

# Brief Overview of Virginia Higher Education Restructuring

Education Subcommittee

May 31, 2017



# Restructuring Timeline

2003-2005

2003 CWM, UVA, and VT - "Charter University" legislation, doesn't pass.  
2004 - Jt Sub, SJ 90 study.  
2005 - Restructuring Act passes, HB 2866 and SB 1327, all institutions obtain Level 1 autonomy.



Level 3 Management Agreements

2006

CWM, UVA, and VT management agreements, HB 1502 and SB 675.

2008

Level 2 authority legislation passes, HB 1390 and SB 442. VCU Level 3 mgmt agreement, HB 1124 and SB 358.



Level 2 can seek 3<sup>rd</sup> area

2012

Level 2 institutions can seek a third level of authority, budget language. No institutions have made use of this language.

2014

Management agreements are extended unless the Governor or General Assembly want to revise, HB 5010. Further budget language also extended agreements.

Extend Management Agreements

Level 2+ Pilot

2016

5-year pilot for additional authority in IT, CO, and procurement for GMU and JMU, budget language.

Source: SFC and SCHEV documents.



# Overview of the Restructuring Act

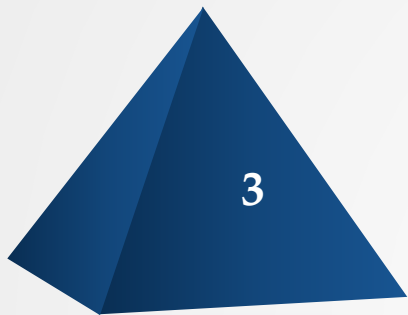
---

- Tiered levels of autonomy (pages 4-6)
- Statewide goals and objectives (pages 7-9)
- Six-year plans – includes academics, finance, and enrollment (page 10)
- Assessment of institutional performance standards (pages 7 and 9-10)
- Financial incentives (pages 6 and 11)



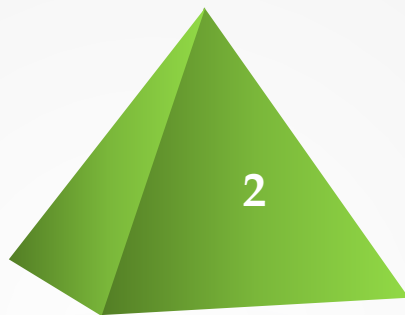
# Administrative and Operational Restructuring

## Levels of Autonomy



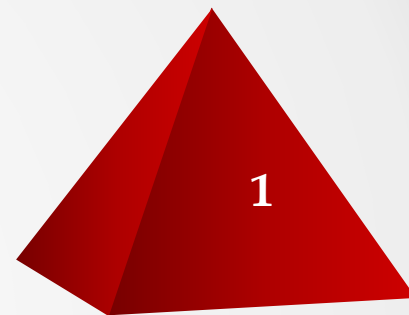
### Level 3 Autonomy

Broad autonomy in multiple areas including finance, HR, IT, procurement, leases, and capital outlay. Adoption of performance and other standards.



### Level 2 Autonomy

Initially allowed greater autonomy in 2 of 3 areas: procurement, IT, and/or CO. SCHEV must certify performance benchmarks and institution adopts 1 new education-related measure per area.



### Level 1 Autonomy

Managerial autonomy with BOV commitment to the statewide goals. Eligible for financial incentives if meet educational and institutional performance benchmarks.

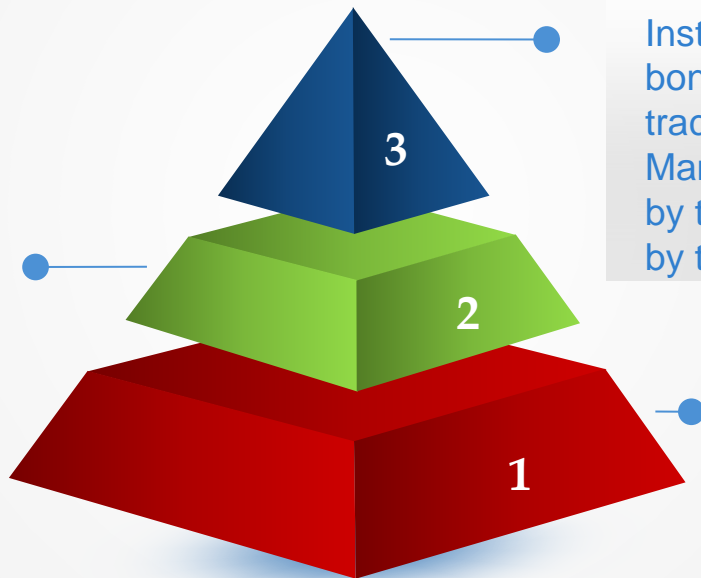


# Levels of Autonomy

## Level 2 -

CNU, LU, ODU, RU,  
UMW, VMI, VCCS, GMU  
(2+), & JMU (2+)

Those with an appropriate organizational structure to manage with limited state oversight and an approved memorandum of understanding (2/3 of the BOV) with respective Cabinet Secretary.



## Level 3 -

CWM, UVA (UVA-Wise), VCU, & VT

Institutions with an unenhanced AA-bond rating or higher or a proven track record in two “Level 2” areas. Management agreement negotiated by the Administration and approved by the General Assembly.

## Level 1-

NSU, RBC, & VSU

All with BOV commitment to the state goals.



Level	Functional Areas
1	<ul style="list-style-type: none"> <li>✓ Authority limited to specific functions. Focuses on reducing “bureaucracy.”               <ul style="list-style-type: none"> <li>❖ Examples include: selection of project construction methodology without prior approval; certification of compliance with minority business requirements; and classification of administrative faculty positions.</li> </ul> </li> <li>✓ Institutions meeting performance criteria will qualify for financial incentives.</li> </ul> <p><b>Incentives include interest earnings on tuition, rebates on state credit card purchases, and refunds on state vendor fees for select purchases.</b></p>
2	<ul style="list-style-type: none"> <li>✓ Capital project execution for all NGF projects and selected finance/ accounting functions (already existing).</li> </ul> <p>Legislation passed in 2008 that gave authority in 2 of 3 areas (capital outlay, procurement, and information technology). Budget language in 2012 allowed institutions to request authority in all 3 areas. Budget language in 2016 granted a pilot for all three areas for GMU and JMU.</p>
3	<ul style="list-style-type: none"> <li>✓ Broad range of flexibility across functional areas, including financial management, capital outlay, personnel, IT, procurement, and leases, as set forth in a management agreement.</li> </ul>

# Original Selected Restructuring Goals and Measures

Goal	Measure (last assessment 2011)	Past Reporting (A= Annual, B= Biennial)
Access	In-State enrollment	A
	Underrepresented enrollment	A
	Degree awards	A
Affordability	Affordability	A
	Need-based borrowing	B
	Tuition assessment	B
Retention & Graduation	Retention rate	A
	Degrees per FTE students	A
Articulation and Dual Enrollment	Transfer agreements	B
	Degree transfers	A
	Dual enrollment	A
Economic Development	Economic development	B
Research	Research expenditures	A
	Patents and licenses	B
K-12 Education	K-12 partnerships	B
Six-year Financial Plan	Suspended in 2009	Other
Meet Financial and Administrative Standards	Secretaries of Finance, Admin., and IT	Other
Campus Safety and Security	Campus safety and security	B

Source: SCHEV and SFC staff; May, 2017.



# Virginia Higher Education Opportunity Act of 2011

## Purposes Listed in TJ 21:

- |                                                                                                                                                                                   |                                                                                                                                                                                                                                             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Ensure affordable access;                                                                                                                                                      | 6. Enhance the security and economic competitiveness of the US;                                                                                                                                                                             |
| 2. Take advantage of the link between higher education and economic growth;                                                                                                       | 7. Enhance the VA higher education system through reform-based investment;                                                                                                                                                                  |
| 3. Confer approximately 100,000 cumulative additional undergraduate degrees on Virginians partially by improving graduation and retention rates and increasing degree completion; | 8. Establish a funding framework that provides stable funding and planning, incentives for increased enrollment, need-based aid for low-income and middle-income students, incentives to promote innovation, and relieves tuition pressure; |
| 4. Increase degree attainment, especially in STEM;                                                                                                                                | 9. Recognize the unique mission and contributions of the institutions; and                                                                                                                                                                  |
| 5. Promote university-based research;                                                                                                                                             | 10. Realize enhanced benefits from more autonomy under Restructuring.                                                                                                                                                                       |

Source: SFC presentations and Virginia Higher Education Opportunity Act of 2011.





# The Higher Education Opportunity Act Objectives and Institutional Performance Measurement

## Objective

## Measure - First Biennial Assessment - 2014

- |                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Increase enrollment of Virginia students</li></ul>                        | <ul style="list-style-type: none"><li>• Institution meets at least 95% of its State Council-approved biennial projections for in-state undergraduate headcount enrollment.</li></ul>                                                                                                                                                             |
| <ul style="list-style-type: none"><li>• Increase degree completion in a timely or expedited manner</li></ul>      | <ul style="list-style-type: none"><li>• Institution meets at least 95% of its State Council-approved biennial projections for the number of in-state associate and bachelor degree awards.</li><li>• Maintain or increase the number of in-state associate and bachelor degrees awarded to students from underrepresented populations.</li></ul> |
| <ul style="list-style-type: none"><li>• Increase degree production in STEM-H fields</li></ul>                     | <ul style="list-style-type: none"><li>• Institution meets at least 95% of its State Council-approved biennial projections for the number of in-state STEM-H (Science, Technology, Engineering, Mathematics and Health professions) associate and bachelor degree awards.</li></ul>                                                               |
| <ul style="list-style-type: none"><li>• Improve retention and graduation rates</li></ul>                          | <ul style="list-style-type: none"><li>• Institution meets at least 95% of its State Council-approved biennial projections for the number of in-state, upper level program-placed, full-time equivalent students.</li></ul>                                                                                                                       |
| <ul style="list-style-type: none"><li>• Enhance community college transfers and articulation agreements</li></ul> | <ul style="list-style-type: none"><li>• Maintain or increase the number of in-state two-year transfers to four-year institutions.</li></ul>                                                                                                                                                                                                      |
| <ul style="list-style-type: none"><li>• Review of Financial and Administrative Standards</li></ul>                | <ul style="list-style-type: none"><li>• Provided by Secretaries of Finance, Administration, and Information Technology</li></ul>                                                                                                                                                                                                                 |

Source: SCHEV staff; May, 2017.



# **The Higher Education Opportunity Act Objectives and Institutional Performance Measurement**

## Items Included in the Six-Year Plans:

- Provide financial aid to help mitigate the impact of tuition and fee increases on low-income and middle-income students.
- Reduce institutional costs through year-round utilization of resources and other efficiency reforms.
- Develop instructional resource-sharing program with other public institutions and private institutions of higher education.
- Increase research, including private-public collaboration.

Source: SCHEV staff; May, 2017.



# Restructuring Act Benefits

## Benefits to the Institutions

- All institutions receive greater autonomy in financial and administrative operations.
- Additional authority can be obtained through the Level 2 and Level 3 negotiation processes.
- Streamlined activities and efficiencies.
- Financial incentives granted from meeting performance standards.
  - Automatic re-appropriation of year-end balances.
  - Interest earnings on tuition, rebates on state credit card purchases, and refunds on state vendor fees for select purchases (interest earnings and credit card rebates have been suspended recently).

## Benefits to the State

- Institutions commit to state goals and objectives.
- Accountability through performance standards and assessments.
- Institutions commit efficiency savings to improving access, cost and quality.

Source: SFC and SCHEV documents.



# Next Steps

---

- Autonomy – is there an appropriate balance between institutional and state benefits?
- Will there be a restoration of financial incentives?
- Should some of the performance and educational measures be reviewed?

