I. **Purpose:**

To set forth policy on the university's fiscal management, budget process, and legislative budget proposal and preparation process.

II. **Definitions:**

No policy specific or unique definitions apply.

III. **Policy:**

A. The board recognizes its fiduciary obligation to ensure that the university is managing its resources in a fiscally responsible manner. Leading practices encourage boards to establish policies and practices to ensure that institutional priorities and budget expenditures are aligned and to ensure that resources are strategically invested in the university's mission, vision, and plans.

B. The administration shall support the board to ensure that it can properly fulfill its fiduciary responsibilities. To this end, the president and administration shall:

1. Provide the necessary information to keep the board informed on key fiscal indicators, including through a dashboard with relevant metrics that allow high level tracking of progress against key financial performance indicators;

2. Institute best practices in financial management in concert with the board; and

3. Establish operational and management processes and policies to ensure uniformity in budget building and financial reporting across the university.

C. Budgets are one component of a comprehensive system of planning, programming and financing the programs of the university. The system shall consist of:

1. Annual review and approval of operating and capital budgets, and expenditure plans, and acceptance of 6-year rolling plans.
a. The board shall approve an annual operating budget request for the upcoming fiscal year(s) which is intended to be the university’s annual request to the Legislature (see Section D below). The board shall also approve an annual operating expenditure plan for all campuses, the system, and the board office. The operating expenditure plan shall account for all sources of funds, as well as all major categories of expenditures.

The annual operating expenditure plan shall incorporate the most recent legislative appropriations and actions and be presented in the context of a rolling 6-year financial plan. For each year, the 6-year financial plan shall provide initial balances, projected revenues, projected expenditures, and projected closing balances. The annual operating budget request, the annual operating expenditure plan, and the 6-year financial plan shall advance the board-approved strategies, priorities, and plans across the University of Hawai’i System.

b. The board shall approve an annual capital improvement project budget request for the upcoming fiscal year(s) which is intended to be the university’s annual request to the Legislature (see Section D below). The capital improvement budget shall account for all major projects that will be in the planning, design, or construction stages.

The board shall also approve an annual capital improvement project expenditure plan that incorporates the latest legislative appropriations and actions, which shall be presented in the context of a rolling 6-year capital improvement plan. For each year, the 6-year capital improvement plan shall also provide expected beginning and ending levels of estimated deferred maintenance backlog by major unit. The annual capital improvement project budget and 6-year plan shall advance the board-approved strategies, priorities, and plans across the University of Hawai’i System.

2. Review and oversight.

The administration shall provide reports to the board at least semi-annually, or on an as-directed basis. The reports shall include:

a. A financial report that is based upon the board-approved operating expenditure plan and that shows budget-to-actual performance, along with explanations for significant deviations from the approved expenditure plan. The financial report shall provide initial balances, revenues, expenditures and any updates to projected year-end balances based on year-to-date activity. It shall also include an explanation of significant trends or events. The report shall show board-established reserve targets for the major units, along with actual reserves.
b. A capital improvement report that shows the status of all major CIP projects which have estimated expenditures exceeding $5 million in construction and $1 million in design.

c. A financial dashboard may be made available to provide more real-time visibility into financial performance between reports to the board.

3. Annual reports.

The administration shall provide reports to the board on an annual basis that includes balance sheets, income statements, and records of cash flow.

D. Policy and Governing Principles for the Biennial and Supplemental Budget Requests to the Legislature.

Each year, the administration shall develop proposed biennial or supplemental, as applicable, operating and capital budget requests, including any requests for new state support for consideration and approval by the board. The following policy and principles shall apply to the budget requests:

1. Proposed budget requests for legislative support shall be realistic about the ability of the State to invest in public higher education in any given year and shall emphasize strategic goals, plans, directions, and priorities approved and/or provided by the board.

2. The budget information that is provided to the board accompanying the proposed budget requests shall include context for the requests that explains, affects, and complements the legislative budget requests.

3. Upon board approval, the proposed budget requests shall be referred to as the "Board of Regents' Budget" and shall be transmitted to the governor and the legislature in accordance with applicable statutes and directives.

IV. Delegation of Authority:

There is no policy specific delegation of authority.

V. Contact Information:

Office of the Vice President for Budget & Finance/Chief Financial Officer, 956-8903, kalbert@hawaii.edu

VI. References:

A. http://www.hawaii.edu/offices/bor/
Approved as to Form:

/S/ Kendra Oishi 3/18/21
Kendra Oishi
Executive Administrator and
Secretary of the Board of Regents