

## Department of Planning and Budget 2006 Fiscal Impact Statement

**1. Bill Number** HB1502

<b>House of Origin</b>	<input type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input checked="" type="checkbox"/> Enrolled

**2. Patron** Callahan

**3. Committee** Passed Both Houses

**4. Title** Management agreement approvals with certain institutions of higher education

**5. Summary/Purpose:** The proposed legislation provides management agreements between the Commonwealth and Virginia Polytechnic Institute and State University, The College of William and Mary in Virginia, and the University of Virginia, respectively, pursuant to the Restructured Higher Education Financial and Administrative Operations Act of 2005.

**6. Fiscal Impact Estimates are:** Indeterminate.

**7. Budget amendment necessary:** No.

**8. Fiscal implications:** The proposed legislation includes the management agreement, policies governing capital projects, leases of real property, information technology, procurement and disposition of surplus materials, human resources, financial operations and management, and financial aid for each of the affected institutions of higher education.

The management agreements were initially approved by the Warner administration and the respective institutions. The introduced budget (House Bill/Senate Bill 30) included language in §4-9.00 of the General Provisions which approves the management agreements executed on November 15, 2005 between the Secretaries of Finance, Administration, Education and Technology and the respective universities.

A separate piece of legislation was introduced during the regular session of the General Assembly which included the management agreements for the University of Virginia, Virginia Tech, and the College of William and Mary. The enrolled bill was amended to include several substantive and technical changes. Some significant changes from the original management agreements include:

- ☛ includes a sunset clause which clarifies that the management agreements will expire on June 30, 2010. Subsequent management agreements must comply with the process outlined in the enabling legislation and be approved by the General Assembly.
- ☛ requires at least one-year advance notice to the Secretary of Finance if an institution wishes to withdraw from a state health or group benefit program.
- ☛ clarifies that the Building Code Office must “organizationally” report to the Board of Visitors.

- ☛ provides for a process that requires institutions to report any changes to the management agreement to the Chairman of the House Appropriations and Senate Finance Committees along with the Secretaries of Finance, Administration, Education and Technology.
- ☛ Clarifies that the Board of Visitors has the authority to develop and implement financial management policies related to the internal operations and business practices of the University.
- ☛ eliminates the option for the University to identify an independent building code official and continue to use the Department of General Services to perform Code reviews.
- ☛ changes the reporting requirements from annually to monthly. Also requires institutions to report financial data to the Chairmen of the House Appropriations and Senate Finance Committees.
- ☛ requires institutions to remit to the Comptroller quarterly the interest earned on nongeneral fund revenues in the Educational and General Program until next year. Once the State Council of Higher Education has certified that the institution has met the state's performance goals, the Governor is authorized to include an appropriation for the interest earnings in the next budget bill.
- ☛ changes the drawdown schedule for general funds from monthly to semi-monthly to minimize the loss of interest on behalf of the Commonwealth and to be consistent with drawdown schedules of the localities.
- ☛ clarifies that only the "Treasury Board" can determine what constitutes state-supported debt.
- ☛ clarifies that an institution must be expressly named in statute in order to conduct meetings electronically (currently only the University of Virginia has that authority).
- ☛ includes the Auditor of Public Accounts as one of the key state entities entitled to receive information reported by the institutions.
- ☛ clarifies the effective date of the management agreement as the same date the budget bill is approved.

**9. Specific agency or political subdivisions affected:** Virginia Polytechnic Institute and State University, University of Virginia, and the College of William and Mary.

**10. Technical amendment necessary:** No.

**11. Other comments:** Senate Bill 675 is identical to House Bill 1502.

**Date:** 3/31/06/aps

**Document:** g:\aps\legislation\2006Session\HB1502ER.doc

c: Secretary of Finance