

SENATE OF VIRGINIA

Senate Finance Committee

Update on Restructuring

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Education Subcommittee

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Restructuring is Moving Forward

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- The Higher Education Restructuring Act provided a new framework for aligning state and institutional priorities, state policy, and funding.
 - Does not alter funding goals or methodologies already in place.
- The Act clarifies the state's expectations for higher education by codifying a “public agenda” through statewide policy goals, providing a new long-term planning process, and establishing accountability tools.
- Some of the goals include:
 - providing access to Virginia students,
 - keeping college costs affordable,
 - promoting the seamless transfer between two-year and four-year institutions,
 - aligning academic programs with state workforce needs,
 - and contributing to the state's economic development efforts.

Restructuring is Moving Forward

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- Campus safety and security were added to the state goals during the 2006 Session.
 - Language was also included in the Governor's introduced budget.
- As required by the Act, each Board of Visitors has adopted a resolution committing to these “public agenda” goals.
- Through newly required six-year plans, institutions have begun to identify how they will manage their resources and programs to support those goals through FY 2012.

Restructuring Autonomy

- The Act also establishes a three-level process through which institutions can seek increased operational autonomy based on their individual needs and demonstrated level of administrative expertise.

Level	Eligible Institutions	Functional Areas
1	All with BOV commitment to state goals.	<ul style="list-style-type: none"> ✓ Authority limited to specific functions. Focuses on reducing “bureaucracy.” <ul style="list-style-type: none"> ❖ Examples include: selection of project construction methodology without prior approval; certification of compliance with minority business requirements; and classification of administrative faculty positions. ✓ Institutions meeting performance criteria will qualify for financial incentives. <ul style="list-style-type: none"> ❖ Incentives include interest earnings on tuition, rebates on state credit card purchases, and refunds on state vendor fees for select purchases.
2	Those with an appropriate organizational structure to manage with limited state oversight and an approved memorandum of understanding.	<ul style="list-style-type: none"> ✓ Capital project execution for all NGF projects and selected finance/ accounting functions (already existing). ✓ Act requires Governor to assess other potential areas (e.g., IT, personnel) and provide recommendation to the General Assembly.
3	Those with an unenhanced AA- bond rating or higher; or a proven track record in two “Level 2” areas.	<ul style="list-style-type: none"> ✓ Broad range of flexibility across functional areas, including financial management, capital outlay, personnel, IT, procurement, and leases, as set forth in a management agreement.

Status of Restructuring Initiatives

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- All public colleges and universities have Level 1 autonomy.
- UVA, VT, and CWM negotiated management agreements for Level 3 autonomy (July 1, 2006).

Key Higher Education Restructuring Dates for 2006-2008	
Standards to be developed to assess whether institutions are well-managed in information technology, personnel, capital outlay, and procurement.	Fall 2006
Institutional performance agreements and targets to be published by SCHEV.	Nov. 15, 2006
Submission of UVA, VT, and W&M action plans on working with economically distressed regions of the Commonwealth.	Dec. 31, 2006
SCHEV certification of the institutional achievement performance benchmarks for the first time (annual process).	June 1, 2007
Potential negotiation of Memorandums of Understanding between the Governor and institutions for Level 2 autonomy (if language is placed in the budget).	July 2007
UVA, VT, and W&M to increase the number of transfer students by 300.	June 30, 2008
Institutions can receive financial incentives based on a positive certification from SCHEV.	2007

Actions for 2007 and Beyond

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- The Governor included the administrative management standards in his introduced budget.
 - They go into effect on July 1, 2007.
- If SCHEV certifies that an institution has met the state's performance expectations (June 1, 2007), the institution will be eligible to receive financial incentives sometime after July 2007.
 - The amount is \$12.7 million GF in FY 2008 for estimated interest earnings from tuition and fees and other nongeneral fund E&G revenues and a rebate on certain credit card purchases.
- Level 3 institutions are requesting some technical amendments to budget language to clarify conflicts with the management agreements.

Level 2 Autonomy

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- The autonomy envisioned under Level 2 will require action by the 2007 General Assembly.
 - There will be legislation in both the House and Senate.
 - The legislation would provide autonomy in 1-2 areas out of a choice of 2-3.
 - Information technology
 - Procurement
 - Capital outlay
 - Level 2 can be a pathway to Level 3
 - Intent was to limit the number of areas so that you would not have a “piecemeal” approach to Level 3.