



Regents Policy Chapter 8, Business and Finance
Regents Policy RP 8.204, University Budget (Operating and Capital Improvements)
Effective Date: Feb. 25, 2016
Prior Dates Amended: Jan. 13, 1966; June 10, 1967; Aug. 19, 1969; Oct. 14, 1977;
Oct. 20, 1978; Dec. 15, 1989; Jan. 18, 2002; Oct. 31, 2014 (recodified)
Review Date: August 2018

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;
3. Establish uniform reports that shall be utilized for financial management and reporting across the university; and
4. 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. The articulation of overall university and campus missions; the development, coordination and review of long-range goals, objectives and directions to achieve these missions; and the development of programs and plans to implement these goals, objectives and directions;
2. An integrated, orderly system for the continuous review and evaluation of programs and needs that results in the establishment, modification and termination of programs as appropriate. This review shall include the regular appraisal and reporting of program performance across both qualitative and quantitative dimensions. It shall also include the evaluation of alternatives to existing policies, plans, practices and procedures that offer more efficient and effective use of university resources to achieve the institution's highest priority goals and objectives;
3. The preparation and implementation of a comprehensive budget organized to focus available resources required to undertake programs and program changes necessary to implement the long-range goals and objectives of the university. The development of the university's budget shall include consideration of non-general funds and operating reserves; and
4. This comprehensive system shall be characterized as much as possible by openness and collaboration among students, faculty, administrators and policymakers.

D. The board shall, at a minimum, conduct the following:

1. Annual review and approval of budgets.
 - a. The board shall approve an annual operating budget for all campuses, the system and the board office. The operating budget shall account for all sources of funds, as well as all major categories of expenditures.
 - b. The board shall approve an annual capital improvement project budget for the university. The capital improvement budget shall account for all major projects that will be in the planning, design or construction stages. The budget shall be presented in the context of a rolling 6-year capital improvement plan and budget, which shall be approved and updated by the board on an as-needed basis.

- c. The operating and capital improvement budgets shall be transmitted to the board for review and approval following each legislative session and shall incorporate the most recent legislative appropriations and actions.

2. Quarterly reviews.

The administration shall provide reports to the board on a quarterly basis. The reports shall include:

- a. A financial report that is based upon the board approved operating budget and that shows budget to actual performance, along with explanations for significant deviations from the approved budget. The financial report shall provide initial balances, revenues, expenditures and any updates to projected year-end balances based on activity in the previous quarter. It shall also include an explanation of significant trends or events that are reflected. The report shall show board-established reserve targets for the major units, along with actual reserves for the quarterly period.
- b. A capital improvement report that is based upon the board approved capital improvement plan and that shows progress against the board approved CIP budget. The report shall also indicate projects that are significantly deviating from the approved budget or schedule and give an explanation for the deviation.
- c. A financial dashboard report to indicate progress and status against agreed-upon metrics.

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.

Policy and Governing Principles for the Biennial and Supplemental Budget Proposals to the Legislature

A. Each year, the president, upon approval by the board, shall submit to the governor and the legislature, the university's proposed biennial or supplemental budget, as applicable, which shall be designated the "Board of Regents' Budget." This budget proposal shall comply with applicable statutes and directives from the governor and legislature.

1. The major activities of the legislative budget preparation process shall consist of the following:

- a. Preparation of budget policy paper
 - (1) Using input from key stakeholders at the state and the university , as well as a review of university and campus planning goals and plans, the president shall direct the preparation of a budget policy paper and approve its submittal for review and approval by the board. The paper shall set forth the environmental context for budget building, as well as general program, policy and management objectives, and institutional priorities to guide the preparation of the budget request.
- b. Preparation and issuance of budget instructions
 - (1) Upon board approval of the budget policy paper, the president shall issue formal instructions and directions for the preparation of the legislative budget request. The instructions and directions shall include, as a minimum, the budget objectives included in the board approved budget policy paper.
- c. Administrative and executive approval of budgets
 - (1) The president shall review and approve for submittal to the board, the operational and capital improvement budget requests for the major units of the university based on the submittals from senior executives for their respective units, the budget policy paper including the environmental context for the state and higher education.
- d. To the extent possible, the budget information that is provided to the board accompanying the budget proposal shall include context for the request that would affect or complement the legislative budget request. Upon board approval, the proposed budget shall be referred to as the “Board of Regents’ Budget” and shall be transmitted to the governor and the legislature in accordance with applicable statute.

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:

Cynthia Quinn
Executive Administrator and
Secretary of the Board of Regents

Date



Regents Policy Chapter 8, Business and Finance
Regents Policy RP 8.204, ~~Biennium~~ University Budget (Operating and Capital
Improvements)

Effective Date: ~~Oct. 18, 2002~~ Feb. 25, 2016

Prior Dates Amended: Jan. 13, 1966; June 10, 1967; Aug. 19, 1969; Oct. 14, 1977;
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I. Purpose

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III. Policy

~~A. Policy and Governing Principles~~

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;

3. Establish uniform reports that shall be utilized for financial management and reporting across the university; and

4. 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. The articulation of overall university and campus missions; the development, coordination and review of long-range goals, objectives and directions to achieve these missions; and the development of programs and plans to implement these goals, objectives and directions;

2. An integrated, orderly system for the continuous review and evaluation of programs and needs that results in the establishment, modification and termination of programs as appropriate. This review shall include the regular appraisal and reporting of program performance across both qualitative and quantitative dimensions. It shall also include the evaluation of alternatives to existing policies, plans, practices and procedures that offer more efficient and effective use of university resources to achieve the institution's highest priority goals and objectives;

3. The preparation and implementation of a comprehensive budget organized to focus available resources required to undertake programs and program changes necessary to implement the long-range goals and objectives of the university. The development of the university's budget shall include consideration of non-general funds and operating reserves; and

4. This comprehensive system shall be characterized as much as possible by openness and collaboration among students, faculty, administrators and policymakers.

D. The board shall, at a minimum, conduct the following:

1. Annual review and approval of budgets.

a. The board shall approve an annual operating budget for all campuses, the system and the board office. The operating budget shall account for all sources of funds, as well as all major categories of expenditures.

b. The board shall approve an annual capital improvement project budget for the university. The capital improvement budget shall account for all major projects that will be in the planning, design or construction stages. The

budget shall be presented in the context of a rolling 6-year capital improvement plan and budget, which shall be approved and updated by the board on an as-needed basis.

- c. The operating and capital improvement budgets shall be transmitted to the board for review and approval following each legislative session and shall incorporate the most recent legislative appropriations and actions.

2. Quarterly reviews.

The administration shall provide reports to the board on a quarterly basis. The reports shall include:

- a. A financial report that is based upon the board approved operating budget and that shows budget to actual performance, along with explanations for significant deviations from the approved budget. The financial report shall provide initial balances, revenues, expenditures and any updates to projected year-end balances based on activity in the previous quarter. It shall also include an explanation of significant trends or events that are reflected. The report shall show board-established reserve targets for the major units, along with actual reserves for the quarterly period.
- b. A capital improvement report that is based upon the board approved capital improvement plan and that shows progress against the board approved CIP budget. The report shall also indicate projects that are significantly deviating from the approved budget or schedule and give an explanation for the deviation.
- c. A financial dashboard report to indicate progress and status against agreed-upon metrics.

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.

Policy and Governing Principles for the Biennial and Supplemental Budget Proposals to the Legislature

4.-A. Each year, ~~T~~the president, upon approval by the board, shall submit to the governor and the legislature, the university's proposed biennial ~~budget~~ or supplemental budget, as applicable, which shall be designated the "Board of Regents' Budget." This budget proposal shall comply with applicable statutes and directives from the governor and legislature.

~~2. The proposed biennium budget shall be one component of a comprehensive system of planning, programming and financing the programs of the university. The system shall consist of:~~

~~a. The articulation of overall university and campus missions; the development, coordination and review of long-range goals, objectives and directions to achieve these missions; and the development of programs and intermediate plans to implement these goals, objectives and directions.~~

~~b. An integrated, orderly system for the continuous review and evaluation of programs which result in the establishment, modification and termination of programs as appropriate. This review shall include the evaluation of alternatives to existing objectives, policies, plans and procedures that offer more efficient and effective use of university resources and the regular appraisal and reporting of program performance.~~

~~c. The preparation and implementation of a budget organized to focus on the resources required in the succeeding biennium to undertake programs and program changes necessary to implement the long-range goals and objectives of the university.~~

~~3. The preparation of the biennium budget shall be characterized as much as possible by openness and collaboration among students, faculty, administrators and policymakers.~~

~~4. The development of the university's biennium budget shall include consideration of non-general fund operating reserves.~~

~~B. The Biennium Budget Preparation Process~~

1. The major activities of the ~~biennium~~ legislative budget preparation process shall consist of the following:

a. Preparation of ~~biennium~~ budget policy paper

~~(1) 4.~~ Using input from key stakeholders at the state, and the university ~~system, as well as a review of university~~ documents goals and plans, the president shall direct the preparation of a ~~biennium~~ budget policy paper ~~each biennium~~ and approve its submittal for review and approval by the board. The paper shall set forth the environmental context for budget building ~~and, as well as~~ general program, policy and management objectives, and institutional priorities to guide the preparation of the ~~biennial~~ budget request.

b. Preparation and issuance of budget instructions

- (1) ~~4.~~ Upon board approval of the ~~biennium~~-budget policy paper, the president shall issue formal instructions and ~~pertinent policy statements~~ directions for the preparation of the ~~biennium~~-legislative budget request. The ~~policy statements~~ instructions and directions shall include, as a minimum, the budget objectives included in the board approved ~~biennium~~-budget policy paper.
- c. Administrative and executive approval of budgets
- (1) ~~4.~~ The president shall review and approve for submittal to the board, the ~~recommended~~ operational and capital improvement budget requests for UH at Mānoa, UH at Hilo, the ~~Community College System, UH-West O'ahu, and university-wide support programs. The chancellors of UH at Mānoa, UH at Hilo, UH-West O'ahu and the vice president for community colleges shall review and approve for submittal to the president the budget requests for the programs~~ the major units of the university based on the submittals from senior executives for their respective units, the budget policy paper including the environmental context for the state and higher education.
- d. ~~Board approval~~ To the extent possible, the budget information that is provided to the board accompanying the budget proposal shall include context for the request that would affect or complement the legislative budget request.
- ~~1. The board shall review and act on the biennium budget recommended by the president prior to it being submitted to the governor.~~ Upon board approval, the ~~biennium~~ proposed budget shall be referred to as the "Board of Regents' Budget" and shall be transmitted to the governor and the legislature in accordance with applicable statute.

IV. Delegation of Authority

There is no policy specific delegation of authority.

V. Contact Information

Office of the ~~Board of Regents, 956-8213, bor@hawaii.edu~~ Vice President for Budget & Finance/Chief Financial Officer, 956-8903, kalbert@hawaii.edu

VI. References

A. <http://www.hawaii.edu/offices/bor/>

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Cynthia Quinn Date
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