

**Report of the University of Hawai'i System Office
to the Western Association of Schools and Colleges
Accrediting Commission for Senior Colleges and Universities
February 2004**

This is a report of the University of Hawai'i in preparation for the March 14-16, 2004 WASC Senior College Commission visit to the University's System Office. As specified in the WASC action letter of July 1, 2003 to UH President Evan Dobbelle, this visit was scheduled as "a follow-up review...to learn about steps underway to address the issues identified in this letter." That letter highlighted issues in five major categories:

- System Organization and Infrastructure
- External and Internal Governance
- Budgeting and Resource Allocation
- Strategic Planning
- The West O'ahu Campus

Again as stated in the action letter, "The Commission noted that, while the original review of the System Office was arranged at your request, the issues identified in this letter have a significant impact on the accreditation of each of the senior-level campuses. Thus the follow-up review will be important to establish a better foundation for the Commission for actions it will take as each of the three senior level campuses comes up for review in the next several years."

Background for the Initial System Office Visit in March, 2003

Prior to the arrival of Evan Dobbelle as President on July 1, 2001, the System level of the University was blended with the administration of the UH-Mānoa campus with the President of the UH System also serving as Chancellor of the UH-Mānoa campus. In spring 2001 the University of Hawai'i Board of Regents unanimously approved a proposal that directed the President to create a System level administration and a separate UH-Mānoa Chancellorship. The latter activities were accomplished during the academic year 2001-2002. After a national search, a permanent Chancellor took office August 1, 2002.

Much of the calendar year 2002 was occupied with the complex process of research, consultation, planning and proposing the new UH System Office organization. This was approved by the Board of Regents in December 2002.

By agreement with the Accrediting Commission for Community Colleges and Junior Colleges (ACCJC), the full implementation of this reorganization was delayed pending substantive change approval by that body. ACCJC's interest was focused primarily on assessing the consequences of abolishing the Office of the Chancellor for Community Colleges as a sub-system entity and the

transformation of each of the seven Community College Provosts to the rank of Chancellor. Approval was received from ACCJC in late spring, 2003 and implementation of the reorganization proceeded at a more rapid pace, including the completion by mid-year of national searches for two key positions in the UH System Office, Vice President for Academic Affairs and Chief of Staff.

The WASC Senior College Commission System Office visit took place in March 2003, in conjunction with a Special Visit review at UH-Mānoa and normal cycle Preparatory visits at UH-Hilo and UH-West O'ahu.

The System Office Special Visit arose out of a joint Memorandum of Understanding between the University and WASC in February, 2002. The agreed-upon Scope of Review of the March 2003 System Office visit identified five purposes:

- Provide background data in support of separate campus accreditation reviews;
- Identify the emerging vision for UH, current and future priorities as a context for campus reviews;
- Review system-level governance and administration as a context for campus reviews;
- Provide evaluative feedback from the reviewers on plans, resources, and directions of the System Office; and
- Respond to special issues identified by the System Office in its self-review.

This experiment in strategic consultation was conducted in an effort to apply the learning-focused model of the new WASC standards to an appraisal of the new UH System Office, recognizing that the WASC Senior Commission has no standards specific to systems (as does ACCJC). The underlying value to both parties to the review was an opportunity to better understand (with an eye to continual improvement) the working of the UH System Office, especially as system level activities influenced campus level operations.

At the time of the WASC System Office Special Visit in March 2003, the implementation of the reorganization had just begun and some uncertainty still surrounded the endeavor. Further, the Team Report also expressed concern over the projected departure of some individuals who had been central to the operation of the former organizational arrangement.

Framing the Report: Responding to this concern, we begin the Report with a brief synopsis of personnel changes that have taken place since March 2003 to provide this year's Special Visit Team with a sense of the current leadership in the UH System Office. Next, we provide a response to each of the issues highlighted in the Commission letter. We conclude with a section that assesses the current status of the implementation of the reorganization and addresses ongoing issues.

The Special Visit Team Report noted “The UH is to be commended for conducting an open, inclusive and exciting strategic planning process.” As noted in President Dobbelle’s supplemental budget testimony before the Legislature in January 2004 for the second year of the current biennium (copy attached, with supplemental budget spreadsheet), we have now moved with vigor and purpose into the execution and implementation phase. We trust that the responses below reflect our sustained commitment to this ongoing enterprise.

Current Leadership in the UH System Office

The Commission letter emphasized the need for a clearer role definition for senior management positions and greater clarity in the relationships of the vice president positions to each other and with the campuses. During the ensuing year, as part of the implementation of the reorganization, numerous personnel changes have been effected. These leadership changes have been critical to providing substance to the structure that was put in place as an organizational concept. As the offices headed by these new incumbents have developed, various actions, noted below in subsequent sections, have been taken to institutionalize their relationships with other parts of the administrative structure.

Those who have taken up new positions in the UH System Office since the March 2003 team visit include:

Dr. David McClain, since 2000 dean and First Hawaiian Bank Professor of Leadership and Management at the College of Business Administration at UH Mānoa and during the spring of 2003 also the interim Vice President for Research, was named Vice President for Academic Affairs, the chief academic officer of the 10-campus System in July 2003. McClain joined the University of Hawai‘i in an endowed chair after a decade at Boston University, where he chaired the finance department and launched BU’s programs in Japan. Prior to that he worked on the senior staff of President Carter’s Council of Economic Advisers, and served as a senior executive with a prominent multinational consulting firm.

Sam Callejo, formerly Director of Capital Improvements, was appointed in July 2003 to the position of Chief of Staff, newly created by the reorganization. The Chief of Staff serves as the chief nonacademic officer of the System. Mr. Callejo previously served as chief of staff to the Governor of the State of Hawai‘i, where he managed nearly a score of state government departments and coordinated with UH and the Department of Education on behalf of the Governor. Mr. Callejo has also served as Comptroller of the State of Hawai‘i, as Deputy Managing Director of the City and County of Honolulu, and has had a successful private sector career as head of his own engineering firm.

Dr. Jim Gaines was appointed in September 2003 as Interim Vice President for Research, a position created by the reorganization and occupied previously by David McClain. He had previously served as Senior Advisor to the UH-Mānoa Chancellor on research matters. After a distinguished career at Ohio State University spanning a quarter of a century, Dr. Gaines joined the University of Hawai'i at Mānoa's physics department in 1987, and has served as its chair for several terms.

Dr. Linda Johnsrud, professor of higher education management in the College of Education at UH-Mānoa and a member of the UH faculty for more than 15 years, was appointed as of September 2003 as Interim Associate Vice President for Planning and Policy, reporting to the Vice President of Academic Affairs. In addition to overseeing the production and reporting of data on the UH educational enterprise, Dr. Johnsrud's assignments have included extensive involvement with UH-West O'ahu in its preparation for its Special Visit, held in December 2003.

Jan Yokota, formerly Executive Director of the Honolulu Community Development Corporation, replaced Sam Callejo as Director of Capital Improvement Projects, effective August 2003. Her responsibilities include planning and operational oversight of all capital projects for the UH System, in which capacity she works closely with facilities management personnel at each campus.

These new individuals have joined the following members of the UH System Office leadership team:

Walter S. Kirimitsu was appointed Vice President for Legal Affairs and University General Counsel at the time of the reorganization. The office of legal affairs provides legal representation for the University of Hawai'i. Judge Kirimitsu has served on the Intermediate Court of Appeals of the State of Hawai'i, and as a senior partner in the Honolulu law firm of Shim, Tam, Kirimitsu & Chang. In 1990, Judge Kirimitsu served as President of the Hawai'i State Bar Association.

The Vice President of Student Affairs, Dr. Doris Ching, had held this position under the former structure in a position that blended operational responsibilities for UH-Mānoa with a variety of systemwide responsibilities. Consistent with the organizational change of July 2001 that re-created the Mānoa Chancellor, this position was reconstituted as one with System level responsibilities. Dr. Ching has remained in this position.

Wick Sloane, Vice President for Administration and Chief Financial Officer, will leave the Administration by December, 2004. Since being appointed Chief of Staff, Sam Callejo has assumed oversight of the financial management and budgeting functions, working through VP Sloane and directly with directors of the offices of budget, human resources, information technology, financial

management, and risk management, as well as with office of the Associate Vice President for Administration (Community Colleges) (see below). Plans are underway for securing a replacement for Mr. Sloane during the current calendar year.

The Office of the Vice Chancellor for Academic Affairs for the Community Colleges was maintained intact and seamlessly integrated into the Office of the Vice President for Academic Affairs. Michael Rota, with over 30 years of academic leadership experience at UH Hilo, Hawai'i Community College and for the last 20 years at the Community College System Office, was appointed to the position of Associate Vice President for Academic Affairs (Community Colleges).

The Office of the Vice Chancellor for Administration for the Community Colleges was maintained and integrated into the Office of the Vice President for Administration and Chief Financial Officer. Michael Unebasami was appointed to the position of Associate Vice President for Administration (Community Colleges). He has 35 years of financial management experience, including positions with the East West Center and the City and County of Honolulu, and since 1976 the UH System, Leeward Community College, and the Community College System.

As provided for by Presidential request and with Board of Regents concurrence, the Vice President for International Education, Dr. Joyce Tsunoda, is on leave as of January 2004 with retirement planned in six months. In Dr. Tsunoda's absence, the functions of this office have been reassigned to the Vice President for Academic Affairs. It is anticipated that Dr. Tsunoda's successor will be at the associate Vice President level.

The Vice President for External Affairs and University Relations, Paul Costello, resigned effective January 2004 to take a similar position at Stanford's Medical School. A national search will be initiated to seek a replacement for Costello. In the interim, Costello's responsibilities will be handled by Associate Vice President for University Relations Carolyn Tanaka.

System Organization and Infrastructure

As individuals have moved into these new roles and initiated the broad range of activities associated with them, new patterns of interaction and communication have emerged. Each campus in the reorganized System has a Chancellor, who reports directly to the President. The reorganization sought to position the relationship of campuses to the system through two new organizational structures, the Council of Chancellors and the Council of Chief Academic Officers. In addition, within the Council of Chancellors, a Council of Community College Chancellors has been convened to address issues of particular interest to those campuses. These structures had just begun to operate in March 2003 at the time of the System Office visit. In the intervening year, considerable development

has taken place, some of which is briefly summarized below and in the following section on external and internal governance. Additionally, two previously existing councils, one focused on student affairs and the other on external affairs, have been revived and rendered consistent with the new structure.

This structure and the system spirit which animated it also led to regular meetings between students through a systemwide organization of student leaders (the Student Caucus), and formalized the interaction of an existing systemwide group of faculty leaders, known as the All Campus Council of Faculty Senate Chairs. A member of the System leadership (sometimes the President, often the Vice President for Academic Affairs and/or Chief of Staff) typically meets with student and faculty groups on a monthly basis; the Vice President for Student Affairs also meets monthly with students.

The reorganization created two roles, that of Vice President for Academic Affairs for the academic side of the university, and Chief of Staff for the non-academic side. These two officials act in the President's stead during his absence, with the Vice President for Academic Affairs typically serving as Acting President. The VPAA and Chief of Staff also lead the organization and operation of the System administration. As reflected on the University of Hawai'i System Office organization chart approved in December 2002 (copy attached), while all vice presidents have a solid-line reporting relationship to the President, they typically have an additional dotted-line relationship to either the VPAA or the Chief of Staff. The Chief of Staff oversees external affairs and university relations, administration and finance, and capital improvement projects, while research and international education connect to the VPAA. The Vice President for Student Affairs, reflecting the mixture of academic and nonacademic considerations in that office, collaborates with both the VPAA and Chief of Staff. The University's Director of Information Technology and chief information officer reports to both the Chief of Staff (through the Vice President for Administration) and the VPAA.

At the time of initial implementation of the reorganization a communication plan was adopted that has guided the subsequent development of the system administration (copy attached; an early version of this plan was shared with the System Office Special Visit team in March, 2003). At the System Office level, this communication is facilitated via a weekly staff meeting attended by the President and his immediate staff, as well as by all vice presidents and several associate vice presidents.

In line with this plan, the Vice President for Academic Affairs, along with the Chief of Staff, have taken the lead in bringing these communication changes forward. The Chief of Staff working with the VPAA now handles all direct communication of the campus chancellors and system vice presidents with the Board of Regents, permitting better coordination of a variety of issues, from human resources, to finance, to capital improvements, to campus program development.

As these offices and relations have developed, consultation with all affected constituencies has been important. For all major actions or new institutional routines, the product of these discussions has flowed through either the Council of Chancellors, or the Council of Chief Academic Officers, or both. To promote openness of communication, records of the Council of Chancellors' meetings are posted on the VPAA website.

This decision making structure and process has allowed the VPAA to address with some impact a number of issues of long standing, one of which has been that of articulation and transfer. Beginning in December 2002 a series of procedures and meetings proceeded to reach agreements on the articulation of nearly 1800 courses, including some of the most contentious, and representing essentially all of those courses "inventoried" for articulation consideration from years past. In October 2003 a systemwide meeting of nearly 100 faculty from all 10 campuses was convened on the General Education process to provide a framework, in half a dozen systemwide faculty groups, for the on-going need for facilitation of course articulation and student transfer.

At this October 2003 meeting, the VPAA affirmed his commitment to moving forward on articulation and transfer, in ways that balance the governance rights of the receiving campuses with the System's overall commitment to students that their experience be as seamless as possible. He affirmed the role of the System Office in insuring that existing Board of Regents and Executive policies on articulation and transfer are observed, and updated to reflect current practice. To that end, responding to a request from faculty members at the community colleges, he has conducted a review of the 2002 decision by UH Mānoa to move ethics and oral communications courses exclusively to the third and fourth years of the undergraduate experience; this review has involved discussions with the Board of Regents academic affairs committee hear, and with WASC's executive director.

Under the guidance of the Associate VP for Academic Affairs (Community Colleges) and his counterpart on the Mānoa campus, some of the groups first convened last October are moving quickly in a climate of trust to mesh the interests of sending and receiving campuses, along the lines of the successful 15-year-old "Writing Intensive" model that governs courses articulated in this curriculum area. In the highly collaborative WI model, the sending campuses certify that their courses meet the requirements of the receiving campuses. Other groups first convened in October are moving more deliberately, still negotiating different points of view, and have yet to develop the trust necessary for full collaboration.

Thus much effort remains to realize the ideal of a seamless system in a fashion consistent with campus self-governance. Still, addressing an issue that had been the source of much contention under the old system has functioned as something of a confidence building measure for the new system.

Another initiative that demonstrates the capacity of this structure to deal with important system-wide issues is the development of the Student Information System. Beginning in Fall 2001, the (then) four existing chancellors accepted executive responsibility to address one of the most serious concerns of the System. They appointed a steering committee and project leaders to prepare a recommendation, which resulted in the selection of SCT Banner. Implementation began in February 2002 as a major two-year system-wide project to convert the University's separate and unconnected student information systems into a single consolidated system. The project was designed to make it possible for students to register, make payments, obtain grades and other academic information, and receive financial aid through a single on-line environment regardless of which campus(es) they attend. At the same time, the academic and financial aid integrity of each UH campus is maintained to preserve accreditation and federal financial aid compliance. As of Fall 2003, all ten campuses are in production on the new system. The overall project has been executed on time and on budget.

The current status is best described as having established the foundation on which the UH system can now continually improve services and access to information. Among the enhancements still planned are improved management information, better on-line academic planning tools, on-line graduation and advising checks, on-line articulation information, direct deposit of student financial aid to student bank accounts, development of a University-wide identification and debit card system, and better integration with other student support services such as housing, food services, parking, and health services.

The \$20M initial implementation project is being funded internally through the system-wide commitment of some of the new revenue from the modest 3% annual increases in the current 5-year tuition schedule. The University is now working to devise a system-wide governance structure appropriate for continuous improvement and ongoing operations along with a fair method for supporting operations and maintenance of the student information system by leveraging the resources formerly associated with the operation of 10 independent campus systems. The Council of Chancellors, appropriately, is the venue for these deliberations.

The lack of such a student information system in the past was deemed to be a major impediment to meeting the educational needs of Hawai'i by working together as a true system. The presence of this system-wide student information system today has been a demonstration of the will of the institution to work together as a system and the ability of the component units to work cooperatively on a major endeavor and to operationally link essential information components of the ten campuses.

The successful launch of a systemwide initiative, *the Academy for Creative Media*, sometimes referred to as the University's Film School, demonstrates a

novel capacity for the system to function in the development of new systemwide academic programs. From an idea initially proposed as a Mānoa project, the idea of the Academy quickly emerged as a systemwide initiative recognizing the fact that film and media related projects existed on most of the campuses of the system. Establishing an important precedent, Chris Lee, the director of the Academy and the first Asian American to head a major Hollywood studio, consulted – using the above-mentioned councils of chancellors, academic officers, student leaders, and faculty leaders -- with faculty, students and the academic leadership on every campus and drafted a plan in which the Colleges of Arts and Sciences at UH Mānoa would serve as home and lead campus for the initiative. The degrees and certificates to be offered under the ACM umbrella will still be subject to campus governance and approval processes, but will have the potential to represent several campuses depending on the coursework already in place and the interest expressed in pursuing new offerings. The establishment of the Academy was approved by the BOR during their January 2004 meeting.

Operating through the Council of Chancellors, and in consultation with the Council of Chief Academic Officers, the VPAA and the Chief of Staff have facilitated wide-ranging discussions on the forthcoming 2005-2007 biennium budget process, described in more detail below, and conversations on the University's current financial management issues, as well as the package of legislative and supplemental budget proposals being reviewed in the current legislative session. The Council of Chancellors also has been the setting for extensive discussion of the University's contribution to workforce development, a priority of the executive branch and the legislature. A brace of supplementary budget proposals discussed by the Council reflect workforce development initiatives of the University, and the Council of Chancellors has sponsored the creation of a systemwide network of nursing educators to address workforce shortages in this area; this network is now meeting on a monthly basis to explore synergies among the 10 campuses in providing nursing education, including collaboration in distance learning. Similar systemwide networks are planned this spring for teaching educators, and for workforce needs in the construction industry, where massive military housing reconstruction contracts have led to a mini-boom in Hawaii's economy, but workforce shortages.

Another instance of systemwide cooperation has been the use of the Council of Chief Academic Officers to review and advise the VPAA on requests for authorizations to plan new programs. Under the former system, campuses developed new programs and at times only brought them to the President's office when they were fully developed, sometimes producing a dynamic that made denying programs difficult. The current process encourages not only broad initial comment on such initiatives, but also allows for synergies to be developed among campuses for similar projects, and duplication of efforts to be avoided.

VPAA McClain, in response to a request from the President, and reflecting the statewide importance of this initiative, has been tasked to provide oversight and leadership from a System perspective to the University's \$300 million project to construct new facilities for the John A. Burns School of Medicine and the Cancer Research Center of Hawai'i on the waterfront site known as Kaka'ako. In this capacity, the VPAA works with the Chancellor of the UH-Mānoa campus, and with the leaders of JABSOM and CRCH. He also serves as a liaison from the UH System Office to the Board of Regents subcommittee on Kaka'ako. Similarly, Chief of Staff Callejo is the System Office liaison to BOR subcommittees on student housing and university facilities.

A key position developed by the reorganization was that of Vice President for Research. The proposed position proved controversial in the initial reorganization proposal. The earliest presentation of this position combined it with the executive director of the Research Corporation of the University of Hawai'i, a statutorily separate body established in 1965 to facilitate the research enterprise at UH, under the rationale that since the vast amount of research at UH is service ordered through RCUH, having a common director would facilitate efficiencies in the research administration process. That idea was withdrawn in November 2002 and the version of the reorganization that was approved by the Board of Regents called for a Vice Presidential level position reporting directly to the President. Under the previous organizational structure in place through mid-2001, a Vice President for Research position existed within the President's office, and the research administration apparatus for the entire system reported to that person.

While most of the research at UH is performed at Mānoa, increasing amounts are performed at the other campuses, as well as many millions of dollars of training activity. In the fiscal year ended June 30, 2003, the total amount of research and training funds coming into the University registered \$324 million, up nearly 50% from its level two years prior, and almost double its level of four years ago. In the current fiscal year, the University will approach and may exceed \$400 million in research and training grants and contracts, making it far and away Hawaii's largest technology enterprise.

This position has the responsibility of coordinating activities with the campuses and with RCUH while seeking to develop equitable policies for research administration throughout the system. As noted in last year's Team Report, the VPR had worked with the Mānoa Chancellor's office and the Hilo Chancellor's office and with the faculty association of researchers to frame which research functions reside at the System and which functions are at the campus level. This consultative effort subsequently led, in May 2003, to the development of an executive policy on the process by which research and training overhead funds (so-called RTRF—Research and Training Revolving Funds) are allocated between system and campuses, and within campus units.

In the context of this policy, the current VPR occupant, James Gaines, has developed an effective and widely-supported solution to the endemic issue of the appropriate degree of distribution of RTRF between the system and campuses. This issue had been to researchers as articulation and transfer had been to the teaching side of the faculty. A revised formula – 25% of RTRF to the System, 75% to each campus -- has been adopted that recognizes more fairly the contributions of researchers and faculty to the research and training effort, including those at the community colleges, which have received something of a windfall in comparison with past allocations. UH Hilo continues to receive 100% of its RTRF back, reflecting a continuing System-level intent to support the research enterprise at that campus.

Gaines has also made funds available for systemwide grant seeking activity, including \$4.5 million over three years to match the \$9 million National Science Foundation EPSCoR (Experimental Program to Stimulate Competitive Research) grant that provides significant new research resources to the UH Hilo campus in particular. The VPR has also made funds available to West O'ahu and the community colleges to assist in their grant acquisition activities, including contracting with a Washington, DC-based consultant to provide services on grant funding identification and writing. Considerable funds (\$300,000) have also been committed for the promotion of scholarship in non-scientific faculty at all institutions in the System (except UH Hilo, where such a fund already existed). This permits faculty in Arts and Humanities and Languages, Literature and Linguistics to fund their projects and obtain salary matches when they are awarded a fellowship such as a Fulbright.

The VPR is also leading a study group of researchers to analyze the conditions under which projects can and should be service-ordered to RCUH, now that the University is more autonomous (e.g., the constitutional amendment passed in 2000), and thus has more apparent flexibility in human resources procurement and legal services than it did when RCUH was created. Still, employees at RCUH vest in one year, while those at UH take 10 years to vest, so on human resources grounds UH researchers still often favor to staff their projects with technical employees that are on the RCUH payroll.

Under Gaines' leadership, this year's supplemental budget request to the State of Hawai'i formally transfers 40-odd positions and \$1.5 million funding of the Office of Research Services from the old System/Mānoa budget category (UOH 100) to the new System budget line (UOH 900). This transfer implements the directive of the reorganization approved by the Board of Regents in December 2002, which put ORS, along with the Office of Technology Transfer, and UH Connections, under the supervision of the Vice President for Research.

Finally, Gaines continues to serve in an informal capacity as an advisor to the Mānoa Chancellor's office, which is in the last stages of its own search for a permanent Vice Chancellor for Research; currently the interim VC for Research

at UH Mānoa is also the director of the University's world-renowned Institute for Astronomy, a full-time job in itself.

The Office of the Vice President for Student Affairs was included in the reorganization both as a matter of necessity and to clarify the role of the existing Vice President for Student Affairs who had served in that position throughout the period when it performed a blend of Mānoa and System functions. The VPSA convenes one of the councils that has become a feature of the system reorganization, that of Senior Student Affairs Officers (CSSAO). The primary mission of this body is to discuss and resolve student-related issues in order to achieve consistency of relevant policies, facilitate articulation across the campuses, and provide a cohesive UH System that benefits the success of students in their intellectual, social, service, and leadership co-curricular development. Since April 2003 this office has dealt with a considerable range of issues making full use of the CSSAO to address matters that include a new student health insurance plan at Mānoa, a student death protocol, the systemwide enrollment management plan, and a draft proposal to replace tuition waivers in part with scholarships.

Recognizing the increasing workload of this System function, the President in early February directed the transfer of two employees from the UH Mānoa Student Affairs Office to the UH System Office of the Vice President for Student Affairs.

The position of Vice President for External Affairs and University Relations was established by the Board of Regents in conjunction with the hiring of Paul Costello to that position in January 2002, anticipating a function that would be proposed in the system reorganization. Like that for student affairs, a version of this position had existed in the former system, but concentrated primarily on serving the President in his dual capacity as Mānoa Chancellor. In the past two years this office has been fully reorganized to embrace systemwide communication needs with external communities including governmental affairs. A long held lament about the University of Hawai'i has been that it has never been successful in "telling its story" to its important external constituencies. Over the past two years this situation has changed in an important number of ways, not the least of which have been extensive coverage of UH research activities (developed in collaboration with Interim Vice President for Research Jim Gaines) appearing in the *Honolulu* and *Hawai'i Business* magazines' January issues (copy of this insert attached). Both television and radio programs featuring the University of Hawai'i have been developed, as has a UH Day at the State Capitol, held most recently on January 22.

Under the Vice President for External Affairs and University Relations, a new understanding of the reach of university relations has been developed that includes responding to the informational needs of the community for the University, acting as spokesperson for the 10-campus System, coordinating the

production of outreach materials, and overseeing legislative relations. The coherence that has been provided to what had previously been a disparate set of activities had done much to project the University into the community and to audiences outside Hawai'i. As indicated above, Paul Costello has recently resigned to take a similar position at Stanford's Medical School, and a search will be initiated for his successor.

Like the VP for University Relations, the position of Vice President for Administration was established, anticipatory of the subsequent reorganization, in late 2001 and James R. W. Sloane was recruited to fill it. One significant component of the implementation of the reorganization has been the incorporation into the Vice President for Administration's Office the community college budgetary and fiscal operations. The office consults regularly fiscal and budgetary personnel from throughout the System to study new metrics for systemwide allocations and to engage in long range planning exercises. Within the past year this office has begun to deal with a significant backlog of issues that had simply not been dealt with under the former system, in part because responsibility for them lay in a disassociated way at the campus level. We will address various issues associated with this position in the section on budget and resources.

With the anticipated departure of Mr. Sloane later this year, Chief of Staff Sam Callejo has assumed more direct involvement in the financial management and budgeting functions, working directly with directors of the offices of budget, human resources, information technology, financial management, and risk management, as well as with office of the Associate Vice President for Administration (Community Colleges). Plans are underway for securing a replacement for Mr. Sloane during the current calendar year.

The foregoing descriptions are intended to address the Commission's letter's emphasis on the need for a clearer role definition for senior management positions and greater clarity in the relationships of the vice president positions to each other and with the campuses, as well as discussions concerning size of staff and sources of support. As noted, the allocation of research functions between system and campuses was well articulated in the reorganization proposal approved in December, 2002, and is essentially fully implemented.

In the international education area, in December, 2003 the UH System International Education Steering Committee, which consists of faculty and administrators in this area, presented the VPAA with its recommendations concerning which functions should remain with the system, and which with the campuses; action will be taken on their recommendations this spring. As noted, staffing for the System Student Affairs Office has been clarified and augmented, and the System External Affairs Office's responsibilities have been elaborated and implemented. A study of the reorganization of the System human resources

function was completed in January, 2004 and is ready for consultation with affected entities.

Reflecting the crystallization of functions and roles between the System and campuses, the UH Mānoa Chancellor has completed – except in the student affairs area, where consultations with affected parties on the Mānoa campus continue -- a reorganization proposal for his office and concluded consultations with affected parties and discussions with the System Office. The System will provide several positions to the campus in the human resources area, while funding for the campus reorganization will come initially from internal reallocations within the campus. The Board of Regents will review this proposal at its February 19-20 meeting.

UH Hilo and UH West O'ahu's conversations on administrative structure are following the recommendations made by WASC in their respective Preparatory Visits in March, 2003, and in UHWO's case, in the follow-up Special Visit in December 2003. We discuss UH West O'ahu in more detail in a separate section, below.

The seven community colleges began their reorganization discussions last fall, in a series of sessions held in concert with the System Office director of human resources. While the campuses are at various stages of readiness, we anticipate that all will complete their administrative reorganization discussions this spring, in time for discussion with the UH System and for review by the University's Board of Regents.

As requested in the ACCJC's letter approving the reorganization, the University has reported to ACCJC on August 1 and again on November 1 on the progress of implementing the reorganization. The report affirms in particular the continuation of administrative support for the community colleges noted above in the remarks concerning the Associate Vice President for Academic Affairs (Community Colleges) and the Associate Vice President for Administration (Community Colleges), as well as the establishment of the Council of Community College Chancellors to address issues of particular interest to those campuses.

The November 1 report was followed by a team visit and report, which was accepted by ACCJC in January. A copy of the report and the ACCJC action letter are attached this Report. In the ACCJC team report, the University received a commendation for its efforts in bringing the Council of Chancellors and other systemwide councils to life. A follow-up report is due later this spring.

At the System level, through the fiscal year ending in June 2003 the reorganization has been accomplished without an increase in the share of administrative salaries in the University's total wage bill. Moreover, in the current fiscal year the System reduced its net budget by \$500,000 (about 2%) and

reallocated these funds to the campuses to meet academic needs. We anticipate no further increase in System financing related to the reorganization.

External and Internal Governance

The Commission letter noted the need for an improved communication process with the Board of Regents to enhance the sense of building a working “partnership,” as well as the need to pay “attention to other external constituencies.” The Commission also remarked on the “work to be done to integrate the Community College campuses into the System organization now approved and the intentional Systemwide consciousness intended by these changes.”

In the preceding section, we have addressed a number of measures and actions intended to move “from concept to operational definition and implementation” and to address system/campus issues, questions of “overlap in areas such as student services and international programs,” and in particular the role of community colleges.

In what follows, we elaborate further on such actions, but first address explicitly two specific issues:

- The Commission’s action letter endorsed the System Office Special Visit Team Report recommendation that the “UH Board of Regents develop a stronger and clearer policy toward political endorsements and involvements which is oriented toward avoiding political partisanship and the appearance of such in relation to the affairs of UH.” The Board of Regents has scheduled a review of its policy on political activity for its meeting of February 20, 2004. A copy of the current Board of Regents policy on political activity is attached.
- In July, 2003, at the first meetings of the Council of Chancellors and the Council of Chief Academic Officers, the VPAA advised that formal name changes for any campuses were no longer “on the table” for consideration, and that for the foreseeable future the System Office would focus its energies on executing and implementing the reorganization.

External Governance

| *Partnerships with Government*

The team recommended that “concerted steps be taken to develop partnerships with the governmental leadership of the State for purposes of aligning the UH Strategic Plan and goals of the State’s leadership, as well as positioning the UH to obtain budgetary support.” Actions taken during the last year with this recommendation in mind include:

- The P-20 “United for Learning” Initiative launched by President Dobbelle and co-chaired by the President, Department of Education Superintendent Pat Hamamoto and Good Beginnings Alliance Liz Chun, aimed at creating seamless transitions from early childhood through school into the workforce. Funded by a \$500,000 planning grant from the Kellogg Foundation, and overseen by a board that includes the Governor’s education advisor and the leaders of the Senate and House education committees, the P-20 initiative in turn funds a dozen projects statewide that will promote improved transitions and be the basis for a statewide P-20 plan, for which we hope to receive subsequent funding from Kellogg.
- A National Governors’ Association grant which makes Hawai’i one of eight states nationally researching how states can increase the percentage of adults in postsecondary education. UH led the State’s application for this grant, which includes on its steering committee members of the Governor’s cabinet as well as representatives of the Legislature.
- The National Science Foundation EPSCoR grant, Biodiversity in an Integrated Island Environment, which includes on its statewide oversight committee the Governor’s education advisor, the head of the Senate education committee, and the head of the House’s economic development committee.
- The support of the Governor’s office in the supplemental budget for the second year of the biennium for funding for the completion and transition to operating status of the new biomedical complex in Kaka’ako, for the new Academy of Creative Media, and for workforce development initiatives at the community colleges.
- The Governor’s introduction of a bill to provide tax credits to firms who invest in firms employing research results developed at the University of Hawai’i.
- The “Celebration of UH” Day held at the State Capitol the day after the Legislature’s opening.
- Visits by State legislators to all 10 UH campuses held between August and December 2003 at the invitation of the University, featuring briefings by chancellors, tours of facilities and meetings with faculty, staff and students.

The President’s January, 2004 testimony to the Legislature’s education and finance committees at the beginning of this session (attached) frames UH’s value to the State.

| *Partnering with the Board of Regents*

The Commission indicated that there was an evident need for a greater understanding of the System changes underway by the new and on-going Board of Regents members. The team called for an improved “partnership” with the Board of Regents. As the year proceeded, the wisdom of reviewing communication structures between the Board and the Administration was apparent as seven new regents were appointed by the Governor over a period of

four months (two other gubernatorial appointees to the Board of Regents were rejected by the State of Hawai'i Senate).

Since their appointment, the VPAA and Chief of Staff now meet weekly with the Board of Regents office, and the Chief of Staff oversees the routing of communications to the Board. This increased communication has enabled a smoother flow of information between the BOR and the Administration. In addition, the secretary of the Board attends the weekly senior management meeting of the President. Further, the President provides weekly written updates to the Board on his activities and the activities of the Administration. On a biweekly basis, the President alone, or the President, VPAA and Chief of Staff, meet with the chair and vice-chair of the Board.

With respect to Board training, orientation sessions conducted by the Board office and senior administrators were held for the new BOR members in July 2003. Topics in the session led by the System administration included the external environment of public higher education, tuition setting, the financial planning process, enrollment management, and reviews of the contexts for the strategic plan, the reorganization, and the WASC accreditation reports. The orientation included a review of the consultation provided to the University's system and campus leadership in early July by Dennis Jones, president of the National Center for Higher Education Management, on the financial structure and management of the University of Hawai'i in comparison with its peers (discussed in more detail below; a copy of the Jones analysis and report is attached).

The Commission action letter indicated that the Board would benefit from a better understanding of how the two accrediting commissions operate. To that end, the executive directors from WASC Senior and ACCJC conducted a workshop for Board members on October 31 on accreditation and their responsibilities in that context. Some of the issues that arose in those discussions remain on the table, as indicated in the recent ACCJC Team Report on its visit to the UH system in mid-November, and the ACCJC's subsequent action letter (both attached). Notable among these is Board review and approval of all executive and managerial positions in the University. Of the University's 200-plus positions in these categories, approximately one-third are executive, and two-thirds are managerial.

The UH Mānoa Team Report submitted to the WASC Senior Commission in 2003 made clear its particular concern over "the administrative arrangement in which deans and vice-chancellors who report directly to the chancellor are appointed by the Board of Regents, with the concurrence of the President." The Commission's action letter to UH Mānoa stated "...as recommended by the team, appointing authority for internal appointments within the campus needs to be resolved to provide the campus with appropriate responsibility to develop its own lines of authority."

It has always been BOR policy that executive class positions (which includes vice-chancellors, deans and directors at Mānoa) are subject to Board approval. With regard to managerial positions (which include associate and assistant deans) the BOR in 2000 agreed to a one-year delegation of this appointment authority to the then-President. This delegation was reinstated for two years in October 2001 as part of a larger delegation of some 15 personnel actions to the President. In October 2003, the Board retained to itself the authority to appoint managerial positions, but extended the delegation in other areas.

As reported in the ACCJC Team Report on its November, 2003 visit, “some members of the Board expressed to this team the view that their decision was necessary as a ‘temporary’ measure to gain more information about rationales used to make appointments and determine salaries and on the cumulative cost of administrative salaries.” BOR minutes of the October 2003 meeting reflect a similar discussion over the need to have more organizational information.

As a practical matter, the impact of the Board’s decision on managerial employees is to lengthen the period of time required to appoint or reappoint this class of employee by 30-60 days. Board policy requires that decisions made in the personnel committee in one month normally are brought to the full Board the following month, unless the Board amends its agenda (as it has been willing to do on occasion) in the initial month to consider the personnel committee’s decisions.

In December 2003, in the context of ongoing collective bargaining discussions with both the faculty union and the statewide union which includes the University’s technical and administrative employees, the Board acted to implement guidelines for executive and managerial personnel. These guidelines placed a moratorium on administrative salary increases and the payment of stipends, and affirmed that all E/M adjustments and stipends required BOR approval.

Except for extenuating circumstances, the Board tied the lifting of this moratorium to the successful conclusion (and funding by negotiating parties, including the State Legislature) of collective bargaining negotiations; to the approval of a systemwide plan on “how, when and under what conditions salary adjustments will be made for permanent and interim E/M personnel,” and, in the case of the Mānoa campus, stated “No salary adjustments nor stipends will be approved for any Mānoa E/M and no new positions nor hiring of any category within the Office of the (Mānoa) Chancellor will be approved until an organizational plan for the Mānoa Campus is approved by the Board.”

As noted above, a Mānoa reorganization proposal will be considered by the Board at its February meeting. While some community college reorganization plans are ready for BOR review, the Board has indicated its desire to see all seven community college plans together before acting on them.

As of this writing, the collective bargaining for technical and administrative employees is in binding arbitration, with a decision expected in mid-March. Agreement for a two-year contract for the faculty effective July 1, 2003 was reached in the spring of 2003 on 21 non-salary items, and implementation of this agreement has taken place. Collective bargaining with the faculty union on salaries is ongoing.

On the management side of these negotiations, under current state law the Governor's office has three votes on strategy, while the University has three, two Regents and the President. The negotiations are being led by the State's Director of Collective Bargaining (the current incumbent also happens to be a Regent; he recuses himself when Regents are briefed on collective bargaining issues).

Under the terms of the spring 2003 agreement, the faculty union has the right to strike after January 2, 2004.

Internal Governance

Internal governance speaks to two issues: one is the pattern of authority and decision-making; the other is processes and patterns of communication. The "theory" of the reorganization is that key constituencies within the university, chancellors, academic officers, student affairs personnel, external affairs persons, budgetary personnel, faculty and students would work through systemwide councils convened either by the President or the senior system level administrator under whom such personnel operated. These councils have in the past year either been formed or reactivated, meeting regularly and conduct most of the business that links the System to campuses.

As noted earlier, the members of the President's Senior Management Team meet weekly. The members include the senior System administrators, BOR Secretary, and the President of the UH Foundation. The purpose is to ensure communication and information flow among the senior administrators on any matters in their charge.

The Council of Chancellors, convened by the President, began meeting monthly in the spring of 2003 but has chosen to meet twice a month (once in person and once via technology). Agenda items are generated by the VPAA and solicited from the Chancellors. The attached meeting summaries highlight the issues discussed; the meeting summaries are posted to VPAA website.

A subunit of the Council of Chancellors, the Council of Community College Chancellors, is convened by the VPAA and began meeting monthly in the summer of 2003. Its role is to deal with issues unique to the community colleges. Agenda items are generated by the chancellors with the chancellor of the host

campus chairing the meeting. Staff support is provided by the Associate Vice Presidents for Academic and Administrative Affairs.

The Council of Chief Academic Officers meets twice a month. A statement of their roles and responsibilities has been modified and adopted, and accompanies this report. The discussion clarified the role CCAO plays in the review of new academic program proposals.

Formerly called "Deans and Directors of Student Services" and recently renamed "Council of Senior Student Affairs Officers," the CSSAO has actively coordinated student-related matters and addressed student-related issues at the University of Hawai'i for more than 15 years. Composed of Deans of Student Services, Vice Chancellors for Student Affairs, and selected directors of student affairs programs that impact all UH campuses, the CSSAO is convened and facilitated by the UH System Vice President for Student Affairs. The CSSAO strives for consistency in student-related programs, policies, and procedures and meets bimonthly, at minimum, and more frequently when needed.

The Chief of Staff and System-level budget and financial officers meet regularly with budget and financial officers at the four-year campuses, and with Mike Unebasami, Associate Vice President for Administration (Community Colleges). These meetings address issues such as current financial management and budgeting, planning for the supplemental budget in the current biennium, and planning, in tandem with the VPAA and the Council of Chancellors, for the upcoming biennium.

The All Campus Council of Faculty Senate Chairs (ACCFSC) meets monthly. In the spring the Council members worked with a consultant to clarify the role of the Council as a system governance body. They affirmed the differentiation of their advisory and consultative role to the System Administration from their legislative function (which requires that each Senate Chair take the matter back to his/her Senate for action). The Associate Vice President for Planning and Policy serves as liaison for the ACCFSC; they generate their agenda and invite administrators, usually the VPAA and Chief of Staff, to meet with them as needed.

By invitation, the VPAA has met directly with Mānoa Faculty Senate and the Mānoa General Education Committee; with the Faculty Senates or their executive committees at Hawai'i Community College, Maui Community College, Honolulu Community College, Kapi'olani Community College; with faculty generally at Honolulu Community College and Leeward Community College; and in strategic planning review and assessment review sessions with administrative and faculty leaders from all the community colleges. He has participated with Kaua'i Community College faculty in their program review and assessment deliberations, and has visited satellite campuses of Maui CC in Hana and on Lanai, and of Leeward CC in Waianae on O'ahu.

The UH Student Caucus meets monthly in conjunction with the BOR meetings, and the President's Executive Assistant, Prescott Stewart, serves as the Administration's liaison to this group. The Board of Regents typically hosts a breakfast for students on the morning of its meeting, to which the Vice President for Student Affairs is customarily invited. Roughly every other month, other senior administrators, including the President, VPAA and/or Chief of Staff, meet with students for information sharing and consultation.

The VPAA has responsibility for systemwide distance and distributed learning initiatives. In accord with the new UH Distance and Distributed Learning Action Plan, a systemwide Distributed Learning Advisory Council, headed by David Lassner, the System's chief information officer, has been appointed and meets monthly to oversee the implementation of the action plan and provide advice and guidance to policy-makers and operational bodies on support for distance learning initiatives and facilities.

The System Communicators Council, comprised of personnel with communications responsibilities from throughout the system, has been reestablished. The Council provides a venue to share activities and knowledge across campuses and programs and improve internal communications. The Council usually meets once every semester, and meetings are held on different campuses. Members are public information officers, marketing, and communications professionals from each campus, department, or college.

Budgeting and Resource Allocation

Since the last review much effort has been placed on budgeting, campus allocations and financial monitoring, all of which had been identified by the Commission as matters of concern. The University's focus has been to develop an overall budget and allocation system that includes dynamic monitoring and which is closely tied to the planning process. This has been a combined effort of the Chief of Staff and the Vice President for Academic Affairs, working with the Council of Chancellors and budget and fiscal officers throughout the 10-campus System.

The budget and allocation system has three components. The first is the overall budget planning system that is currently preparing for the next biennium process and examining the long term financing of the University; the second is the allocation system based upon dynamic assessment of local situations, especially those involving enrollment and tuition calculation; and the third is dynamic assessment for monitoring and accountability.

Budgeting and Long Term Financing

During the summer, Dennis Jones, President of the National Center for Higher Education Management Systems (NCHEMS), was contracted by the System to conduct a series of consultation sessions regarding the financing of the UH System during a time of increasing demand and stable-to-declining state support. A workshop was held for all System administrators and Chancellors in early July. Emphasis was placed on the need to better align the System strategic plan with specific plans for implementation and the financing needed to accomplish the plan. Considerable discussion surrounded the current and appropriate mix of revenues across the ten-campus system.

The Jones analysis found that, in comparison with peer institutions identified for each of the 10 campuses (and determined in consultation with the campuses), that as a whole the UH System was underfunded by some \$80 million annually. Considering each of the major sources of funds, Jones concluded that from general (State) funds, UH Mānoa and UH Hilo were overfunded relative to peers, while the community college as a group and West O'ahu were underfunded relative to peers.

(UH Hilo questioned these results, noting that it shares some facilities costs with Hawai'i Community College, and that its budget also has been augmented to include costs associated with the Mauna Kea Education Center, a systemwide initiative. When adjustments are made for these costs, UH Hilo's funding from general funds is still 100.8% of the level of funding afforded its peers by their state legislatures.)

Tuition at UH Mānoa in particular, according to the Jones analysis, is below peer institutions, suggesting a medium term budgeting strategy of reallocating general funds toward the community colleges and UH West O'ahu, and raising tuition at UH Mānoa, the Hawai'i analogue to California's UC system, and perhaps UH Hilo, the Hawai'i analogue to the CSU system.

Beginning in fall 2003, the VPAA and Chief of Staff have led the Chancellors in a dialogue on a new approach to developing the biennium budget that is more rational and based on factors other than history or politics -- that is, on enrollments, productivity, and/or peer comparisons. The need was stressed for the budget to be better aligned with campus and system strategic plan goals and initiatives. To this end, in February and March the Chancellors will participate in "stocktaking" sessions during which Chancellors will respond to the questions: What are you doing? How are you paying for it? What do you want to do (which includes enrollment growth, as well as new initiatives)? And how do you propose to pay for it? This process is intended to guide systemwide thinking around strategic plan priorities and how the budget can be used to address those priorities. This process also reflects the State's budgetary categories of current

services base, current service base augmentation, workload adjustments, and program change requests.

Please see, as examples of an appropriate presentation and an accompanying medium term budget plan tied to one community college's strategic plan and its academic plan, the attached powerpoint and spreadsheet documents prepared by Kapi'olani Community College.

Also participating in this stocktaking will be representatives of the All Campus Council of Faculty Senate Chairs' Budget Advisory Committee and the Student Caucus. In addition to 10 campus presentations, the UH System Office will make separate presentations on student affairs, international education, information technology management, and general management areas. The Puko'a Council, representing Native Hawaiian faculty and programs on all 10 campuses, also will make a presentation.

This stocktaking process will expand its vision in light of Dennis Jones' comments on efforts by states such as Kentucky and North Dakota to include consideration of the needs of the State of Hawai'i, services that the university provides, services that the university should provide, and the resources needed to satisfy the service gap. The intent of consideration of the State's needs is to ensure that the University is a viable partner and asset in meeting economic and/or workforce development requirements.

The Associate VP for Planning and Policy, in collaboration with the System Budget Office, has provided the Chancellors for their review a series of funding approaches used by other states and systems (e.g., California State University system, North Dakota, Georgia, and Oregon). Several models that incorporate enrollment growth and productivity measures have been considered for seeking State appropriations and as a means of internal reallocation. The Chancellors have begun to determine the appropriate principles governing their funding guidelines (e.g., access, workforce development, institutional mission, and strategic plan priorities).

The recent VPAA testimony to the State Legislature discussing biennium budget planning and related issues, as well as a schematic describing key elements of the biennium budget process (attached), attest to the University's commitment to include enrollment considerations in its budget planning process. Note that the VPAA's testimony describes the intent to come forward to the Legislature with a general funds request in the context of an integrated, medium-term projection of all the University's sources of funds, including tuition and – as strongly suggested by Dennis Jones – reforms to federal and state student financial aid.

The University's current schedule of tuition increases – 3% per year for five years – expires in June, 2006, in the middle of the 2005-2007 biennium. Given the lead time necessary to adjust tuition levels (including required public hearings),

the University's internal discussions on tuition adjustments and student financial aid reform (to include changing the mix of student financial aid away from waivers and toward more scholarships) will commence before the end of the spring 2004 semester.

The UH System has applied and been accepted to be one of a second cohort of five states participating in a WICHE-sponsored project, *Changing Direction: Integrating Higher Education Financial Aid and Financing Policy*. The purpose of the project is to provide technical assistance to states in achieving an integrated approach to structuring appropriations, tuition, and financial aid to maximize student access to higher education. The goal is to involve Hawai'i's key policy and education players in informed, integrated decision making.

| *Budget Allocations*

In July 2003, reflecting her concern over the vibrancy of the State's economy, the Governor restricted the budgets of all cabinet departments and the budgets of the Department of Education, and of the University of Hawai'i. Thanks to efforts by the Chief of Staff, the UH was permitted to identify special and revolving funds, as well as general (State) funds, to meet its \$10 million restriction. In September 2003, the Governor restored the restricted funds, and the UH System in turn restored all general funds as well as some special and revolving funds to the campuses, some \$8.5 million in total.

The System Office reallocated in mid-October the remaining \$1.5 million (consisting of \$1 million in non-general funds from UH Mānoa and \$500,000 of UH System general funds) in directions reflecting System strategic plan priorities that had not been sufficiently funded in previous financial plans. These priorities reflected commitments to Native Hawaiians, academic excellence, workforce development, and access. For example, \$250,000 was allocated to the University of Hawai'i at Hilo to address past commitments to Native Hawaiian education, in particular permanent funding for the College of Hawaiian Language; \$325,000 was allocated to the University of Hawai'i West O'ahu in response to the Notice of Concern received from WASC (the monies were earmarked for personnel including a Vice Chancellor for Academic Affairs, an Institutional Researcher, a Registrar, and two faculty in high demand areas); \$40,000 was allocated to Honolulu Community College for an apprentice training program; and up to \$885,000 was set aside to enable community colleges to implement negotiated teaching load reductions without decreasing access as mandated by the most recent collective bargaining agreement. The decisions were accomplished after consultation with the Chancellors, Chief Academic officers, the ACCFSC and the Student Caucus. State funding of the collective bargaining agreement costs is the University's highest priority in its supplemental budget.

The Chancellors reviewed the current allocations for 2004-2005, the second year of the biennium budget, at their late January meeting. They concluded that

current allocations should stay in effect with one exception: the provision of sustained operating funding for the Banner Student Information System, and – in light of the recent ACCJC action letter to the system – the use of the Banner system to enhance program review and assessment efforts. This funding requirement will be discussed at the Council of Chancellors meeting scheduled for February 18.

| *Accountability*

The Budget Level Summary report, developed quarterly, constitutes a new process initiated since the last System visit. We currently have data for the first two quarters of FY 2004. Beginning with the initial budget document that shows the breakdown of budget by methods of funding, the systemwide financial and management group has updated the financial plans for each campus based on actual revenues and expenditures/encumbrances.

At the close of each quarter, September and December to date, we show actual expenditures for each quarter and the projections remaining for the balance of the fiscal year. As an example, for the first quarter, we were able to develop actual expenditure data by the middle of October and projections for the remaining three quarters by the end of October. Arraying data in this way has done much to address queries, particularly from the Board, about the overall spending outlook for the UH System. The second quarter actual expenditure data were shared with the BOR at the January Board meeting with the understanding that we will have the projections for the remaining two quarters of the fiscal year complete by the end of January, in time for the February Board meeting. The actuals for the second quarter and beyond are compared to the most recent projection as opposed to the initial budget information. At the January BOR meeting, the BOR asked for the next formal fiscal presentation to include the Construction in Progress (CIP) funds and the RTRF to provide a complete picture of revenues and expenditures. This material is being provided to the Board for its review this month.

In response to a request from the ACCJC's executive director at an October 30, 2003 meeting at the University, the University has engaged its external auditor in discussions to prepare individual financial statements for each of the campuses. The preparation of these campus-based financial statements will require modification of existing procedures and reporting requirements of the University's financial reporting system and therefore time will be required to create the necessary changes in the financial tracking and reporting systems. ACCJC is convening a group of university financial experts this spring to more clearly identify its needs, and has asked Mike Unebasami, UH Associate Vice President for Administration (Community Colleges), to be a member.

At this October 30 meeting, the WASC Senior Commission Executive Director, who was also in attendance, questioned the University's auditors on the

“auditability” of the University’s financial accounts. This issue has been clarified by a statement on the part of the firm which audits the University that our financials are clearly auditable: “The University has proven itself capable of maintaining and preparing accurate and complete financial statements, as evidenced by our unqualified opinion on the University’s financial statements.” The letter from Cory J. Kubota, Senior Manager, Pricewaterhouse Coopers, is included as an appendix to this document.

Other Administrative Reforms:

Under the lead of the Vice President for Administration and the Chief Information Officer (CIO), David Lassner, a system-wide Business Process Council has been working to provide advice and direction for the improvement of UH business processes and practices. Its first task has been to develop a recommendation for the future direction of the University’s financial management information system. Moving forward, it will identify opportunities for improving business practices across all functional areas. This action is intended to address an issue of long-standing concern that UH business practices be reformed, streamlined and automated to improve their customer-friendliness. The VPA and CIO have also led an initiative to implement a more flexible procurement procedure that reflects the University’s more-autonomous status and leverages major advances made by the University in online procurement. The new procedure was approved by the Board of Regents in September, 2003 and implemented in January 2004.

Other initial efforts will focus on areas of major “consumer irritation”, including travel and inventory, by seeking to render the processes more friendly and efficient for end-users and central offices. To improve the identity of students, faculty and staff of all campuses as members of a single University of Hawai’i System, another system-wide task force, also chaired by the CIO, is developing a single system-wide ID. This will replace many more than 10 separate identity and debit cards used for a variety of services (e.g., library, dining, and athletics) by students and faculty/staff on UH campuses today. A single ID card “look” has been developed and agreed upon adopted for use by all campuses. UH-Hilo has already begun to use the new look as of Spring 2004, with great success. All other campuses will begin use by Fall 2004. The task force has subgroups now looking into the areas of inter-campus and external benefits including which students get which benefits from which campus’ services; financial uses on our campuses and beyond including debit card services for copying, printing, dining and access to the new system-wide student account enabled by the Banner system; and for access control in conjunction with keyless door entry systems.

Strategic Planning

The Commission noted that while enhanced funding for the System plan was not immediately available (an observation confirmed by the Dennis Jones analysis,

with almost the same level of shortfall, \$80 million annually), the University should take steps to use the plan, which was well-developed, to frame priorities and influence resource allocation decisions at the campuses and System levels. The need for greater enrollment planning and identification of systemwide enrollment issues was emphasized as well as the need to align these enrollment plans with each campus strategic plan and budget allocation. A variety of steps have been taken to better align budgeting and strategic goals as outlined in the previous sections.

As the section on Budgeting and Resource Allocation indicated, the System's strategic plan has already influenced resource reallocations undertaken in the current year of the biennium budget. These priorities reflected commitments to Native Hawaiians, academic excellence, workforce development, and access. That section also noted the prominence being given to enrollment management considerations in the development of the upcoming biennium budget. Perhaps most importantly, it noted the attention being given to the development of a "culture of evidence" for resource allocation decisions; in this regard the Dennis Jones analysis of the structure of the finances of the 10-campus system has been most useful.

In spring and summer 2003 the Senior Student Affairs officers systemwide drafted enrollment plans and directions for their campuses with attention to recruitment and enrollment opportunities; impact of infrastructure, branding and budget on recruitment; student retention; program changes; Hawai'i's workforce needs; enrollment goals and projections; and institutional support and resources. These plans will form the basis of the campus' stocktaking presentations, in which they will articulate their expectations for the number of students they plan to serve, and the resulting budget consequences.

A set of performance indicators (a sub-set of the UH Benchmark/Institutional Effectiveness Indicators published biennially) was selected to highlight those measures that demonstrate the System's accountability to the State and the Board of Regents. The indicators, widely disseminated in a brochure designed for public use, include measures of participation, performance, affordability, and funding. Both the Indicators publication, and the brochure, are attached.

The System's Educational Improvement Fund focuses this year specifically on the first goal of the System Strategic Plan: Educational Effectiveness and Student Success. The Council of Chief Academic Officers has discussed the concept of course redesign in order to effect instructional improvement and cost savings through the use of technology, and has endorsed plans for the future use of the Educational Improvement Fund in this area

University Relations launched a series of marketing initiatives to "advance unique college identities while communicating the benefits of an integrated system" and to support central elements of the University's strategic plan. This spring,

systemwide surveys are planned to learn more about distance learning needs, student housing requirements, and general stakeholder perceptions of the ways in which the University can be of greatest service to the community and the State.

The President's Council on Plans, Programs and Priorities, which oversaw the development of the UH System Strategic Plan during academic year 2001-02, and which met in spring 2003 to review initial phases of the reorganization approved in December 2002, will meet again later this spring to examine the current state of implementation of the strategic plan, in the context of the biennium budget development process referred to above.

The University of Hawai'i-West O'ahu

The Commission's letter also addressed concerns identified in the Preparatory visit to UH West O'ahu and noted that System leadership and administration were needed to address at least a subset of the concerns. In response to the Notice of Concern that was subsequently received by UHWO from the Commission, the System administration took an active role in assisting the campus. The interim Associate Vice President for Planning and Policy, Dr. Linda Johnsrud, was assigned time to work with the campus leadership on matters of academic planning and program review; meetings were arranged between system budget and finance staff and campus staff in order to clarify issues raised by the visiting WASC team; and finally, as noted above, the System allocated \$325,000 to UHWO to address administrative and faculty staffing identified by the visiting team and the campus's academic plan. The Special Visit to UHWO was held in December, and the tone of the exit interview was quite positive. The Commission will receive the Team Report at its February 19-20 meeting. We look forward to the Educational Effectiveness visit, currently scheduled for fall 2004.

New academic leadership is also being established on the West O'ahu campus. The need for a chief academic officer to improve academic planning, program review and assessment has been recognized by the establishment of a vice chancellor, a position authorized by the Board of Regents at its November, 2003 meeting. That position was filled effective February 1 by flo wiger, previously the dean of instruction and chief academic officer at Maui Community College. The Chancellor of UH West O'ahu, Bill Pearman, has announced his retirement effective August 1, 2004. A search committee for his replacement is expected to convene in late February or early March, 2004; Interim Associate Vice President for Planning and Policy Linda Johnsrud will continue to provide continuity in leadership support from the System to the UHWO campus.

In 2002, the University received \$8 million in planning funds from the Legislature for the long-anticipated UH-West O'ahu campus. A site was identified by a systemwide committee at the juncture of Farrington Highway and the planned North-South road, and a consultant created plans for the development, in three

phases, of a four year campus on the 500-acre site that would eventually serve 7,500 students in this rapidly growing area of O'ahu. These plans were presented to the Board of Regents at its October, 2003 meeting. Concerned about the projected future construction cost to the State, the Regents instructed the Administration to pursue public-private partnerships for the financing of the campus, and the Administration is scheduled to report on these efforts in April 2004.

Conclusion

This has been a year in which the reorganization approved in December, 2002 became more complete and began to be implemented with vigor and commitment. Numerous personnel changes occurred in key system level positions, and people began to gain experience in working together in the context of the new system. On the whole, the effort has been successful and results have been positive. While some issues remain between system and campuses, and among campuses, that generate commentary sometimes laced with discontent, to focus on those interchanges would mistake noise for signal. Rather, as the implementation of the reorganization has proceeded, the noise to signal ratio has declined noticeably from its level in March of 2003.

Familiar discourses of dissatisfaction have muted as people engage the new structures and realize that most interactions have the feature of bringing constituent groups into conversations with system level administrators in ways that value the conversation being conducted. From these conversations have flowed numerous decisions and actions, many of them touched on in this report, that speak to long-standing concerns. The challenges that persist do so because they are either resource based and beyond immediate capacity for redress, or because they are part of structural and cultural patterns that are slow to change.

Indeed, if there is a primary lesson to be drawn from the past year it is that culture persists. Policy and organizational structures change more readily than the cultures within which they operate. This University's great task is continuing to support a climate that is based on culture change, one in which each institutional change can be tested by the level of trust it inspires in the constituencies which it affects.

The year has been one of continued stringency in budgetary relations between the State and the University, although a rescission of \$10 million was restored and has been deployed throughout the System in line with the strategic plan to meet acute needs. The supplemental budget submitted by the University is modest in terms of its requests, but targeted at discrete problem areas that need to be addressed.

As the University's continues its transition to being funded increasingly by sources other than State general funds, the internal culture of the University also

needs to evolve to be more data driven, and more illuminated by the evidence provided by peer experiences. Enrollment gains permeate the system, not just one campus, and in order to operate efficiently the System must allocate resources based on considerations of productivity, mission and performance comparable to peer institutions.

Perhaps most encouraging throughout this year has been the spirit of cooperation that has grown between the Chancellors through their Council and the Chief Academic Officers through theirs. The Chancellors have been leaders in addressing the issue of articulation. Senior leadership committed to the Banner system at a time when scarce resources made it difficult to do so, but we can now begin to appreciate how essential this system is in bringing the UH as a system itself into realization.

Another, almost stunning, indicator of System success has been the explosive growth in research and training funding throughout the University. We know that much of the dynamic that has created this was in place before the reorganization, reflecting our recruitment of faculty and the gradual development of capacity. Still, we can also see that taking steps such as the initial cooperation between UH Hilo and UH Mānoa to acquire the EPSCoR grant and having a System-level Vice President for Research have allowed new, far reaching policies to be developed that begin the erosion of barriers between the campuses and among branches of the faculty. The significantly increased resources that have flowed from the new policy concerning the return to the campuses of research and training overhead funds have helped to offset some of the resources that have not been available from State sources.

While we are fully engaged with the job of implementing and executing the reorganization, we realize that much work remains to be done. Administrative procedure reform has begun, but the road will be long and require both patience and persistence. Communicating effectively among us and with our Board of Regents and other external constituencies, including the Legislature and Governor, will continue to require learning and adaptation on our part. Dealing with the recurring requirements of replenishing and maintaining our physical plant will be a constant in this University, demanding novel approaches. Compensating faculty and staff at levels which make the University competitive with its peers, the President's highest priority, remains a task requiring constant attention.

Our sense, however, is that we are well on our way and on the right path, and that this organizational form, recognizing that it will change and continued to be modified, is beginning to give evidence of its realized potential.

List of Attachments

1. Summary Data Form (Appendix H of WASC Special Visit Guide)
Required Data Elements (Appendix I of WASC Special Visit Guide)
2. ACCJC Action Letter after November, 2003 System Visit
ACCJC Team Report on November, 2003 System Visit
3. Dennis Jones Report on System Financing and Powerpoint
4. President's Budget Testimony to the Legislature, January 2004
With Supplemental Budget Spreadsheet
5. VPAA's Budget Testimony to the Legislature, January 2004
6. Biennium Budget Process Schematic
7. Kapi'olani CC Strategic Plan Powerpoint and Spreadsheet
8. UH System Office Organization Chart as approved by BOR in December,
2002

Intra-University Communication Plan, May 2003
9. Council of Chancellors' Meeting Summaries
10. Council of Chief Academic Officers Statement of Roles and Responsibilities
11. Letter from Cory S. Kubota, Pricewaterhouse Coopers
12. Board of Regents Policy 9-5. Political Activity
13. UH System Strategic Plan
14. UH Institutional Effectiveness Report, August 2002

UH Performance Indicators, July 2003
15. University of Hawai'i Research, insert to *Honolulu* and *Hawai'i Business*
magazines, January, 2004