
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



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

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

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

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

15 (3) Modifying tuition or mandatory fee schedules in a
16 manner inconsistent with section 304A-2153.

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



1 (d) This section shall not apply to aquaria (UOH881) and
2 the small business development center (UOH220).

3 **§304A-B Annual fiscal and performance reporting.** The
4 university shall submit to the legislature, no later than twenty
5 days prior to the convening of each regular session, an annual
6 report that includes:

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

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

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

13 (4) Transfers between major categories exceeding
14 \$; and

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

17 **§304A-C Procurement and fiscal exemptions.** (a) The
18 university shall be exempt from chapter 103D for procurements
19 with a value below \$; provided that the university
20 adopts internal rules requiring competition, transparency, and
21 ethical standards.



1 (b) The university shall submit an annual report to the
2 legislature on all contracts exceeding \$.

3 (c) The university may retain and carry forward up to ten
4 per cent of unexpended general funds without reversion to the
5 general fund at the end of each fiscal year; provided that in
6 accordance with article VII, section 11 of the state
7 constitution any unencumbered funds at the end of the third
8 fiscal year shall lapse to the credit of the general fund;
9 provided further that this authority shall not affect the powers
10 of the auditor under section 23-4.

11 **§304A-D Statewide auditing authority retained.** Nothing in
12 this part shall be construed to limit the authority of the
13 auditor to conduct financial, programmatic, or performance
14 audits of the university.

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



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

4 (1) Student success, including increases in retention,
5 graduation, and transfer rates;

6 (2) Workforce development, including degree and
7 certificate production in high-demand fields
8 identified by the workforce development council;

9 (3) Research and innovation, including year-over-year
10 increases in extramural research funding;

11 (4) Basic needs security, including reductions in student
12 food and housing insecurity measured through
13 standardized instruments; and

14 (5) Equity, including improved outcomes for Native
15 Hawaiian, Pacific Islander, rural, and low-income
16 students.

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



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

4 (e) The board of regents shall:

5 (1) Develop, review, and publish performance metrics
6 annually; and

7 (2) Submit an annual report to the legislature on the
8 metrics and outcomes of the performance metrics.

9 **§304A-F University of Hawaii budget stabilization fund.**

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

13 (b) The fund shall consist of:

14 (1) Tuition, fees, and other university revenues deposited
15 into the fund;

16 (2) Legislative appropriations, if any; and

17 (3) Investment earnings and interest income.

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

19 (1) Mitigate or prevent tuition increases during periods
20 of fiscal stress;



- 1 (2) Offset revenue shortfalls due to enrollment declines,
2 federal funding reductions, or economic downturns;
- 3 (3) Sustain academic programs essential to statewide
4 workforce needs; and
- 5 (4) Maintain student basic-needs initiatives during fiscal
6 disruptions.
- 7 (d) Expenditures from the fund shall require:
- 8 (1) A two-thirds vote of approval from the board of
9 regents; and
- 10 (2) Written notification to the legislature within five
11 days of the board of regents approval that includes
12 the purpose, amount, and projected impacts of the
13 withdrawal.
- 14 (e) Moneys in the fund shall not lapse at the end of the
15 fiscal year.
- 16 (f) The university shall adopt rules, policies, and
17 administrative procedures necessary to implement this part,
18 including internal budgeting standards, reporting formats,
19 procurement policies, and performance metric frameworks.



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

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

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

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

- 18 (1) Allocation changes;
19 (2) Budget variances; and
20 (3) Impacts on academic and student programs.



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

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

7 SECTION 5. This Act shall take effect on July 1, 2026;
8 provided that section 2 shall take effect on July 1, 3000.



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. Effective July 1, 3000. (HD1)

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

