



## REPORT OF THE WASC VISITING TEAM

### SPECIAL VISIT

To University of Hawaii System Office

**MARCH 14-16, 2004**

#### Team Roster

**Chair, Lindsay A. Desrochers**

Vice Chancellor for Administration

UC, Merced

**Diane Cordero de Noriega**

Provost and Vice President for Academic Affairs

California State University, Monterey Bay

**James E. Lyons, Sr.**

President

California State University, Dominguez Hills

**George Pernsteiner**

Vice Chancellor of Administrative Services

University of California, Santa Barbara

The evaluation team in conducting its review was able to evaluate the institution according to Commission Standards and therefore submits this Report to the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges for action and to the institution for consideration.

## **EXECUTIVE SUMMARY**

### **Background**

This is the follow-up report of the WASC Special Visit to the University of Hawaii (UH) System Office for March 2004. The first report was based on the Special Visit conducted a year ago (between March 16-18, 2003) at the request of the President of the University of Hawaii System (UHS). The purpose of the Special Visit was originally outlined in a Memorandum of Understanding between the new System President and the Executive Director of the Senior Colleges and Universities Commission in February 2002. In brief, the purpose was to review and assess major organizational and re-organizational steps taken by the Board of Regents (BOR) and a new President and to establish the overall context of the new System to set the stage for several then-upcoming campus accreditation visits and actions. The first UH System Office team report was submitted for Commission review in its June 2003 meeting. The Commission accepted the findings and recommendations of the Special Visit report, and the commission action was reported in a letter to the UH President dated July 1, 2003.

In taking [their] action, 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.

July 21, 2003, Commission action letter

As a result of the Commission action, a follow-up Special Visit was scheduled for March of 2004 to focus on the key issues identified in the Commission action letter and the team report. Additionally, the Commission requested that a briefing on the accreditation process be arranged with the UHS senior administration and Board of Regents to foster greater understanding of the role of the Senior College Commission.

The University of Hawaii System (UHS) is presently composed of ten campuses: a research university at Manoa; two institutions at Hilo and West Oahu; and seven community colleges. The System serves 50,410 headcount students and 34,923 FTE. Full and part-time faculty number 3,670. The UHS is governed by a Board of Regents consisting of twelve persons appointed by the Governor. Total operating budget for the UHS in FY 2003-04 is \$740 million in appropriated funds, excluding contracts and grants and endowments.

The Special Visit follow-up Team consisted of: Lindsay A. Desrochers (chair), Vice Chancellor at the University of California, Merced; James Lyons, President, California State University, Dominguez Hills; Diane Cordero de Noriega, Provost and Vice President for Academic Affairs at California State University at Monterey Bay; and George Pernsteiner, Vice Chancellor for Administration at the University of California,

Santa Barbara. The Team was assisted by Ralph Wolff, Executive Director of the Commission. The visit was conducted over three days, March 14 –16. The Team wishes to thank the University of Hawaii President's Office for its support throughout the process. All materials, including a comprehensive data portfolio, and numerous requests for data and information by the Team were met in a timely and thorough manner by the President's Office staff. Special thanks to Vice President for Academic Affairs David McClain who provided liaison for the visit.

Discussions and interviews were conducted on site with numerous members of the Board of Regents (BOR), including the Chair and Vice Chair; the President and his senior staff; campus chancellors; other administrators both at the campuses and the President's Office; faculty and faculty senate representatives; and students. Additional written remarks were provided by a number of individuals and submitted to Team members.

### **Outline of Issues**

The WASC Special Visit Team's original inquiries related to elements of the Commission's standards that had particular pertinence for the roles of governing boards and system offices. Four areas were examined: external governance, internal governance, strategic planning, and financial resources. These areas were defined as follows:

- **External Governance:** concerning the relationship between the Board of Regents with the President's Office and campuses; relations with the Governor and Legislature; and autonomy legislation, among other matters.

Recommendations from last year: urged conscious development of a non-politicized environment on all parts and the development of a working partnership between the BOR and the President. Urged board development work to allow BOR/President to partner on major goals of Strategic Plan and regular performance evaluations of Strategic Plan and President.

- **Internal Governance:** concerning the internal reorganization of the UHS, notably the creation of a system office, the President's Office, Chancellor's council as well as other councils, and other matters.

Recommendations from last year: commended the President and BOR on the system reorganization but urged further development of roles in new President's Office, with appropriate staff support and role clarification between President's Office and campuses. Urged creation and development of chancellors' council and other communication mechanisms. Urged more rational organization of faculty senates.

- **Strategic Planning:** concerning the development of a system-wide Strategic Plan based on campus plans, which reflected the notion

of one integrated University of Hawaii System and which provide the basis for setting priorities and resource allocations.

Recommendations from last year: commended the President and campuses for strategic planning process, but recommended that a specific action plan with “do-able” chunks be identified which could be accomplished with varying resource circumstances. Urged continuing oversight by the BOR and President on the Strategic Planning process. Urged further work on academic planning at the West Oahu campus with key campus indicators identified; and finally, urged further development of the Native Hawaiian councils to maintain prominence for the important issues in this area.

- **Financial Resources:** concerning the general condition of finances, budgeting and financial management in the UHS.

Recommendations from last year: Urged that the Strategic Plan and budgeting be integrally tied in future actions; urged that BOR and President address a flawed budgetary process by establishing timelines, formats and allocation principles and seek national consulting assistance in establishing a budgeting and enrollments linkage as well as linkage to other factors relevant to system and campus missions and programs. Also urged clearer reporting on financial conditions of the UHS to the BOR in order to improve accountability.

### **Major Findings of Current Review**

The Special Visit Team would like to bring to the attention of the Commission, the UH Board of Regents (BOR) and the UHS leadership a select number of major findings in this section, although there are numerous more minor findings which can be found in the body of the report and which merit notation. The major findings here tie directly back to concerns in the earlier report and to a number of specific recommendations in that previous report. Additional problem areas emerged during the review.

The University of Hawaii System is now 2½ years into a significant organizational development process precipitated by a series of BOR and presidential actions. These have included: the hiring of a new system-level President; the creation of a central system office separate from the UH Manoa campus; and the creation of a ten-campus system with each campus managed by a campus chancellor. Three baccalaureate-granting campus chancellors were in place or under recruitment and seven current community college vice chancellors/provosts were elevated to chancellor status. The stated overall purpose of these reorganizational steps was to foster the creation of an integrated system of higher educational opportunities for students, to strive for a better quality and higher profile for public higher education in Hawaii and to bring Hawaii into the upper ranks of public higher education nationally. The program was both bold and complex. The implementation of this program was characterized by the President as “a work in progress.” Indeed, much progress has been made in a number of areas, and the Team

believes that the Commission members should be clearly aware of such as it does provide a base for going forward in the identified areas and many elements are responsive to the Special Visit Team's report from last year. However, serious problems currently exist which threaten the long-term achievement of the stated aspirations and, importantly, from the perspective of WASC, raise significant issues of the performance of the University under the Standards of Accreditation and threatens the continued accreditation of the senior college campuses.

Second phase work has begun on the strategic planning process through a "stocktaking" initiative. Senior system staff and chancellors with the involvement of a nationally recognized consultant have begun exploration of planning and budgeting models which encompass enrollment planning, all revenue sources, as well as other factors appropriate to budgetary decisions. This effort is in an early stage, but still it is underway. Financial reporting to the BOR is improving. Stabilization of the President's senior staff seems imminent, although some roles still need to be filled and role definition between this staff and campuses presents some thorny confusions and gaps especially in relation to UH Manoa. A strong core of two senior administrators, the Chief of Staff and Vice President for Academic Affairs in concert with an interim VP for Planning and Policy form the core team working on a continuation strategy for the planning/budgeting process. Work continues on the major Strategic Plan initiatives including implementation of an integrated student information system for all campuses; construction of a biomedical center in Kaka'ako; and exploration of alternatives for funding the West Oahu campus. We wish to note, however, that all three of these initiatives present serious resource, governance and/or logistical challenges. Further, an effort to focus on improving student services at Manoa has been undertaken, again not without serious challenges in actual implementation. Other "do-able chunks" of the Strategic Plan as reviewed last year have focused on staff and campus agendas. Notable progress has been made in all of these areas. Additionally, the BOR has participated in some orientation visits to campuses (along with members of the Hawaii Legislature), and the BOR has just recently begun to explore a policy change regarding political endorsements.

All of this progress, however, will not culminate in deep, lasting change unless the problems noted below are taken to heart by all parts of the leadership of the University and a candid dialogue and an action plan to remedy them is undertaken immediately.

Among the most critical problems are:

- First, a nonproductive relationship exists between the BOR and the President, which colors all major issues, exacerbates the politicization of the environment within which the UHS operates, and jeopardizes the functioning of the UHS as well as progress on the UHS Strategic Plan.
- Second, the President appears stymied and distant; that is, the President is not now working in a direct, regular, and positive relationship with the BOR; rather, he is focused on relationships external to the Board and, secondarily, although importantly, he has minimal direct involvement at this time with the campus chancellors.

- Third, the primary focus of the BOR is not policy making and oversight of management; rather, it is primarily focused on its problems with the President, detailed management of campus issues, conflict of interest issues and is generally underdeveloped in addressing the impact of different campus missions.
- Finally, in good part due to the problems between the BOR and the President, the UH Manoa campus is currently unable either to enact the organizational plans of the Chancellor nor to resolve second-level problems emerging from the system reorganization. This hamstrings UH Manoa's ability to manage its affairs.

The following four sections parallel the Outline of Issues noted on pages 2-3 and incorporate the critical problems noted above.

## **SECTION ONE: External Governance**

Last year the WASC Team emphasized in its recommendations concerning **External Governance** the importance of a board /presidential partnership and the importance of depoliticizing the UHS environment as much as possible. Further, we advised that the BOR and President needed to cooperate to achieve the goals of the Strategic Plan and that part of the Board's role was regular performance evaluations of both the Strategic Plan and the President.

In this year's Special Visit, the Team was struck by the severe difficulties surrounding the board/presidential relationship; so much so that it is well to set our findings in relation to the relevant "Criteria for Review" under the Commission Standards of Accreditation pertaining to institutional governance and administration. Further, a central element of any accreditable institution is the governance and administration not only of that institution, but also of the governing board and the impact of its operations on the effective functioning of the institution. In this Special Visit, the Team considered the impact of the functioning of the governance and administration of the system in its own right and in relation to the three senior level campuses, which the Senior College Commission accredits. Therefore, the following criteria guided the Team's thinking as we made our observations:

- 1.3 The institution's (UHS') leadership creates and sustains a leadership system at all levels that is marked by high performance, appropriate responsibility, and accountability.
- 1.8 The institution exhibits integrity in its operations as demonstrated by the implementation of appropriate policies, sound business practices, timely and fair responses to complaints and grievances, and regular evaluation of its performance in these areas.
- 3.9 The institution has an independent governing board or similar authority that,

consistent with its legal and fiduciary authority, exercises appropriate oversight over institutional integrity, policies, and ongoing operations, including hiring and evaluating the chief executive officer.

- 3.10 The institution has a chief executive officer whose full time responsibility is to the institution, together with a cadre of administrators, qualified and able to provide effective educational leadership and management at all levels.

At present, it is the Team's view that insofar as the BOR and the President constitute the leadership of the UHS, the Criteria for Review, 1.3; 1.8; 3.9 and 3.10 are not now being satisfactorily met. The Team had numerous observations, which substantiate this conclusion.

#### President-BOR Relationship

First, the BOR and President are not engaged in the normal working relationship expected between a board and chief executive officer. Last year the Team strongly urged the President and BOR to form a working "partnership" for the benefit of the whole UH System. The Team cannot report to the Commission that this recommendation has been accomplished. Rather, there were numerous indications that the BOR and the President are not now in a relationship of confidence and trust, not mutually engaged, and not in accord for future leadership action. For example, although senior staff in the President's Office do meet with the BOR staff and regents on various matters including agenda setting, the President appears to have distanced himself from the Board and vice versa. Where the WASC criteria would imply that the President has a direct and regular reporting (and performance) relationship with the Board, this apparently is not now the case. There appears to be no agreement between the BOR and President about the proper authority relationship, on performance goals and objectives, or on how to evaluate the president's performance. There is, rather, a contentious debate underway about the evaluation of the president and what the terms of the contract require. Again, contrary to the recommendation of the WASC Team last year to depoliticize the UHS environment, this evaluation process has become very much a public affair. This and other matters have led both BOR members and the President to indicate to this Team that they cannot find appropriate ways to work together. Both express concerns about trust, confidence and integrity. While two members of the President's team are interacting regularly with BOR staff, this liaison is no substitute for the direct relationship needed between a President and a Board. "High performance, responsibility and accountability" are the bywords of the criteria offered by WASC in 1.3...these are hollow words without willingness to partner, recognition of the need for performance review and evaluation, and established reporting lines by both parties.

Recommendation: By whatever means, the BOR and President must devise a direct, regular and positive working relationship at this highest leadership level. This is urgently needed in the UHS and could make the difference in the system's overall success to achieve the promise of the Strategic Plan and provide the basis for the accreditation of

each of the three senior-level campuses. The first ingredient must be the willingness of both partners. We are reminded of the age-old expression: "where there is a will, there is a way." Beyond the willingness, we suggest:

- sit-down meetings with the President and BOR Chair and Vice-Chair on a not less than weekly basis accompanied by an agenda which reserves space for items from both parties. (No other parties present, except a note-taker);
- mindful of our concern that the BOR not micromanage, the Team nonetheless recommends an outcome sheet which identifies tasks for the President and on which the President and BOR leadership agree, with timelines which are understood by both parties and which also identifies tasks for the Chair/Vice Chair of the BOR to undertake in support of the mutually agreed-upon agenda with appropriate state or other officials, that is, public advocacy, which is an appropriate board role; and
- an agreement with the Chair and Vice Chair that the president may organize a BOR/Presidential action plan which becomes the basis for the next year's Board activity and which is conveyed personally to each regent and which is ultimately adopted by the full BOR. This action plan should become the basis also for the future performance evaluation of the President. And finally,
- seeking the assistance of the Association of Governing Boards of Colleges and Universities (AGB) in providing experienced boards and presidential leaders who might partner with the UH System BOR and President in board development work.

### Presidential Leadership

Second, both the President and the BOR are under-performing in their respective roles, possibly due to the inability of the two to find an appropriate balance of roles. With respect to the President, our expectation is that he would normally have a direct relationship with the BOR including constant communication about major presidential activities (especially those pertinent to the adopted Strategic Plan) and including his recommendations for an action agenda, which, upon board approval, become the accepted action agenda. The President has a proactive duty to work with the Board and to "work the board." This means that a president cannot carry out his agendas without board involvement and support and must actively foster this engagement. While the UHS President has incorporated numerous progressive ideas in the original Strategic Plan, he does not now appear to be fully in charge of how those items are proceeding. Frequently, issues on which we would expect the President to make recommendations to the BOR have become a matter for BOR involvement in a unilateral way, or have been dealt with despite the President.

Two such matters are illustrative: first, the new location for the medical school, for which the BOR has appointed its own Task Force to determine governance and second, the BOR's action to withdraw delegated authority for the approval of executive and management positions throughout the entire system, which is having a particularly negative impact at UH Manoa. (These actions are discussed more in Section Two).

Another matter, which was of serious concern to the WASC Team last year, was the need for the UHS to create a better budgetary process linked to strategic planning. While much is underway at the staff level on this goal (see Section Four), the BOR has not been educated about this by the President. Lack of good presidential communication could frustrate this initiative and lead the BOR to take preemptive action before the President and his staff fully articulate a plan, or to reject the administration proposal as too late, and/or to not provide the public advocacy for the plan which a board should provide. Again, senior administrative staff are no substitute for a president who should "bring the board along" on major goals.

Recommendation: That the President engage the BOR and provide renewed leadership and personal direction for the numerous issues which have emerged in the UHS, many of which are related to the changes in the university governance structure, budgeting and accounting processes, and/or related to the goals of the Strategic Plan adopted by the BOR in 2001.

#### Board of Regents Responsibilities

The BOR, too, is under-performing. Contrary to the hope expressed in last year's report, we cannot say that the BOR has developed sufficient understanding of either its policy-making and oversight functions nor of the multiple missions of the campuses. Rather, the BOR appears to be involved in continuing disputes with the President, micro-management of campuses (particularly UH Manoa), and conflict of interest questions. The BOR leadership has taken some steps towards resolving some of these concerns and we have indicated what those are below.

The BOR has acted on its duty to evaluate the President, but this activity has become thoroughly fraught with public controversy. There is something of a standoff currently regarding this evaluation, its proper process and how the matter will be resolved. This lack of ability to put closure on the presidential evaluation frustrates one of the key functions of a governing board and needs to be resolved. The BOR leadership suggests that they intend to seek assistance from the Associated Governing Boards on the third-year evaluation process. We think this is a positive step. We also think it is positive that the BOR created a "set of expectations" for the President's performance in September of 2003 and discussed it with the President in November 2003. The BOR appears to have been less involved in assessment of the performance of the UHS' Strategic Plan, although the Team did not have complete information on this matter.

The most significant finding of this year's Team with respect to the BOR is that the BOR has veered towards involvement in many issues, which would normally be the responsibilities of the administration beginning with the President, and continuing on to lower levels within the university system, including campus chancellors and very much lower level managers. In other words, rather than staying on the level of policy-making and oversight, it appears the BOR is now involved in detailed management of organization, personnel/compensation and other matters not just at the President's Office, but also on at least one campus and at quite low management levels. The Board

leadership states that this involvement is in part a response to the previous WASC Team's findings (May 20, 2003) which called for the President and BOR to achieve greater clarity and definition in the roles of the System vis-à-vis the campuses. We do not suggest that there is no appropriate role for the BOR on these matters, but the role should be one of overall governance, policy-making, oversight and even advice to the administration. The role should not be founded on the agendas of individual board members. This is also not to suggest that members of the BOR wish to be operating at the detailed management level. In fact, at least some members the BOR expressed frustration with Board involvement in numerous issues which they have indicated are indeed the responsibilities of the President and other managers. The most fundamental cause appears to be that both the Board and the President lack trust and confidence in each other and are not working together.

But there are three additional problems that, in the Team's view, the BOR needs to address in order to clear the way for better functioning as a governance, policy-making, and oversight Board. First, the Board needs to further professionalize its own staff and procedures, assuring that the processing of issues is through formal agenda setting channels and done in timely ways that do not surprise or frustrate system or campus leadership. The Team noted that, even with somewhat greater stability in the President's staff, there was a lack of clarity about the procedures for Board business, most especially in the area of agenda items/information. Examples were reported to the Team such as items being placed on the Board's agenda without notice to the President's Office, and that important items requested for BOR consideration and action by the President's office were denied. It is incumbent on the BOR leadership to work with the President's Office to ensure that there is clarity and that all parties know how agendas items reach the Board, that the President is able to place items appropriately before the Board, what proper channels are to be used for conveying information about agenda items and how items will be managed in Board meetings. The BOR leadership reported that it is aware of the problems and intends to bring senior consulting assistance to help resolve these issues.

Second, the BOR needs to ensure that the Board's conflict of interest policy is clearly and evenhandedly enforced on a timely basis. A number of issues arose this past year that draw attention to the importance of this recommendation. With the assistance of the university counsel, Board members should be thoroughly briefed in orientation sessions on the policy and what proactive duties they have in applying the policy. Counsel should also regularly advise regents as issues come before the Board, but the primary duty rests with the regents themselves to assure that they are withdrawing in a timely manner from any decisions that could involve a conflict of interest. Legal opinions provide only a floor, not a ceiling, for Board attention to conflict of interest issues, and the Board should be involved in holding its members consistently to a high expectation of recusal when there is an appropriate basis for an appearance of a conflict of interest and/or those circumstances where the integrity of the Board decision-making could be called into question.

Third, the BOR needs to recognize its continuing need for education of board members on the actual mission of the UHS as a whole and on the divergent campus missions. For example, the role of UH Hilo, as the single fully developed comprehensive university is unique and merits Board focus and understanding as do the other institutions with regard to their special roles. While some BOR members did participate in legislative and campus visits, there was not much evidence to the Team that the exposure was thorough and broad. The UHS BOR now has many new members and the Team repeats its recommendation from last year that the Board and the President should have an organized plan for member orientation and the Board's continued learning about the UHS. An appropriate culture of collaboration and shared responsibility should be one of the major messages of this educational process.

Finally, the BOR did recently reopen the question of political endorsement policy and is now exploring the possibility of a new policy aimed at assuring that the BOR and UH System leadership will be nonpartisan in all of their university activities. We would strongly urge that the BOR follow through with this goal as quickly as possible.

Recommendations: That the BOR conclude effectively the current evaluation of the President and organize an effective process for future evaluations in order to fulfill one of the primary duties of a governing board, building on the BOR's initial effort of this current academic year to create a set of expectations for presidential performance.. Assistance from the Association of Governing Boards is strongly endorsed.

That the BOR assess the overall advisability of its involvement in various lower-level organizational, personnel/compensation and related matters, duties which are normally those of the administration, as distinct from the policy-making and oversight duties appropriate to a BOR. Also, that the BOR continue to work on a set of expectations for presidential management according to Board policies, including the President in this process.

That the BOR, in concert with the President, work to improve the quality of Board procedures, especially to clarify procedures for setting agenda items and conveying information to the Board.

Further, that the BOR, with the assistance of university counsel and others, educate new and current Regents on the conflict of interest policy and clarify procedures in order to ensure the even-handed and timely application of the policy. The BOR has appointed a task group to review BOR policy in this area, and we see this as a positive step. We also encourage the BOR to use the assistance of AGB as a resource for appropriate conflict-of-interest templates.

Additionally, that BOR and the President have an organized plan for the continuing education of the current and new members of the BOR on the UHS mission, Strategic Plan and various campus missions, and that a culture of shared responsibility is created in order to assist the Board in long-term effective policy making and oversight.

Finally, that the BOR follow through with a strengthening of policy on no political endorsements and nonpartisanship in all BOR and UH System leadership activities.

## **SECTION TWO: Internal Governance**

### General

Last year the WASC Team recommended that the President and the BOR continue the work on the reorganization of the System, notably the further development of the President's (System) Office, focusing on assuring that there was a stable team of executives at that office and sufficient staff under-girding that team. Also, the Team urged further development of the new chancellors' council and other advisory bodies, which were intended to knit together the ten-campus system.

Progress has been made in filling out positions in the President's Office. A new Interim Vice President for Academic Affairs, Vice President for Policy and Analysis, and a Chief of Staff to the President have been hired. An interim Vice President for Research is in place until a search is launched. The Vice President for Finance will also be replaced. A core leadership group appears to have emerged which is working on a number of the issues from the Strategic Plan as well as matters noted by the Team report from last year.

Progress has also been made on the development of the chancellors' advisory council (numerous meetings have taken place). Other councils have also been operational. The Team has learned, however, that the chancellors' council appears to be more effective from the perspective of the community college chancellors than for the baccalaureate-granting institutional leaders. And it also learned that the President is not frequently in attendance. The senior staff of the president's office are currently the primary liaisons with the chancellors in these council meetings. The Team believes that this does not fulfill the promise of the chancellors' council. The President needs a direct relationship with the chancellors to be an effective voice for this collective body. As these managers report directly to the President, the Team believes that this should be the primary relationship.

### UH Manoa: Issues

The Team also learned that a number of staff groups previously at the UH Manoa campus have been moved to the President's Office, notably information technology and research contracts and grants staff. This fact appears to respond to the Team's concern from last year about appropriate staffing for that office. However, the transfer of this staff along with a number of other factors also appears to have had a negative effect at Manoa, leaving Manoa leadership uncertain about its management scope and available staff resources.

Among the most critical problems that emerged during the Team visit is a dysfunctional set of circumstances related to UH Manoa. While the accreditation of UH Manoa was

reaffirmed last year, the issues noted by this Team during the current visit appear to be related to recent fallout from the system reorganization and to unclear presidential and regental responsibility in relation to Manoa. The organizational separation of the President's and Manoa Chancellor's offices and consequent movement of staff resources to the President's Office; unclear expectations for the Chancellor's reorganization plans at Manoa on the part of the BOR and a BOR moratorium on hiring of managers; lack of clarity by the BOR about the need for management authority at Manoa; and lack of intervention by the President to resolve these issues are all aspects of the dysfunction. We heard broadly from constituencies at Manoa about these problems, most especially from faculty senate representatives and students who appear confused and frustrated by perceived lack of support from the BOR on these matters. The Chancellor of UH Manoa appears uncertain about where the current John A. Burns School of Medicine reports and there is some question about its future governance. While the Regents have convened a Task Force on this question, lines of communication about its mission are not clear to all. While the President had some initial involvement with the previous BOR Chair on this critical issue, he does not now appear to be closely involved. All of these circumstances appear to have developed over the past six to twelve months and are severely impeding the new Chancellor's ability to truly manage the Campus.

The Team is of the view that the leadership at Manoa has been clearly stymied in its ability to truly manage the Campus. We also believe that these problems are indicative of the negative relationship at present between the BOR and the President and the President's distancing himself from internal matters. These issues cannot be solved by the Manoa Campus alone. They require strong presidential intervention on behalf of the Campus and a recognition that the President should set the management expectations for the Campus and work to resolve the staff resource issues so that the Campus can function. They require the BOR to refrain from detailed intervention in daily management issues in favor of setting the overall policies and guidance for the President in his management of the campus chancellors.

Recommendation: That the President, in concert with Chancellor at Manoa, assess the impacts of the reorganization on the functioning of the Manoa campus and take any necessary steps to remedy gaps in management capabilities as a result of the staff changes. Also, that the President work with the Chancellor to assure that the Chancellor has an appropriate organizational plan and assist the Chancellor in bringing this plan successfully to the BOR. Further, the President should assume a proactive role in the important governance issue regarding the school of medicine. Finally, that the BOR and the President resolve the policy dilemma presented by the moratorium on managerial hiring at Manoa, in order that the Campus can fulfill the new leadership's goals and function properly.

### **SECTION THREE: Strategic Planning**

Last year the Special Visit Team was informed that the UHS Strategic Plan had been presented to the State Legislature with a one hundred million dollar price tag. Given the

declining state fiscal circumstances, that Plan was characterized as “dead on arrival.” It was clear to the Team, however, that the faculty, students and campuses had largely agreed that the Strategic Planning process had been a healthy one and that they wanted to see the Plan implemented, even if resources were limited. In response, the University committed to finding “do-able chunks” of the Plan that could be implemented with little or no cost. The Team reviewed the success of the University in identifying and implementing such an effort and the extent to which the Strategic Plan was serving as a basis for institutional actions and resource allocations.

### Stocktaking

The most significant step in furthering the progress on the Plan is a “stocktaking” process introduced by UHS senior officers whereby each chancellor is preparing a planning matrix that will demonstrate how campus strategic plans and academic plans are aligned with the System Strategic Plan. Campus plans will also indicate what enrollment projections are, what new academic programs the campuses are proposing and what resources will be necessary to carry them out. These plans are, simply put, a way of describing what each campus is currently doing and how activities are funded, what each campus would like to be doing in the future and how such future activities might be funded. This appears to be a useful exercise and will give both System and campus leaders a comprehensive overview of current and desired future activities.

Once this process is completed, it is expected that there will be an explicit process implemented to evaluate these plans, winnow them down and prioritize them. Strategies will then be identified for finding the resources to bring these plans into fruition. This approach appears to the Team to hold great promise. However, the constituents interviewed were not clear on what their role will be in the actual decision-making process for setting priorities and allocating resources. (For more on the relationship to resource allocation, see section titled “Financial and Budgetary Issues.”)

Also, the *Institutional Effectiveness Report* prepared two years ago by the UHS Institutional Research Office will be issued again this year. The Interim VP for Planning and Policy indicated that this year’s report will be aligned with the Strategic Plan. For this purpose, there is a need to find the most relevant and robust data.

Recommendation: The WASC Team commends the UHS leadership for commencing Phase II of the strategic planning process through the stocktaking exercise. The effort should be clearly linked to financial/budgeting plans for each campus and the overall UHS financial/business plan. Decision-making processes and criteria for resource allocation as a result of stocktaking and budget linkage still need clarification.

### **Student Learning and Services**

In addition to these general steps specific elements of the Strategic Plan are being pursued: the “do-able chunks.” For example, the Strategic Plan principle “Student learning is everyone’s responsibility” represents a culture shift that everyone can endorse

without necessarily spending additional dollars. Faculty, staff, and administrators can all contribute to student success, whatever their role. At the UH Manoa campus this principle was further pursued with a study entitled "Understanding Student Services." The study was very well received at the Campus, although implementation of the recommendations has been a challenge. In meetings regarding this issue, students indicated feeling support from the President and the Manoa Chancellor for improvement of student learning and services. There are clearly issues related to the reorganization of the Office of Student Affairs at Manoa. Students interviewed felt that the entire Student Housing unit was entrenched and unwilling to embrace needed changes. However, the campus chancellor has not found support for these changes at the BOR to date.

Recommendation: Orchestration of a plan of action to resolve the UH Manoa organizational issues involving the Chancellor and both the President and the BOR is urgently needed.

### **Student Information System**

Another Strategic Plan step taken since the last Team visit was the implementation of the integrated student information system, Banner SCT. Banner has been implemented on all campuses. The funding came from the allocation of a portion of the 3% per year resident tuition increase scheduled for 2001-2006. While students seem to feel that the new system will be advantageous, faculty expressed concern that the new Banner system has not worked well in the context of a research university, and that it has been difficult to implement. One area of difficulty cited was in the evaluation of transfer credit. Additional work will be necessary to improve the usefulness of the system.

Recommendation: The President's Office should continue to refine the new Banner SCT system to ensure that all campuses' goals are achieved with implementation of the new system including faculty requirements for evaluation of coursework.

### **UH West Oahu**

A specific area of concern in the Strategic Plan and indeed last year's WASC Team report was the future of UH West Oahu. West Oahu has new (although interim) leadership and it appears to have benefited from the "stocktaking" exercise for enrollment and program planning. Two initiatives for the future focus on programs involving community partnerships. These are healthcare administration and teacher education. Both would draw on West Oahu's strength as an upper division institution. Both areas represent significant workforce needs. Specifically, the Campus proposes a partnership with Kapiolani Community College's respiratory care center and with the early childhood program at Honolulu Community College.

The future of the physical campus for West Oahu is still in question. It is expected that \$400,000 will be approved for some additional portable classrooms and for some repair and maintenance for the current site. These, however, must be seen as only temporary measures since the current site is quite inadequate for the longer term. The BOR has

asked that the UHS senior leadership explore a public/private partnership to support construction of a true campus for West Oahu. The Board is reviewing UHWO academic and campus plans at its May meeting, after which the system is expected to publish an RFQ and will report back to the Board on the response.

Recommendation: The BOR and UHS should continue to aggressively pursue a longer-term solution for permanently locating the West Oahu campus. Current facilities do not adequately meet expectations for a four-year campus environment.

### **Research Agendas/Issues**

The Strategic Plan called for advancement of the research activity of the UHS. The senior System leadership proposed and implemented a higher distribution of dollars to the campuses this year from indirect cost recoveries. These additional funds provided some small additional dollars to assist campuses with planning goals. It should be noted though, that the indirect cost rate for the overall university is low and, to the extent possible, should be renegotiated with the federal government. The senior leadership is quite aware of this problem and intends to do so. This becomes very important in light of the significant expansion underway of research, education and training grants.

Recommendation: The advancement of research and related activities of educational and training improvement has seen healthy progress at the UHS in the last few years. Research activity, per se, is up significantly at UH Manoa and other recent grants such as EPSCOR (Experimental Program to Stimulate Competitive Research) involved Hilo and other campuses. Hilo shows a very good level of grants and contracts for a campus of its size. The central office has expanded research services, and is planning on extending services, including to Hilo. But clarity is also needed between this central office and UH Manoa as well as Hilo on the division of labor as well as the level of service from this now system-level office.

### Recommendation:

One particular development is the establishment of a biomedical center/complex at Kaka'ako. The WASC Team Chair visited this site and noted the great potential this location and the new facilities will bring to Hawaii. The plan is for the medical school at Manoa to move to this site and for other related activities such as the current cancer center and research organization to also move there. The UHS leadership as well as the leadership at Manoa deserves credit for this good progress. There are currently unresolved issues under review by a Task Force of the Regents, particularly the issue of the governance of the complex. It is imperative for the Manoa Campus and the success of the venture that there be clarity about who will be responsible for the resources and management of the complex. At the time of the visit there were also conflicting views about where the medical school currently fit within the reporting scheme—to the campus or to the President. The Task Group's report is expected this summer, permitting this source of uncertainty to be resolved well in advance of the actual move of the Medical School.

Recommendation: As the success of the biomedical complex at Kaka'ako will be important to the UHS and the State, the BOR Task Force and the President should carefully consider the pros and cons of the governance options for this complex and act to clarify the governance of the complex prior to actual move.

### **Native Hawaiian Issues**

Native Hawaiian values are at the core of the Strategic Plan and the President has emphasized Native Hawaiian affairs as a priority from early in his administration. Several years ago the Puko'a Council was formed. There is also the Kualii Council on the Manoa Campus. This year, the Team met with representatives from the Kualii Council who have a goal of increasing the numbers of Native Hawaiian students to reflect the proportion of Native Hawaiians in the general population. Some of the membership has been with the system for some time, and report that support for their issues shifts from administration to administration. They further report that the current President as well as the Manoa and Hilo Chancellors are supportive of these important issues and have met with them to discuss their concerns. It was also indicated that the Chancellor at UH Manoa committed \$700,000 per year for three years to the program; however, the funds have not yet been released. The Kualii Council indicates that there has been an infusion of funds to the Hilo Campus, as was reported by the Vice President for Academic Affairs. While the Kualii Council believes, however, that funds might not have been allocated without major pressure through a public protest, the Office of the President indicates that funds were allocated over a six month period starting in April 2003, well before any public protest. Regardless of the chronology here, the UHS and President in particular appear to be highly supportive of Native Hawaiian initiatives. The Kualii Council also supports the UHS Strategic Plan focus on Native Hawaiian Studies and hopes to see more concrete steps to bring the goals to fruition.

Recommendation: That the UHS leadership as well as the BOR keep a focus on Native Hawaiian issues in order to ensure that the UHS serves the Native population and appropriately incorporates Native Hawaiian values and culture into UH programs as provided in the UH Strategic Plan.

## **SECTION FOUR: Financial and Budgetary Issues**

### **Stocktaking**

The University has begun efforts to tie its budgetary decision-making to the Strategic Plan. The BOR believes that its direction to the University is to integrate budget planning with the Strategic Plan. Both President's office staff and campus representatives spoke of the prominence of the Strategic Plan in their thoughts about

future (FY 2005-07) budget requests. Although no clear process has yet been developed to link the implementation of the Strategic Plan with budgetary decisions, it is evident that University leadership and staff are animated by a desire to do so. The stocktaking exercise explicitly involves the linkage.

Recommendation: The University should clearly and explicitly use the UH Strategic Plan as the guidepost for budgetary choices.

### **Budget Models/Strategies**

As called for in the WASC report of 2003, the UHS senior administration called upon outside assistance to help it develop approaches to budgeting. It appears that real progress has been made in developing a budgetary process. Currently, several processes are underway simultaneously and it is as yet unclear how they will be harmonized into a single, understandable and congruent budget process. The stocktaking exercise involves a large number of constituents on campuses and around the University and is offering an opportunity for campus chancellors to articulate their priorities and approaches for addressing Hawaii's future and fulfilling the UHS Strategic Plan. Concurrently, the President's office staff are researching possible allocation principles and discussing the advantages and applicability of each with the chancellors. The community colleges have developed a joint framework for budget development that should result in a consistent and coherent request for the upcoming biennium. There also is discussion of mission differentiation and differing budget allocation principles based on segment (community colleges, comprehensive universities, and research university). Finally, the Vice President for Academic Affairs has stressed to State leaders that the University will be seeking to supplement its base current service budget with funds for enrollment growth in 2005-07.

All these steps are important, but their integration into a clear and coherent process with understandable principles and predictable outcomes still must be achieved. Further, the BOR does not appear to have had close involvement in these improvements and should be integrated into the developing process so that it can exercise appropriate oversight of policy development and approval of both allocation principles and actual budget requests.

The role of the systemwide All Campus Council of Faculty Senate Chairs is still evolving. Council members have been invited to the stocktaking discussions and, at least on some campuses, may be involved in reviewing information prior to its being presented at stocktaking sessions. The President's Office staff also have stated that the Council will be consulted before recommendations for the 2005-07 budget are made to BOR. Because a formal budgetary process has not yet been developed, however, no formal consultation mechanism has yet been determined.

President's Office staff recognize the critical importance of good and constant communication with the various stakeholders of the University in the development of goals and budgets. Several mentioned the necessity of achieving some level of consensus about the budget process as a means of providing added legitimacy to budget decisions.

Although the current efforts are reaching out to a variety of campus and University groups, there is still a lack of clarity about how the budget process is being developed. A clearer description of the approaches being undertaken and a more concerted outreach to stakeholders might make the process the University ultimately adopts more acceptable than it otherwise might be.

Budget formats that vary from those provided by the State have not been developed (except for the stocktaking matrix). The clear linkage of budget allocations to either performance metrics or to enrollment would be facilitated by budget formats customized for use by the University.

Regents' Policy 8-3 propounds a budget development process. This should be carefully reviewed and amended to reflect the process and values that emerge from the improvement efforts that are underway.

Staff at both the President's Office and the Manoa campus mentioned the desirability of publishing the budget that the Regents adopt. This seems appropriate in order to make clear to University constituencies and to the public the allocations of University funds.

Recommendation: The University should develop a clear and consultative budgetary process that indicates the timing of each critical step and the roles of all key decision-makers and advisors and utilizes clearly articulated allocation criteria. This process should be developed openly and in cooperation with a wide range of campus and university stakeholders and be in place prior to beginning planning for the 2007-09 biennial budget request. The process adopted by the University should replace that called for in Section 8-3 of the Regents' policies.

For 2005-07, the University's Vice President for Academic Affairs has signaled an intention to request additional state funding for increased enrollment. The University, however, is still determining what allocation principles it might adopt for the future. Further, the principal budgetary interest of both campus and system staff appears to be the support of current enrollment and programs. Consequently, President's Office staff has indicated that for 2005-07, it is uncertain whether State authorities will agree to connect funding provided to the University to enrollment projections. For purposes of allocation of budgeted funds within the System, staff expressed a desire for creation of a small fund to address unexpectedly large swings in enrollment. Allocation principles being considered at the staff and campus levels involve mission-driven (performance-based) allocations as well as enrollment-based allocations. The development of a clear budget process and the articulation of understandable allocation criteria remain critically needed improvements. The various budget processes currently underway should be welded into a cohesive whole and infused with clear allocation principles. These efforts will require broad consultation both on campuses and with external constituencies and must be animated by efforts to meet State needs within the context of BOR policies. This will require policy development by the BOR and close cooperation among the BOR, the President's office, and the campuses. The mission of each campus must be considered carefully in developing any allocation principles or formulas. It also seems axiomatic,

however, that enrollment should be considered in the allocation of state funding to campuses.

Inextricably tied with budgeting for enrollment is the matter of tuition policies and levels. Tuition setting is the responsibility of the Board of Regents. The process is prescribed by the State's Administrative Procedures Act and involves a year-long effort to elicit public comments. The Office of the President indicates that because of the University's special Constitutional status, the State's Administrative Procedures Act is not completely determinative; however, there's no question that the process requires soliciting public comments and that this can take some time. Because the process is so extensive it offers an opportunity for dialogue about the roles and missions of the campuses, policies about state and student shares of the cost of education, the cost drivers of the University, and the University's long-term strategies. For the past several years, and through 2005-06, tuition increases of 3% per year have been adopted. The end of that cycle comes in the middle of the next biennium. As the University develops its 2005-07 budget, it will have to address tuition policies and levels for at least the second year of the biennium. It would make sense to begin discussions with Regents and key stakeholders early so that budget planning and tuition policies and plans are developed in a congruent fashion.

Recommendation: In developing its allocation principles and criteria, the University should pay appropriate attention both to campus mission and to enrollment. Further, the University should undertake soon the development of tuition policies and strategies for at least 2006-07 and perhaps future years.

The University has developed revenue and expenditure reports for use by each campus, the Office of the President, and the BOR. These reports extract information from the data warehouse utilizing the University's Financial Management Information System and data from the State's payroll system. These reports have been developed recently. They have been shared with campuses and the BOR with requests that these key users evaluate their utility and suggest changes to them. The reports currently are prepared at the campus level (college level for UH Manoa). Fiscal officers in departments have been trained to extract departmental data. Many may not yet be adept at doing so, however.

These reports have not yet been reconciled with the annual financial statements for the University because they have only recently been developed. It is clear, however, that if they are to be useful and credible such reconciliation will be essential. This suggests the need to develop separate auditable financial statements for each campus that can "roll up" to University-wide statements.

It should be noted, too, that the BOR has established a separate Audit Committee of the Board. The University's internal auditor will report to that committee instead of to the University's Chief Financial Officer.

Recommendation: The University should consider developing separate auditable financial statements for each senior campus. Further, the University should facilitate the

development of financial reports for departments and divisions by providing training and consultation to department staff.

**Overall Observation:** The University has made significant progress in the past year in developing participative and consultative budget processes, in organizing ideas for programs around the UH Strategic Plan, and in providing timely financial information to decision-makers. These efforts are commendable and, although far from complete, signal an approach to budgeting and financial management that appears to be striving toward achievement of the recommendations made in the 2003 letter from WASC. A follow-up prior to the adoption of the 2007-09 budget might be warranted.