



OFFICE OF THE GOVERNOR

**Analysis of the Virginia Cooperative Extension Service (VCE) Structure,
Funding Trends, and Research**

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Executive Summary

Pursuant to a budget amendment adopted by the General Assembly, the Secretary of Education was required to provide an analysis of the Virginia Cooperative Extension Service (VCE) structure and various financial operating and reporting mechanisms. What follows is the detailed analysis of various VCE activities, as well as, several recommendations intended to position VCE more effectively as a resource for its varied and unique stakeholder community.

While programming in the Agricultural and Natural Resources area is the most prominent, VCE also conducts significant activities in the following areas: 4-H Youth Development, Community Viability, and Family and Consumer Sciences. VCE personnel are housed on the campuses of Virginia Tech and Virginia State University, at the agency's eleven (11) Agricultural Research & Extension Centers and in virtually every county (and some cities) in the Commonwealth. Total agency funding from all sources (General Fund, nongeneral fund – primarily federal, localities reimbursement of salaries and fringes paid by Virginia Tech and direct payments by locality) exceeded \$80 million in 2010, a 12% reduction from 2008 levels. As was the case with every other state agency, Virginia Cooperative Extension funding was significantly impacted by the reduced allocation of General Fund appropriations.

A majority of VCE's resources are allocated to off-campus Extension activities which directly serve constituents of Extension programming throughout the Commonwealth. Over the 10-year period of this report, the percentage of VCE resources expended for off-campus Extension activities has increased 3%. The attached appendix shows the direct relationship between on-campus research and specific programming conducted by Extension personnel in the field.

This study specifically examined allocations and expenditures of funding for Agency 229, the Virginia Cooperative Extension Service. This report showed that a number of important internal controls at Virginia Tech provide multiple opportunities to assure that allocated resources were appropriately utilized. In addition, as a normal course of business, the Virginia Department of Budget and Planning ensured that Agency 229 resources were allocated so as to be consistent with legislative intent.

It was acknowledged by both VCE and its stakeholders that financial reporting of Agency 229 activities was, at times, confusing for external stakeholders. To address this problem, it was recommended that the current 229 report be replaced by a simpler, more transparent document. Many participants in the process, both those within the existing Extension structure and those representing external stakeholder groups, believed a more transparent reporting process would directly address some of the issues which were raised in the budget language.

The analysis also revealed that VCE's "revolving door" of leadership was affecting the ability of VCE to function at its highest level. With the hiring of a permanent Extension Director in the spring of 2011, the University now has new leadership in place which can more effectively address the many challenges facing the VCE in these challenging economic times. A new Memorandum of Understanding, for example, between VCE and Virginia localities will rebuild and re-establish that historically significant and positive relationship which has long existed.

Finally, this report examined the role that the Extension Leadership Council (ELC) plays in the administration of Extension programming. The ELC was originally created to assure that external stakeholders have a voice in the VCE decision-making process and are the direct link between VCE and the constituents it serves. It is recommended that the function of this group be revisited to assure that it has the proper composition of stakeholders amongst its membership and can be a more effective

conduit for information both to and from the field. Improved communication is needed between university leadership (229 Council), localities, stakeholder (ELC) needs to develop future programming and research efforts.

Virginia is not alone as it seeks to build a Cooperative Extension Service “of the future” which meets the needs of those it serves during a time of fiscal austerity. Many states are also grappling with fiscal issues which have caused them to also examine the most appropriate way to conduct Extension programming that serves the most people and in the most effective way. This analysis suggests that Virginia is once again ahead of the curve in that respect.

Next year is the sesquicentennial anniversary of the passage of the Morrill Land Grant Act. The Association of Public and Land Grant Universities is making plans for state celebrations, commemorative publications, and a national convocation. The sesquicentennial anniversary of the Morrill Act provides us with the opportunity to enhance our ability to serve pressing societal needs at home and abroad, including our missions of access and affordability, of public service and of innovative research and development as keys to national competitiveness.¹

Virginia Cooperative Extension will lead these conversations for Virginia. While discussions surrounding the implementation of VCE’s Long-term Strategic Plan were acrimonious at times, there appears to be a clear consensus that the people and processes now in place represent a strong step in the right direction. We believe that adoption of the recommendations which are highlighted at the conclusion of this report will add momentum to this positive change. The constituents of the Virginia Cooperative Extension programming deserve no less.

¹Association of Public and Land-Grant Universities, <http://www.aplu.org/page.aspx?pid=2185>.

Recommendations

As we approach the sesquicentennial anniversary of the land grant institution, it is important to remember that Cooperative Extension was created to translate the research discovered within the institution to those individuals and communities outside the region. This role ultimately helped build the Commonwealth and continues to sustain local communities through its' network of county offices and research stations.

With close to a 100 year history, the success of Cooperative Extension's efforts and its' impacts to the Commonwealth can be demonstrated. Programming and staffing levels will continue to change as the needs of stakeholders evolve and resource levels fluctuate with changes in federal, state, and local funding.

These recommendations are provided to strengthen the organizational structure, encourage greater communication, and provide for additional transparency on the use of funds to external stakeholders to sustain Virginia Cooperative Extension for another hundred years. This should continue in the same spirit of the Smith Lever Act which created Cooperative Extension as a partnership among higher education and federal, state, and local governments in collaboration toward the solution of social and economic problems.

1. Organizational Structure/Leadership

This report requested an analysis of the organizational structure of the Cooperative Extension division prior to and proceeding the merger in 1994. These structures were reviewed in previous sections of this report.

The single division provides more transparency by isolating resources intended for Cooperative Extension activities in one unit. Programmatically, this structure focuses solely on Cooperative Extension related activities and has a director responsible for oversight of these activities.

However, some stakeholder groups have expressed concerns regarding the imbalance of support for one area of Cooperative Extension at the expense of other areas. There is also concern that the current structure does not provide a well defined process for decision making, allocating resources and determining long range strategic plans.

Maintaining continuity of an Extension Director would help address many of the stakeholder concerns raised while researching this report. From 1914 to 1976 there were only 5 directors. However, since 1992, there have been 10 directors of the Virginia Cooperative Extension Division. Prior to 2009, the average tenure was three years. However, since March of 2009 there have been three directors.

The Extension Director serves as the leader of Cooperative Extension. This position is a liaison to the three colleges that support VCE and must also maintain and establish relationships with various local governments and other stakeholder groups throughout the Commonwealth. However, despite the broad programmatic offerings of the Division, the Director reports through the Dean of the College of Agriculture, where the majority of 229 funds are spent.

The 229 Council consists of broader college and University representation to facilitate program coordination across the colleges and program units to help represent the larger mission and programmatic function of the agency. The Council is currently chaired by the Vice President for Outreach and International Affairs, on behalf of the Provost.

Recommendation: *Given the reporting line of the Director and the breadth of the programming provided by the Division, it is important to evaluate and define the role and leadership of the 229 Council to make sure all interests are represented. Leadership for the Council should be provided from the highest level of the University. The University Provost should chair the Council with the deans and Directors of Virginia Cooperative Extension and the Virginia Agriculture Experiment Station and serve as a steering committee responsible for establishing the program direction rather than their current role in facilitating communications. Consideration should be given as to how to receive and utilize stakeholder input in this process.*

2. Restructuring

This report supports Virginia Tech's decision to halt the Restructuring initiative begun in 2010. However, future efforts to reorganize the Division will be necessary as resource and programmatic needs change over time.

Recommendation: *Re-invigorate the Division's relationship with the localities. Virginia Cooperative Extension has begun a process of re-negotiating a Memorandum of Understanding ("MOU") with the counties. The current MOU is over 15 years old. MOUs should affirm localities needs, financial support, and Virginia Cooperative Extension's commitment to meeting those needs. Multi-county partnerships should be considered to leverage resources and expertise to the greatest extent without detriment to core services. Greater use of technology should also be considered as a mechanism for disseminating program and research materials as appropriate.*

3. Increase Fiscal Transparency

Stakeholder groups were confused by inconsistencies when comparing data in the Appropriations Act, 229 Report of revenues and expenditures, and other publically available documents. It is impossible for the data to match precisely given as each report represents different snapshots in time. In an effort to create greater transparency as to the use and allocation of resources, the work group created an expanded 229 report with more detail on the sources and uses of expenditures and revenues. Further, a spreadsheet to reconcile the Appropriations Act to CARS, applicable funds recorded in the state accounting system, and to the annual 229 report was produced to help explain the differences between the publically available reports on state support and allocation of resources in the Agency.

Recommendation: *Replace the current "229 Report" with the improved "Sources and Uses" report developed by the working group. This enhanced "229 Report" will provide increased transparency to the sources and uses of funds to Virginia Cooperative Extension and the Agriculture Experiment Stations. If further transparency remains an interest of stakeholder groups, it is recommended that a committee be created within the ELC to bring forward additional questions to University administrators.*

4. Extension Leadership Council (ELC)

Currently, the ELC is comprised of 22 members, one each from the planning districts in the state as well the chairperson from the VCE program leadership council, the director of VCE, the administrator of VCE at Virginia State, faculty members, director of the Agricultural Experiment Station, the associate dean of agriculture, and director of research at Virginia State University, as well as a number of at large members. While the group appears to be representative of many interests within VCE, this group could

be better utilized to communicate with local volunteers and lead advocacy efforts in addition to helping to surface issues from the field or local constituencies.

Recommendation: Evaluate the Councils' mission, membership, and responsibilities to ensure it is playing a relevant role in advancing and promoting Virginia Cooperative Extension for the 21st century. Membership should reflect all stakeholder groups and serve as the primary advisory board regarding Cooperative Extension issues for Agency 229 by providing a clear process for Extension constituents to influence programming and staffing decisions. Part of this evaluation should include how the ELC at the state level will help strengthen the role of the local ELC and their work on the local level with various constituencies and stakeholders.

5. Review of Allocations of Faculty Time

Concerns were raised during the research for this report as to the allocation of time for certain individuals paid by Agency 229. As described in a previous section of this report, Virginia Cooperative Extension has an established process for allocating faculty time through an annual, upfront estimate of the faculty's planned effort that is distributed within the financial system. This planned allocation normally involves the faculty member, department head, and Dean. At the end of each academic term, this upfront distribution process is confirmed or adjusted through the University's "effort reporting system" which requires an end-of-work confirmation for each faculty member. The internal control over cost and effort allocations is further supported by the separate annual federal reporting requirement completed by the agency in a manner similar to the practice in other states.

It is not the intent of this report to review the individual allocations of the positions allocated to 229 as this was not included in the study language. The responsibility for this process is delegated to the University. However, specific questions were raised about partial Agency 229 funding of a University administrator, with no line responsibilities for the Agency but with broad oversight of statewide programs. There were no violations of policies or regulations. A process was established whereby 50 percent of Agency 229's support for this position was to be reimbursed by the University, and as a result funding was transferred to the College of Agriculture. Agency 229 will be reimbursed for these expenses for FY12. If there are reasons for future arrangements, the process should entail reimbursing Agency 229.

Recommendation: The Provost and the Vice President for Finance and Chief Financial Officer should evaluate the existing processes for establishing the upfront "effort" allocations in the University's accounting system along with the internal controls provided by the "effort reporting system" and the federal report requirements to ensure that the process requires and results in reasonable allocations of effort. This evaluation should also consider the impact of creating ranges of effort to be used in the reporting system with a corresponding set of expectations for that effort. It is understood that the effort allocated to various program functions can change from year to year. At the end of the review, the Provost and the Vice President for Finance and Chief Financial Officer should determine that adequate internal controls exist and are operating to ensure that these processes continue to operate on an annual basis.

6. Research

The development of research and dissemination of research “products” is critical to fulfilling the land-grant mission of the University and supporting the needs of localities. The land-grant mission was created based on research being developed on the university campus and utilizing the Cooperative Extension’s network of agents and specialists to deliver the research outcomes while also responding to the needs identified outside of the campus footprint.

Some stakeholders expressed concern about the lack of visibility and understanding of what research is conducted on campus and how it is translated into the field. This report provided some practical examples of how this happens and has been critical in responding to plant disease management, bed bugs, management of stink bugs in addition to discovering ways to enhance the value of Virginia’s beef enterprise and to ensure the safety of our Virginia’s seafood industry—all important to Virginia’s economy and the well being of its citizens.

Recommendation: Utilize the Extension Leadership Councils to help develop strategies to regularly promote and improve visibility of the research “products” and the value and benefits to stakeholders of this investment of federal, state, and local resources.

Communications

Communications are vital to the work and advocacy of the Virginia Cooperative Extension Division. With frequent change in leadership at the director level while major budget reductions were occurring strained and at times limited regular communication between the VCE leadership and stakeholders.

With the hiring of a permanent Extension Director in the spring of 2011, the University has new leadership in place and has demonstrated a renewed commitment to the Virginia Cooperative Extension Division. This new director will (and is already) help improve communications but other strategies are needed to form a more united network of educators, volunteers, researchers, and stakeholders to work together to advance common goals for the benefit of all citizens in Virginia.

Recommendations: It is critical that the 229 Council, ELCs, faculty, and staff develop and maintain a comprehensive communications plan to improve communication with all 229 stakeholders including local governments, members of the legislature, affected state agencies, Virginia Association of Counties, and the Secretaries of Education and Agriculture to advance Virginia Cooperative Extension’s work to address the needs of the 21st century in the Commonwealth.

Recommended 229 Report

Cooperative Extension/Agriculture Experiment Station Division (Agency 229)

Sources and Uses for the Fiscal Year Ended June 30, 2010

By Major Source of Funds - Cash Basis Totals

Prepared Sept 13, 2011

	AGENCY 229					Locality	Combined Grand Totals
	Fund 0301	Fund 0300			Grand Total	Amounts Paid Directly by Localities (2)	
	Federal Funds	Virginia General Fund	Non-General Funds	Locality Reimbursement/Support (8)			
SOURCES:							
Revenue received directly by Virginia Tech	11,009,167	61,569,176	735,583		73,313,926		73,313,926
Locality Reimbursement of Expenditures at Virginia Tech				5,211,020	5,211,020		5,211,020
Amounts Directly Paid by Localities (2)					-	6,174,443	6,174,443
TOTAL SOURCES	<u>11,009,167</u>	<u>61,569,176</u>	<u>735,583</u>	<u>5,211,020</u>	<u>78,524,946</u>	<u>6,174,443</u>	<u>84,699,389</u>
USES:							
Instruction (3)	0	0	0	0	0		0
Research	5,186,442	27,566,791	457,599	(1)	33,210,832		33,210,832
Cooperative Extension							
Paid directly by Virginia Tech	8,702,340	28,513,877	277,984	(1)	42,705,221		42,705,221
Paid directly by local governments (2)						6,174,443	6,174,443
Academic Support (4)	398,618	1,918,997			2,317,615		2,317,615
Institutional Support (5)		1,044,693			1,044,693		1,044,693
Operation and Maintenance (6)	-	2,524,818	-	-	2,524,818		2,524,818
TOTAL USES	<u>14,287,400</u>	<u>61,569,176</u>	<u>735,583</u>	<u>5,211,020</u>	<u>81,803,179</u>	<u>6,174,443</u>	<u>87,977,622</u>
TOTAL REVENUES - EXPENDITURES (NET)	<u>(3,278,233)</u> (7)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,278,233)</u>	<u>-</u>	<u>(3,278,233)</u>

- 1) Virginia Tech manages Fund 0300 expenditures such that they can only be expended to the extent revenue has been actually received to cover such expenditures. Therefore, expenditures for the three columns in Fund 0300 have been allocated among these columns to match the revenues received by June 30 for each fiscal year. There are normally revenues in transit from local governments at each year end.
- 2) Direct payments by localities occur outside of the University (e.g. space and services in county office buildings, etc.), and are not recorded in Virginia Tech's accounting system or management reports.
- 3) Degree credit instruction occurs only in Agency 208.
- 4) Academic Support includes efforts to provide support services that directly support the primary function of the agency. For Agency 229 this is a portion of the College of Agriculture and Life Sciences Deans Office including a portion of the Dean, support staff, and operating costs as well as Extension Leadership costs including the Director, state program leaders (4-H, FCS, A&R, Community Viability), support staff, and associated operating costs (e.g. the cost of agent cell phones).
- 5) Institutional Support includes efforts to provide operational support for the day-to-day functioning of the agency (e.g. payroll, human resources services, purchasing, accounting, budgeting, etc.)
- 6) Operation and Maintenance of Plant includes effort to operate and maintain the physical plant facilities (e.g. utilities, insurance, custodial services, maintenance, leased property, etc.)
- 7) Virginia Tech manages expenditures for Federal Land Grant Appropriations on a federal fiscal year basis ending Sept 30. Therefore, at June 30 a net positive or negative balance usually exists. Net negative balances are temporarily financed by internal university loans. A positive balance reflects a drawdown on the federal letter of credit that exceeded the expenses at June 30th.
- 8) Locality reimbursement/support reflects activities funded by a locality, with the needed resources transferred to Virginia Tech and subsequently expended by the University and recorded in its accounting system. These funds are recorded as "recoveries" and are limited in use to cover the costs (normally agent salaries) as agreed to by the locality.