
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 measurable terms that relate to fiscal
7 allocations. The overall purpose of this measure is to
8 delineate a budgeting system.

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

- 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) Investment in faculty, staff, students, and their
21 environment; and
- 22 (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, which
6 include:

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

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

14 The next step is to develop a financial plan to reach the
15 strategic goals. The goal is to develop an educational compact
16 which would define the long-term goals to address Hawaii's major
17 economic challenges and align the University of Hawaii to the
18 achievement of these goals. The university would be accountable
19 for meeting performance standards. The higher education compact
20 would be used to clearly link funding for the university with
21 specific goals and performance measures.



1 Developing the educational compact requires delineating a
2 financial plan which would link the strategic plan goals to
3 accompanying funding. Thus, there will be a long-term component
4 to the financial plan that indicates the long-term costs of
5 achieving the strategic goals and by providing 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 biennium periods, starting
9 with the 2009-2011 biennium 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) Increasing the legislative and public support for
6 higher education;
- 7 (2) Allocating funds through a dual approach of incentives
8 and performance-based funding;
- 9 (3) Monitoring the general condition of the University of
10 Hawaii system;
- 11 (4) Identifying potential sources of problems or areas for
12 improvement;
- 13 (5) Improving the effectiveness and efficiency of colleges
14 and universities within the University of Hawaii
15 system;
- 16 (6) Focusing college, campus, department, and university
17 efforts on State priorities and goals;
- 18 (7) Assessing progress on State priorities and goals to
19 improve graduate and undergraduate education; and
- 20 (8) Improving consumer information on higher education.

21 SECTION 2. (a) The University of Hawaii shall prepare an
22 annual incentive and performance report in November of each year



1 that reflects the success of the University of Hawaii's previous
2 incentive and performance plans and proposes the plan for the
3 following year. The purpose of the annual incentive and
4 performance report is to facilitate the legislature in
5 approximately two per cent of the University of Hawaii annual
6 budget to facilitate the university's strategic plan and related
7 state goals; provided that:

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

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

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

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

19 (d) The annual performance and incentive report shall
20 describe the success of previous incentive and performance plans
21 by analyzing the outcome performance measures in relation to the
22 goals. The report also shall propose the following year's



1 incentive plan, including identifying the goals, performance
2 outcome measures, and sources of funding, which may include new
3 general fund appropriations, reallocated existing general fund
4 appropriations, and other sources of funding available to the
5 university. Data appropriate to the individual performance
6 measure shall be provided in the annual report.

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

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



Report Title:

UH; Budgeting; Financial Performance Incentives

Description:

Requires the University of Hawaii to develop a system of institutional financial performance incentives. (SD1)

