

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 10, 2005

COMMITTEE: Full Board

AGENDA ITEM: Policy Discussion on Restructured Higher
Education Financial and Administrative
Operations Act

BACKGROUND: On April 6, 2005, the General Assembly approved SB 1327 and HB 2866, as amended by the Governor, legislation which now constitutes the Restructured Higher Education Financial and Administrative Operations Act. This law developed out of initial efforts by the University, Virginia Tech, and the College of William and Mary to become "chartered" universities, a concept which attempted to redefine the relationship between public institutions of higher education and the Commonwealth that held as its premise the ability of Boards of Visitors to manage the financial and administrative operations of the institution and to be held accountable by the state for their performance. During the 2005 legislative session the concept was broadened to include all public institutions of higher education. The current model includes three levels of autonomy that can be achieved by an institution depending on its ability to manage certain operations. The Boards of Visitors are asked to commit to a list of statewide goals; institutions' performance will be measured against a set of target benchmarks; and successful attainment of the benchmarks can be rewarded with certain financial incentives.

DISCUSSION: In its final form, the Restructured Higher Education Financial and Administrative Operations Act calls upon all public institutions of higher education to develop six-year plans that have three parts - academic, enrollment, and financial. The plans must be responsive to a set of eleven statewide goals enumerated in the legislation. In exchange for a commitment to these goals as evidenced by a resolution to be passed by the Board of Visitors prior to August 1, 2005, the institution will receive additional financial and administrative operational authority in thirteen specific areas. This is referred to as Level 1.

Further authority may be gained by negotiating a Memorandum of Understanding with the appropriate Cabinet Secretary in the

Governor's administration. This Memorandum of Understanding would cover a specific area in which the institution feels it has particular expertise and managerial ability. This is known as Level 2.

Finally, Level 3 pertains to those institutions that can demonstrate the ability to manage successfully the administrative and financial operations of the institution without jeopardizing its financial integrity and stability. The extent of the autonomy provided by the Commonwealth to a Level 3 institution is defined in the law and by a management agreement to be negotiated with the Governor. The University wishes to pursue Level 3 status and the required management agreement. To do so, the Board of Visitors must approve a resolution by an absolute two-thirds or more of its members, expressing the sense of the Board that the University is qualified to be, and should be, governed under Subchapter 3 or Level 3 of the Restructuring Act.

ACTION REQUIRED: Approval by the Board of Visitors

APPROVAL OF THE COMMITMENT TO MEET THE STATE GOALS INCLUDED IN THE RESTRUCTURED HIGHER EDUCATION FINANCIAL AND ADMINISTRATIVE OPERATIONS ACT

WHEREAS, the 2005 General Assembly passed HB 2866 and SB 1327 known as the Restructured Higher Education Financial and Administrative Operations Act, as amended by the Governor; and

WHEREAS, eligibility for participation in the Act specifies the formal adoption of a resolution by the Board of Visitors of the public institution of higher education by August 1, 2005, committing to the Governor and to the General Assembly to meet a set of eleven statewide goals as specified in Chapter 4.10, Section 23-38.88 B. of the Act as follows:

1. Consistent with its institutional mission, provide access to higher education for all citizens throughout the Commonwealth, including underrepresented populations, and, consistent with subdivision 4 of §23-9.6:1 and in accordance with anticipated demand analysis, meet enrollment projections and degree estimates as agreed upon with the State Council of Higher Education for Virginia. Each such institution shall bear a measure of responsibility for ensuring that the statewide demand for enrollment is met;

2. Consistent with §23-9.2:3.02, ensure that higher education remains affordable, regardless of individual or family income, and through a periodic assessment, determine 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;

3. Offer a broad range of undergraduate and, where appropriate, graduate programs consistent with its mission and assess regularly the extent to which the institution's curricula and degree programs address the Commonwealth's need for sufficient graduates in particular shortage areas, including specific academic disciplines, professions, and geographic regions;

4. Ensure that the institution's academic programs and course offerings maintain high academic standards, by undertaking a continuous review and improvement of academic programs, course availability, faculty productivity, and other relevant factors;

5. Improve student retention such that students progress from initial enrollment to a timely graduation, and that the number of degrees conferred increases as enrollment increases;

6. Consistent with its institutional mission, develop articulation agreements that have uniform application to all Virginia community colleges and meet appropriate general education and program requirements at the four-year institution, provide additional opportunities for associate degree graduates to be admitted and enrolled, and offer dual enrollment programs in cooperation with high schools;

7. Actively contribute to efforts to stimulate the economic development of the Commonwealth and the area in which the institution is located, and for those institutions subject to a management agreement set forth in Subchapter 3 (§23-38.91 et seq.) of this chapter, in areas that lag the Commonwealth in terms of income, employment, and other factors;

8. Consistent with its institutional mission, increase the level of externally funded research conducted at the institution and facilitate the transfer of technology from university research centers to private sector companies;

9. Work actively and cooperatively with elementary and secondary school administrators, teachers, and students in public schools and school divisions to improve student achievement, upgrade the knowledge and skills of teachers, and strengthen leadership skills of school administrators;

10. Prepare a six-year financial plan consistent with §23-9.2:3.02; and

11. Conduct the institution's business affairs in a manner that maximizes operational efficiencies and economies for the institution, contributes to maximum efficiencies and economies of state government as a whole, and meets the financial and administrative management standards as specified by the Governor pursuant to §2.2-5004 and included in the appropriation act that is in effect, which shall include best practices for electronic procurement and leveraged purchasing, information technology, real estate portfolio management, and diversity of suppliers through fair and reasonable consideration of small, women-, and minority-owned business enterprises.

WHEREAS, upon adoption of this resolution the University of Virginia, the University of Virginia Medical Center, and the University of Virginia's College at Wise shall be permitted on or after July 1, 2005 to exercise certain financial and administrative operational authority as specified in Chapter 4.10, §23-38.88 A.; and

WHEREAS, after meeting certain performance benchmarks associated with each of the eleven goals as assessed and certified by the State Council of Higher Education for Virginia, the University, the Medical Center, and the College at Wise will be eligible for certain financial incentives such as interest on tuition and fee revenue as outlined in §2.2-5005 of the Act;

RESOLVED that the Board of Visitors of the University of Virginia commits to the Governor and to the General Assembly that it will meet the goals as set forth in this resolution in addition to such other responsibilities as prescribed by law as they pertain to the University of Virginia, the Medical Center, and the College at Wise; and

RESOLVED FURTHER that the Board of Visitors requests the President to transmit this resolution to the Governor and the Secretary of Education.

APPROVAL OF THE BOARD OF VISITORS TO NEGOTIATE WITH THE GOVERNOR
TO DEVELOP A MANAGEMENT AGREEMENT WITH THE COMMONWEALTH

WHEREAS, the 2005 General Assembly passed HB 2866 and SB 1327 known as the Restructured Higher Education Financial and Administrative Operations Act, as amended by the Governor; and

WHEREAS, separate action by the Board of Visitors commits to the Governor and the General Assembly to meet the state goals as specified in Chapter 4.10, Section 23-38.88 B. of the Act; and

WHEREAS, the Act includes a provision titled Subchapter 3, Alternative Authority for Covered Institutions (§23-38.91 et seq.), which sets out the requirements for a public university or college of the Commonwealth to gain the greatest degree of authority over financial and administrative operations, subject to certain accountability, audit and reporting measures specified by the General Assembly of Virginia;

RESOLVED, it is the sense of the Board of Visitors that the University is qualified to be, and should be, governed by the authorizations and requirements set forth in Subchapter 3 and as may otherwise be prescribed by applicable law; and

RESOLVED FURTHER that the Board of Visitors of the University attests to the ability of the institution to manage successfully its administrative and financial operations without jeopardizing its financial integrity and stability; and accordingly authorizes the University President to submit to the Governor a written request for the University to be governed by Subchapter 3, providing a copy of such written request to the Chairmen of the House Committee on Appropriations, the House Committee on Education, the Senate Committee on Finance, and the Senate Committee on Education and Health. The University's request shall be supported by the documentation called for by §23-38.97 of the Virginia Code, including documenting the University's expertise and resources to perform successfully its public educational mission and setting forth its performance and accountability standards; and

RESOLVED FURTHER that the President and the Executive Vice President and Chief Operating Officer are authorized to enter into negotiations with the Governor to develop a management agreement with the Commonwealth as provided for in the Act that will grant the greatest degree of financial and managerial

autonomy to the University as provided in Subchapter 3, which management agreement shall be submitted to the Board of Visitors for its review and approval; and

RESOLVED FURTHER that it is the desire of the Board of Visitors that the Medical Center and the College at Wise be included in and benefit from the same financial and managerial authority as may be granted to the University according to the terms of the approved management agreement and the Act.