I. CALL TO ORDER

Committee Chair Eugene Bal, called the meeting to order at 9:04 a.m. on Thursday, October 1, 2015, at the University of Hawai‘i at Mānoa, Information Technology Building, 1st Floor Conference Room 105A, 2420 Correa Road, Honolulu, Hawai‘i 96822.

Committee members in attendance: Committee Chair Eugene Bal; Committee Vice Chair Jan Sullivan; Regent Ben Kudo; Regent Coralie Matayoshi; Regent Barry Mizuno.

Others in attendance: Board Chair Randy Moore; Regent Wayne Higaki; Regent Lee Putnam; Regent Michelle Tagorda; Regent Stanford Yuen; Regent Ernest Wilson (ex officio committee members); President David Lassner; Vice President for Community Colleges John Morton; Vice President for Legal Affairs and University General Counsel Carrie Okinaga; Vice President for Research Vassilis Syrmos; Vice President for Information Technology Garrett Yoshimi; Vice President for Budget and Finance/Chief Financial Officer Kalbert Young; Executive Administrator and Secretary of the Board of Regents Cynthia Quinn; and others as noted.

II. APPROVAL OF THE MINUTES OF SEPTEMBER 2, 2015 MEETING

The amended minutes of the September 2, 2015 meeting were distributed at the meeting. Regent Mizuno moved to approve the minutes of the September 2, 2015 meeting, as amended, Committee Vice Chair Sullivan seconded the motion, and the motion carried unanimously.

III. PUBLIC COMMENT PERIOD

Committee Chair Bal announced that the Board Office received no written testimony, and no individuals signed up to testify.

IV. AGENDA ITEMS

A. Discuss Amendments to RP 12.207, Research Corporation of the University of Hawai‘i (RCUH)

Committee Chair Bal noted that at the last meeting the committee went through a series of regents’ policies and recommended modifications, but deferred RP 12.207 due to time constraints and in anticipation of significant presentation and discussion associated with this policy.
VP Syrmos provided a presentation on the history of the regents policy for service orders to RCUH; current text of the policy; key dates; the historical context of subsequent amendments to date of board policy; ramifications; and proposed revision to current board policy and the effect of that revision. The proposed revision clarifies definitions and threshold limits for institutional (non extramural) funding service orders.

The committee asked for the specific purpose and function of RCUH in relation to the university and how Capital Improvement Projects (CIP) and Repairs & Maintenance (R&M) fell under that. VP Syrmos responded that the purpose was broadly defined in statute as being “In support of research and training programs for the University of Hawai'i.” RCUH completed construction of the John A. Burns School of Medicine (JABSOM) on time and on budget utilizing its processes that were more efficient that processes UH had to follow, and there were adequate safeguards in place. However, UH now has better more efficient processes in place, with the ability to do the work itself. President Lassner noted that RCUH was formed in 1965, a time when the state recognized the opportunity for Research I universities like UHM to be of great service to the state. The broad statutory language created tension for some time. Fundamentally, RCUH offers significantly more flexibility in processes than the university (e.g., state procurement code, civil service and employment regulations), which makes procurement more agile and the ability to hire specialized individuals with job skills in a nationally competitive market more quickly, and not necessarily for long term periods. For example, RCUH participates in TIAA-CREF and there is no vesting requirement.

The committee noted the executive policies should work hand-in-hand with the board policies, and asked in terms of CIP, what was the executive policy regarding deciding whether a project goes through UH vs. RCUH. President Lassner explained that the current standard practice is for all extramural funds to be service ordered to RCUH, and follows a process that requires explanation of the relevance to research and training, how the funds will be used, the purpose, the length of time, and approval by both the dean and the Vice Chancellor for Research. Discussions are underway with the Executive Director of RCUH to improve streamlining the process utilizing online systems, and more efficient, and clearer procedures in terms of what projects RCUH accepts. In the past, the construction of UH-West O‘ahu was an example of a problematic decision because the project was funded with institutional funds but went through RCUH. However, now, projects involving institutional funds would not be sent to RCUH unless there was some reason deeming it necessary, in which case board approval would be required due to the size and scope of the project. For example, RCUH would not accept the new Snyder replacement project. There is serious concern when UH attempts to use RCUH in ways not consistent with its purpose, that endanger RCUH and its flexibility; so there is high motivation to preserve RCUH and its primary mission.

The committee asked questions regarding the percentage of researchers at UH that were actually RCUH employees, if employment terminates when extramural funding ends, how many individuals hired for research are actually tenured, and what was the policy for hiring individuals on a temporary basis to do research. VP Syrmos responded that no faculty members are RCUH employees, but there are PhDs tasked to a specific project and their employment is dependent on their performance and the particular grant. There are approximately 3,000 employees connected to extramural funds, including
technical and laboratory personnel. When funding ends, the researcher may get another similar grant, move personnel to the other grant, or the researcher may get a different grant. President Lassner noted there are no tenure or reemployment rights at RCUH. Only Research (R) faculty have tenure. No R faculty are employed by RCUH. When hiring researchers on institutional funds, there is a set of obligations for the state and the institution to put them on tenure track. Those funds are not sent over to RCUH to hire those researchers in non-secure, non-tenure track positions. This policy does not support sending state money to RCUH to avoid creating obligations. There is another set of ways to do that which may require a broader discussion about R faculty with the Committee on Personnel Affairs.

The committee asked whether RCUH followed federal procurement requirements regarding the acquisition of goods and services and CIP. President Lassner responded that RCUH has procurement policies compliant with federal requirements and undergoes annual audits.

The committee asked about compatibility of the RCUH financial management system with the university financial management system, and if the university received reports on RCUH expenditures of extramural funds. VP Syrmos responded that RCUH has a website containing financial information, and is audited every fiscal year. In terms of extramural funds, there is a program called FREDI that updates everything nightly between the two financial systems. Discussions are being held with RCUH to do something similar for non-extramural funds.

The committee noted the need to get a full picture of all sources of funds. VP Syrmos commented that there are institutional funds at RCUH that are not included in the quarterly financial reports the board receives, and administration is looking at ways to integrate that part of the finances into the university’s finances. President Lassner added that these funds were included in the consolidated annual audit; the extramural funds expended through RCUH show up in federal accounts every night, but the board does not currently see which dollars of the total extramural funds are expended through UH and RCUH.

Regarding RCUH efforts to convert to KFS, RCUH is currently going through a full modernization of their financial system, but it is not as coordinated with KFS as administration would prefer. However, it was noted that the RCUH has been significantly changed to decrease UH’s oversight and control of RCUH.

The committee requested that administration ensure alignment of board policies with executive policies to implement safeguards and proper monitoring, and consistency with all policies affecting RCUH. Administration will make amendments accordingly for presentation at the next committee meeting, and subsequent consultation with the UHM Faculty Senate and the unions.

B. Status Report Regarding Facilities & Administrative (F&A) Cost Rates

Yaa-Yin Fong, Director of the Office of Research Services, provided a presentation on F&A Costs Rate; purpose, formula; last 5 negotiated cycles for UHM F&A rates; last 3
negotiated cycles for Kakaako F&A rates; the percentage increase in rates; average rate increase by region; planning and preparing for rate negotiations; primary reasons for rate increases in Fiscal Year 2011; not permitted or “corrections” made by the Health & Human Services Region negotiators; greatest impact areas; timeline for negotiations; key factors that impact UH rates; questions for extension; peer rate comparison; and examples of cost impact (buildings or major renovations).

Administration plans to focus on the areas that have the greatest impact including those that expand research infrastructure, and consider research CIP in the future to merit a rate increase. Specifically, the plan for greatest impact is to focus on non-capitalized repairs in research intensive buildings, inventory fixed equipment in research intensive buildings, update and extend the space survey, plan for vacant and new research space, and update electrical meters for better accounting of costs. Administrative costs are near or at the cap.

The committee applauded efforts to increase the F&A costs rate, but was concerned about how the monies were being spent, what percentage is budget relieving, and possibilities to use some of the RTRF funds for a green revolving fund to invest in energy efficient projects that would save money. VP Syrmos responded that the Indirect Cost Rate (IDC) rate fluctuates. Research must be extramurally funded. IDC and the source of funding are two different matters. Expenditures by the Office of the VP for Research and the VC for Research at UHM are shown on their websites. Deans and Directors have certain rules for distribution of RTRF, generally to support research and get more research funds. President Lassner noted that one of the changes made under the leadership of the Budget & Finance Committee is the operating budget shows down to the college level the estimated RTRF and how it is spent on personnel or other expenses. It is not on a project basis nor does it indicate if it is budget relieving. VP Syrmos noted that there is no direct investment of RTRF for energy savings, but will take it under consideration. RTRF funds were contributed to UHM a couple of years ago when the utility cost spiked.

The committee noted is appears that UH’s recovery rates may be extremely low as a result of costs not being accurately captured; asked what was the rationale in separating Kakaako from the rest of the campus and whether doing so benefited the campus/system as a whole; and if there was a larger strategy for the overhead rate recovery. Administration explained that currently RTRF is not used to pay the campuses’ utility costs. The Kakaako campus is likely separate as a higher IDC can be captured with a new campus with new buildings. The Department of Human Services prefers one rate, so other campuses except Kakaako, use UHM’s rate and are included in UHM’s calculation, because individually they do not generate enough base to have their own rate. The current strategy is to invest real CIP money on extramurally funded research programs. The Pacific Ocean Science & Technology (POST) building and the Center for Microbial Oceanography: Research & Education (C-More) Hale, which was built in 2011/2012, were the last CIP investments for extramurally funded research.

The committee commented on the need for specifics on a proactive strategy informing the board where administration will put its efforts in the next 10 months to justify its plans.
to increase the overhead recovery rate. Administration noted that the target is to get the rate near 45%, and President Lassner confirmed that more specifics would be provided.

C. Update on Applied Research Laboratory (ARL) Goals and Targets

VP Syrmos provided a presentation on background information on the ARL at UH and the University Affiliated Research Center (UARC); the strategic relationships & roles; funding comparisons for Fiscal Year 2009; the Core Competencies of the ARL at UH; the contract vehicle for; and historical funding received to date. Most of the ARL activity is with the Navy on a sole source basis. Most are more applied research than basic research in alignment with core competencies. The ARL has achieved self-sufficiency and plans to expand its services.

The committee inquired as to contracts with other armed services, such as the Army. VP Syrmos responded that the UARC is not limited to a certain branch of service. For the first five years, the majority of work at the Navy UARC came from the Army. The committee asked about addressing negative perceptions that UARCs were associated too closely with the military by emphasizing the widespread application of the types of research currently being done. Administration explained the various efforts in community outreach to garner more support and inform the community on the good work being done, including outreach to the Pacific Command (PACOM). The committee requested to have periodic status reports on activities and efforts to increase participation from the military.

V. ADJOURNMENT

There being no further business, on the motion of Regent Matayoshi and seconded by Committee Vice Chair Sullivan, with unanimous approval, the meeting was adjourned at 10:31 a.m.

Respectfully Submitted,

/S/

Cynthia Quinn
Executive Administrator and
Secretary of the Board of Regents