

**MINUTES  
UNIVERSITY OF HAWAI'I BOARD OF REGENTS'  
MEETING OF  
May 18-19, 2006**

**I. CALL TO ORDER**

The meeting was called to order by Vice Chairperson Alvin Tanaka on Thursday, May 18, 2006 at 9:11 a.m. in Room 314, Medical Education Building, John A. Burns School of Medicine (JABSOM), Kaka'ako campus.

Vice Chairperson Tanaka welcomed newly-confirmed Regent Marlene M. Hapai and announced that Regent Dahilig was confirmed and Regent Haynes was reconfirmed by the Senate. He also congratulated Regent Dahilig upon his graduation from the William S. Richardson School of Law.

**Attendance**

Present were Regents Andres Albano, Jr., Byron W. Bender, Michael A. Dahilig, Marlene M. Hapai, Ramón S. de la Peña, James J.C. Haynes II, Allan R. Landon, Ronald K. Migita, Alvin A. Tanaka, Jane B. Tatibouet and Myron A. Yamasato; President David McClain; Executive Administrator and Secretary of the Board David Iha; and Executive Assistant Carl H. Makino. Chairperson Lagareta joined the meeting while in progress at 9:45 a.m. because she was meeting with taro protestors outside of the Medical Education Building at JABSOM.

Also present were Mr. Walter Kirimitsu, University General Counsel; Mr. Sam Callejo, Vice President for Administration; Dr. James Gaines, Interim Vice President for Research; Dr. Linda Johnsrud, Interim Vice President for Academic Planning and Policy; Dr. John Morton, Interim Vice President for Community Colleges; Mr. Howard Todo, Vice President for Budget and Chief Financial Officer; Ms. Karen Lee, Interim Associate Vice President for Student Affairs; Ms. Carolyn Tanaka, Associate Vice President for External Affairs and University Relations; Dr. Gene Awakuni, Chancellor, University of Hawai'i at West O'ahu (UH-West O'ahu); Ms. Peggy Cha, Chancellor, Kauai Community College; Dr. Doug Dykstra, Vice Chancellor, Hawai'i Community College; Dr. Denise Konan, Chancellor, University of Hawai'i at Mānoa (UH-Mānoa); Dr. Angela Meixell, Chancellor, Windward Community College; Dr. Leon Richards, Chancellor, Kapi'olani Community College; Dr. Rose Tseng, Chancellor, University of Hawai'i at Hilo (UH-Hilo); Ms. Jan Yokota, Director, Office of Capital Improvements; Dr. J. N. Musto, Executive Director, University of Hawai'i Professional Assembly (UHPA); Dr. Mary Tiles, President, UHPA; and others.

**II. APPROVAL OF MINUTES**

Upon motion by Regent de la Peña and second by Regent Haynes, the Board unanimously approved the minutes of the March 16-17, 2006 meeting, as circulated.

### **III. PUBLIC COMMENT PERIOD**

#### **Agenda Item No. 3: Request to Modify Board of Regents' Policy 9-1, Graduate Assistant Stipend Schedule**

Dr. Musto had intended to offer testimony on this item but inasmuch as Dr. Mary Tiles had also signed up to testify on the item, he deferred to her testimony. He, nevertheless, informed the Board about the passing of faculty member Dr. John Hardman, of the John A. Burns School of Medicine who was the Chair of Pathology. Dr. Musto characterized Dr. Hardman as a kind person and everything one would want in a member of the University of Hawai'i faculty.

### **IV. REPORT OF EXECUTIVE OFFICER**

President McClain announced the passing of Dr. John Wisnosky of the UH-Mānoa Art Department. He stated that Dr. Wisnosky was a brilliant artist who contributed enormously to the University.

President McClain reported on the following:

- Honolulu Community College's Phi Theta Kappa Chapter was named in the top two percent of all chapters in the country. Tyra De La Cruz of Honolulu Community College won the \$30,000 Jack Kent Cooke scholarship, the third time in the last five years an HCC student has received this award. Only 30 of these are awarded each year.
- Kent Harland, a student at Leeward Community College, won the Emmy Award Scholarship from the National Academy of Television Arts and Sciences.
- An agreement had been signed with the Environmental Protection Agency in its Energy Star Program to work more aggressively on saving energy at Mānoa.
- Professor Mehrdad Ghasemi-Nejhad of UH-Mānoa's Department of Mechanical Engineering had collaborated with colleagues on the mainland to introduce the next generation of nanocomposite material.
- UH-Mānoa's commencement speaker was Dr. James Horton, who holds an endowed chair at George Washington University. Dr. Horton was recently inducted into the American Academy of Arts and Sciences, an organization which has been in existence since 1780. He is a University of Hawai'i at Mānoa alumnus.
- There were 2,300 graduates in the last UH-Mānoa commencement, which is the largest number of graduates in some time.
- The College of Education named Wist Annex in honor of former dean Hugh Everly, and the Music Department named a wing of its facility in honor of former professor Barbara Smith.
- At the John A. Burns School of Medicine, Marla Berry was named the 2006

Scientist of the Year by the Achievement Rewards for College Scientists (ARCS Foundation), Honolulu Chapter.

- College of Education researcher, Neil Scott, Director of the Archimedes Project received an honorary doctorate from the University of Canterbury in New Zealand.
- The Academy of Creative Media is partnering with the Korean Film Council to launch an innovative filmmakers development lab to be held in September.
- David Karl was elected to the National Academy of Sciences which is considered one of the highest honors that can be accorded a U.S. scientist or engineer.

President McClain further reported that the EPSCOR (Experimental Program to Stimulate Competitive Research) grant was recently renewed. Under the leadership of Chancellor Tseng, the University received a \$9 million grant several years ago. Dr. Jim Gaines, Vice President of Research, played a major role in the renewal of this grant.

The University received a significant increase in its supplemental operating budget. The University had asked for about \$35 million in the operating budget and received \$26 million. On the supplemental capital improvement budget, \$90 million was requested in repairs and maintenance and \$30 million was appropriated; this amount is sufficient to just keep pace with the System's repair and maintenance needs, and will not permit the University to make any headway on its repairs and maintenance backlog, which amounts to some \$166 million. Kaua'i Community College got the additional funding requested for its One-Stop Student Services Center.

The legislature has approved and forwarded to the Governor a measure raising the tax on cigarettes by several cents over the next several years. Each one cent on the tax on cigarettes generates about \$11 million in revenue. Some of those funds would be directed toward financing the new research and clinical facilities associated with the Cancer Research Center.

## **V. AGENDA ITEMS**

### **Conversion from Provision to Permanent Status of Hawaiian Lifestyles Program, Hawai'i Community College**

Vice Chancellor Dykstra requested that the Associate in Applied Sciences (A.A.S.) in Hawaiian Lifestyles (Hula, Mahi'ai and Lawai'a Tracks) Program at Hawai'i Community College (Hawai'i CC) be granted permanent status. Approval of this request will enable Hawai'i CC to fulfill the current University of Hawai'i System Strategic Plan calling for the perpetuation of the Hawaiian culture, language, and values. A video presentation on the program followed.

Hawai'i CC requested for funds in the 2007-09 biennium budget to cover the additional costs for this program which are currently supported by lecturers carrying the teaching load. Of the remaining costs, \$100,000 would be for APT positions and \$20,000 for supplies and library support.

In January 2002, the Board approved the establishment of the program including a Hula Track, Mahi'ai Track (Kalo or Taro Cultivation) and Lawai'a Track (Fishing and Fish Husbandry) as a provisional program. The foregoing degrees joined a pre-existing Academic Subject Certificate in Hawaiian Lifestyles that had begun in 1998. Altogether students were now provided with a suite of options to include the more abbreviated certificate as an adjunct to degrees in other fields or the more involved commitment to a full A.A.S. course of study.

The primary goal of the Hawaiian Lifestyles (HLS) program is to provide students with a solid foundation in the evolution, practice, and perpetuation of the Hawaiian culture by offering a variety of courses serving the personal and professional aspirations of students.

Hawai'i CC is trying to institutionalize support through the biennium budget process. There are major biennium requests for the Hawaiian Lifestyles Program support for two faculty positions and two rural outreach positions and one program assistant. This request fits with the Pukoa Council request for support for Hawaiian programs.

Analysis of the data on efficiency and quality measures reveals that the program's efforts at outreach to distributed education sites attracted a rapidly growing number of majors, the majority of whom are part-time students. Additionally, the data clearly shows substantial crossover interest as an engaging and relevant source of elective credits for many non-majors.

Although the number of HLS graduates has fluctuated, a review of the details suggests an explanation. The initial surge of graduates in the first two years of the program consists mostly of Academic Subject Certificate (17 credit certificate) graduates. This certificate program can be taken as a step toward the degree or can be taken separately as an adjunct to an Associate in Arts degree. In the second and third years of the program, the balance shifted to the A.A.S. degree students, many of whom are part-time students. Since the degree requires 62-64 credits, the program can report a rapidly growing number of majors but a low number of graduates as the part-time students accumulate the necessary coursework. The program's aggressive outreach into distant and rural communities produced a rapid growth in the number of majors and holds the promise of a rising curve of graduation numbers in years to come.

Majors in their program courses are earning a high B as reflected in the average grade point average between 3.2 and 3.4. Program majors are not doing as well in general education courses. However, their credits earned ratio has moved up from .61 in '02-'03; to .67 in '03-'04; to .74 in '04-'05 with a cumulative 2.9 GPA in general education courses. Campus standards call for credits earned ratio at .7 or better. The HLS Program is now surpassing the expected rate but continued improvement is a challenge. This situation should be ameliorated by efforts to provide peer group and mentoring support using a cohort system for selected students identified in a high risk category.

The college cost per SSH (student semester hour) increases from \$54.59 in '02-'03, to \$58.12 in '03-'04, to \$78.77 in '04-'05. This is a reflection of a program that is establishing itself. The Title III ongoing cost per SSH is 9.44 percent, 15.12 percent, and 12 percent of the total Title III expenditures on this program. Title III expenditures above the foregoing proportions are categorized as startup costs that have been necessary to create the technical backbone of a program that is available

island-wide. In each of the three years covered by the program review, the ongoing costs paid by Title III fall into a very affordable range when combined with the ongoing college costs per SSH. The credits earned ratio for the major is in the mid to high 80's and this is also where it should be. The cost per SSH started at \$55 and will level off after the current contract is at about \$111 per SSH. This likewise is a good signal of efficiency.

Regent Albano moved to grant established status to the Hawai'ian Lifestyles Program, A.A.S. program at Hawai'i Community College. Regent Haynes seconded the motion. (NOTE: Chairperson Lagareta presided from this point)

During the discussion, President McClain explained that program-related financial information accompanied this request, and will be a standard part of future programmatic requests as the Regents had asked at a prior meeting. Vice Chancellor Dykstra added that the request for two faculty positions is currently being covered by lecturers. If the request is not funded, Hawai'i CC would continue to cover the courses using lecturers but the APT positions would have to be handled through internal reallocation and reassignment of positions.

Regent Tanaka inquired if the Title III grant would continue after 2009. Vice Chancellor Dykstra informed that Title III had been set aside for Native Hawaiians serving institutions, and Hawai'i institutions are very likely to be eligible for the funds. Regent Tanaka suggested that funding be sought now from the Federal government instead of waiting for the biennium. Vice Chancellor Dykstra responded that funds will expire September 30, 2009 so they have the entire 2008-2009 academic year to work on grants. In addition, Hawai'i CC is requesting for faculty and education specialist positions in the second year of the biennium. If this is received, it would free up the Title III funds.

Regent Hapai commented that there was concern about graduation rates at the community colleges. Hawai'i Community College has the highest at 22 percent with 29 percent of the student population being Hawaiian or part-Hawaiian.

Upon call, the motion was unanimously carried. President McClain introduced the program's chairperson, Professor Pua Kanahale, who was the recipient of an honorary degree from the University of Hawai'i in 2005.

President McClain announced that the following agenda item would be taken out of order.

### **Request to Modify Board of Regents' Policy 9-2, Graduate Assistant Stipend Schedule**

Dr. Mary Tiles testified on behalf of the University of Hawai'i Professional Assembly. She expressed that the proposal should not only add steps to the top end of the graduate stipend schedule but that steps should be deleted from the bottom end. She realized that it would impose a financial burden on departments with no money but the lowest end of the proposed schedule was inadequate compensation to attract graduate assistants since living expenses are going up.

Vice Chancellor Ostrander concurred in principle, stating that there was agreement that the University was not paying commensurate with the cost of living in Hawai'i and the competition. He explained that when he brought this to the Mānoa

Executive Team they discussed adding steps at the upper end of the scale. In the biennium budget process, funds were requested to raise salaries.

In presenting the proposal, Vice Chancellor Ostrander requested that the Board approve a new graduate assistant stipend schedule to be effective July 1, 2006. The new schedule will not directly increase costs; however, by adding five additional steps it will allow units with funds to recruit and retain top students.

Some years ago, the Board had raised graduate assistant stipends to bring the scale in line with competing universities, which has been successful in the recruitment and retention of top students. Currently, the average paid graduate assistants at Mānoa are comparable to the average paid at competing universities. However, top programs at Mānoa are unable to compete for the very best applicants since other institutions are able to offer significantly higher stipends. The request was to add five steps to the higher end.

In response to Regent Hapai, Vice Chancellor Ostrander affirmed that graduate assistants are .50 FTE employees and receive tuition waivers in addition to their stipends. An out-of-state student could be receiving as much as \$10,000 in such cases. The combined compensation and benefits would bring some graduate assistants close to some lower end faculty. Vice Chancellor Ostrander agreed, assuring that the Mānoa administration was equally concerned about the faculty scale as well.

Regent Tatibouet moved to approve the increased graduate assistant stipend schedule for fiscal year 2006-2007 effective July 1, 2006. Regent de la Peña seconded the motion followed by discussion.

In response to a question from Regent Yamasato, Vice Chancellor Ostrander explained that some graduate students come to complete a master's degree while others do a master's and a Ph.D. Faculty and department heads will make a case as to what step each assistant is placed. Those above step 9 on the scale need approval from the dean of the graduate school.

Regent Dahilig asked where most of the graduate students were placed. Vice Chancellor Ostrander speculated that most are placed at the lower end of the scale particularly in the humanities and social sciences. Some of the programs at the College of Tropical Agriculture and Human Resources, Institute for Astronomy, College of Natural Sciences, and the School of Ocean and Earth Science and Technology have funds to start their graduate assistants at higher steps. Regent Dahilig asked if the Graduate Student Organization (GSO) had looked at this schedule and whether GSO had commented. Vice Chancellor Ostrander said that this was discussed this with GSO who supported the proposal.

Regent Tatibouet asked how the proportion of graduate students and faculty of any given department was determined. Vice Chancellor Ostrander said this was a growing concern since one of the trends nationally is that full professors are retiring and replaced by adjunct instructors who are paid less and without benefits. Regent Tatibouet clarified that her concern was that as senior faculty retire, funds would be reallocated and the department can hire more junior faculty for the price of one senior faculty. Vice Chancellor Ostrander said deans and directors are already asking if they can hire assistant professors to replace full professors who will be retiring in the near future. However, they are also careful that they do not end up having only junior faculty.

Regent Dahilig asked what percentage of the funding comes from extramural sources for teaching and research assistants. Vice Chancellor Ostrander informed that the majority of them were funded with some extramural funds because there are teaching responsibilities that cut across the curriculum. He will check on the percentage and report to the Board.

Regent Tatibouet heard of courses where students rarely saw their professors, with the only contact being the graduate assistants. Vice Chancellor Ostrander had conversations with Vice Chancellor Smatresk and they agreed with Regent Tatibouet on this issue. It gets more complicated because the responsibility of graduate assistants vary tremendously for the same amount of money. There are some students who have tremendous teaching responsibilities and large classes and those doing much less for the same stipends. Responsibility resides with the department.

In response to Regent de la Peña, Vice Chancellor Ostrander informed that the last time stipends were raised was in 2003.

Chairperson Lagareta asked if there was a time frame for a response on the work being done on the lower end of the scale. Vice Chancellor Ostrander said that good students are being lost so it needs to be fixed as soon as possible.

Upon call, the motion was unanimously carried.

### **John A. Burns School of Medicine Financial Update**

President McClain explained that the Dean of the John A. Burns School of Medicine (JABSOM) had reported on the growth of the School at the May 2005 meeting of the Board. At the time, Dean Shomaker had presented some scenarios, one being continuing growth and the other a no-continuing-growth scenario (after five years in which the school's staffing had grown by 25 percent). As the financials were worked through, it became apparent that there would not be sufficient funds for the twenty new positions required for continued growth. The no-continuing growth scenario did imply some drawing down of the reserves that JABSOM had accumulated over time. President McClain said the no-continuing-growth scenario assumed that JABSOM would receive 100 percent of its RTRF for a couple of years.

Chairperson Lagareta said she had attended JABSOM's convocation which honored Dr. John Hardman who was present. She said it was a privilege to see him being honored and was sorry to learn of his subsequent passing. Dean Shomaker thanked Chairperson Lagareta for attending the convocation. He recognized Dr. Hardman for his nearly 30 years with the Medical School.

Chancellor Konan explained that she had been working closely with Dean Shomaker on reviewing the Medical School's finances. The vision established for JABSOM is to be the best medical school in the world with an Asia-Pacific focus. In addition, the Kaka'ako facility was to conduct pioneering research in medicine that would generate overhead to support operations and the expansion of the School. The belief was that federal grants would provide overhead based on a negotiated rate to cover infrastructure expenses.

Dean Shomaker provided data on JABSOM's student population numbering 62 students per class in the M.D. training program. JABSOM also runs a post-baccalaureate program that prepares students from disadvantaged backgrounds for careers in medicine. In research, JABSOM does a broad spectrum of activities

encompassing basic, translational, clinical and health outcome research. In FY 06, JABSOM was awarded \$28 million in research grants and contracts. JABSOM also provides contracted clinical services to the hospitals and fee for service care through University Clinical, Educational and Research Associates (UCERA). Currently, the School does not have a teaching hospital so it relies on its partnerships with community hospitals to stage its academic programs. Graduate medical education training programs are run as a consortium with the hospitals and is called the Hawai'i Residency Programs. This organization has an annual budget of \$15 million. The hospitals provide financial support to the School of Medicine for its faculty who teach residents and that support amounts to about \$9 million a year. According to Dean Shomaker, the School of Medicine is concerned about the stress facing the hospital industry due to lower reimbursements for both Medicaid and Medicare programs.

Dean Shomaker reiterated that JABSOM had to pursue the no-continuing-growth scenario. In that context, JABSOM has been active in seeking legislative support for the Kaka'ako operations. As President McClain mentioned earlier, the no-growth scenario assumed that JABSOM would receive all of the RTRF it earned for FY 06 and 07. Even with that assistance, their reserves would be depleted. Additional legislative support included a one time appropriation of \$3.2 million in general funds for FY 06. For FY 07, JABSOM received an additional \$3.7 million which is again subject to a proviso that it be one-time only. The operating expenses for the Kaka'ako facility amount to nearly \$10 million a year, up from the \$7.7 million estimated a year ago, and reflecting rising electricity costs. Another challenge is that the National Institutes of Health budget has come under severe pressure and is being held flat.

A discussion followed the financial reports during which Regent Haynes asked for an explanation of the carryover balance of \$4,743,000 at the beginning of the year. Dean Shomaker explained that it was money banked in anticipation of the move to Kaka'ako and all the new expenses that JABSOM would incur. In response to Regent Tanaka, Dean Shomaker explained that a flat tuition rate was projected but agreed that JABSOM tuition was increasing starting in the fall. Chancellor Konan explained that the Mānoa campus was moving toward a system in which units received a portion of their tuition generated, but that to be conservative in preparing the JABSOM financials, no increase in tuition revenues had been projected.

Dean Shomaker informed that their largest expense at JABSOM is personnel. Other expenses include clinical education lease agreements, malpractice insurance, and recruiting startup packages. In response to Regent Haynes, Dean Shomaker affirmed that JABSOM is a stand-alone budget, except for expenses provided by the University of Hawai'i System. Responding to Regent Landon, Dean Shomaker informed that JABSOM pays for its own malpractice insurance while other types of insurance are paid for by the University, centrally. Vice President Gaines added that there are other expenses covered by the system such as laboratory animal services. In this way the Medical School gets back more than half of their RTRF in typical years, and in 2006 and 2007, will actually receive funds that are as much as 150 percent of their RTRF.

Regent Tanaka inquired as to how the indirect cost rate increased from 36 percent to 54 percent. Vice President Gaines informed that they had been working on this for several years. With the new campus at Kaka'ako and with all the additional expenses they were able to show for this particular campus, the indirect cost rate was higher reflecting the additional capital expenditures on the new campus. The main campus rate only went up from 36.3 percent to about 38.1

percent. Regent Tanaka asked if the Cancer Research Center would have the same opportunity if it goes forward. Vice President Gaines said it would. A recalculation would be made based on the Kaka'ako area and more than likely, that rate would be about 55 percent.

Regent Landon asked for an explanation as to why costs keep rising for new facilities. Vice President Gaines said that the indirect cost rate is a ratio of how much is spent for the support of research and the new facilities figure into that along with utilities divided by how much research actually is funded out of that facility. Vice President Todo added that with older facilities, they have to prove the connection between the cost and the research activity in a direct way to the Federal government; this problem is greater with older facilities, since good records of their construction have not been maintained by the State government.

Regent Landon expressed concern that as a regent, he was being asked to make decisions to limit the Medical School's growth based only on a financial forecast which assumed flat tuition when in fact tuition was rising, and which ignored the strategic value that JABSOM represents for the State. He suggested that perhaps there might be different ways of looking at the issue for solutions rather than basing it solely on the School's financials, narrowly understood. He acknowledged that a Medical School is an expensive investment for any state but provides benefits beyond mere RTRF revenues.

Chairperson Lagareta asked why the legislature gave the other campuses funds for electricity except Mānoa who was told to take it out of tuition revenues. Chancellor Konan responded that Mānoa received an allocation of new general funds of \$6.5 million and support for key student services and the library. She said the legislature, nevertheless, sent a clear signal to Mānoa that its financial plan needed to explain how not only general funds are to be used, but tuition, RTRF and other funds sources as well.

Regent Haynes commented that in many ways JABSOM is not a stand-alone budget since some costs are not reflected. He added that he was troubled by the escalation of costs between 2006-2007. Chancellor Konan explained that in the year 2006, the facility was not fully operational. The year 2007 is the year in which the facility became fully operational; therefore, FY 06 only provides a partial picture of the operating expenses. Moreover, electricity expenses have skyrocketed in the last year. Vice President Todo, addressing the stand-alone budget, explained that some of the allocated system costs are charges to the campuses such as Banner, risk management costs, and the University of Hawai'i Foundation assessment, and that these costs affect all units, not just JABSOM. In this sense, the University never prepared a full stand-alone budget for any unit.

Chancellor Konan said that if JABSOM would try to operate stand-alone apart from the Mānoa campus, its financial situation would be much worse. Regent Yamasato added that all expenses should be shown. Regent Tanaka concurred that the Board should receive the entire picture to better determine if this is indeed a no-continuing-growth scenario.

Dean Shomaker said that Kaka'ako is a wonderful opportunity for the Medical School and that JABSOM is an essential investment for the state. Chancellor Konan agreed, informing that a few things were done to ensure success of the Kaka'ako project. They are continuing to support high output faculty as well as promoting a

more balanced and productive mix of extramural portfolio funding with more research grants.

Regent de la Peña asked if any other department will be moved to Kaka'ako. Chancellor Konan said that they are starting with the Cancer Research Center and looking at the School of Nursing and the Kewalo Marine Laboratory.

Regent Haynes inquired about the policy on intellectual property. Vice Chancellor Ostrander explained that researchers are obligated under the union contract to submit an invention disclosure. This disclosure goes to the Office of Technology Transfer and Economic Development (OTTED) and a determination is made whether it is something that should be patented. Patents are owned by the University. The licensing of a patent is actually an entirely separate issue. Money from licensing is divided between the institution, the investigator, and their laboratory on pre-determined scales.

Regent Yamasato asked if the 62 students in each class was sufficient to service the needs of Hawai'i. Dean Shomaker said that unfortunately, the State does not have good health care planning and so JABSOM is in the midst of trying to get demographic information on the profile of Hawai'i's practicing physicians. He said more physicians are interested in employed practice rather than private practice so they work less hours than older generations of physicians. He indicated that there will be a shortage of physicians in Hawai'i and that in certain areas such as the neighbor islands, there is already a shortage. Chairperson Lagareta commented that since the state does not have a plan for doctors and nurses, the University of Hawai'i and the Medical School must take the lead and educate the community. She said doing this will help in understanding the importance of the Medical School when the financial issues are discussed. She expressed that the Board would like to see more of the stand-alone aspect of the budget, but that it is reassuring that the Chancellor, the Dean and the Administration are on the same page.

### **Quarterly Financial Statement Update**

Vice President Todo reminded that he had planned to present a financial report after each quarter. He reported that on a balance sheet basis, the University is in a solid position. Its accounts receivable is lower, and there is an increase in net assets of \$190 million.

The University's employee head count (FTE) stands at 7,862, as of March 31, 2006 which does not include casual hires, student help, and RCUH employees who are outside the system. He noted that there are 599 graduate assistants and 3,263 faculty members. Vice President Todo said that on the revenue side, nearly every item is higher than it was last year. Scholarships and fellowships decreased slightly, the reason being that enrollment decreased across the board in the community colleges and an increase in the expected family contribution rate which is required which results in a decrease in the amounts awarded.

Regent Haynes said that the Board has been waiting for a long time for this type of a report and added that it was good. However, he said that he would like to see a different format that would include the total revenues, total expenses, and non-profits. Vice President Todo said that in future reports, he will include totals.

The University has available balances in appropriated funds that are sufficient for its needs. A large part of the revolving funds are the RTRF funds. While these

funds seem to be unencumbered, they may be committed. On capital improvements, there is an unencumbered allotment in the fiscal biennium 2003-2005 CIP projects of almost \$75 million. These funds, according to Vice President Todo, will lapse on June 30, 2006. Director Yokota of the Office of Capital Improvements assured that almost all of those funds were encumbered or would be by June 30<sup>th</sup>.

In response to Regent Bender, Vice President Todo explained that the report did not include the Foundation endowments. The University's Endowment Fund is reported on quarterly.

Chairperson Lagareta declared a recess at 11:55 a.m. and reconvened the meeting at 12:15 p.m.

### **Exemption of Payment of the Non-Residential Tuition Differential for Members of the Hawai'i National Guard and Hawai'i Reserves**

Mr. Kendall Matsuyoshi read a statement on behalf of State Representative Mark Takai in support of the proposed exemption of the non-resident tuition differential for members of the National Guard and Reserves stationed in Hawai'i.

President McClain explained that the purpose for the requested exemption was to help recruiting. The National Guard plays an important role in the state in many respects. This benefit would be a nominal cost and would help in the recruitment of individuals into the Guard from other states in the nation. He clarified that this would apply only to members of the Guard and does not extend to their families.

The Hawai'i State Legislature recently introduced a bill that would allow all non-resident members of the Hawai'i National Guard or Hawai'i Reserves to pay resident tuition. This bill did call to the University administration's attention the importance of this group of individuals who are willing to serve the State of Hawai'i, even though they are non-residents of the state. The University currently affords active duty military personnel the privilege of paying resident tuition. This request for Board action would afford Hawai'i National Guard members and Hawai'i reservists a benefit they do not currently enjoy. It is likely that this benefit will aid in the recruitment of personnel for the Hawai'i National Guard and Hawai'i Reserves, and address the current difficulty in recruiting sufficient numbers.

Regent Tanaka moved to approve the exemption of payment of the non-resident tuition differential for members of the Hawai'i National Guard and Hawai'i Reserves, effective Spring 2007. Regent Albano seconded the motion which was unanimously carried.

### **University of Hawai'i Foundation Request for Board of Regents' Concurrence on Matters Related to the Centennial Campaign**

President McClain stated that the University of Hawai'i Foundation (UHF) was seeking the concurrence of the University of Hawai'i (UH) Board of Regents for the following:

- Extend the Comprehensive Centennial Campaign period to June 30, 2009.
- Confirm the goal of the campaign to be \$250 million.
- Extend the period of payments from UH to UHF to December 31, 2009.
- Combine the current three payment elements into a flat fee of \$3 million per year.

He indicated that there had been discussions about this initiative, and he provided some documentation about the campaign and how that would unfold. The documentation includes review of the campaign themes, leadership of the campaign, the relative roles of the UHF and the Board of Regents, President McClain's role in the campaign and discusses the service agreement and the Memorandum of Understanding.

Approval of these actions will enable UHF to leverage the UH centennial and the recent appointment of David McClain as president to increase the level of private support for UH. The change in payment methodology will allow some of the Foundation fundraisers to support multiple units based on the alignment of donor interests to the campaign initiatives.

Regent Landon moved to extend the comprehensive Centennial Campaign period to June 30, 2009, confirm the goal of the campaign to be \$250 million, extend the period of payments from UH to UHF to December 31, 2009, and combine the current three payment elements into a flat fee of \$3 million per year. Regent Haynes seconded the motion.

Regent Tatibouet commented that she did not have a problem combining the annual payment into a single payment but for the sake of history she asked to see the \$3 million fully explained so that in the future no one can say there was no support for alumni relations. President McClain said that the service agreement will be amended based on this action if approved and will include this explanation.

In response to Regent Hapai, President McClain explained the general direction for activities during the University's centennial. Chancellors have been working on this and recently gave a report to President McClain and Chairperson Lagareta.

Upon call, the motion was unanimously carried.

President McClain announced that there would be the UH Alumni Association's Annual Distinguished Alumni Dinner. Honorees include Aunty Genoa Keawe; Dr. Samuel Koide, an expert in fertility who is from Rockefeller University in Sloan Kettering; Dr. Seiji Naya; Dr. Patricia Lee, former chairperson of the Board of Regents and Honorary Counsel for France; General Robert Lee; Victor Yano, minister for Health in the Republic of Palau; Kent Tsukamoto, managing partner of PricewaterhouseCoopers; and Judge Thomas Kaulukukui.

## **IX. UNIVERSITY OF HAWAI'I FOUNDATION REPORT**

President Vuchinich reported that the UHF received \$28.6 million in the fiscal year to date. She informed the Board of personnel changes at the UHF. On the alumni activities side, there are over 5,000 paid members and growing. There are two other million dollar gifts that will close before year-end. President McClain said that he and President Vuchinich will be in San Francisco during the first week of June for fund-raising activities.

Regent Tatibouet moved to enter into executive session to consider personnel and legal matters and to consult with the Board's attorney in accordance with Chapter 92, Hawai'i Revised Statutes. Regent Haynes seconded the motion which was unanimously carried. The meeting recessed at 12:27 p.m. and reconvened at 3:15 p.m. in the same location.

## **AGENDA ITEMS (Continued)**

### **Conversion from Provisional to Established Status of the Associate in Science Degree in the Commercial Aviation (AVIT) Program, Honolulu Community College**

Chancellor Pedersen requested that the Board approve the conversion from provisional to established status of the Associate of Science (A.S.) Degree in the Commercial Aviation (AVIT) Program at Honolulu Community College (HCC).

If approved, this proposal will establish an Associate of Science degree in Commercial Aviation. It will facilitate the process for students to matriculate to a four-year program in commercial aviation and hasten potential employment opportunities in addressing Hawai'i workforce needs.

The University of Hawai'i (UH), Board of Regents approved the provisional status of the Commercial Aviation Program at Honolulu Community College on May 22, 1998. Board approval was based on pre-September 11 state and industry commercial pilot projections. With the impact of September 11, 2001 on the aviation industry, AVIT was granted an extension to become an established program.

In affiliation with the University of North Dakota Aerospace Foundation (UNDAF), HCC developed a five semester AS degree program in flight training enabling students to follow a career path earning a Federal Aviation Administration (FAA) commercial pilot and certified instructor pilot rating. The FAA approved program (Part 141), is certified through the University of North Dakota (UND). Without the UND agreement or a separate FAA certification by UH, AVIT would not exist.

AVIT continues to have encouragement and support from Hawai'i air carriers. Over 300 Hawai'i resident students have participated in AVIT. Program review quality improvements will benefit students and lower their training costs. AVIT is the only collegiate FAA flight training program meeting Hawai'i's business and residents' future commercial pilot needs.

The first AVIT class of twenty students enrolled in the Fall 1998. The initial 1998 -1999 school year cohort totaled thirty-five students. From 1998 through the 2004-2005 school year (ending July 2005) total AVIT enrollments were 786 students with 299 initial cohort students. In 2001, program demand peaked with 192 majors. After September 11, 2001, air carrier traffic declined 30-40 percent with aviation related labor reduction of 200,000 personnel worldwide; nearly 10,000 commercial pilots were retired, fired or furloughed. AVIT enrollment levels decreased commensurate with the industry decline. In 2003, commercial pilot hiring reached a twelve-year low. Coincidentally, enrollments bottomed at 130 majors with a cohort entry of thirty-three students. Air carriers are now hiring. Nationwide anticipated hiring for 2005 is 30 percent above projections. Post-September 11 enrollments are on the upturn as evidenced in increased 2004 initial cohort AVIT enrollments of 19 percent and an additional 10 percent in 2005.

Student learning objectives (SLO), course tasks, and evaluation standards for courses, certification requirements (aircraft ratings) and AVIT program levels were defined, reviewed and published. A major part of the AVIT program review focused on program and curriculum consistency with UND, four-year colleges, and the University Aviation Association (UAA) programs. As a result, changes undertaken in cooperation with HCC Chancellor and coordination with the UND staff and HCC faculty, will affect course level identification and clarity, improve intercollegiate

articulation and facilitation of student transfers. A total of four program quality improvement changes are recommended: 1) renumbering the 200-level AVIT course to 300 level courses, 2) adding Physics 151/151L, a four-credit course, as an associate degree requirement, 3) offering the AVIT 214 (344) Certified Flight Instructor course, a five-credit course, as an elective instead of a required course 4) reducing the associate degree requirement from 68 credits to 62 credits. Implementation of these modifications aligns HCC courses with four-year collegiate aviation programs while facilitating student transfers. No internal resource reallocations or budget expenditures are necessary for these AVIT program quality changes. The program changes include re-numbering courses to 300 level and are supported by HCC, UND and Embry-Riddle Aeronautical University.

In February 2006, HCC curriculum committees endorsed the program improvements including 300 level credit courses. Additionally, the Accrediting Commission for Community Colleges and Junior Colleges (ACCJC) correspondence received in March of this year indicated support," as there are no content changes in the HCC courses, re-numbering (200 level to 300 level) would not constitute a substantive change requirement." An official notification was requested by the ACCJC and has subsequently been forwarded.

Fiscal and personnel resources are sufficient to meet program objectives. Total expenditures have been level for the last four years. Operational cost offsets through fuel sales and additional hangar space leasing are being expanded. Lecturers are employed for course specialization and to reduce instructional cost. Expenditures are expected to remain balanced. The introduction of Asian-Pacific students could produce a positive revenue source.

Regent Tatibouet asked how many students go on to the University of North Dakota to complete a baccalaureate. She was informed that approximately 45 students had gone on.

In conclusion, Chancellor Pedersen stated that Hawai'i has an ideal flight training environment with nearly no down days like the mainland. The highest cost of the program is \$318,000 and the lowest about \$264,000. Thus far, 200 students earned pilot licenses. Seventy-five commercial pilots have already graduated with 92 percent employed or continuing in school. HCC has gone through a number of recommendations that were looked at in terms of what had to be done to streamline the program.

Regent Dahilig moved to approve the established status for the Associate of Science Degree in Commercial Aviation (AVIT) at HCC. Regent Haynes seconded the motion which was unanimously carried.

## **VII. GIFTS, GRANTS AND CONTRACTS**

President McClain explained that the contracts listed on page 27, Attachment #2, were for the Board's information only. The threshold for Board review is \$500,000.

Vice President Gaines reported that during the period March 1, 2006 through March 31, 2006, the University of Hawai'i received approximately \$15 million in gifts, grants and contracts. The University of Hawai'i at Hilo received approximately \$700,000 during this same period. He said that things should start picking up in April,

May and June, and added that the University is on track to have a very good year, and a better year than last year.

Regent de la Peña moved to accept with thanks the gifts and grants and ratify the actions of the administration in executing the contracts as presented in Attachment #2 of the Board of Regents' agenda dated May 18, 2006. Regent Haynes seconded the motion which was unanimously carried.

**VIII. APPOINTMENTS, CHANGES IN APPOINTMENTS, LEAVES OF ABSENCE, PROMOTION, TENURE, WAIVER OF MINIMUM QUALIFICATIONS, EMERITUS TITLES, SHORTENING OF PROBATIONARY PERIOD, SALARY ADJUSTMENTS, POSITION ACTIONS, CLASSIFICATION AND PRICING**

President McClain recommended the following personnel actions listed on Attachment #3, of the Board of Regents' agenda dated May 18, 2006

UNIVERSITY OF HAWAI'I, SYSTEM

Executive

JOHNSRUD, LINDA  
Vice President for Academic Planning and Policy  
Office of the President  
Upon Board Approval - July 31, 2009

UNIVERSITY OF HAWAI'I AT MĀNOA

Executive

CROUCH, PETER  
Dean, UHM  
College of Engineering  
July 1, 2006 - June 30, 2009

SHULTZ, EDWARD J.  
Interim Dean, UHM  
School of Hawaiian, Asian and Pacific Studies  
July 1, 2006 - June 30, 2007

Professor and equivalent

CROUCH, PETER  
Professor, I5  
Electrical Engineering  
College of Engineering  
Appointment and Waive the Probationary  
Period to Allow for Expedited Tenure Proceedings  
July 1, 2006

OSTRANDER, GARY  
Professor, I5  
Pacific Biosciences Research Center  
Tenure  
Upon Board Approval

Associate Professor or equivalent

HENRY, JAMES M.  
Associate Professor, I4  
English  
College of Languages, Linguistics and Literature  
Tenure  
Upon Board Approval

UNIVERSITY OF HAWAI'I AT HILO

Executive

HORA, STEPHEN  
Interim Vice Chancellor for Academic Aff  
Off of the Vice Chancellor for Acad Aff  
Reappointment  
July 1, 2006 - June 30, 2007, unless  
sooner relieved

HAIG, MARGARET  
Dean (UHH)  
College of Continuing Education and  
Community Service  
Leave without Pay for Personal Reasons  
September 1, 2005 - December 30, 2005

COMMUNITY COLLEGES

Executive

HIGA, MILTON  
Vice Chancellor, CC (Administrative Services)  
Kapi'olani Community College  
June 1, 2006 - May 31, 2007

QUIGLEY, PETER  
Chancellor  
Leeward Community College  
May 22, 2006 - May 31, 2009

Managerial

SANDERS, BETH  
Interim Assistant Dean, CC  
Hawai'i Community College  
June 1, 2006 - May 31, 2007 unless  
sooner relieved

STRIEGEL, NICOLE  
Dean of Student Services, CC  
Leeward Community College  
June 1, 2006 - May 31, 2007

Regent Migita moved to approve the personnel actions as listed above. Regent Haynes seconded the motion which was unanimously carried.

### **Resignations and Retirements of Board of Regents' Appointees**

The list of resignations and retirements of Board of Regents' appointees and retirements of Civil Service employees was presented for information. (The list of resignations and retirements is presented in Attachment #3 of the Board of Regents' agenda dated May 18, 2006.)

### **X. NEW OR OTHER BUSINESS**

There was no new or other business.

### **XI. ANNOUNCEMENT**

#### **Next Meeting**

Chairperson Lagareta announced that the next regularly scheduled meeting of the Board would be held on Thursday, June 15, 2006, at the University of Hawai'i at West O'ahu, Kapolei Hale, Kapolei, O'ahu. She thanked the faculty, staff and students of the John A. Burns School of Medicine at Kaka'ako for their hospitality and assistance with the logistics of the meeting along with Chancellor Pedersen and Honolulu Community College for setting up the audio/visual equipment and furnishing their technicians.

Regent Tatibouet moved to enter into executive session to consider personnel and legal matters and to consult with the Board's attorney in accordance with Chapter 92, Hawai'i Revised Statutes, with the stipulation that collective bargaining would not be discussed in the executive session. Regent Landon seconded the motion which was unanimously carried. The meeting was recessed at 3:55 p.m. to enter into executive session.

### **XI. ADJOURNMENT**

The meeting was reconvened in open session at which time the meeting was adjourned.

Respectfully submitted,

David Iha, Executive Administrator  
and Secretary of the Board