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GRAPEVINE

A newsletter on state tax legislation; state appropriations for universities, colleges, and junior colleges; legislation affecting education at any level. There is no charge for GRAPEVINE, but recipients are asked to send timely newsnotes regarding pertinent events in their respective states.

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"In some of our institutions... with set appropriations per student, fixed salary scales, rigid seniority rules for promoting teachers, and standardized class size, we can already witness the adverse effects of a uniformity which can be disastrous to the rich diversity of higher education."

-- Logan Wilson, in The Educational Record 42: 99-105 (April 1961).

"If we ask what entitles a country to be called civilized, the best answer is that the more kinds of lively human types it produces and sustains, the more civilized it is. Uniformity, whether imposed from on high by political authority, or fostered from within by cowardice or snobbery, or Pharisaism, is the true enemy of the human spirit. One of our main tasks is to stand up to this enemy when we see him, and for this we must keep our eyes open and our weapons sharp."

-- Sir Maurice Bowra, Warden of Wadham College, Oxford University, at the Fiftieth Anniversary of the Association of American Colleges, January 13, 1964.

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LLOYD MOREY ON GOVERNMENT AND HIGHER EDUCATION

LLOYD MOREY, now 79, President Emeritus of the University of Illinois and dean of American state university business officers, has given GRAPEVINE generous moral support from its beginning.

Recently he has kindly sent us a copy of "Governmental Control of Public Higher Education," his speech delivered at the annual meeting of the National Association of State Universities in New York City, May 2, 1955.

His words are as cogent and convincing today as they were nearly ten years ago. We take the liberty of excerpting them on this and the following page, but not before setting down a very brief sketch of his distinguished career.

For more than forty years he was in the Comptroller's office at the University of Illinois, and was the University's chief business officer for thirty-seven years up to 1953. Concurrently he was a member of the faculty of the department of accounting, 1917-55, rising from instructor to full professor.

For decades he was a leading figure in the voluntary efforts to improve and keep up to date university accounting and financial reporting. One of the fruits of these efforts was the 2-volume College and University Business Administration, published by the American Council on Education in 1952 and 1955, which had enormous influence, and which is so indispensable that a new updated edition is soon to appear.

Twice he received the annual award

of the American Institute of Accountants; and a special award of the Municipal Finance Officers' Association. He was active more than 40 years in the Central Association of College and University Business Officers, having been its president in 1923-24.

He has lectured at several universities, and served as consultant to others, as well as to various municipal and state governments, and the national government.

In 1953-55, at an age when many men are in retirement, he served as president of the University of Illinois; and in 1956, when the chief fiscal office of the state of Illinois was suddenly found to be riddled with corruption and incompetency, he was the one man above all others upon whom a distraught governor could call to restore the integrity of that department, and he served as Auditor of Public Accounts of the State of Illinois in 1956-57, thus capping a career of 56 years of distinguished public service.

It is interesting to note that in his early years, before earning his credential as a Certified Public Accountant, he won two degrees-- Bachelor of Arts and Bachelor of Music-- and that he is the composer of numerous musical works.

Between November and April Dr. Morey's address is usually 2396 East Sixth Street, Pompano Beach, Florida. His home address is 1009 South Douglas Street, Urbana, Illinois.

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EXCERPTS from speech of LLOYD MOREY to the National Association of State Universities at New York City, May 2, 1955:

"Higher education deserves and should have a highly autonomous status in the governmental organization of which it is a part, be it state or municipal or federal.

"The highest...level of higher education autonomy to be achieved is of course the provision in the state constitution placing complete authority and responsibility on the governing board. This has been accomplished in Minnesota and Michigan, for example, and...a few other places, and in those states at least its effect has been tested and confirmed by the highest court of the state."

(It is next explained in some detail that in the majority of the states, where the constitutions do not provide for university autonomy, nevertheless the state institutions of higher education do have, in varying degrees in different states, many of the requisites of an independent position. In many states the legislatures have an established custom of recognizing and protecting the autonomy of state universities).

"Where the legislature acts, it is usually to give authority rather than require that certain things be done--encouragement rather than mandate. It is not infrequent, however, that effort is made to pass laws establishing limitations. For example, in 1953 there was a determined effort on the part of commercial interests to secure enactment of a law prohibiting the University of Illinois from doing any television broadcasting of any kind. Fortunately, the General Assembly refused to pass such a prohibition."

"One area in which control by some central authority is sometimes attempted is over publications. This is particularly unjustified and burdensome. It is bad enough if it is limited only to placing of contracts for printing. It is intolerable if it includes any editing, censorship, or restrictions on the kind, amount, or content of such publications, whether they be adminis-

trative or scientific."

(It is conceded that in two important fiscal functions, external control is acceptable: (1) post-audit by an outside agency, and (2) incorporation of the institutional requests into the overall state budget. Beyond these, a strong case is made against centralized control of purchasing, periodic allotments of appropriations by some central administrative agency, pre-audit of disbursements, accounting and financial reporting, property control, and physical planning and construction).

"Centralized advance approval of requisitions as being within appropriation is particularly burdensome and unnecessary. Each institution is itself responsible for keeping within its appropriations and should exercise that responsibility. Decentralized responsibility for this function is best, even within an institution.

"Management cannot operate without accounts accessible to it. Centralized accounting cannot serve an institution adequately.

"Financial reporting is also a function of management. National standards appropriate for colleges and universities have been developed and are widely used. Institutions should assume responsibility for their financial reporting."

(As to physical planning and construction) "Most states have departments of architecture or public works. Not infrequently state colleges and universities are brought under this program...Usually the institutions are required to pay for such service out of their capital appropriations. Consequently it should be left to them as to whether they can get the best service through this channel or otherwise. Large institutions can usually be better served by development of their own organization or engaging outside professional service which can work directly in and with the institution."

(The foregoing are only inadequate inklings of a 12-page statement which is a classic).

FLORIDA'S NEW CHAPTER 240 (ON UNIVERSITIES) BECAME EFFECTIVE JANUARY 1, 1965

FLORIDA. Since 1905 this state has had all its state universities governed by one board at the state capital, styled the Florida Board of Control, and composed of seven members appointed by the governor and senate for terms of four years.

The statutes have always made the Board of Control "subject to the authority and supervision of the State Board of Education"; and Florida has always retained the archaic type of state board of education composed exclusively of elected political officers of the state ex officio (governor, secretary of state, attorney general, treasurer of state, and superintendent of public instruction).

This set-up has been justifiably criticized as being (1) too highly centralized, (2) having too-short terms for the members of the Board of Control, and (3) having too close a tie-in with partisan political administration. It may be added that an accretion of restrictive statutes regarding fiscal procedures tied the hands of the institutions and of the Board of Control itself in many instances, and deprived them of practically all vestiges of real autonomy.

New Board of Regents

A legislative act of 1963 proposed a constitutional amendment to correct only a few of these undesirable features. The amendment was submitted to the electorate November 3, 1964, and adopted. It authorized the legislature to provide for terms of as long as nine years, instead of the pre-existing limitation to four years. (All state officers, including members of the Board of Control, had been subject to the 4-year limitation.)

The same 1963 legislature enacted an implementing act (a new Chapter 240, Florida Statutes), and provided that it should become effective on January 1 of the year following the adoption of the constitutional amendment permitting 9-year terms.

This implementing act, now in effect, creates a new Board of Regents of nine members, appointed by the governor with the approval of the state

board of education and the confirmation of the senate, to serve for terms of nine years (one to be appointed each year eventually; the terms of the first appointees varying from 1 year to 9 years so as to start the cycle of overlapping terms).

These features tend to give members terms long enough to enable them to learn their duties, and tend to protect the board from sudden and erratic changes of membership and policy which might be occasioned by an influx of new members at any one time. One must note unhappily, however, that the subjection to the authority of the state board of education is undisturbed.

The powers and duties of the new Board of Regents do not appear to be greatly different from those of the now defunct Board of Control. It is created a corporation, with all the usual powers of an institutional governing board. It is directed to prepare biennial budgets for the state universities, and to report these, together with other detailed fiscal data, to the appropriations committees of the two houses of the legislature by December 15, biennially.

This apparent bypassing of any executive budget office other than that of the Board itself seems to be a commendable effort to reduce the number of formal hurdles that higher educational fund requests must surmount in many other states. For example, in California the requests of the University of California, after approval by the Regents must go to the Coordinating Council for Higher Education for its recommendation, then to the budget director of the state, then to the legislative budget officer, and finally to the appropriate committees of each house of the legislature.

The new Florida act stipulates that "The board of regents and all the institutions and divisions under its control are exempt from any and all supervision or control of the state budget commission, except for subsection (1) of section 216.211, Florida Statutes." This section provides that if and when the governor believes revenue receipts will be insufficient to finance the full appropriations

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then the budget commission or the governor "shall adjust the budget of any department or board", the intent being that there shall be no deficit. This is Florida's salaam to the fetish of the balanced budget.

Role of State Treasury

Funds coming into the hands of the Board of Regents must be deposited in the state treasury within 40 days after receipt, with certain minor exceptions, among which are student deposits, student activity funds, scholarship and loan funds, "Federal Point IV program" (presumably this means sums received under grants or contracts for assistance to foreign countries), and athletic fees. Probably most important among these exceptions are gifts, grants, research contracts or requests from any source other than the state; and "alumni funds of whatever nature or description and however acquired."

A wise and experienced university business officer has commented to GRAPEVINE that despite these exceptions "a great deal more 'loosening of strings' is needed". One might add that a simpler and better way of wording the statute would be to except "all funds from whatever sources other than state appropriations."

Pre-Auditing of Disbursements
by the State Comptroller

A practice now coming to be regarded as unnecessary, likely to be pernicious in its effects on the operation of the institutions, and sure to be annoying, is retained: Disbursements cannot be made until pre-audited and countersigned by the state comptroller. The modern trend is to entrust pre-auditing to the institutional business officers, and it is not regarded as at all necessary to have it duplicated and delayed in any state office. The annual post-audit by an agency outside the institutions is a

sufficient check on the accuracy and lawfulness of the expenditures. The worst feature of pre-auditing from the state capital, aside from the delay it entails, is a difficulty that has been demonstrated by years of experience in many states: State fiscal officers have a seemingly unconquerable tendency to exceed their statutory powers (to check for accuracy, lawfulness, and availability of funds), and trespass into the domain of the wisdom and expediency of the expenditures, which is not their province.

Several results detrimental to the operation of higher education invariably ensue. Delays and disputes between the institutional president and the state-house auditing office disrupt the president's plans, cause many of the institution's prior expenditures to be markedly less productive than they would otherwise be, and transfer in greater or lesser degree the management of the institution from its president to fiscal clerks in the statehouse, with results that might well be expected to be less than admirable.

State auditors are often prone to seize upon petty matters such as the cost of meals allowable to university professors while traveling in the interest of the state, and to encourage reporters to blow these up into headline stories in which the state auditor is posed as the "faithful watch-dog of the treasury" while by implication the university president is portrayed as a congenitally incompetent spendthrift.

A well-remembered state auditor of Ohio, who later won election and reelection to several terms as governor, made sensational headlines out of the fact that the price of one baked potato on the menu of a state employee while traveling had been 40 cents, at a time when Ohio farmers were selling a huge crop of potatoes at 50 cents per bushel.

The Florida act, in order to avoid locking the operation of the institutions

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at a standstill, allots to each institution a small "revolving fund" out of which payments may be made without delay, and later audited by the state comptroller who will thereupon reimburse the revolving fund. These institutional "revolving funds" range from \$75,000 to \$250,000, the largest being for the University of Florida.

Authorization of Capital Outlays

The Florida legislature wishes to keep in its own hands (and not through any fiscal or administrative intermediary) the control of state funds for capital outlays; but the act wisely embodies very substantial exceptions to this policy on behalf of public higher education.

"No buildings except as hereinafter provided shall be constructed, altered, remodeled or added to by the state university system without express approval of each such project having first been granted by the legislature."

However, any project involving not more than \$35,000 of state funds is exempt, as are also all buildings financed from non-state sources such as federal grants, private gifts, private investment in self-liquidating dormitories or other income-producing auxiliary accommodations; and any buildings of any kind destroyed by fire or other calamity.

The Florida Picture in Summary

The new Florida act now in effect may apparently be characterized as follows:

- (1) It has somewhat improved the structure of the statewide governing board for the five universities, while leaving it, nominally at least, subject to the supervision of an antique type of state board of education.
- (2) In providing that the institutional budgets shall go directly from

the Board of Regents to the appropriations committees of the two houses of the legislature, it apparently accomplishes a desirable simplifying of the budget-request process-- the exact opposite of the efforts that have recently taken place in some states to "insulate" public higher education from the legislature.

(3) With some very commendable exceptions, it leaves the state treasury in custody of the bulk of university funds. There is a fairly close approach to a policy of state custody of appropriated state tax funds only, which is desirable.

(4) Pre-auditing of disbursements by the state comptroller is retained-- a superfluous and delaying practice which in many instances detracts from the efficiency of the operation of an educational institution.

(5) The legislature holds in its own hands approval of expenditures of state tax funds for capital outlays, while allowing the Board of Regents to control expenditure of capital funds derived from non-state sources.

(6) The Board of Regents continues to be the governing board, with plenary powers, over the state universities. As such, it is subject to all the inherent disabilities of a single body exerting control over several widely-scattered and diverse institutions.

(7) The Board of Regents in its capacity as a statewide coordinating board, apparently enjoys the confidence of the legislature in high degree in the function of preparing and submitting budget requests; but it is kept within the strait-jacket of pre-auditing by the state comptroller.

(8) Some small progress has been made in improving the legislation of two generations ago, enacted when there was a stringent "economy of scarcity". Many more improvements are greatly needed to accord with the present "economy of abundance" and the new knowledge of the role of public higher education in the economic and cultural advancement of a great state.