

Department of Planning and Budget 2009 Fiscal Impact Statement

1. **Bill Number:** HB2464

House of Origin ☐ Introduced ☒ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Morgan

3. **Committee:** Appropriations

4. **Title:** Management agreements with certain institutions of higher education

5. **Summary:** Provides that the 2006 management agreements in place between the Commonwealth and Virginia Polytechnic Institute and State University, the College of William and Mary, the University of Virginia, and Virginia Commonwealth University will expire on June 30, 2015, unless the Governor notifies the Chairmen of the House Appropriations and Senate Finance Committees. Also makes adjustments to the policies governing capital projects, procurement, and financial operations and management.

6. **No Fiscal Impact.** Preliminary. See Line 8.

7. **Budget Amendment Necessary:** No.

8. **Fiscal Implications:** In 2006, the Restructured Higher Education Financial and Administrative Operations Act passed and allowed higher education institutions to seek three levels of autonomy from the state in exchange for meeting certain state goals. Level 3 is the highest level of autonomy and allows institutions which meet certain criteria to negotiate a management agreement with the state. The College of William and Mary, Virginia Tech, and the University of Virginia received this designation in 2006 when Chapters 933 and 943 of the 2006 Acts of Assembly were approved by the General Assembly and Governor.

The proposed legislation includes amendments to the existing management agreements for the University of Virginia, College of William and Mary, and Virginia Tech in the areas of capital outlay (building official), procurement (eVA and maintenance contract renewals), and finance (escrow deposits and disbursement management). The substitute bill adds Virginia Commonwealth University (VCU) to the legislation. VCU's management agreement was approved in 2008.

In addition, the substitute bill extends the expiration date of the management agreements from June 2010 and 2012 (for VCU) to June 2015 unless the Governor notifies, in writing, the Chairmen of the House Appropriations and Senate Finance Committees on or before November 15, 2011 that the Management Agreement needs to be renegotiated or revised. If no notification is received, the Management Agreement shall continue to be in effect until June 30, 2015.

The proposed changes to the existing management agreements are:

Capital Outlay Policy Change:

Building Official

The new language **clarifies** language regarding the building official and code review unit. No individual licensed professional architect or engineer hired under the university's personnel system as a member of the review unit shall also perform other building code related design, construction, facilities-related project management or facilities management functions for the University.

Also provides that the building official, appointed by the College of William and Mary, will also serve as the building official for Richard Bland College and the Virginia Institute of Marine Science.

Procurement Policy Changes:

eVA Memorandum of Understanding (UVA and VT only)

- The change **modifies** Section IX.A of the Memorandum of Understanding where it currently is stated that the institution must process 95% of all non-exempt orders in eVA.
- The current threshold is extremely high and difficult to obtain without almost eliminating the use of the state purchasing card which allows for efficient purchasing by faculty and staff and provides a cash rebate to the state and universities for purchases.
- The management agreement renewal **changes** the threshold to 80% which was agreed upon by representatives of the Department of General Services, Secretary of Finance, money committee staffs, and institutions.

Exemption from competition for software and equipment maintenance contract renewals

- During the initial negotiations in 2006, the Division of Purchases and Supply agreed to eliminate the requirement for competition for a number of goods and services where the competitive process did not make sense.
- The **new language** adds software and equipment maintenance contract renewals to the list of goods and services that are exempt from the competitive bidding process when it can be shown that only the firm that originally provided the equipment or software is able to support the renewal of that contract.

Finance and Accounting Policy Changes:

Escrow deposits

- The new language would provide Level 3 institutions interest on the state escrow

accounts where the interest earned on tuition, fees, and other non-general funds are held. The initial management agreements allowed the institutions to earn interest locally on these funds but quarterly deposit the interest earned to a state held escrow account. The funds in the escrow account are released to the institutions once they have achieved certification on the Institutional Performance Standards from SCHEV.

Disbursement management

- This is a **technical amendment** to Section IX. i that currently allows a Level 3 institution to draw down 1/24 of its general fund appropriation on the 1st and 15th of the month. The Department of Accounts (DOA) has worked with the Level 3 institutions to alter these dates when necessary to meet payroll deadlines. The technical amendment would provide a basis for DOA to allow draw downs on or about the 1st and 15th of each month with adjustments as needed to meet short- term cash requirements associated with the Commonwealth's bimonthly pay dates.

9. Specific Agency or Political Subdivisions Affected:

Governor
House Appropriations Committee
Senate Finance Committee
University of Virginia
College of William and Mary
Virginia Tech
Virginia Commonwealth University
Department of Accounts
Department of General Services

10. Technical Amendment Necessary: No.

11. Other Comments: House Bill 2464 (Substitute) is similar to Senate Bill 1156.

Date: 2/8/2009

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cc: Secretary of Finance
Secretary of Education