



State Council of Higher Education for Virginia

Restructuring Act: Implementing Change in Virginia

VAMAP Spring Drive-in

April 20, 2007

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Restructuring**



The “King Kong” of Legislative Acts



January 2006



Restructuring: Background

- Pre-2000 – Public colleges and universities voice concerns about the financial impact of limited state funding and tuition controls – previous restructuring activities
- 2003 – Representatives from three institutions ask for “charter” status, i.e., more institutional autonomy in exchange for forgoing up to 10% of future incremental state funds
- “Charter” initiative evolves into full restructuring plan involving all public institutions in Virginia
- 2004 – SJR 90, *Administrative and Financial Relationships Between The Commonwealth And Its Institutions of Higher Education* (January 11, 2005)
- 2005 – **Restructured Higher Education Financial and Administrative Operations Act** (Chapters 933/945 2005 Acts of the Assembly) which grants each public institution eligibility for one of three levels of autonomy



SJR 90 - Primary Objectives of Restructuring

- Facilitate institutions' ability to make business decisions more rapidly and strategically
- Improve accountability through post-audit
- Improve coordination between institutional objectives and statewide goals.
 - Better planning at the state and institutional levels
 - Financial planning
 - Enrollment management
 - Academic rigor
 - Stronger coordination and oversight roles for SCHEV



SJR 90 - Summary of Recommendations

- Provide institutions with greater flexibility to make day-to-day decisions
 - Procurement
 - Personnel
 - Capital Outlay
- Adopt a more proactive approach to statewide financial, enrollment, and academic planning in higher education
- Empower the boards of visitors to adopt long-range plans and policies that meet institutional needs and respond to statewide policy goals



Institutional Benefits: New Autonomy

- In exchange for new institutional responsibilities, public institutions' Boards of Visitors may seek greater autonomy in their operations
- Depending on each's expertise, public institutions may seek one of three levels of autonomy
 - **Level 1:**
 - Lowest level of autonomy
 - All institutions will be granted level one status upon board resolution committing to state's goals and SCHEV certification
 - **Level 2:**
 - In order to attain Level 2 status, institutions must seek approval from the General Assembly
 - Requires SCHEV certification to maintain
 - **Level 3:**
 - Highest level of autonomy
 - Negotiated through a Management Agreement with the General Assembly
 - Three institutions have qualified for Level 3 status (UVA, Virginia Tech, William and Mary)
 - Requires SCHEV certification to maintain



What Happened to Level 2?

2006 Appropriations Act

§4-9.01 MEMORANDA OF UNDERSTANDING

In submitting "The Budget Bill" for calendar year 2006 pursuant to subsection A of §2.2-1509, the Governor shall include eligibility criteria for additional operational authority in human resources, personnel policy and/or information technology along with the functional authority that would be granted in each area. In each operational area, the functional authority granted through a memorandum of understanding shall not exceed the level of autonomy permitted under Subchapter 3 (§ 23-38.91 et seq.) of Chapters 933 and 945 of the 2005 Acts of Assembly and as specified under Chapters 933 and 943 of the 2006 Acts of Assembly.



What Happened to Level 2?

2007 Governor's Introduced Budget

§4-9.01 MEMORANDA OF UNDERSTANDING

Pursuant to Subchapter 2 (§ 23-38.90) of the Restructured Higher Education Financial and Administrative Operations Act of 2005 (the "2005 Restructuring Act"), Chapters 933 and 945 of the 2005 Acts of Assembly, codified as Chapter 4.10 (§23-38.88 et seq.) of Title 23 of the Code of Virginia, a public institution of higher education in the Commonwealth, other than an institution governed by Subchapter 3 (§23-38.91 et seq.) of the 2005 Restructuring Act, that has been certified by the State Council of Higher Education for Virginia ("SCHEV") pursuant to subsection C of § 23-9.6:1.01 as having met the requirements of subsection B of § 23-38.88 of the 2005 Restructuring Act may submit a request to the appropriate Cabinet Secretary or Secretaries, as designated by the Governor, to enter into one or more Memoranda of Understanding ("MOUs") with the Commonwealth for additional functional authority over and above any such authority previously delegated to the institution by this act, subsection A of § 23-38.88 of the 2005 Restructuring Act, or otherwise in one or more of the operational areas of capital projects, leases, procurement, information technology, and finance. **The Secretary of Finance, in conjunction with the Secretary of Administration and the Secretary of Technology, shall continue to work with a workgroup of higher education institution representatives to develop a list of the functional authority to be granted in each operational area to be submitted to the Chairmen of House Appropriations and Senate Finance Committees no later than January 26, 2007.**



What Happened to Level 2?

- Bills were introduced that would give institutions the opportunity to seek Level 2 authority in information technology, procurement, and capital outlay.
- An overriding restriction is that an institution could not be granted authority in all Level 2 areas - an institution could not “back-door” to Level 3.



What Happened to Level 2?

2007 Appropriations Act

§4-9.00 HIGHER EDUCATION RESTRUCTURING

Except for institutions covered under Chapters 933 and 943 of the Acts of Assembly of 2006 and notwithstanding the provisions of the Alternative Authority for Covered Institutions (§23-38.91 et seq., Code of Virginia), no institution of higher education may request or receive additional decentralized authority granted under Chapters 933 and 945 of the Acts of Assembly of 2005 without, the express approval of the General Assembly.



Four Categories of Institutions

- **Level 3 – UVA, VT, CWM**
- **Skip Level 2 and seek Level 3 authority – VCU**
- **Seek Level 2 authority in one or more areas**
- **Would just as well not participate**



What Does an Institution Get?

- To dispose of their surplus property
- To have the option to contract with local building officials to perform any building inspection and certifications
- For those institutions that have in effect a MOU regarding participation in the nongeneral fund decentralization program to enter into contracts for specific construction projects without the preliminary review and approval by DGS
- To acquire easements
- To enter into operating/income or capital leases
- To convey an easement
- To sell surplus real property valued at less than \$5 million
- To procure goods, services, and construction from an institution certified SWAM vendor
- To be exempt from review of their budget request for IT by the CIO



What Does an Institution Get?

Restructured Financial and Administrative Operational Authority under § 23-38.88

- To be allowed to establish policies for the designation of administrative and professional faculty positions
- To be exempt from reporting purchases to the Secretary of Education
- To utilize as methods of procurement a fixed price, design-build or construction management contract
- Interest on the tuition and fees and other nongeneral fund E&G revenues deposited into the State Treasury
- Any unexpended appropriations at the close of the fiscal year, which shall be reappropriated and allotted for expenditure in the immediately following fiscal year
- A pro rata amount of the rebate due to the Commonwealth on credit card purchases of \$5,000 or less made during the fiscal year
- A rebate of any transaction fees for sole source procurements for using a vendor who is not registered with "eVA"

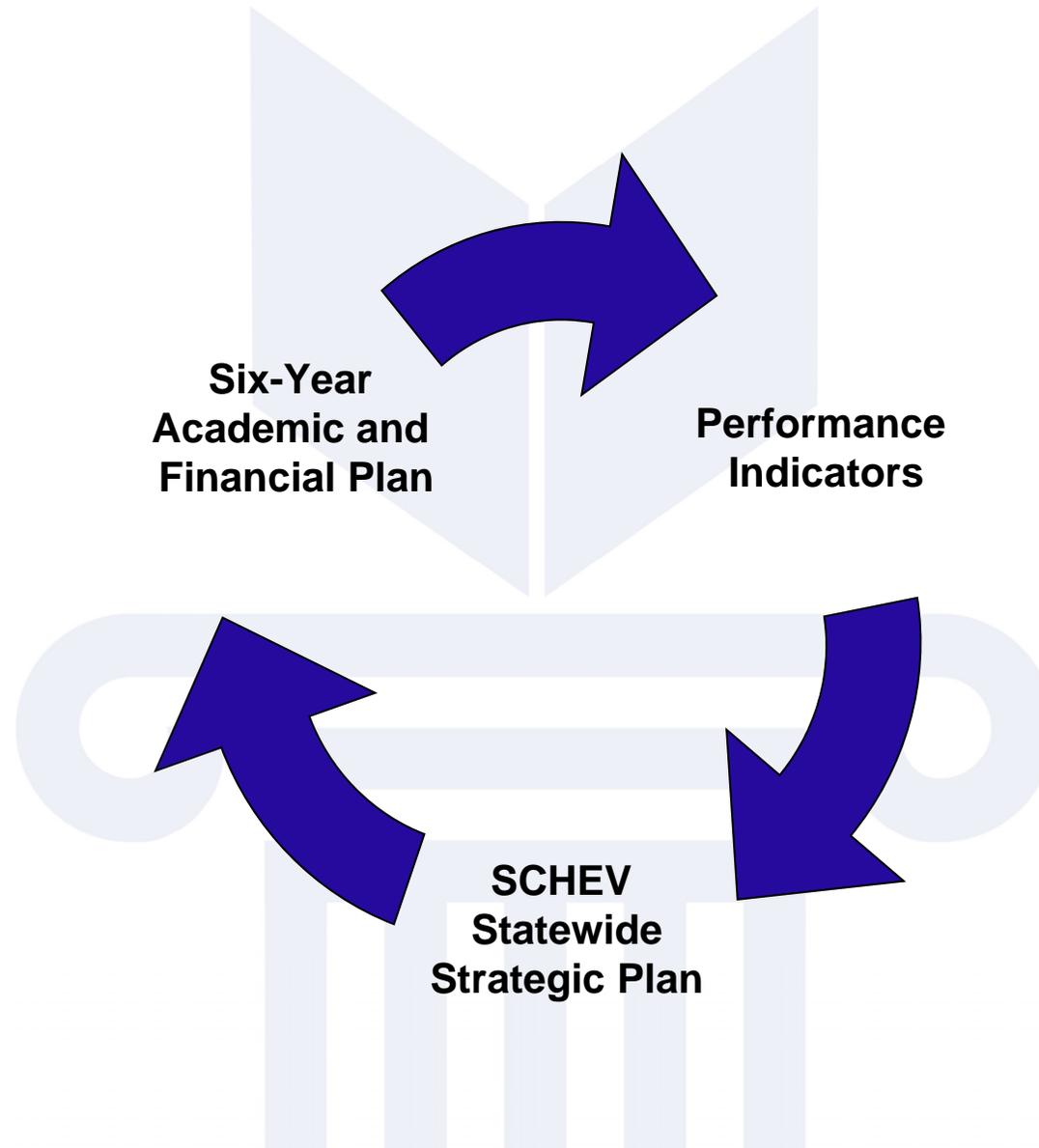


12 Goals of Higher Education Restructuring Act

1. **Access** – for all Virginia citizens, including underrepresented populations
2. **Affordability** – regardless of individual or family income
3. **Academic Offerings** – a broad range of academic programs that meet state's needs
4. **Academic Standards** – continuous review & improvement of academic programs
5. **Student Progress & Success** – improve retention & timely graduation
6. **Enhanced Access** – develop articulation agreements with VCCS & dual enrollment programs with high schools
7. **Economic Development** – work to stimulate Virginia's economy
8. **Research** – increase externally funded research & facilitate technology transfer
9. **Enhancing K12** – work to improve achievements of K12 students & teachers
10. **Plans** – prepare a 6-year plan
11. **Standards** – meet financial & administrative standards set by Governor
12. **Campus Safety** – ensure the safety and security of students on campus



Interrelated Elements of Restructuring Act





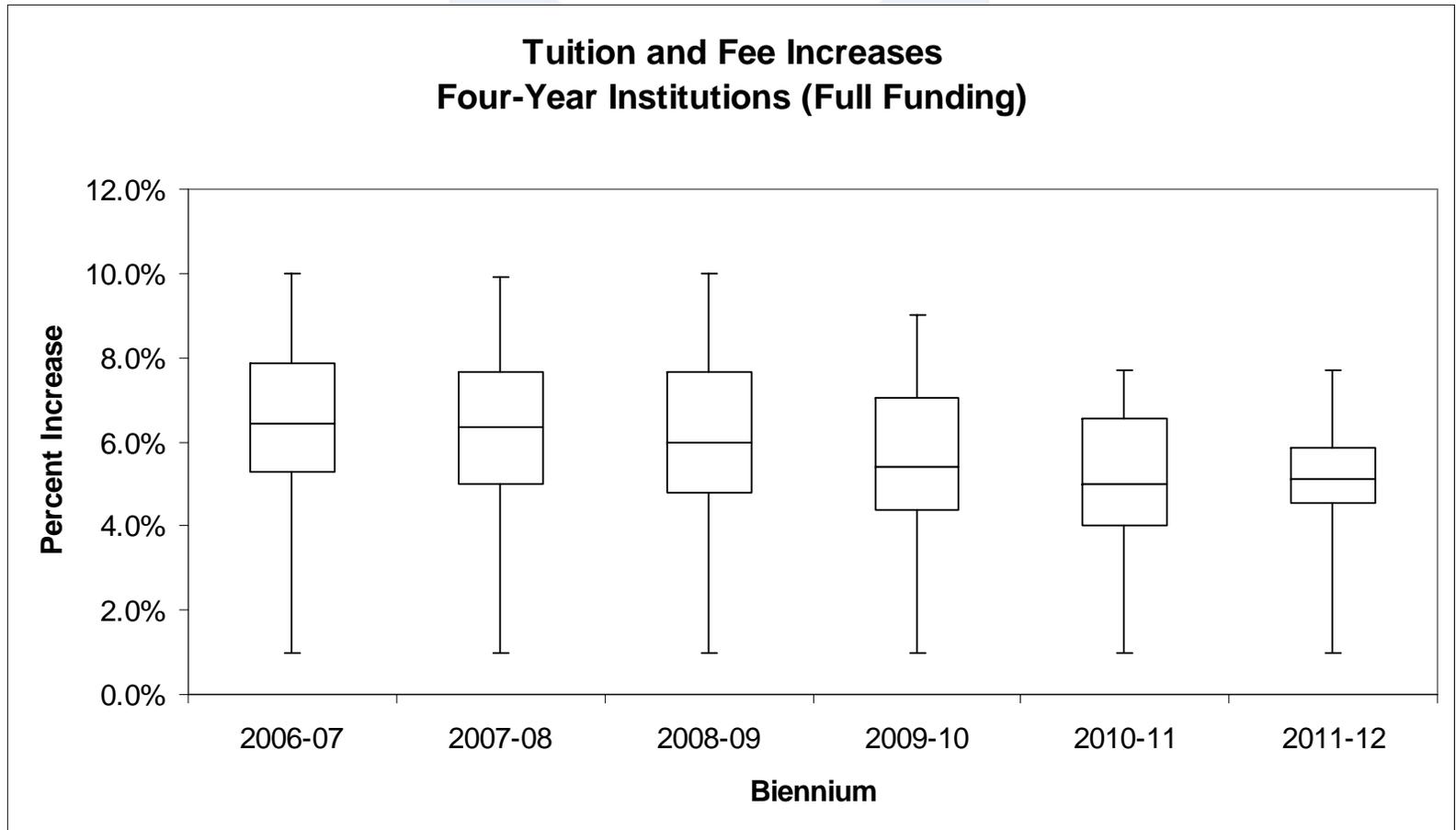
Interrelated Elements of Restructuring Act

October 2005

**Six-Year
Academic and
Financial Plan**



Review of Six-Year Plans





Review of Six-Year Plans

Sample University - Six-Year Academic Plan Component Register (First Biennium)

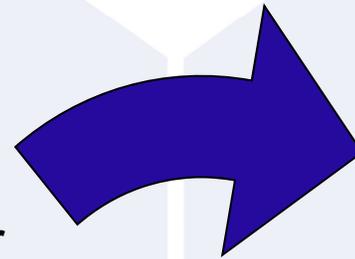
	Access	Affordability	Academic Breadth	Academic Quality	Student Retention	Articulation Agreements	Economic Development	External Research	Develop K-12 Partnerships	6-Year Financial Plan
Meet or exceed SCHEV enrollment projections	✓									
Maintain a tuition rate no higher than that necessary to build the ngf support to achieve full base adequacy		✓								
Target degree offerings in shortage areas to be determined by SCHEV			✓							
Review each program at least every seven years				✓						
New student housing, increased activities on campus and expansion of dining hours and facilities					✓					
Maintain current course articulation agreements with the VCCS						✓				
Developing technology initiative to increase availability of broadband network in the region							✓			
Increase research space and upgrade animal research facilities								✓		
Expand program with local schools to provide hands-on experience and improve SOL scores									✓	
Submitted Six-Year Financial Plan										✓



Interrelated Elements of Restructuring Act

November 2006

**Six-Year
Academic and
Financial Plan**



**Performance
Indicators**



Brief History

- Initial work began in April 2005 to develop measures
- Widespread involvement and discussion
- Council adopted the Institutional Performance Standards on Sept 30, 2005
- Discussions continued
- Governor's submitted budget represented substantial modifications
- SCHEV piloted the process with five institutions
- General Assembly returned a version more closely aligned to SCHEV's version
- Work began in earnest July 2006
- Council adopted benchmarks and targets on Nov 13, 2006



Measures of Access

1. Institution meets its State Council-approved biennial projection of total in-state student enrollment within the prescribed range of permitted variance.
2. Institution increases the percentage of in-state undergraduate enrollment from under-represented populations. (Such populations should include low income, first-generation college status, geographic origin within Virginia, race, and ethnicity, or other populations as may be identified by the State Council.)
3. Institution annually meets at least 95 percent of its State Council-approved estimates of degrees awarded. Definition: Direct comparison of actual degree awards to the projections in the most recent set of SCHEV approved enrollment projections.



Measures of Affordability

4. With the intent of developing a clearly understandable measure of affordability no later than July 1, 2008, SCHEV shall report annually an institution's in-state undergraduate tuition and fees, both gross and net of need-based gift aid, as a percentage of the institution's median student family income.
 - By October 1, 2008, each institution shall identify a “maintenance of effort” target for ensuring that the institution's financial commitment to need-based student aid shall increase commensurately with planned increases in in-state, undergraduate tuition and fees.
5. Institution establishes mutually acceptable annual targets for need-based borrowing that reflect institutional commitment to limit the average borrowing of in-state students with established financial need, and the percentage of those students who borrow, to a level that maintains or increases access while not compromising affordability.
6. Institution conducts a biennial assessment of the impact of tuition and fee levels net of financial aid on applications, enrollment, and student indebtedness incurred for the payment of tuition and fees and provides the State Council with a copy of this study upon its completion and makes appropriate reference to its use within the required six-year plans. The institution shall also make a parent- and student-friendly version of this assessment widely available on the institution's website.



Measures of Breadth of Academics

7. Institution maintains acceptable progress towards an agreed upon target for the total number and percentage of graduates in high-need areas, as identified by the State Council of Higher Education.



Measures of Academic Standards

8. Institution reports on total programs reviewed under Southern Association of Colleges and Schools assessment of student learning outcomes criteria within the institution's established assessment cycle in which continuous improvement plans addressing recommended policy and program changes were implemented.



Measures of Student Retention and Timely Graduation

9. Institution demonstrates a commitment to ensuring that lower division undergraduates have access to required courses at the 100- and 200-level sufficient to ensure timely graduation by reporting annually to the State Council of Higher Education on the number of students denied enrollment in such courses for each fall and spring semesters.
10. Institution maintains or increases the ratio of degrees conferred per full-time equivalent instructional faculty member, within the prescribed range of permitted variance.
11. Institution maintains or improves the average annual retention and progression rates of degree-seeking undergraduate students.
12. Within the prescribed range of permitted variance, the institution increases the ratio of total undergraduate degree awards to the number of annual full-time equivalent, degree-seeking undergraduate students except in those years when the institution is pursuing planned enrollment growth as demonstrated by their SCHEV-approved enrollment projections.



Measures of Articulation and Dual Enrollments

13. Institution increases the number of undergraduate programs or schools for which it has established a uniform articulation agreement by program or school for associate degree graduates transferring from all colleges of the Virginia Community College System and Richard Bland College consistent with a target agreed to by the institution, the Virginia Community College System, and the State Council of Higher Education for Virginia.
14. Institution increases the total number of associate degree graduates enrolled as transfer students from Virginia's public two-year colleges with the expectation that the general education credits from those institutions apply toward general education baccalaureate degree requirements, as a percent of all undergraduate students enrolled, within the prescribed range of permitted variance.
15. Institution increases the number of students involved in dual enrollment programs consistent with a target agreed upon by the institution, the Department of Education and the State Council of Higher Education for Virginia.



Measures for Economic Development

16. In cooperation with the State Council, institution develops a specific set of actions to help address local and/or regional economic development needs consisting of specific partners, activities, fiscal support, and desired outcomes. Institution will receive positive feedback on an annual standardized survey developed by the State Council, in consultation with the institutions, of local and regional leaders, and the economic development partners identified in its plans, regarding the success of its local and regional economic development plans.



Measures for Research, Patents, and Licenses

17. Institution maintains or increases the total expenditures in grants and contracts for research, within the prescribed range of permitted variance, according to targets mutually agreed upon with SCHEV and/or consistent with the institution's management agreement.
18. Institution maintains or increases the annual number of new patent awards and licenses, within the prescribed range of permitted variance, according to targets mutually agreed upon with SCHEV and/or consistent with the institution's management agreement.



Measures for Elementary and Secondary Education

19. In cooperation with the State Council, institution develops a specific set of actions with schools or school district administrations with specific goals to improve student achievement, upgrade the knowledge and skills of teachers, or strengthen the leadership skills of school administrators. Institution will receive positive feedback on an annual standardized survey developed by the State Council, in consultation with the institutions, of the superintendents, principals, and appropriate other parties. Institution shall provide a brief narrative describing each K-12 cooperative action meeting the stated intent of the measure. Upon request, institution shall provide annually a list of K-12 educational leaders knowledgeable of the actions to be surveyed by SCHEV.



Financial/Administration Measures – Goal 11

- Financial Standards
 - An unqualified opinion from the APA
 - No significant audit deficiencies
 - Substantial compliance with all financial reporting standards
 - Substantial attainment of accounts receivable standards
 - Substantial attainment of accounts payable standards
 - Institution complies with a debt management policy approved by its governing board



Financial/Administration Measures – Goal 11

- Administrative Standards (2006)
 - Complete no less than 75% of purchase transactions and no less than 75% of dollar purchases through eVa
 - Complete no less than 75% of dollar purchases from leveraged cooperative contracts
- Administrative Standards (2007)
 - Achieve the classified staff turnover rate goal established by the institution
 - Substantially comply with the annual approved SWAM plan
 - Make no less than 75% of dollar purchases through eVA
 - Complete capital projects (with an individual cost of over \$1,000,000) within 1) the original budget for projects initiated under delegated authority, or 2) the budget set out in the Appropriation Act or other Acts of Assembly
 - Complete major information technology projects (with an individual cost of over \$1,000,000) within the original budgets and schedules



Financial/Administration Measures – Goal 11

- Institutions governed under Chapters 933 and 943 of the 2006 Acts of Assembly, shall be measured by the administrative standards outlined in the Management Agreements. However, the Governor may supplement or replace those administrative performance measures with the administrative performance measures listed in this paragraph upon notification to the Chairmen of the House Appropriations and Senate Finance Committees and the institutions 45 days prior to the start of a fiscal year.



IPS - Next Steps

- SCHEV begins work on new measures/guidelines required by the Act.
- SCHEV requests institutions to provide details regarding planned expansions of partnerships for goals measures 16 and 19.
- SCHEV reviews targets and actuals, as appropriate.
- SOF/SOA provide letters of certification to SCHEV regarding institutional performance on goal 11, as it exists now.
- SCHEV acts May 8, 2007 on certification prior to June 1 deadline.
- At same meeting, SCHEV releases new statewide strategic plan.
- Institutions react to certification, statewide plan, and challenges issued on Nov 13 in the revision of institutional six-year plans.
- New measures for goals 11 and 12 are incorporated into the IPS process.



Interrelated Elements of Restructuring Act

May 2007

**Six-Year
Academic and
Financial Plan**

**Performance
Indicators**

**SCHEV
Statewide
Strategic Plan**



Statewide Strategic Plan - Goals

Section I: ACCESS

1. Enhance Access Through P-16 Curricular Alignment
2. Enhance Access Through Improved Coordination of Information
3. Enhance Affordability Through Financial Aid Advocacy
4. Enhance Affordability Through Education and Investment Incentives

Section II: ALIGNMENT

5. Improve College Readiness Through Strengthened P-16 Cooperation and Communication
6. Strengthen P-16 Coordination Through Expanded Data Collection and Analysis
7. Support State Workforce Needs Through Strengthened Participation in Post-Secondary Education
8. Conduct a Comprehensive Economic Impact Study of Higher Education
9. Improve Alignment Between Higher Education and the Commonwealth's Workforce Needs
10. Strengthen Academic Program Quality and Accountability Through Assessment

Section III: INVESTMENT

11. Enhance Research Through Investment in Targeted Consortia
12. Enhance Research Through Investment in Infrastructure

Access, Alignment, Investment: The 2007-13 Strategic Plan for Higher Education in Virginia (Draft)

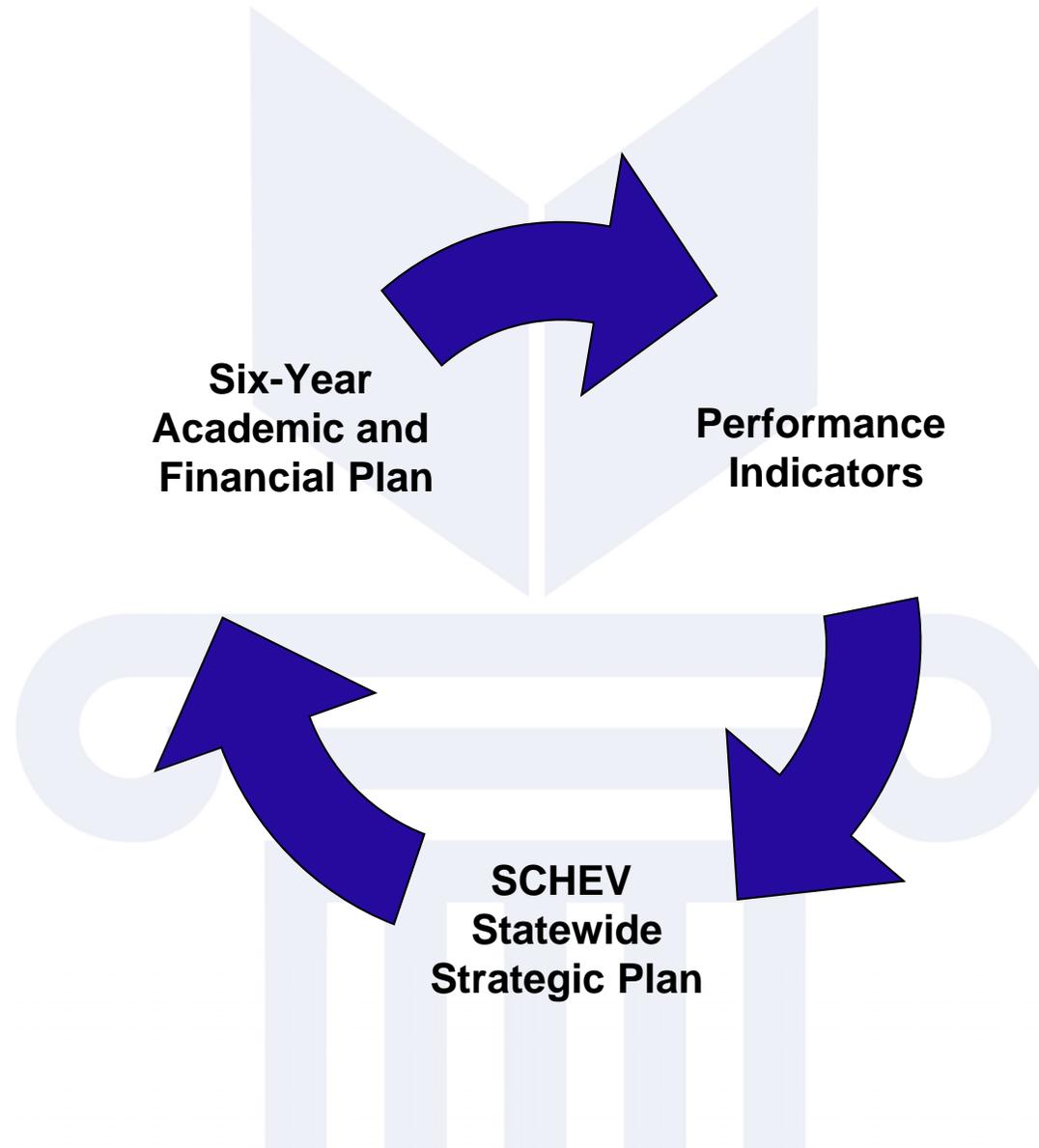


Next Steps

- Strategic Plan gives direction to development of Six-Year Plans
- SCHEV reviews and updates academic and financial templates
- Work with institutions to develop measures for new goals
- Institutions submit Six-Year Plans – October 1, 2007
- 2008-09 SCHEV certification May 2008



Interrelated Elements of Restructuring Act





Improved Planning

- Financial Resources
 - Require institutions to submit six-year financial plan
 - Plans include general fund and nongeneral fund assumptions
- Enrollment Management
 - SCHEV will align its six-year enrollment projections with the financial and academic plans
- Academic Rigor
 - Identify duplicative programs
 - Insure statewide educational goals and objectives are met



Benefits to the Commonwealth

- Institutions have better ability to plan
- Accountability increases as institutions demonstrate having met and continuing to meet systemwide needs



What is Next?

Ultimately, the success of the Restructuring Act will hinge on a variety of factors, including:

- How the six-year plans are utilized by the institutions, the governor, and the General Assembly
- How strenuously the performance indicators and benchmarks are set and enforced
- How SCHEV's recommendations are weighed, utilized, and implemented



What will Constitute “Success”?

- Achievement of cost savings through less bureaucracy and/or better ability to plan
- Establishment of multi-year business plans for public institutions
- Creation of tuition-and-fee predictability for students and parents
- Demonstration of additional agility in areas of increased autonomy, e.g., human resources, capital outlay, procurement
- Development of acceptable balance between institutional autonomy and accountability
- Demonstration of measurable success on performance indicators and benchmarks related to state goals