
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, adopted in
13 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 the long-term goals to address
16 Hawaii's major economic challenges and align the University of
17 Hawaii to the achievement of these goals. The university would
18 be accountable for meeting performance standards and the higher
19 education compact would be used to clearly link funding for the
20 university with specific goals and performance measures.

21 Developing the educational compact requires delineating a
22 financial plan that would link the strategic plan goals to



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

11 The long-term component will include the following:

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

20 The purpose of this Act is to require the University of
21 Hawaii to develop an incentive and performance outcome funding



1 component for the long-range financial plan. This requirement
2 shall attempt to accomplish the following:

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

19 SECTION 2. (a) The University of Hawaii shall prepare and
20 provide to the legislature an annual incentive and performance
21 report in November of each year beginning in 2008 that reflects
22 the success of the University of Hawaii's previous incentive and



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

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

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

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

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

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



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

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

16 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. (SB3250 SD2)

