I. CALL TO ORDER

The meeting was called to order by Chairperson Patricia Y. Lee on Thursday, May 19, 2005, at 9:11 a.m. in the Medical Education Building, John A. Burns School of Medicine at Kaka‘ako.

Attendance

Present were Regents Andres Albano, Jr., Byron W. Bender, Ramón S. de la Peña, James J.C. Haynes, Trent K. Kakuda, Kitty Lagareta, Ronald K. Migita, Alvin A. Tanaka, and Myron A. Yamasato; Interim President David McClain; Executive Administrator and Secretary of the Board David Iha; and Executive Assistant Carl H. Makino. Regent Jane B. Tatibouet was excused.

Also present were Mr. Walter Kirimitsu, University General Counsel; Mr. Sam Callejo, Vice President for Administration; Dr. Doris Ching, Vice President for Student Affairs; Dr. James Gaines, Interim Vice President for Research; Dr. Linda Johnsrud, Interim Vice President for Academic Planning and Policy; Ms. Carolyn Tanaka, Associate Vice President for External Affairs and University Relations; Dr. Gene Awakuni, Chancellor, University of Hawai‘i at West O‘ahu (UH-West O‘ahu); Ms. Peggy Cha, Chancellor, Kaua‘i Community College; Dr. Peter Englert, Chancellor, University of Hawai‘i at Mānoa (UH-Mānoa); Dr. Rockne Freitas, Chancellor, Hawai‘i Community College; Dr. Angela Meixell, Chancellor, Windward Community College; Dr. John Morton, Chancellor, Kapi‘olani Community College; Mr. Ramsey Pedersen, Chancellor, Honolulu Community College; Dr. Mark Silliman, Chancellor, Leeward Community College; Dr. Rose Tseng, Chancellor, University of Hawai‘i at Hilo (UH-Hilo); Mr. Alvin Tagomori, Dean, Student Services, Maui Community College; Ms. Donna Vuchinich, President, and Mr. William King, Vice President, University of Hawai‘i Foundation; Mr. Walter Niemczura, President, Administrative, Professional and Technical (APT); and others.

II. APPROVAL OF MINUTES

Upon motion by Regent Haynes and second by Regent de la Peña, the Board unanimously approved the minutes of the April 21-22, 2005 meeting, as circulated.

Introduction

Chairperson Lee introduced newly-appointed Regent, Mr. Ronald Migita.
III. PUBLIC COMMENT PERIOD

The following testified on Agenda Item #1, University of Hawai‘i (UH) Tuition Schedule Proposal, 2006-2007 through 2011-2012:

1. Mr. Carl Takamura, Executive Director of the Hawai‘i Business Round Table, conveyed the support of the Hawai‘i Business Round Table for the proposed tuition increase. He said the organization recognizes that quality higher education benefits both the individual as well as the State.

2. Dr. Chuck Hayes, Dean, College of Natural Sciences, expressed support for the tuition increase, stating that his College needed the additional revenues and, therefore, supported the increase. He said that tuition should have been raised gradually over the past several years.

3. Mr. Edward Johns, student, UH-Hilo, expressed opposition to the proposal, stating that students were not necessarily against the proposal but knew that it would be approved. However, the process has taught them not to trust the administration. They remain skeptical as to how the additional revenues will be used.

4. Dr. Jon Okamura, Ethnic Studies Department, UH-Mānoa, expressed opposition to the increase, stating that the last time tuition was increased, enrollment declined and it took eight years to recover. The students that suffer the most are minority students. He called for equality of access to the University which is not afforded by a tuition increase.

5. Dr. Noel Kent, Ethnic Studies Department, expressed that from his experience, every tuition increase has denied the poor and working class access to higher education in Hawai‘i. It becomes immoral for the University to balance its budget on the backs of the students at a time when UH administrators are being paid inflated salaries. He proposed that before tuition increases are considered, all administrative salaries be capped at $175,000 a year and the UH administration end its attempt to establish a University Affiliated Research Center (UARC).

6. Dr. Andrew Hashimoto, Dean, College of Tropical Agriculture and Human Resources, stated that if the institution is underfunded, it will affect its ability to compete with its peer institutions. He, therefore, supported increasing tuition because if there is to be a quality higher education system, everyone must share in that investment.

7. Dr. Joseph O’Mealy, Dean, College of Languages, Linguistics, and Literature, expressed reluctant support for the tuition increase because there was no logical alternative. He had seen the damage to the faculty, the curriculum, and infrastructure of his College caused by ten years of under funding.

8. Dr. Peter Garrod, Dean, Graduate Division, expressed support for the tuition increase. Without sufficient funds, quality will decline and the University will be on a downward spiral from which it cannot recover.
9. Mr. Kalani Makekau-Whittaker, doctoral student, expressed opposition to the increase, reminding that taxpayers and students are not two separate categories. Students also pay taxes. These taxpayers need to hold the leaders of the University accountable for fulfilling their fiduciary duty. State public higher education is supposed to be affordable since the Moral Act of 1862 assures that higher education would be available to those in all social classes. In addition, UH is obligated to Native Hawaiians since much of the lands occupied by the University sit on ceded lands. Western Undergraduate Education (WUE) tuition is considerably less than non-resident tuition and there are more WUE students than Hawaiians at UH-Hilo. He said that his proposal is to lower resident tuition for UH-Hilo and raise the non-resident tuition to at least the cost of education.

10. Mr. Gary Sugiyama, former student, UH-West O'ahu, and Leeward District teacher, urged the Board to rethink the proposal. He said that the Board's action will determine which high school students will decide to attend the University of Hawai‘i. He asked that the Board look at the proposal not only from a business point of view but to help minorities and the underprivileged.

11. Ms. Kathy Rodriguez, student at Hawai‘i Community College (HCC), expressed that the majority of students at HCC are non-traditional, and the increase would affect their ability to attend college.

12. Mr. George Thronas, student, expressed support for the tuition increase provided revenues go toward new facilities and programs and not pay for campus reorganizations or administrative salaries.

13. Ms. Antoinette Wilson, Vice President-elect for the Associated Students of the University of Hawai‘i (ASUH), Hawai‘i Community College, informed that the faculty she spoke to felt that the tuition increase would go to pay for the University's portion of the faculty contract and to administrative salaries. She asked that the increase be lowered and the funds put back into the classrooms.

14. Mr. Kris Kaupalolo, Chairperson of the UH Student Caucus and Vice President of the Graduate Student Organization, asked that the Board display compassion for students. He stated that the administration is not able to explain truthfully what students can expect by paying more for tuition and has "lost their ears" for the students. He said that students are united against the increase and that unlike what the administration is saying, by Board policy, the current tuition schedule can continue.

15. Ms. Jackie Graessle, School of Social Work, on behalf of Dean Jon Matsuoka, expressed support for the tuition increases. Although it may create a hardship for students on fixed income, the University would undergo equal hardships if it is unable to generate additional revenues.

16. Dr. Paul Kingery, College of Education, on behalf of Dr. Dean Randy Hitz, expressed support for the tuition increases. If the increases are not approved, all students will suffer because certain services can no longer be provided. The tuition increases must be supported and a
commitment made to finding more resources to assist students with financial need.

17. Dr. William Chismar, College of Business Administration, expressed support for the tuition increases. The College of Business Administration will be able to hire more faculty, expand its career services and improve facilities with the additional funds.

18. Dr. Richard Dubanoski, Dean, College of Social Sciences, supported the tuition increases. He said the College of Social Sciences is having to teach an increasing number of students with less faculty. He encouraged the Board to approve the increases and to also consider students with financial need.

19. Mr. Ross Kamakahi, graduate student, said that there needs to be a tuition increase along with the technology fee and faculty productive assured.

20. Dr. Judith Hughes, Dean, College of Arts and Humanities, said that reluctantly, she had come to the conclusion that if students are to be provided quality education there has to be a tuition increase.

21. Mr. Timothy Padgett, student, expressed opposition to the tuition increases. He selected the University of Hawai‘i at Mānoa for its affordable cost. He reiterated an earlier testimony that he does not trust that the administration will use the additional monies to benefit students.

22. Ms. Ginger Hamilton, Minority Access and Achievement Program at the University of Hawai‘i at Hilo, stated that she works with many students who are struggling to make ends meet. She shared a statement prepared by the Hanakahi Native Hawaiian Council at UH-Hilo opposing the tuition increases, recommending that non-resident tuition be increased to cover the actual cost of attendance; review the current residency policy; create a WUE (Western Undergraduate Education) policy that limits the number of students who are able to attend the University of Hawai‘i through WUE; look for creative ways to raise monies; and evaluate the recent dramatic increases in administrative salaries.

23. Ms. Katie Barry, student, asked that the amount of increases be reconsidered as well as the length of time. She asked that the administration be more innovative with their funding initiatives and demonstrate more fiscal responsibility.

24. Mr. Grant Teichman, President-elect ASUH-Mānoa, stated that many students at the University find the proposed increases unreasonable. He had conducted a poll and 55 percent of the students would be willing to see an increase if it were between $50 and $150 per semester. It did not appear as if the Board and the administration were truly interested in hearing from students. ASUH is requesting more time to work with the administration since students were not consulted on the most recent proposal.
25. Mr. Mike Hewitt, student at Kapi‘olani Community College, expressed that a petition was circulated and 512 students signed in opposition to the proposed increases. Students feel that there has been no honest attempt to cut costs. He added that waivers could be used to assist the gap students.

26. Dr. Lois Magnussen, School of Nursing and Dental Hygiene, said that funds are needed for additional faculty to fill the many vacancies. Without additional faculty the Nursing program will not be able to admit more students. Many of the students who are not admitted to UH-Mānoa go to Hawai‘i Pacific University (HPU) where the tuition is considerably higher. In response to Chairperson Lee, Dr. Magnussen informed that there are just under 300 students in the baccalaureate program and another hundred graduate students in the Master’s and Ph.D. programs.

The meeting was recessed at 10:55 a.m. and reconvened at 11:13 a.m.

IV. AGENDA ITEMS

University of Hawai‘i Tuition Schedule Proposal, 2006-2007 through 2011-2012

President McClain presented a funding plan for the University explaining that the total budget is slightly over $1 billion a year, reflecting a growth of about 10 to 12 percent. He said that at the end of the six years, the gap between revenues and what the campuses need would be reduced but not eliminated. There has been a 13 percent increase in enrollment since 2000. The State still provides between 45 percent and 47 percent of the budget which is the upper edge for most states. He felt that there will not be more State support in the years ahead.

Interim Vice President Johnsrud then presented the tuition proposal for 2006-2012. She informed that as a result of the testimonies received at the last Board meeting on tuition, the administration modified its proposal by extending the proposed schedule from five to six years. Rather than reaching the projected national and Western Interstate Commission for Higher Education (WICHE) averages in 2010-2011, the revised rates would reach the projected averages in 2011-2012. A mid-schedule review is being proposed in Spring 2009 in order for the administration to assess the accuracy of the projections, impact of the increases, and the funding needs of the University at that point. The extension of the revised schedule reduces the per credit and the semester increases.

The per credit annual increase for undergraduate residents, according to Vice President Johnsrud, was reduced in the case of UH-West O‘ahu from $22 to $20; UH-Hilo from $24 to $22; and for Mānoa from $36 to $34. The non-resident rates were also reduced. The semester increases for full-time students were reduced at West O‘ahu from $264 to $240; Hilo from $288 to $264; and for Mānoa undergraduates from $432 to $408. The cap was left in place so that full-time students at these campuses enrolled in more than 12 credits pay the 12-credit rate. Adjustments for graduate students and non-residents are comparable. The increase for UH Community College students was changed from a flat rate of $8 per credit for the five years to a progressive rate from $7 to $9 over the six years. In the original proposal, there was no increase in the non-resident rate because the Community Colleges already charged a rate higher than their peer institutions in the WICHE region. She said that it was decided to increase the rate for non-residents
by the same amount that residents will be increased and the Chancellors will have flexibility to charge non-residents what they believe the market will bear.

Based on student testimony, the proposed information technology fee was removed. The rationale for a systemwide fee may be presented at a later date or individual campuses may propose such fees depending on their needs.

Students had also asked whether cost of living was taken into consideration. In Hawai‘i, tuition accounts for approximately 15 percent of the total funds relied upon to pay for higher education. The rationale that cost of living should be a factor in determining the share of educational costs borne by students through tuition suggests that the same rationale would have to be applied to the share of costs borne by taxpayers through State appropriations. Cost of living affects both students and taxpayers. In addition, just as the cost of living in Hawai‘i increases the difficulty students encounter in paying for education, it also increases the cost of the University to deliver that education.

The proposed schedule increases the cost share of non-resident undergraduates at Mānoa, Hilo and West O‘ahu to a range of 83 percent to 123 percent of the cost by 2012. The Community Colleges have established a range because they are already above the WICHE average. The rate was increased bringing their cost share from a range of 71 percent to 115 percent of the cost. The proposed tuition schedule also increases the cost share covered by graduate and professional education tuition in all categories except law.

According to Vice President Johnsrud, there are students in the gap group who do not qualify for need-based financial aid but who cannot pay the full cost of their education. She met with financial aid officers from across the system who indicated that federal financial aid guidelines do allow for special circumstances. So it may be that some of these students could qualify for federal financial aid. Beyond that, the Chancellors will be given the latitude to adjust the threshold for establishing need on their campuses for campus-based need. This cannot be adjusted for federal aid but it can for the money that the University provides. The financial aid officers also indicated that installment payments would be of particular help to those in groups who cannot afford to pay their tuition in a lump sum. Private scholarships are an important source of aid for this group. A commitment from the University of Hawai‘i Foundation to raise $10 million for financial aid is a focus on the centennial campaign which will help to increase aid available to students. Another new scholarship through the Hawai‘i Community Foundation is geared specifically to students in vocational education programs at the Community Colleges.

Vice President Johnsrud explained that the $20 million recommended by Governor Lingle for scholarships was part of the University’s efforts in considering how tuition waivers could be converted to scholarships. The fact that the Legislature did not pass this is not related to the commitment the University has made to need-based aid. Currently, $4.8 million is now being awarded based on need as part of the tuition waiver program. It is estimated that this will need to grow to around $11.9 million by 2011-2012 in order to cover the increased cost for those who now qualify for need-based aid. However, the increased cost will result in more students eligible for need-based aid. In order to meet the need for these additional students, the University is committing an additional $11 million to need-based aid for a total of $23 million by 2011-2012 systemwide.

Vice President Johnsrud informed that the revisions were reviewed and discussed by the Biennium Budget Committee. The students on the Committee
indicated that they believed the increases were still too steep even after the extension from five to six years and the setting aside of the technology fee. Two alternatives were raised by the students, extending the rate of increase from five years to eight or ten years or reducing the rate of increase to below the national and WICHE averages. Either of these approaches, according to Vice President Johnsrud, would result in a smaller amount of revenues. Given that the revenues raised by the revised tuition proposal would not close the gap, these alternative proposals would leave the University more underfunded. Reducing tuition revenues by 25 percent would mean more core needs would go unmet and these are needs identified by the Biennium Budget Committee. The third alternative considered was further increasing the cost share of non-residents but the Chancellors indicated that they believed that any further increases would result in reduced revenues and decreased enrollments.

The six-year tuition increase is summarized as follows:

**Undergraduate Dollar Increases Per Academic Year at Four-Year/Upper Division Campuses, 2006–07 Through 2011–2012**

<table>
<thead>
<tr>
<th></th>
<th>UH-West Oahu</th>
<th>UH-Hilo</th>
<th>UH-Manoa</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resident</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per Credit</td>
<td>$20</td>
<td>$22</td>
<td>$34</td>
</tr>
<tr>
<td>Full-Time Semester</td>
<td>$240</td>
<td>$264</td>
<td>$408</td>
</tr>
<tr>
<td><strong>Non-Resident</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per Credit</td>
<td>$58</td>
<td>$63</td>
<td>$92</td>
</tr>
<tr>
<td>Full-Time Semester</td>
<td>$696</td>
<td>$756</td>
<td>$1,104</td>
</tr>
</tbody>
</table>

**Graduate and Professional School Programs.**

a. UH-Mānoa. It is proposed that UH-Mānoa resident and non-resident tuition increase to projected national averages over a six-year period.

b. UH-Hilo. It is proposed that UH-Hilo resident and non-resident tuition increase to projected WICHE averages over a six-year period.

c. Law. It is proposed that Law School resident and non-resident tuition be raised to the national average tuition rates of law schools in public institutions classified under the Carnegie classification system as “Doctoral/Research Universities-Extensive.” Annual resident increases of $32 (JD) and $81 (LLM) per-credit-hour and annual non-resident increases of $77 (JD) and $81 (LLM) per-credit-hour are proposed.

d. M.D. It is proposed that Medical School resident and non-resident tuition be raised to the national average tuition rates of medical schools in public institutions classified under the Carnegie classification system as “Doctoral/Research Universities-Extensive.” Annual resident increases of $91 per-credit-hour and non-resident increases of $220 per-credit-hour are proposed.

e. Graduate Nursing. Annual resident increases of $68 per-credit-hour and non-resident increases of $135 per-credit-hour are proposed.
f. Masters in Business Administration Programs. The current MAcc tuition schedule ends in 2007–08. The College of Business Administration Masters and MAcc schedules are designed to converge in 2007–08, after which it is proposed that resident per-credit-hour rates increase by $84 and non-resident per-credit-hour rates increase by $138.

Dean Tagomori, representing Chancellor Sakamoto, stated that the additional revenues from tuition would be used to recruit faculty for Maui Community College. In addition, it would meet the financial aid commitment and add classes to the schedule. He added that security is also an important issue and would be looked at as well.

Chancellor Morton explained that the tuition increase would generate about $850,000 for Kapi‘olani Community College. To fund the financial aid commitment would require about $170,000. The balance can then be used for scholarships. Chancellor Morton said the intention is to use the monies for partial scholarships so that the increase would be offset. After financial aid, the next priority is to attract faculty. When this is done, the tuition monies will be used for new initiatives, equipment replacement, student services, Native Hawaiian students, and security.

Vice Chancellor Smatresk said that he and his staff at the Mānoa Chancellor’s Office are concerned about students. He said that he wants students to have access to the best programs and to have classes that meet their needs. He said at UH-Mānoa, there are only eight financial aid counselors but sixteen are needed. The monies would be used to fill those vacancies. Other priorities at Mānoa would include improving lecture halls; attracting faculty; and a space deficit of 250,000 gross square feet, equivalent to three buildings. He added that without the tuition increase, UH-Mānoa will not be able to sustain enrollments at 21,400 students, the facilities would not be able to be maintained, and critical student services would not be offered at acceptable levels. He said that if tuition is increased, UH-Mānoa’s first priority would be to increase class availability to insure that students can graduate on time. Other priorities will be to hire financial aid personnel and advisors; information technology services and banner support will be improved; campus safety will be improved; classrooms will be repaired; campus infrastructure will be improved; make sure that there is access to high demand majors that the State needs in nursing, travel industry management, business, social work, education and others; lecturers need to be replaced with tenure-earning faculty who can mentor students and help guide them through their careers; the library needs to be supported; and there will be about $13 million of financial aid available to the students. He informed that the number of Western Undergraduate Education (WUE) scholarships would be limited by raising the academic qualifications for one. The number will also be capped at approximately 1,600.

Chairperson Lee said that the Board was impressed that students had pointed out the inequity in the number of WUE students accepted by the University versus other participating mainland institutions. She asked if the numbers can be limited. Vice Chancellor Smatresk responded that one way is to increase the WUE rate which will involve negotiating with the WUE commissioners and the WUE institutions. Chancellor Tseng added that the Academic Senate had wanted to limit WUE students but some of the departments at UH-Hilo claimed they could not attract a full class if not for the WUE students but that UH-Hilo has not turned away any local students. Commenting as a WICHE Commissioner, Vice President Ching explained that the WUE program falls under WICHE. The program was intended to help states where there is room in programs for additional students and to help
recruit students to particular state institutions. It was never meant that every student is accepted as a WUE student. Mānoa has several restrictions and was criticized for those restrictions. WUE helped the universities, including both campuses of the University of Hawai‘i, at a time when enrollments were low. It is a recruitment tool but there are ways to restrict enrollment through WUE.

President McClain asked Vice President Ching to comment about the plan to hold hearings on the resident and non-resident indexes to limit non-residents from paying resident tuition rates. Vice President Ching said that the Board approved the plan to send the proposal out for public hearings and following the public hearings, this will be brought back to the Board, for approval. She said that she is working to satisfy the requirements of the Governor’s Office for conducting public hearings.

In response to Regent Haynes, President McClain explained that there is a non-resident tuition differential program and a tuition waiver program, which waives about $18 million in tuition for a variety of groups and purposes. The non-resident tuition differential program results in a reduction in tuition for non-residents across the ten campuses of about $24 million a year. Vice President Johnsrud clarified that waiving the non-resident differential is by Board policy where students from nations with institutional agreements because they do not have a baccalaureate granting institution are able to pay resident tuition. Chairperson Lee asked if these were full tuition waivers. Vice President Johnsrud explained that these non-residents from honored nations merely pay the resident tuition rates.

Regent Haynes moved to approve the tuition schedules for 2006–2007 through 2011–2012 as modified and presented. Regent Lagareta seconded the motion followed by discussion.

Regent Tanaka asked that the system work with the campuses to give Regents a budget plan. The additional revenues received as a result of the tuition increase need to be budgeted and the expenditure plan shown in detail. He asked to see a written plan so that the monies generated would be allotted as stipulated by the Chancellor. Regent Tanaka stated that he had concerns about using tuition revenues for salaries based on the last negotiated settlement with the faculty.

In response, President McClain announced the following:

1. On financial aid, it is expected to cost approximately $1 million to hire additional staff, and this has been worked out with the campuses.

2. On security issues, meetings have been held. Seven of the ten campuses did come forward with requests for additional funds for security. He said that he would know within four weeks as to how much would be needed for this. The total amount that was requested from the Legislature for security was about $1 million half of which was received so another $500,00 is needed.

3. With regard to the collective bargaining settlement, the faculty salary base is about $175 million. He said the University does not want to pay salaries with anything but general funds unless the University could negotiate something with the State in which they would also pay for fringe benefits if other sources of funding were used.

4. Mānoa campus’ plans for dormitory numbers top out at about 6,000 rooms by 2011 or 2012 from about 3,400 rooms today. President
McClain said that he could report back to the Board in June or July with firm numbers on this.

Regent Haynes thanked Vice President Johnsrud for her work on the proposal. Chairperson Lee added her appreciation to the faculty, administration, and students for the dignity, wisdom and the preparedness for which they came forward. She concurred with Regent Tanaka about having an operational plan, particularly since students are still suspicious that their tuition money will not be used to benefit their education.

In response to Regent de la Peña’s inquiry about cost-cutting strategies, President McClain cited the Mānoa administration’s re-engineering of its operations which produced 8 percent more sections at no additional cost. He said that this will be the kind of leadership expected at each campus.

Regent Lagareta thanked the students for the time, attention and diligence in dealing with this issue. She felt that the information they provided was helpful and their involvement was good for the process. She thanked Vice President Johnsrud and the administration for their work, expressing confidence that the monies will improve the quality of education for students.

Regent Migita said that from a business perspective, it is obvious that contributions from the State are declining and as such, everyone needs to do their share. He was pleased that programs will be in place to help students with financial need and those from the gap group. He felt that the tuition increase will benefit the University and students. Regent Albano concurred, adding that raising tuition is always a difficult decision but he felt that the increases were fair and reasonable.

Chairperson Lee said that one of the key principles that kept appearing was access. The Board will ask the administration to provide a report on a yearly basis monitoring in particular, minorities and gap group students and if their access was affected by increasing tuition. Regent Kakuda added that the administration has a duty to insure that tuition does not impair access to higher education. He asked that there be annual reports on financial aid availability relative to the tuition increases. He also asked that the Board be provided with the individual campus financial aid guidelines as they are adjusted to meet the needs of the gap group.

Upon call the motion was unanimously carried.

The meeting was recessed at 12:16 p.m. and reconvened at 1:33 p.m. in the same location.

University of Hawai‘i Endowment Fund, Quarter Ending December 31, 2004

Mr. Tom Sakai, Wachovia Securities (Third Party Monitor), reported that the total fund performance for the fourth quarter was 5.4% versus the policy index of 5.2%. The fund’s value increased by $2,825,800 and ended with a value of $55,345,000. Over the last 12 months, the fund’s value increased by $4,424,000.

Stock selection was unfavorable at 8.4% against the 9.2% return of the S&P and ranked in the lower 80th percentile. The value style of NWQ benefitted the fund’s return as value stocks outperformed growth stocks by 1.2%. The foreign stock selection was favorable with Brandes representing 9% of the portfolio returning 15.5% which is in line with the international index. Bond selection was neutral.
Bank of Hawai‘i, according to Mr. Sakai, had a return of 5.4% and outperformed the policy index of 4.8%. In June 2004, Bank of Hawai‘i was placed on watch status due to underperformance. For the twelve-month period and two-year period ending December 31, 2004, the portfolio was expected to exceed the policy index or to rank no lower than the 50th percentile of managed balanced funds. As of December 31, 2004, the portfolio’s return of 4.2% over the last twelve months was lower than the policy index by 0.6 percentage points, but its 11.4% return over the last two years exceeded the policy index by .4 percentage points. However, due to the underperformance of the portfolio over the trailing three years, Bank of Hawai‘i will remain on watch status until such time as the trailing three-year return exceeds the policy index or ranks at the 50th percentile or better compared to other twelve months ending June 30, 2005 equal or exceed the policy index or rank at the 50th percentile or better.

The return for the 4th quarter for NWQ Investment Management was 4.7% which was lower than the policy index of 5.3%. Stock selection was unfavorable. The portfolio’s stocks returned 9.2%, underperforming the Russell 1000 value index by 1.2 percentage points and ranking in the lower 70th percentile compared to other managed stock funds. However, it outperformed the average large cap value fund by .4 percentage points. Stocks underperformed their benchmarks in six of the 10 sectors invested. Bond selection was neutral.

The return for the 4th quarter for Brandes Investment Partners was 15.5%, slightly better than the international index of 15.4%. In the last twelve months, the return was 27.2%, well above the international index which was 20.7% and for the last three years, the return was 17.5%, five percentage points better than the international index of 12.3%. Looking at the influences on the 4th quarter, international stock selection was favorable. They outperformed in nine of the 17 foreign countries invested in during the quarter. The portfolio’s stock improved by its overweighting in three of the best performing countries for the quarter.

The total fund had a return of 8.3% which was in line with the policy index of 8.6%. For the last three years, performance was at 3.6% versus a 4.1% index.

President McClain asked that Mr. Sakai provide a brief update on the first quarter performance for 2005. Mr. Sakai reported that the first quarter result was a negative 1.5% for the total funds versus the policy index of a negative 1.2%. In the last twelve months, the return was 3.7% versus the policy index of 4.1%. For the period ending March 31, 2005, the fund value increased by $1,949,000. Bishop Street Capital Management was terminated and replaced by Neuberger Berman in March.

In response to Regent Albano, Mr. Sakai explained that the key economic factor he monitored was jobs. The recovery that had been seen in the last few years was due to large tax cuts and mortgage refinancing. He said that what is critical to sustaining the economy is employment and about 200,000 new jobs are needed to maintain that. While things have been erratic, the last month was encouraging as there were 262,000 jobs which was positive for the market. He felt that the ingredients are there for a sustained economy.

**Regents’ Medal of Distinction - Eliot Deutsch**

Vice Chancellor Smatresk recommended that Professor Eliot Deutsch be awarded the Regents’ Medal of Distinction.
The East-West Philosophers’ Conference series, which began at the University of Hawai‘i in the 1930’s, has grown to become the defining event of the comparative philosophy movement, while the Philosophy Department under the leadership of Professor Eliot Deutsch has become broadly acknowledged to be the world’s center for comparative philosophy. Some 200 philosophers coming from 25 countries will be attending this year’s conference. Professor Deutsch, one of the leading philosophy scholars in the world, has brought great credit to the University through his work to make the East-West Philosophers’ Conference a pre-eminent international conference, his editorship of *Philosophy East and West*, the creation of the Society of Asian and Comparative Philosophy, and his many publications. The International Congress of Vedanta Studies honored him with the title “Vedanta Sudhakara,” its highest honorary title. A festschrift dedicated to him by some of the world’s leading comparative philosophers is another indication of his stature in the field.

Over his career, Professor Deutsch’s teaching and research have taken him as a visiting professor to institutions such as Harvard, Chicago, and Cambridge, and as an invited lecturer to many if not most of the world’s leading seats of learning. Many of his books and articles have been translated variously into French, Italian, Spanish, Russian, Chinese, Korean, and Japanese.

In the classroom, Professor Deutsch has from his earliest days been one of the department’s most popular teachers, introducing his own novel approach to philosophy captured in the title of the Festschrift *The Aesthetic Turn: Reading Eliot Deutsch on Comparative Philosophy*. Many of the Ph.D.’s that he has supervised over his career have now become leading scholars, promoting comparative philosophy internationally.

Regent Kakuda moved to award the Regents’ Medal of Distinction to Professor Eliot Deutsche for his international reputation as a scholar in the field of comparative philosophy. Regent Bender seconded the motion which was unanimously carried.

**Establishment of the American Lung Association of Hawai‘i and Leahi Fund Chair in Respiratory Health**

Acting Dean Shomaker requested that the Board of Regents approve the establishment of the American Lung Association (ALA) of Hawai‘i and Leahi Fund Chair in Respiratory Health in the John A. Burns School of Medicine. He explained that the University was approached in June 2004 by Mary Miller, Chief Executive Officer and Director of Finance and Business Affairs of the ALA Hawai‘i about possible gift opportunities in areas related to respiratory health. Over the past year, conversations have focused on ALA Hawai‘i’s interest in Dr. Elizabeth Tam’s work in asthma research at the School of Medicine.

ALA Hawai‘i closed escrow on the sale of the Kuakini Health Center building in March 2005, and its Board of Directors has formally approved the use of a portion of the proceeds from the sale to make a gift of $1 million to support an endowed chair in neonatal respiratory health at the John A. Burns School of Medicine, as well as a second gift of $500,000 to establish an endowment to support one-half of a Chair position in adult respiratory health at the Medical School.

Throughout the discussions and negotiations on these endowed positions, ALA Hawai‘i and the Leahi Fund representatives have relied on the $1 million minimum level to establish a named endowed chair that was in effect when they
Initially inquired about gift opportunities. Because of the unique circumstances surrounding this gift transaction, an endowed fund will be established at the UH Foundation (UHF) with an outright gift of $500,000 from ALA Hawai‘i, and the Leahi Fund’s contribution to support this position will come from annual payouts from a permanent designated endowed fund to be established at the Hawai‘i Community Foundation (HCF) with $500,000 from the Leahi Fund. The annual payouts from both endowments will support the Chair in respiratory health in accordance with a Memorandum of Understanding signed on behalf of ALA Hawai‘i, HCF and UHF.

The annual income from the endowment held by the UHF, together with the annual payout the UHF will receive from the endowment held by HCF, will be used to support and further develop the John A. Burns School of Medicine’s active research program in adult pulmonary disease. A faculty member from this research group will be selected as the chair holder by a committee of research peers. Once selected, this faculty member will have the proceeds of the endowment available to support one or more of the following research-related expenses: salary support or supplementation and/or support for research expenses such as manuscript preparation, graduate research assistance, the acquisition of library resources and equipment or other miscellaneous research expenses.

Regent Lagareta moved to approve the establishment of the American Lung Association of Hawai‘i and the Leahi Fund Chair in Respiratory Health in the John A. Burns School of Medicine. Regent de la Peña seconded the motion which was unanimously carried.

Establishment of the American Lung Association of Hawai‘i Endowed Chair in Neonatal Respiratory Health

Acting Dean Shomaker requested that the Board approve the establishment of the American Lung Association of Hawai‘i Endowed Chair in Neonatal Respiratory Health in the John A. Burns School of Medicine. He explained that the University of Hawai‘i was approached in June 2004 by Mary Miller, Chief Executive Officer & Director of Finance and Business Affairs of the American Lung Association of Hawai‘i about possible gift opportunities in areas related to respiratory health. Over the past year conversations have focused on ALA Hawai‘i’s interest in Dr. Elizabeth Tam’s work in asthma research at the School of Medicine.

ALA Hawai‘i closed escrow on the sale of the Kuakini Health Center building in March 2005, and its Board of Directors has formally approved the use of a portion of the proceeds from the sale to make a gift of $1 million to support an endowed chair in neonatal respiratory health at the John A. Burns School of Medicine, as well as a second gift of $500,000 to establish an endowment to support one-half of an endowed position in adult respiratory health at the Medical School.

Throughout the discussions and negotiations on these endowed positions, ALA Hawai‘i representatives have relied on the $1 million minimum level to establish a named endowed chair that was in effect when they initially inquired about gift opportunities.

The annual income from this endowment will be used to develop the John A. Burns School of Medicine’s research program in neonatal pulmonary disease. A committee of senior researchers at the School will identify a faculty member with suitable scientific credentials whose research would benefit from the use of these funds. This faculty member will have the proceeds of the endowment available to support one or more of the following research-related purposes: salary support or
supplementation and/or support for research expenses such as manuscript preparation, graduate research assistance, acquisition of library resources or equipment or miscellaneous research expenses.

Regent Haynes moved to establish the American Lung Association of Hawai‘i Endowed Chair in Neonatal Respiratory Health in the John A. Burns School of Medicine. Regent Migita seconded the motion which was unanimously carried.

Approval of University of Hawai‘i System and Community College Progress Reports for Submission to the Accrediting Commission for Community and Junior Colleges

Associate Vice President Rota requested approval of the University system and campus progress reports for submission to the Accrediting Commission for Community and Junior Colleges (ACCJC). He explained that ACCJC guidelines on the preparation of progress reports provide that such a report must be reviewed by the governing board prior to its submission to the Commission. Additionally, ACCJC Accreditation Standards provide that the governing board is informed about and involved in the accreditation process. In order to meet the Commission deadline of April 1, 2005 and with the permission of the Commission staff, the Community Colleges' progress reports were submitted to ACCJC prior to Board of Regents' review with the understanding that ACCJC will be informed about the official action taken on the progress report by the Board of Regents at its May 2005 meeting, and that a revised progress report will be submitted to ACCJC should the Board of Regents require any changes to the report.

In January 2005, the ACCJC requested that the University system and the seven Community Colleges address five accreditation recommendations and other deficiencies noted in the system team report. In addition, several campuses were asked to provide progress reports on specific recommendations from previous ACCJC campus visits. The Colleges have worked collaboratively within the University of Hawai‘i Community Colleges system to arrive at a collective response to the five recommendations related to the reorganization of the community college system. The Regents were provided with an executive summary which provides a description of the system and Colleges’ actions with respect to the specific issues of concern detailed in the ACCJC requests. The full system and campus reports along with detailed appendices have been transmitted to the Board Office and are also available for review.

Chairperson Lee asked if there were templates for program reviews that could be used systemwide. Associate Vice President Rota informed that the Community Colleges made a presentation to the Board on the eight principles that have been developed, the intent being a common practice on program reviews.

Regent Lagareta asked if there was a system to manage the various activities going on to meet the ACCJC requirements. Associate Vice President Rota explained that the Council of Community College Chancellors meet on a monthly basis along with the chief academic officers from each campus to develop the set of common practices. In addition, his office is involved in terms of the academic coordination and program review coordination. Regent Lagareta asked that the Board be assured that the University is moving ahead and that there is regular monitoring and monthly progress reports to the Board.

Regent Lagareta moved to approve the University system and specific campus progress reports for submission to the Accrediting Commission for
Community and Junior Colleges. Regent de la Peña seconded the motion which was unanimously carried.

**Board of Regents’ Policy - University Employees Working at the Legislature**

President McClain recommended that the Board add a new section to its policies related to University employees working at the Legislature. This new section provides that University employees working at the Legislature shall comply with applicable Executive Branch policies in this area in particular. In the event that University employees seek to work at the Legislature on an inter- or intra-governmental leave, such leave shall be without pay. He explained that Board policy has no provision for University employees working for a State legislator. The proposed Board policy is designed to comply with guidelines issued by the Office of the Governor. He informed that both the current Governor and her predecessor have had similar policies in this regard.

The proposed Board policy is designed to comply with guidelines issued by the Office of the Governor regarding State employees working at the Legislature. Guidelines issued by the Office of the Governor are intended to apply to all executive branch employees including University employees. The proposed Board policy makes mandatory the University’s compliance with such guidelines. These guidelines provide that employees may work for a legislator provided that the volunteer employee is on leave without pay or unless the employee resigns.

Regent Lagareta moved to adopt the recommended policy relating to University employees working at the Legislature. Regent Haynes seconded the motion followed by discussion.

Regent Lagareta stated it should be a personal choice and personal sacrifice because the experience has been that the University goes through stocktaking and has a strategic agenda. She is not convinced that employees who are asked to work at the Legislature represent that agenda. If legislators need information from the University, it would be more appropriate that they contact the President.

Chairperson Lee commended the President and administration for bringing this forward and quoted from Governor Cayetano’s memo which read, “It is obvious that if a person can be spared for four to five consecutive months from his/her job, that person cannot be considered to be essential for your operations.” In addition the University ends up paying to replace that person.

Upon call, the motion was unanimously carried.

Chairperson Lee requested that the following item be taken out of order. Regent Yamasato’s motion to take item VIII(a) out of order was seconded and unanimously carried.

**John A. Burns School of Medicine (JABSOM) Business Plan**

Acting Dean Shomaker expressed the gratitude of the School of Medicine for the Board’s support in providing for their new facility. He said the JABSOM business plan was developed in consultation with Chief Financial Officer Robert Nobriga and President McClain.

The plan is divided into two parts. The first is a programmatic piece and in that section, the current operations of the School of Medicine will be discussed and
The vision of the School of Medicine is to be the best medical school in the world with an Asia-Pacific focus. The School was established in 1965 as a two-year school and in 1973, expanded to a four-year program. A new emphasis on the development of research capability began with the recruitment of Dean Ed Cadman in 1999. The School of Medicine has four major missions:

1. Education and Training
   - M.D. training program that has 62 students per class; approximately 1,300 applications received for these 62 slots on an annual basis
   - In partnership with hospital affiliates, there are 14 residency training programs in various medical specialties that have approximately 230 residents and fellows in training in any particular time
   - Responsible for production of public health, medical technology and speech pathology and audiology professionals for the State.
   - Has Master's and Ph.D. programs in cell biology, microbiology, physiology, clinical research, and epidemiology
   - Provide nearly 6,000 semester credit hours of undergraduate teaching per year
   - Has a post-baccalaureate training program that provides opportunities for disadvantaged students to pursue careers in medicine

2. Research
   - Full spectrum of biomedical research including basic, clinical and health services research;
   - Four areas of research concentration to be nationally and internationally competitive in: tropical medicine and emerging infectious diseases, reproductive and developmental biology building on the work of Dr. Yanagimachi, neuroscience, and health disparities research

3. Clinical Services
   - Provide services in all of the specialty areas in various departments in the School of Medicine

4. Community Service
   - Provide outreach education in local schools;
   - Have research partnerships with community organizations;
   - Provide unreimbursed patient care to vulnerable populations;
   - Engage in consumer health education;
   - Provide service on community and government boards and committees.
Dr. Shomaker informed that the Medical School is considering expanding class sizes which has not increased since 1973. The State is facing an impending shortage of physicians and national data indicate that most medical schools are considering expanding their school size. There is also a possibility of a partnership with Alaska to take some students who might be funded by the Alaska State Legislature. He added that neighbor island and rural communities are facing serious access problems in terms of access to health care professionals. He said that the School of Medicine already provides approximately 50 percent of the physicians who are in practice in the State. He hoped that the School could work with the State and provide incentives for alumni to locate their practices in the State after graduation with a particular emphasis in trying to get practitioners into rural and neighbor island communities.

In research, strategies include expanding National Institutes of Health (NIH) funding by recruiting new funded investigators from other institutions, developing junior faculty so that they can compete successfully for independent funding, and by accessing pools of funding that are specifically earmarked for minority institutions such as the University of Hawai‘i. He said that it is important to move towards an incentive-based compensation system for the faculty to encourage faculty productivity. The School wants to help develop the biotech industry for the State by working with private biotech companies, using the assistance of the tax incentives that are available at the State and federal levels. Other sources of funding will also be pursued as appropriate in partnership with other University units and State agencies. It is of critical importance for the School of Medicine to successfully conclude the negotiations for a new, higher indirect cost reimbursement rate for federal research at the Kaka‘ako campus.

The strategy for clinical services is to utilize its faculty practice plan, University clinical, education, and research associates (UCERA) to generate revenues via clinical services contracts with the hospitals and fee for service patient care. It is also interested in partnering with the hospitals and with other University units, such as the Cancer Center, to recruit physicians to lead the development of service capabilities that aren’t currently available in the State.

The School of Medicine also wants to work with community health centers to improve its research capabilities; develop a health education center at the Kaka‘ako campus that can provide health education programs to the community; work with local high schools and colleges to increase the pool of qualified applicants to the Medical School from under-represented backgrounds; and help with recruiting and retention of health care practitioners in rural and neighbor island communities.

The critical success factors that have been identified that will allow the School of Medicine to continue to grow and develop include maintaining accreditation; continuing the growth and diversification of its revenues; securing recurring funding for the operations of the Medical Education Building as well as for new faculty that will be necessary to develop further research capability; securing startup funding for the operations of the research building which will be complete in mid-September; ongoing support from the University administration and the Regents; and the recognition that medical schools are different and have unique needs and potentials. The critical negotiations for the separate indirect cost rate are currently in process with the Department of Health and Human Services (DHHS), an incentive-based compensation plan which was mentioned previously.

Dr. Shomaker said that is very important for the future to implement an entrepreneurial spirit amongst the faculty to take advantage of the revenue-
generating opportunities that the new campus facilities will present. The School will need some flexibility and autonomy to allow the faculty to pursue those entrepreneurial opportunities, will need to improve the internal organization and leadership structure so that the School will be able to make best use of the existing resources that are available, and will need to begin expanding space for the growing research programs.

The School of Medicine is a very large organization with two executive/managerial (E/M) positions, 335 FTE faculty, and about 300 support and technical staff. It has some challenges in the personnel area including clarification of the leadership situation. He said that additional E/M positions are needed to head up the service lines that the School is planning to develop, especially in research and clinical services. Of the fourteen departments, there are two vacant chair positions. In order to continue to grow the research programs, he said that they have to find a way to recruit new faculty in the areas of research concentration, and the staff hiring has to keep pace with the faculty growth. In response to President McClain, Dr. Shomaker said that the School of Medicine has had a 25 percent increase in faculty over the five-year period from 1999 - 2004.

Dr. Shomaker reported that the School of Medicine is using an accrual basis of accounting. As of the end of fiscal year 2004, the total budget is about $92.6 million of which 22 percent is from State appropriations and 21 percent is by research grants and contracts.

Regent Tanaka inquired about the indirect rate revenues. Dr. Shomaker informed that the rate is 36.3 percent which has resulted in $4.3 million in indirect earnings.

Dr. Shomaker reported that about 32 percent of the expenses is attributed to operating and 22 percent to research. The largest single category of expenditures is salaries and fringe benefits which compose nearly 70 percent of the budget. He said that State appropriations have gone up about 39 percent. About $1.2 million were received in new general funds to hire new faculty as part of the recruiting commitment that was made to Dean Cadman at the time he was brought on board. Those faculty helped to fuel this incredible growth in the research productivity over the five-year period. The total growth in grants and contracts is about 52 percent over the period, an increase of $16.6 million. In addition, practice plan and clinical revenues have increased as have gift and endowment income. In total, the School’s revenues have increased 69 percent or $38 million over the past five years.

The following assumptions were made in constructing the forecast for 2005-2007:

- New State general funds of $3.2 million in 2005-2006 and $3.7 million in 2006-2007 will be added to the budget. This is what was passed at the recent legislative session;
- Accounting for continued debt service from the tobacco settlement fund;
- Stability in general and tuition fund allocations;
- Negotiation of a minimum 50% indirect cost rate;
- Full return of Research, Training and Revolving Fund (RTRF) to JABSOM for the next two years for the biennium budget;
- Recovery of flood-related costs; to date JABSOM is out of pocket about $300,000 for flood-related expenses;
- Some stabilization in malpractice insurance premium increases
experienced over the past several years.

Dr. Shomaker informed that JABSOM received 50 percent of the RTRF in the last several years.

There were two planning scenarios prepared for the Board. The first assumes that there would be no new general-funded faculty hired for the period 2005-2007. In this scenario, State appropriations continue to go up because of the decision of the Legislature in the recently concluded session, and there is also a small factor for collective bargaining increase in this assumption as well. Indirect cost earnings will continue to go up as well as grant and contract income. Recently, a number of faculty were brought on board and they have expanded the School’s funded research. Therefore, JABSOM will experience some growth in research, grants, and contract revenues. JABSOM also anticipates continued growth in its practice plan and endowment income.

Expenses have gone up commensurately. There will be increases in core operating research and faculty practice plan expenses. Although no new G-funded faculty will be hired, new faculty will be hired using clinical dollars and that will help to fuel the expansion of the clinical programs. This amounts to a 49 percent increase in the expenses. JABSOM is projecting revenues in excess of expenses over the entire period. There will be fairly modest deficits that will occur throughout the period, beginning to flatten off as the research programs begin to ramp up. The rather large deficit this current fiscal year is the expenses incurred when moving into the new facility and JABSOM had to cover this out of its budget with a little assistance from the system. In anticipation of the expenses that would be incurred in moving into this new facility, the reserves were built up and is being used to fund the deficit. At the end of this period, the reserves are beginning to ramp down and this is an area of concern because JABSOM would need somewhere in the area of $3 million to feel comfortable. In summary, the particular message from this scenario is the costs of operating the campus are covered. The down side is that JABSOM is not making an investment in additional faculty positions which means that eventually the revenue growth will plateau and JABSOM will probably not maximize the revenue-generating potential of the research building in the long term.

The second scenario assumes faculty hires without a defined source of revenue. Dr. Shomaker said that about 20 FTEs are needed which could probably be divided into a number of positions. This demonstrates that scenario and the key impact would be in additional RTRF earnings, an additional research contract and grant revenues. Because these faculty are brought on board, their research programs are not fully ramped and so their true revenue-generating potential will be out in fiscal years 2008-2009. In these two years, about an $8 million increase in new investment money is anticipated. The expense side does demonstrate the additional cost of salary and fringe benefits for these new faculty and these expenses actually go up more rapidly than the revenues do. This would create a more serious deficit situation with the point being that these new faculty would not be hired without a source of revenue. The end result of hiring faculty without a source of revenue would be to consume reserves before the end of fiscal year 2006.

President McClain commented that the assumptions in the first scenario are based on a positive accrual but negative cash flow with reserves run down to a little less than $1 million. This scenario assumes 100 percent of RTRF. He asked what would happen in the event JABSOM is able to realize 50 percent of the RTRF. Dr. Shomaker responded that the current RTRF earnings are about $4 million and projected to go up to $8 million. If JABSOM did not receive 100 percent of RTRF,
its reserves would be reduced. Chairperson Lee said that because these numbers are based on assumptions, she thought it would be important that the Board receive an annual report as to where JABSOM stood on the RTRF, faculty positions, and research revenues.

Regent Haynes inquired about the number of graduates doing their residency in Hawai‘i. Dr. Shomaker said about a third of the graduates do their residency in Hawai‘i and about 60 percent actually practice here. Chairperson Lee commented that it is a credit to JABSOM that many of the graduates are able to secure good residencies outside the State. They bring back exposure to other hospital settings and communities.

President McClain said that the Board of Regents and the Western Association of Schools and Colleges Senior Commission (WASC) recommended that he make a decision regarding the governance of the Medical School. He will present a recommendation to the Board next month as to whether JABSOM, in particular, should remain with the Mānoa campus or report to the system.

In response to Regent Migita, Dr. Shomaker said that JABSOM has trained many of the physicians practicing in Micronesia. Many of them come through the Imi Hoola Program which offers opportunities to students from under-represented backgrounds. It is a one-year intensive preparation course that prepares them for the rigors of Medical School. There are over 170 graduates of that program and they make up many of the physicians from Hawaiian, Samoan, and Pacific Island ancestries. Responding to Regent Albano, Dr. Shomaker added that there are ten slots offered to students who are participating in the Imi Hoola Program.

Regent Lagareta inquired about private fund raising. She shared her experience visiting the Cancer Center in San Diego where everything is named to attracts gifts. Dr. Shomaker will present a proposal to allow JABSOM to name various parts of the building for fund raising. He is working with the UH Foundation on this naming campaign.

Regent Lagareta said that there is always considerable interest about public/private partnership relationships with the Medical School. President McClain added that he is a member of Enterprise Honolulu which is one of the organizations promoting this. He said the University can provide the talent but the financing has to come from somewhere else. Dr. Shomaker said that JABSOM is very interested in partnering with private biotech companies and a number of active collaborations are going on such as Hawai‘i Biotechnology. A number of faculty have been hired who have experience in starting up biotech companies and JABSOM needs to provide an environment that is conducive to that type of activity.

Chairperson Lee thanked Dr. Shomaker, Mr. Nobriga, Dr. Izutsu, Dr. Harrigan and the staff and students of JABSOM for hosting the Regents at their new facility.

Request for Qualification/Request for Proposal (RFQ/P) for Hawai‘i Community College Komohana Campus and Kona Campus Center

Chancellor Freitas informed that this item was for information only; however, at the next meeting he would be requesting that the Board approve the issuance of an RFQ/P(s) to interested and qualified private firms for the purposes of selecting a respondent interested in forming a Facility Privatization Partnership(s) with Hawai‘i Community College (HawCC) for development and long-term management of new campus facilities at East and West Hawai‘i Island.
The RFQ/P process is a two-step process with no obligation on the part of the University of Hawai‘i to either accept or reimburse/pay for any costs until the end of the exclusive negotiation phase estimated to occur a year from now. During the year-long process, Board review and approval will be required and sought at each milestone as provided for in the RFQ/P.

To diligently explore the feasibility of a privatization partnership between Hawai‘i Community College and a selected Respondent to implement the Board of Regents’ approved long-range development plans (LRDPs) for the Komohana and Kona sites which, if feasible, will lead to formation of such a partnership.

There is a long-standing need to improve the aged HawCC facilities. Site-specific LRDP’s for development of new Campus facilities on designated State lands at Hilo and Kona have been completed and approved by the Board of Regents for the expansion of HawCC programs to serve the community. The approval of this Request will require the review of the informal, non-binding agreement with Hiluhilu Corporation for their properties adjacent to the HawCC Kona site.

The proposed East Hawai‘i site is a 122-acre parcel owned by the University of Hawai‘i that is situated in the southwest corner of a larger 267-acre parcel (TMK Parcel 2-4-01:169) overlooking Hilo, and is also owned by the University. The site is bounded by the proposed U. S. Department of Agriculture (USDA), Agricultural Research Center site, proposed Nowelo Street extension, Komohana Street and Pu‘ainako Street extension, and is not in a flood zone. The proposed site is accessible to existing and planned public roadways and utility services.

The proposed West Hawai‘i site is a 500-acre parcel owned by the University and is situated above the Queen Ka‘ahumanu Highway, and is also bounded by Waena Drive, Kaimi Nani Drive and the Kona Palisades Subdivision. The site is accessible to existing and planned public roadways and utility services.

Upon Board approval, HawCC will promptly solicit qualifications and proposals from qualified private firms for the timely development and long-term management of a new campus at Hilo and a new Campus Center at Kona. The RFQ step involves careful, in-depth consideration of the qualifications, relative experience and financial strength of Respondents. From this process HawCC will select only the most qualified firms for a short list and advancement to the RFP stage. These short-listed Respondents will subsequently be asked to submit turn-key development and long-term management proposals that demonstrate their relative experience with comparable projects and firm capabilities, creativity, flexibility and financial strength to undertake the respective project(s). Respondents will be encouraged to submit proposals covering development and long-term management of new campus facilities and complementary ancillary projects.

The selected Respondent will have the exclusive opportunity to work and negotiate in good faith with HawCC to achieve the following objectives: (1) preparation of a Campus Master Development Plan (CMDP), (2) preparation of required environmental, project and feasibility analysis and documentation, and (3) negotiation and agreement on a development agreement, form of leases and other legal documents necessary for Board of Regents’ approval and project implementation.

HawCC will pursue formulation of a facility privatization partnership with the selected Respondent to achieve the above goals. In the event this initial effort is not fruitful, HawCC will have the option to seek an alternate Respondent to explore and
pursue such a Partnership to accomplish the same development and long-term management goals. The RFQ and RFP processes are structured to incur no financial or other responsibility on the part of HawCC and the University of Hawai‘i until the end of the exclusive negotiation phase with the selected Respondent.

Regent Tanaka asked if there were resources available to undertake another major project such as this. President McClain said that he had met with Vice President Callejo and Director Yokota regarding the Cancer Center initiative, the West O‘ahu initiative and to a lesser extent, the student housing initiative, and they felt that there needed to be a system level executive committee that would involve the three of them and probably the project principals. He said there also needs to be an operating entity to focus on advancing projects on a day-to-day basis. Chairperson Lee commented that the Board had already expressed its concern about the number of private/public partnership projects that are being initiated so a task group was formed to exercise oversight. She added that if it is overwhelming, the administration should hire a consultant experienced in development. Regent Albano concurred, expressing concern as to whether there would be staffing capable of taking on so many public/private partnerships at the same time. His other concern is that if something is not done quickly, this window of opportunity might be lost.

In response to Regent Lagareta, Director Yokota said that on Hiluhilu, the Land Use Commission approved the boundary reclassification request and what Hiluhilu said in its request was that they would size their infrastructure to be able to accommodate the West Hawai‘i Center. The existing agreement covers just the next few years so if they build on their lands, it would just accommodate the West Hawai‘i Center for the next few years. The long-term plan that Chancellor Freitas envisions is for the University to have its own campus. Regent Albano, however, expressed that he had concerns over sufficient capacity for water and suggested that the administration take a look at the Hiluhilu agreement.

In response to Regent Yamasato’s question about how the size was determined, Chancellor Freitas explained that it was based on the long-range development plan for the Center, which could someday evolve into another two-year campus. He added that the growth pattern on both sides of the Big Island are very aggressive so within a short time, there will be an economy of scale.

President McClain requested that the following item be taken out of order. Regent Tanaka’s motion to take out of order item VIII(b) was seconded and unanimously carried.

University of Hawai‘i at Mānoa Athletics 5-Year Financial Plan

Director Frazier reported that the Board was presented with the 2003-2004 Athletics Department audit report. The report concluded that Athletics was making progress on overcoming its multimillion dollar deficit. He explained that his report was to update the Board on the Athletics Department’s financial plan.

The Athletics Department, according to Director Frazier, continues to sign football agreements that will have a positive impact on its financial position for 2006-2009. Games have been scheduled with the University of Alabama for a guarantee of $650,000 and with UNLV at Las Vegas for a guarantee of $200,000. He added that he is in discussion with two universities which will also pay the University of Hawai‘i guarantees that will enhance the Athletic Department’s financial status.
The new Ahahui Koa Anuenue (AKA) packages that the Board approved at a previous meeting are moving as planned. With many of the existing loge seat holders yet to respond, there are only 148 out of the 660 loge seats left for cash in hand of around $528,000. Two bids were received for television rights. Negotiations are ongoing and, hopefully, will be finalized within the next ten days to two weeks.

Director Frazier said that additional insurance was purchased to support the sale of courtside seats in the arena for volleyball and basketball. The Athletics Department has also continued to attract rental events that mirror the University’s mission. For example, the Department is about to sign a contract with the Los Angeles Lakers for their return to Honolulu this Fall.

Director Frazier assured that the Athletics Department has managed to be competitive with its teams while trying to be fiscally prudent. The recently-held Aloha Stadium vote has opened the door for discussions with the Stadium Authority to reduce the University’s rent.

Chairperson Lee asked when the repayment on the loans would be made. Director Frazier said that he and the Mānoa Chancellor are still in the process of finalizing when that payment would be made. He is hoping that in 2006, the Department will be in a position to close these obligations. If the Stadium negotiations go well, it could mean a savings of approximately $380,000 annually. Regent Haynes asked why the Stadium Authority would concede to reducing the rent paid by the University. Director Frazier responded that the National Football League (NFL) was successful in being able to negotiate a contract in which they paid no rent as well as receiving concession revenues. Precedence was also set when the high schools were allowed to use Aloha Stadium at no rent.

In response to Regent Albano, Director Frazier said that estimates for the new television contract are reflected in the financial plan. What was not included were any additional football games that were signed other than the UNLV and Alabama as well as receiving concession revenues. Precedence was also set when the high schools were allowed to use Aloha Stadium at no rent.

Chairperson Lee inquired about expenses when games are played out of state. Director Frazier explained that, expenses for the UNLV game, for example, would run about $150,000. The $200,000 guarantee would produce a net gain of $50,000. Director Frazier assured that he would continue to update the Board.

Legislative Update

President McClain reported that the University had requested $70 million above its base and received $23 million. The Regents’ budget had included about $300 million in general obligation bonds for the Capital Improvements Program (CIP) and approximately $170 million was appropriated. $75 million was designated for health and safety, capital renewal and deferred maintenance projects. The University requested funds to cover the flood damage but the funds were incorporated into the CIP. The remaining funds will be used for projects for individual campuses.

Director Morihara reported that the procurement exemption for the University was not approved in this session. However, small purchases will be allowed to go forward without the extensive documentation that was required previously. In addition, the Hawai‘i Procurement Institute, which has always been located at the University’s Law School, but was attached to the Department of Accounting and General Services, will now become a unit of the University. The Optional Retirement
Program did not move but the University will be allowed to float bonds for student housing. On fiscal flexibility, an extension to June 30, 2006 was allowed for the University to manage its own fiscal affairs. This is the fourth legislative extension in the last twenty years. An emergency appropriation for flood relief was received.

Director Morihara then reported on bills of interest to the University. The Nursing bill which would create a scholars program to attract nurses was passed. The Early Childhood Education bill which improves early childhood education in the State was passed. The constitutional amendments and enabling legislation to modify the appointment process for the Board of Regents were passed and will go to the voters for confirmation. HB 320, will amend the financial disclosure law to require disclosure of all business interests regulated or licensed in the State. However, financial disclosures will not have to be made public and will remain confidential. Senate Bill 1257, according to Director Morihara, provides for a Regents’ selection committee made up of seven people appointed by the Governor, Senate President, House Speaker, Faculty Senate, Student Caucus, Alumni Association, and the Emeritus Regents Association. This bill also changes the number of the Board of Regents from twelve to fifteen and establishes that Board of Regents’ members shall serve no more than two consecutive five-year terms. All of these changes will take place in 2007. Finally, a systemwide financial audit will be conducted beginning with the Mānoa campus and a review of the approval process on Mauna Kea.

Regent Haynes commented that his perception was that the University did not have strong support at the Legislature in this session. President McClain agreed but added that for the first time in many years the University received new operating funds. Chairperson Lee reported that Speaker Say had suggested that legislators visit the campuses. She suggested that UH Day at the Capitol should be taken further with legislators visiting the campuses. Director Morihara informed that his office is arranging campus visits by the Higher Education Committee members.

Regent Lagareta commented that when unauthorized requests are made by University employees, they alter the Board’s priorities as set forth in the Regents’ budget. She added that another troublesome issue this past session was the process for Regents’ confirmation and the treatment of citizens going before the Higher Education Committee. She said that a resolution in this regard was drafted by the Board and asked what the Board would like to do with it. Regent Migita said that Hawai‘i being a small community, one needs to build relationships to get things done. Regent Kakuda concurred with Regent Migita, stating that he would find it difficult to support such a resolution. Regent Lagareta agreed that since the Board had already delivered a strong message regarding its concerns about how citizens were being treated during the confirmation process and since her primary concern was that a policy on University employees working at the Legislature, she said she did not feel there was a need to pursue the resolution and suggested that the Board let the matter drop.

V. GIFTS, GRANTS AND CONTRACTS

Vice President Gaines reported that the total gifts, grants and contracts received during the period March 1, 2005 through March 31, 2005 was $29,684,699. Separately, the University of Hawai‘i at Hilo received a total of $337,737 during the same period. He said that for the year to date, research awards are running about four percent above last year. Training awards are still more than ten percent behind last year but the RTRF collections are ahead of last year.
Regent Haynes moved to accept with thanks the gifts and grants and ratify the actions of the administration in executing the necessary contracts as presented. Regent de la Peña seconded the motion which was unanimously carried.

VI. APPOINTMENTS, CHANGES IN APPOINTMENTS, LEAVES OF ABSENCE, PROMOTION, TENURE, WAIVER OF MINIMUM QUALIFICATIONS, EMERITUS TITLES, SHORTENING OF PROBATIONARY PERIOD, SALARY ADJUSTMENTS, POSITION ACTIONS, CLASSIFICATION AND PRICING

President McClain recommended the following personnel actions, with the deletion of the appointment of a Vice President for Budget and Finance and Chief Financial Officer.

UNIVERSITY OF HAWAI‘I AT MĀNOA

Managerial

THOMPSON, JAMES G.
County Administrator, O‘ahu County
College of Tropical Agriculture and Human Resources
Upon Board Approval

UNIVERSITY OF HAWAI‘I AT HILO

Professor or equivalent

HIROKAWA, RANDY Y.
Professor, I5
Communications
College of Arts and Sciences
Award Tenure
Upon approval by the Board

COMMUNITY COLLEGES

Executive

QUIGLEY, PETER
Acting Chancellor
Leeward Community College
June 1, 2005 - May 31, 2006, unless sooner relieved

RICHARDS, LEON
Vice Chancellor, CC (Academic Affairs)
Kapi‘olani Community Colleges
Salary Adjustment
Upon Board Approval, and subject to E/M adjustments as appropriate

SILLIMAN, MARK
Chancellor
Leeward Community College
Professional Improvement Leave
June 1, 2005 - November 30, 2005

Regent Albano moved to approve the personnel actions as recommended in Attachment #2 of the Board of Regents' agenda dated May 19, 2005, as modified by the deletion. Regent de la Peña seconded the motion which was unanimously carried.

Resignations and Retirements of Board of Regents’ Appointees

The list of resignations and retirements of Board of Regents’ appointees and retirements of Civil Service employees was presented for information. (The list of resignations and retirements is presented in Attachment #2 of the Board of Regents’ agenda dated May 19, 2005.)

VII. UNIVERSITY OF HAWAI’I FOUNDATION REPORT

President Vuchinich reported that through April 2005, the Foundation received $27.5 million in gifts, with $74.6 million committed toward the campaign. The number of donors in March was 24,343 and by the end of April was 25,927. The Foundation is ahead of last year’s totals by $6.2 million and through the 12th of March, the totals were at $28.3 million. She added that the Foundation is projecting to close the year at $31 million.

The Foundation has been working with Acting Dean Shomaker in looking at naming opportunities for JABSOM. A development person for JABSOM will be hired in the near future.

VIII. REPORT OF THE EXECUTIVE OFFICER

President McClain explained that he had made a commitment to those who expressed their concerns over the University Affiliated Research Center (UARC) that the issue will not be brought to the Board until after October 2005, at which time there will be a full discussion before the Board. One of the concerns expressed was that no contract be negotiated over the course of the summer. He said that in order for the Board to have an ability to understand all the particulars of this new kind of arrangement, the Board will need to have all those details in front of them so negotiations will continue on a contract over the course of the summer.

President McClain said that the University has a strategic plan through 2010 but there are many parts of the University who have interest in growing and expanding their facilities. Over the next five or six months, Vice President Johnsrud, will lead an initiative that tries to get the University thinking as to what it will look like in 2010, 2013, 2016, and 2020.

Regarding the “end runs” to the Legislature as brought up by Regent Lagareta, President McClain informed that he had instructed the Chancellors that if they did engage in such attempts, he could not promise that they would receive the unrequested funds. He stated that he had the authority to take funds that come from the Legislature, and regardless of proviso, use it in the best interest of the University.

President McClain thanked the Board for approving the tuition increases.
Knowing what tuition will be in the future is helpful in budgeting. He said that the University will be able to plan a number of initiatives that were not funded this year.

President McClain reported that he will join a number of University officials on a trade mission to China with Governor Lingle. Agreements will be signed focusing on training in the travel and tourism industry.

President McClain said that this has been an interesting academic year, marked by continuing achievement on the part of the campuses. One of the Electrical Engineering students has been named the best student in the country; Dr. David Karl won the Bigelow Award; and Dr. David Jewitt, an astronomer, received a nomination to the National Academy of Sciences, an honor that only a handful of faculty have had in the last hundred years.

In response to Chairperson Lee’s request, President McClain updated the Board on the flood damage. The total damage to buildings and contents was about $80 million. In addition, there was damage to intellectual property and business interruption valued around $25 million. The Landmark Insurance Company provided $25 million. The Governor and the congressional delegation helped get the University to be designated a Federal Emergency Management Agency (FEMA) disaster area. This means that the University will be reimbursed three-quarters of its expenditures. There is $31 million provided by the State, which will be reimbursed to the State by FEMA. This leaves the University with another $25 million to be taken from its CIP budget. U.S. Senator Inouye led an effort in Congress to get $40 million of which $17 million would be for flood control in not only Mānoa Valley but also in Palolo and Makiki and another $23 million for intellectual property loss at the University.

IX. NEW OR OTHER BUSINESS

Certificate of Appreciation to Warren Price III

Chairperson Lee recognized Mr. Warren Price, former State Attorney General, for generously donating his time to mediate the settlement with Dr. Dobelle. The certificate which read, “The University of Hawai‘i, Board of Regents, presented to Warren Price Esq., in appreciation for his unselfish contributions and service to the Board of Regents and the University of Hawai‘i,” will be delivered to Mr. Price along with a certificate for dining at Kapi‘olani Community College.

X. ANNOUNCEMENT

Next Meeting

Chairperson Lee announced that the next meeting of the Board of Regents will be held on Tuesday, June 21, 2005, at Leeward Community College.

President McClain announced that the UH Women’s Campus Club awarded twelve grants to UH departments totaling $13,575. Each year proceeds from the Club’s thrift shop and newsletter make the grants possible. He expressed appreciation to the UH Women’s Campus Club on behalf of the entire University.

Regent Lagareta moved to enter into executive session to consider personnel, legal, and collective bargaining matters and to consult with the Board’s
attorney in accordance with Chapter 92, Hawai‘i Revised Statutes. The motion was seconded by Regent Haynes and unanimously carried. The meeting was recessed at 4:38 p.m. to enter into executive session.

XI. ADJOURNMENT

The meeting was reconvened in open session at 3:59 p.m. on May 20, 2005 at which time the meeting was adjourned at 4:00 p.m.

Respectfully submitted,

David Iha, Executive Administrator and Secretary of the Board