



Illinois Board of Higher Education

James L. Kaplan, Chairman • Thomas R. Lamont, Executive Director

MEMORANDUM

TO: All Interested Parties

FROM: Thomas R. Lamont, Executive Director
TRC

DATE: February 8, 2005

RE: Final Report and Recommendations of the Board of Higher Education's Committee to Review Priorities, Productivity, and Accountability, Subcommittee B.

Attached for your information is the final report and recommendations of Subcommittee B of the Board of Higher Education's Committee to Review Priorities, Productivity, and Accountability which was adopted in January. The charge to the subcommittee was two-fold:

- Examine state-level regulatory and other reporting requirements that impact public universities to determine how these processes may be streamlined, thus enabling institutions to redirect resources currently dedicated to these processes to other, higher priority activities (i.e., 'regulatory relief'); and,
- Examine current accountability processes at the state and institutional levels to determine what works, what needs improvement, what can be eliminated, and what might be added.

The subcommittee, chaired by Board member Robert Ruiz, met several times between May 2004 and January 2005 to review and discuss materials and other information related to both of these issues. The subcommittee also received significant assistance from the public university vice presidents for business and finance and their staffs with regard to the first component of their charge in particular (i.e., identification and prioritization of specific proposals for state-level "regulatory relief").

Please contact me if you have any questions regarding this report.

Attachment

**THE COMMITTEE TO REVIEW PRIORITIES, PRODUCTIVITY, AND
ACCOUNTABILITY: REPORT AND RECOMMENDATIONS OF
SUBCOMMITTEE B**

(Adopted January 10, 2005)

Introduction and Overview

The Illinois Board of Higher Education established the Committee to Review Priorities, Productivity, and Accountability in Illinois Higher Education at its April 13, 2004 meeting. The premise underlying the establishment of the committee is that Illinois' system of higher education "must have a clear sense of its priorities, ensure the efficient and productive use of existing resources in addressing these priorities, and demonstrate public accountability regarding its successes and failures in addressing these priorities before seeking additional financial assistance from the taxpayer and student." The first phase of the committee's work has been limited to public universities.

At its first organizational meeting in May 2004, the committee made the decision to create two subcommittees (A and B) to focus on separate aspects of the five-point charge to the committee adopted by the Board. Subcommittee B's task was to focus on the following two components of the committee's charge:

- Examine state-level regulatory and other reporting requirements that impact public universities to determine how these processes may be streamlined, thus enabling institutions to redirect resources currently dedicated to these processes to other, higher priority activities (i.e., 'regulatory relief').
- Examine current accountability processes at the state and institutional levels to determine what works, what needs improvement, what can be eliminated, and what might be added.

Subcommittee B met six times (3 in person meetings and 3 teleconferences) to review and discuss materials and other information related to both of these issues. The subcommittee also received significant assistance from the public university vice presidents for business and finance and their staffs with regard to the first component of the charge in particular (i.e., identification and prioritization of specific proposals for state-level "regulatory relief").

Proposed Recommendations of Subcommittee B

The central focus of Subcommittee B can be best characterized as issues related to accountability (including current statutes, rules, and processes) and efficiency. The subcommittee and public universities fully concur with the premise that Illinois' system of higher education must be able to demonstrate accountability to the public in a clear and unambiguous manner and, in that light, ensure the efficient and effective use of the

limited resources entrusted to it. The various accountability mechanisms and related processes put in place for Illinois public universities at the state level over time have served a valuable role in that regard.

At the same time, the subcommittee also recognizes the situational nature of these mechanisms and processes. That is, the statutes, rules, and related state-level processes were put in place at different times over the past several years to address both specific and more general public policy concerns and issues related to Illinois' public universities. As a result of the episodic nature of public policy development and implementation, there are areas of overlap and duplication of effort within these mechanisms and processes that may impede progress toward the underlying goals of transparency and efficiency. In short, while the basic premises of the importance of public accountability and efficient use of resources remain, it is appropriate to review these mechanisms and processes periodically to determine what modifications or other refinements are needed. The goal of the subcommittee through this review is not less accountability but rather better and more effective forms of it for the state and its public universities. With that as background, the following sections outline the recommendations of Subcommittee B with related implementation strategies.

Identifying and Pursuing Opportunities for State-Level “Regulatory Relief”

As noted earlier, the subcommittee worked in collaboration with the public university vice presidents for business and finance and their staffs to develop a list of specific proposals to reduce and streamline state-level regulatory requirements. This activity resulted in a list of 30 such proposals that were categorized into one of four types: (I) Actions not requiring statutory and/or administrative rule changes that can be initiated immediately; (II) Actions requiring statutory and/or rule changes that should be pursued immediately; (III) Actions requiring statutory and/or rule changes that likely can only be achieved in the mid-term (2-3 years); and (IV) Actions requiring statutory and/or rule changes that, while desirable, likely can only be achieved in the long-term after significant consultation with the Governor's Office, General Assembly, and others.¹ The subcommittee believes that these are constructive proposals that merit further exploration by the Board and public universities in conjunction with other interested parties (e.g., the Governor's Office, General Assembly).

At the same time, any efforts to achieve state-level “regulatory relief” in a substantive way must also take care to ensure that valid and essential checks and balances put in place through these statutes, rules, and processes are not weakened inadvertently through any efforts to revise or eliminate them. Thus, the subcommittee believes that additional review and refinement is needed to flesh out the details of these proposals and also ensure that there are no unintended impacts from the proposed changes.

- **Recommendation #1:** A working group comprised of IBHE staff and appropriate staff at the public universities should be formed to review the

¹ The complete listing of proposals by category, including key benefits and required actions to implement the proposal, is included in the Appendix to this report.

proposals included in the Appendix, make refinements as necessary, and develop a detailed implementation plan focusing in particular on the proposals included under categories I and II. The implementation plan should identify potential cost savings and other benefits resulting from the proposed action as well as an estimated time frame for completion. The Governor’s Office, General Assembly, and others (e.g., the Comptroller, Auditor General) should also be consulted in the development of this plan as appropriate.

Implementation Strategy: Recommendation #1

Action Step	Proposed Timeframe
1. Establishment of working group	January 2005
2. Working group develops and completes implementation plan	January – July 2005
3. Implementation plan presented to IBHE	August 2005
4. Begin implementation with annual status reports to IBHE	Ongoing thereafter

A related issue also discussed by the subcommittee is the impact on public universities of the State Officials and Employees Ethics Act (SOEEA) that was signed into law in late 2003. Two aspects of SOEEA impacting state employees (including public university employees and unpaid members of public university boards of trustees) were discussed: (1) the requirement that all employees complete an annual ethics training program (including a testing component) conducted by the appropriate state agency; and (2) the requirement that agency/institutional personnel policies require employees to document the time spent each day on official State business to the nearest quarter hour using an approved timekeeping system. The second component in particular is seen as problematic for public universities given the unique nature of academic work compared with that taking place on a daily basis within a typical state agency. While initial discussions between public universities and the Governor’s Office of the Executive Inspector General (OEIG) indicate a general level of understanding and recognition by the OEIG of the fundamental work place differences between the public universities and state agencies and that public universities are being encouraged to catalogue potential problem areas within the legislation, the current provisions of SOEEA remain in effect at this time for public universities nonetheless.

The subcommittee is in full agreement with the general premises and principles embodied within SOEEA and believes that public university employees and board members should not be exempt from the broad intent of the legislation. However, it is clear at even this early stage that there will need to be refinements made to the legislation at some point in order to accommodate the unique nature of the academic work place in a practical and effective manner.

- **Recommendation #2:** Public universities should work together to compile a single list of proposed amendments to SOEEA that would serve to accommodate

the unique nature of the academic work place within the law while also remaining true to its original broad intent. This proposed list of amendments should be shared with the Governor, General Assembly leadership, and the OEIG.

Implementation Strategy: Recommendation #2

Action Step	Proposed Timeframe
1. Public universities compile list of proposed amendments to SOEEA	January – March 2005
2. List of proposed amendments shared with IBHE for review and comment	April 2005
3. List of proposed amendments submitted to Governor’s Office, General Assembly, and OEIG	May 2005

Enhancing Accountability Mechanisms and Processes. The subcommittee also reviewed related information regarding the many avenues through which the public universities demonstrate accountability to the Governor, General Assembly, and public at large, including (but not limited to) the annual Performance Reports, other statutorily-required reports, the budget development process, financial and compliance audits, and academic program review. However, interviews and surveys conducted as part of the Board’s recently completed mid-term review of *The Illinois Commitment* suggested that while there was general consensus around the six goals enumerated within the plan, some key stakeholders (e.g., members of the General Assembly) perceive a “gap” between current mechanisms and related processes for demonstrating accountability and what is actually “needed” to demonstrate accountability to the public toward achievement of these goals, casting some ambiguity on what is expected of Illinois public universities (and higher education generally) by its stakeholders.

While the subcommittee identified a number of key areas with significant public interest and which thus have implications for demonstrating accountability (e.g., affordability, administrative costs, faculty productivity, minority student achievement, academic program quality, student learning outcomes), it is clear that a more focused dialogue with state policymakers and the public at large is needed to clarify and explore expectations and goals for the public universities and Illinois’ system of higher education generally, particularly in light of the generally accepted policy framework set forth within *The Illinois Commitment*. This question is certainly not unique to Illinois, and in response to it, some states have created forums where representatives from state government, business, community groups, and higher education come together periodically to explore this fundamental question (as well as other public policy issues) and develop greater understanding on all sides.

- **Recommendation #3:** The Illinois Board of Higher Education should take the lead in planning a statewide conference in 2005 involving key representatives from state government (including the Governor’s Office and General Assembly),

business and private industry, state associations, and higher education on the general topic of public expectations and goals for Illinois' system of higher education and setting an action agenda for addressing these expectations and goals in light of the policy framework set forth in *The Illinois Commitment*.

Implementation Strategy: Recommendation #3

Action Step	Proposed Timeframe
1. IBHE forms steering committee to plan conference comprised of representatives from higher education, state government, private industry, and other stakeholders	February 2005
2. Steering committee convenes and completes conference planning work	February – September 2005
3. Conference held	October 2005
4. Action agenda created based on results from conference; draft agenda shared with conference participants and others for input before adoption by IBHE	October –December 2005
5. Begin implementation of action agenda with periodic status reports to the IBHE	Ongoing thereafter

APPENDIX

STATE-LEVEL “REGULATORY RELIEF” PROPOSALS FOR ILLINOIS PUBLIC UNIVERSITIES

I. Actions NOT Requiring Statutory and/or Rule Changes That Can Be Initiated Immediately

1. Compile a list of data elements in RAMP not really needed or used in budget development and eliminate.

Key Benefits: Reduces administrative burden/costs.

Required Action: Change in IBHE practice in consultation with public universities.

2. Identify overlap between IBHE (RAMP) and legislative (ISL) budget information submissions. Use RAMP submissions as primary basis for addressing legislative staff data requirements with addenda as necessary to address special staff data needs.

Key Benefits: Reduces administrative burden/costs.

Required Action: Change in IBHE and legislative staff practices in consultation with public universities.

3. Reexamine purpose of the IBHE Cost Study and reevaluate its role relative to RAMP and other IBHE data collection activities

Key Benefits: Reduces administrative burden/costs.

Required Action: Change in IBHE practice in consultation with public universities.

4. Discontinue Baccalaureate Follow-Up Survey or revise schedule to once every third or fourth year.

Key Benefits: Reduces administrative burden/costs.

Required Action: Change in IBHE practice in consultation with public universities.

5. Examine information requested as part of annual “Results Reports” to determine what might be eliminated or collected on a more periodic basis (i.e., every 2-3 years).

Key Benefits: Reduces administrative burden/costs.

Required Action: Change in IBHE practice in consultation with public universities.

II. Actions Requiring Statutory and/or Rule Changes That Should be Pursued Immediately

1. Allow public universities to process all payments (appropriated and non-appropriated funds) locally.

Key Benefits: Eliminate duplication of effort between universities and Comptroller. Eliminate need for two payroll and voucher processing systems. Allows for timely payment to vendors, resulting in possible cost savings. Allows for single source for reporting employee activity.

Required Action: Statutory change: 15 ILCS 405/1 et seq. Administrative rules change. Agency rules change (Comptroller/CMS).

2. Eliminate redundant expenditure reviews and specific audits on state grants and contracts (e.g., HECA grants).

Key Benefits: Reduces administrative burden/costs. Eliminates duplicative reviews already covered within the scope of annual institutional financial audits.

Required Action: Administrative rule changes. Agency rules change (IBHE, other state agencies).

3. Raise threshold levels for required contractual obligation filings with the Comptroller's office to statutory bidding levels.

Key Benefits: Reduces administrative burden/costs. Lessen need for university/Comptroller coordination and reconciliations.

Required Action: Statutory change: 30 ILCS 500/20-80. Administrative rules change. Agency rules change (Comptroller).

4. Increase the threshold for individual Procurement Card transactions; allow use of a procurement card for the purchase of other services and travel expenses.

Key Benefits: Reduces administrative burden/costs. Increases convenience and "bulk" purchasing power.

Required Action: Statutory change: 30 ILCS 105/13.3. Administrative rules change. Agency rules change (CMS).

5. Modify property control requirements (i.e. eliminate state reporting requirements, increase level for property tags, modify the reportable fixed asset level, permit disposal of property outside CMS Surplus Property Division, allow retention of sale proceeds for equipment purchased with non-state funds).

Key Benefits: Utilizes procedures consistent with university operations rather than procedures applicable to state agencies. Preserves Auditor General audit function for property records. Reduces administrative costs.

Required Action: Statutory change: 30 ILCS 605/1 et. seq. Agency rules change (Comptroller/CMS).

6. Eliminate requirement for IBHE approval of leases exceeding five years for land, buildings and facilities supporting scientific research.

Key Benefits: Accelerates project completion.

Required Action: Statutory change: each public university act.

7. Eliminate requirement for submission of annual three-year capital plan to IBHE detailing projects to be funded with bond revenue; report submitted to Illinois Economic and Fiscal Commission or change reporting cycle to every three years.

Key Benefits: Reduces administrative burden/costs.

Required Action: Statutory change: 110 ILCS 205/9.11.

8. Eliminate need for IBHE approval of non-instructional capital improvements or amend statute to include definition of those projects requiring approval.

Key Benefits: Accelerates project completion.

Required Action: Statutory change: 110 ILCS 205/9.08. Administrative rules change.

III. Actions Requiring Statutory and/or Rule Changes That Likely Can Only Be Achieved in the Mid-Term (2-3 Years)

1. Implement proposed amendments to the State Procurement Code as submitted by IPHEC in December 2003, including the exemption of certain purchases from the code (i.e., books, periodicals, copyrighted material, entertainment and college sports contracts), allowing leases not funded by State appropriations of up to 25 years in length, extending the existing inflationary adjustment of commodities and service bid thresholds to professional and artistic services, etc.

Key Benefits: Reduces administrative burden/costs while preserving controls and standards. Facilitates institutional planning and flexibility. Better positions universities to negotiate cost savings with vendors.

Required Action: Statutory change: 30 ILCS 500/1-1 et seq. Administrative rules changes. Agency rules change (CMS, etc.)

2. Standardize capitalized asset dollar thresholds between the Property Control Law, the State Finance Act, CMS Administrative Rules, and SAMS.

Key Benefits: Reduces administrative burden/costs; facilitates institutional planning. Reduces required paperwork; simplifies asset filings.

Required Action: Statutory change: various. Administrative rules change. Agency rules change (Comptroller/CMS).

3. Restructure the Auditor General audit schedule from annual financial and compliance audits to annual financial/biennial compliance audits.

Key Benefits: Reduces administrative burden/costs while preserving controls and standards. Allows correction of compliance issues within 2-year schedule consistent with most state agencies.

Required Action: Statutory change: 30 ILCS 5/1 et seq. Administrative rules change. Agency rules change (Comptroller/OAG). *NOTE – May not be feasible if change in federal law is also required (A-133 reporting requirement)*

4. Eliminate documentation requirements for the transfer of paperwork between state agencies (grant and contract billings).

Key Benefits: Reduces administrative burden/costs by limiting unwieldy paper transactions.

Required Action: Administrative rules change. Agency rules change (various).

5. Increase sealed bid thresholds significantly (i.e. from \$28,000 for small purchases to \$100,000).

Key Benefits: Reduces administrative costs; accelerates timeliness of purchases. Better positions universities to negotiate cost savings with vendors.

Required Action: Statutory change: various, Administrative rules change. Agency rules change (CMS).

6. Expand electronic transfer of expenditure data from universities to the Comptroller.
Key Benefits: Reduces administrative burden/costs.
Required Action: Change in Comptroller practice.
7. Extend required cost savings payback period in guaranteed energy savings contracts (i.e. performance contracts) as authorized by the Public University Energy Conservation Act from 10 years to 20 years.
Key Benefits: Provides greater flexibility and incentives for universities to negotiate performance contracts with vendors.
Required Action: Statutory change: 110 ILCS 62/20.
8. Eliminate requirement that no contracts for awards subject to the State Procurement Code may be entered into for 30 days following the notice of award posting in the Procurement Bulletin. *NOTE – This requirement was added as part of FY 2005 budget implementation legislation signed into law on July 30, 2004 (Public Act 093-0839).*
Key Benefits: Eliminates unnecessary barrier to timely acquisition of contracted goods and services.
Required Action: Statutory change: 30 ILCS 500/5-30.

**IV. Actions Requiring Statutory and/or Rule Changes That, While Desirable,
Likely Can Only Be Achieved in the Long-Term (3 or More Years)
After Significant Consultation**

1. Consolidate non-personnel appropriation lines or eliminate 2% transfer limit and approval requirements.

Key Benefit: Facilitates institutional financial planning and flexibility.

Required Action: Statutory change: 30 ILCS 105/13.5.

2. Allow carryover of state appropriation authority to address long-term needs, and/or reappropriate unexpended appropriation authority

Key Benefit: Allows carryover of unspent/unobligated appropriations to future periods rather than requiring spending within state fiscal year. Facilitates long-term institutional financial planning.

Required Action: Statutory change: 30 ILCS 105/25.

3. Allow lump sum transfer of funds from the Comptroller to the universities.

Key Benefits: Facilitates institutional financial planning and flexibility

Required Action: Administrative rules change. Agency rules change (Comptroller).

4. Provide direct appropriation and design/build authority for all capital projects to institutions, eliminating the CDB role and Capital Development Board Construction Administration Fee.

Key Benefits: Accelerates project completion and potential cost savings. Eliminates 3.0% construction administration fee and related costs. Reduces duplication in project documentation and oversight.

Required Action: Statutory change: 20 ILCS 3105/1 et seq. Administrative rules change. Agency rules change (CDB).

5. Eliminate contract-filing requirement with state Comptroller (*Note – similar to proposal II-3*)

Key Benefits: Reduces administrative burden, resulting in lower administrative costs.

Required Action: Statutory change: 30 ILCS 500/20-80. Administrative rules change. Agency rules change (Comptroller).

6. Restructure the State Universities Civil Service System from a regulatory/employer role to a “compliance” audit role.

Key Benefits: Consolidates duplicative, time consuming efforts. Streamlines the hiring process thereby reducing administrative burden/cost.

Required Action: Statutory change: 110 ILCS 70/0.01 et seq. Administrative rules change.

7. Consolidate (or eliminate duplicative) reporting required under the State Employment Records Act and that required by the Department of Human Rights concerning employees (number, salary levels, etc.)

Key Benefits: Reduces administrative burden/cost.

Required Action: Statutory change: 5 ILCS 410/1 et seq.

8. Eliminate annual report on sick-leave payouts or make a biennial report.

Key Benefits: Reduces administrative burden/cost.

Required Action: Statutory change: 40 ILCS 5/15-158.3 (b)

9. Evaluate prospects for increased institutional authority in benefit design for the employee group insurance program

Key Benefits: Increases institutional flexibility and competitiveness in employee recruitment and retention. Potential cost savings.

Required Action: Statutory change: various. Administrative rules change. Agency rules change (CMS)