

Remarks by President Evan S. Dobbelle
Legislative Briefing to the Senate Ways and Means Committee
January 8, 2004

Good afternoon, Chair Taniguchi, Vice Chair Kokubun and members of the Senate Ways and Means Committee. I extend my best wishes for the New Year to you, and through you to your colleagues in the House and Senate.

The University of Hawaii is arguably the most important institution in the State of Hawaii, for at UH we are literally creating Hawaii's future. Were it a corporation, the University of Hawaii would be one of the State's largest, and is larger than many industries; we represent 3% of gross state product. We educate 80,000 students annually; over 50,000 take courses for academic credit, and nearly 30,000 are enrolled in noncredit course offerings. UH is the State's largest technology enterprise, with research and training grants and contracts estimated to total nearly \$400 million in the current fiscal year, a doubling in the last four years.

I come before you today to review the University's performance during the first year of the 2004-2005 biennium budget, and to provide an overview on our supplemental budget request for the second year of the biennium. As this request is much briefer than that which occurs prior to a biennium, we have with your permission limited our formal oral testimony to my remarks alone, which I'm making in collaboration with the chief academic officer of the UH System, vice president for academic affairs David McClain, and our chief of staff, Sam Callejo. Also joining us and ready to answer any questions you may have concerning the written testimony we have submitted are the chancellors of our ten campuses:

- Peggy Cha, Kauai Community College
- Shirley Daniel, Hawaii Community College
- Peter Englert, University of Hawaii at Manoa
- Angela Meixell, Windward Community College
- John Morton, Kapiolani Community College
- Bill Pearman, University of Hawaii -- West Oahu
- Ramsey Pedersen, Honolulu Community College
- Clyde Sakamoto, Maui Community College
- Mark Silliman, Leeward Community College
- Rose Tseng, University of Hawaii at Hilo

Also with us today to answer your questions on their written testimony are Darrell Mlyenek, State Director of the Hawaii Small Business Development Center Network, and Cindy Hunter, Interim Director of the Waikiki Aquarium. Jan Yokota, Director of Capital Improvement Projects for the UH System, is here to address that portion of our supplemental budget request.

Last year at this time I shared with you news about our historic strategic plan, created based on the ancient Hawaiian concept of ahupuaa, the integrated system by which the Hawaiians shared finite resources for the benefit of all. I also briefed you on the University's reorganization, approved in December, 2002, which created the first true "system" in the University's history, designed to encourage entrepreneurial activity on the part of our campus chancellors and their faculty and staff, and thereby to enable the contribution of the whole University to be greater than the sum of its 10 individual campus parts.

In the past 12 months, our focus has been on implementing the reorganization, and on executing the strategic plan. We made good progress during the spring, and our pace has quickened since midsummer, when we brought on board key members of our management team, including Ms. Yokota, Mr. Callejo, and Dr. McClain, along with two individuals currently serving in interim appointments. Jim Gaines, a renowned professor of physics, is our Vice President for Research, and Linda Johnsrud, a distinguished professor of higher education management, is our Associate Vice President for Planning and Policy. Rounding out our management team are Walter Kirimitsu, Vice President and General Counsel; Wick Sloane, Vice President for Administration and CFO; Doris Ching, Vice President for Student Affairs; and Carolyn Tanaka, Associate Vice President for External Affairs and University Relations.

Our management team has implemented and executed in a challenging fiscal context, as good managers and leaders must. According to Dennis Jones, president of the National Center for Higher Education Management Systems in Boulder, CO, the University of Hawaii campuses as a group are underfunded, relative to their peer institutions, by about \$80 million annually. Many of you will remember last year that, when we put a price tag on the excellence within reach described in the strategic plan, it was about \$100 million a year.

In this climate of limited and finite resources, we have indeed sought to employ what we have for the benefit of all. In particular, we are increasingly successful at our primary mission of providing access to higher education. Enrollment rose for the third straight year in 2003-04, by 4.6%. The 13.1% rise since 2000 has almost fully reversed a 13.7% drop from 1994 through 2000.

This rise in enrollment has occurred at a time of improved quality as well. I'm pleased to report that, in a dramatic turnaround from a disappointing 1999 visit by the Western Association of Schools and Colleges (WASC), our Manoa campus received reaffirmation of its accreditation through 2009-2010, the longest possible period. Our Hilo campus also had a very successful preparatory accreditation visit, and will undergo its educational effectiveness visit this spring. UH Hilo's College of Hawaiian Language was the recipient of \$250,000 in permanent, reallocated general funds for its programs this fall, building on and adding to a \$500,000 initial commitment I made earlier for this initiative that is at the heart of the priorities implied by our strategic plan.

UH-West Oahu, perhaps our most-underfunded campus, did receive a formal expression of concern from WASC. However, we believe we've been able to address the areas for needed improvement which WASC identified by reallocating some \$325,000 in general funds, equivalent to about 10% of UHWO's budget; certainly, the exit interview from the WASC December special visit was quite positive.

At the community colleges, WASC's sister organization, the Association for Community Colleges and Junior Colleges (ACCJC) approved our reorganization, and at the exit interview of a follow-up visit in November particularly noted the effective functioning of our Council of Chancellors and our continued progress in the articulation and transfer of courses. ACCJC's next accreditation visit to our community colleges is scheduled for the fall of 2006, and they are working closely with us to improve our capabilities at program evaluation and assessment.

Meanwhile in Kakaako, two buildings of the biomedical research facility that the Legislature helped to fund are rising from the ground. The new facilities of the John A. Burns School of Medicine are scheduled to open formally in the fall of 2005. We are continuing to pursue funding for a resiting of the Cancer Research Center, focusing on public-private partnerships. Similarly, we're examining the role the private sector can play in the development of the long-anticipated campus at UH West Oahu, as well as in the revitalization of Moiliili and the construction of a West Hawaii campus.

Rising enrollments and increasing quality are good news, to be sure. But sustaining these positive developments will require additional resources.

To this end, and in the spirit of "charity begins at home," the University continues to search for ways to lower its operating costs and to achieve synergies across campuses. In this endeavor, the Council of Chancellors and Council of Chief Academic Officers, each of which meets twice monthly, are proving to be excellent vehicles for improved coordination of efforts across campuses. To cite one example, with the endorsement of the Council of Chancellors, a system-wide meeting to create a network of faculty focused on nursing education was held in December to better address the State's needs in this area. A similar system-wide meeting is planned to focus on teacher education.

I'm also pleased to report notable success in fundraising. During the first two years of my administration, we've raised some \$40 million, and another \$13 million has come in during the last six months. Indeed, UH fundraising in 2002-03 rose 22.6%, while fundraising at other public higher education institutions was off 5%. We're actively engaged with major international foundations including Ford, Atlantic Philanthropies, Hearst, Kellogg and others. Kellogg has funded our P-20 initiative with a \$500,000 planning grant, which is financing 12 separate projects designed to promote seamless transitions from early childhood through university education and on into the workforce. We've integrated alumni activities into the UH Foundation, and received from faculty and staff some 250 proposals for inclusion in a campaign to mark the University of Hawaii's centennial in 2007.

Mindful of Dennis Jones' analysis, we're embarked on the development of an integrated financial management strategy. This strategy involves a comprehensive reexamination of all our sources of funding -- gifts to the UH Foundation, funds received via our burgeoning research enterprise, monies from Federal, state and donor support for scholarships and student aid, proceeds from auxiliary services the University provides, tuition and fees payments, and of course from general funds. And it will involve a more explicit consideration of enrollment projections the management of those enrollments to ensure that our existing capacity is used efficiently and effectively to serve our growing body of students.

This reexamination will help complete our transition from a public university funded largely through general funds, to a state institution using funds from a variety of sources to accomplish its mission. We'll need to look insure that our tuition waiver and scholarship programs take full advantage of existing Federal programs that provide financial assistance to students; to that end, one of our legislative proposals this year asks for the creation of a scholarship fund similar to that used other states. And we'll need to address the fact that the State of Hawaii pays the fringe benefits for those whose salaries are paid by general funds, but not for those whose salaries are funded from tuition and other special and revolving funds.

My top priority continues to be increasing the salaries of our faculty. As I have said to you on other occasions, there will be no first-class education system in Hawaii if we do not invest in our faculty. They have been underpaid for too long. They have been underappreciated for too long. They have been underutilized by the counties and the State for too long. I urge you to consider, as you make your difficult decisions in the coming weeks, that there is no long term development in Hawaii that does not begin with education, and there is no lasting investment in education that does not begin with the faculty. They need you to be their champions.

We bring before you today the University's Supplemental Budget Request. It reflects the University's commitment to address the workforce development and economic development needs of the State, and consists of \$20 million in operating funds, and \$148 million in capital improvement funds. The CIP budget includes most prominently \$30 million for repair and maintenance of the University's facilities, where as you know we have a \$160 million backlog.

The great majority of the items in this request originated with the campuses, in response to the educational needs they perceive in the constituencies they serve. This request has been approved by the University's Board of Regents, and forwarded to the Administration.

My colleagues and I will be happy to address any questions you may have on the Supplemental Budget Request.