COMMONWEALTH of VIRGINIA

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June 22, 2011

MEMORANDUM

TO: Members, Joint Legislative Audit and Review Commission

FROM: Glen S. Tittermary, Director

SUBJECT: Compliance Review of Initial Management Agreement between the State and Virginia Commonwealth University

The 2005 Restructured Higher Education Financial and Administrative Operations Act (Restructuring Act) directs JLARC to conduct a review of the initial management agreement with each public institution of higher education (Attachment A). Virginia Commonwealth University (VCU) entered into its initial management agreement on July 1, 2008, and this review covers a period of more than 24 months of that agreement, as directed by the Restructuring Act. VCU is the fourth institution to enter into a management agreement with the State, following the 2006 agreements with the College of William and Mary, the University of Virginia, and Virginia Tech. In 2008, JLARC reviewed those institutions' management agreements and released the report, *Two-Year Review of Initial Higher Education Management Agreements*, which discusses in detail the origins of the act and the extent of autonomy granted to the institutions.

This assessment of VCU's compliance with its management agreement is based on several factors:

- certifications in 2010 and 2011 by the State Council of Higher Education for Virginia (SCHEV) that the university met the academic performance standards of the Restructuring Act and the financial and administrative standards of the Appropriation Acts;
- the university's performance in achieving the aspirational goals specified in the management agreement; and
- a review of concerns expressed by central agencies regarding the university's compliance with the procedures and rules contained in the management agreement for each operational area.

Based on a review of these factors, this assessment found that VCU is in substantial compliance with its management agreement and therefore should continue operating under its management agreement. A brief discussion of the Restructuring Act is provided below, along with VCU's performance in its business operations and particular measures of institutional effectiveness.

2005 RESTRUCTURING ACT GAVE UNIVERSITIES MORE AUTONOMY IN EXCHANGE FOR A COMMITMENT TO ACHIEVE STATE GOALS

The 2005 Restructuring Act gave all public colleges and universities in Virginia increased autonomy in their daily business operations in exchange for agreeing to further certain State goals specified in the act. The act moved the institutions away from a pre-approval process to one of post-accountability. By having more autonomy, the institutions claimed they would have more flexibility and be able to operate more efficiently. If the institutions demonstrate they are meeting the State goals, they are able to keep their level of autonomy and are also eligible for certain financial rewards. SCHEV is the agency responsible for certifying that the institutions have met their goals.

Autonomy Granted to Institutions that Have Demonstrated Competent Management

The extent of an institution's autonomy depends on its demonstrated level of expertise in managing its operations and its financial strength and stability. Tier one is the lowest and tier three is the highest level of autonomy. It is left up to the institutions as to whether they wish to seek a tier three designation and the accompanying autonomy as well as expectations. The tier three institutions are often referred to as "covered institutions," as the rules and procedures they must follow in conducting their business operations are covered under a management agreement with the State. The areas of operation covered under the management agreement are

- capital projects,
- information technology,
- procurement of goods and services,
- leases of real property,
- human resources, and
- financial operations and management.

The Restructuring Act allows institutions to apply for a management agreement (§23-38.88, D). To be eligible for tier three status, institutions must have a current bond rating of at least "AA-" from one of the major bond rating services. Institutions may also be eligible if they have "participated in decentralization pilot programs in the areas of finance and capital outlay," demonstrated management competency in those areas, and received additional operational authority in at least one functional area and demonstrated management competency in that area for a period of at least two years. Applications are submitted to the Governor, and if deemed to be acceptable, the Governor recommends approval in the budget bill submitted to the General Assembly. Once approved, the Governor may determine the institution is not in substantial compliance and may require the institution to submit a plan for corrective action. The Governor may void the agreement if he determines the institution is still not in substantial compliance after a "reasonable period of time."

Initial management agreements remain in effect for a period of three years, and subsequent agreements remain in effect for a period of five years. However, in 2009 the General Assembly extended VCU's initial management agreement to 2013 in order to align VCU's agreement with the other three covered institutions.

Institutions Asked to Meet Performance Measures to Demonstrate They Are Furthering State Goals

In exchange for the additional autonomy granted the institutions and the financial rewards, the restructuring act requires the colleges and universities to commit to meeting certain State goals listed in the act. *Code of Virginia* §23-38.88,B of the act lists 12 goals (Attachment B). The goals are summarized below:

1. access
2. affordability
3. breadth of academic offerings, including high-need degrees
4. academic standards
5. student retention and timely graduation
6. articulation agreements and dual enrollment
7. economic development
8. research, patents, and licenses
9. enhancement of elementary and secondary education
10. six-year financial plan
11. financial and administrative effectiveness
12. campus safety and security

SCHEV is responsible for developing measures and performance benchmarks for ten of the goals, and also for ensuring that each institution has developed an adequate six-year financial plan. The Secretaries of Finance, Administration, and Technology are responsible for developing measures and benchmarks for goal 11 – financial and administrative effectiveness measures. Covered institutions have a different set of financial and administrative measures than other institutions. These measures, which in total represent the assessment of institutional performance, are listed in the annual Appropriation Act (measures listed in the 2011 Appropriation Act are shown in Attachment C).

In addition to the measures developed to assess institutional performance for each of the 12 goals, covered institutions are also asked to meet certain aspirational goals contained in the management agreements. Each covered institution may be asked to meet unique goals depending on the Governor's and General Assembly's desires for that institution. For example, VCU's management agreement lists the following aspirational goals for the university:

- Match from institutional funds, other than general funds or tuition, on a dollar for dollar basis, any additional research funds provided by the State in the Appropriation Act above the amount provided from institutional funds for research in 2007-08;
- Improve the freshman retention rate to 85 percent and the six-year graduation rate to 50 percent by 2010; and
- Commit to providing need-based financial aid to middle- and lower-income students in a manner that encourages student enrollment and progression without respect to potential increases in tuition and fees.

SCHEV certifies institutions annually if they meet each of the performance benchmarks or thresholds. The benchmark is the number that institutions are expected to achieve, while the threshold is the minimum number they must achieve to pass the measure. The certification is based on the staff's assessment of the educational performance measures as well as a statement from the Secretary of Finance that the institution was substantially compliant with the financial and administrative measures. However, following the 2011 certification, the annual certification process is suspended for the next two years while the Higher Education Advisory Committee reviews the performance standards and recommends possible changes. (This committee was created by the Virginia Higher Education Opportunity Act of 2011.)

Certification by SCHEV enables the institutions to continue operating with their current level of autonomy, and also provides them with certain financial benefits. Financial benefits include

- interest on tuition and fees and other non-general fund Educational and General Fund Revenues deposited in the State Treasury by the public institution;
- any unexpended appropriations of the institution at the close of the fiscal year;
- a pro rata amount of the rebate due the Commonwealth on credit card purchases of $5,000 or less made during the fiscal year; and
- a rebate of any transaction fees for the prior fiscal year paid for sole source procurements made by the institution when using a vendor who is not registered with Virginia's electronic procurement system (eVA).

In 2011, institutions received approximately $30 million from these sources. VCU received approximately $1.14 million.

VCU SUBSTANTIALLY ACHIEVED ITS PERFORMANCE MEASURES

For FY 2009 and FY 2010 (the first two years of VCU's initial management agreement), the university substantially achieved its educational, financial, and administrative performance measures. Furthermore, the university also achieved its aspirational goals listed in the management agreement. A full listing of the measures and VCU's performance on these measures is contained in Attachment D.

SCHEV Certified VCU Satisfactorily Met the Performance Standards

By June 1 of each year, SCHEV is required to certify whether institutions have achieved their performance standards for the prior year. SCHEV staff reports to the council on the institutions' performance on each of the measures, and the council votes to certify whether the institutions have satisfactorily achieved the measures.

2011 Certification Indicated VCU Achieved its 2010 Performance Standards. In May 2011, SCHEV certified VCU as having satisfactorily met the performance standards of the restructuring act (based on FY 2010 data). VCU exceeded its target benchmark for all but one of the 17 educational measures, and it exceeded the minimum threshold for that measure in which it did not meet the benchmark. Because some of the measures are assessed biennially, not all of the measures were assessed in 2011. In addition, due to budget reductions caused by the recession, the institutions were informed to not submit a six-year financial plan until the fall of 2011. VCU also met 15 of the 17 financial and administrative standards in 2010. According to the Secretary of Finance, VCU "met these standards in aggregate."

The one educational target measure VCU failed to achieve pertained to the goal of affordability. Six new affordability measures were developed for the 2011 certification. The institutions were given targets and thresholds for four- and six-year graduation rates of Pell Grant recipients, students who received some other form of need-based aid, and students who received no need-based aid. VCU's target six-year graduation rate for Pell Grant recipients was 47 percent. The actual graduation rate for this cohort was 43.8 percent, which exceeded the threshold of 39 percent.

The two financial and administrative measures VCU failed to achieve for the 2011 certification pertained to human resources and procurement. As an indicator of employee stability and satisfaction, the covered institutions were asked to meet the voluntary turnover rate for State classified employees within a variance of 15 percent. However, VCU's voluntary turnover rate was 6.62 percent, which was more than 15 percent higher than the State rate of 4.8 percent. A VCU official explained the higher turnover rate was due to employees leaving to work for other State agencies and employees who left after obtaining a degree from the university. The procurement measure that VCU failed to achieve pertained to its use of eVA to purchase goods and services. Covered institutions were asked to process no less than 80 percent of their purchase transactions through eVA, with no less than 75 percent of dollar transactions through eVA. Although more than 92 percent of VCU's dollar transactions were processed through eVA, only 72 percent of the number of transactions was processed through eVA. A VCU official claimed that the university was meeting the spirit of the measure by far exceeding the threshold for the percent of dollar transactions, and that trying to increase the percent of total transactions to 80 percent would be inefficient.

2010 Certification Indicated VCU Achieved its 2009 Performance Standards. VCU was also certified by SCHEV in May 2010. The university did not meet its target benchmark for two of the educational measures for 2009 but did exceed the minimum threshold for each measure. As in 2010, VCU also failed to achieve the voluntary employee turnover and eVA procurement measures in 2009, but it was deemed to have met the financial and administrative standards in aggregate.

One benchmark that VCU failed to achieve for 2009 was related to the access goal. There are three measures that determine if institutions are providing access to all citizens and meeting enrollment and degree estimates. VCU missed its degree awards estimate by only one student but easily surpassed the minimum threshold. The other benchmark that VCU failed to achieve was the number of new patent awards and licenses – a measure used to determine if the institutions are achieving goal eight in the act pertaining to externally funded research, patents, and licenses. VCU's benchmark was 35 new patents and licenses but was only awarded 25, which was the minimum threshold.

VCU's voluntary employee turnover rate in 2009 was 8.91 percent, which was nearly double the State turnover rate of 4.7 percent. The university cited similar reasons for the high turnover rate as it did in 2010. It should be noted that VCU's employee turnover rate improved from 2009 to 2010. VCU's use of eVA to process purchasing orders was only 70.39 percent in 2009, but these transactions accounted for more than 93 percent of its purchasing dollars.

VCU Achieved Its Aspirational Goals Contained in the Management Agreement

SCHEV's certification of institutional performance does not include an assessment of the aspirational goals for covered institutions. However, JLARC staff collected information from VCU and determined that the university did achieve its aspirational goals. The three goals and VCU's demonstration that the university met these goals are shown in Table 1 on the following page.

Table 1: VCU Achieved Aspirational Goals Set Forth in Management Agreement

Goal	VCU Performance
Match from institutional funds, other than general funds or tuition, on a dollar for dollar basis, any additional research funds provided by the State in the Appropriation Act above the amount provided from institutional funds for research in 2007-08.	VCU received $8.6 million in general fund research support from FY 2007 to FY 2010. VCU leveraged these funds to recruit top faculty and researchers. New faculty recruits accounted for an estimated $80 million in new sponsored program awards granted to the university since 2005. VCU's School of Medicine spent $21.9 million in non-general fund matching support in 2010.
Improve the freshman retention rate to 85 percent and the six-year graduation rate to 50 percent by 2010.	Freshman retention rate 85 percent in 2010 – up from 82 percent in 2006. Six-year graduation rate 51 percent in 2010 – up from 45 percent in 2006.
Commit to providing need-based financial aid to middle- and lower-income students in a manner that encourages student enrollment and progression without respect to potential increases in tuition and fees.	VCU instituted several need-based grant programs to promote retention and progression. The Access Grant Program provides $1,500 to freshmen and sophomores with incomes at or below the federal poverty level. The Transfer Achievement Scholarship provides $1,000 to transfer students with financial need who received an associate's degree from a Virginia community college with a GPA of at least 3.00. VCU also offers $1,500 Academic Performance and Achievement scholarships to rising high-performance sophomores and juniors who did not receive an award as freshmen. [a]

[a] VCU increased the dollar amount of several of these awards for the current (2011-12) academic year.

Source: JLARC staff analysis of data and information provided by Virginia Commonwealth University.

CENTRAL STATE AGENCIES EXPRESSED NO MAJOR CONCERNS WITH VCU'S FINANCIAL AND ADMINISTRATIVE OPERATIONS

A covered institution's ability to successfully manage its business operations is reflected in its financial and administrative performance measures. These performance measures assess the institution's effectiveness in managing its financial, debt management, human resources, procurement, capital outlay, and information technology (IT) operations. Because VCU achieved all but one of the measures and was deemed to have met the standards in aggregate, the university appears to be successfully managing its operations. However, covered institutions are also subject to rules and procedures set forth in the management agreements for each of the operational areas. The 2008 JLARC report, *Two-Year Review of Initial Higher Education Management Agreements*, provides detailed information on these rules and procedures for each of the operational areas.

In order to determine if VCU has complied with these rules and procedures, JLARC staff contacted the agency heads for each of the central agencies that have a reporting relationship with the institutions. The agency heads were asked if their agency had experienced any problems or concerns with VCU's operations in their particular area of responsibility. The agencies contacted were

- Department of General Services (regarding capital projects, procurement, and leases);
- Virginia Information Technologies Agency (regarding IT systems development and operations);
- Department of Human Resources Management (regarding human resources procedures); and
- Department of Accounts (regarding financial operations).

The Virginia Information Technologies Agency (VITA) was the only agency to express concern. VITA expressed two concerns – both of which were concerns about covered institutions generally. The agency's main concern was that they thought some of the universities might not be purchasing all of their wireless telephone contracts through State contracts managed by VITA, which the universities are required to do. This concern arose from the fact that institutional purchases of wireless contracts from State contracts had dropped in recent years. However, VCU's policy for purchasing telecommunications services from VITA contracts is clearly stated on the university's website. VCU also provided documentation on their internal controls to ensure that individual departments and employees adhere to university purchasing policies for IT equipment and services.

VITA's other concern was that the agency has difficulty determining if institutions have initiated a major IT project (that is, a project in excess of one million dollars), in which case the institution would be required to submit to VITA quarterly reports on the budget, schedule, and overall status of the project. VCU reported that the institution has no major IT systems development projects underway, and asserts that such a project would appear in its budget if it were to undertake a major IT systems development project.

ACKNOWLEDGMENTS

In closing, I wish to thank the staff at the State Council of Higher Education for Virginia, the Departments of General Services, Human Resources Management, and Accounts, and the Virginia Information Technologies Agency for their assistance with this review. Finally, I would like to acknowledge the assistance provided by staff at Virginia Commonwealth University.

The following JLARC staff worked on this review: Aris Bearse, Team Leader; Dr. Greg Rest, Methodologist; and Bob Rotz, Division Chief.

ATTACHMENT A: STUDY MANDATE

RESTRUCTURED HIGHER EDUCATION FINANCIAL AND ADMINISTRATIVE OPERATIONS ACT

§23-38.88 D.3, paragraph 3

The Joint Legislative Audit and Review Commission, in cooperation with the Auditor of Public Accounts, shall conduct a review relating to the initial management agreement with each public institution of higher education. The review shall cover a period of at least the first 24 months from the effective date of the management agreement. The review shall include, but shall not be limited to, the degree of compliance with the expressed terms of the management agreement, the degree to which the institution has demonstrated its ability to manage successfully the administrative and financial operations of the institution without jeopardizing the financial integrity and stability of the institution, the degree to which the institution is meeting the objectives described in subsection B, and any related impact on students and employees of the institution from execution of the management agreement. The Joint Legislative Audit and Review Commission shall make a written report of its review no later than June 30 of the third year of the management agreement. The Joint Legislative Audit and Review Commission is authorized, but not required, to conduct a similar review of any management agreement entered into subsequent to the initial agreement.

ATTACHMENT B: RESTRUCTURING ACT GOALS

§23-38.88

B. The Board of Visitors of a public institution of higher education shall commit to the Governor and the General Assembly by August 1, 2005, through formal resolution adopted according to its own bylaws, to meeting the state goals specified below, and shall be responsible for ensuring that such goals are met, in addition to such other responsibilities as may be prescribed by law. Each such institution shall commit to the Governor and the General Assembly to:

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 § 23-9.2:3.03, 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 § 23-9.2:3.03;

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; and

12. Seek to ensure the safety and security of the Commonwealth's students on college and university campuses.

Upon making such commitments to the Governor and the General Assembly by August 1, 2005, the public institution of higher education shall be allowed to exercise the restructured financial and operational authority set forth in subdivisions A 1 through A 13 of § 23-38.88, subject to such conditions as may be provided under the enabling statutes granting the additional authority.

ATTACHMENT C: INSTITUTIONAL PERFORMANCE MEASURES

§4-9.02 ASSESSMENT OF INSTITUTIONAL PERFORMANCE (2011 APPROPRIATION ACT)

Consistent with §23-9.6:1.01, Code of Virginia, the following education-related and financial and administrative management measures shall be the basis on which the State Council of Higher Education shall annually assess and certify institutional performance. Such certification shall be completed and forwarded in writing to the Governor and the General Assembly no later than June 1 of each year. Institutional performance on measures set forth in paragraph D of this section shall be evaluated year-to-date by the Secretaries of Finance, Administration, and Technology as appropriate, and communicated to the State Council of Higher Education before June 1 of each year. Financial benefits provided to each institution in accordance with §2.2-5005 will be evaluated in light of that institution's performance.

In general, institutions are expected to achieve their agreed upon targets and standards on all performance measures in order to be certified by SCHEV. However, the State Council, in working with each institution, shall establish a threshold of permitted variance from targets for each education-related measure, as appropriate. The Council shall review and, if in agreement, approve institutional targets and thresholds.

Further, the State Council shall have broad authority to certify institutions as having met the standards on education-related measures. The State Council shall likewise have the authority to exempt institutions from certification on education-related measures that the State Council deems unrelated to an institution's mission or unnecessary given the institution's level of performance.

The State Council may develop, adopt, and publish standards for granting exemptions and ongoing modifications to the certification process.

A. Annual Assessments

1. Access

a) Institution meets 95 percent of its State Council-approved biennial projection of total in-state student enrollment within the prescribed range of permitted variance.

b) Institution maintains acceptable progress towards agreed upon targets for the percentage of in-state undergraduate students from under-represented populations. (Such populations 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.)

c) Institution annually meets at least 95 percent of its undergraduate and 90 percent of its graduate and first-professional State Council-approved estimates of degrees awarded.

2. Affordability

Institution establishes annual targets of graduation rates according to financial aid status with the intent of achieving, where appropriate, a similar graduation rate for each cohort of students. Three cohorts of students shall be used for this measure, as they are identified in their first year of enrollment at the institution:

i. Students receiving Pell grants.
ii. Students receiving forms of need-based financial assistance other than Pell grants.
iii. Students receiving no need-based financial assistance.

Four-year institutions shall set targets based on four-year and six-year graduation rates.

The Virginia Community College System and Richard Bland College shall use two-year and four-year graduation rates.

3. Breadth of Academics

Institution maintains acceptable progress towards agreed upon targets for the number of graduates in high-need areas, as identified by the State Council of Higher Education.

4. Academic Standards

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.

5. Student Retention and Timely Graduation

a) Institution maintains acceptable progress towards agreed upon targets for the average annual retention and progression rates of degree-seeking undergraduate students.

b) Institution maintains acceptable progress towards agreed upon targets for the ratio of total undergraduate degree awards to the number of annual full-time equivalent, degree-seeking undergraduate students.

6. Articulation Agreements and Dual Enrollment

a) Institution maintains acceptable progress towards agreed upon targets for the total number of transfer students, including as a priority those with an associate degree, 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.

b) The Virginia Community College System and Richard Bland College maintain acceptable progress towards agreed upon targets for the number of students involved in dual enrollment programs.

7. Research

Institution maintains acceptable progress towards agreed upon targets for the three-year moving average of total expenditures in grants and contracts for research.

B. Biennial Assessments

1. Affordability

a) Institution includes in its six-year plan the expected average borrowing of in-state students with established financial need, and the percentage of those students who borrow, and states its commitment to limit, where possible, the average borrowing to a level that maintains or increases access while not unduly compromising affordability.

b) Institution conducts a biennial assessment of the impact of tuition and fee levels net of financial aid on 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 plan. The institution shall also make a parent- and student-friendly version of this assessment widely available on the institution's website. The assessment should include, but is not limited to, the following information for in-state undergraduate students: a five-year historical overview of average tuition and fees, average federal loans and grants, average institutional aid, average state support, and average total debt burden.

c) This report, along with institutional tuition and fee information shall be prominently located on the institution's web site.

d) Institution will provide an addendum to the six-year plan identifying the steps it is taking to maintain its effort to meet the needs of in-state undergraduate financially-needy students taking into account tuition and fees, state appropriations, and financial need of these students.

2. Academic Standards—Productivity

Institution reports biennially the ratio of degrees conferred per full-time equivalent instructional faculty member.

3. Articulation Agreements

Institution maintains acceptable progress towards agreed upon targets for 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.

4. Economic Development

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. A summary of activities will be reported to the State Council biennially.

5. Patents and Licenses

Institution reports biennially to the State Council the annual number of new patent awards and licenses.

6. Elementary and Secondary Education

a) Institution develops a specific set of actions with schools or school division administrations with specific goals to improve student achievement, upgrade the knowledge and skills of teachers, or strengthen the leadership skills of school administrators. A summary of activities and the improvements in student learning, if any, shall be reported to the State Council biennially.

b) The Virginia Department of Education shall share data on teachers, including identifying information, with the State Council of Higher Education for Virginia in order to evaluate the efficacy of approved programs of teacher education, the production and retention of teachers, and the exiting of teachers from the teaching profession.

c) 1. The Virginia Department of Education and the State Council of Higher Education for Virginia shall share personally identifiable information from education records in order to evaluate and study student preparation for and enrollment and performance at state institutions of higher education in order to improve educational policy and instruction in the Commonwealth. However, such study shall be conducted in such a manner as to not permit the personal identification of students by persons other than representatives of the Department of Education or the State Council for Higher Education for Virginia, and such shared information shall be destroyed when no longer needed for purposes of the study.

2. Notwithstanding § 2.2-3800 of the Code of Virginia, the Virginia Department of Education, State Council of Higher Education for Virginia, Virginia Community College System, and the Virginia Employment Commission may collect, use, share, and maintain de-identified student data to improve student and program performance including those for career readiness.

d) Institutions of higher education shall disclose information from a pupil's scholastic record to the Superintendent of Public Instruction or his designee for the purpose of studying student preparation as it relates to the content and rigor of the Standards of Learning. Furthermore, the superintendent of each school division shall disclose information from a pupil's scholastic record to the Superintendent of Public Instruction or his designee for the same purpose. All information provided to the Superintendent or his designee for this purpose shall be used solely for the purpose of evaluating the Standards of Learning and shall not be redisclosed, except as provided under federal law. All information shall be destroyed when no longer needed for the purposes of studying the content and rigor of the Standards of Learning.

7. Campus Safety and Security

The institution shall work to adopt an acceptable number of the 27 Best Practice Recommendations for Campus Safety adopted by the Virginia Crime Commission on January 10, 2006. Each practice shall be considered by the institution as to how it fits in with current practices and the needs of the institution. Following each biennium of reporting, the institution shall enumerate those practices adopted by the institution.

C. Six-Year Plan

Institution prepares six-year financial plan consistent with § 23-9.2:3.02.

D. Financial and Administrative Standards

The financial and administrative standards apply to all institutions except those governed under Chapters 933 and 943 of the 2006 Acts of Assembly and the institution governed under Chapters 594 and 616 of the 2008 Acts of Assembly.

1. As specified in § 2.2-5004, Code of Virginia, institution takes all appropriate actions to meet the following financial and administrative standards:

a) An unqualified opinion from the Auditor of Public Accounts upon the audit of the public institution's financial statements;

b) No significant audit deficiencies attested to by the Auditor of Public Accounts;

c) Substantial compliance with all financial reporting standards approved by the State Comptroller;

d) Substantial attainment of accounts receivable standards approved by the State Comptroller, including but not limited to, any standards for outstanding receivables and bad debts; and

e) Substantial attainment of accounts payable standards approved by the State Comptroller including, but not limited to, any standards for accounts payable past due.

2. Institution complies with a debt management policy approved by its governing board that defines the maximum percent of institutional resources that can be used to pay debt service in a fiscal year, and the maximum amount of debt that can be prudently issued within a specified period.

3. The institution will achieve the classified staff turnover rate goal established by the institution; however, a variance of 15 percent from the established goal will be acceptable.

4. The institution will substantially comply with its annual approved Small, Women and Minority (SWAM) plan as submitted to the Department of Minority Business Enterprise; however, a variance of 15 percent from its SWAM purchase goal, as stated in the plan, will be acceptable.

The institution will make no less than 75 percent of dollar purchases through the Commonwealth's enterprise-wide internet procurement system (eVA) from vendor locations registered in eVA.

5. The institution will complete capital projects (with an individual cost of over $1,000,000) within the budget originally approved by the institution's governing board for projects initiated under delegated authority, or the budget set out in the Appropriation Act or other Acts of Assembly. If the institution exceeds the budget for any such project, the Secretaries of Administration and Finance shall review the circumstances causing the cost overrun and the manner in which the institution responded and determine whether the institution shall be considered in compliance with the measure despite the cost overrun.

6. The institution will complete major information technology projects (with an individual cost of over $1,000,000) within the budgets and schedules originally approved by the institution's governing board. If the institution exceeds the budget and/or time schedule for any such project, the Secretary of Technology shall review the circumstances causing the cost overrun and/or delay and the manner in which the institution responded and determine whether the institution appropriately adhered to Project Management Institute's best management practices and, therefore, shall be considered in compliance with the measure despite the cost overrun and/or delay.

E. Financial and Administrative Standards

The financial and administrative standards apply to institutions governed under Chapters 933 and 943 of the 2006 Acts of Assembly and the institution governed under Chapters 594 and 616 of the 2008 Acts of Assembly. They shall be measured by the administrative standards outlined in the Management Agreements and § 4-9.02.d.4. of this act. However, the Governor may supplement or replace those administrative performance measures with the administrative performance measures listed in this paragraph. Effective July 1, 2009, the following administrative and financial measures shall be used for the assessment of institutional performance for institutions governed under Chapters 933 and 943 of the 2006 Acts of Assembly and those governed under Chapters 594 and 616 of the 2008 Acts of Assembly.

1. Financial

a) An unqualified opinion from the Auditor of Public Accounts upon the audit of the public institution's financial statements;

b) No significant audit deficiencies attested to by the Auditor of Public Accounts;

c) Substantial compliance with all financial reporting standards approved by the State Comptroller;

d) Substantial attainment of accounts receivable standards approved by the State Comptroller, including but not limited to, any standards for outstanding receivables and bad debts; and

e) Substantial attainment of accounts payable standards approved by the State Comptroller including, but not limited to, any standards for accounts payable past due.

2. Debt Management

a) The institution shall maintain a bond rating of AA- or better;

b) The institution achieves a three-year average rate of return at least equal to the imoney.net money market index fund; and

c) The institution maintains a debt burden ratio equal to or less than the level approved by the Board of Visitors in its debt management policy.

3. Human Resources

a) The institution's voluntary turnover rate for classified plus university/college employees will meet the voluntary turnover rate for state classified employees within a variance of 15 percent; and

b) The institution achieves a rate of internal progression within a range of 40 to 60 percent of the total salaried staff hires for the fiscal year.

4. Procurement

a) The institution will substantially comply with its annual approved Small, Women and Minority (SWAM) procurement plan as submitted to the Department of Minority Business Enterprise; however, a variance of 15 percent from its SWAM purchase goal, as stated in the plan, will be acceptable; and

b) The institution will make no less than 80 percent of purchase transactions through the Commonwealth's enterprise-wide internet procurement system (eVA) with no less than 75 percent of dollars to vendor locations in eVA.

5. Capital Outlay

a) The institution will complete capital projects (with an individual cost of over $1,000,000) within the budget originally approved by the institution's governing board at the preliminary design state for projects initiated under delegated authority, or the budget set out in the Appropriation Act or other Acts of Assembly which provides construction funding for the project at the preliminary design state. If the institution exceeds the budget for any such project, the Secretaries of Administration and Finance shall review the circumstances causing the cost overrun and the manner in which the institution responded and determine whether the institution shall be considered in compliance with the measure despite the cost overrun;

b) The institution shall complete capital projects with the dollar amount of owner requested change orders not more than 2 percent of the guaranteed maximum price (GMP) or construction price; and

c) The institution shall pay competitive rates for leased office space – the average cost per square foot for office space leased by the institution is within 5 percent of the average commercial business district lease rate for similar quality space within reasonable proximity to the institution's campus.

6. Information Technology

a) The institution will complete major information technology projects (with an individual cost of over $1,000,000) on time and on budget against their managed project baseline. If the institution exceeds the budget and/or time schedule for any such project, the Secretary of Technology shall review the circumstances causing the cost overrun and/or delay and the manner in which the institution responded and determine whether the institution appropriately adhered to Project Management Institute's best management practices and, therefore, shall be considered in compliance with the measure despite the cost overrun and/or delay; and

b) The institution will maintain compliance with institutional security standards as evaluated in internal and external audits. The institution will have no significant audit deficiencies unresolved beyond one year.

ATTACHMENT D: VCU PERFORMANCE ON 2009-10 MEASURES

GOAL 1: ACCESS

Annual Assessment

Performance Measure A.1.	Actual	Target	Threshold	Result
a. In-state enrollment				
FY 2009	27,585	27,480	26,106	Target Achieved
FY 2010	27,856	27,811	26,420	Target Achieved
b. Underrepresented enrollment				
FY 2009	9,174	8,300	7,470	Target Achieved
FY 2010	9,982	8,400	7,560	Target Achieved
c. Degree awards				
FY 2009	6,210	6,211	5,900	Threshold Achieved
FY 2010	6,742	6,304	6,269	Target Achieved

Source: State Council of Higher Education for Virginia. 2010 and 2011 IPS Certification Reports.

GOAL 2: AFFORDABILITY

Annual Assessment (2010)[a]

Performance Measure A.2.*	Actual	Target	Threshold	Result
Four-year graduation rate – Pell	0.216	0.170	0.130	Target Achieved
Four-year graduation rate – other need-based aid	0.286	0.230	0.160	Target Achieved
Four-year graduation rate – no need-based aid	0.278	0.250	0.200	Target Achieved
Six-year graduation rate – Pell	0.438	0.470	0.390	Threshold Achieved
Six-year graduation rate – other need-based aid	0.530	0.480	0.420	Target Achieved
Six-year graduation rate – no need-based aid	0.512	0.510	0.440	Target Achieved

[a] New performance measure. No assessment for FY 2009.

Source: State Council of Higher Education for Virginia.

Biennial Assessment

Measure B.1.a. – Not applicable. No six-year plan required.
Measure B.1.b. – Measure achieved (2009).
Measure B.1.c. – Measure achieved (2009).
Measure B.1.d. – Not applicable. No six-year plan required.

GOAL 3: ACADEMIC OFFERINGS

Annual Assessment

Performance Measure A.3.	Actual	Target	Threshold	Result
High-need degrees				
FY 2009	1,314	1,200	1,080	Target Achieved
FY 2010	1,411	1,225	1,103	Target Achieved

Source: State Council of Higher Education for Virginia. 2010 and 2011 IPS Certification Reports.

GOAL 4: ACADEMIC STANDARDS

Annual Assessment

Measure A.4. VCU submitted appropriate statements and plans each year.

Biennial Assessment

Performance Measure B.2.	Actual	Target	Threshold	Result
Degrees per FTE faculty				
FY 2009	3.45	2.50	2.30	Target Achieved

Source: State Council of Higher Education for Virginia. 2010 and 2011 IPS Certification Reports.

GOAL 5: STUDENT RETENTION AND TIMELY GRADUATION

Annual Assessment

Performance Measure A.5.	Actual	Target	Threshold	Result
a. Average retention rate				
FY 2009	0.822	0.814	0.733	Target Achieved
FY 2010	0.833	0.815	0.734	Target Achieved
b. Degrees per FTE students				
FY 2009	0.189	0.183	0.163	Target Achieved
FY 2010	0.195	0.183	0.163	Target Achieved

Source: State Council of Higher Education for Virginia. 2010 and 2011 IPS Certification Reports.

GOAL 6: ARTICULATION AGREEMENTS AND DUAL ENROLLMENT

Performance Measure	Actual	Target	Threshold	Result
A.6.a. Transfer students				
FY 2009	536	195	175	Target Achieved
FY 2010	1,448	200	175	Target Achieved
B.3. Articulation agreements				
FY 2009	4	3	2	Target Achieved

[a] Biennial assessment.

Source: State Council of Higher Education for Virginia. 2010 and 2011 IPS Certification Reports.

GOAL 7: ECONOMIC DEVELOPMENT

Biennial Assessment (2009)

Measure B.4. was achieved. VCU reported that its institutional commitment to economic development through business support, revitalization efforts, regional and local leadership development and community partnerships continue unabated. The university is making progress in all areas previously cited as examples of the university's commitment. For example, the Virginia Biotechnology Research Park, through its Virginia Biosciences Development Center, will manage the Dominion GreenTech Incubator, a new partnership with Dominion Resources, Hanover County and the Town of Ashland for encouragement and support of green businesses. In a difficult climate for the public sector, the VCU Performance Management Group continues to offer training and support opportunities for government employees, changing to one-day formats or all Richmond area venues to reduce costs for agencies and their employees and still meet the need for services. Revitalization efforts near the Monroe Park Campus are continuing to support and strengthen local businesses along the Broad Street and Main Street corridors, with plans underway to help develop more retail opportunities along Grace Street. The university believes corporate partnerships are mutually beneficial – a recent survey of the university's academic units reported 498 corporate partnerships that support the university with meeting its instructional, research and community service goals.

GOAL 8: RESEARCH, PATENTS, AND LICENSES

Performance Measure A.7.	Actual	Target	Threshold	Result
A.7. Research expenditures ($millions)				
FY 2009	$122.3	$115.79	$98.42	Target Achieved
FY 2010[a]	$162.22	$116.81	$99.29	Target Achieved
B.5. Patents and Licenses [b]				
FY 2009	25	35	25	Threshold Achieved

[a] Measure changed for 2010 to be "three-year moving average."
[b] Biennial assessment.

Source: State Council of Higher Education for Virginia. 2010 and 2011 IPS Certification Reports.

GOAL 9: ENHANCING ELEMENTARY AND SECONDARY EDUCATION

Biennial Assessment (2009)

Measure B.6.a., pertaining to specific institutional actions, was achieved for 2009 and certified by SCHEV in 2010. Examples of VCU actions to enhance elementary and secondary education include:

- Programs that focus on enhancement of teacher skills in specific areas, such as autism (Region I Autism Education Consortium) or mathematics and science (Mathematics and Science Partnership Program/Teacher Professional Curriculum Program);

- The Metropolitan Educational Training Alliance program, to prepare teachers for the National Board Certified Teacher evaluation;
- EduLead, to enhance the skills of new principals;
- About 20 School of Education Associates (SOEA) cohort programs, to prepare students to be the next generation of school leaders in the surrounding school divisions;
- The Metropolitan Educational Research Consortium, a partnership among seven Richmond-area school divisions that assists schools in conducting research to inform educational practices; and
- The BECOME project (Build and Establish Capacity for Offering Mentoring Excellence), to strengthen mentoring programs in the metro-Richmond area by (1) enhancing the ability of mentors to assist beginning teachers in analyzing SOL data and implementing effective content-specific teaching strategies; (2) enhancing the ability of beginning teachers to effectively teach reading, mathematics, science, and social studies; and (3) building local and state capacity to offer high-quality mentor teacher training by creating a New Teacher Regional Training Center at VCU's Center for Teacher Leadership.

GOAL 10: SIX-YEAR FINANCIAL PLAN

In 2009, the executive director of SCHEV informed the Governor that institutions would not be required to submit six-year financial plans for 2010, because recession-related budget cuts made the base year (FY 2010) for a six-year plan (FY 2011 through FY2016) too unstable. "Data submitted now, likely based on faulty assumptions about this year and next, would severely reduce the likelihood that these six-year plans could be used by decision-makers as a serious planning tool." Consequently, VCU has not submitted any six-year financial plan since 2007. However, VCU will be required to submit a new six-year financial plan in the fall of 2011.

GOAL 11: FINANCIAL AND ADMINISTRATIVE EFFECTIVENESS

Performance Measure	Benchmark	Result
	Financial	
Financial statements and internal controls	Unqualified opinion from auditor of public accounts	Pass
Financial statements and internal controls	No significant audit deficiencies	Pass
Compliance with financial directives	Substantial compliance with all financial reporting standards approved by State Comptroller	Pass
Accounts receivable	Substantial attainment of accounts receivable standards	Pass
Accounts payable	Substantial attainment (at least 95%) of accounts payable standards	Pass 99.2% in 2009 99.5% in 2010

Performance Measure	Benchmark	Result
Debt Management		
Bond rating	Institution shall maintain a bond rating of AA- or better	Pass AA- in 2009 and 2010
Investments	Institution achieves a three-year average rate of return at least equal to the imoney.net market index fund.	Pass 0.3% in 2009 2.89% in 2010
Debt burden ratio	Institution maintains debt burden ratio equal to or less than the level approved by Board of Visitors (7% in 2009-10)	Pass 4.15% in 2009 5.68% in 2010
Human Resources		
Turnover percent as an indicator of classified staff stability and satisfaction	Institution's voluntary turnover rate for classified plus university employees will meet the voluntary turnover rate for State classified employees within a variance of 15%. (4.7% in 2009; 4.8% in 2010)	Fail 8.91% in 2009 6.62% in 2010
Number of internal employee transfers and promotions as a percentage of total number of newly-hired, transferred and promoted	Institution achieves a rate of internal progression within a range of 40 to 60 percent of the total salaried staff hires for the fiscal year.	Pass 49.28% in 2009 53.45% in 2010
Procurement		
SWAM participation	Institution will substantially comply with its annual approved Small, Women and Minority procurement plan. A variance of 15% is acceptable. (40% in 2009-10)	Pass 48.07% in 2009 61.08% in 2010
Procurement orders processed through eVA	Process through eVA no less than 80% of all non-exempt orders, and no less than 75% of purchase dollars	Fail 70.39%/93.16% in 2009 72.07%/92.66% in 2010
Capital Outlay		
Capital projects within budget	Institution will complete capital projects (greater than $1 million) within budget originally approved by governing board at the preliminary design state for projects initiated.	Pass
Owner requested change orders	Institution shall complete capital projects with the dollar amount of owner requested change orders not more than two percent of the guaranteed maximum price or construction price.	Pass
Competitive rates for leased office space	Average cost per square foot of office space leased by institution is within five percent of average commercial business district within reasonable proximity of campus.	Pass

Performance Measure	Benchmark	Result
	Information Technology	
Project Management	Institution will complete major IT projects (greater than $1 million) on time and on budget against their managed baselines	Pass (no projects)
Information Security	Institution will maintain compliance with institutional security standards as evaluated in internal and external audits. Institution will have no significant audit deficiencies resolved beyond one year.	Pass

Source: State Council of Higher Education for Virginia. 2011 IPS Certification Report.

GOAL 12: CAMPUS SAFETY AND SECURITY

Biennial Assessment (2009)

Measure B.7. states that "The institution shall work to adopt an acceptable number of the 27 Best Practice Recommendations for Campus Safety adopted by the Virginia Crime Commission on January 10, 2006." VCU has reported that two of the 27 standards are not applicable, and that VCU's Police Department has implemented the remaining 25.