

## **MINUTES**

### **BOARD OF REGENTS' MEETING**

**August 30, 2010**

#### **I. CALL TO ORDER**

Chair Howard Karr called the meeting to order at 9:10 a.m. on Monday, August 30, 2010, at Windward Community College, 45-720 Kealahala Road, Kaneohe, Hawai'i 96744.

Quorum (12): Chair Howard H. Karr; Vice Chair Dennis I. Hirota; Artemio C. Baxa; Carl A. Carlson; Michael A. Dahilig; Ramon S. de la Peña; Clifford C. Dias; John C. Holzman; James H.Q. Lee; Eric K. Martinson; Teena M. Rasmussen; and Matthew R. Williams.

Excused (3): Mark H. Fukunaga; Chuck Y. Gee; and James J.C. Haynes II.

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 Student Affairs/Community Relations, Rockne Freitas, Ph.D.; Associate Vice President for Capital Improvements Brian Minaai; UH Mānoa Chancellor Virginia Hinshaw, Ph.D.; UH West Oahu Chancellor Gene Awakuni, Ph.D.; UH Hilo Chancellor Donald Straney, Ph.D.; Kapi'olani Community College Chancellor Leon Richards, Ph.D. ; Leeward Community College Chancellor Manny Cabral, Ph.D. ; Honolulu Community College Chancellor Michael Rota; Windward Community College Chancellor Douglas Dykstra, Ph.D.; Interim Executive Administrator and Secretary of the Board of Regents Keith Amemiya, Esq., and others as noted.

#### **II. APPROVAL OF MEETING MINUTES OF JUNE 28, 2010**

Upon motion by Regent Carlson and second by Regent Lee, the meeting minutes of June 28, 2010 were unanimously approved.

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

Lilikala Kame'eleihiwa, budget chair for Puko'a Council, thanked the Board for considering their support of a full-time position that will help Native Hawaiian-serving programs system-wide in the proposed biennium budget (FY 2012 and 2013).

#### **IV. REPORT OF THE PRESIDENT**

President Greenwood welcomed everyone to the beginning of the academic year, which features record enrollment.

**Higher Education Summit** – On September 10, 2010, the University of Hawaii will bring together more than a hundred local government, business and community leaders to cultivate partnerships vital to the future well-being of the State. The Summit is co-hosted by the Hawai'i State Senate and House Committees on Higher Education. U.S. Dept. of Education Under Secretary Martha Kanter is delivering the keynote address.

**Convocation Awards** – The annual Convocation Awards ceremony is September 14, 2010, at the Kennedy Theater on the UH Mānoa campus. More than 50 faculty and staff will be honored for excellence in research, teaching and service.

**Athletics** – President Greenwood congratulated the Rainbow Wahine Volleyball team for its win in the recent Chevron Invitational Tournament, and commented on concerns over the changing athletic conference scene.

**APEC** – The APEC Hawai'i Host Committee recently held meetings with the APEC Singapore Secretary. The Committee has hired a CEO, Gregg Yamanaka. The Host Committee met with the State Department APEC team, with questions about the division of responsibility between the federal government and State, some of which were cleared up. President Greenwood is the Chair of the Volunteer Committee. The Host Committee is currently focused on the informal senior officials meeting at the East-West Center on December 8-10, 2010. Approximately 200 senior officials and staff are expected to attend this meeting.

#### **President's Status Report:**

**UH Hilo** – The National Science Foundation will support the development of secondary math teachers through a five-year grant worth more than \$750,000 called the "Hawai'i Noyce Teacher Scholarship" (HINTS), which has been awarded to investigators Diane Barrett, Darius Kalvaitis, and Roberto Pelayo.

**UH Mānoa** – The renovations of Hamilton Library and the Hale Aloha residence halls have been completed.

The Hamilton Library renovation included the 57,000-square foot ground floor damaged by a Mānoa flood that destroyed 230,000 rare maps and aerial photographs, more than a hundred computers, and thousands of books, and totaled more than \$39 million in damage. The new ground floor is the home for government documents and map collections, collection services, aerial photographs, government information services, and the Department of Information and Computer Science

Library and Information Sciences program. President Greenwood thanked Chancellor Hinshaw and all of the others involved at UH Mānoa with this project.

The Hale Aloha residence halls are comprised of four 13-story buildings and is home to 1,080 students. Renovations included the first floor, top floor community spaces, and all bathrooms, improved privacy in community bathrooms, card access to student rooms and building entrances, new windows, and a new fire alarm and suppression system. As of this fall, half of the available bed spaces on campus are in facilities that have been significantly renovated or built within the last three years. President Greenwood congratulated the campus and housing personnel and all others involved.

Two of Hawai'i's largest clinical testing companies, Clinical Laboratories and Diagnostic Laboratory Services, helped save Hawai'i's only professional training program in the field of medical technology. Through their generosity, the John A. Burns School of Medicine now has the funds to support a full-time faculty member for the next couple of years, thus permitting the school to resume student admissions to the baccalaureate program in medical technologies. Students spend two years at Kapi'olani Community College's accredited lab tech program and then move to Mānoa to complete the last two years. President Greenwood thanked both companies, who in the wake of budget cuts, helped restore some normalcy to the program.

**UH West O'ahu** – Construction began on August 16, 2010. The six-building project broke ground on schedule. Classroom doors are expected to open in Fall 2012. By the time Phase I is completed, the campus will inject about \$167 million and hundreds of jobs into the Hawai'i economy. West O'ahu was recently named for inclusion in the national list of military-friendly schools.

### **UH Community Colleges**

**Hawai'i Community College** is celebrating the completion of the Nursing Learning Resource Center, which will be ready for the Fall semester.

**Kapi'olani Community College** was awarded a nearly \$5 million National Science Foundation grant to create the Pre-Engineering Education Collaborative program, which implements a six-campus strategy that offers a 39-credit pre-engineering curriculum. Maui College, Honolulu, Leeward and Windward Community Colleges are also involved, along with UH Mānoa.

**Windward Community College's** religion instructor, Sarah Hadmack, and seven students traveled to India for the International Summer School for Jain Studies program. Students pay their airfare and \$400 program fee, but the program covers all other expenses.

The Pacific Center for Sciences program developed a six-week program that provided 20 high school juniors and seniors with hands-on education and research experiences at Windward CC.

Windward CC Chancellor Doug Dykstra welcomed the Board back to the campus, updating them on the progress of the Library Learning Commons, which is expected to be completed in Fall 2012. The campus is up 14.5% in head count enrollment and 14% in student semester hours.

The Hawai'i Publisher's Association awarded Windward CC's Ka 'Ohana, the student newspaper, with a Pa'i Award for excellence in journalism. Ka 'Ohana placed second to Mānoa's Ka Leo student newspaper.

Chancellor Dykstra pointed out Windward CC's accomplishments in STEM disciplines, and added that in the upcoming biennium budget there are several Program Change Requests (PCRs) for career and technical education certificate and degree programs in veterinary assisting, biotechnology and ethnopharmacognosy. Dean of Academic Affairs, Dr. Ardis Eschenberg, delivered the presentation on Windward CC's effort to increase STEM graduates.

Hawai'i is currently facing a shortage of engineers. Therefore, from 2005 to 2008, community colleges sent 117 students to UH Mānoa's College of Engineering. To further improve student access, online courses, cyber tutoring, and emporium models of course delivery will be implemented. Hawai'i's newly funded Pre-Engineering Education Collaborative (PEEC) for renewable energy and island sustainability consists of the four O'ahu community colleges, UH Maui College, and the UH Mānoa College of Engineering. Over the next five years, the PEEC will prepare 155 Native Hawaiian students to enter the UH Mānoa College of Engineering.

Traditionally, Windward CC prepared students for STEM jobs through academic subject certificates (ASCs), Certificates of Completion, Certificates of Competence (CO), and ETC-sponsored, short-term non-credit contract training.

However, last year, Windward CC launched a Certificate of Achievement (CA) in veterinary assisting, its first board-approved certificate. In addition to traditional coursework, students also receive hands-on training at 19 clinical locations on O'ahu. These programs and Windward CC's agricultural technology programs form the cornerstone of a plan to more than double Windward CC's degree and certificate offerings in STEM over the next three years. Windward CC submitted a PCR for the development of an associate of science in veterinary technology, a PCR for CAs in plant biotechnology and ethnopharmacognosy, and a CO in plant food production and technology.

Vet Tech is among the five fastest occupational areas nationwide. Hawai'i is one of five states that lacks an AVMA (American Veterinary Medical Association)-

accredited Vet Tech program. Windward CC projections include 15 graduates per year after program maturity in two years.

Supported in part by Dept. of Agriculture grants, Plant Biotechnology students seek to discover why traditional medicinal plants have healing powers. Proposed CAs in plant biotechnology and ethnopharmacognosy, as well as a CO in plant food production and technology, will increase the time students work in the bioprocessing medicinal garden complex and in the lab. Students use a gene sequencer, bio-core machine, and other equipment.

Windward CC is also developing a CO in Sustainable Agriculture, which would include instruction in alternative energy, land-use management, marketing, and traditional Hawaiian practices and values.

Windward CC graduates Dariel Miller, Angie Contero, Stacy Kissell, and Jessica Curry spoke about their experiences while attending Windward CC. After interning, Miller realized the responsibility level expected of vet techs, and thus coming in with experience was beneficial and she felt like she had an advantage over co-workers. Contero was thankful to the program for opening doors because of the hands-on activities offered. She received many compliments from doctors regarding her skills and knowledge. Kissell said the program she was enrolled in expands beyond just its focus and people can move on to other related fields. She is trying to get Associates and Bachelors degrees to be a registered veterinary technician. Curry, a plant biotech graduate, said the program encouraged her to move on to receive her Bachelors degree in microbiology.

**Race to the Top** – Chair Karr asked about the Race to the Top Award that was recently awarded to the State of Hawai'i. President Greenwood said the award to the State is meaningful because it needs the money and it was a tremendous morale booster at a time when the Dept. of Education needed it.

Vice President for Academic Planning & Policy, Linda Johnsrud, said it was an incredible shot in the arm. She did a mock interview with the presentation team before they went to Washington, D.C. and was impressed. She took pleasure that P-20 helped play a role in putting the team together. The effort to build bridges from early childhood through K-12, via higher education, made a difference in the focus and ability to plan strategically. She hopes DOE Interim Superintendant Kathryn Matayoshi can stay in place to implement the grant. They discussed how the grant would help UH, particularly in the teacher preparation program.

Chair Karr said he looked at the statistics and noted Hawai'i wasn't in the running for the first round of grants awarded, and made an improvement of 94 points, or a 27% increase in the second round, and no other State came close. He said it was a tremendous effort by the DOE and UH, and complimented everyone involved.

**V. ITEMS FOR BOARD ACTION – Part A**

**Resolution Honoring UH Mānoa Men's Tennis Team**

Chair Karr reviewed the accomplishments of UH Mānoa's men's tennis team, which won its first Western Athletic Conference regular season title and the WAC Tournament title for the third straight year. They were ranked No. 35 by the Intercollegiate Tennis Association. Also, numerous members received individual honors.

Regent Martinson moved to approve the resolution and Regent Dahilig seconded the motion. The resolution was passed with unanimous approval.

Chair Karr presented coach John Nelson and player Leo Rosenberg with the framed resolution and congratulations.

**Presentation of Biennium Budget Proposed for FY 2012 and FY 2013 (Information Only)**

Vice President for Budget and Finance and Chief Financial Officer, Howard Todo, presented a report on the proposed budget, which covers the period that begins July 1, 2011 and runs through June 30, 2013. Formal action for approval will be sought in a subsequent board meeting. The proposed budget is a collaborative effort and Todo thanked Vice President for Academic Planning & Policy, Linda Johnsrud, Vice President for Community Colleges, John Morton, and Associate Vice President for Capital Improvement Projects, Brian Minaai, and their respective staffs, along with Todo's staff.

The effort began with the Biennium Budget task group appointed by President Greenwood. The group came up with the details for an outcome and performance-based approach. It included representatives from all four-year campuses and community colleges, student caucuses, the ACCFSC (All Campus Council of Faculty Senate Chairs), the Puko'a Council, and VPs Johnsrud and Todo. Each of the campuses put together their PCRs (Program Change Requests), which involved different processes on each campus.

VP Johnsrud, who authored the Budget Policy Paper that was approved in May, said the policy paper provided a context for the building of the budget and general objectives. The State appropriation for the University was reduced by \$46 million and the Governor restricted another \$52 million, for a 21% decrease in general funds for FY 2010. In FY 2011, the cuts were made permanent and more were added, for a reduction of over \$100 million, with an additional \$7.3 million reduced by the Legislature, for a more than 23% decrease in general funds compared to FY 2009.

UH has an all-time high enrollment of 59,976 students to date, and is likely to continue to increase. Executive and faculty wage cuts were put in place, but with no

loss of instructional days. The amount of lecturers was reduced and temporary staff did not have their contracts renewed. Mānoa alone is down by 400 temporary staff members. As a result, the number of classes and support services were reduced, but 95% of the total increase in students is at the community colleges, and VP Morton has the ability to increase classes using increased enrollment funds. This year, all campuses will be closed once again during the Thanksgiving, Christmas, and spring breaks due to wage cuts and energy cost savings.

A major factor that went into planning was that American Recovery and Reinvestment Act (ARRA) funds, or federal stimulus money, will come to an end shortly. UH received a commitment from the Legislature that when ARRA funds do come to an end (the Legislature previously cut the budget and filled it in with ARRA funds), it will restore what it substituted with ARRA money. Another factor was the UHPA contract. In the current six-year contract, salary cuts will eventually be reinstated. Also, salaries of other bargaining units are yet to be determined.

UH is closing in on the end of a six-year tuition schedule. The last year of the scheduled increases will be the first year of the next biennium budget, 2011-12. The next round of tuition hearings have started. VP Johnsrud met with UH Mānoa leadership the previous week to start talking about where they are relative to their peers, which peers they want to look at, and whether it is flagships nationally and/or competitors for students. They are looking at a couple of different models and later this Fall will bring a proposal and take it out for public hearings, with the hope for something concrete in the Spring. With one year's notice, students and families have more time to prepare.

The budget is also dependent upon Council on Revenues Projections. As of the May 27, 2010 meeting, projections increased from 6.0% to 6.2%. In the first year of FY 2011-12, there's a projected increase of 5.8%, and in FY 2012-13, there's a 5.7% projected increase. Further, the Governor may restrict spending depending on subsequent Council of Revenues projections.

In June 2002, the Board of Regents adopted the current System Strategic Plan, which was "Entering the University's Second Century, 2002-2010." In 2007-08, the current strategic plan went out to the community and campuses for input. As a result, UH reaffirmed the plan and decided to tighten it up and focus on strategic outcomes instead of doing an entirely new plan, thus extending it to 2015. The idea was for UH to give itself time to meet its strategic goals. VP Johnsrud was pleased when President Greenwood came in and said there's no reason to redo the strategic plan. They might tweak it, but they had the focus, and thus they should move forward.

There are five strategic outcomes and 10 performance measures. UH established baseline data, with a first update in January 2010 based on 2009 outcomes. In January 2011, there will be another update based on 2010 outcomes.



When President Greenwood gave her address to the Joint Session of the Hawai'i State Legislature this past session, she focused on three initiatives.

The first initiative is the Hawai'i Graduation Initiative, whose goal is to increase the number of undergraduate, graduate, and professional degrees and certificates by 25% between 2008 and 2015.

The second initiative is Workforce Development and Technology Advancement, which focuses on workforce shortages. UH is focusing on math because it is currently a barrier to students, and on areas that need more graduates, such as the Science, Technology, Engineering, and Math (STEM) fields. The more you can get students interested in STEM areas early on, the more likely you are to get them into teaching those areas. As part of this initiative, President Greenwood has created the President's Advisory Council on Innovation and Knowledge Transfer that she initiated with people throughout the U.S. that are looking at UH and Hawai'i for areas of potential growth to help diversify the State's economy.

The third initiative is Project Renovate to Innovate, a Capital Improvement Project (CIP) program. UH can't execute the other two initiatives unless there's an infrastructure to support those efforts.

VP Todo spoke about the Biennium Budget development strategy. The task group wanted to come up with a realistic budget that recognized the financial condition of the State. It wanted to provide concrete plans for strategic growth and ask the State to invest in the plans. It wanted its priorities to be grounded in the strategic outcomes, specifically President Greenwood's three initiatives. The Hawai'i Graduation Initiative took a strong outcome-based funding approach. For Workforce Development and Technology Advancement, PCRs (Program Change Requests) were specific requests from each campus. With respect to Project Renovate to Innovate, it was CIP projects.

Vice President for Community Colleges, John Morton, discussed outcome-based funding. He said previously the Board would have received PCRs for individual requests (i.e., a new English professor, counselor, janitor, etc.). Act 188, which was adopted by the Legislature two years ago, asked UH to come up with a different way to approach a budget and PCRs that focused more on outcomes and enrollment. That idea is increasingly becoming a part of state systems of higher education. A few principles were recommended that they wanted to adopt: keep it simple, keep it focused on what you want to accomplish (people do respond to incentives), and make it worth it (that the amount of incentives be sufficient for people to want to invest). Evidence shows that the initiatives need to be about 3-5% of the budget to have an impact.

The task force wanted to increase the numbers of degrees and certificates issued and move students to the baccalaureate programs from community colleges by rewarding both. Regent Rasmussen asked if they counted AA degrees as part of



overall degrees, and VP Morton responded in the affirmative. Per VP Morton, if students obtain an AA degree and then transfer and obtain a bachelors degree, they get counted twice.

The task group also introduced over-weights. Campuses would receive bonuses for certain groups (Native Hawaiian graduates, STEM graduates, PELL recipients, and low-income students). By focusing on PELL, UH gets students to take advantage of the PELL program. There's a lot of federal money available for students, and thus we need to encourage them to apply for it. \$62 million in federal financial aid was distributed to UH students two weeks ago.

VP Morton continued on with enrollment funding. There are two ways to improve graduation rates. You can keep the same rate and have more people enroll, or keep the same number of people and improve your rate. How do you support growth as it occurs? Here, they used actual numbers as the base. Fall 2009 is the base for Fall 2010. Fall 2010 will be the base for Fall 2011.

VP Morton continued by giving examples of targets. The presentation was broken down by FYs 2012 and 2013 and by campus: Mānoa, Hilo, West O'ahu, and the community colleges. Mānoa was the only campus to break it down between graduate and undergraduate degrees. Vice Chair Hirota asked if there was any incentive to surpass the targets. VP Morton replied in the negative, except that it will be easier to hit the target in the following year. That is why they refer back to the original baseline. In the given year, you get the money based on your ability to reach or exceed the target. There is also no payoff to do well in one year but badly in another. If you want to get everything, then you have to meet or exceed your target in each of the categories. Each campus is different, reflecting the respective missions for each. If the Legislature accepts this performance-based funding, there is \$10 million on the table, and each campus receives a share.

Vice Chair Hirota questioned and VP Morton clarified that if a campus achieved one target (i.e. the graduation rate) and none of the others, then it would receive only that percentage of the money and the remaining money would revert back to the State.

The Legislature passed Act 188, but has no obligation to accept the proposal or fund it. In the past, UH would have requested money, but with line item requests. This proposal is based on the outcomes the State needs and the Board agrees to, and the actual accomplishments of those outcomes. Money would become available for UH to use to hire staff or anything else. The idea is that UH would use the money and reinvest it to achieve the next target.

Chair Karr asked that if the Legislature says no, is there alternative funding? VP Morton said that if there wasn't a \$100 million budget cut, then he would recommend carving out a reallocation fund equal to the proposal, but having the cut makes it difficult to cut out additional funds for reallocation.

Regent Rasmussen asked how UH would ensure that it wouldn't turn into a diploma mill to hit targets. VP Morton said there were several quality controls, including the faculty and accreditation. Additionally, degrees and certificates have to be Board approved. Regent Martinson noted that another quality control measure is articulation to the workforce, as well as attractiveness to employers. Also, technical graduates have to pass licensing tests.

President Greenwood said if the proposal worked, in subsequent budgets they could add additional incentives for being above target. But this time around, they wanted targets that they could realistically achieve.

Chair Karr asked if a unit exceeded the target amount of the second year, would they get the all of the money in the first year (for both the first and second years). VP Morton said no, because the money is not available. However, adjustments can be made in the future.

Regent Rasmussen asked if the community colleges were figured separately or as one system, and VP Morton explained that the budget for the community colleges is, by law, done as a single entity, and it becomes his decision how money is distributed amongst the community colleges.

If schools continue to maintain the outcomes, the money is built into the base budget. If you got the 3% boost in your budget, and you lost it all the next year because you went way down in your measures, you would lose the money. You must continue to sustain outcomes to keep the money.

Chair Karr asked that one slide be corrected (Outcome Based Funding, Hilo. Target FY 2013, from 649 to 679).

VP Morton then covered some of the other campuses and their targets.

Regent Lee wanted to know how they allocated the available amounts between the colleges. VP Morton replied that the percentage of general funds that the institution currently receives is the same percentage applied to the proposed budget.

VP Todo went over Program Change Requests (PCRs). The goal is to advance workforce development, identify and develop innovations and technologies to advance the state's economy, build the state's capacity for growth and development, and assist in diversifying the economy. As they evaluated the criteria, they would look at the alignment with strategic outcomes, the likelihood for realizing significant progress, be grounded in program review and improvement, and see measurable results, with extra credit for creative, collaborative and entrepreneurial thinking. They wanted people to leverage system-wide sharing of programs, projects, and/or personnel. Each campus came up with their PCRs, which were given to the Biennium

Budget task group. The task group wanted about two-thirds of the budget to go towards outcome-based funding. The other one-third was for the PCRs.

VP Todo then went over the summary of PCR requests for some of the campuses.

Chair Karr questioned the request for adding one body for about \$600,000 a year for Mānoa's request to establish a University of Hawai'i Innovations and Technology Transfer Program. Chancellor Hinshaw said that part of the money requested is for one person to coordinate and find ideas that would be appropriate for generating technology transfer. However, the bulk of the money will be used to invest in those programs. A committee of entrepreneurs will guide the program selection and further invest in those programs if they look promising. The goal is to get technology transfer out into the community and stimulate that kind of activity. It would be internal funding.

President Greenwood pointed out that a number of the PCRs are directed toward the strategic goals and they are quite innovative when you read the proposals themselves. Chancellor Hinshaw added that they focused on a lot of cross-system activity to maximize what they were all doing. The engineering consortium kind of surprised people because they were asking for resources for other campuses at the community colleges so that they could help with the pre-engineering program to get students into the UH Mānoa program. It was system-wide activity with dollars going into the system itself as well.

Chancellor Hinshaw said that they also focused on Native Hawaiian programs and people, and converted some positions from temporary to permanent because when long-term programs are successful, you want to get them institutionalized. That was another focus, particularly in the proposal for the John A. Burns School of Medicine.

VP Todo summarized the other campuses and UH system-wide programs, focusing on the President's Initiatives. First, statewide institutionalization of Na Pua Noeau, the program that helps Native Hawaiian children with an effective transition from high school to college, has been successful at getting Native Hawaiian students into the UH system. Although it is based at UH Hilo, the program will help the entire UH system. Secondly, reduction of the University maintenance backlog and ongoing capital renewal needs focuses on CIP and deferred maintenance projects. They are asking for money from the Legislature and are getting bond revenue funds to do so, but also need the resources to push these funds through the system, which means more personnel. Chair Karr wanted to know if once the deferred maintenance projects are at a manageable level, does UH need to maintain the number of positions and dollar amount. AVP Minaai said the 11 positions address the annual capital renewal requirements needed to keep the campus from going into backlog. The plan is to bring in third-party consultants and contractors for backlog projects. Once the backlog is eliminated, the contracts are eliminated. Third, UH West O'ahu's

campus is being built and expanded but is still small. Since enrollment funding is based on how much campuses receive now, it will be hard for them to grow based on that formula. This needs to be taken into account when determining UH West Oahu's funding needs. Finally, they are asking the Legislature for more money to fund the Office of Mauna Kea Management.

AVP Minaai spoke about using CIP funds for Project Renovate to Innovate, general obligation funds to finance the backlog, capital requirements for each campus, and revenue bonds to finance innovative modernization projects. He went over a system-wide summary of projects. The strategy for deferred maintenance is to address the backlog in six years. There is approximately \$330 million in system-wide backlog.

AVP Minaai then went over the specific details of Project Renovate to Innovate, Major CIP Projects – Shovel Ready, financially leveraged projects, and various planning and design projects. For the proposed Biennium Budget, the total amount requested is \$719.5 million. In the current Biennium Budget, UH received \$713 million after requesting \$738 million. In 2007-2009, the request was \$698 million and they were appropriated \$566 million.

UH Mānoa receives 56% of the budgeted amount, which is skewed higher because most of the backlog is on that campus. UH Hilo is 21%, and community colleges are about 22.5%. AVP Minaai said that he doesn't have the individual requests of the campuses posted, but will work on getting them posted. He then summarized the project funding requests of the campuses.

Regent Baxa wanted to know if other underprivileged students would be included in any category for the performance-based funding, along with Native Hawaiians, who have their own category. VP Todo said each of the campuses included Native Hawaiians and other minority groups. There are items in the PCRs that are not only for Native Hawaiians, but other groups as well. President Greenwood added that, in performance-based funding, one of the indicators is PELL recipients, a surrogate measure for underserved, underprivileged students. Therefore, there is an incentive to improve enrollment, graduation, and acquisition of PELL funds. It's a way of identifying other groups of underserved students who are also economically underprivileged. It isn't identified by ethnic group, but by disadvantaged students. Regent Baxa said that he didn't want them separated by ethnicity, but was concerned about the disadvantaged students and wanted to be sure that they were being taken care of. President Greenwood said that is why UH is using PELL eligibility, because they don't survey students for economic background. They are working hard to get students eligible for PELL grants because it helps to identify them and helps them get the money to be able to afford their education. VP Todo said that for the PCRs, the task group paid attention to the measures and how they would know they reached the outcomes in the requests. Also, a number of requests were broken down not just by students, but by Native Hawaiian and underprivileged students.

Regent Dahilig asked about the State's cost share per classified resident students and if it was always the same percentage per campus. VP Todo said the percentages are not policy, but are general guidelines. In discussions about the previous tuition schedule, the thought was that Mānoa should be about 50% funded through tuition and community colleges should be funded about 75% through tuition.

President Greenwood thanked the team and campuses. The biennium budget proposal is a new approach that is consistent with UH's goals and strategic plan. Also, the proposed budget is an opportunity to explain to the Legislature what UH is doing and why it is a performing organization that is not afraid of being held accountable for outcomes. It wants to be practical and reasonable because institutions do take time to change and UH doesn't want to over-incentivize and end up with unintended consequences. The changes, compared to the overall budget, are relatively small but moving in the right direction. She hopes the Regents will not only approve it but overwhelmingly endorse it.

Chair Karr echoed President Greenwood's compliments, adding the current budget proposal was a much more detailed presentation than he has seen before, with achievable goals that are quantifiable.

**Approval of Supplemental Resolution Authorizing the Issuance of Revenue Bonds for University Projects in an Amount Not to Exceed \$335,529,000**

VP Todo said the bond underwriters from Bank of America and Merrill Lynch, Frank Lauterbur and Craig Dussinger, along with their legal counsel, Brian Hirai, were present to answer any questions.

VP Todo said that there are two ways to get the authority to issue revenue bonds. Historically, the Legislature will appropriate specific projects in the CIP budget and identify it as revenue bonds. The other way, done more recently, is UH is given general authorization to issue bonds in specific maximum amounts for general University projects. That was done to move projects along in a shorter amount of time.

Under the current proposal, a portion of the bonds will be Build America Bonds, a new form of taxable bonds that receive a subsidy (35%) from the government. The legislation ceases in December 2010. Congress is likely to renew it, but at a lower subsidy. Therefore, UH wants to move fast to get the best rate.

The Legislature and Governor have already given approval to issue revenue bonds for certain CIP projects. The first is the Cancer Research Center (\$180.397 million), which may cost closer to \$140 million, but UH wants flexibility. The second is the UH Mānoa Campus Center (\$28 million), which the students voted to support financially with a portion of the Student Activity fee. The third is the Information Technology Building (\$28.132 million), which will serve the whole system and certain State functions. This building will house the computer that is the gateway for the

State to the Internet. It will give UH a secure building in case of a flood, which nearly threatened the department before, and will consolidate IT, which is now all over the Mānoa campus. There is also a \$100 million general bonding authority that the Legislature approved. Listed separately was \$125 million worth of projects, and whichever projects are ready to go will get a portion of the \$100 million in general bonds.

VP Todo is requesting the Board to approve the supplemental resolution, which is a legal document that allows UH to issue the bonds for its various construction projects.

Regent Dahilig questioned the \$14 million bond request for Mānoa's Edmonson Hall renovations, which was included in the proposed Biennium Budget for \$14 million as well. VP Todo said it was on both because it gives them flexibility to use the revenue bonds for that project if necessary because it's Mānoa's highest priority project.

Regent Rasmussen wanted to know if besides the cigarette tax money, is the revenue that the University generates the bond collateral. VP Todo said that each project has an internal source of repayment or means of being repaid. Regent Rasmussen asked if they are satisfied with their ability to repay the debt. VP Todo answered affirmatively. The campuses have to pay for the debt service once the bonds are issued. President Greenwood said that the campuses also have to satisfy bond counsel. VP Todo indicated that a lot of other universities fund their CIP projects in this manor.

Regent Martinson wanted to know where interest rates are now. Frank Lauterbur said that the timing looks fortuitous because they are nearing 30-year lows in terms of municipal borrowing rates. On the tax-exempt side, it hit a 29-year low the previous week, and rates are still close to that. Build America Bonds provide exceptionally low interest rates. However, there are a few weeks until UH can potentially sell the bonds, so there are no guarantees as to the contracted interest rate.

Regent Rasmussen wanted to know when they would be rated. Lauterbur said that they held meetings in Honolulu the previous week with the three major bond rating agencies: Fitch, Moody's, and Standard and Poor's. UH staff made presentations and were very successful. Lauterbur anticipated that the ratings would be received by September 9 and that they would post an offering statement the following day. President Greenwood was present at all of the presentations, something the rating agencies specifically noted because that is uncommon, but was greatly appreciated. President Greenwood agreed that the presentations were successful.

Chair Karr wanted to know the underwriter fee. Lauterbur said that it was a commission on the bonds, which is a dollar amount per every \$1,000 dollars that is issued. It ranges from a certain amount on the earliest maturity, so on the tax-exempt



bond it ranges from \$1.25 to \$5 per bond. On the Build America bonds, the fee is \$6.25 per bond on the longer end and less on the shorter end. There is a management fee as well on the transaction. Chair Karr asked if that was a weighted fee, and Lauterbur said that it depended on where Build America Bonds are sold and where the tax exempt bonds are sold, but right now the taxes on the bond market are extremely strong so it's possible that they will sell more tax-exempt bonds than Build America Bonds. Tax-exempt bonds do have a lower fee because they are more common and easier to sell. Lauterbur said that in the current situation, the fee is around \$5.75 to \$5.80 per \$1,000 dollars for the total issue.

Upon motion by Regent Dahilig and second by Regent Rasmussen, the Board unanimously approved the resolution.

**Request for Approval of the New University of Hawai'i Cancer Research Center of Hawai'i Construction Project and Amendment to Memorandum of Agreement with and Service Order to RCUH on the Development of the New CRCH Project**

AVP Minaai requested that the Board approve the project per Board policy on contracts more than \$1 million, to increase available funding, and to make amendments to the service order. He added that for the funding, they used 5% and not the 4% projected by the bond underwriters, so they have some flexibility.

Chair Karr said that there were legal issues that need to be discussed regarding the Cancer Research Center, and therefore asked that the Board convene in Executive Session to discuss these matters.

**VI. EXECUTIVE SESSION**

Upon motion by Regent Rasmussen and second by Regent Lee, the Board unanimously approved convening in executive session, pursuant to HRS §92-5(a)(2)(3)(4). The Board convened in executive session at 12:15 p.m. and reconvened in public session at 3 p.m. following a motion to come out of executive session by Regent Dahilig and second by Regent Lee, which was unanimously approved.

**VII. ITEMS FOR BOARD ACTION – Part B**

**Approval of the New University of Hawai'i Cancer Research Center of Hawai'i Construction Project and Amendment to Memorandum of Agreement with and Service Order to RCUH on the Development of the New CRCH Project**

AVP Minaai requested that the Board approve the CRCH item request and include an amendment that authorizes up to \$140 million in bond funding.

Regent Martinson recused himself from the voting. Upon motion by Regent dela Peña and second by Regent Lee, the Board unanimously approved the requested item and the related amendment, as noted above.



**VIII. APPROVAL OF PERSONNEL ACTIONS [Attachment B1]**

President Greenwood requested to the Board that David Lonborg be approved as the Assistant to the Senior Executive in the Office of the President.

President Greenwood commended James Nishimoto, the outgoing Assistant to the Senior Executive in the Office of the President, for the extraordinary service that he provided to the University and her. She requested a commendation of the Board for his service. The Board applauded Nishimoto. Regent Carlson moved and Regent Rasmussen seconded the motion for commendation regarding Nishimoto, which was unanimously approved.

Vice President for Legal Affairs and University General Counsel, Darolyn Lendio, expressed her gratitude to Lonborg and wished him well. The University General Counsel's office will have big shoes to fill and Lendio thanked Lonborg for his outstanding legal work.

Secretary Amemiya asked the Board to approve Leila Wai as the Interim Executive Assistant to the Board of Regents. Amemiya noted Wai's background, including as a sports writer at The Honolulu Advertiser.

Upon motion by Regent Martinson and second by Regent Dias, the positions of Lonborg, Wai, and Stephen Worchel, a professor in the UH Hilo College of Arts and Sciences who was slated to receive Emeritus status, were unanimously approved by the Board.

**IX. ANNOUNCEMENT**

Chair Karr announced the next meeting is scheduled for September 16, 2010, at Kapi'olani Community College at 9:00 a.m.

**X. ADJOURNMENT**

There being no further business, on the motion of Regent Lee and second by Regent Dahilig, and with unanimous approval, the meeting was adjourned at 3:15 p.m.

Respectfully Submitted,



Keith Y. Amemiya  
Interim Executive Administrator and  
Secretary of the Board of Regents