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# A BILL FOR AN ACT

RELATING TO THE UNIVERSITY OF HAWAII.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the University of  
2 Hawaii is accountable to the legislature and should be  
3 accountable for its funds in a manner that is consistent across  
4 the campuses and understandable by the legislature and the  
5 public. This necessitates that the goals of the system's  
6 strategic plan shall be stated in measurable terms that relate  
7 to fiscal allocations. The overall purpose of this Act is to  
8 delineate a budgeting system for the University of Hawaii.

9           The University of Hawaii has been developing a long-term  
10 financial plan pursuant to a request from the legislature under  
11 Senate Concurrent Resolution No. 137, adopted in 2007.  
12 Additionally, Senate Concurrent Resolution No. 79, also adopted  
13 in 2007, requested the University of Hawaii to report on the  
14 linking of funding for individual campuses and performance  
15 goals, which would require the University of Hawaii to develop a  
16 budgeting system that reflects achievements, challenges, and  
17 needs.



1 Presently, the University of Hawaii's operational funding  
2 is determined each fiscal biennium based on specific program and  
3 personnel requests. In addition, supplemental budget requests  
4 are prepared for the second year of each fiscal biennium to  
5 address unforeseen issues and funding deficiencies that have  
6 arisen after the biennial budget has been approved and funds  
7 allocated. State appropriations for the University of Hawaii  
8 fluctuate based on current spending needs and state general  
9 revenue levels.

10 As a guide, the University of Hawaii system strategic plan  
11 was prepared in 2002 as a means for the university to chart its  
12 course through 2010. The strategic plan outlined the University  
13 of Hawaii's vision, mission, commitments and core values, and  
14 planning imperatives. The plan identified the following key  
15 strategic goals for the university as a means of advancing its  
16 strategic imperatives, including developing:

- 17 (1) Educational effectiveness and student success;
- 18 (2) A learning, research, and service network;
- 19 (3) A model local, regional, and global university;
- 20 (4) Faculty, staff, students, and their environment; and
- 21 (5) Resources and stewardship.



1           During fiscal year 2007-2008, the University of Hawaii  
2 reexamined its strategic plan to update it for the next eight  
3 years. As the only public higher education institution in the  
4 state, the University of Hawaii is largely responsible for  
5 helping the state meet its higher education needs that include:

- 6           (1) Increasing the educational capital of the state;
- 7           (2) Expanding workforce development initiatives;
- 8           (3) Assisting in diversifying the economy; and
- 9           (4) Addressing underserved regions and populations of the  
10           state, particularly native Hawaiians.

11 These goals are being incorporated into the strategic plan that  
12 will guide the university through 2015.

13           The next step is to develop a financial plan to reach the  
14 strategic goals. The objective is to develop an educational  
15 compact that would define long-term goals to address Hawaii's  
16 major economic challenges and align the University of Hawaii  
17 with the achievement of these goals. The university would be  
18 accountable for meeting performance standards. In turn, the  
19 legislature will seek to provide increased flexibility and  
20 stability of funding to the university. The higher education  
21 compact would be used to clearly link funding for the university  
22 with specific goals and performance measures.



1           Developing the educational compact requires delineating a  
2 financial plan that would link the strategic plan goals to  
3 accompanying funding. Thus, there will be a long-term component  
4 to the financial plan that will indicate the long-term costs of  
5 achieving the strategic goals and provide long-term funding  
6 targets for each institution within the University of Hawaii  
7 system. There will also be a medium-term component to the  
8 financial plan that will cover three biennial periods, starting  
9 with the 2009-2011 biennial budget and extending to 2015 to  
10 cover the same period as the strategic plan. The financial plan  
11 will outline the financial costs to achieve the strategic plan  
12 and will be based on measurable goals.

13           The long-term component will include the following:

- 14           (1) Base operating funds--the ongoing fiscal obligations  
15           that need to be adjusted for inflation and obligations  
16           such as collective bargaining;
- 17           (2) Capital improvement funding--annual and deferred  
18           maintenance obligations; and
- 19           (3) Incentive and performance outcome funding--funds  
20           provided as a result of achieving specific performance  
21           goals.



1           The purpose of this Act is to require the University of  
2 Hawaii to develop an incentive and performance outcome funding  
3 component for the long-range financial plan. This requirement  
4 shall attempt to accomplish the following:

- 5           (1) Increase legislative and public support for higher  
6           education;
- 7           (2) Allocate funds through a dual approach of incentives  
8           and performance-based funding;
- 9           (3) Monitor the general condition of the University of  
10           Hawaii system;
- 11           (4) Identify potential sources of problems or areas for  
12           improvement;
- 13           (5) Improve the effectiveness and efficiency of colleges  
14           and universities within the University of Hawaii  
15           system;
- 16           (6) Focus college, campus, department, and university  
17           efforts on state priorities and goals;
- 18           (7) Assess progress on state priorities and goals to  
19           improve graduate and undergraduate education; and
- 20           (8) Improve consumer information on higher education.

21           SECTION 2. (a) The University of Hawaii shall prepare and  
22 provide to the legislature an annual incentive and performance



1 report in November of each year, beginning with a pilot report  
2 in 2009, that reflects the success of the University of Hawaii's  
3 performance in its strategic outcome performance measures. The  
4 purpose of the annual incentive and performance report is to  
5 assist the legislature in appropriating up to two per cent of  
6 the University of Hawaii's annual budget to facilitate the  
7 university's strategic plan and related state goals; provided  
8 that:

9 (1) During the 2009-2011 fiscal biennium, the focus shall  
10 be on developing incentive plans that have measurable  
11 performance outcomes; and

12 (2) The allocation of funds shall be based on the annual  
13 incentive and performance annual report.

14 (b) The University of Hawaii shall include within its  
15 strategic plan, measurable goals and performance-based outcome  
16 data.

17 (c) The University of Hawaii shall collect and maintain  
18 benchmark data in keeping with section 304A-2001, Hawaii Revised  
19 Statutes.

20 (d) The annual performance and incentive report shall  
21 describe the success of previous incentive and performance plans  
22 by analyzing the outcome performance measures in relation to



1 plan goals. The report also shall propose the following year's  
2 incentive plan, including identifying the goals, performance  
3 outcome measures, and sources of funding, that may include new  
4 general fund appropriations, reallocated existing general fund  
5 appropriations, and other sources of funding available to the  
6 university. Data appropriate to the individual performance  
7 measures shall be provided in the annual report.

8       The proposed incentive and performance plan for the  
9 following years shall include descriptions of proposals to be  
10 carried out at the program, departmental, campus, or system  
11 level. The incentive plan proposals shall be distributed across  
12 all levels and funding shall go back to those levels if plans  
13 are successful as demonstrated by their outcome performance  
14 measures. The plan shall include a summary of what amount or  
15 percentage of up to two per cent of the overall incentive and  
16 performance plan budget shall be allocated to each program,  
17 department, college, campus, or system level.

18       SECTION 3. This Act shall take effect upon its approval.



**Report Title:**

UH; Annual Incentive and Performance Report; Strategic Plan;  
Benchmark Data

**Description:**

Requires UH to prepare and provide to the Legislature an annual incentive and performance report in November of each year, beginning with a pilot report in 2009. Requires UH to include in its strategic plan, measurable goals and performance-based outcome data. Requires UH to collect and maintain benchmark data. (SB3250 HD1)

