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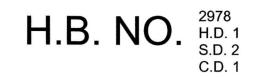
# A BILL FOR AN ACT

RELATING TO EDUCATION.

#### 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 situation necessitates that the goals of the 6 system's strategic plan be stated in measurable terms that 7 relate to fiscal allocations. The overall purpose of this Act 8 is to 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 Senate Concurrent Resolution No. 137, adopted in 2007. 11 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.



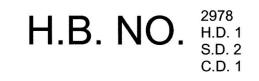


1 Presently, the University of Hawaii's operational funding 2 is determined each fiscal biennium based on specific program and 3 personnel requests. In addition, supplemental budget requests 4 are prepared for the second year of each fiscal biennium to 5 address unforeseen issues and funding deficiencies 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:

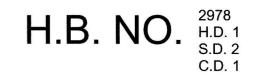
17 (1) Educational effectiveness and student success;
18 (2) A learning, research, and service network;
19 (3) A model local, regional, and global university;
20 (4) Faculty, staff, students, and their environment; and
21 (5) Resources and stewardship.





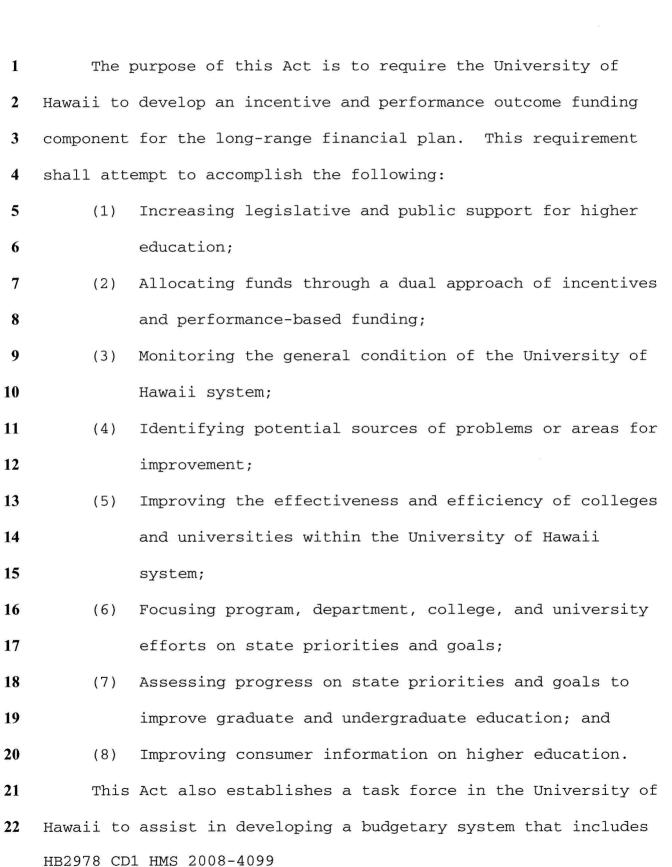
1	During fiscal year 2007-2008, the University of Hawaii		
2	reexamined its strategic plan to update it for the next eight		
3	years. As the only public institution of higher education in		
4	the state, the University of Hawaii is largely responsible for		
5	helping the state meet its higher education 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 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 objective is to develop an educational		
16	compact that would define the long-term goals to address		
17	Hawaii's major economic challenges and align the University of		
18	Hawaii with the achievement of these goals. The university		
19	would be accountable for meeting performance standards, and the		
20	higher education compact would be used to clearly link funding		
21	for the university with specific goals and performance measures.		





1	Deve	loping the educational compact requires delineating a			
2	financial	plan that would link the strategic plan goals to			
3	accompany	ing funding. Thus, there will be a long-term component			
4	to the fi	nancial plan that indicates the long-term costs of			
5	achieving	the strategic goals and provides long-term funding			
6	targets f	or 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 fundsthe ongoing fiscal obligations			
15		that need to be adjusted for inflation and			
16		obligations, such as collective bargaining;			
17	(2)	Capital improvement fundingannual and deferred			
18		maintenance obligations; and			
19	(3)	Incentive and performance outcome fundingfunds			
20		provided as a result of achieving specific performance			
21		goals.			



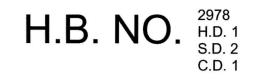


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an equitable, consistent, and responsive funding formula for the 1 2 distribution of fiscal resources to the various campuses. 3 SECTION 2. (a) The University of Hawaii shall prepare and 4 provide to the legislature an annual incentive and performance 5 report and plan in November of each year beginning in 2008. A major purpose of the annual incentive and performance report and 6 7 plan is to assist the legislature in appropriating up to two per 8 cent of the University of Hawaii's annual budget to facilitate 9 the university's strategic plan and related state goals. 10 The 2008 incentive and performance report and plan (b) 11 shall present University of Hawaii and state workforce 12 quantitative information that form the baseline data for future 13 comparisons. The university shall include at least the 14 following baseline data for the past five years by program, 15 department, campus, and university: 16 (1)The number of full-time equivalent students; The number of students who have transferred to other 17 (2)18 institutions of higher education within the University 19 of Hawaii system; 20 (3) The number of students who have graduated;

21 (4) The number of full-time equivalent faculty;

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1 (5)The number of openings in major workforce shortage 2 areas, including but not limited to teaching, nursing, 3 and technology, as data are available through the 4 department of labor and industrial relations or 5 similar sources; and The number of graduates filling job openings in major 6 (6) 7 workforce shortage areas, as data are available. 8 The report shall also include a project plan of the same data 9 for the upcoming five years. 10 (c) Beginning in 2009, the incentive and performance report and plan shall continue to provide the quantitative data, 11 12 as well as a qualitative data analysis of the success of the 13 endeavors to enroll, transfer, and graduate students and how 14 this objective is matching the university's strategic plan and 15 the state's workforce needs. The allocation of up to two per 16 cent of incentive and performance funds shall be based on these 17 results. The University of Hawaii shall include within its 18 (d)

19 strategic plan measurable goals and performance data.

20 (e) The University of Hawaii shall collect and maintain
21 benchmark data in keeping with section 304A-2001, Hawaii Revised
22 Statutes.



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1 (f) The annual incentive and performance report shall 2 describe the success of previous incentive and performance plans 3 by analyzing the outcome performance measures in relation to 4 plan goals. The report shall also propose the following year's incentive and performance plan, including identifying the goals, 5 performance outcome measures, and sources of funding, which may 6 7 include new general fund appropriations, reallocated existing general fund appropriations, and other sources of funding 8 9 available to the university. Data appropriate to the individual 10 performance measure shall be provided in the annual report. 11 SECTION 3. (a) There is established in the University of 12 Hawaii a task force to assist the University of Hawaii in 13 developing a budgetary system that includes an equitable, 14 consistent, and responsive funding formula for the distribution 15 of fiscal resources to the various University of Hawaii 16 campuses. The funding formula shall: Be linked to the enrollment of full-time equivalent 17 (1)(FTE) students at each campus; 18 19 (2) Assign different weights in recognition of the varying costs and revenues relating to educating different 20

21 categories of students, such as:

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1		(A)	The different classifications of students,
2			including two-year, undergraduate, graduate, and
3			professional-program students, and resident and
4			nonresident students;
5		(B)	Students who are enrolled in programs that
6			address the major workforce needs of the state,
7			including teacher education; nursing; and the
8			science, technology, engineering, and math
9			disciplines; and
10		(C)	Students with special support needs, including
11			those from underserved populations or who are at-
12			risk, because they are subject to language,
13			cultural, economic, or other disadvantages due to
14			their home and community environment;
15	(3)	Incl	ude an incentive and performance component that
16		reco	gnizes the unique goals and missions of the
17		Univ	ersity of Hawaii's various campuses, as well as
18		the	higher education needs of the state;
19	(4)	Be a	s simple and transparent as possible and be
20		desi	gned to allow the funding formula to be used as a
21		basi	s for planning; and

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1	(5)	Provide for transparency and accountability to ensure
2		the efficient use of state resources.
3	(b)	The members of the task force shall consist of six
4	members as	s follows:
5	(1)	The chancellor of the University of Hawaii at Manoa or
6		the chancellor's designee;
7	(2)	The chancellor of the University of Hawaii at Hilo or
8		the chancellor's designee;
9	(3)	The chancellor of the University of Hawaii at West
10		Oahu or the chancellor's designee;
11	(4)	The vice president or interim vice president of the
12		University of Hawaii community colleges or the vice
13		president's or interim vice president's designee;
14	(5)	One member appointed by the president of the senate;
15		and
16	(6)	One member appointed by the speaker of the house of
17		representatives.
18	(c)	The task force shall select a chairperson by a
19	majority	vote of its members. A majority of the members of the
20	task force	e shall constitute a quorum to conduct business. The
21	concurrent	ce of the majority of the members of the task force
22	shall be n	necessary to make any action of the task force valid.





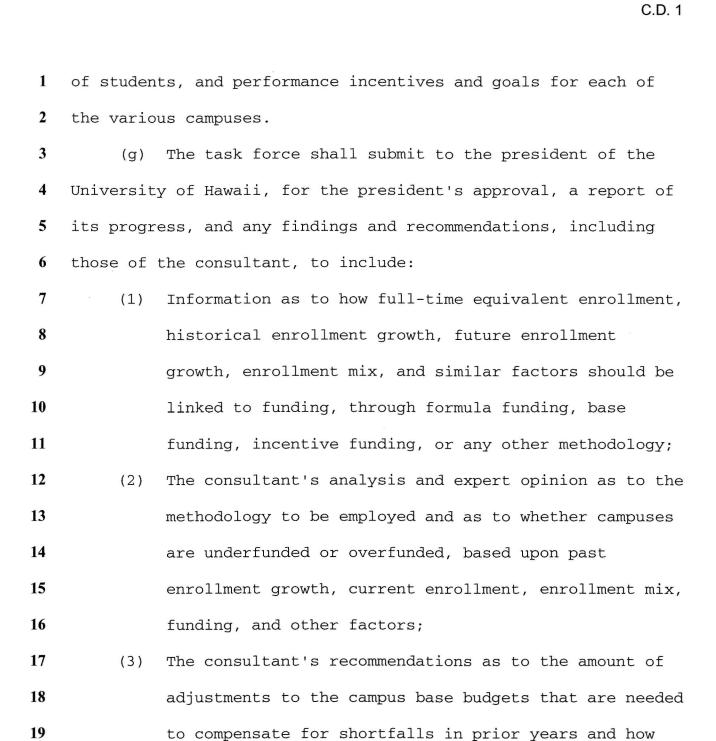
(d) The task force shall be exempt from chapter 92, Hawaii
 Revised Statutes; provided that the task force shall make a good
 faith effort to make its proceedings and work products
 accessible and available to the general public in a manner
 consistent with the intent of chapter 92, Hawaii Revised
 Statutes.

7 (e) The chief financial officer for the University of
8 Hawaii system, or the chief financial officer's designee, shall
9 serve as the liaison between the task force and the president of
10 the University of Hawaii.

(f) The University of Hawaii shall hire, as a consultant, an independent higher education finance expert to work with the task force to develop the funding formula. The consultant shall have experience working with policymakers in other states to develop or improve funding models, including funding formulas, to allocate public funds to campuses within the respective state's higher education system.

18 The task force shall provide the consultant with the data 19 necessary to develop the funding formula, including data 20 relating to historical enrollment growth, future enrollment 21 projections, estimated costs of educating different categories



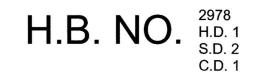


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20 those adjustments should be accomplished; and

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1	(4) A target date for the completion of a funding formula
2	together with any proposed legislation to establish
3	and implement the funding formula.
4	If approved by the president, the University of Hawaii shall
5	submit this report to the legislature no later than twenty days
6	prior to the convening of the regular session of 2009.
7	SECTION 4. This Act shall take effect on July 1, 2008.



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Report Title:

UH; Budgeting

#### Description:

Requires UH to prepare an annual incentive and performance report and plan that will assist the Legislature in appropriating up to two percent of UH's annual budget to facilitate UH's strategic plan and related state goals. Establishes a task force to assist UH in developing a budgetary system that includes a funding formula for the distribution of fiscal resources to the various UH campuses. (HB2978 CD1)

