

---

# 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, as the State's sole public system of higher education  
3       under article X, section 5, of the Hawaii state constitution,  
4       must operate with flexibility to allocate resources in a manner  
5       that is responsive to academic needs, workforce demands, and  
6       institutional priorities.

7       The legislature further finds that block appropriations,  
8       paired with enhanced transparency and accountability, will  
9       improve efficiency while protecting public interests. The  
10      creation of a budget stabilization fund will safeguard the  
11      university during economic downturns, enrollment fluctuations,  
12      and federal funding disruptions, while performance-based funding  
13      will strengthen statewide outcomes in student success, workforce  
14      development, research, and equity.

15      The legislature additionally finds that providing the  
16      university of Hawaii with greater fiscal flexibility is a matter  
17      of statewide concern.



1       The purpose of this Act is to modernize the fiscal  
2 governance of the university of Hawaii by:

3       (1)   Granting increased budgetary autonomy through block  
4            appropriations;

5       (2)   Reducing unnecessary line-item restrictions; and

6       (3)   Establishing a performance-based funding framework and  
7            stabilization mechanisms to promote long-term  
8            financial sustainability.

9       SECTION 2. Chapter 304A, Hawaii Revised Statutes, is  
10 amended by adding a new part to be appropriately designated and  
11 to read as follows:

12                   **"PART     FISCAL AUTONOMY**

13       **§304A-A   Block appropriations; budgetary autonomy.   (a)**

14       Notwithstanding any law to the contrary, beginning with fiscal  
15 biennium 2027-2029, appropriations made to the university of  
16 Hawaii shall be allocated as the following block appropriations:

17       (1)   A block appropriation for the university of Hawaii at  
18            Manoa, university of Hawaii at Hilo, university of  
19            Hawaii-West Oahu, and the community colleges  
20            collectively; and



(2) A block appropriation for systemwide support programs, including but not limited to information technology services, capital planning and facilities, student financial assistance programs, and systemwide academic or administrative initiatives.

(b) The university may allocate within each block appropriation among campuses, programs, activities, and positions without further legislative approval; provided that the university shall not transfer funds from any block appropriation for the following purposes:

(1) Increasing the salaries of the president or campus chancellors;

(2) Initiating any new academic or administrative program with projected annual costs exceeding \$2,000,000; or

(3) Modifying tuition or mandatory fee schedules in a manner inconsistent with section 304A-2154.

(c) Beginning with fiscal year 2027-2028, no position ceilings shall apply to the university; provided that the university shall establish internal position counts consistent with its budget, accreditation requirements, and collective bargaining.



1       **§304A-B Restrictions on transfers.** The university shall  
2 not transfer funds appropriated for capital improvement projects  
3 to operating purposes without prior legislative approval.

4       **§304A-C Annual fiscal and performance reporting.** The  
5 university shall submit to the legislature, no later than twenty  
6 days prior to the convening of each regular session, an annual  
7 report that includes:

8           (1) A breakdown of internal allocations of each block  
9           appropriation by campus and major program area;

10          (2) Budget variances and explanations for significant  
11          reallocations;

12          (3) Multi-year financial projections, including enrollment  
13          trends, tuition revenues, and expenditure forecasts;

14          (4) Performance results for the metrics established under  
15          section 304A-F; and

16          (5) A listing of new academic programs, program  
17          consolidations, or program discontinuations.

18       **§304A-D Procurement and fiscal exemptions.** (a) The  
19 university shall be exempt from chapter 103D for procurements  
20 with a value below \$500,000; provided that the university adopts



1 internal rules requiring competition, transparency, and ethical  
2 standards.

3 (b) The university may retain and carry forward unexpended  
4 general funds without reversion to the general fund at the end  
5 of each fiscal year; provided that this authority shall not  
6 affect the powers of the auditor under section 23-4.

7 **§304A-E Statewide auditing authority retained.** Nothing in  
8 this part shall be construed to limit the authority of the  
9 auditor to conduct financial, programmatic, or performance  
10 audits of the university.

11 **§304A-F Performance-based funding; statewide priority**  
12 **metrics.** (a) Beginning with fiscal year 2028-2029, up to five  
13 per cent of the university's total general fund block  
14 appropriation shall be designated as the performance-based  
15 funding component.

16 (b) Release of the performance-based funding component  
17 shall be contingent upon the university demonstrating progress  
18 in statewide priority areas, including:

19 (1) Student success, including increases in retention,  
20 graduation, and transfer rates;



- 1           (2) Workforce development, including degree and  
2           certificate production in high-demand fields  
3           identified by the workforce development council;  
4           (3) Research and innovation, including year-over-year  
5           increases in extramural research funding;  
6           (4) Basic needs security, including reductions in student  
7           food and housing insecurity measured through  
8           standardized instruments; and  
9           (5) Equity, including improved outcomes for Native  
10          Hawaiian, Pacific Islander, rural, and low-income  
11          students.

12          (c) The legislature may adjust the percentage in  
13          subsection (a) during the biennial budget process but shall not  
14          use non-attainment of metrics to reduce the university's total  
15          appropriation.

16          (d) Performance-based funds shall not lapse and may be  
17          expended for student success initiatives, workforce programs,  
18          basic-needs services, and research development.

19          (e) The university and the legislature shall jointly  
20          develop, review, and publish performance metrics annually.



**§304A-G University of Hawaii budget stabilization fund.**

(a) There is established within the university of Hawaii, the university of Hawaii budget stabilization fund, to be administered by the board of regents.

(b) The fund shall consist of:

- (1) Unexpended balances carried forward pursuant to section 304A-D;
- (2) Tuition, fees, and other university revenues deposited into the fund;
- (3) Legislative appropriations, if any; and
- (4) Investment earnings and interest income.

(c) Moneys in the fund may be used to:

- (1) Mitigate or prevent tuition increases during periods of fiscal stress;
- (2) Offset revenue shortfalls due to enrollment declines, federal funding reductions, or economic downturns;
- (3) Sustain academic programs essential to statewide workforce needs; and
- (4) Maintain student basic-needs initiatives during fiscal disruptions.

(d) Expenditures from the fund shall require:



(1) A two-thirds vote of approval from the board of regents; and

(2) Written notification to the legislature within five days of the board of regents approval that includes the purpose, amount, and projected impacts of the withdrawal.

(e) Moneys in the fund shall not lapse at the end of the fiscal year.

(f) The university shall adopt rules, policies, and administrative procedures necessary to implement this part, including internal budgeting standards, reporting formats, procurement policies, and performance metric frameworks.

(g) The university shall submit an annual report to the legislature on deposits, withdrawals, year-start balances, and year-end balances."

SECTION 3. (a) Beginning with fiscal year 2027-2028, the university of Hawaii shall be exempt from any statutory requirement that requires the university to submit line-item budget requests. The university of Hawaii shall submit program-level budget narratives that support the university's block appropriation request.





1 (b) Section 37-74, Hawaii Revised Statutes, relating to  
2 program execution and position ceilings, shall not apply to the  
3 university of Hawaii; provided that all references to university  
4 program IDs shall remain for transparency and reporting purposes  
5 but shall not restrict internal transfers.

6 (c) Prior to July 1, 2027, the university of Hawaii shall  
7 submit quarterly reports to the legislature in regard to the  
8 transition period that identify:

9 (1) Allocation changes;

10 (2) Budget variances; and

11 (3) Impacts on academic and student programs.

12 SECTION 4. There is appropriated out of the general  
13 revenues of the State of Hawaii the sum of \$ or so  
14 much thereof as may be necessary for fiscal year 2026-2027 for  
15 the purposes of this Act.

16 The sum appropriated shall be expended by the university of  
17 Hawaii for the purposes of this Act.

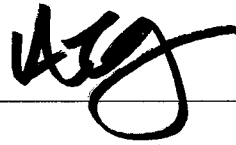
18 SECTION 5. This Act shall take effect on July 1, 2026;  
19 provided that section 2 shall take effect on July 1, 2027.



H.B. NO. 2519

1

INTRODUCED BY:

A handwritten signature in black ink, appearing to be 'W. J. G.', written over a horizontal line.

JAN 28 2026



# H.B. NO. 2519

**Report Title:**

UH; Fiscal Autonomy; UH Budget Stabilization Fund; Appropriation

**Description:**

Establishes block appropriations and increases fiscal flexibility for the University of Hawaii. Establishes a University of Hawaii Budget Stabilization Fund, authorizes limited procurement and fiscal exemptions, and implements performance-based funding metrics. Requires annual fiscal and performance reporting to the Legislature and provides a transition framework for the move to block budgeting.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

