the agenda.

II. APPROVAL OF THE MINUTES OF THE JANUARY 21, 2015 MEETING

Regent Yuen moved and Regent Tagorda seconded the motion to approve the minutes of the January 21, 2015 meeting, which was unanimously approved.

III. PUBLIC COMMENT PERIOD

Executive Administrator and Secretary of the Board Cynthia Quinn announced that the Board Office received two pieces of written testimony that had been distributed to the committee, and three individuals had signed up to give oral testimony.

The following persons provided oral testimony:

1. Tom Robinson, Treasurer of GSO and member of Student Athletic Fee committee, requested a student be involved in the athletic director search and nominated student athlete, Genevieve Bradley. He also testified against the proposed increase in student athletic fees that was mentioned in the report.
Regent Portnoy thanked Robinson for his input and suggested any concerns with the athletic director search be brought to the chancellor or search committee as the regents are not involved with the search.

2. Brett Polopolus-Meredith, Compensation Chair of GSO, testified in his individual capacity and not on behalf of GSO, in opposition to the proposed increase in student athletic fees mentioned in the report.

3. Andrew Johnson, UH Mānoa Sailing team coach, in reference to current media reports encouraged the board to look at other options to keep supporting teams, and noted that his teams are doing well and have already been selected for the coming season.

IV. AGENDA ITEMS


Regent Portnoy stated that the committee tasked the administration and Athletic Director Ben Jay a few months prior to do a complete report on the athletics financial situation. He requested the report outline issues so the regents and community could understand on an economic level the current state of athletics. The purpose of the report was not to create recommendations or action items, but was to be a detailed report with statistics and numbers to provide a foundation of for the present and future state of athletics, internally and externally, and how to make the university’s athletics financially viable.

Interim Chancellor Bley-Vroman further commented that the report laid out the funding needs to achieve their goals. The report was to serve as an important resource as the university moves forward, but within the larger context of being a NCAA Division I athletics program. Only 23 of the 228 NCAA Division I programs across the nation are able to cover their costs; 16 of those 23 programs also receive additional subsidies even though they are covering their costs, most being in the Big 5 conferences. One hundred percent of mid-major programs like UH and the other Mountain West schools, do not make a profit and they all receive significant subsidies. Unfortunately, unlike all the other schools, UH also faces unique and costly challenges because of our geographic location, resulting in the highest travel costs and UH being the only university that must pay for the opponents’ travel costs. Although UH receives 40% in subsidies, which ranks them 9th of 12th in the Mountain West, a study conducted jointly by the Shidler College of Business and the Athletics Department showed that UH Athletics has a significant economic impact for that state of Hawai‘i. UH Athletics created $66 million in total direct spending for labor, goods, and services; generated $128 million in local business sales; $7 million in state taxes; and created approximately 700 jobs in 2013 alone.

Interim Chancellor Bley-Vroman explained that the data shows that the public narrative that UH athletics must be self sustaining is not possible or realistic. The focus needs to be on how much people are willing to subsidize the athletics program to keep it going, and if not, is the public willing to see it closed down. The report further revealed not only the economic value to the state, but more importantly provided an assessment of the non tangible benefits of athletics and showed how important the program is to self
image and state pride. Examples cited included the impact the Sugar Bowl had on morale, local athletes recognized for becoming professional athletes like Kolton Wong; or gone on to do great things and become leaders in their communities like Congressman Mark Takai and Associate State Supreme Court Justice Sabrina Mckenna. The report gives background and information needed to move athletics forward; it is not about cutting things but rather seeing the value of athletics and figuring out its cost.

AD Jay shared his experience that the UH athletics program brings incredible value to both the university and the state. During his 28 year career he had the good fortune to work with some high profile programs, and from that context he has reflected on the special environment offered athletes at UH with the growing contribution that a successful research university hosting an athletics program brings to the university and state in terms of sense of unity and pride. When a UH team makes it to a regional or national recognized level of competition with student athletes who meet or exceed the athletic performance of peers it gives the state even more reason to be proud. He believes UH has it right by offering an exciting research university environment to students, and, if appropriately oriented and prioritized, provide a financially responsible mid-major and NCAA Division I athletics program.

AD Jay said the tables and narrative contained in the report stand on their own and summarized that the report shows UH is receiving less support and spending more than its peers. He referenced charts on pages 4 and 5 of the report that show UH is 15th out of 61 in operating revenues, but below average in American Athletic and Mountain West schools. Student fees are much lower than peers, some of that can be contributed to the smaller size of university and lower student fees. Expenses rank 13th out of 61 with travel expenses well above the 4 mid-major conferences and 2nd only to the average American Athletic Conference. Support in terms of direct institutional and state support and student fees is the lowest of all schools. The report also was intended to give the committee the entire picture of options, viable or not, and the limitations facing the program, as the university can only look at unprotected sports that that do not jeopardize its participation in the Mountain West conference. The report concludes that the only viable option is to turn externally for additional support. Internally, UH already provides athletics with significant support, especially with tuition differential. Additional support has to come from external sources. Review of booster accounts at the UH Foundation can garner additional support, but are necessary to provide support for equipment and meals that the department cannot pay for. They looked at actuals for the past 3 years and this year’s projected expenses to provide a realistic projected 3 year budget, with revenue growth conservatively estimated at 1.75%. A $2.8 million deficit is projected for fiscal year 2016, a $4 million deficit for fiscal year 2017, and a $4.5 million deficit for fiscal year 2018. This does not take in account the new NCAA cost of attendance (COA) differential stipends and how it will be applied. It may be on a sport by sport basis or possibly individual by individual basis. Coupled with Title IX/gender equity requirements needing to be applied across the board, if UH had to implement COA stipends, doing so adds an additional $1 million to scholarship money, increasing the deficit to $3.8 million next year if that became effective immediately. In the Mountain West conference, 2 schools have already indicated they are going implement the COA stipends across the board. Another issuing facing universities is the potential that universities might have to set up $5,000 accounts annually for student athletes for use of their image, which is currently under appeal.
The committee commented that an ultimate recommendation on what to do is still needed and will be the task of the new athletic director, but there is still a need for Mānoa to find a solution to continue to maintain existing programs and be competitive. The board is tasked with the fiduciary duty to ensure that programs pay for themselves one way or another. With the historical data of repeated losses and the ongoing prediction that it will increase, Mānoa will need to determine where to get the resources that the university and the community want. All options need to be looked at, which is why the committee chair asked for the report to include an analysis of program reduction. The committee and board have not met to formally discuss options, but cutting programs is at the bottom of choices. The committee agreed with the chancellor that the frame of reference needed to change and instead of focusing on the deficit, the focus should shift to the value the athletics program brings to the campus and state as a whole. Athletics makes UH a more complete institution, and adds value to education, the institution, and state. Everyone needs to accept the fact that the program will run deficits, akin to other academic programs at the university.

The committee also noted that NCAA report from fiscal year 2013 showed that, by revenue sources, shows that only 5 Mountain West schools get direct state subsidies, and the other 11 mid-majors schools receive subsidies ranging from $140,000 to $7 million, but varies by schools and by state. On page 2, UH is similar among peers of same category and size of revenue/expense, the biggest differential comes from dollar support from student fees.

Interim Chancellor Bley-Vroman noted there was an impossible option that had not been discussed, which was taking money from general funds or tuition & fee special funds to backfill sports; an option which should be rejected because they were already running a deficit in the core part of the university.

Committee Chair Portnoy indicated he will report to the full board on discussions and will continue working on this issue in committee. He was very optimistic that the issue had been brought to the forefront. The community needs to realize that to have an athletics program needs the support of multiple, external organizations to be competitive. The committee and board, along with AD Jay, Interim Chancellor Bley-Vroman and President Lassner will continue working together and are focused on this issue and figuring out how to continue to run an athletics program that everyone can be proud of. He extended thanks to AD Jay and the athletics department for all their work, and said it was a good foundation to begin working on resolving issues.

2. **Status Report on the Search for the UH Manoa Athletics Director**

Interim Chancellor Bley-Vroman gave a brief summary that all key tasks are on schedule. February 9, 2015 was the best consideration date for submission of applications, and review of applications begins on February 13, although applications will continued to be reviewed as they are received. As of February 11, over 70 applications were received, and interviews will begin in early March, with finalists being further vetted in the latter part of March. The search committee conducted outreach sessions to understand context and develop an understanding of the views, desirable qualities and
key attributes people want to see in the incoming athletic director. Numerous meetings were held with constituency groups including student organizations, student athletes, support staff, personnel and other interested groups on and off campus community groups, which allowed for a more inclusive process. As the search progresses, updates will be posted to the executive search website (http://www.manoa.hawaii.edu/executivesearch/), as part of the ongoing effort to be as transparent as possible given the confidential nature of human resources recruitment and selection processes while maintaining the integrity of the search. The work is on schedule, making progress, good applications have been received, and significant outreach has been completed. From his past experiences, he said it would be difficult to predict the schedule for selecting a candidate, but the proposed schedule is to vet candidates at the end of March and select a candidate soon afterward.

3. **Review and Status of Legislative Proposals relating to Intercollegiate Athletics**

President Lassner reported that a legislative proposal to establish a separate governing body to oversee athletics has been deferred indefinitely. The $3 million budget request for athletics was pending, and Committee Chair Portnoy said positive comments had been received from certain legislators and there seemed to be an understanding of the need for that support.

V. **EXECUTIVE SESSION**

Upon motion by Regent Yuen and seconded by Committee Vice Chair Tagorda, the committee unanimously approved convening in executive session, pursuant to HRS §92-5(a)(4) and HRS §92-5(a)(2)). The committee convened in executive session at 1:02 p.m. Following a motion to come out of executive session by Committee Vice Chair Tagorda and second by Regent Yuen, which was unanimously approved, executive session was adjourned at 1:52 p.m.

The meeting reconvened at 1:53 p.m. and Committee Chair Portnoy said the committee met in Executive Session and received an update from outside legal counsel on the status of the NCAA compliance issues pursuant to HRS §92-5(a)(4). He noted that because the meeting had exceeded its scheduled time before discussions could be completed on the agenda items for the executive session, and a different committee meeting was to begin, he called for a motion to recess the meeting and reconvene in executive session on February 16, 2015, at 2:00 p.m. in Bachman 113. Regent Yuen so moved, seconded by Committee Vice Chair Tagorda, and with unanimous approval, the meeting was recessed at 1:58 p.m.

Respectfully Submitted,

/S/

Cynthia Quinn
Executive Administrator and
Secretary of the Board of Regents