

MINUTES

UNIVERSITY OF HAWAI'I BOARD OF REGENTS

September 17, 2009

I. CALL TO ORDER

Chair Howard Karr called the meeting to order at 9:00 a.m. on Thursday, September 17, 2009, at Kaua'i Community College, Performing Arts Center, 3-1901 Kaumuali'i Highway, Līhu'e, HI 96766.

Quorum (14): Chair Howard H. Karr; Vice Chair Dennis I. Hirota, Ph.D.; Artemio C. Baxa; Carl A. Carlson; Ramón S. de la Peña, Ph.D.; Mark H. Fukunaga; Chuck Y. Gee; James J.C. Haynes II; John C. Holzman; James H.Q. Lee; Eric K. Martinson; Teena M. Rasmussen; Harvey S. Tajiri; and Grant T.S. Teichman.

Excused (1): Michael A. Dahilig.

Others in attendance: President M.R.C. Greenwood, Ph.D.; Vice President for Academic Planning & Policy Linda Johnsrud, Ph.D.; 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 Information Technology Services/Chief Information Officer David Lassner, Ph.D.; Associate Vice President for Capital Improvements Brian Minaai; Associate Vice President for Student Affairs Karen Lee; Associate Vice President for External Affairs/University Relations Carolyn Tanaka; Interim Executive Administrator and Secretary of the Board Presley Pang, Esq.; Chancellor Helen Cox; and others as noted.

II. APPROVAL OF MEETING MINUTES

Upon motion by Regent Haynes and second by Regent Martinson, the minutes of the August 27, 2009, meeting were unanimously approved.

III. PUBLIC COMMENT PERIOD

Professor Duane Stevens, President of the UH Professional Assembly (UHPA), informed the Board that he was available to discuss UHPA's position on the University's "best and final" offer to resolve the collective bargaining negotiations during the Board's executive session.

Mr. Randy Francisco of the Kaua'i Chamber of Commerce welcomed the Board and President Greenwood, and offered the support of the Chamber of Commerce in community partnership.

IV. REPORT OF THE PRESIDENT

Kaua'i Community College Chancellor Helen Cox welcomed the Board and President Greenwood to the campus.

Chancellor Cox introduced two instructors in the Facilities Engineering Technology program, Robert Conti and Mike Koerte, who provided a brief overview of the program, which trains skilled technicians in building maintenance fields such as carpentry, plumbing, and refrigeration and air conditioning. The program employs new methods of sustainable technology, such as photovoltaic cells. All of the program instructors are working professionals in their fields. The program also trains Native Hawaiian residents for government employment on Niihau, and encourages "access with success" for Native Hawaiians.

In response to Regent Gee's question on licensure and certification, Mr. Koerte said that the Niihau students gained EPA certification in refrigeration and air conditioning, as well as Kaua'i Community College's certification.

President Greenwood reported on the following:

- The UH Foundation received \$2.7 million for July 2009.
- President Greenwood has visited 5 campuses (Mānoa, West O'ahu, Hawai'i CC (West Hawai'i), Windward CC, and Kapi'olani CC, and will visit the remaining 5 by October 2, 2009.
- President Greenwood has established a Cancer Research Center of Hawai'i Advisory Steering Group, comprising Regent Dennis Hirota, Chancellor Virginia Hinshaw, Vice Presidents Howard Todo and Jim Gaines, Associate Vice President Brian Minaai, Dean Jerris Hedges, Director Michele Carbone, Adjunct Professor Stephen Holmes, and Associate Director Kerry Kakazu. She may add other members in future. This Group is charged with advising the President on how best to facilitate and complete the actions necessary to expedite the Center's development. The Center is one of the President's highest priorities for the University.

The Research Corporation of the UH has accepted a service order to plan, design and manage the Center (up to \$28 million). The scope of services and fees for a planning consultant are being finalized; a selection process for an architectural team specializing in research laboratory facilities has commenced; and an advertisement will soon be placed for a Request for Proposal for project management services.

V. ITEMS FOR BOARD ACTION

Background on Budget and Planning (information only)

A. A Strategic Planning Overview

Vice President Linda Johnsrud briefed the Board on the strategic planning process over the past five years. Her presentation is on file in the Board office.

The projected higher education needs of the State of Hawai'i for 2010-2020 were identified and prioritized by geographic regions. The greatest need are in Wai'anae, 'Ewa, and West Hawai'i.

Hawai'i's higher education top priorities are to:

- a. Increase the educational capital of the State
- b. Expand workforce development
- c. Diversify the economy
- d. Address underserved populations/regions
- e. Renew and expand infrastructure

Vice President Johnsrud updated the Regents on progress made in meeting the University's specific performance measures, initially established in 2007, formatted as a summary "dashboard" document. The data are available on the web at www.hawaii.edu/ovppp.

Regent Teichman commented that freshmen and sophomores are not able to register for introductory classes because upperclassmen are taking those seats. This shortage exacerbates the time needed to complete the 4-year degree. Vice President Johnsrud responded that because the lecturers for the large introductory courses were reduced, senior professors are teaching these courses. The effect is that the upper division courses may suffer from the senior professors' overload. Mānoa is trying to balance all these factors, and this will be a continuing concern, especially with the increase in enrollment for Fall 2009.

Regent Fukunaga asked whether strategic goals have been effectively translated into actual outcomes at the different campuses. Having the goals specifically laid out is very helpful as a first step, and he would like to see the next step where the goals are prioritized. Until goals are prioritized, choices can't be made. Regent Fukunaga observed that choices are the real value of a strategy. A strategy proves itself especially in a time like this when difficult choices have to be made. Priority guides the University in what it must do, and more importantly, what it will refrain from doing.

Vice President Johnsrud responded that the goals vary by campus, because the University acknowledges mission differentiation among the campuses. UH Mānoa, UH Hilo, UH West O'ahu, and the seven Community Colleges have differing missions,

based on their strengths. She said that the University's highest priority is to increase the educational capital of the State, and the University cannot ignore diversifying the economy. She continued that the choices will be reflected in individual campus plans.

Regent Fukunaga asked if each chancellor was part of the strategic plan and did they all agree on the specific goals. Vice President Johnsrud responded that the chancellors were all part of the process, the data were clear, and there was consensus as to needs and direction.

Regent Haynes asked why the University is decreasing the number of instructors if it is more economical to graduate students in less time. Decreasing instructors decreases the availability of courses and increases the time to graduate. Vice President Johnsrud concurred that the availability of courses is a problem, but also noted that changing majors is a factor contributing to the length of time. Students are taking about a semester more beyond the minimum 125 credits required for a baccalaureate degree, thus extending their college years.

Regent Gee asked if qualitative studies have been conducted on college going rates for high school seniors. Vice President Johnsrud responded that more research needs to be done, and the University is working with the DOE to do more college outreach in the high schools.

B. Budget Planning Process

Vice President Howard Todo presented an overview of the University's budget planning process. His presentation is on file in the Board office.

Vice President Todo said that initially the strategic plan's goals and objectives were not measurable. They have since been revised to have quantitative performance measures. The University needs a long-range finance plan to provide the framework to implement the strategic plan.

The key components of the long-term finance plan are base operating funds, capital infrastructure funds, and performance incentive funds. This plan was submitted to the Legislature in 2008.

The Legislature passed Act 188, which created a task force chaired by Vice President John Morton to study formula funding. The task force will submit a report to the Legislature concerning performance and incentive funding-based budget.

Vice President Todo said that fall 2009 enrollment has significantly increased, while the University's share of the state budget has decreased. Tuition covers only 24% of operating costs. Increased enrollment does not offset the decreased state funding.

In devising the budget, the Administration decided to focus on repairs and deferred maintenance and limit the operating budget request to \$10 million systemwide. Each campus was allowed to submit 3 Program Change Requests. These requests

must be related to the strategic outcomes. A budget policy paper was sent to all campuses, instructing the campuses to focus on reducing deferred maintenance over a three-biennium period. Campuses must look at tuition and fees as their major source of funding, rather than rely on general funds.

Vice President Todo noted that all of the campuses cited student success as their top priority.

The resulting CIP budget is \$344 million for FY09-10 and \$393 million for FY10-11.

Regent Teichman noted that the “dashboard” shows the University is not meeting its goals for deferred maintenance. He asked if deferred maintenance will still be negative this fiscal year, as it has been last fiscal year. Vice President Todo responded affirmatively, explaining that the University has not received sufficient funding for current maintenance, thus adding to, rather than decreasing the deferred maintenance backlog.

Regent Teichman asked how funding will be obtained to clear the total deferred maintenance. Vice President Todo expressed his opinion that current maintenance should be an operating budget item, rather than a CIP budget item or revenue bond item, since it is an ongoing, operating expense. The University had requested that current maintenance be included in its operating budget, but the Legislature has always included it in the CIP budget.

C. Community College Report

Vice President John Morton reported that the stature of community colleges has risen significantly in recent years. Congress has passed and continues to pass supportive legislation.

Vice President Morton said that although the Community Colleges have been successful in bringing people into higher education, they have not been as successful at graduating them. Too many students drop out before attaining a degree or certificate.

Vice President Morton noted that Vice President Johnsrud’s presentation data do not include overall enrollment and transfer. The data on graduation rate are based on entering “first time” freshmen at the baccalaureate campuses. The Community College student is not a first-time, full-time freshman at a four-year campus. Different data are needed to show what the Community Colleges do.

The Community Colleges took the ten goals developed by Vice President Johnsrud and adapted them to the Community Colleges. The Community Colleges’ Strategic Council developed the goals and meets two to three times a year to monitor the status of the goals. Vice President Morton takes those goals to the individual campuses and has discussions with the campus community.

The enrollment projections were flat, based on historical data. They have now been increased to a 3% growth. Due to the recession and increased recruitment of working adults, the enrollment has grown tremendously.

Seventy percent of the Native Hawaiian student population is enrolled in the Community Colleges, and the Colleges are working hard to prepare them for transfer to the baccalaureate campuses. Kamehameha Schools and the Office of Hawaiian Affairs has each contributed \$500,000 to assist Native Hawaiians in educational success.

Of the 4,000 increase in enrollment this fall 2009, the majority of them were older returning students. This increase was accommodated by reallocating the budget. Instructional format has become more creative—25% of the classes use distance learning and on-line technology. Hybrid classes have been designed, combining classroom and on-line instruction. The limiting factors to increased enrollments are parking, faculty, and classroom space.

A key factor in retaining students is financial assistance. Nationally, 31% of community college students receive Pell grants. Hawai'i's rate is 20% overall, but the rate greatly varies among the seven Community Colleges. This fall 2009 has seen a significant increase in Pell disbursements, and the Community Colleges are increasing their efforts to get the word out to high schools and parents about federal financial assistance. Through the UH Foundation, \$6 million in scholarships were awarded; efforts are being made to sustain that amount. The goal of the Community Colleges is to remove the cost of instruction as an access barrier for students.

Vice President Morton reported that remedial developmental education is a problem at the Community Colleges. It is very clear that this is a major factor hindering student graduation.

Bridge programs between K-12 and colleges are increasing, and the UH has been in partnership with the DOE to prepare students for college success.

The need for remedial developmental courses can be attributed to various factors, such as the social environment of the student, whether the student has a learning disability, as well as a lack of preparation. The Community Colleges are focusing on more research in this area. Vice President Morton emphasized the need for more sophisticated measures to understand success rates and problems to success.

The Community Colleges need to track their students after they transfer out, to ensure that they have been properly prepared for success in a four-year program.

The Community Colleges need to stay flexible because job markets keep changing.

The Community Colleges need to deal with decreasing funding and increasing enrollments.

The Community Colleges will be facing significant faculty turnovers and insufficient classroom space.

Regent Fukunaga asked how much of the remedial education methods are carried over to the four-year institutions. Vice President Morton responded that the UH has done a good job of directing remedial education to the Community Colleges.

President Greenwood indicated that the Administration is working with the Governor to release funds to be used to implement a longitudinal database.

Regent Baxa commented that in his discussions with several Community College students, they felt that they were receiving a quality education and therefore did not need to attend a four-year campus.

Regent Haynes said that the public schools are not sufficiently preparing students for higher education, as evidenced by the need for remedial developmental education. He asked what is happening to the core problem of delivering prepared students, since remedial education is expensive for the University. Vice President Morton responded that the DOE has increased high school graduation requirements. The University has also developed joint programs with the DOE, such as the construction and STEM academies that allow high school students to hear from University instructors why college preparation is important.

Regent Gee noted that industry involvement in curriculum development, such as in travel industry management, should be encouraged. Vice President Morton concurred.

Approval of Resolution Regarding the “American Graduation Initiative”

Vice President Morton reported that the National Community College Association has asked community college boards to adopt a resolution supporting President Barack Obama’s education plan legislation and advocating its passage with their elected representatives. Vice President Morton recommended approval of the resolution.

Upon motion by Regent Fukunaga and second by Regent Lee, the Board unanimously approved the resolution regarding the “American Graduation Initiative.”

Quarterly Endowment Fund Performance Report of Third Party Monitor *(information only)*

Mr. Peter Backus of MorganStanley SmithBarney updated the Board on the endowment fund report items that have changed since the report was printed.

The economic forecast for the third quarter GDP growth has been revised from the initial +1% to 3% to 4%, due to the “cash for clunkers” program. That growth should fall back to 1.25% later.

As evidence of the depth of the recession, Mr. Backus noted that the U.S. went from a -1% personal savings rate per year to a +7% rate.

Unemployment typically peaks after a recession ends. True unemployment numbers are deceiving. They do not include those who have gone from full-time to part-time employment, or who have given up seeking employment. So although unemployment is currently at 9%, the true unemployment is closer to 16%, which is a better reflection of how severe this recession has been.

Mr. Backus reviewed the results of the endowment fund for the last quarter. The fund had positive results of 5%. With the recent additional gains, the overall endowment is up close to 13%. Mr. Backus said that many benchmark funds have experienced negative results, so the University is doing comparatively very well.

Mr. Backus reported that some of the managers underperformed in the last rally while managers who struggled last year are doing well this year.

The dollar weakness has helped the international returns portion of the portfolio.

The turnaround in corporate fixed income has been a big factor. In 2000-2002, it was mostly a case of avoiding the dot coms and many growth stocks to avoid damage. Corporate bonds and real estate did fine in the bear market. This time, everything other than cash and gold lost value. Asset allocation and diversification didn't matter. But much of this has dramatically turned around.

This recovery since the end of June has been so pronounced that the endowment fund earned a little over \$3 million since July 1. Mr. Backus recommended that \$2.1 million be used to rebuild the cash position.

Approval of UH Supplemental Budget Request for FY10-11

Approval of the UH Supplemental Budget has been deferred to the October 15, 2009 meeting.

Approval of CIP and R&M Project Contracts, FY09-10

Associate Vice President Brian Minaai requested approval of 4 professional service contracts totaling \$7.3 million and 5 repair and maintenance projects totaling \$19.1 million. These projects are primarily repair and maintenance projects.

Regent Martinson asked if the Pharmacy School \$5.5 million design project was part of the degree program request. AVP Minaai responded that the \$5.5 million was part of last year's biennium budget process, and was not part of the request to approve the Pharmacy degree program.

Regent Martinson asked for data on the Pharmacy program, in light of the \$53 million cost to build a facility for the program. UH Hilo's Vice Chancellor Philip Castille responded that the College of Pharmacy just admitted its third year cohort of 90 students. The fourth and final class will enter in fall 2010, a full complement of 360

students. He said that Hawai'i was one of only 3 states in the nation that did not have a college of pharmacy.

Regent Fukunaga questioned the need for a \$53 million building in the current economic crisis and pressing needs in deferred maintenance, and suggested re-visiting this project. Vice Chancellor Castille noted that UH Hilo is an expanding campus that needs more facilities and less repair and maintenance.

Regent Tajiri commented that the College of Pharmacy must be accredited, and a new facility is required for that accreditation. Regent Tajiri said that he understood Regent Fukunaga's concerns about the current financial situation, but added that the commitment had been made several years ago to create the College of Pharmacy, and the Legislature supported the need for the College.

UH Hilo Vice Chancellor Debra Fitzsimons said that if the College of Pharmacy does not gain accreditation in 2010, the College will dissolve.

Regent Fukunaga reiterated that he would like to have further discussion on this project. With \$368 million in deferred maintenance, the need for a \$53 million new facility should be re-assessed, and perhaps other options can be pursued to accommodate both the accreditation requirements and the deferred maintenance.

Regent Rasmussen asked why the building was so expensive, and whether it would be used exclusively for the pharmacy program. Vice Chancellor Fitzsimons responded that most pharmacy buildings cost \$70-\$80 million or more. This building will have large classrooms that can accommodate 90+ students at one time, smaller breakout rooms, and research and teaching labs. The building will be used exclusively for the pharmacy program, which benefits the Hilo community as well as the entire state by training pharmacists.

President Greenwood suggested that in the design phase, the scope of the project can be reduced and designed to minimize total construction costs. The building and accreditation of the pharmacy program, however, must go forward. Associate Vice President Minaai said that a smaller version of the project will be brought back to the Board for approval of construction costs.

Regent Haynes said that a business model would be helpful which should indicate the expected payback on this investment. Chair Karr commented that return of investment might not be the most appropriate statistic for educational programs.

Regent Martinson said that when the pharmacy degree was presented to the Board for approval, the entire program information was not attached, such as the \$53 million facility. He asked that, procedurally, the Board should be provided complete information when approvals are requested so that the Board knows exactly what they are approving and the total cost.

Upon motion by Regent Hirota and second by Regent Tajiri, the CIP and R&M project contracts for FY09-10 were approved by 13 Regents, with a "Nay" vote by Regent Fukunaga.

RECESS AND EXECUTIVE SESSION

Upon motion by Regent Haynes and second by Regent de la Peña, the Board unanimously approved convening in executive session, pursuant to HRS §92-5 (a)(2), (3), (4), following a lunch recess.

A lunch recess was taken at 12:45 a.m., followed by an executive session.

The Board reconvened in public session at 2:30 p.m.

VI. ACCEPTANCE AND APPROVAL OF GIFTS, GRANTS AND CONTRACTS

Vice President David Lassner reported that for July and August 2009, \$111 million has been received.

Vice President Lassner requested approval of an extension to a consulting contract with The Implementation Group (TIG). This would be the seventh year of the contract at \$180,000. The cumulative cost of the entire contract is \$1,093,999.88.

TIG assists faculty and researchers in identifying research funds, craft grant proposals, and help execute proposals.

Upon motion by Regent de la Peña and second by Regent Rasmussen, the gifts, grants, and contracts, including the extension of the TIG contract, were unanimously approved.

VII. APPROVAL OF PERSONNEL ACTIONS

Upon motion by Regent Gee and second by Regent Haynes, the awarding of Emeritus titles to the following UH Mānoa faculty were unanimously approved:

Steven M. Dawson, Shidler College of Business
Yuan-Hui Li, SOEST
Lorenz C. Magaard, SOEST
Stephen L. Olsen, College of Natural Sciences
Libby O. Ruch, College of Social Sciences

V. ITEMS FOR BOARD ACTION (continued)

Quarterly Financial Status Report (information only)

Vice President Howard Todo reported that for the quarter and year-end, the University is still in sound financial status. Net assets increased by \$152 million. However, there is a challenge ahead as general funding has decreased by \$98 million.

Quarterly Report on Campus Developments (information only)

Associate Vice President Brian Minaai reviewed the 5 major construction projects, 2 of which are major renovation projects.

The Hale Aloha phase 1 dorm renovation came under budget, from a budgeted \$13.2 million to an actual cost of \$11.3 million. Phase 2, renovation of two other wings of Hale Aloha, should be completed by next fall 2010.

The third big project is phase 2 of Kaua'i Community College's One Stop Center that includes the bookstore.

UH Hilo's science technology center, and the C-MORE facility on the Mānoa campus are the other projects.

There are 10 projects in the design phase:

1. Classroom facility at Mānoa
2. West Hawai'i Education Center
3. System Information Technology Building
4. UHM Campus Center addition
5. UHH Student Services Center
6. UHH Hawaiian Language Building, phase 1
7. Culinary Institute of the Pacific
8. Leeward Community College social science teacher education facility
9. Maui Community College science building
10. Windward Community College resource center

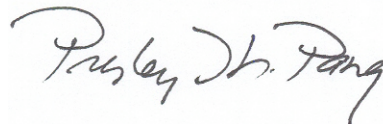
VIII. ANNOUNCEMENTS

Chair Karr announced that the Board will next meet on October 15, 2009, at UH Mānoa's Stan Sheriff Center Hospitality Room.

IX. ADJOURNMENT

Upon motion by Regent Haynes and second by Regent Martinson, the Board unanimously moved to adjourn the meeting at 3:00 p.m.

Respectfully Submitted,



Presley W. Pang, Esq.

Interim Executive Administrator
and Secretary of the Board