MINUTES
UNIVERSITY OF HAWAI’I BOARD OF REGENTS’ MEETING

August 22, 2008

I. CALL TO ORDER

The meeting was called to order by Chair Allan R. Landon at 9:45 a.m. on August 22, 2008, at Hale ‘Ākoakoa, Room 105, Windward Community College, 45-270 Kea’ahala Road, Kane‘ohe, Hawai‘i 96744.

Regents in attendance: Chair Allan Landon; Artemio Baxa; Byron Bender, Ph.D.; Carl A. Carlson; Ramón de la Peña, Ph.D.; Marlene Hapai, Ph.D.; James Haynes II; Dennis Hirota, Ph.D.; Howard Karr; Kitty Lagareta; Ronald K. Migita; Teena Rasmussen; and Jane Tatibouet. Excused: Michael Dahilig and Harvey Tajiri.

Others in attendance: President David McClain, Ph.D.; Vice President for Academic Planning & Policy Linda Johnsrud, Ph.D.; Vice President for Administration Sam Callejo; Vice President for Budget & Finance/Chief Financial Officer Howard Todo; Vice President for Community Colleges John Morton, Ph.D.; Vice President for Legal Affairs and University General Counsel Darolyn Lendio, Esq.; Vice President for Research Jim Gaines, Ph.D.; Vice President for Information Technology Services/Chief Information Officer David Lassner, Ph.D.; Associate Vice President for Student Affairs Karen Lee; Interim Executive Administrator and Secretary of the Board Presley Pang, Esq.; and others as noted.

II. PUBLIC COMMENT PERIOD

1. Dr. J.N. Musto, Executive Director of the University of Hawai‘i Professional Assembly (UHPA), reviewed the history of the bargaining thus far between the State and UHPA, and informed the Board that UHPA has the option to call for an impasse in negotiations because 90 days have elapsed since bargaining was initiated. He asked that the Board decide on UHPA’s proposal for binding interest arbitration as soon as possible, and said that UHPA stands ready to try to reach an agreement on a new contract.

2. At the Chair’s discretion, Shannon Wood testified to support a proposed contract to restore the Ching/Cooke Field.

III. ELECTION OF BOARD OFFICERS

Regent Haynes summarized the report of the task group on selection of Board officers which he presented at the July 31, 2008 meeting. Regent de la Peña moved to accept the recommendations of the task group, seconded by Regent Taitbouet. The report was accepted unanimously.
The Board decided to select the Vice Chair prior to selecting the Chair. Regents Howard Karr and Marlene Hapai were nominated for the office of Vice Chair. No other nominations were made.

Board Secretary Presley Pang collected written ballots for this election, and together with General Counsel Darolyn Lendio counted and tallied the ballots. The number of votes necessary for election to office is 8.

Secretary Pang reported the tally as follows: the number of ballots cast was 12; Regent Karr received 9 votes; Regent Hapai received 3; there were no blank or spoiled ballots. Regent Karr was declared Vice Chair.

Because Regent Landon was nominated as Chair, he recused himself from presiding over the selection of the Chair. Vice Chair Karr presided over the election for Chair. There were no further nominations in addition to Regent Landon for Chair. Regent Lagareta moved to elect Regent Landon as Chair, seconded by Regent Tatibouet. The motion to elect Regent Landon as Chair was unanimously approved by acclamation.

IV. REPORT OF THE PRESIDENT

President McClain reported as follows:

• Based on preliminary figures, UH Hilo’s enrollment rose by 16 percent; UH West O'ahu by 21 percent; Community Colleges by 10 percent, with Hawai’i CC at 22 percent and Leeward CC at 15 percent. UH Ma’noa has decreased by about 3 percent, partly due to higher than expected graduation rates.

• Regent de la Peña introduced new Kaua’i Community College Chancellor Helen Cox. Dr. Cox is a former resident of O’ahu with family going back many generations on Kaua’i.

• President McClain welcomed the new Dean of Hawai’inuiakea, the School of Hawaiian Knowledge, Dr. Maenette Benham.

Dr. Benham said that she has 4 primary priorities for the School: support our Native Hawaiian students; assist our scholars to disseminate their knowledge in relevant ways to our community; engage the community; support developmental work for Hawai’inuiakea, including scholarships and endowments.

• Charles Lawrence III, professor at Georgetown University Law School, is joining the UHM Law School faculty, and for the first two years he will be the Centennial Professor, working in the Law School, the College of Education, and the College of Social Sciences.

• Professor Mari Matsuda, another Georgetown Law School professor, will also join our School of Law.

• The Emerging Leaders’ program got underway with nearly 30 participants.
• The President, the Mānoa Chancellor and the Athletic Director will host UHM new athletes and their families at College Hill.

• President McClain hosted a reception on sustainability at College Hill for business leaders.

• Upcoming events include a reception honoring retired Kaua‘i Community College Chancellor Peggy Cha; a convocation on September 9, 2008 at Kennedy Theatre at UHM; and resumption of the Rubber Slipper tours at the various campuses.

• Honolulu CC submitted its accreditation report; UH Hilo had a special visit by the Western Association of Schools and Colleges (WASC); UH West O‘ahu will be visited by WASC in October; UH Mānoa will have a preparatory visit next fall.

As part of his report, President McClain welcomed Bernadette Howard of the Employment Training Center (ETC) of Windward Community College. Ms. Howard explained that the ETC has been at Windward CC since 2002. The program provides short-term career training for at-risk persons, and academic and counseling support to prepare them for entry-level jobs. None of the teaching is at college level. Training is offered in construction, culinary arts, certified nurse’s aid, and office administration.

Last year, ETC served 977 students and 8 agencies, collected $360,000 in tuition and received $620,000 in grants. Eighty-seven percent of the students complete 80 percent of the competencies.

V. AGENDA ITEMS

Approval to Expand the Scope of Work for Construction and Financing Opportunities for the Biomedical Sciences Building, UH Mānoa

This item was deferred.

University of Hawai‘i Budget for the Fiscal Biennia July 1, 2009 – June 30, 2015 (information only)

President McClain informed the Board that the budget planning has been expanded to cover 3 biennia. In the capital improvements budged, the first biennium focuses on repair and maintenance, while the second and third focuses on new buildings. In the operating budget, campuses have been instructed to submit no more than $10 million in Program Change Request (PCR) proposals. PCRs must be keyed to the strategic outcomes, particularly outcomes focused on student success. Given the uncertainty of the State budget, even the $10 million in PCRs may not be feasible.

Vice President for Academic Planning and Policy Linda Johnsrud explained that the budget is based on State needs for higher education. Information gathered from an 18-month “Second Decade” project determined that the State needs more educated
citizens to address workforce development and shortages. The University needs to contribute to the State’s economy and needs to address underserved regions and populations of the State, particularly Native Hawaiians. To attract the students and the faculty, we also need to improve the infrastructure.

Regent Lagareta commented that the University will never be able to address all the needs of the State, and a joint effort by public and private higher education is required to produce the numbers of teachers and nurses needed in Hawai‘i. Vice President Johnsrud concurred.

Regent Hapai suggested that the budget planning process include the cost of increased enrollment and increasing the number of majors in STEM fields.

Vice President Johnsrud explained that the University’s goals are set at the system level. Campuses then must plan how to meet those goals, given their particular mission and areas of strength.

Vice President Howard Todo said that the University has a strategic plan up to 2015. What is now needed is a corresponding financial plan. The current process to obtain additional funding is to submit PCRs to the Legislature. The University would like, instead, to have a base operating budget that escalates with inflation.

The University would also like the Legislature to fund renewal and maintenance of our capital infrastructure as a separate portion of the budget. Additionally, the University would like Legislative requests to be based on performance-incentive funding with clear and measurable goals.

Act 188 requires the University to develop measures and a plan to implement performance funding. It also established a task force to develop formula funding.

The 3 biennia operating budget will focus on repair, renewal and replacement, energy cost inflation adjustments and performance-oriented PCRs. Campuses will be limited to 3 PCRs, with a ceiling of $10 million for the entire system.

With respect to the capital improvements budget, Vice President Todo said that in 2005-2006, we requested $231 million and received $128 million. In 2006-2007, we requested $187 and received $38 million. In 2007-2008, we received $183 million; in 2008-2009, we received $1.6 million, supplemented by $125 million.

The State, by law, must balance its budget. The Council of Revenues sets the amount of funds to be spent. For 2009, the Council is estimating a 1 percent growth rate.

Regent Karr commented that the 1 percent is not inflation-adjusted, so the real percent will probably be negative.

President McClain noted that the University is the only entity in the State that has additional sources of funds, namely tuition, the return of research overhead, and income from auxiliary services. Vice President Todo said that the campuses were instructed to include the tuition revenues they plan on receiving over the 3 biennia in their budget plans. Tuition revenues will increase by $20 million a year, compounded. The campuses
must develop a plan for using those revenues before asking the State for additional funding.

Regent Haynes asked whether increasing enrollment adds further costs. President McClain responded that the Legislature has agreed to fund the costs of Community Colleges enrollment increases up to about $2.5 million annually. UH Mānoa, Hilo, and West O’ahu will have additional net costs as a result of enrollment increases, because their tuition revenues covers only 20 to 35 percent of actual costs.

Vice President Todo said that the University is responsible for 3 percent of the salary increases for faculty. This obligation will be funded in part by tuition revenues. Also, tuition revenue is used to increase the amount of need-based financial aid.

Regent Karr asked whether there is significant cost savings when retired faculty are replaced by lower-salaried faculty. President McClain responded that these savings would not be great, because the market for young assistant professors in high demand fields is often comparable to full professors in those fields. Vice President Todo added that many retirement-aged staff may opt to remain longer to secure their three years of high salary. Cost savings due to expected retirement is difficult to predict because of salary compression and market conditions.

In response to Regent Hapai’s question of how the Administration will address the additional needs of Mānoa, Hilo, and West O’ahu, President McClain said that their Chancellors are responsible and may have to resort to internal reallocation if necessary.

Brian Minaai, Associate Vice President for Capital Improvements, discussed funding priorities and options.

The first priority for health and safety projects total $8.8 million in the first year and $2.1 million in the second.

Second priority are two projects totaling $4.7 million which have construction funding but no funds to purchase equipment.

Third priority are four sub categories: annual capital renewal requirements of $72.8 million for the first year and $33 million in the second year; major renovation projects totaling $8.4 million the first year and $4.9 million in the second year; reducing the backlog of deferred maintenance totaling $70.1 million in the first year and $52.5 million in the second year; modernization projects totaling $16.5 million in the first year and $18.3 million in the second year. These categories total about $167.8 million in the first year and $108.8 million in the second year. Last year, the University received only $58 million of a requested $100 million.

Regarding other options for funding, the first is planning and design CIP for projects in the second and third biennia, totaling $29.4 million for FY 09-10 and $11 million for FY 10-11.

Another option is the ITS building funded equally by GO bonds and revenue bonds for a total of $56.3 million.
The third category are those identified by the campuses as their first priority if new projects are considered in this biennium. These total $197.7 million.

The fourth category contains two projects funded by $22.5 million in revenue bonds (BioMed C-MORE) and $5 million in revolving funds (faculty housing).

The grand total is about $281.8 million for FY 09-10 and $276 million for FY 10-11.

Vice President Todo explained that the CIP budget, which is project-oriented, is generally funded by general obligation bonds by the State. Another aspect of our budget is the operating budget, which is funded by State general funds, and includes routine maintenance projects.

Other components of the budget request include additional staffing to handle the increased volume of capital renewal projects, as well as salary restorations for those delayed hirings (the Legislature imposes a one quarter lag in salary funding); additional operating costs for projects already funded but not yet completed; and electricity cost inflation.

Regent Lagareta asked if we are assessing our current facilities and operations to seek ways to decrease our costs. David Hafner, Assistant Vice Chancellor for Facilities at UH Mānoa, said that the campus is in the process of discussing performance contracting and power purchase agreements with firms. Currently, the campus is exceeding what performance contractors would normally do, due to a large sustained investment in mechanical upgrades. Facilities staff have been successful in decreasing electrical usage. The problem of solving the cost of power itself will involve more innovation. The campus is actually its own power company, so the financial incentive is more oriented toward energy conservation and energy management of its existing buildings rather than towards alternate energy sources at this time. The campus has a plan to reduce energy usage by half by the end of 2015.

Regent Lagareta asked if there was a plan to mitigate concerns of legislative cutbacks due to the perception that the University can raise tuition. President McClain responded that we have acted responsibly by trying to bring tuition to average levels by 2011-2012 and quadrupling financial aid in the process. The fact that enrollments are increasing is evidence that we have been maintaining access to education. We have to get better retention rates and graduate students on time. Vice President Todo said that the Legislature agrees with our requests but expects the University to fund some of its operations by using tuition revenues.

Vice President Morton clarified that the Community Colleges are covering only the marginal costs of adding classes, not the costs of replicating everything. The Community Colleges have asked the Legislature for the difference between what they generate out of tuition and what that cost on the margin is. It is a short-term solution, and permanent growth can’t be done with only $2.5 million additional funding.

In response to Regent Baxa’s concern that increased tuition may detrimentally affect enrollment of less affluent students, President McClain said that the University is doubling tuition over six years, but at the same time quadrupling financial aid. Vice President Johnsrud added that the University’s strategy is to be more deliberate about
ensuring that poor students are afforded the opportunity to go to college. If eligible, they can obtain funds from the federal government, and the University has increased its financial aid staff to assist students secure financial assistance, such as Pell grants.

*Lunch recess was taken at 12:40 p.m., followed by an executive session. The meeting was reconvened at 3:00 p.m.*

**VI. ANNOUNCEMENTS**

Chair Landon announced that the next meeting of the Board of Regents will be on Friday, September 19, 2008, at Hawai‘i Community College.

**VII. BOARD SELF-EVALUATION: DISCUSSION**

Chair Landon reported on the results of a questionnaire that was sent to each Regent in May 2008 to evaluate the Board’s effectiveness.

Chair Landon proposed five topics for the Board priorities for the coming year:

1. Presidential Search
2. Campus Development, including Deferred Maintenance
3. Collective Bargaining
4. Board Effectiveness, New Regents Integration
5. BOR Policies: Streamline and Simplify

Chair Landon asked Board members to add or substitute to the five topics that develop into a high level document of the Board’s expectations for the coming year.

In providing historical information on the Board’s use of committees, Regent Lagareta said that when she first joined the Board, the entire Board would often sit in on committee meetings. Thus, there would be duplication when the full Board met the following day. On advice from AGB, the full Board then decided to review all requests for action as an entire Board, rather than assigning this review initially to the standing committees. This procedure eliminated a full day of meetings.

Chair Landon commented that he would like to return to the use of standing committees to review the issues, preferably having the committees meet just preceding the full Board meeting or meeting in parallel.

Regent Lagareta suggested that the committee reviews be driven by Regents’ interests in a proactive way rather than simply meetings where presentations are given.

Chair Landon thanked everyone for their support, and said that he looked forward to a very good year. He said that the Board has a lot to accomplish, but there is
tremendous momentum; the University is doing many good things, and that process can be continued.

VIII. ADJOURNMENT

Upon motion by Regent Lagareta, second by Regent Bender, and unanimous approval, the meeting was adjourned at 3:22 p.m.

Respectfully Submitted,

Presley W. Pang, Esq.
Interim Executive Administrator
and Secretary of the Board