I. CALL TO ORDER

Chairperson Allan R. Landon called the meeting to order at 9:23 a.m. on Thursday, October 23, 2008, at Laulima #105, Maui Community College, 310 Ka'ahumanu Avenue, Kahului, Hawai'i 96732.

Regents in attendance: Chair Allan Landon; Artemio Baxa; Byron Bender, Ph.D.; Ramón de la Peña, Ph.D.; Marlene Hapai, Ph.D.; James Haynes II; Dennis Hirota, Ph.D.; Kitty Lagareta; Teena Rasmussen; Harvey Tajiri; and Jane Tatibouet. Excused: Carl Carlson; Michael Dahilig; Howard Karr; and Ronald K. Migita.

Others in attendance: President David McClain, Ph.D.; Vice President for Academic Planning & Policy Linda Johnsrud, Ph.D.; Vice President for Administration Sam Callejo; Vice President for Budget & Finance/Chief Financial Officer Howard Todo; Vice President for Community Colleges John Morton, Ph.D.; Vice President for Legal Affairs and University General Counsel Darolyn Lendio, Esq.; Vice President for Research Jim Gaines, Ph.D.; Vice President for Information Technology Services/Chief Information Officer David Lassner, Ph.D.; Interim Executive Administrator and Secretary of the Board Presley Pang, Esq.; and others as noted.

II. APPROVAL OF MINUTES

Upon motion by Regent Rasmussen and second by Regent Tajiri, the minutes of July 23, 2008 were unanimously approved.

Upon motion by Regent Rasmussen and second by Regent Hirota, the minutes of August 22, 2008 were unanimously approved, with a clarification of Regent Lagareta’s comments on page 4, regarding joint efforts by public and private institutions.

III. PUBLIC COMMENT

Dr. Klaus Keil, Chair of the UH Mānoa Faculty Senate, read a Faculty Senate resolution passed on October 15, 2008 regarding the UH presidential search. The resolution recommended that the Board establish a search procedure consistent with established best practice outlined by the AAUP; include substantial representation of faculty on the search committee; and immediately commence the search process.

In response to Dr. Keil’s testimony, Chair Landon announced that the following persons have agreed to serve on the UH Advisory Presidential Selection Committee: Regents Haynes, Lagareta and Migita; faculty members David Karl and Naomi Losch;
UH Vice President John Morton; UH Student Shanah Trevenna; Mike Chun of Kamehameha Schools; Terry Fujii, distinguished alumna; Russell Okata, former president of HGEA; and Jay Shidler, UH supporter. The Committee will be chaired by Donna Tanoue, former Regent and distinguished alumna.

Chair Landon stated that a smaller committee may be more efficient and effective. The Committee may include others as the circumstances require. In response to the Faculty Senate’s call for more faculty participation, Chair Landon stressed that the faculty members on the Committee will communicate with their colleagues on the search process. Members of the community are invited to present their views to the committee.

Regent Hapai suggested adding one or two Neighbor Islanders to the Committee, and Regent Baxa suggested reconsideration of the ethnic composition of the Committee. Chair Landon welcomed the comments and said that additional members would be considered as may be necessary as the search progresses.

IV. REPORT OF THE PRESIDENT

President McClain invited Maui Community College Chancellor Clyde Sakamoto to update the Regents on his campus’ activities.

Chancellor Sakamoto reported on progress in achieving Maui Community College’s strategic plan. The College is actively pursuing five primary goals:

• Achieving educational effectiveness through summer bridge programs, a Construction Academy, expanding the nursing program, and starting a dental assisting program. These programs provide services to the Maui community while educating students. Campus enrollment has increased 9.6 percent.

• Establishing a learning-applied research and service network, via telecom, distance education, and streaming video to Molokai, Lanai, and Hana.

• Creating a model local, regional and global college. The College held a National Marine Education Conference, a World Hula Congress, obtained over $6 million for Native Hawaiian scholarships, and established a Sustainable Living Institute and a Rural Development Project, funded with $30 million serving over 21,000 statewide. The College will be hosting a conference of the Postsecondary International Network in 2010. Funds have been established for faculty development, and scholarships and internships have increased.

• Improving facilities and infrastructure through public and private funds.
• Enlisting resources from County, State, Federal, and the private sector as part of co-responsibility. Since 2002, the College has received over 158 grants totaling $59 million.

In response to a question from Regent Lagareta, Chancellor Sakamoto said that the Community College Institutions Assembly, coordinated by the University of Florida, seeks promising innovative programs. Maui CC was selected based on its work in sustainability, statewide workforce development, and increased self-supported programs.

In response to Regent Tatibouet’s question whether the College is prepared for Maui’s decline in tourism and revenues, Chancellor Sakamoto said that the faculty, students, and administration are looking at ways to more efficiently manage their resources and generate resources.

Regent Rasmussen, a resident of Maui, expressed her appreciation for Chancellor Sakamoto’s hard work to make Maui Community College a progressive campus.

Continuing with the President’s Report, President McClain invited Dr. Jerris Hedges, Dean of the John A. Burns School of Medicine (JABSOM) to update the Board on JABSOM’s practice plan “UCERA” (University Clinical, Education and Research Associates).

Dean Hedges described UCERA as the primary practice plan that holds together JABSOM and its affiliated community hospitals as teaching partners. It constitutes about 10 percent of JABSOM’s revenues and provides 80 percent of JABSOM’s clinical faculties’ support.

UCERA has a new Chief Operating Officer, Dr. Patricia Blanchette, who previously worked in the University of New Hampshire’s Department of Finances and operated a clinical department in affiliation with JABSOM at Kuakini Hospital.

Another new appointment is Nancy Foster, a native of Hawai‘i, who has returned from the University of Colorado as its Chief Financial Officer for its practice plan. She is JABSOM’s Chief Financial Officer who will be working closely with UCERA.

The fiscal review by audit firm Accuity is near completion. Dean Hedges reported that most of the issues that had been raised have not borne fruit. Some internal management issues are still being resolved. New leadership will help bring closure to several issues to align community-based educational programs.

The collections process has improved. A year ago, UCERA had an unsustainable 35 percent collection rate. It is now in the upper seventies, and the target is the 90 percent range.
Efforts are being made to move management of grants into other entities, including RCUH.

In response to Regent Haynes’ questions, Dean Hedges said that the review report should be finalized soon. Accuity was hired by UCERA, and its final report will be submitted to UCERA’s board and made available to the President.

President McClain asked for a status report on developing a more formal relationship between UCERA and JABSOM. Dean Hedges responded that JABSOM has entered in a letter of intent to formalize an affiliation agreement allowing both parties to more closely align and define their operations. Resources between the School and UCERA will be shared where appropriate for better collaboration and less duplication. The next step would be to ensure that this affiliation agreement is consistent with University regulations and other operational requirements.

Chair Landon noted that the Board has a positive view of the progress made by UCERA and the effort to formalize the relationship between JABSOM and UCERA, in particular, strengthening the personnel. In response to Chair Landon’s question about the dimensions of uncollected revenues, Dean Hedges said that there is a statute of limitations allowing insurance entities to deny payments. There are several million dollars of funds owed that may have extended beyond the point of collectability. Dean Hedges hopes to persuade the insurance agency that the billed services were delivered by the faculty in good faith and were delivered to an extremely vulnerable population that probably did not have alternative sources of care.

Chair Landon asked if reserves were established against these billings. Dean Hedges responded that JABSOM funded the shortfall in collections that are used for UCERA salaries. This practice will not be continued, and it is the intent for UCERA to be more self-supporting.

In response to Chair Landon’s request for confirmation that UCERA’s financial performance is not combined with JABSOM’s financial performance, Dean Hedges said that both need to be looked at together as one, although in the past they have been looked at as separate entities. JABSOM has found ways to provide salary support, but the intent is to have UCERA do so in the future. If faculty are not paid, there is a risk of losing them not only as faculty, but as medical providers in the State.

In response to a question from Regent Baxa, Dean Hedges replied that efficient collection procedures were not in place. He explained that there are several process steps in the revenue cycle where delay can happen. He gave an example where all necessary information was not provided when the patient was seen. Unless someone is made aware of and supplies the missing information, the claim may not get processed. Then the claim may be uncollectible because of the time limitation. JABSOM is working on strengthening that revenue cycle procedure.

Chair Landon complimented Dean Hedges for having a program in geriatrics at JABSOM, one of the few geriatric programs in the western states.
Continuing with his report, President McClain reported that as of October 20, 2008, the UH Foundation raised $246 million towards its campaign goal of $250 million.

After a short recess, the Board, upon motion by Regent Hapai, second by Regent Haynes and unanimous vote, went into executive session at 10:26 a.m. to discuss personnel actions, pursuant to HRS §92-5(a)(2) and private donations pursuant to (a)(7). The Board reconvened into public session at 11:04 a.m.

V. ITEMS FOR BOARD ACTION

Approval of Regents’ Medal of Distinction

UH Mānoa Chancellor Virginia Hinshaw requested approval to award the Regents’ Medal of Distinction to the late Winona Kapuallohiamanokalani Desha Beamer, respected composer, performer, storyteller and kumu hula.

Upon motion by Regent Haynes and second by Regent Baxa, the posthumous award of the Regents’ Medal of Distinction to Ms. Winona Beamer was unanimously approved.

Approval of the Establishment of the Accuity, LLP Accounting Faculty Fellowship Endowment at the Shidler College of Business

Chancellor Hinshaw requested approval to establish the Accuity, LLP, Accounting Faculty Fellowship Endowment at the Shidler College of Business. Accuity and its partners, Kent Tsukamoto and wife Jean, and Wendell Lee and wife Rae, and Dennis Tsuhako contributed $100,000 that was matched by Jay Shidler, creating an endowment of $200,000.

Upon motion by Regent Rasmussen and second by Regent Hirota, the Accuity LLP Accounting Faculty Fellowship Endowment was unanimously approved.

Approval of the Establishment of the Barbara Cox Anthony Chair in Aging

Chancellor Hinshaw requested approval to establish the Barbara Cox Anthony Chair in Aging at UH Mānoa. The donor establishing the endowment requested confidentiality.

Regent Tatibouet moved for approval, seconded by Regent Lagareta.
Regent Tatibouet commented that Barbara Cox Anthony was a neighbor and acquaintance of hers and praised Ms. Anthony as a wonderful person who did much for the community. Ms. Anthony was one of the founders of La Pietra School for Girls and served as its board’s chair for many years.

The Barbara Cox Anthony Chair in Aging was unanimously approved.

Approval to Extend the Consulting Contract of The Implementation Group

Vice President for Research Jim Gaines requested extension of the consulting contract for The Implementation Group, explaining that although the amount of the extension is below the level required for Board approval, it is being submitted for Board approval because the initial contract has been extended so often. The extension covers the period July 1, 2008 to June 20, 2009.

Vice President Gaines said that The Implementation Group is an educational consultant and has been extremely helpful to faculty in putting together their first grant proposals. The contract amount is $180,000 per year.

Upon motion by Regent Lagareta and second by Regent Haynes, the consulting contract was extended by unanimous vote.

Approval of UH Operating Budget

President McClain requested approval of the general funds operating budget for fiscal years 2010 and 2011. He reported that the University will be able to reduce the base budget by $13.5 million as requested by the Governor. President McClain also requested approval, on a contingency basis, of a $22 million reduction and a $30.6 million reduction, if required. These reductions will be achieved by general fund reductions combined with a transfer of expenditures to special, revolving or federal funds.

The President reported that in the last four years, about $150 million has been added in operating funds. Over $500 million has been added in capital improvement projects, much of which has gone into capital renewal and deferred maintenance.

President McClain clarified that amounts provided in an earlier memo need to be increased by $245,234, which is a technical adjustment to reflect risk management costs that the Department of Accounting and General Services will assess the University.

Regent Lagareta asked if increased enrollment will result in increased tuition. President McClain responded that assuming constant enrollment, the rising tuition schedule will produce an additional $20 million next year and $40 million the year after. These revenue will provide some financial flexibility and cushion.
President McClain noted that the demand for University services will increase as the economy goes down. The University will be able to continue to provide such services and still meet the fiscal constraints of the current situation.

Regent Rasmussen asked if the new CIP projects will fit in with Budget and Finance’s request to focus on repair and maintenance. Associate Vice President Brian Minaai responded that those projects will continue.

Upon motion by Regent de la Peña and second by Regent Tajiri, the operating budget as presented and additional reductions on a contingency basis were unanimously approved.

**Briefing on Nonresident Enrollment Policy (information only)**

Vice President Linda Johnsrud provided an information briefing on the University’s nonresident enrollment policy. The policy was drafted in the 1970s as part of a controlled growth policy, and revised in 2002. It implements differential admissions and tuition charges for residents and nonresidents based on the following principles: it is the responsibility of an institution of public higher education to serve the residents of the state that supports it; no qualified resident applicant should be denied admission to the University System; the University should address the workforce needs of the State by admitting students who are expected to remain in the state.

The policy establishes nonresident enrollment ceilings: 30 percent for baccalaureate campuses; 15 percent for community colleges. Ceilings are calculated on headcount enrollment and exclude military and their dependents. The Mānoa and Hilo campuses currently exceed these ceilings. Mānoa now has 33 percent nonresidents; Hilo has 31 percent, down from 40 percent in 2005.

Certain nonresidents are exempted from paying the nonresident tuition differential: East-West Center grantees; active duty military, National Guard and reservists; Native Hawaiians who do not reside in Hawai‘i; and UH faculty and staff.

Pacific Islanders pay 150 percent of the resident tuition, as do students participating in the Western Undergraduate Exchange (WUE) program. WUE is a reciprocal program among several western states that allows students to attend their institutions at 150 percent of the resident tuition rate.

Of the nonresident students at Mānoa and Hilo, 67 to 69 percent are from the U.S. mainland.

At Mānoa, half of the nonresident students paid the full nonresident rate in 2008, while at Hilo, about 46 percent paid the full rate.

Vice President Johnsrud said that reciprocity is an issue, especially for the WUE program, which has expanded considerably. Since 2001, about 1,400 Hawai‘i residents have participated in the program annually, going primarily to Nevada, Oregon, and
Arizona. Approximately two thousand nonresident students from the western states, primarily California, Washington, and Colorado, have come to Hawai‘i. The University is conferring WUE tuition advantage to many more nonresidents than there are residents participating in the program.

Vice President Johnsrud raised the following public policy questions concerning the WUE program: does this program benefit the State? Should we participate? If so, should we limit the participation of nonresidents coming to Hawai‘i to the number of residents participating?

Another reciprocal program is the National Student Exchange (NSE). UH Mānoa is one of the most popular campuses in the nation; Hilo is the third. At Mānoa last fall, 150 nonresident students enrolled through the program, while only 60 Hawai‘i residents enrolled in participating U.S. mainland colleges. Those 150 NSE nonresident students pay resident tuition and receive first priority in housing.

Regarding housing, UH Mānoa has over 3,000 beds, of which 53 percent went to nonresidents; Hilo has 600 beds, of which 44 percent went to nonresidents. The public policy issue is whether our housing policies sufficiently favor Hawai‘i residents?

In response to Regent Baxa’s question, Vice President Johnsrud said that housing is distributed according to campus-based priorities, such as freshmen first, then students from outlying areas.

Regarding graduation rates, residents have better graduation rates than nonresidents. Of the nonresidents first time freshmen, those who were exempted and paid resident rates were more likely to stay than those who paid full nonresident tuition.

Regarding the revenue impact of the nonresident tuition policy, if all nonresidents paid the full nonresident tuition for fall 2007, Mānoa would have received $85 million, or 55 percent of its total tuition revenue. Instead, $44 million was collected, after deducting for nonresident tuition differential exemptions, tuition waivers, and scholarships. At Hilo, $9 million was collected of a potential $14 million. Vice President Johnsrud noted that the potential revenues are hypothetical because if students were charged the full rates they may not enroll in the same numbers.

In response to Regent Baxa’s question about the share of the cost of education that tuition covers, Vice President Johnsrud said that under the six-year tuition schedule for Mānoa for residents, 29 percent of the cost of education are covered in fiscal year 2004, and by the end of the schedule in 2012, 52 percent of the cost is projected to be covered. For nonresidents, the 2004, 85 percent for Mānoa was covered, which increases to 144% (projected) by 2012.

The nonresident tuition policies at other state institutions vary; some have policies limiting nonresidents, some have caps ranging from 10 to 45 percent. The national average of nonresident freshmen at public four-year institutions is 16 percent of total enrollments. Mānoa and Hilo have a higher percentage of nonresident freshmen than the national average.
Vice President Johnsrud said that as we focus on the nonresident enrollment policy, we must also consider the tuition policy and the financial aid policy.

In response to Regent Tajiri’s question of the definition of residency, Vice President Johnsrud stated that we have well-defined residency rules, one of which says that if a student from the U.S. mainland takes six credits, he/she is assumed to be in Hawaii primarily to attend college, and will be charged the nonresident tuition rate. There was a discussion whether it is easy or difficult to convert to resident status from nonresident status.

Vice President Johnsrud said that the cost of instruction for an undergraduate student at Mānoa is about $14,000, and between $8,000 and $9,000 at Hilo. Nonresidents are being charged the $14,000 at Mānoa.

Regent Tatibouet suggested giving preference to first-year transfers and Neighbor Island students for housing. Chair Landon commented that among the many factors in deciding whether to construct housing, is the fiscal viability.

In response to Regent Haynes’ question on how our nonresident tuition compares with peer institutions, Vice President Johnsrud said that Hawai‘i continues to be underpriced and will only reach the average of our peer institutions by the end of the six-year tuition schedule.

Regent Lagareta voiced her concern that higher education in Hawai‘i must be reasonable and accessible.

Regent Hapai commented that although UH Hilo now has more resident students, it has less revenue, due to the decreased enrollment of nonresidents who pay higher tuition.

Chair Landon summarized that at Hilo, we were trying to ensure that we serve everyone needed to be served first rather than simply pursue the economics. But now that we’ve adjusted the tuition to cover the full cost from nonresidents, the concern is to increase capacity quickly enough without disruption to the community being served.

Regent Tajiri felt that the tuition should be based on the costs of education and the policy should not dictate an enrollment cap. With the correct tuition established based on costs, the market will determine the proportion of residents and nonresidents enrolled.

Vice President Johnsrud said that she would seek input from the UH administration and the Mānoa and Hilo faculty, staff, and students, and return to the Board with recommendations on the nonresident enrollment policy.

VI. ACCEPTANCE AND APPROVAL OF GIFTS, GRANTS AND CONTRACTS

Vice President for Research Jim Gaines reported that for the month of August 2008, the UH System received $41 million, and UH Hilo received $4.7 million. For
September 2008, the System received $52 million. The combined total for those two months was about $100 million.

In response to Regent Haynes’ question, Vice President Gaines said that we are not getting more grants, but the grants and contracts are getting larger.

Vice President Gaines provided an update on the status of construction of a regional biocontainment lab (RBL). The University was one of 13 institutions that received a contract from the National Institutes of Health four years ago to construct a biocontainment lab. There were four unchangeable parameters in the contract: no change to the original location; no additional construction dollars after the initial award; no time extension beyond 2010; and no operating funds for the lab from the National Institutes of Health.

Vice President Gaines reported that all parameters for the Hawai‘i RBL have changed: the location has changed; additional construction funds have been requested; the project is behind schedule; there are no current operating funds. The University has asked the State to release $15 million to match $32.5 million in federal funds. Of this $15 million only $2.5 million in general obligation bonds can be released, while the Governor is restricting $12.5 million.

The President is prepared to request the Governor to change the $12.5 million from general funds to general obligation bonds proceeds. If she accepts, then the Legislature needs to approve the change in the means of financing.

Upon motion by Regent Lagareta and second by Regent de la Peña, the gifts, grants and contracts were unanimously accepted with gratitude.

**IV. REPORT OF THE PRESIDENT (continued)**

President McClain reported on his trip to Okinawa to assist the University of the Ryukyus open its Center of Okinawan Studies, and to receive the return of a 300-year old scroll that was being restored by the Okinawa Professional Museum for Hamilton Library.

He announced that the UH Mānoa Training Room in the Stan Sheriff Center is being named the Alvin and Monica Saake Training Room. Dr. Alvin Saake was former Chair of the Department of Health, Physical Education, and Recreation in the College of Education, and retired as Emeritus Professor. He passed away five years ago. The Alvin and Monica Saake Foundation was established several years ago and has contributed nearly $300,000.

President McClain reported that “Sustainability Matters” is now part of the President’s website. The first topic concerns the eco-waste initiative sponsored by Apple and led by Vice President for Information Technology and Chief Information Officer David Lassner, which collects unwanted equipment for recycling and proper
disposal. In 2006, over 1.2 million pounds were collected. So far, 650,000 pounds have been collected.

President McClain announced the retirement of Vice President for Administration Sam Callejo. Vice President Callejo was a former chief of staff to Governor Ben Cayetano, and prior to that worked closely with Mayor Frank Fasi. President McClain described Vice President Callejo as a consummate professional and a close friend. A round of applause was given to Vice President Callejo by all those in attendance.

V. ANNOUNCEMENTS

Chair Landon announced that the Board will next meet on November 21, 2008, at Kaua‘i Community College.

The Board recessed for lunch at 1:00 p.m.

Following lunch recess, at 1:50 p.m. the Board resumed the public meeting and upon motion and second unanimously convened in executive session, pursuant to HRS §92-5(a)(2)(3) and (4).

VI. ADJOURNMENT

Upon returning from executive session at 4:15 p.m., upon motion by Regent Haynes, second by Regent Hapai, and unanimous approval, the meeting was adjourned at 4:17 p.m.

Respectfully Submitted,

Presley W. Pang, Esq.
Interim Executive Administrator
and Secretary of the Board