

**REPORT OF THE  
STATE COUNCIL OF HIGHER EDUCATION  
FOR VIRGINIA**

**STRATEGIC PLAN FOR  
INCREASED DECENTRALIZATION  
AND ACCOUNTABILITY**

**TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



**HOUSE DOCUMENT NO. 77**

**COMMONWEALTH OF VIRGINIA  
RICHMOND  
1997**





# COMMONWEALTH of VIRGINIA

## COUNCIL OF HIGHER EDUCATION

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February 14, 1997

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The Honorable George Allen  
Governor of Virginia, and  
The General Assembly of Virginia  
Richmond, Virginia 23219

Dear Governor Allen and Members of the General Assembly:

House Joint Resolution 133 (1996), sponsored by Delegate Alan A. Diamonstein and Senate Joint Resolution 65 (1996), sponsored by Senator John H. Chichester directed the Council of Higher Education for Virginia to develop a strategic plan for increased decentralization and accountability for the Commonwealth's public institutions of higher education. The Council of Higher Education approved the enclosed report, including a suggested strategic plan for consideration and approval of further decentralization, at its February 1997 meeting.

I am pleased to transmit this report to you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gordon K. Davies', written over the word 'Sincerely,'.

Gordon K. Davies

GKD/spp

Enclosure

c: The Honorable Alan A. Diamonstein  
The Honorable John H. Chichester  
The Honorable Beverly H. Sgro  
The Honorable Michael E. Thomas  
The Honorable Ronald L. Tillett



## PREFACE

House Joint Resolution 133 (1996), sponsored by Delegate Alan A. Diamonstein and Senate Joint Resolution 65 (1996), sponsored by Senator John H. Chichester, both were the result of recommendations from the Commission on the Future of Higher Education. The Commission was created by Senate Joint Resolution 139 (1994), sponsored by Senator John H. Chichester. The Commission reviewed higher education in the Commonwealth and presented recommendations on its future course and direction.

House Joint Resolution 133 and Senate Joint Resolution were identical and directed the Council of Higher Education to develop a strategic plan for increased decentralization and accountability for various operations of the Commonwealth's public institutions of higher education.



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## EXECUTIVE SUMMARY

House Joint Resolution 133 (1996), sponsored by Delegate Alan A. Diamonstein and Senate Joint Resolution 65 (1996), sponsored by Senator John H. Chichester directed the Council of Higher Education for Virginia to develop a strategic plan for increased decentralization and accountability for the Commonwealth's public institutions of higher education.

The major findings and recommendations of the report are as follows:

- The Commission on the Future of Higher Education noted that, for more than a decade, Virginia has slowly been decentralizing operating responsibilities to its state-supporting colleges and universities. The pace of these efforts has accelerated in recent years.
- Cognizant of these efforts, the Commission's charge to the Council of Higher Education was specific: develop a strategic plan for increased decentralization and accountability for the public institutions of higher education. In response to this charge, the Council presents for consideration a strategic plan for consideration and approval of further decentralization as shown on pages 5 and 6 of this report. This plan was developed in consultation with representatives of Virginia's public colleges and universities. The recommendations in this report are based on the judgment that good accountability procedures are currently in place for Virginia's public colleges and universities. In addition, these procedures can be augmented by additional accountability measures specific to each decentralized authority as it is granted by the Governor or General Assembly.
- This report to the 1997 General Assembly should be considered preliminary. The strategic plan for further decentralization contained in this report should be discussed but not acted on by the 1997 General Assembly. The plan should be reviewed and evaluated by all concerned during calendar year 1997; particularly the appropriate committees of the General Assembly, the Governor's cabinet, and the relevant central state agencies.
- The Council of Higher Education should be asked by the General Assembly to present a final report for action in the 1998 Session.
- The Council of Higher Education should join the Secretary of Finance in sponsoring a general meeting of all parties in Spring 1997 to discuss the totality of decentralization issues, including future proposals for higher education decentralization, the strategic plan presented in this preliminary report, and existing decentralization pilots that could be made permanent.
- Consideration of the possibility of permitting boards of visitors of selected institutions to appoint a limited number of their own members should be postponed until it is clear that the Governor and General Assembly support a plan for further decentralization.

## **STRATEGIC PLAN FOR INCREASED DECENTRALIZATION AND ACCOUNTABILITY**

### **House Joint Resolution 133 and Senate Joint Resolution 65**

House Joint Resolution 133 and Senate Joint Resolution 65 both came from the Commission on the Future of Higher Education in Virginia. The resolutions chief patrons were Delegate Alan A. Diamonstein and Senator John H. Chichester.

The Commission devoted an entire chapter of its report to "The Link Between Decentralization and Accountability." That chapter is included as Appendix B to this report and the reader is urged to review it and consider it the introduction to this report.

House Joint Resolution requested that the State Council of Higher Education:

... develop a strategic plan for increased decentralization and accountability for the Commonwealth's public institutions of higher education. The strategic plan shall be developed in close consultation with the leadership of Virginia's colleges and universities and relevant state agencies and shall include (1) provisions whereby the Commonwealth might assign to selected institutions or programs responsibility for their daily operations; (ii) accountability procedures to help ensure compliance with institutional missions as well as responsiveness to the needs of Virginia's taxpayers, students, businesses, and communities; and (iii) a mechanism for the evaluation of the strategic plan by the appropriate committees of the General Assembly.

### **Recommendations**

The Commission on the Future of Higher Education noted that, for more than a decade, Virginia has slowly been decentralizing operating responsibilities to its state-supporting colleges and universities. The pace of these efforts has accelerated in recent years.

Cognizant of these efforts, the Commission's charge to the Council of Higher Education was specific: develop a strategic plan for increased decentralization and accountability for the public institutions of higher education. In response to this charge, the Council presents for consideration the strategic plan shown on pages 5 and 6 of this report. This plan was developed in consultation with representatives of Virginia's public colleges and universities and is based on the judgment that good accountability procedures are currently in place for Virginia's public colleges and universities.

Accordingly, the Council of Higher Education recommends as follows:

- That this report to the General Assembly be considered preliminary. The strategic plan for further decentralization contained in this report should be discussed but not

acted on by the 1997 General Assembly. The plan should be reviewed and evaluated by all concerned during calendar year 1997; particularly the appropriate committees of the General Assembly, the Governor's cabinet, and the relevant central state agencies.

- That the Council be asked by the General Assembly to present a final report for action in the 1998 Session.
- That the Council of Higher Education join the Secretary of Finance in sponsoring a general meeting of all parties in Spring 1997 to discuss the totality of decentralization issues, including future proposals for higher education decentralization, the strategic plan presented in this preliminary report, and existing decentralization pilots that could be made permanent.
- That consideration of the possibility of permitting boards of visitors of selected institutions to appoint a limited number of their own members be postponed until it is clear that the Governor and General Assembly support a plan for further decentralization.

### **Accountability**

The first essential for granting Virginia's colleges and universities decentralized authority has always been accountability. This should continue to be the fundamental criteria for granting further decentralization. Beginning in 1986, colleges and universities have had to meet specific financial management standards in order to be given decentralized authority. The report of the Commission on the Future of Higher Education describes the Council's accountability measures: assessing undergraduate student learning, and performance indicators.

Since the Commission reported, the Council and the Department of Planning and Budget have established seven "performance measures" for institutions of higher education. These measures will be used to evaluate the performance both of individual institutions and of the system of higher education as a whole.

The seven performance measures are:

- Graduation and progression rates
- Transfer rates
- Percent of graduates who are employed in program-related work, pursuing further study, or identify their program of study as having contributed significantly to their functioning as workers and citizens (alumni surveys)
- Percent of annual expenditures expended on instruction
- Institutions successfully meeting state management standards

- An Unqualified Audit Opinion
- No Significant Audit Deficiencies as Attested to by the Auditor of Public Accounts
- Compliance with financial Reporting Standards Endorsed by the State Comptroller
- Attainment of Accounts Receivable Standards
- Attainment of Accounts Payable Standard (Prompt Pay)
- Classroom utilization rate
- Faculty productivity measure

If the General Assembly were to commit to the broad principle of decentralization for higher education, as proposed in this report, additional accountability mechanisms in each specific area (e.g. finance, purchasing, personnel, capital outlay) could be put in place to promote accountability and prevent abuse. Many of these accountability mechanisms have traditionally been assigned by the General Assembly to the state central agencies by the Code of Virginia. If full autonomy in an area were given, the granting statute would have to specify what the accountability mechanisms would be, and what an institution's responsibilities would be. For example, if an institution were given full autonomy in the finance area, the law granting that autonomy could still require deposit of funds in the state treasury, which is a constitutional requirement, and also might require summary financial expenditure data to be submitted to the state on a periodic basis.

#### **Guidance From the Commission on the Future of Higher Education**

In asking the Council to present a plan whereby Virginia might assign colleges and universities greater responsibility for their daily operations, the Commission provided some specific guidance. It said that:

. . . We envision that selected colleges and universities with strong records of excellent administrative performance might become quasi-public entities that are responsible for all of their own operational processes . . . This might mean, for instance, that all personnel functions would be managed by the institutions . . . Administrative systems, such as accounting and purchasing, could be independent of the administrative regulatory processes of central state government, . . .

The Council should also consider the possibility of allowing institutions to grant greater autonomy to selected schools, programs, or operations within the colleges and universities that could be largely self-supporting.

Selected institutions might be permitted to finance capital auxiliary enterprise and other non-general fund capital projects through the Virginia College Building Authority, subject to Department of Treasury review of financial feasibility and the Council of Higher Education's review of the programmatic justification for the proposed projects.

The Council should consider the possible benefits of permitting the boards of visitors of the selected institutions to appoint a limited number of members in addition to those now appointed by the Governor.

### **Decentralization and Total Autonomy**

Areas of decentralization are: (1) finance, accounting, and budget; (2) purchase of goods and services; (3) personnel; (4) capital outlay; (5) other operational activities and operational activities in areas other than one through four, such as the authority to dispose of old records.

In the past, decentralization has been the delegation to an institution of a specific authority that previously was exercised by a central state agency, such as the departments of Personnel and Training, Accounts, and General Services. An example in the personnel area is the authority to set the starting salary and grant salary increases for a classified position within the State Personnel System. If a college or university does not have the decentralized authority to make this decision, it has to be sent to Richmond for approval or disapproval by the state's Department of Personnel and Training. These discrete authority delegations are detailed in Appendix C.

In contrast to the delegation of a discrete authority, total decentralization (complete autonomy) in the personnel area would mean that a college or university could establish, and manage in all respects, its own personnel system independent of the State Personnel System. This total decentralization, within some statutory parameters, has recently been granted to the state's two university teaching hospitals. If granted full autonomy in an area such as personnel, a college or university would not be required to seek approvals or correspond with state central agencies, except to provide data as requested. Institutions would also still be subject to state and federal laws in all respects.

The Commission on the Future of Higher Education envisioned that selected colleges and universities with strong records of excellent administrative performance might become quasi-public and autonomous entities that are responsible for all their own operational processes. An institution having total decentralized authority in all five operational areas would have the autonomy envisioned by the Commission. The General Assembly through its various acts, including the appropriation act, would retain its final and ultimate authority and whatever control it deemed appropriate.

### **Plan For Consideration**

Following the guidance of the Commission, the Council of Higher Education presents the

following strategic plan for further decentralized authority in five areas: (1) finance, accounting, and budget; (2) purchase of goods and services; (3) personnel; (4) capital outlay; and (5) operational activities in areas other than in categories one through four. The decentralization actions already taken would remain and continue. They are identified in Appendix C.

First, the General Assembly should adopt a policy that any public college or university requesting decentralized operational authority will be granted such authority, if it meets the state's accountability standards -- assessment and seven performance measures -- and satisfactorily documents its capacity to perform the requested decentralized operation. Accordingly, the term "pilot" should be deleted from all future references to decentralized authority.

Second, the procedure for requesting decentralized authority should be for a board of visitors, by resolution, to certify its attainment of the state's accountability standards, its capacity to perform, and its specific request for decentralized authority to the State Council of Higher Education.

Third, the State Council of Higher Education, by resolution, would submit its findings and recommendations to the Governor and General Assembly.

Fourth, the Governor would be the final authority to approve or disapprove a requested decentralized authority, with the exception of total decentralization in any of the five named areas; i.e. finance, accounting and budget; purchasing; personnel; capital outlay; and other.

Total decentralization is defined as complete responsibility and authority for all operational processes in one of the five areas, subject only to the laws of the Commonwealth. State agency policies, procedures, and regulations, with the exception of those of the State Council of Higher Education, would not apply if "total decentralization" were granted.

Fifth, the General Assembly would be the final authority to approve or disapprove total decentralization as defined above.

As previously mentioned, it would require statutory changes to grant, with appropriate accountability requirements, full autonomy in a specific area, because current statutes now give central agencies responsibilities and authorities that would be delegated to a college or university. These statutory changes would be subject enacted into law by the for General Assembly. Once approved, all decentralized authorities granted by Governors and General Assemblies would be subject to revocation. Decentralization decisions would not be in perpetuity. What was given could be taken back, since public colleges and universities are creations of the state.

### **Autonomy for Schools or Programs Within Institutions**

The Commission asked the Council to consider the possibility of allowing institutions to grant greater autonomy to selected schools, programs, or operations within the colleges and universities that could be largely self-supporting.

Individual boards of visitors now have authority over individual entities within the

institution. The Council recommends that a board should not, unless specifically approved by the General Assembly, grant decentralized authority in any or all of the five areas identified above (page 4) to an entity unless that same decentralized authority has been previously granted to the institution as a whole by the Governor and General Assembly.

### **Higher Education Decentralized**

To identify the specific decentralized authority already granted, and those additional decentralized authorities that colleges and universities would like in the future, Paul W. Timmreck, Vice President for Finance and Administration of Virginia Commonwealth University, is surveying all institutions. The survey format is provided as Appendix C. The results will of the survey will be available in late December 1996.

The survey results will show that the extent of decentralized authority already approved, which is considerable, and that to which institutions aspire in the near future, varies widely among institutions. When completed, the survey will provide a prospective view of what a decentralized higher education system could look like.

It is anticipated that some large institutions, such as the University of Virginia and Virginia Tech and James Madison, will want total decentralization in all of the five areas. Other institutions, such as William and Mary, Virginia Commonwealth, George Mason, Old Dominion and Norfolk State, will want more decentralized authority, including total decentralization in selected areas.

Most of the smaller comprehensive colleges and universities will not request significantly more decentralized authority; neither will they want total decentralized authority in any of the five areas. These institutions rely upon state agencies to provide services they are not staffed to provide themselves.

The Virginia Community College System's operational policy is that its individual colleges deal directly with central state agencies. The system office has divested itself of day-to-day operational staff, and the system and its individual colleges also rely on central state agencies. The system does not plan to change this approach.

### **Financing Non-general Fund Capital Outlay Projects**

The Commission suggested "that institutions might be permitted to finance capital auxiliary enterprise and other non-general fund capital projects through the Virginia College Building Authority, subject to Department of Treasury review of financial feasibility and the Council of Higher Education's review of the programmatic justification for the proposed projects."

This suggestion was adopted into law by the 1996 General Assembly. The Department of the Treasury's "pooled bond" program is now available to all institutions. If a non-general fund capital outlay project is authorized by the General Assembly, an institution may now apply for this

type of financing for the project.

### **Appointees to Boards of Visitors**

The Commission asked the Council to consider the possible benefits of permitting the boards of visitors of selected institutions to appoint a limited number of members in addition to those now appointed by the Governor.

Changing the way in which some members of boards of visitors are appointed and confirmed is a major policy decision about Virginia higher education. The Council of Higher Education recommends that consideration of this change be postponed until it is clear that the Governor and General Assembly support a plan for further decentralization such as that proposed in this report. If this proposal is accepted in substance, it will then make sense to discuss the possible advantages of more autonomous boards with a degree of self-perpetuation.



## **APPENDIXES**

**HOUSE JOINT RESOLUTION NO. 133**

*Requesting the State Council of Higher Education for Virginia to develop a strategic plan for increased decentralization and accountability for the Commonwealth's public institutions of higher education.*

Agreed to by the House of Delegates, February 8, 1996

Agreed to by the Senate, February 29, 1996

WHEREAS, pursuant to Senate Joint Resolution No. 139 (1994), the General Assembly established the 17-member Commission on the Future of Higher Education (the "Commission") "to review the structure of, and to recommend a course and direction for, higher education in the Commonwealth"; and

WHEREAS, in conducting its comprehensive two-year study, the Commission examined a plethora of issues, including system-wide and institutional policies; duplication of academic programs; incentive mechanisms to promote greater efficiency, effectiveness, and academic productivity; accountability for student learning; institutional personnel practices related to faculty productivity, evaluation, and rewards; general state policies and regulations that may inhibit institutional missions; the relationship between state-supported colleges and universities and their affiliated foundations; and the roles of public, independent, nonprofit, and for-profit institutions in providing postsecondary education to the citizens of Virginia; and

WHEREAS, comprised of members of the General Assembly, Cabinet officials, and representatives of the State Council of Higher Education for Virginia (SCHEV), the business community, and the general public, the Commission worked collectively to seek the input and expertise necessary to meet its study directives and to develop recommendations that will promote accountability, ongoing improvement, and efficiency in the Commonwealth's institutions of higher education; and

WHEREAS, the Commission's study confirmed that the Commonwealth's system of higher education is characterized not only by its commitment to high quality, institutional autonomy, and diversity, but also by state-level coordination by SCHEV; and

WHEREAS, while recent restructuring efforts among the individual institutions are expected to promote access to higher education; excellence in teaching, research, and service; and accountability for resources provided and the results achieved with them, a strategic plan for increasing the responsibility of the institutions themselves for daily operations could further enhance the long-term development of the Commonwealth's system of higher education; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the State Council of Higher Education for Virginia be requested to develop a strategic plan for increased decentralization and accountability for the Commonwealth's public institutions of higher education. The strategic plan shall be developed in close consultation with the leadership of Virginia's colleges and universities and relevant state agencies and shall include (i) provisions whereby the Commonwealth might assign to selected institutions or programs responsibility for their daily operations; (ii) accountability procedures to help ensure compliance with institutional missions as well as responsiveness to the needs of Virginia's taxpayers, students, businesses, and communities; and (iii) a mechanism for the evaluation of the strategic plan by the appropriate committees of the General Assembly.

The Council shall complete its work in time to submit its findings and recommendations to the Governor and the 1997 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

**SENATE JOINT RESOLUTION NO. 65**

*Requesting the State Council of Higher Education for Virginia to develop a strategic plan for increased decentralization and accountability for various operations of the Commonwealth's public institutions of higher education.*

Agreed to by the Senate, February 28, 1996

Agreed to by the House of Delegates, February 26, 1996

WHEREAS, pursuant to Senate Joint Resolution No. 139 (1994), the General Assembly established the 17-member Commission on the Future of Higher Education (the "Commission") "to review the structure of, and to recommend a course and direction for, higher education in the Commonwealth"; and

WHEREAS, in conducting its comprehensive two-year study, the Commission examined a plethora of issues, including system-wide and institutional policies; duplication of academic programs; incentive mechanisms to promote greater efficiency, effectiveness, and academic productivity; accountability for student learning; institutional personnel practices related to faculty productivity, evaluation, and rewards; general state policies and regulations that may inhibit institutional missions; the relationship between state-supported colleges and universities and their affiliated foundations; and the roles of public, independent, nonprofit, and for-profit institutions in providing postsecondary education to the citizens of Virginia; and

WHEREAS, comprised of members of the General Assembly, Cabinet officials, and representatives of the State Council of Higher Education for Virginia (SCHEV), the business community, and the general public, the Commission worked collectively to seek the input and expertise necessary to meet its study directives and to develop recommendations that will promote accountability, ongoing improvement, and efficiency in the Commonwealth's institutions of higher education; and

WHEREAS, the Commission's study confirmed that the Commonwealth's system of higher education is characterized not only by its commitment to high quality, institutional autonomy, and diversity, but also by state-level coordination by SCHEV; and

WHEREAS, while recent restructuring efforts among the individual institutions are expected to promote access to higher education; excellence in teaching, research, and service; and accountability for resources provided and the results achieved with them, a strategic plan for increasing the responsibility of the institutions themselves for daily operations could further enhance the long-term development of the Commonwealth's system of higher education; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the State Council of Higher Education for Virginia be requested to develop a strategic plan for increased decentralization and accountability for various operations of the Commonwealth's public institutions of higher education. The strategic plan should be developed in close consultation with the leadership of Virginia's colleges and universities and relevant state agencies and shall include (i) provisions whereby the Commonwealth might assign to selected institutions or programs responsibility for their daily operations; (ii) accountability procedures to help ensure compliance with institutional missions as well as responsiveness to the needs of Virginia's taxpayers, students, businesses, and communities; and (iii) a mechanism for the evaluation of the strategic plan by the appropriate committees of the General Assembly.

The Council shall complete its work in time to submit its findings and recommendations to the Governor and the 1997 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.



## APPENDIX B

### **An Excerpt from *Making Connections: Matching Virginia Higher Education's Strengths with the Commonwealth's Needs*, the Report of the Commission on the Future of Higher Education in Virginia, SJR 139('94).**

#### **IV. THE LINK BETWEEN DECENTRALIZATION AND ACCOUNTABILITY**

Virginia's system of higher education has made "accountability" one of its three key goals since the Virginia Plan for Higher Education was published in 1974. (The other two goals are "access" and "high quality.") Twenty years ago, institutions were developing the financial systems that would enable them to demonstrate good stewardship of the money appropriated to them by the General Assembly. Generally speaking, that objective has been reached and the focus has shifted from accounting for all the money to accounting for the results achieved with it.

We are interested now in clear demonstrations of what taxpayers, tuition-payers, and other investors in Virginia higher education are getting for their money. This is the "new accountability" in higher education.

It is at this point that the decentralization efforts of the past decade and the current efforts to restructure colleges and universities come together. For more than a decade, Virginia has slowly been decentralizing operating responsibility to its state-supported colleges and universities. Beginning with a set of financial performance measures that institutions had to meet in order to be eligible for additional autonomy, state government has moved toward relinquishing direct operating control of many standard activities, at least on a pilot basis.

Accountability for results began formally about a decade ago, when the Council of Higher Education proposed that each institution begin assessing undergraduate student learning. The Council's primary objective was to promote curricular change and improvement within the institutions, and the process has produced notable but spotty results. More important from the standpoint of accountability, results across institutions are not comparable.

The Council and the institutions now have put in place a set of "performance indicators" that will be used beginning this year to describe characteristics of each institution. These are the kinds of things consumers and other stake-holders want to know about colleges and universities: academic profiles of entering students, average class sizes, frequency of contact with senior faculty, graduation rates after four and five years, job placements, and so on.

We think that the Council and the institutions should include among these "indicators" the results of alumni and employer satisfaction surveys. Institutions and the public ought to know whether graduates think they have been well-prepared and employers are satisfied with those

whom they hire.

We also encourage the Council and the institutions to experiment with standardized achievement examinations as a way to determine what graduates know and can do after completing baccalaureate or associate degrees. We know that there are legitimate causes for concern about statewide examinations, particularly because they can lead to misleading comparisons among institutions with different missions and students. But we also hear expressed more than a little concern that standards have slipped over the years. Those responsible for Virginia higher education should do everything possible to monitor their own quality.

Having begun to decentralize and promote accountability for results, we think further steps may be appropriate in the near future.

We propose that the Council of Higher Education develop and present to the Governor and the General Assembly a plan whereby Virginia might assign selected colleges and universities greater responsibility for their daily operations and for their long-term development. We see this as the continuation of the restructuring and decentralization efforts that currently are reshaping our system of higher education. Eventually, all of Virginia higher education might participate in this extension of results-oriented accountability.

The Council's plan should be developed in close consultation with the leadership of Virginia's colleges and universities, with the agencies of central state government that now oversee many of the daily operations of the institutions, and with cognizant committees of the General Assembly. In preparing its plan, the Council should consider the possibility that certain schools or colleges within a university might be recommended for independent status, as well. The plan should provide for evaluation of its effectiveness after a period of time by appropriate committees of the General Assembly.

We do not foresee this plan diminishing in any way the active involvement of the Governor and the General Assembly in shaping our system of higher education. Rather, we foresee a lessened need and justification for central government to oversee and overrule daily operational transactions of the institutions. But the checks of executive and legislative oversight, fiscal audit, and Council of Higher Education coordination will remain intact.

We believe that the faculty, administrators, and staff of the institutions will assume greater responsibility for the results they produce when they are given greater responsibility for their operations. This is true not only of institutions of higher education, but of any organization. If the state intrudes, oversees, or over-rules, college and university employees will regard their obligations to the public as diminished because they are not in control.

When the Council of Higher Education proposes a plan that is acceptable to the Governor and

the General Assembly, we envision that selected colleges and universities with strong records of excellent administrative performance might become quasi-public entities that are responsible for all of their own operational processes. As instrumentalities of the state, they would continue to serve its citizens, businesses, and institutions. Their missions and clients would not change, but the forms of their accountability would change.

This might mean, for instance, that all personnel functions would be managed by the institutions. Although employees could continue to participate in benefit programs (the Virginia Retirement System and the health insurance system, for example) other options might be made available to them.

Administrative systems, such as accounting and purchasing, could be independent of the administrative regulatory processes of central state government, but the institutions would be responsible for complying with the general laws of the Commonwealth, and their financial management would be subject to review by the Auditor of Public Accounts.

To ensure that the colleges and universities remain responsive to the needs of Virginia taxpayers, students and their families, businesses and other institutions, they and their boards would continue to conduct their business under the provisions of the Freedom of Information Act. In addition, the Council of Higher Education would continue to approve enrollment projections, paying particular attention to maintaining an appropriate balance between in-state and out-of-state students. The Council also would continue to make operating and capital outlay budget recommendations to the Governor and the General Assembly and to advise both the executive and legislative branches on matters affecting higher education.

To further ensure coordination of the system of higher education, the institutions that might be assigned this special status would continue to be subject to all other planning, review, and approval procedures of the Council of Higher Education.

The selected institutions might be permitted to finance capital auxiliary enterprise and other non-general fund capital projects through the Virginia College Building Authority, subject to Department of Treasury review of financial feasibility and the Council of Higher Education's review of the programmatic justification for the proposed projects. This would be in addition to direct general fund appropriations for capital outlay and financing through general obligation or other debt.

Institutional governance would remain substantially the same, although the boards of visitors would have increased responsibility for oversight. There would be no areas that are beyond their control, as there are now.

In preparing its plan, the Council should consider the possible benefits of permitting the

boards of visitors of the selected institutions to appoint a limited number of members in addition to those now appointed by the Governor. There is precedent for this in Virginia with the Museum of Frontier Culture, the Jamestown-Yorktown Foundation, and the Virginia Foundation for the Humanities.

The plan developed by the Council should also consider the possibility of allowing institutions to grant greater autonomy to selected schools, programs, or operations within the colleges and universities that could be largely self-supporting.

In closing, we emphasize again the potential advantages of this further development of restructuring and decentralization, which seem to us to be considerable.

First, accountability would be increased because the people working in the institutions would know that they are fully responsible for how the institutions operate and how well they serve their clients. They would be subject to financial audit by the Auditor of Public Accounts and academic performance "audit" by the Council of Higher Education, thus ensuring accountability for both use of resources and results.

Second, the institutions would have added flexibility to adapt to changes in our economy and the society and could move more quickly and efficiently to do what has to be done. The restructuring programs upon which they have embarked would be improved, and additional funds could be shifted from administration to teaching and other direct services.

Third, the increased autonomy would result in a greater sense of ownership by those who work in the institutions. This, in turn, would yield more imaginative, cost-conscious decision-making. It's our institution, and we're responsible for it. No one is going to bail us out.




Fourth, the domain of state government becomes smaller as the institutions are assigned this quasi-public status. They are serving their clients rather than responding to central state agencies. This is an excellent example of how operational responsibility should be given to those closest to the points of service; government can be downsized to realize the efficiencies inherent in flexible organizational units responsible for the results they produce. Responsiveness can be increased by largely replacing pre-approval with post-audit management.



**Decentralization Ideas and Actions**

Item Description	GMU	ODU	UVA &		VPI	CWM	JMU	MWC	NSU	RU	VMI	VSU	LC	CNU	VCCS
			CL.	VAL.											
<b>Finance, Accounting, and Budget</b>															
Total decentralization of finance, accounting, and budget															
Authority to process payroll and issue checks															
Authority to process vendor payments and issue checks															
Reduce reporting of detailed information to state															
Receive general fund allocations more frequently															
Streamline interagency transfer (IAT) process															
Authority to use credit cards for small purchases															
Authority to pursue delinquent accounts / eliminate AG in A/R process															
Authority to retain all nongeneral fund money in local accounts															
Reduce unnecessary overlap of audits / eliminate DOA Annual Compliance Audit															
Simplify Equipment Trust Fund procedures															
Authority to adjust nongeneral fund appropriations															
Authority to exceed appropriation employment levels / eliminate use of MEL															
Local administration of maintenance reserve allocation															
Authority to adjust MEL allocations among categories															

Notes:

-  Solid color boxes represent those decentralization proposals that have either been implemented or have been approved and will be implemented in the near future.
-  Cross-hatched boxes represent those decentralization proposals that institutions are interested in implementing.
-  Clear boxes represent those decentralization proposals that institutions are not interested in implementing.

**APPENDIX C**




**Decentralization Areas and Actions**

Item Description	GMU	ODU	UVA & CL. VAL.	VCU	VPI	CWM	JMU	MWC	NSU	RU	VMI	VSU	LC	CNU	VCCS
<b>Finance, Accounting, and Budget (cont.)</b>															
Eliminate DOA financial statement fluctuation analysis															
Eliminate the deposit of funds with the Department of Treasury															
Eliminate reversion provisions / receive appropriations on a prorated basis															
Reduce documentation requirements for interagency billings															

**Purchase of Goods and Services**

Total decentralization of purchase of goods and services															
Authority to make purchases off of state contracts															
Modify requirements for bids															
Authority to make sole-source procurements															
Authority to procure computing and telecommunications equipment locally															
Authority to develop procurement policies locally															
Modify or eliminate requirements to advertise in Va. Business Opportunity															
Elimination of VDOT requirements for motor vehicle purchases															
Optional use of Central Warehouse, Graphic Comm., Ind. for Blind															
Allow cooperative procurement contracts with other organizations															
Authority to retain legal counsel for contracts															

**Notes:**

-  Solid color boxes represent those decentralization proposals that have either been implemented or have been approved and will be implemented in the near future.
-  Cross-hatched boxes represent those decentralization proposals that institutions are interested in implementing.
-  Clear boxes represent those decentralization proposals that institutions are not interested in implementing.




**Decentralization Proposals and Actions**

Item Description	GMU	ODU	UVA & CL. VAL.	VCU	VPI	CWM	JMU	MWC	NSU	RU	VMI	VSU	LC	CNU	VCCS
<b>Purchase of Goods and Services (cont.)</b>															
Eliminate real property purchase and sale approval by state															
Require VCE to competitively bid against other vendors															
Eliminate qtrly reporting of purchase exceptions to state contracts to DP&S															
Eliminate quarterly reporting of sole source procurements to Sec. of Educ.															
Eliminate DIT oversight of telecommunications procurements															
Allow institutional contracts for long distance telecommunication service															
Allow air and rail payment vehicles other than the Air Travel Card															
Increase construction project bond requirement from \$100,000 to \$250,000															

**Personnel**

Total decentralization of personnel															
Authority to make classified staff decisions															
Authority to establish recruitment policies															
Authority to set starting salaries, salary increases, incentive pay, etc.															
Authority to establish health and other benefit programs															
Authority to develop and implement layoff policy															
Reduced or modified interface with state personnel data system (PMIS)															

**Notes:**




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**APPENDIX C**

**Decentralization Areas and Actions**

Item Description Personnel (cont.)	GMU	ODU	UVA &		VPI	CWM	JMU	MWC	NSU	RU	VMI	VSU	LC	CNU	VCCS
			CL.	VAL.											
Authority to develop alternative grievance procedures															
Authority to develop alternative leave plans															
Develop local standards of conduct															
Authority to approve exceptions to 1500-hour wage limitation															
Authority to make admin. and professional faculty classification decisions															
Authority to establish new positions or classes of positions															
Authority to offer special pay or benefits for part-time and exempt staff															
Authority to develop employee performance evaluation policies															
Local management of the employee suggestion program															
Authority to establish institutional Affirmative Action Plan															
Means of distribution drug-free literature															
Authority to administer drug tests to selected employees															
Discontinuation of bracket / step pay system															
Create agency unique performance / incentive, compensation program															
Discontinue mandatory use of RECRUIT / modify use of RECRUIT															




Notes:

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**Decentralization Areas and Actions**

Item Description	UVA &														
	GMU	ODU	CL. VAL.	VCU	VPI	CWM	JMU	MWC	NSU	RU	VMI	VSU	LC	CNU	VCCS
<b>Personnel (cont.)</b>															
Authority to develop and implement employee recognition programs															
Authority to develop alternative compensation programs and/or job classes															
Authority to develop recruitment, selection & other employment related policy															
Reduced or modified interface with state personnel data system (BES)															
<b>Capital Outlay</b>															
Total decentralization of capital outlay															
Authority for real property leases & nongeneral fund capital outlay projects															
General fund capital outlay projects use nongeneral fund guidelines															
Allow unlimited dollar construction change orders if within total appropriation															
Allow capital outlay project category funds transfer if within total appropriation															
Authority to assume or contract out for code compliance services															
Authority to issue Certificate of Use / Occupancy by the ASBO															
Eliminate master plan submission to DEB															
Increase capital outlay project limit from \$250,000 to \$500,000															
Authority to conduct fire safety reviews by ASBO / State Fire Marshal															
Authority to construct temporary structures															
<b>Other</b>															
Establish records-management program and authority to dispose of records															
Authority to dispose of surplus property															

Notes:

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