

# **Publicness, Priorities, and Mega-Gifts in State Universities: Does Money Change Anything?**

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*Dissertation submitted to the faculty of  
Virginia Polytechnic Institute and State University  
in partial fulfillment of the requirements for the degree of  
Doctor of Philosophy  
in  
Public Administration and Public Affairs*

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May 3, 2011  
Blacksburg, VA

Keywords: mega-gifts, quasi-autonomous governmental organizations, philanthropy,  
public higher education policy

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## Abstract

As constraints on public funding become more prevalent and public policy devolves funding responsibility to the agency level in part, public organizations seek additional revenue streams. One identified private resource is philanthropy, which has seen a growth in importance over the past decade as individuals with vast sums of wealth commit a portion of their fortunes to aid society. The literature on philanthropy primarily seeks to understand donor motivations in order to aid organizational pursuit of these funds, with some scholars finding that giving is often undemocratic and can give private donors power relative to other stakeholders. What is far less understood are the effects donations have on organizational priorities. This becomes an important question for public administration as philanthropic donations to public agencies seeking additional funding. To better understand the effects of this phenomenon, this research undertook two replicative case studies in public higher education, an area where public organizations that have a long history of fundraising as well as decreased public funding. Through the lens of quasi-autonomous governmental organizations, rather than privatization, this study triangulates archival, historical, and interview data to study changes in salience of university priorities after a mega-gift is made. In the two cases studied, mega-gifts were found to have some limited effects on salience of priorities. Three different interpretations can be drawn from the findings. First, as loosely-coupled structures, higher education institutions guard against change. Second, control is a negotiated proposition and thus the potential for gifts to create change may be limited. Third, mega-gifts enable structural change, which allows some organizational actors to work with private donor to set agendas for otherwise public functions. These findings are particularly important for public policy makers, administrators, and citizens to understand and scholars to build upon as increasing numbers of public organizations seek to raise private monies.

## Dedication

To Nailhead and Little Bit, I cannot wait to hold you but am content knowing God does. Thank you for pushing me to finish and teaching me more than I ever thought it was possible to learn. I love you.

Also to Ronnie, my love, best friend, rock, and source of stability – thank you for supporting and accompanying me on this long, crazy trip. For what it's worth, it was worth all the while. It's something unpredictable but in the end it's right. Let's go have the time of our life!

## Acknowledgements

I could not have undertaken this research, or even been in a doctoral program, without the encouragement and support provided by Dr. Jim Wolf, my committee chair and mentor. Though I know my false starts followed by quick, giant leaps must have been frustrating, he never let on, instead choosing to shepherd me through this process by making me talk or draw it out – and reminding me that I only needed one dissertation. Thank you, Dr. Wolf, for making me understand the value I have as a scholar, listening and deciphering my ramblings, and for helping me see “what section of the library” I fall in.

My committee members also each helped me grow intellectually as well as a person. Dr. Wamsley, thank you for being so poetic and helping me visualize my words. Most importantly, I offer my sincere appreciation for teaching me just how much traditions matter and that “false consciousness” does not have to lead to an overthrow! Dr. Dudley, you fostered my interests and helped me find new ways to examine the world from my very first days at Thomas Conner House. You were always supportive, especially when I needed just one more thing signed, and brightened even the darkest day with your magical laugh. Dr. Stephenson, your thoughtfulness and interest in many of the same subject matters have provided me with invaluable insights into my chosen area of research. Your understanding, caring, and willingness to take this Hokie under your wing are much appreciated.

I also want to thank all of the CPAP faculty, including Drs. Choi, Cook, Dull, Hult, Goodsell, Khademian, Kronenberg, Jensen, Rees, and Rohr. I’ve learned something from each of you that has shaped this work in some way. Also thank you to Dr. Angie Eikenberry for helping me think about philanthropy, democracy, and public administration in new ways.

To all of the people who participated in my research, thank you for your willingness to share your insights. To those of you who thoughtfully prepared ideas for me before we even spoke, while some of them do not appear here, rest assured, they are already percolating in the next project!

Minnis Ridenour has taken me under his wing and, by example, has taught me what it means to be a servant leader. I will be forever grateful for his willingness to provide a graduate assistant with the chance to learn how to be a leader through practice, caring about me as an individual, and for always wanting us at the table. Thank you sincerely.

Anyone who has met me knows how important my friends are to me, and through Virginia Tech I’ve made quite a few. I am forever indebted to Amanda Comando and Ryan for being there to laugh with me, hold my hand when I cried, listen to me when I am at my wits end, and kick me where it counts when I needed it. Potter, Trisha, Emily and Jacob, thank you for treating us just like family. Boris, thank you for all the laughs and most of all a helping hand when I am buried – particularly when he, Vicka, Arina and Leonid feed the kitties. Jess, Joe, and Russ always help me out when I am in a state of panic, need a glass of wine, and a giggle from my little man. Chad, (I’m serious here) for arguing with me when I need to hear the other side and Mel for listening to it. Michael Keeney, thank you for holding true to values and sticking up for West Virginia – they need people as good as you. Nicky, thank you for reminding me when I am ridic.

Thank you also to Amanda W., Amanda F., Rusty and Joe, Edie and Kevin, Tammy, Dan, Bruce, Owen, Beth and Rich for being good sounding boards and helping me figure out the system. Patrick, Dan, Owen, Bruce, Kim Lee, Whitney, Courtney, Kate, Elizabeth, Gabe and Adi: each of you are so special to me and I'm thankful and blessed to call you friends – who is next?

I am also blessed to have another group of Virginia Tech friends who are those lifetime friends that you can never lose touch with no matter how long it has been since the last phone call. To my sorority sisters and roomies: Danielle, Katie, Tara, Dodie, Adie, Slattery, and Wyshona – thank you for being such wonderful friends and inspirations as strong and caring women.

Kenneth O. and Myra Ruth Webb, Daddy and Momma, although I am “Trouble”, you have always loved, stood by, and encouraged me. Dad, you gave me the gifts of humility, hard work, and persistence that allowed me to write this. Mom, from you I have learned the value of communication and to appreciate grace in a woman. No one could ask for better parents. You balance each other and created a loving, Christian home to nurture our minds and souls.

My siblings: Diane, you showed me how to be both nice and successful and I am convinced those trips to college with you when I was very young inspired me to stay in school. Bill, beyond all the help with the taxes you and Sheryl give me, you have shown me how to be a networker and have a sense of humor. Bob, besides always answering the phone when I do something crazy to my computer, you and Jody always leave the door open when I need a respite. Tricia, you wake up with me at 5 a.m. for physical health and always talk me through my crises for mental health. Christy, you are laughter, light, forgiveness and love all rolled into a beautiful package. God blessed us all with a well-rounded family, but I think he blessed me most by being the baby – without that, I might never have developed my stubbornness that got me through this journey...maybe it was all those times I had to chase you all!

To my Nechildren: Ash Chelle, Jer Bear, Michael Graham, Joshy, Dus, Jordi, Ruthie, Paulie-boo, and Luke Duke: I love all of you equally and as if you were mine. You all bring smiles to my face every day, even if you do not know it. Thank you for loving me back enough to put up with my “mothering” of you and for teasing me enough to remind me that no matter what, one of the most important titles I will ever have is one I already had, “Aunt”.

Ronnie, I would never have gotten through this without you. Thank you for putting up with the many days and long nights (accompanied by many mood swings) to allow me to pursue my dream. Thank you for not complaining when I needed you to read something or you had to spend your vacations at conferences. Most people are not as lucky as me. Our lives have been on hold, and now it is your turn to enjoy the ride.

My late grandmothers, Desyl and Mary Ruth, also deserve credit for the woman I have become. I take comfort knowing that one day I will be with you both again!

My animals, Simon, Jynxy, and Jackson, deserve a little credit. An animal's unconditional love is an amazing thing. I wish you were at graduation, Simon. Enjoy roaming the pastures.

Last, but never least and always first, thank you God. Joyful, joyful, I adore thee!

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## Section 1:

# Increasing Reliance on Philanthropy in Public Organizations, Literature Review, and Methodology

### *Introduction*

The purpose of this section is to provide the background for the current research, which focuses on determining the effect mega-gifts have on the salience of priorities in public universities, if any. While there is significant research on philanthropy, particularly donor motivations and giving patterns, there is less research on mega-gifts and donor control, and a particular dearth of empirical research on effects these types of gifts can have on institutions. The current research seeks to begin to fill that gap.

In Chapter 1, the background for the dissertation is provided, including a review of the growing trend towards mega-giving by the ultra-wealthy. Chapter 2 presents a review that directly pertains to the current research project and suggests that the gap arises from two sources, viewing the problem as one of privatization rather than quagotization and the other being an uncritical acceptance of philanthropy which leads to a lack of empirical research on institutional effects of giving. Chapter 3 includes the methodology used to conduct this research project.

## Chapter 1:

### Introduction

Public higher education is often one of the first and deepest cuts in state budgets during times of economic downturn and allocations are typically slow to rebound. These decreases in public funding are detrimental to the ability of state universities and colleges to meet their core missions of education, research, and outreach. Public higher education, therefore, develops alternate revenue streams from user fees and private sources. In particular, public universities and colleges increasingly seek to grow strong development programs in an effort to improve donations. These funds are perceived to have significant relevance as supplements to education and general budgets traditionally funded by taxpayer dollars. As such, fundraising has become a central function of state higher education with schools' senior administration and professionalized development staff both working to finalize major gifts for operations across the university in an effort to supplement revenues in order to meet institutional goals. The field of public administration has largely ignored the organizational and management implications of growing dependence on private philanthropy.<sup>1</sup>

#### *The Perfect Storm*

Given the declining tax revenues for governments, there is an increasing reliance on alternative forms of revenue to meet the funding needs of agencies. Often, these agencies turn to fundraising in various forms in order to garner additional resources from the external

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<sup>1</sup>Most research on philanthropy in higher education focuses on donor motivations, ways to increase giving, or state appropriation effects on giving levels. Very little looks at the effects these donations have on management of these institutions.

environment. While this is a relatively new phenomenon in most sectors of government, state universities and colleges and public arts and culture organizations began to professionalize fundraising approximately 30 years ago. Therefore, philanthropy in public higher education, presents a significant opportunity for research that advances the field of public administration's knowledge of the implications of growing dependence on private funding of public goods.

Public higher education faces what has been termed the “perfect storm” (Ehrenberg, 2006). Severe state budgets constraints result in significant measurable decreases in general fund appropriations. Per full-time equivalent students, state funding for higher education in the first decade of the 21<sup>st</sup> century was at levels close to or below 1980s general fund appropriations in terms of real dollars (State Higher Education Executive Officers [SHEEO], 2009). These public institutions have experienced rising enrollments during the same period, which also results in higher operating costs. Additionally, there is a growing trend to give more autonomy to these institutions, in part to decrease operating costs associated with being part of the state.<sup>2</sup> As a result, these institutions are becoming more like their private counterparts, with a greater reliance on alternative forms of revenues, including fundraising (Speck, 2010; Bass, 2010; Conley & Tempel, 2006; Ehrenberg, 2006; Rizzo, 2004).

This trend, deemed privatization by the higher education literature, in part comes as a result of a shift of viewing higher education as a private benefit instead of a public good. Thus, students and families are expected to pay a higher portion of the cost of education relative to taxpayer support creating a more market-like structure in public universities. Financial aid practices and political realities, however, result in the inability for tuition and fee increases to

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<sup>2</sup> These costs include reporting costs and expenses derived from perceived inefficiencies of bureaucratic constraints.

fund all the expenses that allow public institutions to remain competitive with private peers, forcing state universities and colleges to find other sources to make up for public dollars.

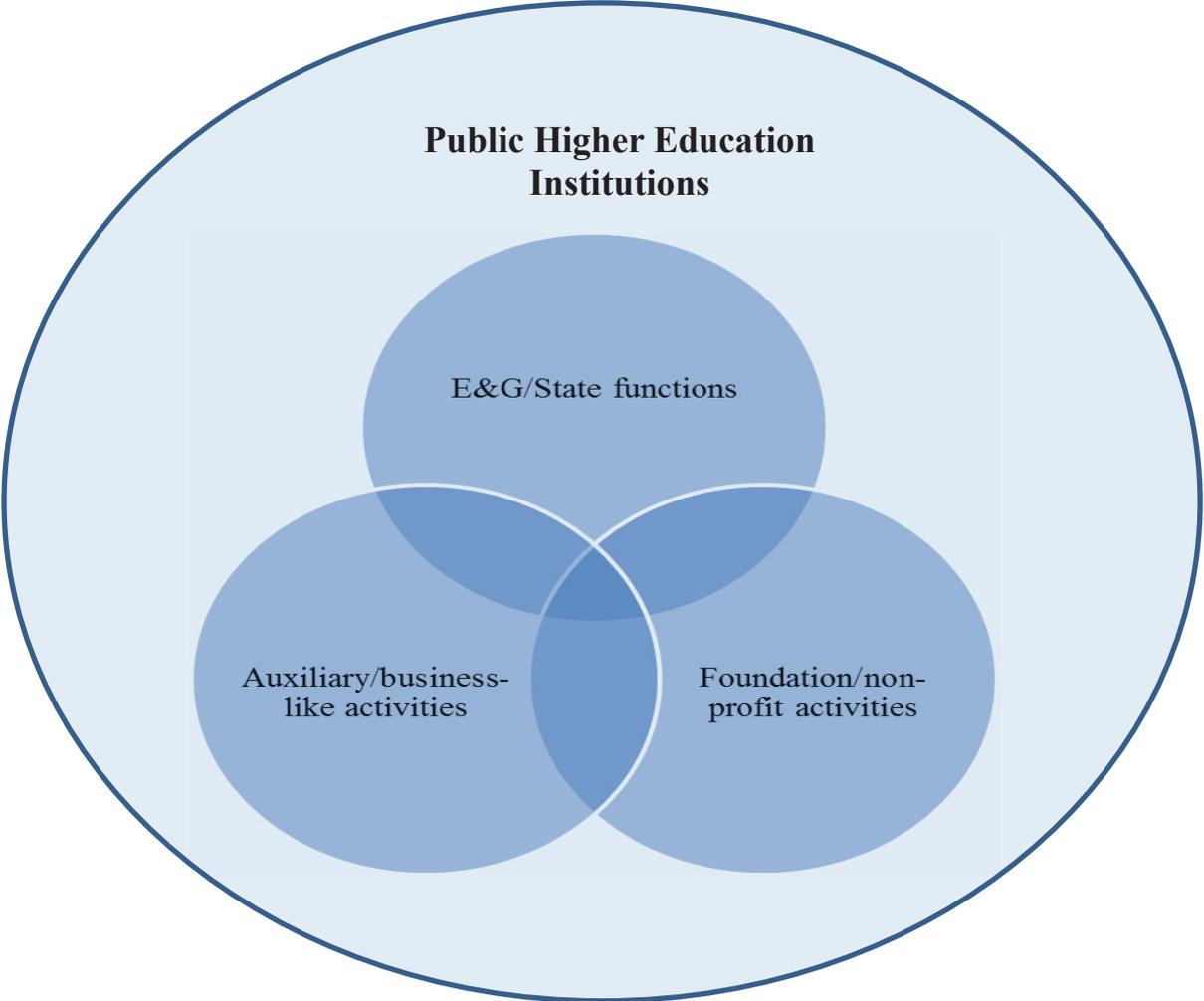


Figure 1.1 Public Higher Education Institution’s Functional Areas

Therefore, most public university administrators now find themselves operating in an environment where the public agency exists in conjunction with private, institutionally-related

foundations and also business-like entities that provide services, or auxiliary operations.<sup>3</sup>

Although auxiliaries may reap some profits, the main goal of these entities is to provide a service through a self-supporting business operation, such as bookstores, residence halls, or dining systems.

This leaves little if any revenues to return for support of core organizational missions as profits are instead used to reinvest and grow businesses (Hearn, 2006; Berne & Shcramme, 1986). Private gifts, grants, and other contract income, however, may be used to fund almost any type of operation, including support for the core functions of the university: teaching, research, and outreach. This potential for fundraising to increase a university's flexible resources is perceived as significant and benign. As such, fundraising and foundations are now central to the public university enterprise's management, in an effort to garner more resources from the external environment (Conley & Tempel, 2006; Hearn 2006; Hirsch, 1999; Johnstone, 2002). Some states are beginning to consider gift income in funding strategies. For example, the University of Ohio System's 2008-2017 Strategic Plan requires trustees to report enrollments, "estimated growth in **endowments** (emphasis in original), private fundraising and other non-public revenue sources", tuition estimates, and direct student costs. These "reports will be used by the Governor and the General Assembly to allow each university to set its own tuition policies" based on demonstrated ability to maintain student access (Fingerhut, 2008, pg. 54).

Hovey (1999) argues that in part, states decrease allocations as a strategy to force public higher education to solicit donations from alumni, parents, and friends of the institution as well as corporations, foundations, and the federal government. These foundations have the "primary

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<sup>3</sup> The auxiliary finances may be administered through the foundation, but in terms of organizational management and structure, the administration of these functions are assumed to be largely separate from the foundation's administration.

purpose to help raise support...and hold and manage contributed assets. Many...were originally established to receive and steward private gifts, help segregate private and public funds, manage endowments, and facilitate financial transactions or entrepreneurial activities that could not be undertaken effectively by state entities” (Bass, pg. 17, 2010).

State courts have offered differing opinions as to the public nature of state university and college foundations (Brown, 1997). One reason for these legal judgments may be the perceived difference between the foundation and institution. For example, often foundation board members are different than governing board members, who are often politically appointed by state officials (Bass, 2010). as foundation resources grow, conflict between publicly appointed university board members and private foundation board members may increase if the distance of the institutionally-related foundation, and therefore autonomy, is great (Bass & Lanier, 2008).

With this growing independence and importance of the related but separate foundation, is a trend towards viewing public higher education institutions not as state universities or colleges, but rather “state-assisted rather than state-supported” (Hossler, 2004, pg. 150). McKewon (1996) and Speck (2010) assert that this is a paradigm shift for financing state higher education, which Speck posits will result in increased reliance on philanthropy as a revenue stream. As such, Speck (2010) argues that “increased private investment in higher education will change the academy because donors give to promote their vision of the academy, and if their vision matches existing needs as the university sees those needs, so much the better. If not, we’ll take their money and adjust our vision to theirs” (pg. 15-16).

### *Statement of the Problem*

The problem is that public policy that devolves funding responsibility to the institutional level results in public institutions searching for additional resources from the external environment, which may create multiple, conflicting accountabilities. One response has been to seek donations from private entities. Philanthropy may result in shifting the organizational strategic plans and goals from those previously defined by the public institution's administration, faculty, and staff, particularly when there is a gift large enough to create changed circumstances (Speck, 2010; Stephenson, Schnitzer, & Arroyave, 2009). Combined with changing public policy, shifting organizational structures and accountability mechanisms, this presents a significantly understudied management challenge as public administrators, particularly in public higher education, arts, and culture organizations, seek to strengthen fundraising efforts. The potential consequences for the public administrators to define the ways in which the institutions will meet core missions must be better understood.

The goal of this research is to contribute a better understanding of the changes, if any, in a state university after a mega-gift occurs in terms of strategic directions of these public entities. In particular, to study this phenomenon, this dissertation focuses on the effects of mega-gifts on the salience of administrators' priorities for the state university or college. The necessity of this study stems from the increased reliance on fundraising caused by, at least in part, changes in state financing of and policy governing public universities and colleges. As a direct result of these changes, the organizational structures of state universities have been altered to include non-profit and for-profit entities in order to raise alternative forms of revenue. This structure raises questions about accountabilities and publicness. Thus, the potential implications of reliance on

donors for resources, such as donor influence and donor control, must be better understood in order to safeguard the public's interest in these institutions as providers of a public good.<sup>4</sup>

### *Research Questions and Theoretical Foundations*

The shift in public policy and organizational forms in higher education raises significant research questions: What effect do mega-gifts have on public universities?; Does the salience of priorities change in public higher education institutions after a large gift is given?; and if so, how do these changes manifest themselves within the organization? From these questions, the narrower, primary research question evolves: What affect, if any, do mega-gifts have on the salience of priorities in public postsecondary institutions? Given the dearth of research surrounding particularly large gifts, termed mega-gifts in the literature, and the shift from charity, giving for the “love of mankind,” to philanthropy, giving for infrastructure, to now giving as a more investment-centered approach, these questions become important to understand any alterations in the institutions following such an occurrence. This is particularly important as these may continue to change as these donations become more prevalent. The study focuses on the outcomes of mega-gifts made to create new educational entities within state universities to bring better clarity to how salience in university priorities may or may not change following these extraordinary events. Research on the notion of publicness is embedded in this case study as it seeks to answer questions about the role of private actors in changing existing organizational priorities and the subsequent implications of alterations in operating structures within these public institutions.

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<sup>4</sup> While public good may be difficult to define, higher education is generally perceived to provide benefit through access to postsecondary institutions and economic development. While not the focus of the research, it is assumed that these institutions do provide at least this definition of public good, if not others, such as development of shared values, teaching citizenship skills, and increasing democratic participation (Cuban and Shipps, 2000).

Priorities result from decisions about how best to manage an institution. Decision-making in higher education has four different dimensions: bureaucratic, collegial, political, and symbolic (Pusser, 2003). Furthermore, studies on interest groups have shown that access to managers and power affect influence on organizational outputs and managerial priorities (see for example Nicholson-Crotty and Nicholson-Crotty, 2004; Baumgartner and Jones, 1993; and Brudney and Hebert, 1987). Therefore, given the access that donors have to institutional administration, particularly those who make or have the potential to make mega-gifts, it is anticipated that there would be some influence on decisions, and therefore salience of priorities.

A theoretical grounding in public higher education administration, public organizations, and philanthropy is necessary to help discover and understand the effects on salience of priorities that occur as response to these events. These structural and operating changes in public universities and colleges are addressed in the higher education privatization literature, which links operating changes in the field to public policy changes in the United States and abroad (Priest & St. John, 2006). The literature suggests that public higher education is indeed less reliant on the state for funding as it seeks alternative revenue forms, of which private donations constitute a significant growth over the past 30 years. In turn, this suggests an opportunity for an increase in donor influence, particularly as notions of philanthropy change. The emphasis placed on privatization and investment, both economic/corporate terms, suggests a lack of focus on the continued public accountability of these institutions. To understand what this means for public higher education institutions, which continue to feel the constraints of state oversight and to be managed by public employees, my research seeks to fill this gap by approaching the question not as one of privatization, but instead as quasi-governmental (quago) organizations. I term this change the “quagotization” of state higher education.

Public administration scholars discuss hybrids, quagos, and quasi-nongovernmental organizations (quangos), which combine aspects of public, private, and non-profit entities at the federal level (see, for example, Seidman, 1988; Moe, 2001; Moe & Kosar, 2005; and Koppell, 2003). Public postsecondary institutions increasingly combine all three of these activities through the traditional state agency, an affiliated foundation (or multiple foundations), and auxiliary enterprises. States continue to maintain governance over these institutions through coordinating, consolidated, or service agency governance structures and through employer-employee-relationships with administrators, faculty, and staff. Additionally, although dwindling in amount and percentage of overall budget, states continue to provide funding to these institutions. Thus, conceptualizing state higher education institutions as organizations that combine characteristics of all three sectors helps expand research into the implications of changing relationships between the state and public universities. Furthermore, while philanthropy is discussed in the privatization literature (see, for example, Conley & Tempel, 2006), there is not a great deal of work that draws from scholarship on the implications of donations (see, for example, Ostrander, 2007a; Ostrander & Schervish, 1990; and Eikenberry & Kluver, 2004). Of particular importance to public higher education is the role donors, who may or may not be benevolent and benign, have in changing the priorities state universities and colleges.

### *Philanthropy in Public Institutions and Higher Education*

Philanthropy is a centuries old practice, particularly in private non-profits. It is becoming more important for public institutions, however, as tax receipts decline. For example, in August 2009, a \$35 million donation from a private foundation to the state of New York to “help fund a cash payment to poor families with school-age children,” was announced (Banjo, paragraph 3,

2009). Private giving is often perceived as benevolent and benign. As a revenue source in public organizations in which stability in the provision of services is of particular importance, however, philanthropy may be unpredictable, directed towards non-essential needs (to the periphery rather than the core), and give private actors a measure of influence or control over public institutions.

A recent *Washington Post* blog juxtaposes mega-gifts to public elementary and secondary school systems for particular reform efforts against a story of a Florida teacher running 50 miles in an effort to raise money for basic school supplies, such as paper and pens, which educators buy from personal funds due to budget cuts (Strauss, October 2010). Strauss (2010) posits that these billionaire donors harm the provision of public education by taking away school administrators' discretion in determining how to spend funds. In 2003, CBS *60 minutes* did an expose on a \$38 million gift declined by the Smithsonian Institution for an installation in the National Museum of American History (Leung, 2003). While the donor felt the gift would help to highlight a particular issue, some curators of the institution sensed believed the donation was directed towards the donor's wishes for a particular exhibit not within the scope of the museum's work (Sciolino, 2001; Lewis, 2002). Ultimately the gift was withdrawn, but not without the Institution being criticized by private individuals, the media, and elected officials for refusing to accept the donation while facing significant resource deficits (Leung, 2003).

While not a public institution, a lawsuit filed against Princeton University in 2002 regarding a donation made in 1961, suggests that gifts may also bind an institution's work for a very long period of time, regardless of societal change (Goodwin, forthcoming). In this instance, an endowment was set up for a particular educational purpose. Although the original donors are deceased, heirs to the donors' fortune filed a lawsuit claiming the university was not using the

endowment funds according to their ancestors' intent. While Princeton prevailed in keeping the increases in the endowment over the years, it did so by settling the suit through an agreement to pay the family foundation's estimated \$40 million in legal fees and transfer an additional "\$50 million, plus interest, to a new foundation" (Gose, 2008, ¶2).

This anecdotal evidence suggests that there are management implications of philanthropy that public administrators need to better understand, particularly given the unclear legalities of restricted gifts (Goodwin, forthcoming). Goodwin (forthcoming) notes that "by means of that very restriction the donor potentially expands and enriches an organization's mission by making possible a new program" (pg. 2). Therefore, in light of the new directions of philanthropy, where donors view gifts as investments, and the increasing autonomy of public higher education institutions from the state, there is a need for empirical research to understand the outcomes of gifts, particularly ones which can shift an organization's missions or means of accomplishing goals.

In particular, given the lack of legal clarity surrounding both the publicness of institutionally-related foundations and restricted gifts, the field of public administration needs a better understanding of how these gifts may change salience in priorities in an organization. This knowledge will help states understand the implications of the current practice of devolving state responsibility for public higher education funding to private sources, aid administrators in understanding potential consequences for the management of programs and strategic visions, and provide the public with the basis for a conversation about the relative "publicness" of institutions given changing organizational structures.

## *Higher Education in Virginia*

Virginia's public higher education system provides a particularly interesting example for this research. The Commonwealth's enrollment of full-time equivalent students is growing. The Governor's Commission on Higher Education Reform, Innovation, and Investment recommends legislation to increase in-state degrees by 100,000 by 2020. Additionally, the resulting legislation from the Commission's work, passed by the General Assembly in February 2011, calls for additional incentive funding for institutions, based on performance metrics. Virginia, however, has not met its requirement for base budget adequacy funding for its public institutions since formula funding was put into place. Furthermore, the state has mandated severe budget cuts in the past two years.

These trends indicate that Virginia continues to expect more from its institutions while providing less than adequate funding. This signifies that the Commonwealth's leaders expect that institutions will rely on other resources, as well as cost management techniques, to sustain operations. Tuition already ranks high in comparison to other states, however. Additionally, tuition increases are politically untenable to some elected officials as evidenced by an attempt to decrease one university's budget in response to a decision by that Virginia higher education institution's Board of Visitors to raise tuition and fees. Therefore, there are limits on the ability of institutions to employ tuition and fee revenue to offset losses in state funding, which suggests the Commonwealth's public postsecondary institutions may have a relatively high dependence on other sources of income to support operations.

Additionally, the Commonwealth's institutions are coordinated by an independent state agency, the State Council of Higher Education for Virginia. Public higher education institutions are governed by public policy that works to reward administrative and financial accountabilities

with managerial autonomy through the Restructured Higher Education Financial and Administrative Operations Act of 2005 (Restructuring), which created three tiers of public universities and colleges based on an institution's demonstrated ability to manage its own resources and activities. As of 2011, four universities have been granted the highest level of autonomy, the University of Virginia (UVa), The College of William & Mary, Virginia Polytechnic Institute & State University (Virginia Tech), and Virginia Commonwealth University. Of these Level III institutions, the first three have operated under these management agreements since the legislation was enacted. As such, these schools' managerial autonomy is supposed to include flexibility and institutional oversight of procurement processes, capital projects, personnel decisions, and setting tuition and fees.

In return for this control, the institutions are held accountable to the public for resource generation, meeting state goals, economic development stimulation, matriculating students from community colleges into four-year degree programs, enhancement of elementary and secondary (K-12) instruction, and achievement of particular financial and administrative performance metrics (including managing endowments and other resources and provision of six-year comprehensive strategic plans) (Tierney, 2006; Virginia Higher Education Restructuring Act, 2005). Restructuring allows institutions to have a higher degree of autonomy from the state for processes, while elected officials hold institutions more accountable for meeting public goals as defined by the management agreements (Leslie and Berdahl, 2008). In part, this current operating environment for Virginia's public postsecondary institutions is a result of the Commonwealth's resource constraints and funding obligations for other public services, which result in an inability to allow universities, particularly the largest state institutions, to remain competitive with their peers (Breneman and Kneedler, 2006; Leslie and Berdahl, 2008).

This research focuses on UVa and Virginia Tech for three main reasons. First, UVa has a very successful development program with a long history of very large gifts. These donations include \$100 million for a new school, \$64 million for professorship endowments, and \$60 million for an Institute within a school. Virginia Tech's largest publicized gift, however, is \$10 million, a level at which the university has been the recipient of several gifts. One was to fund a college, another for a new school, and the last for support of a center. The universities, therefore, have different fundraising histories, but have received gifts for similar purposes, which allows for an interesting comparison for any change in salience of priorities following a gift. As was clear, a mega-gift at one institution may have a different definition than at the other (Masterston, 2009).

In addition to the size of the gifts, there are differences in the schools' giving profiles more broadly. First, as of 2011, UVa's endowment is worth more than \$3.9 billion. Of all public and private institutions, its endowment is ranked among the top 20 in terms of size and among the top 10 nationally for giving by alumni to public universities (Chronicle of Higher Education, 2011; Conley & Temple, 2006). Virginia Tech's endowment, however, is approximately \$500 million. This size ranks fifth in the Commonwealth and 127<sup>th</sup> in the nation.

A focus on the Commonwealth's institutions also controls for the influences of state policy regarding both higher education and donations, both of which vary widely throughout the United States. For example, there is disagreement regarding the effect of government support for giving. Some research shows that government support results in a decrease in donations, a phenomenon termed crowding out (Steinberg, 1987; Okten & Weisbrod, 2000), while others argue that donations decrease as a result of less efforts to raise philanthropic donations on behalf of the organization rather than an increase in public funding (Andreoni & Payne, 2003).

Gianneschi (2004) suggests that donors are not willing to increase funding as a replacement for public funding. While the disagreement in the literature regarding the relationship between public and philanthropic support exists, this research accounts for that relationship by controlling for state trends in allocations to the institutions by controlling for both location and state policies.

Existing research shows that state policies influence management practices, including fundraising. In the Commonwealth, state code prohibits the General Assembly from consideration of gifts when appropriating funding. Despite this, UVa Board of Visitors Special Committee on Planning's meeting minutes (2006a), indicate that to ensure the institution's ability to meet both the the goals of Restructuring and the strategic goals of the governing board, the university has drafted a set of performance metrics that includes gift and endowment income measurements such as: percent of alumni who make donations, percentage of budget, total endowment income, and distribution. Furthermore, the institution raises money for programs that help it to meet these goals for access, affordability, and academic program quality , among others. This suggests that philanthropic donations do affect the ability of the institution to meet goals regardless of origination from the state or institution. Additionally, both UVa and Virginia Tech included fundraising as a means to meet priorities identified in institutional planning documents. Therefore, the assumption is that fundraising is a central function of the university and critical to its ability to meet goals, which raises its level of importance. Ostrander (2007a) suggests that this need for donations may result in a power differential which results in donors having more control as institutions vie for support.

### *The Cases*

Fundraising measurements are particularly salient at the University of Virginia, which is one of the leading public university fundraisers in the United States. In the late 1990s and early

2000s, the University completed a \$1 billion campaign, which ultimately raised more than \$1.3 billion, one of the first public higher education institutions to do so. It is currently in the midst of a \$3 billion campaign and projects that it will have another campaign at the \$3 billion - \$4 billion level following this one (University of Virginia, 2002d).

In 2007, the University announced that Frank Batten, alumni, donor, and former business school foundation board member, had made a \$100 million gift to the University of Virginia to found and endow the Frank Batten School of Leadership and Public Policy. This School is based on applied research that will develop innovative leaders to deal with public problems, in keeping with Mr. Jefferson's vision. Prior to this gift, the University's Board of Visitors and the Commonwealth of Virginia had approved a recommendation by the faculty senate to create a Public Policy program, which was to be offered through the Graduate School of Arts & Sciences. Focused planning for this gift began as early as 2003, when a faculty committee convened to determine new programs that would "look into the possibility of new educational and research programs, which would strengthen the University's commitment to public service, as well as prepare students for leadership roles in public policymaking" (University of Virginia, 2006b, pg. 3).

Board of Visitors' materials from 2005 indicate that UVa had defined a priority to provide additional financial resources to various university entities focused on government, politics and public policy, including the Center for Politics, Miller Center for Public Affairs, and others (University of Virginia, 2005a). In 2006, the Board of Visitors approved the new degree curriculum proposal that had been developed and would be offered through the Graduate School of the College of Arts & Sciences (University of Virginia, 2006c). In 2007, the Board of

Visitors announced the \$100 million gift to create a new school to administer this program (University of Virginia, 2007h).

Since this time, there have been changes in the operating and human resource allocations made to departments with missions and research related to the new Batten School. The mission of the Batten School is to provide applied education and research. UVA's political science, public policy, and government affairs research programs, however, are known to be engaged primarily in work that seeks to develop knowledge for the sake of knowledge, however. This raises questions of the donor's ability to change the strategic direction of older departments in the priorities of the university.

At Virginia Tech fundraising efforts do not have the same reputation as the state's flagship higher education institution (UVA), although the university is currently in the midst of a \$1 billion campaign. This is Virginia Tech's largest fundraising endeavor to date. As part of this campaign, in 2005, the university announced a \$10 million joint pledge from two Virginia Tech graduates and fraternity brothers, one of which served as the rector of the Board of Visitors. This gift supported efforts to create the Myers-Lawson School of Construction to provide a new undergraduate program in Construction Engineering and Management that builds on and draws together the courses from three established disciplines on campus.

In reference to the gift, Mr. Myers is quoted as saying "my *investment* (emphasis added) in Virginia Tech's Myers-Lawson School of Construction will provide the industry, including companies like mine, with much needed, well-prepared, high content human capital" (Virginia Tech, 2005i, ¶6). Mr. Lawson, the other benefactor, is quoted as saying "Virginia Tech has always had a good building construction and civil engineering programs, but we have a chance to

be the best. There are never enough graduating seniors to fulfill the industry's demand. We have a chance to double the output while adding many additional programs and features, including possibly some that are unique to construction" (Virginia Tech, 2005i, ¶7). These quotations suggest the gift offers an opportunity for growth of the new school and affiliated existing programs within the university.

Per the Board of Visitors minutes, students are admitted through an existing college, the College of Engineering, into the new School, which administers the undergraduate degree program in Construction Engineering and Management created as part of the gift. These minutes state that the new Construction and Engineering Management degree program "does not generate the need for new resources," but instead, existing faculty in the established disciplines from which the degree program draws from will oversee students who choose to enroll (Virginia Tech Board of Visitors, 2006d, pg. 3). No new courses were to be developed in response to the new major. Additionally, the \$10 million gift to create the school "will provide human and financial resources to support the [degree]" (Virginia Tech Board of Visitors, 2006d, pg. 3).

Commonwealth materials regarding the degree program, however, indicate that the university would also invest \$250,000 per year, beginning in 2005, in addition to gift income that would be made until the endowment started producing interest income to support the school at a level of \$500,000 per year (State Council of Higher Education for Virginia, 2006).

Per the Myers-Lawson School of Construction's Annual Report (2009, pg. 2), the school was "established not to simply add to technical understanding; but to add courses, teaching pedagogy, and collaborative opportunities to more fully develop and cultivate the individual students." The 2009 Annual Report states that the School, which is housed in a new facility

opened in 2007, already exceeded capacity of that hall and, therefore, new space is necessary. Thus, the School's growth results in the necessity to expand resources to meet demand.

### *Methodology*

To conduct the research necessary to help further our knowledge regarding the change in salience of priorities in response to mega-gifts and suggest propositions for further research, this dissertation employs elaborated case studies within two institutions in one state. Following Yin's (2009) definition of case studies, this research studies a phenomenon within its context through a number of sources of evidence (pg. 18). The contextual environment for these elaborated case studies is controlled for by studying two Carnegie-classified Research Extensive universities within the Commonwealth of Virginia. In addition to scope of the university, the relationship with the state is accounted for in the methodology by controlling for the amount of autonomy given to the universities, which were both classified at the highest level under the state's landmark Higher Education Restructuring Act (2005). This research design, therefore, is structured to eliminate variability caused by differences in state laws governing public higher education. Furthermore, given the complexity of the mega-gift phenomena and the artifacts of managerial decisions that are central to this study, a thick description is necessary to fully understand the interaction between mega-gifts and institutional priorities. Therefore, the study draws on multiple sources of evidence as indicators of institutional priorities.

Scarcity causes administrators to choose between alternatives for the allocation of limited resources or to seek new ones. The division of these assets is representative of priorities as it is a political process that decides who gets what. One example of this is the budget process, which scholars such as Rubin (2005) and Wildavsky (1975) argue is a statement of power, organizational, priorities, and politics. In labor intensive fields, such as higher education, budget

allocations are intrinsically linked to human resource allotments, or full-time-equivalent employee allocations. Thus, budgets, which allow for the hiring of human resources, and full-time equivalent employee allocations, which require funding, individually and together offer a statement of priorities.

Changes in salience of priorities that result from the occurrence of a mega-gift should be detected in variance in artifacts that reflect choices among alternative priorities. These artifacts include budgets, human capital allocations, strategic plans and through other discursive data, such as interview responses, fundraising goals, alumni magazines stories, and university statements. These artifacts are used as indicators to study the dependent variable, the change in salience of priorities. Based on the literature and research questions, the explanatory variables that are of interest in this study are mega-gifts, including size, purpose and length of time since made, and the donor-recipient relationship. Indicators of these variables are explained in Chapter 3.

The study relies on a design that allows it to achieve a high level of construct validity based on the number of pieces of evidence collected and indicators drawn from existing research. To ensure internal validity, the research design focuses on matching pattern and explanation construction during data analysis. Following case-study protocol and developing a database for data collection confirms reliability (Yin, 2009).

### *Limitations of the Study*

The most obvious limitation of the study is the small number of cases studied. This limits external validity. In order to gain a full understanding of the phenomenon of a mega-gift and any changes in priorities, as well as the context of this phenomenon, however, this small

number of cases is necessary. Therefore, while statistical generalizations from the research are not possible, there is analytical generalizability (Yin, 2009). To ensure accuracy of findings, the careful measures were taken to ensure case replication. The small sample combined with the choices based on explanatory variables, however, limits generalization beyond mega-gifts made by private individuals to Virginia's public Carnegie-classified Research Extensive universities, which are governed through specific management agreements with the state and public policy regarding donations.

The use of responsive interviewing techniques for data collection also creates a potential for study bias. Following Rubin and Rubin (2005), however, the research sought to compensate for researcher tendencies and experiences through recognition of the interviewer's own biases (pg. 32). These biases stem from extensive work in major gifts fundraising for two complex public organizations, including one of the universities involved in this case study. From this professional experience, the researcher is predisposed to believe that donors of mega-gifts may be given undue power in organizations as a result of constraints in resources, the changing nature of philanthropy, and changes in donor-recipient relationships as outlined by Ostrander (2007a). In addition to her practical knowledge, the researcher's scholarly endeavors occurred in a normative school of Public Administration. These experiences lead me to a particular way of understanding the contextual environment of the case study. Therefore, I consciously worked to avoid inserting bias into textual and interview coding as I collected and analyzed data (Rubin & Rubin, 2005).

### *Organization*

This dissertation is divided into three sections. Section I provides the background for the study including academic scholarship and methodology. In addition to this introductory chapter,

Chapter 2 provides a literature review of scholarship related to the privatization of higher education, philanthropy (including a history of donations in public higher education), and quagos. Chapter 3 contains specific information on the methodology employed for this research, including further information on its limitations. Section II presents and summarizes the data collected for this study. Both Chapters 4 and 5 contain in-depth information on the cases and an analysis of the data. Section III, which consists of Chapter 6, provides conclusions drawn from the study and offers suggestions for future research.

## Chapter 2: Literature Review

### *Introduction*

The following provides an overview of the literature on practice directly relevant to the current research project. This research draws on three streams of literature: privatization of public higher education; a growing body of work on hybrid organizations, often referred to as quasi-governmental or quasi-nongovernmental organizations; and scholarship on donor influence. Individually, each stream makes significant contributions. Connected, however, these three areas of scholarship can help to further our understanding of the outcomes of mega-gifts and the implications for management of public universities, which are changing in operating and financing structures as a result of altered relationships between states and public higher education. Thus, this research will allow for a better understanding of how public policy regarding state higher education may lead to unanticipated outcomes.

Before reviewing these three streams of literature, it is important to understand some characteristics of public higher education institutions. In the United States there is no national system of higher education. Instead, each state governs institutions, both public and private, differently.<sup>5</sup> Some of these institutions were chartered by the state. These are known as public higher education institutions and include public research and land-grant universities, four- and two-year colleges, and community colleges. Higher education experienced massive growth in the 1940s-1960s, following World War II, with the federal government focusing on supporting higher education through public policy and funding, institutional enrollments and revenues

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<sup>5</sup> While private entities are not chartered as public entities, states do regulate private institutions of higher learning.

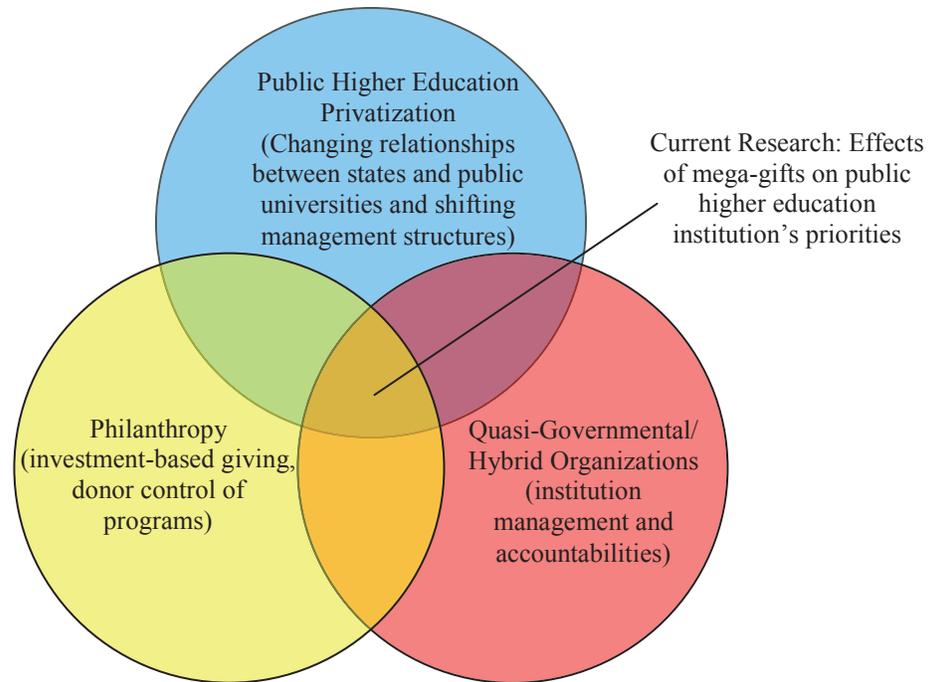


Figure 2.1. Connection of Streams of Literature

increased, which resulted in prestige and support for experimentation (Cameron & Whetton, 1985; Cohen & Kisker, 2010; Cook, 1997a). In the 1990s, as calls for smaller government increased, support for higher education as a public good began to decline. This “Contemporary Era” continues today (Cohen & Kisker, 2010).

Many state universities and colleges fall within a consolidated system, which in general, oversees all public higher education institutions under one or two governing boards. Other states organize public postsecondary education through a coordinating body, which oversees individual institutions and coordinates provision of higher education for the state. As of 2002, of the 50 states, 47 operate under some form of one of these two structures. The remaining three operate under a planning agency. Within these different operating mechanisms, accountability functions at the state level and institutional autonomy in management operations vary drastically (McGuinness, 2002).

Postsecondary higher education institutions typically have charters and appointed boards that render them somewhat more autonomous from the state than more traditional bureaucratic agencies. As such, these institutions have been able to develop in ways that render the organizational form different than hierarchical structures often associated with public organizations. In addition to the state agency, these institutions often develop other organizations under their umbrella to carry out non-state functions such as support services and fundraising. As such, public universities and colleges can interact with external actors outside the boundaries of the state agencies and instead through the private organizations within the enterprise. Organizational theory scholarship has long recognized the importance of institutional operating environment. In particular, “one of the relatively distinct features of public organizations is the greater degree to which external actors are directly involved in setting goals, allocating resources, and granting or withholding legitimacy” (Wamsley & Zald, 1973, pg. 21).

In public higher education specifically, changes in the internal and external operating environment create the need for further examination of these organizations. In particular, public policies granting more autonomy to agencies and different forms of organizing the work have

created changes in the management, resource availability, and ways in which the work is organized within these institutions. These changes lead to what the higher education literature terms “privatization.”

In an effort to increase the effectiveness and efficiency of public agencies and decrease the burden on taxpayers, there is a focus on marketization, accountability, customer-orientation, and decentralization that reforms all of government, including the education sector (Kettl, 2000; Tolofari, 2005). Commonly referred to as privatization, these trends seek to achieve a market model for government functions, including entrepreneurial management, competition, private-sector mechanisms, and treating citizens as customers (deLeon & Denhardt, 2000). As such, it assumes that bureaucratic, governmental agencies are inefficient and ineffective. Therefore, it focuses on performance to achieve results (Behn, 1998). Wamsley et al (1992) argue that in government, ends are not a given as in the private sector. In higher education, these issues are discussed in terms of developing new revenue streams to meet resource needs, managing costs to decrease the need for resources, and increasing accountability mechanisms to ensure institutions meet goals.

#### *Public Higher Education Privatization Literature*

Higher education scholarship describes the changes in public universities and colleges as one of privatization. Ascher (1987) defines privatization as the government undertaking various initiatives to increase the private sector’s position in the provision of public services, while Wilding (1990) adds that it is an effort to infuse market forces into agencies. Rae (1996) defines it as changing control and allocations from the public sector to private. In public higher education, privatization is characterized by higher tuition and fee levels that are more similar to charges students incur at private universities and colleges; a focus on increasing

entrepreneurialism, grants and contracts; devolution of authority from the state to the institutional level; and fundraising programs that help to increase endowments (Johnstone, Arora, & Experton, 1998; Hovey, 1999; Zemsky, Wegner, & Ianozzi, 1997).

These efforts are more necessary as states devolve responsibility for funding to the institutional level as demands on resources from other programs, such as Medicaid/Medicare, justice systems, and elementary and secondary education, increase (Kane, Orszag, & Guntner, 2003). Coupled with public demand for taxes to remain the same or to be reduced to lower levels, as well as changes in the ability of states to collect taxes with the increase in online purchases, public higher education institutions receive smaller portions of Education & General budgets from state general fund allocations (Kane, Orszag, & Gunter, 2003; Roherty, 1997).

In the United States, state support for public higher education has generally been decreasing since the late 1970s and early 1980s, forcing universities and colleges to raise tuitions and fees or find other sources to make up for lost public dollars. Nationally, from 2001 to 2005, appropriations per full-time equivalent student dropped more than 18 percent, to lower than 1980 funding levels (SHEEO, 2007). Although state appropriations have rebounded since 2006, general fund allocations per full-time equivalent student in 2009, the latest year for which data are available, was lower than the majority of years since 1980 (see Figure 2.2) (SHEEO, 2010). Archibald and Feldman (2006) note that since the latter part of the 1970s, “aggregate state effort has fallen by more than 30%” (pg. 618). Additionally, according to Whitney (2003), in the past 30 years, private funding sources for public higher education proportionally exceed public allocations. It is important to note that state funding is for the “Education & General” portion of public higher education institutions’ budgets, which includes cost of instruction for students.

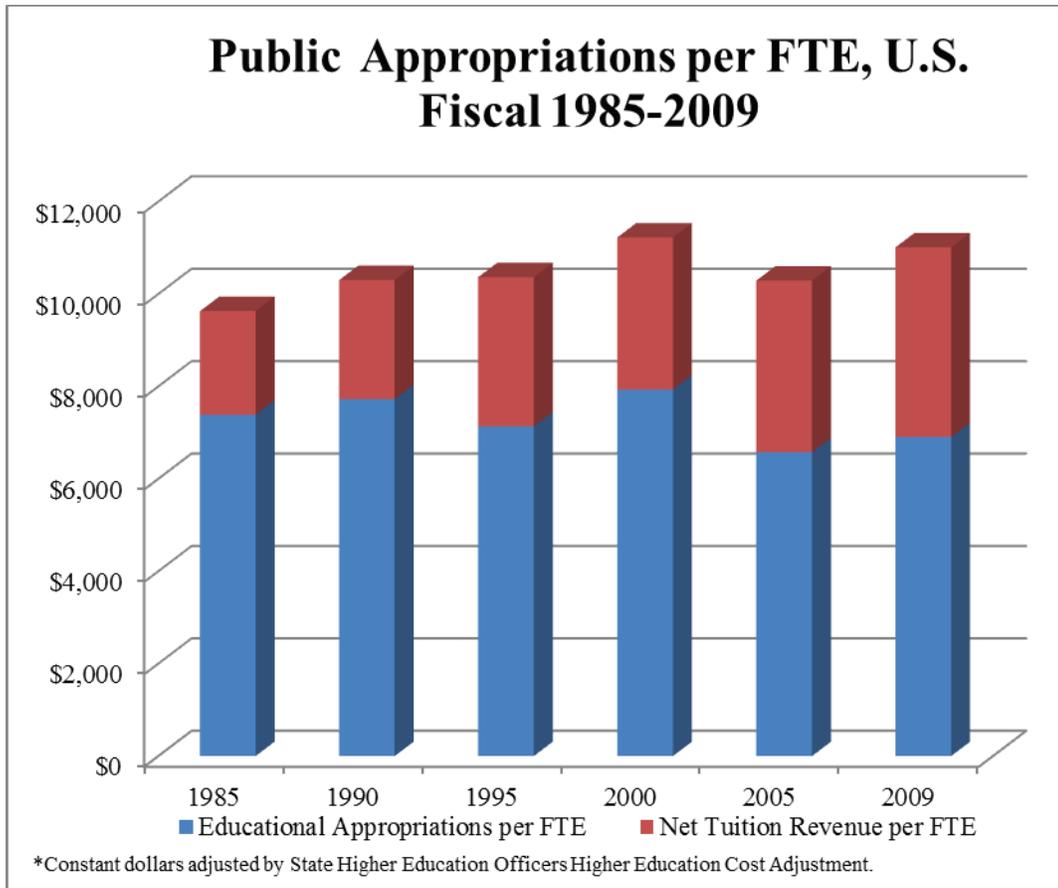


Figure 2.2. Public Appropriations per Full Time Equivalent Enrollment in the United States (1985-2009). Adapted from State Higher Education Finance FY 2009, State Higher Education Executive Officers, 2004, pg. 20

Some of this decrease in state allocations is in response to the demand for students to pay more for their own education, particularly as higher education comes to be seen as a private, individual benefit rather than a public good (Burke, 2004). While this denies the research and outreach goods provided by public higher education, the media perpetuates and further embeds this view (Roherty, 1997). In addition to the perceived privateness of benefits, there is a view

that higher education, a labor- and technology-intensive field, is wasteful, inefficient, and ineffective and must increase productivity (St. John, 1994; Johnstone, 2009). Therefore, following neoliberal claims of the benefits of privatization, state policy is directed towards opening higher education to market forces in order to increase efficiencies and reduce costs to students. In part, this may be a result of the politics of budgeting, which require choices to be made among a variety of public programs. This becomes acutely obvious given the aversion to taxes, particularly during times of economic recessions and due to changes in the ability to collect taxes.

Whatever the reason, the difficulty with this is that it stems from a fundamental misunderstanding of the economics of higher education. In an expert paper included in the 1998 report of The National Cost Commission, Gordon Winston finds that this view of higher education is incorrect. Rather than pricing the institution's good at product cost plus profit, Winston (1998) finds that institutions charge students "far less than the average cost of [educations] production," (pg. 117) because it is based on a system that includes a student subsidy. Thus, rather than higher education being too costly because it is inefficient or producing a profit, the system includes redistribution of costs across the system and over several sources of funding.

As the public subsidy decreases, however, institutions must find other ways to create revenues. In part, this ability to rely on other sources of funds or to manage costs by such measures as increasing course enrollments and teaching loads, is one reason state officials view higher education as a balancing wheel where discretionary spending can be cut (Brown & Gamber, 2002; Hovey, 1999; Marcus, 1997). Tuition and fee levels, however, cannot be raised arbitrarily or usually even above certain limits, as it is politically untenable for the state

legislatures to allow institutions to raise tuition and fees beyond certain levels. States often regulate public higher education institutions by “imposing tuition freezes, reducing tuition levels” and restricting rate increases (McKeowan-Moak, p. 8, 2000). Furthermore, because of a practice known as tuition discounting, each additional dollar raised through tuition and fees does not result in a dollar more for the institution. In other words, increases in tuition and fee levels must be made in conjunction with student financial aid increases “in order to maintain accessibility and provide equity” (Johnstone et. al., 1998). Therefore, public higher education institutions are left seeking other sources of funding to balance the budget (Cohen & Kisker, 2010).

In part, universities replace public dollars with donations. Garland (2009) notes that the largest public postsecondary institutions have budgets of more than \$2 billion, which is paid for through numerous streams, the largest of which “are state subsidies, student tuition and fees, gift income, and research contract and grant income” (pg. 14). Note the inclusion of gift income, even prior to funds received for research. There is a long history of philanthropy in the United States and in private education, but it is now growing in importance as a revenue stream in public higher education. Between 1970 and 2001, private gifts, government and private grants and contracts, endowment income, and other sources of revenue (not including tuition and fees) grew from 28 percent to 42 percent as a percentage of total revenue in public higher education (U.S. Department of Education, 2005). As of the 2007 fiscal year, gifts, grants, and contracts accounted for 21 percent of the total revenue in public higher education (Planty et al, 2009).

Although development is growing in significance, public higher education institutions did not professionalize philanthropy prior to the 1980s (Conley & Tempel, 2006). This professionalization includes the vast majority of public higher education institutions running

large foundations to accept gifts on behalf of the organization. These foundations operate as separate 501(c)3 entities that typically bear the name of the university or college. Staffs of these entities include: fundraisers, prospect researchers, accountants, grant writers, communications professionals, and event planners. Usually, the head(s) of the foundation and development report to the president, chancellor, or chief executive of the university.

Coinciding with the increasing importance of fundraising and responsibility to be more reliant on self-generated incomes, there is a trend to give universities more responsibility for management of their enterprises, consistent with government reforms since the early 1980s (Marcus, 1997). In public higher education, this has largely resulted in a model in which strong central executives grant college and department heads the autonomy to set budgets and performance measures, but also make these actors responsible, at least in part, for creating resources. This devolution is constrained by institutional targets set by powerful central executives (Marginson & Considine, 2000, pg. 10-11).

There appears to be a growing trend in state universities in which there is a strong state presence in the public university with the institution still having political accountability to the state. Congruently, however, management functions, including setting priorities and raising an increasing portion of resources, have been decentralized. Layered on top of this change in the relationship between the state and university, is a change in the internal operations of the university. First, deans and department heads are more responsible for management decisions, such as budgeting, strategic planning, and setting performance metrics, but these functions occur in a larger institutional direction set by central management. Additionally, fundraising and foundations are now made central to the university enterprise's core functions, in an effort to garner more resources from the external environment.

Hearn (2006) has attempted to articulate the benefits and costs that diversifying revenue streams, including reliance on philanthropy, may have for public higher education in the United States. This literature concerning the privatization of state higher education, however, in large part, has not been merged with the public administration literature on hybrid organizations. This is problematic since the literature on these hybrids provides valuable insights into the difficulties of privatizing traditionally public functions and giving agencies autonomy, at least in part, in democratic societies.

Similar to Behn's (1998) contention that the new public management literature insufficiently addresses accountability neither does the privatization of higher education literature (Pusser, 2002). Namely, this is because this scholarship diminishes, or worse denies, the continuing state presence and interest in public universities and colleges, both through resources and oversight mechanisms. Floud (2005) contends that "governments are rarely willing to disengage completely...a decline in direct control is almost always accompanied by a rise in regulation. This often takes the form of the state setting targets for agencies and monitoring...the work" (pg. 126). Furthermore, Perlmutter and Cnaan (1995) find that rather than privatizing services, entrepreneurial governments turn to fundraising campaigns in order to finance public provision of these activities. Thus, the first step is to tie the higher education privatization literature to public administration literature that acknowledges the ties to government that continue to exist. One place this is available is the literature on hybrid, or quasi-autonomous government or non-governmental organizations.

Rather than suggesting a dichotomy between private and quasi-autonomous organizations, this research views efforts of privatization to result in movement away from public organizations. Thus, efforts to impose market mechanisms into the public postsecondary

institutions result in movement toward economic control. As such, these institutions exist somewhere in the middle of such a continuum between public and private organizations. The result is an institution that is quasi-autonomous, rather than purely public or purely private.

### *Quasi-autonomous Government Literature*

The literature on hybrid organizations, termed “quagos” and “quangos”, has grown in large part from studies in Europe, and in particular the United Kingdom (Seidman, 2006). Introduced into public administration literature in the 1970s, quasi-autonomous organizations represent a trend towards granting autonomy to agencies (Hague, MacKenzie, & Barker, 1975). In the United States, most of the research into these organizations focuses on the federal level while giving only cursory attention to state and local level hybrids. Public universities and colleges have evolved since the 1980s to include not only state agencies but also to centralize foundations and other private entities under their umbrella. Coupled with the shift in public policy to increase the managerial autonomy of state higher education institutions, hybrids or quagos can be used aptly to describe their operations.

Hybrid organizations combine legal elements of private, public, and non-profit organizations as well as vary in managerial and financial autonomy (Seidman, 1988; Wettenhall, 2003; Bouckaert & Peters, 2004). These organizations can be defined in four distinct categories: public, quasi-governmental, quasi-nongovernmental, and private, as the corporate international comparative literature prefers to conceptualize them. Generally, quagos can be defined as those engaged in “fulfilling a public function and spending public money, but with some degree of independence from directly elected politicians” (Flinders & McConnel, 1999, pg. 18). It, however, may be more useful to view them as a continuum ranging from public to private with organizations falling on such a spectrum based on their relationship to their governing body

(Greve et al, 1999; Greer, Hoggett, & Maile, 2005; Moe & Kosar, 2005; Perry & Rainey, 1988; Wise, 2010; Moulton, 2009). Furthermore, Greer et. al. (2005) note that not all quasi-governmental organizations are the same, but instead vary on two dimensions, the level of government and amount of autonomy from the political authority. Moulton (2009) argues that percentage of budgets from public resources or organizational ownership is not useful to define organizational type. Instead, public organizations should be defined by attachment to public outcomes according to Moulton. This research uses the linear spectrum to describe these organizations, as the focus is not on categorizing universities as one type of hybrid organization, but rather to understand the implications of becoming less public, or shifting some political authority to economic authority and the effect on achieving public outcomes (Bozeman, 1987; Wise, 2010; Moulton, 2009).



Figure 2.3. Continuum of Organizational Types

Following discussions by Becker (2010) and Wettenhall (2001), this research focuses specifically on quasi-governmental organizations (quagos), defined here as those that originated as public organizations or authorities and also display characteristics and utilize forms of private

organizations to provide a public service.<sup>6</sup> Although quagos are not a new concept, they are proliferating with the call for government to do more with less tax dollars. Moe and Kosar (2005) note that:

Many observers believe that the underlying attraction of the quasi-government organizational option can be traced to an innate desire of organizational leadership, both governmental and private sector, to seek maximum autonomy in matters of policy and operations. With respect to the governmental sector, however, this natural centrifugal force of organizational management has been historically held in check by a set of strong counter or centralizing forces. (pg. 39)

The government's focus on and use of quagos is derived from: the flexibility of the organization, which does not require direct authority from publicly elected bodies and, therefore, is claimed to reduce inefficiencies; the appeal to society's faith in business and distrust of government; and the offer of alternative structures that reduce the necessity for state appropriations (Moe, 2001; Bertelli, 2006; Greve, Flinders, & Van Thiel, 1999; Koppell, 2003). Wettenhall and Thynne (2002) note this trend towards "organizational pluralism", is one in which "organizations will adopt a combination of public, private, and for-profit sector approaches...which will inevitably result in a mix of public and private capital, effort, and

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<sup>6</sup> While quangos is the term most often used, Wettenhall (2001) notes that "bodies established by public processes but somewhat removed from central governments, like public corporations and statutory authorities, were the intended "quagos" (pg. 91). In public higher education institutions, these organizations have grown to include alternative organizing forms such as business activities that serve students, including dormitory and dining systems, bookstores, and other activities, as well as non-profit foundations that accept and administer gifts on behalf of organizations.

control” (pg. 12). These characteristics are seen to be the strengths of such organizational hybrids.

Wise (2010) argues that there will be more hybridization in the future. Citing the need for sectorial blurring to respond to the environment, he points to the government’s bailouts of private organizations as actions that result in public officials performing private management functions. Additionally, we are in an era when “long-standing public organizations are moving toward the privateness end of the continuum as a result of resource scarcity” (Wise, 2010, pg. 165). Such changes in autonomy from the government require an examination of the public interest served and the management of the institutions to ensure appropriateness of actions and use of resources (Moulton & Wise, 2010).

Proponents of these types of organization assume that there is no real difference in private and public organizational management and that the “objective of [public administration] is to maximize performance and results” (Moe & Kosar, 2005, pg. i). For example, Bozeman (1987) argues that given the regulations that private organizations face, all organizations are public to some degree, which is dependent on the degree of political authority over the organization. Therefore, blending of the organizations would not create any significant change. Instead, arguments in favor of blending the attributes of the three sectors assume that hybridization will lead to increases in efficiency and effectiveness by incorporating business-like features that reduce the red tape that plagues bureaucracy (Moe, 2001).

Opponents view private and public sectors as very different with distinct cultures and objectives and, therefore, warn that hybridization may “contribut[e] to a weakened capacity of government to perform” (Moe & Kosar, 2005, pg. i). Critics note that quagos have become “a

political game... about the political bias of appointments, the abuses of patronage, and financial irregularities and mismanagement” (Stott, 1995, pg. 323). In this view, more autonomy leads to real and perceived losses of accountability as a blurring of lines between private and public organizations occurs (Stott, 1995; Bertelli, 2006; Seidman, 1988). In particular, in this view blending denies the “inherent distinctions between the public and private sectors... as a matter founded in law” (Moe, 2001, p. 306).

While the significance of sociological and economic research that treats public and private organizations as the same is acknowledged, this research takes what Moe (2001) terms the constitutionalist perspective and assumes that there are significant differences between public and private organizations (Bozeman & Rainey, 2000; Perry & Rainey, 1988). In particular, private organizations are assumed to be driven by market incentives, namely profits, while public organizations are acting on behalf of the public with different constraints. These include complex goals and accountabilities and revenue sources and availability (Perry & Rainey, 1988). Wise (2010) argues that with increased hybridization, research should focus on the “preserving the public interest... ensuring adequate organizational and management capacity... and providing adaptive management systems” (pg. 165). In public higher education, these include ensuring or increasing access to higher education and outreach efforts with increasingly limited public funds through management of organizations that include public, non-profit, and auxiliary functions.

The “quagotization” of public higher education institutions, therefore, may have unintended consequences, which manifest themselves in both executive- and legislative-branch oversight external to the organization and management decisions internally, thereby changing the

nature of the organization (Bouckaert & Peters, 2004)<sup>7</sup>. Inherent in the research on quagos is the question of the autonomy of the organization (Bouckaert & Peters, 2004). Furthermore, questions about equity and fairness arise as organizations move along the continuum of public to private, in other words, as “publicness” changes (Antonsen & Jorgensen, 1997).

The changes in the mixture of organizational types and funding make foundations and fundraising efforts more central to the institution. Therefore, as gift and endowment become income more important, this increase in autonomy from the state may result in accountability to non-public actors. In particular, private entities, namely donors, may gain increased influence concerning the priorities as state universities become accountable to donors as well as the state. Accountability is a complex concept that has received much attention with government reforms. This includes public higher education reform (Foster, 1998).

Romzek and Dubnick (1994) offer a typology of accountability that includes four categories based on source (internal, external) and degree (high, low) of control. The categories are: bureaucratic, legal, professional, and political. This model has been criticized for conflating different types of accountabilities based on control and for mixing institutional and organizational level accountability (Koppell, 2005; Deleon, 1998). Koppell (2005) instead offers five dimensions of accountability: transparency, liability, controllability, responsibility, and responsiveness. Both conceptualizations imply that control has something to do with accountability, which is of particular importance to this research.

Examining accountability in higher education specifically, Burke (2004) argues that it is particularly confusing as markets and purchases replace government as the means of control.

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<sup>7</sup> Christopher Hood (1986), terms the shift to hybrid organizations one of quangocratization. Drawing on the discourse of privatization, I term it quagotization instead.

Day and Klein (1987) note that accountability is a “chameleon-like” word that higher education changes as professionalism grows and “has led to the privatization of accountability, in so far as professionals and experts claim only their peers can judge their conduct and performance” (pg. 1). Thus, the answers to the questions posed by Behn (1998) about who chooses results and the implementation of accountability mechanisms in complex operating environments, which are important in democratic societies, are changed as public higher education institutions alter relationships with the state and new forms of organization emerge. As quagos, the potential for particular interests to influence organizations, including public higher education institutions operating under this form, increases (Bouckaert & Peters, 2004).

Specifically, drawing from Koppell (2005), the dimensions of controllability (does the university do what the state government desires) and responsiveness (does the university fulfill the substantive need) are questions that relate directly to the effects of decreasing state financing and increasing reliance on alternative resources, including philanthropy, in public universities. As the public policy under which these institutions operates is altered, the means of accountability are changed. Situating accountability within new public management’s focus on performance results, Behn (1998) outlines four questions of accountability that arise from the focus on introducing market forces into public agencies. These questions can be combined into two different subsets: results and mechanisms. First, who decides the performance metrics and what results are desirable and, who implements the functions necessary to produce these results? Second, what are the features of accountability in this new structure and who does the public hold responsible for carrying out the processes of accountability?

While the questions relating to mechanisms of accountability are important, the focus on results relate explicitly to changes in the operating environment. Bouckaert and Peters (2004)

contend that the “financial dimension of control is also crucial for understanding” autonomy, noting that organizations that can raise “their own revenues...are certainly more autonomous than are those that must depend on” taxpayer dollars (pg. 38). Specifically, sources of revenue may change who decides what services are to be delivered, or the priorities of the institutions (Moe, 2001). Burke (2004), notes that in higher education, although general fund allocations (taxpayer monies) “diminished, public demands escalated. Increasing...enrollments and exploding state needs in workforce and economic development...called for increased responsiveness” from state higher education (pg. 9). In the case of the core functions of state universities and colleges, particularly, this is a decision about what research, education, and outreach functions are pursued and in what disciplines. Thus, questions about who decides what programs will be funded and at what level arise as institutions rely more heavily on private entities to provide resources.

Therefore, there are three different perspectives within public higher education institutions that are perhaps in tension with each other (Bogue and Hall, 2003). First, there is the democratic public interest, which assumes postsecondary education serves a public good, and therefore, the state should provide resources through taxpayer allocations. Second, there is the desire of the institution to remain autonomous given the nature of the work to be done, which includes but is not limited to a need for independent, scholarly research in order to maintain integrity of findings). In the United States, at the system level where the federal government makes grants for sponsored projects, this may be true in terms of setting a research agenda based on fairly competitive process. At the institutional level, however, the proficiencies in particular disciplines depend on managerial decisions regarding what colleges, departments, and schools to

fund (Bouckaert & Peters, 2004).<sup>8</sup> Third, with the devolution of state responsibility for public higher education, market forces are now imposed within the system.

While the market mechanism implied by tuition and fees may suggest that disciplines will be phased out or ushered in as students and the need for knowledge-creation in any specific area waxes or wanes, higher education, particularly public universities and colleges, is an imperfect market.<sup>9</sup> As with other public agencies, public higher education finances are not driven by profit (Tilak, 1993). For example, beyond being unable to exclude non-students or graduates from the external benefits of higher education, public higher education receives government subsidies and gifts from individuals, corporations, and private foundations, which are not subject to market forces but rather to decisions made by funders (Tobin, Solomon, & Karp, 2003).<sup>10</sup> As already noted, the latter sources of these other revenue are growing in importance, but little is understood about the operational outcomes of these gifts.

One thing we do understand is that these gifts are often restricted by donors for particular purposes, leaving institutions strapped for cash in certain areas although they may be successful at fundraising. Thelin (2004) reports that after completing a \$1 billion campaign in 1994, the University of Pennsylvania administration argued it still faced budget constraints because donors had specified gift recipients within the institution. While Thelin is skeptical that successful

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<sup>8</sup> There are numerous reasons institutions seek autonomy, including escape from what Kaufman (2001) terms the bureaucratic irritants. While these hold true in public higher education, as evidenced by the number of reforms undertaken by various states, which include reorganization of institutional oversight, redefinition of performance metrics, etc., the difference for public higher education is the nature of the good provided.

<sup>9</sup> Even private higher education institutions receive a significant amount of funding from states in the form of grants. These grants are not only for research but for student education. For example, in the Commonwealth of Virginia, a portion of the state's funding for higher education is directed towards the Tuition Assistance Grant (TAG) program. Through this program, the General Assembly grants non-need based tuition grants to Virginia residents who choose to pursue an undergraduate education at one of the private universities and colleges in the state. Some graduate students pursuing particular fields of study are also supported through TAG.

<sup>10</sup> Donations are tax deductible and therefore are considered by some to be another source of subsidy.

fundraising campaigns leave institutions cash poor, he does acknowledge that with the devolution of financing by state governments to the institutions, there is a need for more private donations.

While donor control has been advanced in the literature, particularly in terms of “new donors” and the ultra-wealthy and the potential for undemocratic giving to organizations which are there to serve a public good (Ostrander, 2007a; Eikenberry, 2006; Salamon, 1995), there is little that looks at the effect donations have on public universities (for exception, see Hirsch, 1999 and Rothschild, 2001). Ostrander (2007a) argues that “new organizational forms, which further increase the already-disproportionate amount of influence of wealthy donors, simply add to the problems of philanthropy and democracy” (pg. 358). This matters because public universities serve a variety of purposes, including shaping knowledge and culture. Control by private entities, in this case private donors, could be a threat to democratic governance of public institutions as critics of quagos argue, “the attributes of the sovereign are assigned to an otherwise private party” (Moe, 2001, pg. 291).

### *Philanthropy Literature*

Cook and Lasher (1996) note that the tradition of making philanthropic donations to higher education began as long ago as Socrates and Plato’s academy. In the United States, philanthropy in higher education began in the 1640s, with a gift to then Harvard College. As the demand for college grew following World War II, philanthropy to postsecondary institutions increased in prominence. By the 1970s public higher education institutions began to recognize the importance of fundraising already long understood by their private counterparts, and by the 1980s, fundraising and foundations became part of the central function of many public universities and colleges. Elliot (2006) notes that “in the early years of the twenty-first century,

the financial landscape of higher education reflects increased external support...benefactors as program architects and auditors” (pg. 6). Leslie and Ramey (1988) contend that philanthropy for higher education becomes more important as it differentiates institutions from the “routinized sameness of fully regulated organizations.”

Cook (1997) argues that all universities and the administrators of these institutions, both public and private, have increased fundraising efforts since the 1970s. Furthermore, given the importance of these endeavors, presidents of institutions are often selected based on fundraising skills and knowledge, which suggests philanthropy is expected to have an effect on institutions at the highest levels of management. O’Brien (2005) contends that campaigns, which are large-scale fundraising efforts that have become the main mechanisms for raising private donations, are not really about fundraising. Instead, these efforts are aimed at the stimulation of organizational change and transformation of the institution which starts with the strategic planning process at the beginning of the campaign.

Strickland (2007) argues that while earlier donors were instrumental in building institutions, today’s philanthropists “are transforming them” (pg. 105). Given the success of the early institution-building donations at creating a thriving higher education community in the United States, this view of philanthropy and donations does not critically assess the ‘transformation’. Instead, it accepts that donors light the path for a brighter future given the darkness that has befallen these institutions since states began using them as a balancing wheel. Schervish (2005) notes that “The complex part about the charitable motivation of the wealthy is that those who hold great wealth and consciously direct it to social purposes want to shape rather than merely support a charitable cause....those who make a big gift want it to make a big difference” (pg. 60).

While it would be difficult to refute the research that suggests that donors have enabled institutions to serve otherwise underrepresented groups at the time, such as education for women (Shaw & Taylor, 1995), this research does raise questions about who is determining the purposes of the gifts. Rothschild (2001), argues for example that while private donations are essential funding for the social sciences, philanthropists do not fund the core research, but rather innovative and new research, which either leaves scholars unfunded or with new research agendas. What the scholarship fails to recognize is that earlier donations were primarily for private universities and colleges, which in turn had to be supplemented by states chartering their own institutions of higher education. If private institutions had fulfilled all the needs for higher education, then these public institutions would seemingly not have developed, which raises questions about the changing organizational forms and ever-increasing reliance on philanthropy. Therefore, it is necessary to understand philanthropy's constructs to better plan for the transformations it may create in our public higher education institutions, particularly in the "publicness" of them.

Leslie and Ramey (1988) contend that institutional characteristics and relationships with donors must be better understood to be more effective at fundraising. The authors argue that philanthropy offers a source of discretionary funds while state dollars and grants are often earmarked for particular purposes. As such, these funds offer a way to balance budgets, particularly as other sources of revenue decline, but are affected by both the institution's characteristics and the economic system (Leslie & Ramey, 1988). While public postsecondary higher education leaders have offered that these dollars are not necessarily discretionary, particularly since the majority goes to restricted gifts, the reliance on fundraising to provide

additional financial resources to public universities and colleges is evidenced by the focus on increasing philanthropy by making this a central function.

Ostrander and Schervish (1990) offer a definition of philanthropy based on an interactive relationship between the supply side (donor) and demand side (recipient). In such a relationship, donors give resources and receive information from recipients regarding how to best utilize funds. Recipients garner access to resources and impart knowledge about how to use resources to address particular problems. Gross (2003) argues that philanthropy is based on giving to institutions or associations that further the givers' beliefs about society and Schervish (1997) finds that participation in a particular community and commitment to the cause are drivers of philanthropic giving. Salamon (1995) expressed concern that paternalistic donors were able to determine the use of philanthropic funds and the beneficiaries served rather than non-profits. The common thread in these definitions of philanthropy is that there is some type of relationship between donor and recipient. The characteristics of these relationships are shifting from our notions of traditional philanthropy as donors seek to ensure their funds are used to enhance performance and produce results by expecting engagement and involvement in the institution (Boverini, 2006).

Recent philanthropic discourse has shifted from an emphasis on giving to an emphasis on investment, referred to as new or venture philanthropy (Boverini, 2006; Eikenberry & Kluver, 2004). This new conceptualization of philanthropy "is led by individual donors and emphasizes collaboration across groups and sectors, unconventional modes of giving and volunteering, and a focus on issues rather than institutions" (Eikenberry & Kluver, 2004, pg. 134). There is a growing body of literature critical of this type of philanthropy. The objectors concur that donors may have particular concerns or problems they want to address and are not necessarily concerned

with the overall enhancement of the institution or building a relationship with recipients (Ostrander, 2007a; Eikenberry & Kluver, 2004). Furthermore, donors may not support issues that need to be addressed, but rather those to which the philanthropist has an attachment or from which the benefactor may benefit (Eikenberry, 2006). This scholarship argues that reliance on donations can be particularly problematic when gifts are: so large as to be capable of creating significant change in focus in the institution, thus giving the donor control, sometimes to the point where they make public policy decisions and which occur in a system in which donors are given little chance to systematically learn about how to make donations that meet the needs of recipients (Ostrander, 2007a; Ostrander, 2007b; Eikenberry, 2006).

These large gifts, termed mega-gifts, are defined by Panas (1984) as \$1 million or more and are, in majority, directed towards a specific purpose. Tobin et al (2003) define these gifts as \$10 million or more, noting that “The magnitude of the highest-end giving is such that *major areas of society can be seriously influenced*” [emphasis added], and that higher education receives the majority of these gifts” (pg. 1). Grace and Wendroff (2001) term this transformational giving and define this philanthropy as donations that have “unique capacity to alter the programs, perceptions, and future of an organization” (pg. 15). This purpose is defined by the donor, who typically works with development staff to write a gift agreement that articulates the purpose of the gift and how it is to be spent over time. Mega-gifts made for general funds to be directed towards purposes the university deems necessary are infrequent and atypical (Stephenson et. al., 2009).

Rather, gifts typically occur through a process that includes identification and cultivation of a prospect and eventually negotiation for a gift (Weinstein, 2009; Cook, 1997b; Fogal, 2005; Dailey, 1986; and Tempel, 1991). Weinstein (2009) details a process that occurs over a long

period of time while Kelly (1997) further articulates the need for institutions to manage relationships with these donors. This process entails the university determining what may be of interest to the donor as well as the donor stating philanthropic interests. Both parties negotiate to meet the desired outcome for a transfer of assets for a particular use. Thus, the university may be able to steer the donor to make a gift that is consistent with university priorities. If the current relational system, however, does not allow or encourage direct donor involvement so that the philanthropist knows the true needs of the organization, then the donations may result in changing the institution in ways that change or are incongruent with institutional priorities (Ostrander, 2007a; Hirsch, 1999).

Furthermore, given the conventional wisdom of fundraising executives that 90 percent of donations come from 10 percent of donors, coupled with the growing distance between the wealthiest citizens, these relationships become even more important for fundraisers (Cook, 1997b). What is different about these large wealth holders is that they are what Schervish (2005) terms “hyper-agents,” or people who “are capable of establishing the institutional framework within which they and others live” (pg. 60). Of major donors, Silberg (1990) finds that out of 13 individuals who made gifts of \$1 million or more, the majority of gifts were made to causes that were of interest to the individuals. In part, this is dependent on belief in mission of the organization (Kelly, 1997; Costa, 2005). Beyond the mission, Costa (2005) argues that key stakeholders, including donors, should be involved in “identifying, prioritizing, and funding its needs” (pg. 13). In this study of finances and fundraising, nowhere are the patients served identified as a key stakeholder. Instead, the assumption appears to be that these constituents are represented through hospital staffs and boards. Furthermore, according to Costa (2005),

budgeting and strategic planning processes should seek to prioritize based on what may be interesting to donors.

This relationship somewhat mirrors Kelly's (1995) two-way symmetrical model, of which "the purpose...is to reach mutual understanding...to balance the needs of the charitable organization and its donor publics...based on principles of negotiations, compromise, and conflict resolution" (pg. 109). Kelly finds that this model, one of four she identifies, is the most enlightened but also the least practiced, although if used, it is in major gifts fundraising. Furthermore, Cook (1997b) argues that there is not a theory of fundraising or philanthropy that helps to make it more effective. What defines effective fundraising, the amount of dollars raised or something more?

Through the use of modern scandals in fundraising, Pribbenow (2005) argues that accountability and recognition of the public service of development work needs to be better recognized. In doing so, Pribbenow recognizes that our understanding of fundraising and its effects on institutions is not well understood. Given the increasing focus on fundraising we find in public institutions, including higher education, this becomes a problem as it relates directly to the "publicness" of institutions. In a review of literature on philanthropy and democracy, Eikenberry (2006) argues that "public administration and policy theorists concerned with democracy...should have a keen interest in understanding and considering the growing role of philanthropy in an age of networked governance...Being philanthropic...may not be the way we want to set public policy" (pg. 589-90).

As organizational forms change and more autonomy is given to institutions, management may be faced with more pressure from non-public external actors. If accountability is one

measure of publicness, and as the research notes in the new philanthropy paradigm, donors expect accountability of the institutions, then we must examine the effects of these shifts (Wagner, 2003). Tobin et al (2003) note that there is very little empirical research that gives a better understanding of mega-gifts and the entities that make them. Even less research helps to understand how organizational management responds to this gifts in terms of overseeing the institution (Stephenson, et. al., 2009). Furthermore, Rothschild (2001) contends that it is difficult to know the extent to which donations support existing or new priorities as shaped by the donor but that often funders expect institutions to offer additional resources beyond their seed funding.

To date, the most significant research on philanthropy focuses on donor motivations and characteristics and implementation of successful fundraising programs. The lack of focus on the aftermath of philanthropic donations, particularly those that are of such a magnitude as to be transformational, is problematic. Given that the majority of these mega-gifts are made to higher education, including public institutions of higher education, we would expect this sector to provide a good sample of gifts that allow for the study of the management implications of these gifts. Furthermore, when tied to state policies that devolve autonomy to the institutional level, yet hold these public universities and colleges accountable for meeting particular performance metrics, the need to understand the consequences of reliance on philanthropy at both the institutional and state level increases. This is a gap this research seeks to address.

## Chapter 3: Methodology

### *Introduction*

From the established gaps between the literature on public higher education privatization, quasi-governmental organizations, and extraordinary philanthropic donations, a significant research question emerges: How do mega-gifts affect the salience of priorities in public universities? Previous research has shown that the threat of donor control within organizations does exist, can set public policy, and can create crisis and change in the organization (Ostrander, 2007a; Eikenberry, 2006; Salamon, 1995; Speck, 2010; Stephenson, et. al, 2009). These studies focus on both public and private organizations, however, and do not solely consider the implications of the provision of very high levels of funding from private donors for public agency operations that previously received the majority of their funding from the state. This is the gap this research seeks to address.

The decrease in public postsecondary education funding indicates that once primarily state-supported activities are now supported by other funds, including philanthropic donations. Given the paucity of research and our limited understanding of these changes, this research seeks to determine if there is evidence of changes in the salience of priorities of Education & General activities within public universities and colleges that have received extraordinary gifts for these operations. If these activities change significantly, it may be an indication of donor control that would warrant future investigations on a broad scale to help build theory regarding the reliance on donations by public organizations.

There are several well-accepted indicators of priorities within organizations. These include allocations of funding and human resources, strategic plans, inclusion on governance meeting agendas, and features in official publications. All of these are indicators of the decision to support or not support particular programs. Thus, secondary research questions to address the primary research question include:

- Do university long-range and strategic plans change after a mega-gift is made and if so, how?
- Do changes in budgets occur after a mega-gift is made and if so, how?
- Do human capital allocations change after a mega-gift is made and if so, how?
- Do mega-gifts change the decisions of university employees with the power to set priorities and if so, how?

Additionally, given the differences in fundraising abilities between institutions, questions regarding the donations themselves are pertinent. These include:

- What are the characteristics of a mega-gift?
- Does the relationship between donor and recipient have an effect on the outcomes from the gift and if so, what?

These questions are designed to help better understand the magnitude of the gift within the institution and also determine if, as the literature suggests, the relationship between donor and recipient is important. Drawing on Yin (2009), Rubin and Rubin (2005), and King, Keohane, and Verba (1994), this research utilizes case studies to build a contextual, in-depth understanding of the mega-gifts chosen for this study.

### *Approach and Design*

Given the lack of research on mega-gifts made to public agencies, and in particular state universities and colleges, following Yin's (2009) definition of case studies, this research undertakes "an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (pg. 18). Gerring (2004) offers that case studies allow the researcher to thoroughly conduct a study of one unit to build understandings of other similar cases. Additionally, case studies prove "more useful" for a number of reasons, including for "inferences [that] are descriptive...propositional depth...case comparability...[and] strategy [that] is exploratory" (Gerring, 2004, pg. 352).

As a state-supported agency with declining state allocations, the context of the case studies is particularly important. As previously stated, research has shown that state allocations to agencies may crowd out philanthropic donations. Furthermore, public postsecondary institutions have varying degrees of autonomy from the state depending on state code and the governance structure. Lastly, the affluence of alumni bases and the students the school attracts influences the projected philanthropic profile of the institution. Thus, the particular operating context of the institution matters for studying these mega-gifts and the salience of priorities.

In this research, I investigated the phenomenon from participants' viewpoints by relying on numerous sources of evidence. Yin (2009) notes that "[t]he case study inquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result benefits from the prior development of theoretical propositions to guide data collection and analysis" (pg. 18). Given the complexity of the mega-

gift phenomena and the artifacts of managerial decisions that are central to this study, a thick description is necessary to fully understand the interaction between mega-gifts and institutional priorities.

In particular, this research employed elaborated case studies of two universities in the Commonwealth of Virginia. Elaborated case studies allow the researcher to study “what happened, why, and what it means more broadly” (Rubin & Rubin, 2005, pg. 6). My research specifically focuses on public universities classified as Level III universities under the Higher Education Restructuring Act (2005) in Virginia. This eliminates any variability caused by differences in state laws governing public higher education. Although it does create limitations in statistical generalizability, these case studies allow for a richer understanding of how, when, and in what ways mega-gifts may affect priorities in public universities, thus allowing for analytical generalizability (Yin, 2009).

Propositions “direct attention to something that should be examined within the scope of the study” (Yin, 2009, pg. 28). Tying the primary and secondary research questions to the existing literature yields the following propositions from which the study began:

P<sub>1</sub>: Gifts that are large in size relative to the university endowment, the more change in salience of priorities as observed through differences in budgets, strategic plans, human capital, and decision-making.

P<sub>2</sub>: The more restricted the gift, the more salience of priorities changes as observed through differences in budgets, strategic plans, human capital, and decision-making.

P<sub>3</sub>: The more closely related the donor to the institution, the less salience of priorities will change.

The study was designed around these propositions in order to compare the findings from the cases to the existing literature. The data collection was then designed to gather supporting or opposing evidence to determine if patterns existed (Yin, 2009, pg. 77).

Change in salience of priorities should be detected in variance in artifacts that reflect managerial decisions. These artifacts are management tools, which include budgets, strategic plans, and human capital plans and through other discursive data, such as: alumni magazines, interview responses, donor/recipient relationship, and university statements. These indicators were used to study the dependent variable, change in priority salience (see Table 3.1).

Dependent Variable: Changes in Salience of University Priorities	
Indicators	Measurements
Strategic Plans	Changes in stated goals at the university, college, and departmental level to elevate importance or include recipient program
Budgets	Changes in allocations to the recipient program at the university, college, and/or departmental level
Human Capital	Changes in university, college, or departmental level human capital to include faculty with expertise in recipient program or to include donor on boards
Decisions	Changes in university minutes, publications, or other statements that indicate variation in university existing or planned programs or relative importance of recipient program through inclusion in official statements

Table 3.1. Dependent Variable and Indicators for Variance Study

Based on the literature and research questions, the explanatory variables that are of interest for this study are mega-gifts and the donor-recipient relationship. Indicators of these variables are explained in Table 3.2.

Explanatory Variables	
Mega-Gift	Donor/Recipient Relationship
Indicators	
Size of Gift	Board of Visitors Member
Length of time since gift given	College Board Member
Type of gift (cash, bequest, pledge, etc.)	Foundation Board Member
Purpose of gift	Alumni
	Parent
	Friend

Table 3.2 Explanatory Variables for Variance Study

*Research Population and Sample*

The unit of analysis for this study is a mega-gift, and in particular, mega-gifts given to two public universities in the Commonwealth of Virginia. These cases were drawn from gifts that were made in support of educational departments or initiatives in the state’s flagship university and its land-grant university, the University of Virginia (UVa) and Virginia Polytechnic Institute & State University (Virginia Tech). Virginia’s public higher education system demonstrates several trends that yield an interesting context for this research.

In Virginia, full-time equivalent enrollment has grown by 10.7 percent in the past five years, more than three percent over the national average. Virginia ranks 14<sup>th</sup> among the 50 states for the percentage of revenue generated through tuition<sup>11</sup>. In terms of per capita support for public higher education, Virginia ranks 36<sup>th</sup> with \$245, \$49 less than the national average<sup>12</sup>. Furthermore, when measured per \$1,000 of personal income, Virginia's public investment in public higher education per capital ranks 40<sup>th</sup>, at \$5.71, which is just 77 percent of the national average of \$7.40. Together, these trends demonstrate that while enrollment is growing, on average, Virginia funds public higher education at a lower level than most other states. This is a significant indication that Virginia expects public higher education institutions to rely on self-generated income to sustain operations. Because tuition revenue already ranks among the top 15 in the nation, one can reasonably assume that the ability to raise tuitions to higher levels without affecting quality of students is hampered in Virginia. Thus, dependence on other sources of revenues, including gifts, is likely relatively high in the Commonwealth.

There are three main reasons for choosing to narrow the focus to these two particular universities in Virginia. First, the University of Virginia has a history of very successful fundraising, including a gift of \$100 million to establish a new school and \$64 million to endow professorships in Law and Medicine. In contrast, Virginia Tech's largest gift is \$10 million and there are several at this level, including one to fund a college, one to establish a new school, and another to support a center. Thus, the schools have very different fundraising profiles but are soliciting and receiving monies for similar endeavors, allowing for interesting comparisons

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<sup>11</sup> State Higher Education Executive Officers calculates educational revenue by adding appropriations and net revenue. Net tuition is "calculated by taking gross amount of tuition and fees, less state and institutional financial aid, tuition waivers or discounts, and medical student tuition and fees" (SHEEO, 2009, pg. 29).

<sup>12</sup> Higher education support for per capita and per \$1,000 of personal income is calculated based on "state and local tax and nontax support for higher education" (SHEEO, 2009, pg. 45).

between large gifts. What may constitute a mega-gift to one institution may not be for the other. For example, at Virginia Tech, a \$5-million or \$10-million donor's gift may receive more attention, while at peer institutions similarly sized gifts do not usually attract much attention (Masterston, 2009).

In addition to the size of the gifts, there are differences in the schools' resource profiles more broadly. The University of Virginia's endowment is among the 20 largest in the country and largest in the Commonwealth (Chronicle of Higher Education, 2011). The institution's alumni giving ranks among the top 10 nationally for giving by alumni to public universities, with an alumni giving rate of 27 percent. UVa is the recipient of some of the largest gifts to a public institution (Conley & Temple, 2006). Virginia Tech's endowment, however, ranks 129<sup>th</sup> among schools nationally and fifth in the Commonwealth (Chronicle of Higher Education, 2009).

Second, focusing on Virginia's two largest public institutions allows influences of state policies and practices to be held constant. Support for public higher education varies widely among the states and there is evidence that links tax-payer support to private giving. For example, some studies have shown that government support for non-profits has a crowding-out effect for donations (Steinberg, 1987; Okten & Weisbrod, 2000). Other scholars suggest that rather than donors not giving because of public funding, the institutions may decrease fundraising efforts (Andreoni & Payne, 2003). Although these studies do not reach the same conclusions, they do show that there is some relationship between financial support of the state and private donors. Furthermore, the research shows that state policies influence management practices.

In Virginia, these policies have experienced dramatic change in the past decade. State relationships with the universities have changed after passage of the Higher Education Restructuring Act of 2005 (Restructuring). Under this new agreement, the State Council of Higher Education for Virginia, the Commonwealth's coordinating body for the decentralized system of higher education, maintained its duties for oversight of degree program approval, recommendation of policy recommendations to elected officials, development of definitions of institutional performance metrics, and review of operations. At the institutional level, Restructuring created three tiers for public universities and colleges in the Commonwealth, which are each self-governed by a Board of Visitors appointed by Virginia's Governor.

Tiers are based on an institution's demonstrated ability to manage its own resources and activities. Initially, three universities, including UVa and Virginia Tech, were classified at Level III, the highest level. With this classification, these schools were given a large degree of management autonomy from the state for procurement processes, capital projects, personnel decisions, and setting tuition and fees. In return, the three universities must: be more responsible and accountable by generating more of their own resources (including external funding for research); guarantee help with meeting the state's needs (provision of affordable and accessible education); stimulate economic development; uphold articulation agreements with community colleges; enhance K-12 instruction; and meet particular financial and administrative standards (including managing endowments and other resources and provision of six-year comprehensive strategic plans) (Tierney, 2006; Virginia Higher Education Restructuring Act, 2005).

Of particular interest to this study is that Virginia State Code precludes the state from considering gifts during the appropriation process. Institutions, however, may seek to meet or exceed performance metric goals through initiatives that rely on fundraising. For example, UVa

proposed to meet the affordability goal through AccessUVA, a financial aid program for students that relies on donations in part. Per the University of Virginia Board of Visitors' minutes, the institution has developed a set of performance metrics to meet the goals of Restructuring as well as the Board of Visitors strategic initiatives. These metrics include gift and endowment income measurements such as: percent of alumni who make donations, percentage of budget, and total endowment income and distribution, suggesting that to meet goals, including those of the state, the University must raise a certain amount of funds from private resources (University of Virginia, 2006d). Both universities include expectations for fundraising initiatives as part of the financial resources outlined in institutional planning. This expectation, combined with the decline of state allocations and restrictions placed on the uses of public monies, creates an environment in which fundraising is made a central function of the university.

Restructuring results in a different relationship than other states have with public universities and, thus, may create variations in management practices with non-Virginian institutions. Additionally, as previously stated, public policy may affect giving. Thus, holding constant for the state and the level of classification for the institutions will help to mitigate the influence of these factors on the study.

Third, as always, the feasibility of the study was of concern. As an alumna of Virginia Tech and current graduate student, I have multiple connections to the university that provided me with an ease of access to data and administrators at a high level in that particular institution, although not completely as some individuals were hesitant to talk to me, presumably because of the interview subject. As a former employee of the University of Virginia's Development Office, I also have knowledge of UVA's fundraising history. The relationships between the two institutions also helped me to gain access to data, particularly for interviews.

Two case studies were drawn from the population of the largest gifts to the two institutions in order to gain literal replication that “predicts similar results” (Yin, 2009, pg. 54). The case studies were chosen so as to achieve unit homogeneity by intentionally selecting the observations. King, Keohane, Verba (1994, pg. 137), note that choosing cases based on the key explanatory variable does not create problems with inference since this does not result in “predetermin[ing] the outcome”.

The two mega-gifts were identified by researching news stories and publications from the university. The focus was on finding the gifts that are given in support of the educational mission of the universities as these are the activities traditionally supported by state funding. Once gifts were identified, preliminary data collection was completed to determine if there is enough available information necessary to study priorities prior to and after the mega-gift was made.

Given the amount of information available, the two gifts were chosen based on several characteristics. These characteristics were expected to influence how university officials interact with the donor and utilization and significance of the gift. Thus, by ensuring homogeneity in the key explanatory variable, the expected value of the dependent variable is the same (King, Keohane, & Verba, 1994).

First, both were proclaimed by each university to be the largest, or one of the largest, to the respective institution. Second, both gifts were made in support of new degree programs that built on existing strengths within the university but would be housed in new operating structures. In both cases, the research degree programs are designed to be interdisciplinary and draw together faculty, staff, and students from multiple departments and colleges. Third, the gifts

were announced within 18 months of each other, creating a similar timeframe for analysis and any changes in state funding. Fourth, the gifts were both made by living alumni.

#### *Noted Differences in Case Studies*

While every effort was made to select case studies that were replicable, there are some differences in the gifts that should be noted. First, the UVa gift was made by a single donor and was made outright rather than in the form of a pledge. At Virginia Tech, the donation was made in the form of a pledge of equal amounts by two different donors. Given that Virginia Tech treats the gift as one in terms of all publications and the naming of the new School, this was not expected to make a difference.

Second, while all donors were connected to the university through alumni and volunteer relationships, the positions held were somewhat different. The UVa pledge was made by an alumnus who had previously made one of the all-time top five donations to the university, and thus was well known to university officials. While not a member of the Board of Visitors, which is a body appointed by the state Governor, the donor was a trustee of one of the university's college foundations. Additionally, he had very close ties to a Board of Visitors member at the time the gift was made. At Virginia Tech, however, the gift was pledged by two fraternity brothers, one of who was a member of the university's Board of Visitors at the time of the donation and the other served on an Alumni Board for an engineering department. Following the donation, both served on the board of the School of Construction. At least one, if not both, of these donors had very close ties to university faculty prior to the gift. Given that all donors have extensive relationships with the universities, the differences in these roles should not create unreliability as all individuals had knowledge of the priorities through receipt of information as major donors or prospects and existing relationships with the institutions.

<b>Research Question</b>	<b>Document Analysis</b>	<b>Sample interview questions</b>
What are the characteristics of mega-gifts?	Review of university publications on gifts	Please define what you believe to be a mega-gift at the university.
	Review of foundation financial statements	Is the size of this gift what makes it a mega-gift? Would a smaller gift be considered a mega-gift?
		Please describe the negotiation process to reach an agreement on the gift.
What changes occur in budgets after a mega-gift is made?	Review of university, departmental, and college budgets prior to and after a mega-gift is made	How has the mega-gift affected your program's budget?
		How has the mega-gift affected the college's budget?
		Beyond the funds from the gift, is the university supporting the recipient program at a higher level?
How do strategic plans change after a mega-gift is made?	Review of strategic plans prior to and after a mega-gift is made	How have the department's strategic plans changed since gift was made?
		How has the college's strategic plan changed since the gift was made?
		How has the university's strategic plan changed since the gift was made?
How does human capital change after a mega-gift is made?	Review of human capital prior to and after a mega-gift is made, including board membership	Have more faculty or staff been hired as a result of the gift?
		Have board members been selected as a result of the gift?
		Has the gift altered your human capital plan in any way?
How do mega-gifts change the decision-making of university employees with power to set priorities?	Changes in rhetoric in university publications and statements	Do you consider the donor when you make decisions related to the management of your department (college, or university)?
		Have you observed that decisions by your deans or administrators were changed by the particular donation? If so, please describe.
		What role do you perceive fundraising to play in your everyday duties?
Does the relationship between donor and recipient have an effect on the outcomes from the gift?	Review of lists of board members and organizational charts prior to and after a gift is made	How is the donor tied to the institution?
	Review of university publications on gift to determine relationship	How would you characterize the relationship of the donor to the university?

Table 3.3 Data Collection Techniques

Lastly, and perhaps most importantly, the level of the entity that administers the degree program is different although both bear the name “School”. This is a result of the universities’ different nomenclature for operating units. At UVa, the gift created a School, which is similar to a College. For example, the School has a dean who reports directly to the Executive Vice President and Provost. At Virginia Tech, however, School denotes an operating entity that either spans across colleges or may fall within one individual college. The gift selected for this research spans the two colleges with which it shares programmatic interest. To account for this difference, different levels of analysis within the case study were applied. At the University of Virginia, university level historical, archival, and interview data were relied upon to develop a thick description of the case. At Virginia Tech, college level data were collected to build a description. Much of this data was not made available through publicly accessible channels. Therefore, this case drew more heavily on interviews to develop an understanding of the case study.

As a result of the access to information provided publicly and upon request by the researcher, there was a difference in the depth of the case studies. In instances where comparable data was not available for both cases, the research denotes the deficiencies and inability to compare across cases. Given the exploratory nature of this project, however, it is important to consider this data in order to determine potential future research directions.

### *Data Collection*

Historical documents, archival information, and elite interviews were the primary means of data collection for this research. This approach of triangulation of data gave a more complete and accurate understanding of the complexities of the cases. In particular, the data collection

strategy helped to understand if there were any changes made in priorities by examining management tools that indicate the priorities both directly and indirectly. Furthermore, interviewing key personnel that understand the history of the gift (including the negotiation process to reach an agreement with the donor) or those who experienced changes as a result of the gift provided a richer understanding of the case studies.

First, examination of the documents that state the priorities of an institution is necessary. Thus, content analysis was utilized. A content analysis is “*empirically grounded method* exploratory in process, and predictive or inferential in intent” (Krippendorff, 2004, pg. xvii). In particular, this method employs a systematic examination of texts and images in order to enhance understanding of phenomena (Krippendorff, 2004). The documents examined consisted of management tools that characterize the organization’s priorities, including: budgets, strategic plans, organizational charts, and institutional publications. Documents were collected and coded for pre- and post-mega-gift eras and chosen based on:

- Richness of data provided
- Availability of materials prior to and after the mega-gift is realized
- Availability of similar materials for each case study

The collection of documents was followed by elite interviewing with university personnel related to or potentially affected by the mega-gift (see Table 3.4 for list of types of positions contacted for interviews). The use of interviews allowed for a deeper understanding of the case study (Rubin & Rubin, 2005). The interviews provided more meaning to the researchers’ understanding of the historical documents. Marshall and Rossman (2006) note that interviews allow researchers to: quickly collect large quantities of data; explore a vast array of information;

and to clarify information as necessary. While the interviews were designed to be freer flowing, a sample of questions was developed and pilot interviews with faculty members and former development professionals were conducted with known individuals to ensure a good design of questions and interview techniques.

Good research accounts for the distinctiveness of knowledge of each interviewee, as each has a different set of experiences and understanding of those experiences. Using responsive interviewing methods will offer “depth of understanding, rather than breadth” (Rubin & Rubin, 2005, pg. 30). Potential interviewees were contacted based on:

- Length of time with the university
- Level of decision-making authority
- Relationship to gift (e.g. department, research, or position funded by gift; in department closely related to gift recipient; key person involved in negotiation of gift).

Targeted Elite Interviews	Departments	Colleges	University	Other
	Department head of recipient departments	Dean of recipient college	President	Donors
	Faculty of recipient departments	Associate Deans of recipient College	Provost	
	Department heads of non-recipient but related departments	Deans of non-recipient college	Chief Financial Officer	
	Faculty of non-recipient but related departments	Associate Deans of non-recipient college	Board Members	
			Development Officers	

Table 3.4 Targeted Interview Respondents

Nine interviews were conducted at each institution. The interviewees in each case were drawn from administrators, faculty, and staff of recipient departments, foundations, and administrative offices. While the titles of interviewees cannot be disclosed in compliance with the study's parameters as approved by the Institutional Review Board, it is important to acknowledge that the levels of interviewees in each case study were comparable relative to the structure created by the mega-gift. In other words, the positions of the interviewees for the Virginia Tech case, which resulted in a structure that fell under two colleges, were comparable to the research participants at the University of Virginia, which resulted in a structure that reported directly to central university administration.

All interviews lasted between 45 and 90 minutes, with most stopping at the 60 minute mark. The three that went over the 60 minutes that was noted in the interview consent form were at the behest of the interviewee, as some of the research participants were very eager to share information given a personal interest in the research topic. In these cases, it was noted by the researcher that the 60-minute limit was approaching and interviewees were asked if they wanted to continue. In these three cases, all interviewees replied that they were interested in providing more information and wished to continue.

Conducted both in person and by phone, interviews began with an explanation of the research, the consent form, and interviewees were advised of any potential negative impacts. To comply with Virginia Tech's Institutional Review Board's requirements, interviewees that were met in person were asked to sign the consent form, which they had received via email prior to the interviews. Interviews conducted via phone were consented to through email by virtue of receiving the phone call and still agreeing to meet. All interviewees were given a chance to ask questions regarding the research, risks, and benefits. To put interviewees at ease, questions

about length of time with the university, position responsibilities, and other background questions were asked first. Furthermore, the interviewees were promised confidentiality to the extent possible by no use of direct quotes, no reference to an interviewee's department or length of time with the university, and limited use of references to administrator or faculty roles in any documentation. For a list of documents that were collected and which guided the interview questions, please see Table 3.3.

Access to donor records and the donors themselves was not granted. While these sources would likely have yielded a wealth of information regarding the history of the gift and negotiations that resulted in the donation, these records are held by the private foundation and not public information. Instead, a public history of the gift was created about the donations through press releases and recipient websites, however, and that information was supplemented by interviewee data. All data were analyzed to build a thorough case study.

### *Data Analysis*

To identify themes, data from documents were collected and coded in Microsoft Excel. For example, the number and prominence of articles were used as indicators to determine mega-gifts for potential case studies. Changes in budgets allocated to recipients of particular gifts were recorded. Additionally, strategic plans were coded to identify any change in emphases placed on the purpose for which the gift was given prior to and after a donation. These plans were analyzed to determine if there was increased significance placed on the gift's purpose after the gift was made. Organizational charts and listings of Board members were examined to determine if the gift may have created any changes in the administration, structure, and governance of the institution. Additionally, this helped to determine the nature of the relationship between the donor and the recipient university.

After trends were identified from the analysis of the documents, specific questions were determined in order to undertake a semi-structured interview process. During the interviews, notes were taken in order to record some data. While there is significant evidence that posits recorded interviews provide the most effective way to capture everything said during an interview, recording may also inhibit interviewees' openness (Rubin & Rubin, 2005). Given that the subject matter of the interviews is sensitive in nature (including the nature and process of mega-gift receipt and management decisions), gaining the trust and frankness of the interviewees was critical. Thus the comfort of the interviewees is of utmost importance. Therefore, notes were taken rather than recording the actual interviews (Warren, 2002 and Woliver, 2002).

Immediately after each interview concluded, I reviewed the notes to add anything I remembered that was not already written and also insert clarification as necessary by recording myself talking about the interview. The data collected during the interviews were then coded similarly to the historical and archival documents. The findings from each case study were compared to define themes that relate to priority-setting in institutions that receive mega-gifts. The notes were subsequently compared to themes identified in the literature to further analyze the data (Rubin & Rubin, 2005).

### *Validity and Limitations*

This study employed multiple sources of evidence and indicators based on existing literature on expressions of priorities within organizations. Thus, the research is considered to have a high level of construct validity (Yin, 2009). Internal validity was ensured by matching patterns and building explanations during data analysis (Yin, 2009). Lastly, reliability is confirmed by using the case-study protocol as defined by Yin (2009) and developing a database to collect data. Furthermore, the University of Virginia case was sent to an outside reviewer that

had expert knowledge of the planning phases of the Batten School's implementation. After review, the researcher received confirmation that the case study reflected the reviewer's recollection of the events. Unfortunately, no outside reviewer was available for the Virginia Tech case, although some committee members were able to add some knowledge of the case.

One limitation in this research design is the small number of case studies. This affected the external validity of the study. In order to gain a full understanding of the mega-gifts and any changes each may have caused in university priorities, generalizability was affected. I took careful measures to ensure the accuracy of the findings, including efforts to guarantee replication in choosing the cases, but inevitably they represented a small sample of gifts within public universities in the Commonwealth of Virginia, which are governed by a specific set of laws. Thus, generalizing beyond Virginia's public universities or to donations other than mega-gifts may be problematic.

Furthermore, because I used responsive interviewing techniques, there was potential that bias was inserted into the study. The use of responsive interviewing can be problematic if the researcher does not recognize their own biases and "learn to compensate for [that] slant" (Rubin & Rubin, 2005, pg. 32). Having worked in major gifts fundraising for 10 years, I am predisposed to believe that donors may be given undue power in organizations if leadership is not careful to protect the university's interests in gift negotiations. Furthermore, the influence of studying Public Administration in a normative school with a particular viewpoint is important for me to recognize. Thus, to ensure validity, I had to work to avoid inserting my bias into the coding of both texts and interviews. Techniques included examining notes during pauses in the interview to ensure I did not use leading questions and being aware of my own tendencies in interactions with people (e.g. empathy, activism, etc.) (Rubin & Rubin, 2005). Furthermore, I

continuously forced myself to reflect on the data from the viewpoint of the context of the university rather than as the result of the gift. For example, as budgets were collected and coded, state mandated budget cuts were noted and considered in the analysis portion of the work.

#### *A Note about the Interviews*

As a central function of the university, fundraising and information about gifts can be a very sensitive subject for university administrators and faculty because maintaining relationships with donors is very important. Since my research seeks to identify changes in salience of priorities, which is noted as a concern by faculty (University of Virginia, 2007b), upholding the confidentiality of these individuals is of utmost importance. In sum, more than 60 interviews were requested from the categories of university administrators, faculty, and staff listed in Table 3.3. Only 23 interviews were actually granted and 18 conducted, however, a response rate of 29 percent.

Those that were granted, however, were with both people knowledgeable of the gift's history and the school and with others who claimed to have no specific knowledge of the gift itself, but did have knowledge of the university. All interviewees had a long history and many had held various roles within their respective universities. Without their valuable insights and knowledge, the case studies would be incomplete.

For purposes of protecting their identity, no direct quotations are used within this research. Furthermore, no names, nicknames, identifying titles, or other information is used. Largely, these individuals are only referred to as interviewees throughout the research. In the few instances necessary to proclaim the affiliation of an interviewee for clarity's sake, the individual is only referred to as administrator, faculty, or staff.

While every effort was made to meet interviewees in person, in some cases this was not possible due to scheduling conflicts. Thus, telephone interviews were conducted. While initially I was concerned that this would hamper conversation, I have significant experience conducting data collection interviews via the telephone for research projects pertaining to my Graduate Assistantship. I utilized these skills to set the interviewee at ease and create a natural flow in the conversation. Furthermore, I conducted pilot test phone interviews to ensure I spoke clearly and allowed interviewees enough time to respond, as visual cues are not available over the phone.

## Section I:

### Review of increasing reliance on philanthropy in public organizations, literature, and methodology

#### *Summary*

This research stems from a desire to understand better the effects of mega-gifts on public institutions, particularly as the growth of philanthropy to other sectors of education and public institutions increases as a result of public policy that devolves responsibility for resource development and autonomy, in exchange for accountability, to the institutional level. Higher education literature has suggested that this trend is a result of privatization. Such discourse, however, tends to deny the ongoing oversight and control of the state. Thus, to better understand these effects, the research examines this phenomenon through the lens of quasi-autonomous organizations, or as a quagotization of public postsecondary institutions. In doing so, it opens the examination to better understanding how public employees, administrators and faculty of the institutions, as well as states have a role in oversight of the gifts. Furthermore, the research draws on literature that examines the history of philanthropy in higher education as well as that which questions the democratic nature of giving when donors exhibit control. Combined, these three literatures allow us to examine the nature of mega-gifts in public institutions as a result of particular trends in public policy.

Lastly, this section set forth the methodology used. Given the gaps in the literature and paucity of empirical research in the institutional effects of mega-giving, particularly in public organizations, this research employs case studies. These studies seek to provide insights into the primary research question: how do mega-gifts change the salience of priorities in public universities? Secondary research questions are examined to help study the primary investigation.

These include changes in university long-range and strategic plans, budgets, and human resource allocations. Additionally, given the differences in fundraising abilities of institutions, the research investigated two additional questions: what are the characteristics of a mega-gift and how does the relationship between donor and recipient effect outcomes of the gift?

Section II presents the cases and an analysis of case comparisons, particularly in relationship to secondary questions and the relationship between donor and institution. Section III presents an analysis of the additional question concerning mega-gift characteristics, conclusions from the research, and directions for future research.

## Section II:

### The Case Studies: How do Mega-Gifts Affect Salience of Priorities?

#### *Introduction*

This section presents the data collected as a means to study changes in salience of priorities for both cases researched conducted for this research. Each chapter starts with the context of the gift, presenting pertinent information on the relationship between goals, fundraising, and the history of the development department, in an effort to show the relationship between pursuit of university priorities and ability to attain funding from philanthropic resources. Next, the chapters present data collected on each of the indicators (university planning, budgets, human capital allocations, decisions). Information collected on explanatory variables, size of gift and relationship of donor, are presented throughout the cases. Each chapter concludes with a summary, which includes some conclusions drawn from the individual case.

Chapter 4 summarizes the data collected from UVa in relationship to the \$100 million gift to the University of Virginia's Batten School of Leadership and Public Policy. The data collected for the case study of the \$10 million gift to Virginia Tech to create the Myers-Lawson School of Construction is presented in Chapter 5. The conclusion to Section II presents a comparison and analysis of both case studies together.

## Chapter 4:

### Case Study: \$100 million gift to University of Virginia Batten School of Leadership and Public Policy

#### *Introduction*

The goal of this research is to understand if mega-gifts affect the salience of university priorities. Given the importance of donations as a resource that may allow institutions to pursue strategic goals and move from mediocrity to excellence as states lose money, there is an increased focus on university fundraising. The context for this case study provides a unique example of this change, which links fundraising to the pursuit of strategic initiatives, as confirmed by two interviewees (Anonymous 1, personal communication, January 31, 2011; Anonymous 5, personal communication, February 4, 2011).

The University of Virginia (UVa) has the goal of becoming the first privately financed public university (Anonymous 4, personal communication, February 4, 2011). In large part, the focus on fundraising started in the 1990s during the first steep decline in state allocations. At that time, the University's President, who had state budgeting experience, predicted the unlikelihood of state revenue's rebounding to pre-recession levels (Anonymous 1, personal communication, January 31, 2011; Anonymous 4, personal communication, February 4, 2011; Anonymous 5, personal communication, February 4, 2011). Following significant cuts in the budget and subsequent tuition freezes and cuts, UVa focused on revenue diversification through a number of means, including fundraising. These changes, however, did not result in less of a demand on the University to enroll and educate more Virginians and promote economic development as part of the state's fulfillment of the public interest (University of Virginia, 2002a).

University leaders acknowledge that UVa has changed “functionally...and financially” due to both state policies and changes in funding streams (University of Virginia, 2002a, pg. 2). The former resulted in increased autonomy through decentralization of many management functions to the University level, and the latter because state revenue appropriations were replaced by other sources, including payouts from endowments, which were placed under the control of the Board of Visitors (University of Virginia, 2002a). In 2002, the University noted that “[t]he support of private individuals did far more than hold us harmless in the 1990s. That this support followed on the publication of academic plans that were in their time audacious is not accidental” (University of Virginia, 2002a, pg. 2). As a result, the University began to refer to itself as state-assisted. As early as 2002, the University noted that revenues from philanthropy provided more resources than the state general funds, and thus, “financial considerations must color every programmatic decision, including enrollment” (University of Virginia, 2002a, pg. 22). As of 2008, the University reported that Virginia’s support for the institution was “formerly about 26 percent of the University’s total budget, [but] now amounts to slightly more than 8 percent” (University of Virginia, 2008a, pg. 2). As such, UVa leadership concluded there was a need to increase alumni and friends engagement, specifically addressing the imperative to increase fundraising efforts (University of Virginia, 2008a).

According to two interviewees, it was in the mid-1990s that the University deans began to realize fundraising must be a central function, with one noting that since the 1980s, deans searches have begun to focus more on a candidate’s ability to bring in private monies and less on the ability to drive research (Anonymous 2, personal communication, February 3, 2011; Anonymous 6, personal communication, February 4, 2011). Additionally, as outlined in Chapter

3, UVa's performance metrics, as designed by the Board of Visitors, include fundraising measurements.

The performance metrics are particularly salient at UVa, which is one of the leading public university fundraisers in the United States. UVa has one of the largest endowments of all universities, both public and private. With a market value exceeding \$3.9 billion<sup>13</sup> at the beginning of fiscal year 2011, it ranked 19<sup>th</sup> in size among publics and private postsecondary institutions (Chronicle of Higher Education, 2011). The university's endowment size is a result of its ability to raise funds from an affluent donor base which is more akin to an ivy league school than a public higher education institution (Anonymous 4, personal communication, February 4, 2011). In the late 1990s and early 2000s, the University completed a \$1 billion campaign which exceeded its goal and raised approximately \$1.33 billion, of which 60 percent was contributed by 200 donors of gifts of \$1 million (University of Virginia, 2002a). It is currently in the midst of a \$3 billion campaign, of which it is estimated that 55%, more than \$1.65 billion will come from 133 donors of \$5 million or greater or .07% of the donors. Between 2012 and 2020, University-commissioned studies forecast UVa will raise between \$3.6 billion and \$4.1 billion (University of Virginia, 2007d).

The ability to raise funds from private giving has resulted in a diversification of the revenue streams such that gift and endowment income for Educational & General activities matches or exceeds state appropriations from general fund dollars. According to a university

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<sup>13</sup> UVa's endowments are managed by a separate 501(c)3 corporation, UVIMCO. UVIMCO's annual report for 2011 reports total net assets of \$4.45 billion as of June 30, 2010. The Chronicle of Higher Education's value is less than this. It is assumed that this is because of differences in reporting, as values also include estimations for real estate, which requires management judgments (KPMG, 2010). For purposes of comparison across the two cases, the Chronicle of Higher Education values are used since these draw from data reported by universities to the National Association of College and University Business Officers in partnership with the Commonfund Institute (Chronicle of Higher Education, 2011).

report, exclusion of the Medical Center from calculations, yields the following major sources of academic support:

- Tuition and fees (28%)
- Grants and contracts (22.5%)
- State appropriations (14.2%)
- Gifts and distributions from endowment (14.2%).

(University of Virginia, 2007*d*, pg. 1)

Given this resource breakdown, one expects private giving to be of very high importance in determining university activities. Beyond noting the contributions of fundraising to revenues and the extraordinary size of its endowments and campaigns, the University often appoints development officials to important planning committees. It also credits ideas for new programs or initiatives to the head of the development department, at least in part. For example, announcements regarding the decision to bring together a committee to plan a Public Policy program credit the Provost and Senior Vice President for Development and Public Affairs with envisioning the Master of Public Policy (University of Virginia, 2006a).

Within a year of the creation of the Public Policy degree program, the university received \$100 million its largest gift ever to create a School of Leadership and Leadership and Public Policy. This gift, from an alumnus, represented more than 3 percent of the total \$3 billion campaign total and more than 2 percent of the total endowment market value as of June 30, 2007 (Chronicle of Higher Education, 2009). This chapter presents historical, archival, and interview data to determine any shift in the salience of priorities following Mr. Batten's extraordinary gift.

## *The Batten School*

The Batten School grew from an accelerated Bachelor of Arts/Master of Public Policy program established by UVa in the year prior to the gift (see Table 4.1 for timeline). This program received the State Council of Higher Education for Virginia's approval six months prior to the gift announcement. Data from interviews suggests that while some university faculty members involved in the Master of Public Policy program development were not aware of the potential for a mega-gift, administrators engaged the donor regarding public policy or public service programs as early as two to four years prior to the gift announcements in April 2007. Using historical documents and interview data, this section reviews the degree program planning and approval process and then the announcement and implementation of the new school to house the Master of Public Policy and related programs as proposed by the faculty.

### History of the Public Policy Degree Program

Multiple groups were interested in the establishment of a public policy degree at the University. Given Mr. Jefferson's legacy and intent to educate a dedicated and involved citizenry, most saw this as a mission central activity not pursued at the University, located just 60 miles and 120 miles from the state and national capitals, respectively. Furthermore, given the type of student the University attracts, faculty and administrators interviewees indicated they perceived demand for a Master of Public Policy (Anonymous 1, personal communication, January 31, 2011; Anonymous 2, personal communication, February 3, 2011; Anonymous 3, personal communication, February 3, 2011; Anonymous 4, personal communication, February 4, 2011; Anonymous 5, personal communication, February 4, 2011; Anonymous 13, personal communication, February 9, 2011).

Previously, the University had offered a Public Administration degree through its Department of Politics. At the time, it was perceived to be one of two identities of that Department, however. The other identity was focused on training graduates to enter the academy with faculty focused on the political nature of managing government with a historical perspective, or a more theoretical perspective than the applied nature of public administration. In the late 1990s, the Department was asked to choose between its two foci, which it did, thereby shedding the MPA degree (Anonymous 2, personal communication, February 3, 2011). Furthermore, a previous failed attempt to create a school of public policy at the University in the 1970s, resulted in the creation of the Miller Center, which is focused on research on the United States Presidency, which does some public policy work when the occasion arises (Anonymous 5, personal communication, February 4, 2011; Anonymous 6, personal communication, February 4, 2011; Anonymous 13, personal communication, February 9, 2011).

Prior to the announcement of Mr. Batten's gift, the University's Board of Visitors and the Commonwealth of Virginia had approved a recommendation by the Faculty Senate to create a Master of Public Policy, which was to be offered through the College and Graduate School of Arts & Sciences. First mentioned in University strategic plans in 2002, focused planning for this degree program began as early as 2003, when a faculty committee convened to determine "the possibility of new educational and research programs, which would strengthen the University's commitment to public service, as well as prepare students for leadership roles in public policymaking" (University of Virginia, 2006c. pg. 3; University of Virginia, 2002d). According to several interviewees, the idea for the program began with the Miller Center, which prepared a report that proposed the Master of Public Policy program that was different than the traditional model of public policy programs. Instead, the Miller Center's model worked to draw together

different areas to offer joint degrees of public policy (Anonymous 3, personal communication, February 3, 2011; Anonymous 13, personal communication, February 9, 2011).

One interviewee noted that the Curry School of Education had also expressed interest in the creation of a small Public Policy program designed for existing university students. This occurred after one of the Curry School's administrators taught a course that drew on public policy in a forum that had students from a number of universities. According to a senior administrator, university faculty and administration realized that there was a deep interest in students for applied coursework in this area. Initial designs for the program did not require funding, but instead planned to draw from existing faculty resources and courses already offered at UVa and eventually may result in a School with proper funding (Anonymous 1, personal communication, January 31, 2011). While only one interviewee noted this proposal, according to the Envision Virginia documents, the Curry School was the only other entity besides the Miller Center to focus on public policy, as noted in the discussion of University planning efforts.

At approximately the same time, noting the University's stated goal of the pursuit of Public Service, the Department of Economics faculty recognized that there may be an opportunity to create a degree for public policy. Realization of the need for members of both the Economics and Politics departments, both of which fall in the College of Arts & Sciences, to participate in such a degree program led one internal faculty member to approach the faculties of both departments to determine interest in the pursuit of such a goal. This was not the first time this degree had been discussed, but previous attempts had revealed that the Public Administration focus in the Department of Politics would preclude interest of that faculty. The elimination of the Public Administration program, the recruitment of faculty with public policy interests, and the perception of the need for such a degree at Mr. Jefferson's university, however,

changed the context of the discussion and the faculty member determined there was enough interest to move forward with a program. The faculty of the two departments created and advanced a proposal to University administration (Anonymous 3, personal communication, February 3, 2011; Anonymous 1, personal communication, January 31, 2011).

The Provost then brought together members of both the Miller Center and College of Arts & Sciences faculty who had each created proposals for a Public Policy degree and other individuals (University of Virginia, 2007j; Anonymous 3, personal communication, February 3, 2011). According to one interviewee, the idea for a stand-alone School was always the ultimate goal of the proposal developed by the Economics and Politics faculty. Given a lack of funding, however, the faculty proposed an accelerated degree program in which students could earn both Bachelor and Master degrees in five years and would allow the University to begin to establish a record of education while searching for a donor to establish the School, which was estimated by faculty to require \$50 million (Anonymous 3, personal communication, February 3, 2011).

In 2006, the University's governance structure, including the Faculty Senate, President, and the Board of Visitors, approved the new degree curriculum proposal that had been developed for the Master of Public Policy program. As planned, the program was expected to enroll 30 students. Core courses would be taught by faculty in the College and Graduate School of Arts & Sciences, which includes the politics and economics departments, the School of Education, the Miller Center, and other programs at the university and funding would be provided by the Provost and a reallocation of state funds (University of Virginia, 2006c).

The new program was sent to Virginia's State Council of Higher Education for Virginia, which must approve any new degree program in order to ensure there is significant demand and

avoid unnecessary program duplication, and thus unnecessary resource competition, among the Commonwealth's universities. The State Council of Higher Education for Virginia concluded that while two other state universities, George Mason and William & Mary, had Master of Public Policy programs, UVa's degree was only targeted at students already enrolled and had a focus on legal and moral reasoning and the history of public policy, which made it different enough that it was not duplicative. Furthermore, funding was to be provided primarily through reallocations of general funds, with additional resources from anticipated tuition and required fees, and private funding sources (State Council of Higher Education for Virginia, 2006).

Faculty Senate meeting minutes offer more insight into the sequence of events. Minutes from a meeting focused on answering questions regarding the Batten School proposal note that while the original idea for the degree was generated at the Miller Center, the Associate Provost for Academic Support and Classroom Management requested "that the original proposal be refined to appeal to donors" (University of Virginia, 2007f, ¶4). Mr. Batten then became interested and the Batten School Steering Committee worked with the Faculty Senate's Academic Affairs Committee. Recommendations were developed for establishing the Batten School and with the Bachelor of Arts/Master of Public Policy program as the School's first degree program (University of Virginia, 2007f).

#### Expansion to a New School

Mr. Batten, an alumnus who was already one of UVa's largest donors and a former member of one of the university's numerous school foundations, had sold a very profitable portion of his company and desired to make a legacy gift to the University. His support had been courted for several years prior to the 2007 gift announcement. During that period, several proposals were presented to him by top University administration but produced minimal interest

(Anonymous 4, personal communications, February 4, 2011; Anonymous 5, personal communications, February 4, 2011; Anonymous 3, personal communications, February 3, 2011). During the course of conversations with the donor, it became clear that he was interested in the notion of public service and leadership (Anonymous 5, personal communication, February 4, 2011). One interviewee noted that the idea for a Public Policy program was presented to Mr. Batten as early as the Virginia 2020 and Envision strategic planning sessions, which were concluded in 2002 (Anonymous 13, personal communication February 9, 2011).

Contrary to faculty belief that the gift was developed quickly after the proposal for the School was developed by the Steering Committee, administrators reported that Mr. Batten was engaged over a longer period of time (Anonymous 4, personal communication, February 4, 2011; Anonymous 5, personal communication, February 4, 2011; Anonymous 11, personal communication, February 9, 2011). Over the course of at least two years, senior university officials met regularly with Mr. Batten to discuss various ideas for what was perceived to be his legacy gift to the University (Anonymous 4, personal communication, February 4, 2011; Anonymous 5, personal communication, February 4, 2011). Mr. Batten offered feedback on proposals presented to him by UVa, some of which were less well-received than others, but also posed ideas to University officials and helped to develop the an innovative, transformational concept for the School from his own ideas (Anonymous 5, personal communication, February 4, 2011). During this time, the discussion moved from focusing on educating students who might go into Foreign Service to also include others who might work in various public enterprises, as well as those who might enter private industry. University administrators decided the school

1998-2001	<ul style="list-style-type: none"> <li>• University undertakes Virginia 2020 planning efforts</li> <li>• Miller Center identifies Master of Public Policy program as strategic direction</li> <li>• Curry School of Education also denotes interest in Public Policy</li> <li>• Politics and Economics faculty develop proposal for Public Policy program</li> </ul>
2002	<ul style="list-style-type: none"> <li>• University undertakes Envision Virginia long-range planning efforts</li> <li>• At least one administrator spoke to donor about Public Policy program</li> </ul>
2002-2003 (estimated)	<ul style="list-style-type: none"> <li>• College and Graduate School of Arts &amp; Sciences identifies Mr. Batten as a key donor to meet campaign goal</li> </ul>
2003	<ul style="list-style-type: none"> <li>• Provost brings together groups from various campus entities to discuss proposals for Public Policy program</li> </ul>
2004-2007	<ul style="list-style-type: none"> <li>• Mr. Batten approached by administrators for various projects</li> </ul>
2005	<ul style="list-style-type: none"> <li>• University’s Strategic plan denotes proposal for accelerated Bachelor and Master of Public Policy program</li> </ul>
2006	<ul style="list-style-type: none"> <li>• University governance structure approves proposal for accelerated Bachelor/Master of Public Policy program for current university students, to be administered by the College and Graduate School of Arts &amp; Sciences</li> <li>• State Council of Higher Education for Virginia approves small accelerated Master of Public Policy program</li> <li>• Mr. Batten presented with proposal for gift and has it reviewed by outside expert</li> </ul>
2007	<ul style="list-style-type: none"> <li>• During Board of Visitors meeting, Mr. Batten’s \$100 million gift for new School of Leadership and Public Policy announced, plans for which include research and undergraduate degree programs and courses in leadership as well as public policy</li> <li>• First Faculty Senate meeting to vote on new School fails to meet a quorum</li> <li>• University publishes Commission on the Future of the University plans, of which one committee report highlights potential problems of donations to create new schools</li> </ul>
2009	<ul style="list-style-type: none"> <li>• Founding Dean of Batten School announced</li> </ul>

Table 4.1 University of Virginia Frank Batten School of Leadership and Public Policy Case Study Timeline of Key Events

must focus on training students for involvement in all of these career paths and broader civic involvement (Anonymous 11, personal communication, February 9, 2011; Anonymous 5, personal communication, February 4, 2011).

Once UVA Board of Visitors' member Mr. Wynne made the proposal for the School as it now exists to Mr. Batten, the gift was announced and received in a very short time, with one faculty member noting it took only a month and a half (Anonymous 3, personal communication, February 3, 2011). Several people noted that the donor did not treat the gift as a matter for negotiation of the implementation details, as many philanthropists would. Instead, Mr. Batten wanted to ensure his investment was used wisely at a university that could make a difference in the area of his donation but also understood that as a donor, his role was not to manage the institution (Anonymous 4, personal communication, February 4, 2011; Anonymous 5, personal communication, February 4, 2011; Anonymous 11, personal communication, February 9, 2011).

As noted in Mr. Batten's own statement, there was an important link to the University's Board of Visitors that helped him determine the designation of his gift. John "Dubby" Wynne, who had worked for Mr. Batten, was knowledgeable of the University's top campaign goals as a Board of Visitors member. Upon learning of the goal to create a School of Public Policy, Mr. Wynne suggested that given the nature of the project and his personal relationship with Mr. Batten, he should carry forward this proposal (Anonymous 3, personal communication, February 3, 2011; Anonymous 4, personal communication, February 4, 2011; Anonymous 1, personal communication, January 31, 2011).

Mr. Batten actively reviewed the proposal, had an outside higher education expert provide an opinion, and made suggestions based on his own understandings (Anonymous 1,

personal communication, January 31, 2011; Anonymous 5, personal communication, February 4, 2011; Anonymous 11, personal communication, February 9, 2011). Multiple interviewees noted that the inclusion of Leadership in the name of the School, and actually first in the name, was at the insistence of the donor. While the donor had interest in Public Policy, he was more interested in the University's development of leaders in public life, irrespective of a graduate's chosen career path (Anonymous 1, personal communication, January 31, 2011; Anonymous 2, personal communication, February 3, 2011; Anonymous 3, personal communication, February 3, 2011). Therefore, it was at the donor's request that the School includes a focus on leadership and that it also work to provide undergraduates with the chance to pursue a major in public policy and also that courses in leadership be developed and offered to the student body more broadly (Anonymous 1, personal communication, January 31, 2011; Anonymous 2, personal communication, February 3, 2011; Anonymous 3, personal communication, February 3, 2011; Anonymous 4, personal communication, February 4, 2011; Anonymous 6, personal communication, February 4, 2011).

Additionally, beyond the inclusion of fourth year students in the accelerated degree program, the University's plan as envisioned by the faculty did not include an undergraduate major within the School. It also did not include seminar courses to teach leadership skills to large numbers of undergraduate students who are not necessarily enrolled in the Batten School. Instead, the University's original proposal to the donor focused on graduate education. It was at the donor's request, however, that these two items be included in the School's work. At the time of this writing, these programs are under development (Anonymous 1, personal communication, January 31, 2011).

Based on this revised proposal, the donor inquired about the cost of an endeavor that would meet the vision of both the public policy program and the leadership component, as well as offer undergraduate and graduate programs. A business plan was developed that included funds from an endowment, and general and nongeneral Fund appropriations based on estimated enrollments. Ultimately a figure of a \$100 million gift was reached based on the vision and instability of state funding, both of which increased the estimated amount of endowment funding in order to ensure sufficient operating funds for the school (Anonymous 11, personal communication, February 9, 2011; Anonymous 1, personal communication, January 31, 2011). The University accepted the expanded vision and the donor's desires to add leadership to the program. The resulting gift was for twice the \$50 million amount required to found a School for Public Policy that was originally estimated by faculty (Anonymous 3, personal communication, February 3, 2011).

Leadership was clearly of interest to Mr. Batten prior to the creation of a School of Leadership and Public Policy bearing his name. The largest donor to the \$1 billion campaign, Mr. Batten's \$62 million gift to the University in 1999 was designated for the development of the Darden Graduate School of Business's Batten Institute, which is "dedicated to the creation of knowledge about the transformative power of entrepreneurship and innovation and the cultivation of principled, entrepreneurial leaders" (University of Virginia, n.d.c, ¶1). Additionally, Mr. Batten and his wife, an alumna of Hollins University in Roanoke, Virginia, gave a gift to create the Batten Leadership Institute at Mrs. Batten's alma mater. Thus, Mr. Batten's insistence on the leadership focus within the Frank Batten School of Leadership and Public Policy followed prior giving patterns.

Notably, this became the largest point of contention among the faculty. While the need for a public policy degree was agreed upon as evidenced by its passage through the University's governance system and subsequently the state's higher education coordinating body, leadership was not part of the original concept. Many faculty members protested the inclusion of this because it has an unclear focus and some see it as a less than scientific endeavor (Anonymous 1, personal communication, January 31, 2011; Anonymous 2, personal communication, February 3, 2011; Anonymous 3, personal communication, February 3, 2011; Anonymous 6, personal communication, February 4, 2011). Additionally, there was some tension over the public announcement of the gift to the Board of Visitors prior to final passage of the School through the University's governing bodies, such as the Faculty Senate (Anonymous 2, personal communication, February 3, 2011). While leadership was mentioned in strategic planning documents prior to the gift, it was not in the context of creating a school or program focused on the discipline of leadership, which was included in the Batten School at the request of Mr. Batten.

#### *Changes in University Planning Documents*

Long-term visions and strategic plans set the direction for the university and provide insights into priorities pursued to meet these goals. The University has undertaken a number of long-range and strategic planning initiatives since 1998. Strategic plans offer a view of the vision and priorities for the University, although almost all interviewees noted that some of these efforts were much more effective and useful for setting priorities than others and some noted that they were not useful at all, since funding was more important and donors will fund what appeals to them rather than being restricted to funding core needs as defined in these plans (Anonymous 1, personal communication, January 31, 2011; Anonymous 2, personal communication, February

3, 2011; Anonymous 4, personal communication, February 4, 2011; Anonymous 5, personal communication, February 4, 2011; Anonymous 11, personal communication, February 9, 2011). One administrator noted that the planning efforts undertaken in the late 1990s and early 2000s were much more effective in defining priorities and goals than later efforts, which were not as fully embraced by individuals around Grounds (Anonymous 5, personal communication, February 4, 2011).

One interviewee noted that efforts to articulate visions and strategic plans resulted in a common faculty desire to increase the effectiveness of programs that already existed rather than create new programs (Anonymous 5, personal communication, February 4, 2011). Thus, in part these documents may reflect administrative priorities for the University rather than ones achieved through agreement of the faculty. One faculty interviewee indicated the visioning and planning documents were not reflective of the reality of operations within the university (Anonymous 3, personal communication, February 3, 2011). In part, this could be a result of changes in governance that decentralize operational responsibility within the university but hold these administrators accountable for adhering to the direction of central management as described by Marginson and Considine (2000).

Despite disagreement regarding the usefulness of such exercises, as official university statements, tracing variations in these documents can help to partially explain changes in focus areas over time. This section discusses and analyzes planning documents from the University as these pertain to academic functions. Planning efforts include strategic plans, which have a six-year focus that mirrors the appropriations process of the state, and long-range planning documents, which serve as visions for the future of the university.

Long range vision plans and strategic plans build off of each other. While all planning efforts included numerous facets of the University, such as student services, physical plant and infrastructure, and financial resources, the purpose of this section is to highlight differences in published official strategic and long-range plans as they pertained to academic priorities, of which Leadership and Public Policy is now one, given the creation of the Batten School as a stand alone entity. By coding the plans and specifically looking for changes in stated goals and priorities in university long-range and six-year plans, the research sought to highlight any differences.

The first plan, Virginia 2020, was undertaken in 1998 and continued into at least 2001. This effort was followed by University Envision (Envision), “a related planning program engaging faculty, key donors or University backers, and administrators” (University of Virginia, 2002a, pg. 4). Through these combined efforts, the University set its long-range planning goals. First among these was the Fine and Performing Arts, which included development and endowment of a program for visiting artists, building the Arts Grounds, recruiting leaders to drive this program, increasing faculty and support for the Arts, and developing audiences. This priority was followed by Science and Technology, for which the university planned to endow a funding mechanism for seed grants, building on areas of strength with the potential for great growth, several science buildings, increasing science faculty, developing endowments for faculty start-up and equipment replacement. Third, the University planned to focus on International Activities which included: research and study abroad programs, establishment of the “International Institute for American Studies...[and] Center for Southern Africa Regional Environmental Change,” endowment of a Center for Global Health, creation of more

opportunities for research, and for international faculty to visit the university (University of Virginia, 2002a, pg. 13).

Public Service and Outreach, was included as a priority to make provisions for a number of educational opportunities for Virginians. This was to be accomplished through better use of technology, endowment growth for the School of Continuing and Professional Studies, involvement of the general public in educational activities through the Engaging the Mind program, support of K-12 with teacher training, and to “create or strengthen research groups or centers with strong public service missions focused on key issues facing the Commonwealth of Virginia (University of Virginia, 2002a, pg. 16). Lastly, Student Life is listed as a priority, and although “VA 2020 does not directly address either student life or the larger curriculum,” the report does note the need to “rededicate ourselves to....core values...Academic Rigor...Honor...Student self-governance...[and] Public Service” and, to meet the demands of the external environment, denotes the need to “address five values within our institutional culture...Faculty-student interaction, Diversity, Internationalism, Technology...[and]Community-building” (University of Virginia, 2002a, pg. 18-19).

Following the Virginia 2020 plans, UVa conducted Envision sessions in each school and the Library, Miller Center, and Diversity units. The Student Experience unit was also supposed to complete a plan, but it was not made available publicly. Led by the Provost and the Senior Vice President for Development and Public Affairs, the sessions provided “opportunities for each school to identify its defining characteristics, to elaborate a vision for the future, and to identify opportunities and barriers to success” (University of Virginia, 2002a, pg. 19). Envision Virginia resulted in list of transformational ideas that were developed to fill gaps identified by the planning process (Anonymous 5, personal communication, February 4, 2011). A public

policy degree was offered as the first transformational idea on that list. The plan lists strengths among university departments as resources available. Furthermore, given the influence of Thomas Jefferson and his heritage, pursuit of this course of study “is a natural one for the university” (University of Virginia, 2002a, ¶1).

Of the ten colleges and schools in existence at that time, only the Curry School of Education mentioned policy in its individual college plan created during the Envision sessions. Curry’s plan indicates an interest in addressing scholarship in “education policy,” for which “there is an interest among major donors in funding this work...this may be the school’s most promising target for philanthropic support” (University of Virginia, 2002c, ¶22). No indication of the size of gift, potential donors, or specific type of scholarship or education programs was included in the reports.

Of the four units which also held sessions and created Envision Plans (the Library, Miller Center, Diversity, and Student Experience), the Miller Center further discussed a need for collaboration leading to the “transformational idea that generated the most discussion and the most positive response: creating an interdisciplinary degree program or school in public policy—something sorely and surprising lacking at Mr. Jefferson’s university” (University of Virginia, 2002d, ¶17). Preceding this idea in the report, is a discussion of the difficulties of collaboration among:

the Miller Center, the Sorenson Institute, the Center for Politics, the Institute for Practical Ethics, and the Center for Religion and Democracy. Each of these entities has its own culture and identity and...base of support. The key to building collaborations...would be to create a loose confederation in which

everyone...feels... their interests are not threatened. (University of Virginia, 2002d, ¶14-15).

Furthermore, the report notes that imposition of the relationships cannot occur through the demands of the hierarchy, but rather must happen at the operating level of the centers. The Miller Center was offered as a facilitator to create the program and it was noted that responsibility for design should be assigned to someone (University of Virginia, 2002d).

The third item on the transformational list includes the establishment of a leadership curriculum to build on the University's Jeffersonian foundations, and would require courses from across the institution. The suggestion includes possible establishment of a center focused on leadership (University of Virginia, 2002b). Such a center is not included in any of the school or unit plans available online. It is possible that this is a carryover from the Student Experience plans created in the Virginia 2020 sessions, in which the committee specified nurturing leadership in students was important, but the Student Experience Report for the Envision sessions was not available (University of Virginia, 2002g). The Schools of Medicine and Nursing both mention leadership as an important component of teaching students, but do not specifically identify the need for a curriculum (University of Virginia, 2002e; University of Virginia, 2002f). Interview data did not reveal any further information about this specific transformational goal or its origins. What is known is that the faculty committee that planned the program and school did not include leadership in its original plans (Anonymous 1, personal communication, January 31, 2011; Anonymous 2, personal communication, February 3, 2011; Anonymous 3, personal communication, February 3, 2011). It is not included in the 2006-2012 strategic plan.

In the 2006-2012 Strategic Plan, created in accordance with Restructuring guidelines, the University Provost noted that “several schools are developing a proposal for a combined B.A. and M.P.P. program in Public Policy” as a five-year undergraduate and graduate degree public policy program (University of Virginia, 2005a, Attachment A, pg. 4). This was not, however, a primary focus of the plan. Instead, the strategic directions mentioned include Academic Quality and Effectiveness, Accessibility and Affordability, Public Engagement in the Commonwealth, and Other Institutional Priorities (highlighting superb faculty and outstanding students, resources and infrastructure, and health care) as priorities. Table 4.2 better defines these directions, which imply priorities as of the writing of the plan.

While the Master of Public Policy degree is mentioned once, it is cited as an example of new programs and in concert with two other degree programs planned by the Darden Graduate School of Business and the School of Continuing & Professional Studies. Furthermore, other programs, such as Sciences, Engineering, Biomedicine, and Fine and Performing Arts are mentioned numerous times throughout the plan and under multiple directions. The plan also calls for growth in enrollments of approximately 1,100 undergraduates and 400 graduate students in the particular areas of science, engineering, arts, nursing, and business (University of Virginia, 2005a).

Furthermore, the September 2006 “Faculty Senate Vision for UVa” makes no mention of the new public policy program. Instead, in this one page document, the Senate:

endorses a number of initiatives already underway—including efforts in the sciences and engineering, movements toward internationalization of the university, a commitment to new initiatives that will enhance current programs in

the visual and performing arts, investment in growing libraries and in digital technologies for research and teaching, and a renewed commitment to public outreach, especially in K-12 education. (University of Virginia, 2006b, pg. 1)

The faculty's document concludes by calling for an "ongoing academic planning process" that would involve the Faculty Senate, the Office of the Provost, and the Board of Visitors (University of Virginia, 2006b, pg. 1). Noticeably absent from this document is any mention of the importance or endorsement of a public policy focus, program, or school, and of development or financial officers from the suggested planning committee. This suggestion also represents a significant difference from the later call of the Commission on the Future of the University's Committee on Programmatic Initiative's recommendation for a committee which would include the Provost's office, Development, senior faculty, and alumni and donors, as appropriate.

The Ten Year Academic Plan (University of Virginia, 2007g), led by the Provost's office at the request of the Board of Visitors and intended to guide academic endeavors throughout the next decade and serve as an indicator of aspirational goals, was made public approximately two years after the 2006-2012 Six Year Plan. It was released at approximately the same time as the announcement of the gift to create the Batten School with a draft under review by the Faculty Senate as early as 2006 (University of Virginia, 2007i; University of Virginia, 2006e). The three goals that guided the report's recommendations included:

- Renew and increase our tenure-track faculty to enhance both instruction and research...
- Develop and renew the classroom and research infrastructure...

- Increase our financial investment in graduate education and provide consistent revenue streams for the future to enhance the quality of the graduate program.<sup>14</sup> (University of Virginia, 2007g, para.10-12)

Building on these goals, the report defined five initiatives:

1. Increase significantly U.Va.'s prominence as a research institution in science and engineering.
2. Provide the very best undergraduate experience in the nation.
3. Expand and leverage the capacity of the University's professional schools to train leaders and bring the knowledge of their disciplines to bear on public life around the world.
4. Strengthen library and information-technology resources that encourage new modes of learning, teaching, and research.
5. Expand the University's capacity to influence society's responses to pressing issues facing communities today. (University of Virginia, 2007g, para.14)

Within these eight definitions, the need to increase faculty and graduate student enrollments and support in the College of Arts Sciences, College of Engineering and Applied

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<sup>14</sup> In a February 6, 2009, address to the Educational Policy Committee, the Chair of the Faculty Senate further defined the term "graduate student" as it is used in terms of recommendations for increased financial and programmatic support for graduate students. In this address, Dr. Kitch noted that while there are a number of graduate students enrolled in professional degree programs, including the Batten School programs, the focus of this particular recommendation from the Senate is to support "post-Bachelor's degree students who come to the university to pursue advanced study of an academic discipline." Thus, this more narrowly defined group of graduate students does not include the students pursuing professional degrees (University of Virginia, 2009a, pg. 2).

**University of Virginia Strategic Plan 2006-2012**

**Major Strategic Directions Outlined in Narrative**

<b>Academic Quality and Effectiveness</b>	<b>Accessibility and Affordability</b>	<b>Public Engagement with the Commonwealth</b>	<b>Other Institutional Priorities</b>
<p>Science, Engineering, Biomedicine (mentioned twice)</p> <p>International Study</p> <p>Community-based teaching and learning (mentioned twice)</p> <p>Fine and Performing Arts (mentioned twice)</p> <p>New Programs including Bachelor of Arts/Master of Public Policy offered by several schools; Darden school's new MBA for Executives; and School of Continuing and Professional Studies Master of Professional Studies Degree</p> <p>Research by including it in undergraduate experience; Board of Visitors commitment to raising profile in science, engineering and biomedicine; Graduate student support; Lab Space</p> <p>Enhance international outlook in teaching, research and public service</p>	<p>Increased Enrollment Projections to increase student population by 1,100 undergraduates and 400 graduates in target growth areas including the sciences, engineering, the arts, undergraduate business and undergraduate nursing.</p> <p>Greater Access for Low-Income Students</p> <p>Diversity</p> <p>Increasing Opportunities for Community College Graduates</p>	<p>Degree programs in shortage areas such as nursing and education</p> <p>Outreach Programs through collaborative and comprehensive relationships with community partners, particularly those that provide service to youth and children</p> <p>Economic Development</p>	<p>Superb Faculty and Outstanding Students</p> <p>Resources and Infrastructure including libraries, Arts Grounds, laboratories, new academic complexes and student support services</p> <p>Health Care</p>

Table 4.2 University of Virginia 2006-2012 Strategic Plan Priorities. Adapted from the University of Virginia 2006-2012 Six Year Plan (2005a)

Sciences, and School of Medicine, as well as provide the necessary infrastructure to support new faculty, was assigned utmost importance. This is consistent with the two previous planning efforts, although more defined in this plan. Furthermore, the commitment to the Libraries remained a critical recommendation. Less prominent in the Ten Year Academic Plan is the previous focus on the Fine and Performing Arts. Although a Residential Arts College is suggested, the previous emphasis on these programs is not made as clear in this plan, with it only being mentioned one other time when the plan acknowledges that to reach its goals, the University must “adhere to a higher standard in areas such as public service, diversity, the fine and performing arts, and internationalizing the curriculum” (University of Virginia, 2007g, ¶16).

The Master of Public Policy program, however, did gain prominence, with a suggested strategy of creation of a School of Public Service that would offer at least four degree programs. This strategy would serve the committee’s initiative to train leaders. The strategy suggested an endowment of \$95 million, which would support at least 5 senior faculty members, and also allow recruitment of rising faculty stars, staff, collections, and technology to support the library, which was confirmed as being the minimum amount to start a school of both Leadership and Public Policy, although more than a school of public policy through interviews (University of Virginia, 2007g; Anonymous 11, personal communication, February 9, 2011; Anonymous 3, personal communication, February 3, 2011).

Less well defined was a strategy to create a School of Public Health, which could suggest that the specificity of the School of Public Service and similarities between Mr. Batten’s gift and the suggested endowment helped to drive this strategy. Interviews confirm that at least some discussion of the gift occurred as early as 2002, when the idea of a public policy program first surfaced in University planning documents, and that there were ongoing meetings to discuss

various gift proposals with the donor, which would indicate that at least some members of the University community were aware of the possibility for a gift at the time the plan was written (Anonymous 5, personal communication, February 4, 2011; Anonymous 11, personal communication, February 9, 2011; Anonymous 13, personal communication, February 9, 2011).

Following creation of the Ten Year Plan, the Commission on the Future of the University commenced with its planning efforts in 2007. The Commission worked through four committees to “propos[e] strategic directions for the University for the next decade and beyond” (University of Virginia, n.d.a, ¶1). The four committees included a Committee on the Schools and the Medical Center, Committee on Programmatic Initiatives, Committee on Student and Faculty Life (broken into subcommittees on students and faculty), and the Committee on Funding and Other Resources (which worked through three subcommittees on academic infrastructure, physical plant, and fiscal resources). The report was driven by the core values of “honor and ethics, faculty excellence, innovation and collaboration in the pursuit of knowledge, diversity, [and] leadership for the public good and education and freedom (University of Virginia, 2007a, pg. 9). Notably, the Batten School is the only school specifically mentioned in these statements of core values, as the new “School...will provide a new empahsis on the teaching of leadership related to public policy (University of Virginia, 2007a, pg. 12).

The Commission’s report outlines several priorities that relate to the stated core values. The three priorities included in the Commission’s report include the 1) Student Experience, 2) Science, Engineering, and Technology, and 3) Global Education (University of Virginia, n.d.a). Of the five priorities stated in the University Envision plans, Student Life and Fine and Performing Arts appear to have been collapsed under the priority labeled “Student Experience”.

Virginia 2020 Priorities (2001)	University Envision (2002)	2006-2012 Six Year Plan (2005)	Faculty Senate Vision for UVa(2006)	Ten Year Academic Plan (20060)	Commission on the Future of the University (2007)	2008-2014 Strategic Plan (no date)
Fine and performing arts investments	Cost of Attendance	Accessibility and Affordability	Sciences and engineering	Increase faculty, particularly in science and engineering	Student experience, including public service, increasing faculty, and developing facilities	Accessibility and Affordability
Science and Technology investments	Collaboration across disciplines	Public engagement	Internationalization of university	Facilities and infrastructure, particularly lab spaces, libraries, and technologies	Science, Engineering and Technology	Academic Quality and Effectiveness which includes meeting goals for mission relevant programs through Batten School
Internationalization of the university	Flexible degree programs including <i>developing public policy major/studies through available resources in Politics, Law, Miller Center, Center for Governmental Studies, Institute for Practical Ethics and Others</i>	Academic Quality and Effectiveness including development of new degree programs ( <i>Bachelor of Arts/A/Master of PublicPolicy</i> , Darden MBA for Executives, Master of Professional Studies)	Visual and performing arts	Graduate education financial investments and enhance quality of program	Global education	Economic Development
Public Service and Outreach including <i>public policy work</i> through service to elected leaders and student service learning opportunities	Student experience including <i>establishment of Leadership Center or curriculum to nurture student leadership involving faculty from across university</i>	Other institutional priorities including superb faculty, outstanding students, and facilities and infrastructure	Libraries and digital technologies	Expand and leverage capacity of University's professional schools to <i>train leaders including founding school of public service</i>		Public service
Student Life including <i>developing self-governance and leadership skills</i>	Faculty and graduate student recruitment		Public outreach, particularly in K-12 education	Provide best undergraduate education		Operational and financial capacity

Table 4.3 Comparison of Stated Priorities in University Planning Documents highlighting rise of leadership and public policy. (Gray highlighted text is related to Batten School's work, aqua is directly related to Batten).

International Activities and Public Service and Outreach appear to be collapsed under the heading of “Global Education” and Science and Technology has been expanded to include Engineering. Thus, it appears that the salience of priorities has shifted somewhat over time, although this may not be attributable to funding. Instead, it could be a manifestation of the aforementioned lack of focus in latter planning efforts that interviewees suggested resulted in plans that were not as useful as earlier efforts (Anonymous 4, personal communication, February 4, 2011; Anonymous 5, personal communication, February 4, 2011).

Based on the Commission’s report, UVa updated the 2006-2012 strategic plan. Structured to relate the goals of Restructuring to University activities, the document outlines activities to be undertaken or planned for each biennium between 2008 and 2014. The Goals include to “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” (University of Virginia, n.d.b, pg. 5). One of the University’s steps to achieve this goal is listed as creation of the Batten School, a mission-relevant program. Others include strengthening the University’s program to provide financial support for low- and middle-income students, and addressing programs in shortage areas such as engineering, science, and nursing (University of Virginia, n.d.b). The fine and performing arts and global or international education are not mentioned anywhere in the 2008-2014 Strategic Plan. There is the potential that the variance in goals from the 2006-2012 plan was caused by the exclusion of a detailed narrative in the 2008-2014 plan. Instead, the 2008-2014 plan has a brief introduction that alludes to the Commission on the Future of the University’s work to propose strategic directions based

on the university's planning history, which includes the 2006-2012 plan. Thus, it is possible that priorities are not as clearly stated.

To determine changes in salience, therefore, other data that indicate priorities must be considered. Budget comparisons over time illuminate areas of programmatic priorities, as pursuit of programs likely requires funding. The following section compares budgets over time, particularly in terms of priorities stated in university planning documents.

### *Changes in Budgets*

As discussed in Chapter 3, budgets are concrete indicators of priorities. Budgeting is an exercise whereby scarce resources must be divided among activities. Thus, priority activities are more likely to receive funding, particularly during times when resource constraints are particularly harsh, such as during economic downturns. At the University of Virginia, the expenditure budget is developed through several steps. First, increased salary and fringe benefits are estimated. This is followed by setting an expenditure target for each vice president based on preliminary budget assumptions. Individual responsible units set additional fund expenditures, including gift and endowment income, based on activity projections. Lastly, revenue sources are projected. A narrative is then published with a summary of the budget and the expected revenues and expenditures (University of Virginia, 2006f). Several interviewees noted that this is a very opaque process that does not shed clarity on priorities at the University (Anonymous 2, personal communication, February 3, 2011; Anonymous 6, personal communication, February 4, 2011).

For the fiscal year 2007, the year prior to the \$100 million gift to create the Batten School, the University of Virginia's projected budget results included a total operating budget of

\$822,579,872 for Education and General Programs (University of Virginia, 2006f). In contrast, the projected budget for fiscal year 2011 is \$983,002,221 (University of Virginia, 2010a), a change of approximately \$160,422,349. Of the growth in the total budget, the Batten School's budget resents approximately \$4.01 million, or approximately 2.5 percent. These operating funds are primarily obtained through the endowment for the School. In fiscal year 2008, \$50 million out of \$100 million of the Batten School was received, invested in the endowment and used to finance the startup operations (University of Virginia, 2007e). Given a change in accounting practices in accordance with standards in mid-decade, 2006 projected results, as reported in the 2007 fiscal year annual budget report, provide the basis for comparing budgets prior to and after the mega-gift.

The following compares the School's budget to related program budgets to help determine any changes in priorities. It is useful to look at the budget in several different ways. The University divides revenues and expenditures into five different categories. The first is state appropriations, which include tax monies appropriated for activities classified as Education & General funding, specific programs, and financial aid. The state also appropriates non-general fund dollars, including tuition and fee revenue. Next, is Sponsored Programs, which includes revenue realized from research activities. Unrestricted and restricted funds both include gift and endowment income, although restricted may only be used for the purpose which was designated by the donor. Unrestricted funds may be spent for any purpose and also include student activity fees. Sales, Service, Other and Auxiliary categories including revenues derived from additional operations, including businesslike activities (University of Virginia, 2005f).

For support for Educational & General Activities, the University administration has the discretion to determine the allocation of General and Nongeneral Fund appropriations from the

state and the unrestricted category. Other categories include certain restrictions based on different constraints. Therefore, for purposes of this analysis, while all categories will be considered, emphasis will be placed on total budgets and within that, state and unrestricted operating budgets.

The Batten School was established during very difficult financial times. The economic recession of the last part of the 2000 decade had significantly reduced state budgets, resulting in decreases in state appropriations to public higher education institutions. Additionally, according to one administrator, the donation was not a pledge but rather a gift that was received quickly after the agreement was made. Therefore, it was invested in the endowment immediately prior to the sharp stock market decline, and thus the value of the endowment decreased substantially. This loss decreased the principal available to produce interest earnings to be used for operating support (Anonymous 1, personal communication, January 31 , 2011).

The 2010-2011 Budget Summary notes that since the 2008 fiscal year, the university's state appropriations were cut by approximately 25%, resulting in an "average 12 percent reduction in state general budgets since the start of 2007-2008" for schools and departments (University of Virginia, 2010a, pg.5).<sup>15</sup> Therefore, not all decreases in operating unit budgets

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<sup>15</sup> According to the narrative included in the University of Virginia's 2010-2011 Budget Summary The General Fund appropriations to the university included several reductions, as recommended by the Governor and approved by the General Assembly, of: "[6.25 percent, or \$9.2 million in Fall 2007, which resulted in a 1.8 percent reduction and another 1.2 percent reduction in 2008-2009 state general budget allocations to departments]...In October 2008, the state further reduced the University's general fund appropriation by \$10.6 million (7.0 percent), which... [resulted in]...a 3.0 percent reduction in state general budgets in fall 2008. In April 2009...[there was] an additional \$12.4 million (8.0 percent) reduction in the University's 2009-10 general fund appropriation...[which] resulted in a 3.2 percent reduction to 2009-10 departmental state general budgets during the [2010-11] budget development cycle. In April 2010...an additional \$4.6 million (3.6 percent) mid-year reduction to the University's general fund appropriation [which] resulted in a 2.5 percent reduction to academic state general budgets and a 3.0 percent reduction to administrative state general budgets."

can be attributed to any changes in priorities. A review of the University's budget indicates that some units may have suffered more than others following the budget cuts.

Table 4.4 is a depiction of the Batten School's growth in funding. The Batten School's budget has grown from \$588,872 in Fiscal Year 08, the first year it is a line item University's Budget Summary, to \$4,017,968 in Fiscal Year 2011.<sup>16</sup> This is primarily due to an increase in funding from "Private Restricted" categories, which includes gift and endowment income. The Batten School did not receive state support in fiscal year 2008 and 2009, but received \$294,368 in state allocations in fiscal year 2010 (results) and is projected to receive \$296,168 in 2011, although whether this is general fund or nongeneral fund allocations is not specified (University of Virginia, 2007e; University of Virginia, 2010a). One administrator noted that while the School's enrollments generate tuition revenues, which are accounted for in state allocations, given the School's ability to operate through endowment earnings and the state's budget cuts, state allocations for the school are less than enrollment levels would suggest. Thus, in essence, the Batten School currently supports the operations of other schools. It is expected this will change as the Batten School's programs grow (Anonymous 1, personal communication, January 31, 2011). The operating budgets outlined in Table 4.4. will be used to compare the Batten School to other operating divisions within the university.<sup>17</sup>

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<sup>16</sup> The figures for 2011 are "Proposed Uses" obtained from the 2010-2011 Budget Summary released by the University of Virginia (2010a). All other figures (FY06-FY10) are "Projected Results" figures obtained from the Annual Budget Summary released in the following fiscal year. Given the decreases in state allocations described in Footnote 15, the "Projected Results" do vary from the Proposed Uses in previous years. According to the 2010-2011 Budget Summary which projects the budgets for FY 2011, however, the state is not expected to reduce budgets this year. Therefore, it is assumed that these figures will be comparable to the "Projected Results" and does not pose a problem in the comparisons across the years.

<sup>17</sup> Note that the operating division budgets do not include line items for individual academic departments, but rather divisions of the university which receive a line item in the annual university budget as developed by university administrators and approved by the Board of Visitors.

<b>Batten School of Leadership &amp; Public Policy Operating Budget</b>							
<b>Fiscal Year</b>	<b>Total Operating</b>	<b>State</b>	<b>Grants &amp; Contracts, F&amp;A</b>	<b>Private Unrestricted</b>	<b>Private Restricted</b>	<b>Local Sales, Services, Other</b>	<b>Auxiliary</b>
FY 11*	4,017,968	296,168	0	0	3,721,800	0	0
FY10	1,774,468	294,368	0	0	1,480,100	0	0
FY09	987,000	0	0	0	987,000	0	0
FY08	588,872	0	0	0	588,827	0	0

Table 4.4 Batten School of Leadership and Public Policy Budget 2008-2011

First, in comparison to the University's College and other Schools, the Batten School budget is relatively small (see Tables 4.4 and 4.5). It is important to note, however, that several stated priority areas among the Schools have fiscal year 2011 budgets that decreased relative to budgets in fiscal years 2007, 2008, or 2009. The Library's budget fell from a high of \$30,060,743 in fiscal year 2008 to \$27,102,448 in fiscal year 2011 projections, a decrease of \$2,957,925, or approximately 10 percent of the budget. Engineering's budget also fell from a high of \$80,405,944 in fiscal year 2010, close to the more than \$79 million operating budgets in both fiscal years 2008 and 2009, to a fiscal year 2011 projected operating budget of \$77,746,997. The School of Continuing and Professional Studies budget fell from a high of \$21,448,266 in fiscal year 2007 to a projected operating budget of \$17,002,034 in fiscal year 2011. The School

University of Virginia College and Library Budgets FY 2006-2011

<b>Architecture</b>		<b>Batten (Leadership &amp; Public Policy)</b>		<b>College of Arts &amp; Sciences</b>	
FY11	9,439,107	FY11*	4,017,968	FY11	182,763,391
FY10	10,199,921	FY10	1,774,468	FY10	184,208,021
FY09	9,805,585	FY09	987,000	FY09	177,587,615
FY08	9,520,194	FY08	588,872	FY08	169,808,356
FY07	9,062,024			FY07	165,239,241
FY06	8,829,971			FY06	160,364,527
<b>Continuing and Professional Studies</b>		<b>Curry (Education)</b>		<b>Darden (Graduate Business)</b>	
FY11	17,002,034	FY11	32,045,835	FY11	53,444,845
FY10	20,194,974	FY10	33,150,704	FY10	52,558,900
FY09	20,744,581	FY09	31,918,715	FY09	48,924,072
FY08	21,448,266	FY08	30,047,765	FY08	46,416,374
FY07	21,678,406	FY07	28,253,107	FY07	39,536,318
FY06	19,841,099	FY06	27,973,600	FY06	35,214,800
<b>Engineering</b>		<b>Law</b>		<b>McIntire (Undergraduate Commerce)</b>	
FY11	77,746,997	FY11	56,837,845	FY11	23,000,662
FY10	80,405,944	FY10	53,236,758	FY10	22,526,030
FY09	79,269,349	FY09	56,286,929	FY09	21,097,648
FY08	79,553,662	FY08	47,765,861	FY08	20,636,747
FY07	75,092,035	FY07	45,951,653	FY07	19,036,314
FY06	71,576,919	FY06	46,405,368	FY06	17,997,479
<b>Medicine</b>		<b>Nursing</b>		<b>Libraries</b>	
FY11	287,058,412	FY11	11,958,603	FY11	27,102,448
FY10	286,221,716	FY10	12,664,427	FY10	28,141,366
FY09	294,021,135	FY09	12,746,398	FY09	28,603,850
FY08	276,847,408	FY08	12,222,940	FY08	30,060,373
FY07	250,577,766	FY07	12,140,813	FY07	26,748,385
FY06	236,048,348	FY06	10,555,512	FY06	24,712,778

Table 4.5 Comparison of University of Virginia College, School, and Library Budgets 2006-2011

University of Virginia College and Libraries Budgets as Percentage of Total College and Libraries Budgets

<b>Architecture</b>		<b>Batten (Leadership &amp; Public Policy)</b>		<b>College of Arts &amp; Sciences</b>	
FY11	1.2064%	FY 11*	0.5135%	FY11	23.3588%
FY10	1.2989%	FY10	0.2260%	FY10	23.4575%
FY09	1.2539%	FY09	0.1262%	FY09	22.7096%
FY08	1.2780%	FY08	0.0791%	FY08	22.7956%
FY07	1.3071%			FY07	23.8332%
FY06	1.3388%			FY06	24.3153%
<b>Continuing and Professional Studies</b>		<b>Curry (Education)</b>		<b>Darden (Graduate Business)</b>	
FY11	2.1730%	FY11	4.0957%	FY11	6.8307%
FY10	2.5717%	FY10	4.2215%	FY10	6.6930%
FY09	2.6528%	FY09	4.0817%	FY09	6.2563%
FY08	2.8793%	FY08	4.0337%	FY08	6.2311%
FY07	3.1268%	FY07	4.0751%	FY07	5.7025%
FY06	3.0084%	FY06	4.2415%	FY06	5.3395%
<b>Engineering</b>		<b>Law</b>		<b>McIntire (Undergraduate Commerce)</b>	
FY11	9.9368%	FY11	7.2644%	FY11	2.9397%
FY10	10.2391%	FY10	6.7793%	FY10	2.8685%
FY09	10.1368%	FY09	7.1979%	FY09	2.6979%
FY08	10.6795%	FY08	6.4122%	FY08	2.7703%
FY07	10.8309%	FY07	6.6278%	FY07	2.7457%
FY06	10.8529%	FY06	7.0362%	FY06	2.7289%
<b>Medicine</b>		<b>Nursing</b>		<b>Libraries</b>	
FY11	36.6886%	FY11	1.5284%	FY11	3.4639%
FY10	36.4482%	FY10	1.6127%	FY10	3.5836%
FY09	37.5990%	FY09	1.6300%	FY09	3.6578%
FY08	37.1649%	FY08	1.6408%	FY08	4.0354%
FY07	36.1419%	FY07	1.7511%	FY07	3.8580%
FY06	35.7909%	FY06	1.6005%	FY06	3.7471%

Table 4.6 Comparison of College, School, and Library Budgets as Percentage of Total, 2006-2011

University of Virginia College and Libraries Budgets as Percentage of Total College and Libraries Budgets, Excluding Medicine

<b>Batten (Leadership &amp; Public Policy)</b>					
<b>Architecture</b>			<b>College of Arts &amp; Sciences</b>		
FY11	1.9055%	FY 11*	0.8111%	FY11	36.8951%
FY10	2.0438%	FY10	0.3556%	FY10	36.9109%
FY09	2.0095%	FY09	0.2023%	FY09	36.3930%
FY08	2.0339%	FY08	0.1258%	FY08	36.2785%
FY07	2.0468%			FY07	37.3221%
FY06	2.0851%			FY06	37.8690%
<b>Continuing and Professional Studies</b>		<b>Curry (Education)</b>		<b>Darden (Graduate Business)</b>	
FY11	3.4323%	FY11	6.4692%	FY11	10.7891%
FY10	4.0466%	FY10	6.6426%	FY10	10.5315%
FY09	4.2512%	FY09	6.5411%	FY09	10.0260%
FY08	4.5823%	FY08	6.4195%	FY08	9.9166%
FY07	4.8964%	FY07	6.3814%	FY07	8.9300%
FY06	4.6853%	FY06	6.6058%	FY06	8.3157%
<b>Engineering</b>		<b>Law</b>		<b>McIntire (Undergraduate Commerce)</b>	
FY11	15.6951%	FY11	11.4741%	FY11	4.6432%
FY10	16.1114%	FY10	10.6674%	FY10	4.5137%
FY09	16.2447%	FY09	11.5349%	FY09	4.3235%
FY08	16.9961%	FY08	10.2049%	FY08	4.4089%
FY07	16.9608%	FY07	10.3790%	FY07	4.2997%
FY06	16.9024%	FY06	10.9583%	FY06	4.2500%
		<b>Nursing</b>		<b>Libraries</b>	
		FY11	2.4141%	FY11	5.4713%
		FY10	2.5376%	FY10	5.6389%
		FY09	2.6121%	FY09	5.8618%
		FY08	2.6114%	FY08	6.4222%
		FY07	2.7422%	FY07	6.0416%
		FY06	2.4926%	FY06	5.8358%

Table 4.7 Comparison of College, School, and Library Budgets as Percentage of Total, Excluding Medical, 2006-2011

University of Virginia College and Library Budget Percent Change from Previous Year					
<b>Architecture</b>		<b>Batten (Leadership &amp; Public Policy)</b>		<b>College of Arts &amp; Sciences</b>	
FY11	-7.45902%	FY 11*	126.43226%	FY11	-0.78424%
FY10	4.02154%	FY10	79.78399%	FY10	3.72797%
FY09	2.99774%	FY09	67.60858%	FY09	4.58120%
FY08	5.05593%	FY08		FY08	2.76515%
FY07	2.62802%			FY07	3.03977%
<b>Continuing and Professional Studies</b>		<b>Curry (Education)</b>		<b>Darden (Graduate Business)</b>	
	-				
FY11	15.81057%	FY11	-3.33287%	FY11	1.68562%
FY10	-2.64940%	FY10	3.85977%	FY10	7.42953%
FY09	-3.28085%	FY09	6.22659%	FY09	5.40262%
FY08	-1.06161%	FY08	6.35207%	FY08	17.40186%
FY07	9.26011%	FY07	0.99918%	FY07	12.27188%
<b>Engineering</b>		<b>Law</b>		<b>McIntire (Undergraduate Commerce)</b>	
FY11	-3.30690%	FY11	6.76429%	FY11	2.10704%
FY10	1.43384%	FY10	-5.41897%	FY10	6.77034%
FY09	-0.35739%	FY09	17.83924%	FY09	2.23340%
FY08	5.94154%	FY08	3.94808%	FY08	8.40726%
FY07	4.91096%	FY07	-0.97772%	FY07	5.77211%
<b>Medicine</b>		<b>Nursing</b>		<b>Libraries</b>	
FY11	0.29232%	FY11	-5.57328%	FY11	-3.69178%
FY10	-2.65267%	FY10	-0.64309%	FY10	-1.61686%
FY09	6.20332%	FY09	4.28259%	FY09	-4.84533%
FY08	10.48363%	FY08	0.67645%	FY08	12.38201%
FY07	6.15527%	FY07	15.01870%	FY07	8.23706%

Table 4. 8 Percent Change in College, School, and Library Budgets as Percentage of Total, 2006-2011

of Nursing's budget fell from a high of \$12,746,398 in fiscal year 2009 to a projected \$11,958,603 in fiscal year 2011, a decrease of \$787,795. The School of Medicine's budget fell from a high of \$294,021,135 in fiscal year 2009 to a projected \$287,058,412 in fiscal year 2011 (University of Virginia, 2006f ; University of Virginia, 2007e; University of Virginia, 2008c; University of Virginia, 2010a).

Controlling for overall budget decreases by analyzing allocations as a percentage of total budgets per year offers more insights (see Table 4.6). Percentages indicate that Engineering has declined from approximately 1.34 percent of the total College and Library budget to slightly more than 1.2 percent. The College and Graduate School of Arts & Sciences portion has fallen by approximately 1 percent since fiscal year 2006, but did gain more than 0.5 percent since fiscal year 2009. Continuing and Professional Studies has declined by approximately 0.8 percent, while Curry has declined approximately 0.2 percent. Engineering has fallen by approximately .9 percent, while Commerce has increased by 0.2 percent. Nursing also fell by 0.1 percent and the libraries by 0.3 percent. Darden and Law, which are operated as private entities relying on tuition and fee revenue and endowment monies only, both increased. Thus, it appears for those academic operating entities that rely mainly on appropriations, giving, and sponsored research income, most have budgets which have fallen in the past five years. Table 4.7 also depicts this trend with the exclusion of Medicine, which receives monies from the operation of the hospital, and thus, somewhat skews the total budget for the academic and library operations.

Lastly, understanding the percent changes in budgets from year to year also offers an understanding of decisions regarding priorities of the University regardless of total budget (see Table 4.8). Architecture reveals a decline of more than 7 percent from 2010 to 2011. The College and Graduate School of Arts & Sciences lost less than 1 percent from 2010 to 2011.

Continuing and Professional Studies, which had suffered losses in fiscal years 2008, 2009, and 2010, gained significantly (more than 15 percent) in Fiscal Year 2011. Curry School of Education and Engineering both lost more than 3 percent. Nursing suffered two straight years of losses, for a total decrease from Fiscal Year 2009 to 2011 of more than 6 percent, and the Libraries suffered three straight years of losses totaling more than 10 percent.

While many of these decreases are likely a result of the aforementioned cuts in state general fund appropriations as well as the retirement of senior staff, the Batten School's growing presence adds another funding pressure on the University's Education & General resources, which already fall short of the levels recommended by the Commonwealth's formula for higher education. Thus, it adds another layer of funding needs to an already constrained university budget that has had to cut budgets of stated priorities, such as the libraries and growth fields such as engineering, medicine, and nursing. As one interviewee noted, the Batten School expands the operating costs of the University for something that was not a core function before the donation, and thus, does create competition for resources with existing schools in essence, although it also expands the resources for the University as a whole (Anonymous 1, personal communication, January 31, 2011).

As previously mentioned, the Master of Public Policy degree was originally envisioned as a program that would draw on resources from academic units and University Centers, and that the Miller Center was originally suggested as an entity that could coordinate the degree. Thus, it is also useful to compare the Batten School to other university centers which are university

operating entities (and therefore have separate line items in the university budget) and emphasize politics or public policy, disciplines which are related to the research focus of the School.<sup>18</sup>

<b>University of Virginia Political or Public Policy Centers Total Operating Budgets</b>				
	<b>Batten School</b>	<b>Miller Center</b>	<b>Center for Politics</b>	<b>Weldon Cooper Center for Public Policy</b>
FY 11	4,017,968	7,588,569	1,571,175	6,580,125
FY10	1,774,468	6,991,833	2,360,167	6,597,785
FY09	987,000	6,807,138	2,622,759	6,463,165
FY08	588,872	5,672,857	2,484,244	6,589,103
FY07		3,832,444	2,397,343	5,109,224
FY06		3,371,208	2,583,289	5,126,016

Table 4.9 Comparison of Operating Budgets of UVa Centers for Political or Public Policy Studies

In 2005, materials from a Board of Visitors meeting to discuss the University’s Brand and campaign indicate that a priority would be “increased funding for the Center for Politics, the Miller Center of Public Affairs, the Sorenson Institute for Political Leadership, the Woodson Institute for Afro-American and African Studies, and other programs that focus on politics, government, public policy, history, and related topics” (University of Virginia, 2005b, Appendix A pg. 4). The latter two of these are housed within other operating units, the Weldon Cooper

<sup>18</sup> The Batten School works with other university centers, such as the Darden School of Business’s Olsson Center for Applied Ethics. These Centers, however, are not separate operating units. Instead, other Colleges and Schools operate these Centers and therefore, budgets are not determined by the same administrators as those that allocate funds to the Batten School, Miller Center, Weldon Cooper Center, and Center for Politics. Therefore, these related Centers are not included in this analysis.

Center for Public Affairs and Arts & Sciences, respectively. Thus, the Sorenson Institute is represented within the Cooper Center's budget and the Woodson Institute is represented within Arts & Sciences budgets previously discussed.

With the exception of the Center for Politics, the budgets of all Centers appear to be growing. From 2007 to 2011, The Miller Center funding increased from \$3,371,208 (actual) to \$7,588,569 (projected). When adjusted for inflation, this is an increase of \$3,370,615, or approximately double the 2007 amount. Primarily the increase comes from restricted gift income, which increased from \$3,362,633 to \$7,047,626 (adjusted) (University of Virginia, 2006f; University of Virginia, 2010a). No indication of a major gift to support this income is denoted in news sources. This leaves a question regarding the source of this increase in restricted funding that interview data did not answer. The Center's website, however, indicates that the Miller Center Foundation's fundraising goal is \$39 million, \$35 million of which has been raised, which indicates success in meeting fundraising targets.

Similarly, the Weldon Cooper Center for Public Service's funding grew from \$5,126,016 (FY 2006 actual) to \$6,580,125 (FY 2011 projected). This represents a real dollar increase of approximately \$1,136,622. The additional funds consist of significant increases in sponsored project revenue (\$847,502 in 2007 real dollars), state appropriations (\$429,985 in 2007 real dollars), and restricted gift income (\$197,923 in 2007 real dollars). Revenue from restricted gifts fell by \$338,789 (2007 real dollars) (University of Virginia, 2005c; University of Virginia, 2006f; University of Virginia, 2010a).

Conversely, the Center for the Politics's budget declined from \$2,583,397 in fiscal year 2006 to \$1,571,175 in fiscal year 2011. This is a decrease of \$1,012,222 in terms of real dollars.

Of this, the majority is a decrease in restricted funding such as Sponsored Projects and gift and endowment income. There is, however, a decrease in unrestricted fund appropriations of \$66,186. During this time, state fund allocations actually increased by \$259,422. The largest source of funding decline in these years is in Sponsored Projects, which fell by \$1,340,498 (University of Virginia, 2005c; University of Virginia, 2010a). Therefore, the decline in funding may be due to loss of grants, although data from historical documents and interviews could not confirm the reason for this change.

When comparing changes over the years the Batten School has been in existence however, a slightly different picture emerges. In Fiscal year 2008, the first year of the Batten School's operation, the Center for Politics budget was \$2,484,244 and fell to \$1,571,175 in 2011,

<b>Center for Politics Operating Budget</b>							
<b>Fiscal Year</b>	<b>Total Operating</b>	<b>State</b>	<b>Grants &amp; Contracts, F&amp;A</b>	<b>Private Unrestricted</b>	<b>Private Restricted</b>	<b>State</b>	<b>Auxiliary</b>
FY11	1,571,175	808,824	235,843	367,028	159,480	0	0
FY10	2,360,167	1,242,221	238,682	744,211	135,044	0	0
FY09	2,622,759	1,202,826	559,931	138,215	721,787	0	0
FY08	2,484,244	1,059,181	788,828	490,722	145,513	0	0
FY07	2,397,343	871,895	962,311	469,150	93,987	0	0
FY06	2,583,289	549,402	1,556,341	433,844	43,702	0	0

Table 4.10 UVa Center for Politics Operating Budget 2006-2011

a decline of \$913,069. Of this, \$250,357 is attributable to loss in state funding. An additional \$123,694 represents a decrease in unrestricted funding. Furthermore, sponsored projects fell by \$552,985 during this same time period (University of Virginia, 2007e; University of Virginia, 2010a). One college administrator noted that the Batten School, which was given a building on

campus and other resources, represents competition for these already struggling Centers, which do not even have their own facilities (Anonymous 6, personal communication, February 4, 2011).

In part, the portion of the Batten School's allocation labeled as "State" may be due to a decline in funding for the Center for Politics, although no other data could confirm this. Furthermore, the Batten School does enroll students, which generates tuition, and this may be the source of state allocations. This seems to have been confirmed by one administrator, who, as previously mentioned, noted that the Batten School's tuition and fee revenue is likely not at the level it should be as suggested by enrollments. Therefore, there may be an increase in these allocations in the future (Anonymous 1, personal communication, January 31, 2011).

The Center for Politics is often purported to be a very theoretical program, which does not comport with the supposedly applied nature of the School of Leadership and Public Policy. The Center has done some work with the Batten School, however, and as two faculty members noted, the Batten Schools faculty has been hired by search committees composed of existing University personnel. As such, the work of new faculty members is complimentary to the scholarship of existing faculty members (Anonymous 2, personal communication, February 3, 2011; Anonymous 3, personal communication, February 3, 2011).

In terms of capital support for the Batten School, the Board of Visitors Finance Committee approved the renovation of Garrett Hall to house the Batten School through utilization of university debt to be repaid through the Batten gift's endowment income and a contribution from maintenance reserve funds. The Committee minutes suggest the university budget would not incur additional operating or maintenance costs barring the addition of any

new space because this is already existing space. One interviewee noted that Garrett Hall was part of the University's investment in the School, which allows the School to be located on Central Grounds, close to the University's famed Rotunda. A sign of prestige and importance, the donor requested that the School receive placement in this prominent area, however, neither the University nor the donor wished to spend a large portion of the donation on renovations or a new building (Anonymous 1, personal communication, January 31, 2011; Anonymous 6, personal communication, February 4, 2011).

Instead, all parties wished to spend the majority of the gift on programs. Given the labor intensiveness of research, teaching, and outreach, the three board categories of education and general activities, the majority of expenditures are for human resources. Therefore, human resource allocations changes should provide further insights into budgetary changes.

#### *Changes in Human Resource Allocations*

Broadly, human resource allocations are related to the amount of work to be done by a unit and, in institutions that are strategic, should be reflective of the goals and priorities of the Institution. Given the attention to human resources in the strategic planning efforts of the University, it is assumed that it strategically allocates its human resources. Furthermore, as a labor intensive field, higher education resource allocations help to better understand priorities. Thus, comparison of human resource allocations over time adds an additional layer of priority analysis. The following three charts offer analysis of the full-time equivalent employee allocations per academic units as both a real number, percentages of totals, and percent changes from year to year.

University of Virginia College and Library Full Time Equivalent Faculty/Staff FY 2006-2011					
<b>Architecture</b>		<b>Batten (Leadership &amp; Public Policy)</b>		<b>College of Arts &amp; Sciences</b>	
		FY			
FY11	83.8	11*	17.3	FY11	1295.8
FY10	82.8	FY10	4.9	FY10	1269
FY09	87.56	FY09	4.66	FY09	1263.86
FY08	79.9	FY08	4.45	FY08	1213.78
FY07	78.96			FY07	1208.59
FY06	82.97			FY06	1184.76
<b>Continuing and Professional Studies</b>		<b>Curry (Education)</b>		<b>Darden (Graduate Business)</b>	
FY11	127.2	FY11	223	FY11	240
FY10	129.9	FY10	215	FY10	240.5
FY09	235.63	FY09	211.15	FY09	237.6
FY08	238.92	FY08	198.78	FY08	242
FY07	235.14	FY07	191.66	FY07	242
FY06	231.32	FY06	203.33	FY06	232
<b>Engineering</b>		<b>Law</b>		<b>McIntire (Undergraduate Commerce)</b>	
FY11	540.1	FY11	203.5	FY11	148.3
FY10	536.6	FY10	195.9	FY10	142.4
FY09	540.66	FY09	213.41	FY09	142.59
FY08	544.14	FY08	194.93	FY08	127.57
FY07	548.29	FY07	198.84	FY07	116.61
FY06	551.17	FY06	181.38	FY06	133.9
<b>Medicine</b>		<b>Nursing</b>		<b>Libraries</b>	
FY11	1999.9	FY11	92.1	FY11	261
FY10	1956.7	FY10	96.4	FY10	259
FY09	1954.37	FY09	95.23	FY09	257.38
FY08	1934.94	FY08	92.19	FY08	261.83
FY07	1859.45	FY07	94.51	FY07	260.92
FY06	1860.67	FY06	92.61	FY06	248.38

Table 4.11 Comparison of UVa College, School and Libraries FTEs, 2006-2011

University of Virginia College and Library FTEs as percentage of total College and Library Budget

<b>Architecture</b>		<b>Batten (Leadership &amp; Public Policy)</b>		<b>College of Arts &amp; Sciences</b>	
FY11	1.60168%	FY 11*	0.33066%	FY11	24.76682%
FY10	1.61432%	FY10	0.09553%	FY10	24.74118%
FY09	1.66969%	FY09	0.08886%	FY09	24.10061%
FY08	1.55646%	FY08	0.08669%	FY08	23.64462%
FY07	1.56823%			FY07	24.00392%
FY06	1.65857%			FY06	23.68341%
<b>Continuing and Professional Studies</b>		<b>Curry (Education)</b>		<b>Darden (Graduate Business)</b>	
FY11	2.43119%	FY11	4.26223%	FY11	4.58716%
FY10	2.53261%	FY10	4.19177%	FY10	4.68893%
FY09	4.49324%	FY09	4.02643%	FY09	4.53081%
FY08	4.65420%	FY08	3.87226%	FY08	4.71420%
FY07	4.67014%	FY07	3.80658%	FY07	4.80638%
FY06	4.62410%	FY06	4.06458%	FY06	4.63769%
<b>Engineering</b>		<b>Law</b>		<b>McIntire (Undergraduate Commerce)</b>	
FY11	10.32301%	FY11	3.88953%	FY11	2.83448%
FY10	10.46187%	FY10	3.81938%	FY10	2.77632%
FY09	10.30987%	FY09	4.06953%	FY09	2.71906%
FY08	10.59993%	FY08	3.79727%	FY08	2.48508%
FY07	10.88964%	FY07	3.94918%	FY07	2.31600%
FY06	11.01791%	FY06	3.62579%	FY06	2.67667%
<b>Medicine</b>		<b>Nursing</b>		<b>Libraries</b>	
FY11	38.22439%	FY11	1.76032%	FY11	4.98853%
FY10	38.14899%	FY10	1.87947%	FY10	5.04962%
FY09	37.26798%	FY09	1.81595%	FY09	4.90799%
FY08	37.69293%	FY08	1.79588%	FY08	5.10049%
FY07	36.93071%	FY07	1.87707%	FY07	5.18216%
FY06	37.19488%	FY06	1.85128%	FY06	4.96513%

Table 4.12 Comparison of UVa College, School and Libraries FTEs as Percentage of Total, 2006-2011

University of Virginia FTEs as percentage of total College and Library FTEs, Excluding Medicine

<b>Architecture</b>		<b>Batten (Leadership &amp; Public Policy)</b>		<b>College of Arts &amp; Sciences</b>	
FY11	2.59274%	FY 11*	0.53526%	FY11	40.09158%
FY10	2.61001%	FY10	0.15446%	FY10	40.00126%
FY09	2.66162%	FY09	0.14165%	FY09	38.41835%
FY08	2.49805%	FY08	0.13913%	FY08	37.94853%
FY07	2.48652%			FY07	38.05959%
FY06	2.64083%			FY06	37.70935%
<b>Continuing and Professional Studies</b>		<b>Curry (Education)</b>		<b>Darden (Graduate Business)</b>	
FY11	3.93552%	FY11	6.89954%	FY11	7.42551%
FY10	4.09469%	FY10	6.77720%	FY10	7.58101%
FY09	7.16259%	FY09	6.41846%	FY09	7.22248%
FY08	7.46977%	FY08	6.21481%	FY08	7.56607%
FY07	7.40477%	FY07	6.03555%	FY07	7.62080%
FY06	7.36261%	FY06	6.47173%	FY06	7.38425%
<b>Engineering</b>		<b>Law</b>		<b>McIntire (Undergraduate Commerce)</b>	
FY11	16.71050%	FY11	6.29622%	FY11	4.58835%
FY10	16.91464%	FY10	6.17514%	FY10	4.48872%
FY09	16.43478%	FY09	6.48716%	FY09	4.33440%
FY08	17.01240%	FY08	6.09444%	FY08	3.98844%
FY07	17.26615%	FY07	6.26165%	FY07	3.67215%
FY06	17.54302%	FY06	5.77309%	FY06	4.26186%
		<b>Nursing</b>		<b>Libraries</b>	
		FY11	2.84954%	FY11	8.07525%
		FY10	3.03871%	FY10	8.16417%
		FY09	2.89477%	FY09	7.82374%
		FY08	2.88230%	FY08	8.18605%
		FY07	2.97621%	FY07	8.21661%
		FY06	2.94765%	FY06	7.90561%

Table 4.13 Comparison of UVa College, School and Libraries FTEs as Percentage of Total, Excluding Medical, 2006-2011

<b>Percent change in FTEs from year to year</b>					
<b>Architecture</b>		<b>Batten (Leadership &amp; Public Policy)</b>		<b>College of Arts &amp; Sciences</b>	
		FY			
FY11	1.20773%	11*	253.06122%	FY11	2.11190%
FY10	-5.43627%	FY10	5.15021%	FY10	0.40669%
FY09	9.58698%	FY09	4.71910%	FY09	4.12595%
FY08	1.19048%	FY08		FY08	0.42943%
FY07	-4.83307%			FY07	2.01138%
FY06				FY06	
<b>Continuing and Professional Studies</b>		<b>Curry (Education)</b>		<b>Darden (Graduate Business)</b>	
FY11	-2.07852%	FY11	3.72093%	FY11	-0.20790%
	-				
FY10	44.87120%	FY10	1.82335%	FY10	1.22054%
FY09	-1.37703%	FY09	6.22296%	FY09	-1.81818%
FY08	1.60755%	FY08	3.71491%	FY08	0.00000%
FY07	1.65139%	FY07	-5.73944%	FY07	4.31034%
FY06		FY06		FY06	
<b>Engineering</b>		<b>Law</b>		<b>McIntire (Undergraduate Commerce)</b>	
FY11	0.65225%	FY11	3.87953%	FY11	4.14326%
FY10	-0.75093%	FY10	-8.20486%	FY10	-0.13325%
FY09	-0.63954%	FY09	9.48033%	FY09	11.77393%
FY08	-0.75690%	FY08	-1.96641%	FY08	9.39885%
					-
FY07	-0.52252%	FY07	9.62620%	FY07	12.91262%
FY06		FY06		FY06	
<b>Medicine</b>		<b>Nursing</b>		<b>Libraries</b>	
FY11	2.20780%	FY11	-4.46058%	FY11	0.77220%
FY10	0.11922%	FY10	1.22860%	FY10	0.62942%
FY09	1.00417%	FY09	3.29754%	FY09	-1.69958%
FY08	4.05980%	FY08	-2.45477%	FY08	0.34877%
FY07	-0.06557%	FY07	2.05161%	FY07	5.04872%
FY06		FY06		FY06	

Table 4.14 Percent Change per year in UVa College, School, and Libraries FTEs, 2006-2011

More specifically, the organization chart of the University has changed to include a Dean for the school who reports directly to the Executive Vice President and Provost. This represents a placement of the School in the decision making process of the highest levels of administration. Additionally, the Board member who was so instrumental in securing Mr. Batten's generous donation was subsequently elected as Vice Rector of the Board, then moved on to serve as Rector of the Board. This election may or may not have been a result of the member's fundraising success.

First, the growth in the Batten Center's staff includes a Dean, Assistant Dean, Student Services staff, including an Associate Dean, a Director of Administration and Staff, Assistant Dean for External Affairs, a Director of Budget and Finance, and a Grants Administrator. In 2010, the Batten School announced its first five new faculty hires. Two senior scholars with a research record in Economics were hired. The remaining three are junior faculty, two of which are from the Psychology discipline with research agendas focused on Leadership and the third is from Politics (Cannon, 2010). One interviewee indicated that although the appointments were intended to be joint hires, the College of Arts & Sciences did not have the resources to participate in the process, and therefore, the new faculty lines lie solely in the Batten School. The joint appointments are in principle, however, and faculty members teach students and engage with faculty from their respective fields and are expected to meet the scholarship expectations of their respective fields (Anonymous 3, personal communication, February 3, 2011; Anonymous 18, personal communication, February 24, 2011).

According to the website, the School lists faculty from across many other disciplines and departments as well. These are Law, Public Health, History, Education, Religious Studies, the Miller Center of Public Affairs, Psychology, and Business Administration (University of

Virginia, n.d.f). The new faculty's interests in interdisciplinary fields found in other departments and faculty listings from across the University indicate a concerted effort to create a cross-disciplinary approach to the School's curriculum and research. Some, however, argue that the difficulty lies in the Batten School student's enrollments in the courses of other units, which results in an unpaid use of resources (Anonymous 1, personal communication, January 31, 2011; Anonymous 6, personal communication, February 4, 2011). While other students enroll in the School's courses, it is believed that there is an unfair balance of exchange, something the university is working to ensure is not the case (Anonymous 6, personal communication, February 4, 2011; Anonymous 11, personal communication, February 9, 2011).

Additionally, one administrator interviewee argued that the Batten School offers offices to faculty from other units and potentially some research funding, which entices faculty that are tenured and supported by other departments to work within School. This interviewee noted that there was a feeling that this drains resources from the visiting faculty member's home department and college or school (Anonymous 6, personal communication, February 4, 2011). Another interviewee confirmed the School's incentives to faculty employed by other university operating entities but when asked about the nature of these, suggested the idea was still in development. This interviewee did note that the Batten School gave these affiliated faculty members full voting rights, which is not the case with all Schools that engage faculty from other disciplines in a similar affiliated relationship (Anonymous 18, personal communication, February 24, 2011). While specifics of the incentives cannot be confirmed beyond voting rights, there are examples of the Batten School partnering with other University entities to present programs and as previously mentioned. Furthermore, its published faculty list does include a

number of faculty from around grounds. Together this suggests that there is some mechanism for incentivizing interdisciplinary participation.

Second, the Batten School's FTE's are significantly smaller than any other College, School, or Library. This is due to both it being in its infancy stage but also because of its design to reach across colleges and engage scholars and students in inter-disciplinary learning and research. Evidence of this exists in both its statements about growth and in the appointments of the five new faculty members hired in 2010. Evidence of growing FTEs per unit stated as priorities in the strategic planning efforts suggests that the university continues focused growth in targeted areas. Two exceptions include Nursing and Engineering, which shrunk .098% and .743% from 2008 to 2011 respectively. Nursing's FTE's fell from a high of 96.4 in 2010 to 92.1 in 2011, which was .09 less than FY 2008. Engineering lost 4.04 FTE's from 2008, its high, to 2011 (University of Virginia, 2007e; University of Virginia, 2009b; University of Virginia, 2010a). No explanation for these small losses is offered from historical, archival, or interview data.

The primary difference is a very large cut in the School of Continuing & Professional Studies FTEs, which fell from a high of 238.92 in fiscal year 2008, comparable to fiscal years 2006, 2007, and 2009, to 129.9 in fiscal year 2010 and projected FTEs of 127.2 in fiscal year 2011 (University of Virginia, 2005c; University of Virginia, 2006f; University of Virginia, 2007e; University of Virginia, 2009b; University of Virginia, 2010a). The budget narrative and a review of the University of Virginia website do not provide an explanation for this dramatic decrease. The School of Continuing and Professional Studies was cited in the 2006-2012 as a growth area with a planned new Master in Professional Studies degree to be offered in Charlottesville and Northern Virginia (University of Virginia, 2005a). A 2008 news release

stated that the vision of the new Dean for the School of Continuing & Professional Studies included expansion into new markets but also reorganization with a market-like orientation which would draw on technology (Cannon, 2009). Thus, the drastic decrease in FTEs is likely due to the application of new processes and business plans to the School and not a shift in priorities.

In comparison to other Political or Public Policy focused Centers, the Batten School’s staff has grown exponentially, as is to be expected given its movement towards more degree programs. Full Time Equivalent (FTE) allocations for the School grew from 4.9 in fiscal year 2010, which was only 0.45 more than fiscal year 2008, to 17.3 in fiscal year 2011. In contrast, the Miller Center’s FTEs grew from 36.31 in fiscal year 2008, to 37.6 in fiscal year 2011. The Center for Politics, however, fell from 15.05 to 11.8, a decrease of 3.25 FTEs. The Weldon Cooper Center for Public Policy’s full-time equivalent employees grew by 5.3 from 51.5 to 56.8 (see Table 4.15) (University of Virginia, 2007e; University of Virginia, 2009b University of Virginia, 2010a).

<b>University of Virginia Political or Public Policy Centers Full Time Equivalent Allocations</b>				
	<b>Batten School</b>	<b>Miller Center</b>	<b>Center for Politics</b>	<b>Weldon Cooper Center for Public Policy</b>
FY11	17.3	37.6	11.8	56.8
FY10	4.9	36.2	12.1	58.3
FY09	4.66	35.29	13.26	57.96
FY08	4.45	30.07	14.3	62.25
FY07		28	16	54.25
FY06		36.31	15.05	51.5

Table 4.15 Comparison of UVa Centers for Political or Public Policy Studies FTEs

Comparing funding to FTE's, it appears that the Center for Politics budget may have decreased significantly due to a decrease in human resource needs or allocations. It could not be confirmed, but this could have been due to a loss in funding for a project. Comparisons of staff listings between a Spring 2007 annual newsletter distributed by the Center and its current website suggest that the Director of Development position, Corporate and Foundation Relations, also a fundraising position, Deputy Director of Communications, and Youth Leadership Initiative Outreach Coordinator position were filled in 2007 but are not currently listed on the website (University of Virginia Center for Politics, 2007; University of Virginia, n.d.e). These four positions may account for the decrease in FTEs, although per university budget documents, lost FTE's occurred in positions funded through Sponsored Projects, which may or may not relate to development positions and the Leadership Initiative, which develops free education resources for teachers and students.

### *Changes in Decisions*

In university governance, decisions are made by a number of different individuals including faculty, administrators, and boards. As previously discussed, the trend in higher education is that some decisions have been decentralized to the school level, while overall direction setting for the institution remains centralized. To determine if the mega-gift resulted in any changes in decisions the research included collection and analysis of documents such as minutes, publications, or other official statements that indicate variation in university programs, either existing or planned, or the relative importance of the entity that received the donation.

Presidential statements, annual reports, and the University magazine were searched for indicators that public policy or leadership had become more of a focus of communications efforts. There was no discernible trend, beyond an increase in inclusion of announcements in

these materials at approximately the time the gift was made. Interestingly, however, at approximately the same time as the gift was made public, several statements were made in various forums regarding donations and new programs.

Data from both historical documents and interviews suggests the creation of a new school in response to a donation was not a universally accepted action. This Commission on the Future of the University's Committee on Programmatic Initiatives' report specifically states "for many donors, the creation of a new school, might seem likely to have the greatest potential impact. But the creation of a new school, with its separate administration and infrastructure, might also run counter to core needs of the University and to the idea the school was meant to foster" (University of Virginia, 2007b, pg. 11-12). Given that the Batten School is the University's first new school in more than 50 years, the school had just been included in the Ten Year Academic Plan, and the gift was announced just seven months prior to the release of the Committee's Draft report, it is plausible that the inclusion of these statements in the document was in response to angst regarding the School's creation. Additionally, several interviewees commented on the perception of certain University community members that the School takes away resources, including donations, faculty time, and classroom seats, from existing operating units (Anonymous 2, personal communication, February 3, 2011; Anonymous 3, personal communication, February 3, 2011; Anonymous 6, personal communication, February 4, 2011).

Furthermore, the Committee's plan addresses the need for a systematic approach to future planning efforts to launch new programs, noting that:

The University lacks a coherent, centralized process and infrastructure for vetting ideas and moving them from conception through implementation. The University

offers few opportunities to connect scholars with donors in ways that are timely and that lead to efficient and successful funding. Designing these mechanisms now will increase the University's capacity to generate "big ideas" and to act more entrepreneurially – activities that are essential for fulfilling the promise of its ambitious capital campaign and staking its claim as one of the world's great universities . (University of Virginia, 2007b, pg. 1)

In an effort to create a transparency in planning, the Commission on the Future of the University's Committee on Programmatic Initiatives designed and recommended process to assess idea proposals, named the "Big Ideas Initiative" (see Appendix B). The evaluation criteria established in this process, which is designed to "match initiatives with donors" (University of Virginia, 2007b, pg. 2), evaluates ideas on a Likert scale of the categories of UVA (where U ranks Unique Preeminence, V assesses core institutional needs, and A determines fundability). Therefore, it is clear that the university was searching for ways to strategically plan programmatic initiatives with particular importance placed on the ability to fund programs, including through private donations.

Using these criteria, the Committee recommended several "Big Ideas" proposals to be undertaken immediately, but clearly states that "proposals should not be evaluated by size and cost, but for their capacity to distinguish the University" (University of Virginia, 2007b, pg. 2). This is somewhat at odds with the evaluation criteria, however. Of the twenty pieces of evaluation criteria, which are each ranked from 0 to 5, eight address funding. These include (in the order selected by the Committee):

- Leverages external partnerships

- Attracts important and identified constituencies (students, donors, faculty, patients)
- Enhances the reputation of the University with public audiences
- Financial resources needed exist or can be found
- External environment (e.g. national research agenda) favorable
- Plans for sustained funding sources
- Proposed structure is appropriate for programmatic goals
- New infrastructure needs are justified. (University of Virginia, 2007b, Appendix B)

According to the Committee, this Initiative will inform faculty, “facilitate discussion and development of big ideas among University alumni, benefactors, and faculty...[and] review proposals and make recommendations about which initiatives to move forward for funding” (University of Virginia, 2007b, pg. 3). To evaluate proposals, the Committee recommended formation of another committee which would include senior faculty and “appropriate members from the Provost’s office, development, and possibly select alumni and donors” (University of Virginia, 2007b, pg. 5).

The Committee’s report also notes that institutional structure, and any changes in it, is akin to a market that creates competition between schools and that “multi-disciplinary enterprises “lose” when pitted against core needs, and core needs “lose” when exciting big ideas pull resources and donors away” (University of Virginia, 2007b, pg. 11). Combined, the report’s

inclusion of statements regarding the danger of donations to change structures, take resources from existing schools, and create competition within the institution and the development of a more transparent plan to vet new programs indicate that the Committee felt there was a disconnect between goals, programs pursued, and donations. The proximity of the announcement of the Batten gift to these statements regarding the creation of new university structures in the Committee's report suggested there was some contention, and possibly dissension, among members of the University's community regarding the creation of the School.

Actions by the Faculty Senate, as reported in meeting minutes, coupled with data from interviews support this conclusion. The first Faculty Senate meeting to discuss and vote on the creation of the Batten School did not draw a quorum, which one faculty interviewee suggested some faculty members did as a form of protest, although there is no other evidence to support this claim (University of Virginia, 2007f; Anonymous 3, personal communication, February 3, 2011). Some members of the faculty expressed confusion over why a new school was needed when it would only house a small number of faculty. While concern was raised that the new School would take resources such as faculty, space, and resources from other University entities including the College of Arts & Sciences, of which several of the faculty members on the School's planning committee were a part, members assured faculty that it would not do so (University of Virginia, 2007f; University of Virginia, 2007k). Furthermore, approval for degree programs remained in the Academic Affairs Committee, which would maintain faculty control (University of Virginia, 2007f). A Faculty Senate meeting was held two weeks later for the purpose of voting on the Batten School creation, which passed with a vote of 52 Yes votes, eight No votes, and one abstention (University of Virginia, 2007l). An interviewee indicated that the reason for the failure to reach a quorum was because faculty were upset with the creation of the

School. In part, this was because the School was announced prior by the Board of Visitors in a very public way prior to its inclusion on the agenda or passage by the Faculty Senate (Anonymous 3, personal communication, February 3, 2011; Anonymous 4, personal communication, February 4, 2011).

The reasons for this initial lack of support are varied. First, as already mentioned, there was the inclusion of Leadership as a focus of the School. At least some faculty were skeptical of this as a scholarly endeavor. Furthermore, given the focus on undergraduate programs that resulted from the gift, faculty were unclear as to how students would be taught leadership. This represents a direct variation from the initial proposal, and several interviewees noted that the inclusion was at the request of the donor (Anonymous 3, personal communication, February 3, 2011; Anonymous 6, personal communication, February 4, 2011).

Furthermore, the minutes suggest there was disagreement over the need for a School. This is a change from a program, suggested by the Miller Center, a unit that reports to the President, to the level of a School. According to one interviewee, however, a stand-alone school was always the ultimate goal of the planning committee. Given that funds were not available to pursue this goal, the accelerated degree program was a place to begin operations and provide a program to meet student demand (Anonymous 3, personal communication, February 3, 2011). Therefore, the gift may not have caused the change in level of program, although that cannot be wholly determined as the involvement of the donor, already noted, was as early as 2002. While faculty planners may not have been aware of the potential for a gift, there could have been encouragement to explore the idea of a School based on the knowledge of the donor's interest and the potential size of his gift. The research could not directly confirm this, but documents and interview data that suggest three different departments all created and pursued an idea for a

Master of Public Policy degree at the same time coupled with suggestions that the donor was involved in conversations as early as 2002, suggest that programs may have been pursued with the knowledge of some university members that donor support may be forthcoming.

Lastly, the gift designation itself represents a reason for the lack of support for the Batten School was resource competition, particularly for donor funding, as Mr. Batten was considered a prospect for other programs. As an alumnus of the College and Graduate of Arts & Sciences, this unit had targeted the donor for a \$100 million gift for other priorities, which included support for graduate students, the arts, and sciences according to one interviewee (Anonymous 4, February 4, 2011). Furthermore, given Mr. Batten's relationship as an alumnus of the College, one interviewee noted that a gift from him likely represented a major portion of the campaign strategy for that entity, perhaps as much as 20 percent. Although proposals were presented to Mr. Batten based on the College's needs, none were successful. It is possible that unless another \$100 million gift is found, the College may not meet its fundraising goal. Therefore, it is likely that the creation of the School was perceived to drain gift resources away from one of the College's priorities (Anonymous 1, personal communication, January 31, 2011; Anonymous 2, personal communication, February 3, 2011; Anonymous 4, personal communication, February 4, 2011). Viewing the Batten School as fundraising competition seems to be based on the debatable assumption that fundraising is a zero-sum game.<sup>19</sup>

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<sup>19</sup> The fratricidal nature of fundraising has long been a debate, particularly between athletics and academic programs. This likely has something to do with the limited ability to estimate institutional fundraising capacity and donor interests. Fundraising programs typically do have perceived limits in their prospect pools and contributions, although these are estimates. Potential donors, however, are typically being continuously identified, increasing the number of prospects for the gift pool. While a gift may not be realized from one targeted philanthropist, another may present itself or the donor may choose to fund two programs. Thus, while some administrators and faculty may perceive other university programs to be competition, it is not necessarily a zero-sum game when the institution's donor pool as a whole is considered.

The University does have an alumni and friends donor base which has a particular amount of wealth that suggests an estimated ability to give, otherwise known as a giving capacity.<sup>20</sup> As with most professionalized fundraising programs, the overall campaign goal of \$3 billion was set based on the estimated giving capacity of donors. From this donor base, a gift pyramid was built, which includes people who are believed to have the ability to make a major gift and who may be inclined to support the particular unit. This creates a situation in which a particular unit may believe it can meet its goals by soliciting a donation from a particular donor, who then chooses to give to another program, thereby changing the fundraising strategy of the original unit. This was the case with Mr. Batten, who was believed to be a prospect for the College of Arts & Sciences, of which he was an alumnus. The result was angst about the ability of the College to meet its fundraising goal of \$500 million (Anonymous 1, personal communication, January 31, 2011; Anonymous 2, personal communication, February 3, 2011; Anonymous 4, personal communication, February 4, 2011).

Beyond the initial gift, there is concern about near- and long-term future fundraising potential. One interviewee noted that future graduates of the Batten School, which may enroll in the College & Graduate School of Arts & Sciences initially and then transfer to the new school will be considered graduates of the Batten School, and thus not prospects for the College, a situation similar to that of other undergraduate programs, such as the McIntire School of Business (Anonymous 6, personal communication, February 4, 2011). In part, this stems from the structure of the fundraising program.

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<sup>20</sup> Giving capacity relies on estimates of wealth. Using various formulas that are based on a percentage of known assets, such as stock holdings or real estate values, or prior giving, development departments and consulting groups determine an amount that donors may be able to contribute. Since donors are able to choose to give all of their wealth, or nothing, giving capacities can vary widely from actual fundraising capabilities for the institution as a whole.

The University's development program is decentralized, with more than 27 foundations including those of individual schools and other units. The result is perceived competition among the units for donations. Some units with which the donor has some relationship may lack clearance to pursue donors targeted for other programs, while other entities may approach prospects without concern for the broader goals of the University. Thus, the lack of centralization leads to fierce fundraising competition among the units (Anonymous 12, personal communication, February 9, 2011). One administrator noted that in a University that did not have a president until the 20<sup>th</sup> century, however, this decentralization is in line with the culture of the organization (Anonymous 4, personal communication, February 4, 2011). A faculty member noted that everyone has some goal for an amount of money which they must raise, particularly with the growing importance of fundraising, thus competition is further embedded (Anonymous 1, personal communication, January 31, 2011).

The University's overall \$3 billion goal for the "Knowledge is Power" Campaign for the University of Virginia consists of these unit goals, which are set by the Deans and other administrators (Anonymous 4, personal communication, February 4, 2011; Anonymous 5, personal communication, February 4, 2011). While the "Priorities for the Campaign" does not list the Batten School as a priority specifically, the Batten School's goal is \$150 million, including the \$100 million to name the school which was received from Mr. Batten. The Batten School seeks to raise \$20 million for professorships, \$10 million for student aid, \$10 million for a leadership program, \$9 million for research, and \$1 million for public events (University of Virginia, n.d.d).

The ability of the School to meet these additional goals is not known. Several administrators noted a great deal of excitement surrounding the School that could lead to

additional gift resources (Anonymous 5, personal communication, February 4, 2011; Anonymous 11, personal communication, February 9, 2011). If fundraising is a zero-sum game, it would suggest that raising the \$50 million for Batten School priorities is in lieu of soliciting donations for other stated goals outside the Batten School. This, however, would be an incorrect assumption, since the combined goals of the entire university amount to more than \$3 billion, the campaign goal (Anonymous 5, personal communication, February 4, 2011). Thus, while other operating units may perceive the Batten School to have gained importance as a priority given the fundraising goals, these are in addition to goals already set by the University and do not necessarily represent an increase in importance relative to other programs. Rather, it is a result of the complicated nature of the increasing reliance on fundraising as part of a resource base, which is beyond the scope of the current research project.

### *Summary*

The University of Virginia has engaged in fundraising as a way to mitigate the difficulties of the unreliability of state funding. The drive to become a privately financed public university suggests an increased reliance on self-supporting activities that allow the university to meet its public mission, as envisioned by Thomas Jefferson. Since the early 1990s, fundraising has increased in importance, with it becoming a core function of administrators and even involving faculty members as necessary. Tying donations to core needs, however, remains a difficulty, particularly as major donors, who seek to create returns on investment, are drawn to funding new programs rather than existing core needs. Given that the university does make an effort to tie funding potential to planning, it is possible that the salience of priorities may be affected by donations.

The changes in the statements of priorities suggested by careful analysis of the various University planning committees reports completed since the late 1990s is suggestive of an increased importance of some programs and decrease in others. It appears that the Master of Public Policy became a higher priority, or gained significance, at or about the same time as the Batten gift was announced. There is some disagreement among official university statements and interviewee data regarding the timeline of the gift. While some interviewees indicated Mr. Batten's inclusion in the discussion began after the Master of Public Policy degree was made, the majority of interviewees implied he had been engaged for a long period of time, perhaps up to four years. It is unknown how deeply this engagement affected the planning for the Public Policy degree. Regardless, some interviewees noted that while the School was always the vision, it would require a large donation, thus the smaller accelerated degree program was pursued. The gift, however, made it possible to pursue not only the accelerated degree program, but also stand-alone graduate degree programs that allow students to pursue a two-year Master of Public Policy degree (Anonymous 1, personal communication, January 31, 2011; Anonymous 3, personal communication, February 3, 2011).

It does appear that the donor's interest in leadership as a scholarly discipline was not part of the faculty's original vision for the School. Leadership, however, was clearly of interest to the University as something that should be fostered in students. One document notes that "[f]aculty members are keenly aware that they have individual and personal responsibilities to educate students for leadership" (University of Virginia 2002a, pg. 20). Additionally, the faculty's plan does not appear to have included a focus on undergraduate education, although this was noted to be of interest to the donor. Therefore, there appears to be some shift in priorities in terms of the vision of the School's academic endeavors, although the donor also provided the majority of

funding necessary to meet this additional focus. The change, however, seems to have caused at least some division among the faculty.

Additionally, the support for the School by the departments within the College of Arts & Sciences is of note. While the proposal was advanced by members within College departments, several interviewees noted that there is a perception among some high-ranking College administrators that the College's faculty resources are drained by the new entity. Some suggested that the highest levels of the College's administration were not supportive of the School, while others noted that these sophisticated individuals understood the need for the program and entity. Some argue that there will be longer-term consequences as the College's students migrate to the Batten School and become its alumni rather than those of the College, which potentially decreases the future donor base. Lastly, Mr. Batten was likely a key component of the College's fundraising plan for the current campaign, and therefore, the gift probably represented an obstacle in its ability to meet goals (Anonymous 1, personal communication, January 31, 2011; Anonymous 2, personal communication, February 3, 2011; Anonymous 4, personal communication, February 4, 2011). It is difficult to document the accuracy of these perceptions, particularly the last one, as it is impossible to know if the donor would have given to another endeavor if the School had not been created.

While the Batten School has started to grow its operations, it is not yet well enough established for everyone to understand its full potential impacts on the University's operations. The Batten School is not yet the recipient of private unrestricted funds or a great deal of state allocated general and nongeneral funds. Thus, the analysis of the budget can only be used to suggest certain areas for further investigation as the School grows over time. First, while it is impossible to say that the funds allocated to the Batten School were taken from the Center for

Politics, the change suggests that the Center for Politics' prioritization may be decreasing relative to other operating units within the University. This could be due to any number of factors, but given the relationship between the disciplines of the two operating units and that no Center for Politics staff is listed in the Batten School's faculty, it could also suggest tension. Unfortunately, although probed during interviews, no faculty or administrators commented on this. Second, since scarce resources are indicative of priorities regardless of funding stream, the analysis does suggest that the Batten School may be rising in priority as compared to other Centers that are involved in politics and public policy.

In terms of human resources, the Batten School is not envisioned to have a very large faculty of its own, but rather to foster interdisciplinary collaboration. Thus, it is unlikely that as a percentage of total university FTEs area will provide a useful indicator for future studies on this particular gift. Within the faculty, however, one indicator of salience of priorities may be the scholarly interests of hired faculty. To date, the search committees have been run by members of existing university faculty. This allows these departments to de facto extend their own faculty resources through selection of scholars colleagues whose scholarly interests complement those of existing faculty.

Lastly, the addition of a \$50 million fundraising goal for the Batten School does represent an increase in programs seeking to engage University alumni and friends. One interviewee noted that there is a capacity of the donor base which drives fundraising strategies. As a very new school, without its own long-established alumni and friends database, it is possible that the school shares philanthropic prospects with other entities on campus, although no data confirmed this. It remains to be seen how fundraising may be affected in the future.

What is notable is that the University recognizes the need for philanthropy to enable it to pursue excellence and achieve strategic goals. The Committee on Programmatic Initiatives report, which focused heavily on fundraising and new programs, noted:

Ideas are at the heart of the university. Ideas inspire us and call us to greatness.

Perhaps no task is more important than determining which ideas have the potential to truly distinguish the University and are therefore the most worthy of vigorous pursuit. This is particularly true in the context of a \$3 billion campaign.

(University of Virginia, 2007b, pg. 1)

The pursuit of these resources, however, may create the need for different types of administrative leadership capacities to ensure perceived competition does not lead to division within the institution.

In sum, the case supports Proposition 1, which suggests that gifts that are large in terms of endowment size, the more changes in the salience of priorities. The gift was 2 percent of the endowment size at the time it was made and created UVa's first new School in more than 50 years. Additionally, because of the size of the gift, both an undergraduate major and courses for the general student body in Leadership were added to the program planning.

Proposition 2 is also supported. The University added Leadership and undergraduate programs in response to the donor's restrictions for the gifts and negotiations. This was not a part of the university's original plans for the program or the School. Furthermore, given that funding is restricted to the Batten School, it was not used to appoint the new hires jointly to other schools. This is indicative of a requirement for resources from other university entities if they want to participate more fully with the School.

Proposition 3 is difficult to reject or support. Mr. Batten was noted as a donor that had very close ties to UVa as an alumnus, donor of one of the University's largest gifts, and member of a school foundation board. His uniqueness as a donor was noted by several interviewees, however, who described him as engaged and a person who offered his own ideas about the School, but not someone who treated the gift as a negotiation. Despite this, however, the gift was made for a School that contained leadership as a major component, which is different than the plan proposed by the faculty planning committee.

## Chapter 5:

### Case Study: \$10 million gift to create the Virginia Tech Myers-Lawson School of Construction

#### *Introduction*

Virginia Tech's history of fundraising is successful, although not as fruitful, as that of the University of Virginia. Virginia Tech's endowment at the end of fiscal year 2011 amounted to \$502.28 million, ranking 127<sup>th</sup> among university endowments, which is approximately 12.5 percent that of the University of Virginia (Chronicle of Higher Education, 2011). Thus, it has a very different fundraising profile than its sister school.

Virginia Tech's first campaign, in which had a goal of \$250 million accrued more than \$380 million by its conclusion in 1998. It is currently nearing the end of a \$1 billion campaign, which is built on a higher volume of donations rather than reliance on a relatively small number of large donors (Anonymous 12, personal communication, February 9, 2011). Although several people noted that there is at least one donation larger than \$10 million to the university, it was given anonymously and not even publicized at the time of this writing (Anonymous 8, personal communication, February 8, 2011; Anonymous 12, personal communication, February 9, 2011).

Similar to the University of Virginia, Virginia Tech also views fundraising as a means to meet its goals. Within the 2006-2012 Strategic Plan, Goal II under resource development is to "Increase funding from private and other fund sources," which will be done by "initiat[ing the] public phase of [the] capital campaign, enhanc[ing] foundation and corporation relations initiatives, strengthen[ing] governmental relations and federal relations support to generate...research support, expand[ing] and diversify[ing] university funding sources, and engag[ing] and cultivat[ing] more alumni" (Virginia Tech, n.d.f, pg. 60). Additionally, Virginia

Tech developed a Roadmap, which links strategic plans to financial planning and outcomes. Resource capacity is determined by the availability of funds from: “tuition, fees, general fund [support], sponsored activity, overhead, auxiliary activity, capital outlay, debt capacity, private support, and internal reallocations” (Virginia Tech, n.d.g, pg. 1). Thus, fundraising is considered as a resource to meet university goals. One interviewee noted that chief development officials are involved in the strategic planning process, suggesting that development officers provide into the priorities of the organization (Anonymous 12, personal communication, February 9, 2011).

Additionally, at the College level, the importance of fundraising is also recognized, as confirmed by two administrators (Anonymous 8, personal communication, February 8, 2011; Anonymous 10, personal communication, February 9, 2011). For example, the College of Architecture and Urban Studies’ 2002 Strategic plan notes that “[t]he College recognizes it will have to depend increasingly on development in order to provide the necessary margin of excellence as a setting for education and research. The Dean is committed to a redoubling of effort in securing significant increases in private support” (Virginia Tech College of Architecture and Urban Studies, 2002, pg. 7). According to the College of Architecture and Urban Studies’ 2002 plan, fundraising priorities included funding for capital projects, study abroad programs, a Dean’s discretionary fund, endowed chairs and professorships, and graduate support (Virginia Tech College of Architecture and Urban Studies, 2002). Paragraph two of the College of Engineering 2006-2012 Strategic Plan notes that “the College must secure the strong support of the University, the Commonwealth, research sponsors, corporate friends, alumni and other benefactors” for capital projects, graduate support, and endowed professorships, chairs, and *seminars*. Additionally, the “expansion and reinvigoration of the College Development Office is a priority” (Virginia Tech College of Engineering, n.d., pg. 1).

### *The Myers-Lawson School of Construction*

In October 2005, Virginia Tech announced that two alumni and fraternity brothers, John R. Lawson II and A. Ross Myers, had jointly made a \$10 million pledge to start a new School of Construction (see Table 5.1 for timeline). Initiated in the fall semester of 2007, the program was planned to combine coursework from three disciplines. In particular, it would draw on the strengths of Building Construction and the Construction Engineering Management Program within Civil and Environmental Engineering, and also require students to complete courses in the College of Business. Operationally, the school was designed to fall within two colleges. According to both university statements and the State Council of Higher Education of Virginia's approval of the program, the program design enables students to learn the complex varieties of skills demanded by the construction industry (Virginia Tech, 2005b; State Council of Higher Education for Virginia, 2006).

In the fiscal year the School of Construction gift was pledged, 2006, the Virginia Tech Foundation reported assets of \$447.4 million. Thus, the \$10 million pledge was the equivalent of 2.23 percent of the total endowment value at the time the contribution announcement was made. Fundraising programs for the year totaled \$75.3 million (Virginia Tech Foundation, 2006). Combined, the pledges from Mr. Myers and Mr. Lawson totaled approximately 13.3 percent of contributions for the year. Additionally, the pledge represents 1 percent of the total campaign goal.

### History of Construction Scholarship at Virginia Tech

Virginia Tech had identifiable construction research and education interests in at least two programs prior to these gifts. These programs are housed in different colleges. As such,

Early 2000s	<ul style="list-style-type: none"> <li>• Faculty conversations with one donor result in idea for gift for school</li> <li>• Vision for new School of Construction written by faculty member to appeal to donor</li> </ul>
2002	<ul style="list-style-type: none"> <li>• College of Architecture and Urban Studies Strategic Plan focuses on Building Construction’s work in housing with no mention of a School or interdisciplinary work with Engineering</li> </ul>
2005	<ul style="list-style-type: none"> <li>• College of Engineering’s 2006-2012 Strategic Plan mentions the proposed School of Construction as part of a plan for new graduate degrees</li> <li>• School proposal moves through university governance structure</li> <li>• Virginia Tech announces two alumni and fraternity brothers pledged \$10 million to create new School of Construction drawing on strengths of College of Engineering Civil and Environmental Engineering’s Vecellio Construction Engineering and Management Program and the College of Architecture and Urban Studies’ Building Construction Department and reporting to deans of both colleges</li> <li>• Building Construction faculty member named Director of new school</li> <li>• University 2006-2012 Strategic Plan includes building design and construction practices within one of its focus areas</li> </ul>
2006	<ul style="list-style-type: none"> <li>• Myers-Lawson School and Bachelor of Construction and Engineering Management Program move through State Council of Higher Education for Virginia approval process</li> </ul>
2007	<ul style="list-style-type: none"> <li>• New undergraduate degree program in Construction Engineering and Management program installed</li> </ul>
2011	<ul style="list-style-type: none"> <li>• Director of Myers-Lawson School steps down and new director named</li> </ul>

Table 5.1 Virginia Tech Myers-Lawson School of Construction Case Study Timeline of Key Events

there are noted differences and linkages between the two programs that are independent of the Myers-Lawson School of Construction and denoted throughout this case study.

Building Construction existed as a department within the College of Architecture and Urban Studies. One interviewee noted that while Building Construction began in the late 1940s, there were times when the department was endangered, particularly in the 1990s when funding concerns almost caused its demise (Virginia Tech, n.d.d; Anonymous 9, personal communication, February 8, 2011). Although the College of Architecture and Urban Studies reorganized related departments within schools in the early part of the first decade of the 21<sup>st</sup> century, the Building Construction department was not housed in a school prior to the gift. Furthermore, prior to the current fundraising campaign for Virginia Tech, the program did not have its own building and was located in such places as a structure that is now a tattoo parlor and the basement of a very old building. Faculty in the program felt as if it were not a priority of the College, which started to change when state funding and donations, including a \$1 million naming gift, supported a capital project for a new building designed for Building Construction department's education and research programs on the main campus. This new hall, Bishop-Favrao Hall, now houses both the Building Construction department and the Myers-Lawson School of Construction (Virginia Tech, n.d.e; Anonymous 9, personal communication, February 8, 2011).

The College of Engineering's Civil and Environmental Engineering department, one of the largest departments on campus, began to build a Construction Engineering and Management Program in the 1980s. In 2003, the program received a \$1 million endowment from a family to support a professorship, scholarships, fellowships, and a lecture series. In return, the program was named the Vecellio Construction Engineering Management Program (Virginia Tech,

2003b). Although large in comparison to the Construction-related faculty of most Civil Engineering departments at universities across the country, the Vecellio Construction Engineering and Management Program, which only has four faculty lines, is relatively small within the larger Virginia Tech College of Engineering's Civil and Environmental Engineering department (Anonymous 10, personal communication, February 9, 2011).

Prior to the Myers-Lawson gift, the Building Construction department and Vecellio Construction Engineering and Management Program had attempted to collaborate. In the 1990s, the two programs undertook an endeavor to jointly form an Industry Board. This effort, however, was unsuccessful and each program formed its own separate advisory board. There were not attempts to create interdisciplinary research and education programs through these earlier connections, which also included movement of a faculty member from Construction Engineering and Management to Building Construction. According to interviewees, the Building Construction department and the Vecellio Construction Engineering and Management Program had similar interests, but very different cultures and limited ability or incentive to work together in educational or research endeavors according to both administrators and faculty (Anonymous 8, personal communication, February 8, 2011; Anonymous 10, personal communication, February 9, 2011; Anonymous 15, personal communication, February 10, 2011; Anonymous 16, personal communication, February 11, 2011).

Additionally, an interviewee noted that the Vecellio Construction Engineering and Management Program was likely not on the radar of the College of Engineering's dean prior to the gift, given that it fell within a department (Anonymous 16, personal communication, February 11, 2011). Likewise, another interviewee noted that prior to acquiring its own building, the perception of the Building Construction department faculty was that the department did not

have a high standing within the College of Architecture and Urban Studies nor was it thought that the department was seen as a benefit for the broader college (Anonymous 9, personal communication, February 8, 2011; Anonymous 15, personal communication, February 10, 2011). Thus, prior to the receipt of the gift from Mr. Myers and Mr. Lawson, each program felt as if it were not a priority of its respective deans but also did not successfully collaborate in education and research endeavors as a path to growth.

### An Interdisciplinary School

Mr. Myers and Mr. Lawson, both successful leaders in the construction industry, had strong ties to the institution and were brothers of the same fraternity. At the time of the gift, Mr. Lawson was a member of the institution's Board of Visitors, the governing board appointed by the Commonwealth's Governor. As a member of this body, he served as chair of the Buildings and Grounds Committee. In 2007, the year following his extraordinary co-pledge to create the School of Construction, he was elected Vice Rector of the Board of Visitors and subsequently became the Rector in fiscal year 2008, a position he held for two years (the limit). Mr. Lawson also serves as the co-chair of the institution's first \$1 billion campaign. He is currently not on the Board of Visitors, having served his term limit.

According to the 2009 Annual report, Mr. Myers was a member of the School of Construction's Industry Board. His profile on the Myers-Lawson School of Construction website refers to him as chairman of the School of Construction, although the Board listing in the latest School newsletter does not (Virginia Tech Myers-Lawson School of Construction, 2010; Virginia Tech, n.d.h). Previously, he was a member of the Virginia Tech College of Engineering's Via Department of Civil and Environmental Engineering's Advisory Board (Virginia Tech, 2005a). Additionally, he serves as a Regional Campaign Committee Chair for

the university's fundraising efforts (Virginia Tech, n.d.i). Several interviewees noted that Mr. Myers had a close relationship with faculty members (Anonymous 7, personal communication, February 7, 2011; Anonymous 16, personal communication, February 11, 2011). It was these relationships that led to the donation for the School.

Created as a School with dual reporting lines to both the Colleges of Architecture and Urban Studies and Engineering, the School was an outgrowth of Building Construction and Civil and Environmental Engineering's Vecellio Construction Engineering and Management faculty discussions that occurred over approximately two years (Virginia Tech, 2006b). Designed to do several things, the School's original goals included coordination of already established construction degrees along with the offering of the new Bachelor of Science in Construction Engineering and Management and development of a new PhD program that draws on multiple disciplines in construction. Additionally, the School was to establish centers of excellence that relate to the school's philosophy, create synergy with an existing "Center for Innovation in Construction Safety and Health, and develop partnerships with industry (Virginia Tech, 2005b, ¶1-2). One Virginia Tech website refers to the School as "a liaison between the construction industry and the academic community and the only organization of its kind in the United States (Virginia Tech, n.d.h, ¶3).

According to two interviewees (Anonymous 7, personal communication, February 7, 2011; Anonymous 16, personal communication, February 11, 2011), the School was the result of a relationship of one of the donors to a particular faculty member in the Vecellio Construction Engineering and Management Program, the donors' relationships to the university and each other, the renowned work of the faculty and reputation of the department, and prominence of the College of Engineering and Virginia Tech. Beyond these relationships and reputations, the

donors, both of whom are members of the construction industry, have an interest in graduates who have the technical and interpersonal skills necessary to succeed in contracting. According to University Relations, Virginia Tech's public relations department, "[t]he Myers-Laws School of Construction resulted from significant gifts from alumni Ross Myers and John Lawson, who asked that the school be established" with the donation (Virginia Tech, n.d.c, ¶4).

The proposal to create the School of Construction passed the Commission on Graduate Studies and Commission on Undergraduate Studies in November 2005. It was then approved by the University Council and the President in February 2006 and the Board of Visitors in March 2006 (Virginia Tech, 2005c; Virginia Tech, 2006a; Virginia Tech, 2006b). The Resolution notes that construction as an industry relies on a number of disciplines, "the Department of Building Construction and the Vecellio Construction and Engineering Management Program wish to combine their respective program strengths and partner across traditional boundaries" in this School (Virginia Tech, 2006a, ¶3). Interviewees noted that the idea to encompass faculty from both programs was the result of one of the donor's involving the other. The interdisciplinary work was meant to make a more significant contribution. Additionally, the involvement of at least one administrator helped to ensure that faculty members from both programs worked on the proposal for the School, which was written to meet the vision of the donors (Anonymous 7, personal communication, February 7, 2011; Anonymous 15, personal communication, February 10, 2011; Anonymous 16, personal communication, February 11, 2011). Among these interviewees, however, there is disagreement about whether the Building Construction department or the Vecellio Construction Engineering and Management Program faculty first engaged the donor in the proposal. Regardless of which department engaged the donor first, an interdisciplinary school to administer degrees that drew from across disciplines was created.

To date, collaboration between the two departments has not reached the levels hoped by the donors and university. Several interviewees noted that it was hoped that the School would have progressed much farther in its interdisciplinary endeavors than it has to date. In large part, the tension results from the different cultures of each program. As an Engineering program, the Vecellio Construction Engineering and Management Program faculty have different Promotion & Tenure expectations than the Building Construction department's faculty who fall within the College of Architecture and Urban Studies (Anonymous 8, personal communication, February 8, 2011; Anonymous 10, personal communication, February 9, 2011; Anonymous 14, personal communication, February 10, 2011; Anonymous 15, personal communication, February 10, 2011; Anonymous 16, personal communication, February 11, 2011). Additionally, one administrator noted that when the School was created, the Building Construction faculty wanted to disband the College of Architecture and Urban Studies department and have appointments within the Myers-Lawson School of Construction, while the Vecellio Construction Engineering and Management Program faculty wanted to maintain the program and faculty lines within Civil and Environmental Engineering. From the outset, therefore, there was a perceived difference in commitment to the School among faculty members. Additionally, some faculty felt as if they were interlopers in Bishop-Favrao Hall, which had been planned for the Building Construction department prior to the creation of the Myers-Lawson School of Construction (Anonymous 10, personal communication, February 9, 2011).

### The Degree

According to the University Council minutes, the degree proposals for the Bachelor of Science in Construction Engineering and Management and a PhD in Construction that is interdisciplinary, along with existing Masters' degrees in Building Construction and Civil

Engineering would be administered by the School. These minutes also note that the funding for the school was already secured, pending its approval by the university governance structure and state (Virginia Tech, 2005d). Prior to this meeting, the School had been presented to the Commission on Undergraduate Studies and Policies, where it was noted that the faculty of the two aforementioned academic departments “have seen an opportunity to build on success currently involving both units and establish a School of Construction...this will place Virginia Tech in a position to become the premier construction educational institution in the country as well as provide a unified construction identity within Virginia Tech” (Virginia Tech, 2005e). The Commission on Undergraduate Studies and Policies unanimously approved the School at this meeting. The previous meeting minutes noted that the proposal came to the Commission on Undergraduate Studies and Policies without going through Commission on Undergraduate Curricula (Virginia Tech, 2005f).

The Bachelor of Science in Construction Engineering and Management degree proposal moved through the university governance structure in the spring semester of 2006, and was approved by the Board of Visitors in June of that year. After the Board of Visitors approval, the program was forwarded to the State Council of Higher Education for Virginia in April. As part of the justification for the Bachelor of Science degree in Construction Engineering and Management, the Board of Visitors’ minutes indicate that there is no need for new resources for the school. The courses for the new curriculum were already in place. The endowment created from the pledges, which were already committed at the time of the degree approval according to the June 12, 2006, Board of Visitors minutes, were slated to provide the necessary budget and financial resources for the School of Construction, which would support the Bachelor of Science in Construction Engineering and Management.

According to an October 27, 2005, press release regarding the gift, there were several philosophies engaged in development of the gift. First, it would enable students to gain the “technical, managerial, and practical” skills needed for the success in the industry. It would also “provide a critical mass of faculty and students to work across traditional boundaries and share learning environments, research, and academic life without the constraints and preconceptions of traditional departments,” and provide industry relevant research (Virginia Tech, 2005b, ¶1-2).

Additionally, Virginia Tech’s data submitted to the State Council of Higher Education for Virginia for degree approval indicated an increasing student demand for construction based courses. Citing Virginia Employment Commission data, the university argued that the employment opportunities in construction management were expected to increase. Furthermore, within Virginia, this degree program does not exist, is also rare in other major universities, and would produce graduates sought by industry (State Council of Higher Education for Virginia, 2006; Anonymous 16, personal communication, February 11, 2011). Based on these data, the State Council of Higher Education for Virginia approved the degree program.

As of February 2011, the PhD program had not yet been approved and has not appeared on the Commission on Graduate Studies and Policies agenda again, although the university has been engaged with the State Council of Higher Education for Virginia to reclassify the degree from Environmental Design and Planning to Construction within the College of Architecture and Urban Studies and thus it is not clear Commission on Graduate Studies and Policies will review it again (Anonymous 18, personal communication, February 15, 2011). Meeting minutes in which a proposed Architecture & Design Research PhD program was discussed as part of a repackaging of the Environmental Design and Planning doctoral program, indicate Commission on Graduate Studies and Policies members raised questions as to the implications and

relationship of a Construction PhD to the proposed Architecture PhD (Virginia Tech, 2005g). This, however, was while a cross-disciplinary PhD program was being pursued, which is no longer the case.

According to the Virginia Tech 2010-2011 Graduate Catalog, students interested in pursuing a PhD in Construction and Building Science should apply to the Environmental Design and Planning program, which is being phased out (Virginia Tech, n.d.a). Interviewees noted that the initial plan for interdisciplinary PhD program associated with the Myers-Lawson School of Construction was abandoned. Instead, graduate students can choose to earn a PhD in the Civil Engineering Construction track through Civil and Environmental Engineering or a PhD in Environmental Design and Planning's Building Construction track. As of February 2011, the College of Architecture and Urban Studies sought to gain the State Council of Higher Education for Virginia's approval for change of the Environmental Design and Planning title and Classification of Instruction Programs code to Building Construction (Anonymous 14, personal communication, February 10, 2011; Anonymous 15, personal communication, February 10, 2011; Anonymous 16, personal communication, February 11, 2011; Anonymous 18, personal communication, February 15, 2011).

Several interviewees note that the School has seen success in allowing the students to move across traditional academic boundaries to take advantage of course offerings and faculty expertise. Students can now have faculty members from another program serve as advisors. Additionally, regardless of declared major, students can enroll in classes in Building Construction, Civil and Environmental Engineering, or the Myers-Lawson School of Construction to fulfill degree requirements. As such, the Myers-Lawson School of Construction has allowed the departments to create efficiencies in the use of teaching and advising resources

(Anonymous 9, personal communication, February 8, 2011; Anonymous 10, personal communication, February 9, 2011; Anonymous 15, personal communication, February 10, 2011; Anonymous 16, personal communication, February 11, 2011).

### *Changes in University Planning Documents*

In the 2001-2002 Annual Report, Virginia Tech leadership notes that the university's strategic plans include an aggressive scholarship agenda that involves interdisciplinary programs (Virginia Tech, 2002). Under Restructuring, the University was required to prepare a six-year strategic plan covering the 2006-2012 time period. This Strategic Plan notes that university is pursuing three scholarship domains in relation the University's mission. These include Learning, Discovery, and Engagement. Within the Discovery domain, the Strategic Plan denotes that within the Energy focus, "the university benefits from significant expertise in the College of Engineering and College of Architecture and Urban Studies, with the Myers-Lawson School of Construction, in designing and constructing efficient "green" buildings, vehicles, power, systems, processes, communities, and public policies" (Virginia Tech, n.d.f, pg. 26).

Additionally, the plan denotes that research directions may include "building design and construction practices" (Virginia Tech, n.d.f, pg. 26). One strategy within the first goal of strengthening energy research, is to "develop cross-disciplinary directions for research that include building research environments to understand energy and environmental problems...[including] building design and construction practices" (Virginia Tech, n.d.f, pg. 28). Thus, the Myers-Lawson School of Construction was included in the university's strategic plan, indicating some level of importance in the future of the university. One interviewee noted that members of the Provost's office, which is the department that oversaw the strategic planning efforts, were supportive of the School and moved it through the university's governance structure

(Anonymous 15, personal communication, February 10, 2011). This may also explain its direct inclusion in the university's strategic plan.

The Myers-Lawson School of Construction, Building Construction, Civil and Environmental Engineering, and Vecellio Construction Engineering and Management Program are not mentioned in the selective 2009 mid-term review of the Strategic Plan. This review did not focus on departments, although the importance of energy research within the Discovery Domain is reiterated. It is noted that there is “still not a clear university-wide energy or environment strategy or focus” and that the university should establish directorships to coordinate various efforts, develop more trans-disciplinary opportunities, and hire more faculty specifically focused on climate change through cluster hires, which afford the opportunity for shared faculty lines (Virginia Tech, 2009, pg. 9-10). Additionally, an emphasis is placed on interdisciplinary learning for undergraduates, noting that barriers to fulfilling this goal may include organizational structure, which should be removed (Virginia Tech, 2009). The Provost's response to particular parts of the review does note the importance of interdisciplinary learning in relation to graduate education, which was beyond the scope of the work of the review team. His response does not specifically mention the Myers-Lawson School of Construction either or interdisciplinary undergraduate education, although it does specify that his intent is not to “edit the full report...and [he has] not commented on all areas since the report itself provides an appropriate analysis of the current situation and future plans” (Virginia Tech, 2010, pg. 1).

Given the interdisciplinary focus of the Myers-Lawson School of Construction and that the gift was made to create a structure that would help draw together departments from two different areas, one may have expected it to be included as an example or focus of a report that specifically denotes the need to develop structures that help foster collaboration. Furthermore,

considering that the Myers-Lawson School of Construction's inclusion in the original strategic plan, it is somewhat surprising that construction is not mentioned in this Review. The brevity of these documents, however, may not have permitted inclusion.

At the College level, the College of Architecture and Urban Studies' 2002 Strategic Plan mentions Building Construction as a means to build a research agenda for "affordable housing building technology and design," along with Architecture (Virginia Tech College of Architecture and Urban Studies, 2002, pg. 10). Additionally, through the Center for Housing Research, a goal was for Building Construction to develop partnerships with other universities and industry and also for the College to work to "[f]oster relationships with industries to provide custom programs and continuing professional education (Virginia Tech College of Architecture and Urban Studies, 2002, pg. 27) Lastly, the College of Architecture and Urban Studies noted a focus on exploration of a graduate degree program in BC. There is no mention of creating inter-disciplinary construction programs with Engineering. The College is currently in the midst of updating its plan according to an administrator, but it is unknown if the Myers-Lawson School of Construction or Construction more generally will have a more prominent placement in it (Anonymous 14, personal communication, February 10, 2011).

The College of Engineering's 2006-2012 Strategic Plan mentions construction once and it is not in relation to the Bachelor of Science in Construction Engineering and Management program, which is administered by the Myers-Lawson School of Construction. Instead, the "proposed new School of Construction" is noted to include plans for new graduate degrees (Virginia Tech College of Engineering, n.d., pg. 3). The Construction Management Program is not mentioned in the strategic plan. As with the College of Architecture and Urban Studies, the College of Engineering is currently undergoing a process to update the Strategic Plan and it is

uncertain what prominence construction programs will have in the revised edition (Anonymous 8, personal communication, February 8, 2011).

Multiple interviewees noted that construction programs were not a large focus of the strategic plans of either of the Colleges (Anonymous 8, personal communication, February 8, 2011; Anonymous 10, personal communication, February 9, 2011; Anonymous 14, personal communication, February 9, 2011; Anonymous 15, personal communication, February 10, 2011). One administrator noted that a School of Construction likely would not have been created if it were not for the donation (Anonymous 14, personal communication, February 10, 2011). Additionally, another administrator noted that a Bachelor in Construction Engineering Management, which is administered by the Myers-Lawson School of Construction but students are admitted through the College of Engineering, would not have been created if it were not for the donation (Anonymous 8, personal communication, February 8, 2011).

### *Changes in Budgets*

According to the proposal to establish the school, it would be supported by “new operating funding provided by the university at the level of \$250,000 per year with funds available from August 2005 onwards to permit planning and cover initial costs...\$50,000 from College of Architecture and Urban Studies, \$100,000 from College of Engineering, and \$100,000 from the Office of the Provost” (Virginia Tech, 2006b, pg. 4). One administrator noted that the university’s commitment was for \$5 million, while another stated that the funding is to be in perpetuity (Anonymous 14, personal communication, February 10, 2011; Anonymous 15, personal communication, February 10, 2011). Additionally, contingent on approval of the school, there were two gifts amounting to \$500,000 that would support the school after 2006, until income from the endowment was available. The endowment income was to be in effect no

later than 2010 “to replace interim gift funding....at an equivalent level” (Virginia Tech, 2006b, pg. 4).

At Virginia Tech, much of the responsibility for budgeting is based at the College and departmental level. Furthermore, given that departments hold their own accounts at the Foundation, each department may have additional resources not reflected in College budgets. In general, budgets are allocated to the departments of the College of Engineering based on a historical basis. Therefore, the ability to divert funding from one department to another is somewhat limited, particularly given the tenure lines of faculty members, which represent a significant amount of the expenditures (Anonymous 8, personal communication, February 8, 2011). The following the College of Engineering budgets reflect Education & General budgets at the College level, which includes state appropriations, both general and nongeneral funds, and student fees.

The Vecellio Construction Engineering and Management Program falls within the Civil and Environmental Engineering department, and therefore, does not have its own operating budget. Instead, Civil and Environmental Engineering is responsible for the operating costs for the program. Comparison of Civil and Environmental Engineering to other academic departments within the College of Engineering, reveals that it’s funding has remained relatively stable, with 2011 projected funding levels only approximately \$70,000 less in real dollars than those of Fiscal Year 2007, and still above Fiscal Year 2006. As a percentage of total the College of Engineering budget, this is approximately a 1.07 percent decrease from a high in fiscal year 2006. During the same period, other departments budgets did fall as a percentage of total budgets, including Electrical and Computer Engineering, Engineering Science and Mechanics, Industrial and Systems Engineering, Materials Engineering, and Computer Science (see Table

5.3). The Dean's budget, however, grew significantly, and thus, any perceived decline in funding for academic departments may be attributable to that growth more than a change in salience of priorities due to Construction. Additionally, given that the Vecellio Construction Engineering and Management Program is part of Civil and Environmental Engineering, one of the larger departments in the College of Engineering, it is not possible to determine if that program has become more important, only that Civil and Environmental Engineering's budget as a whole has not fallen as much as other departmental budgets within the College.

The College of Engineering's funding of the Myers-Lawson School of Construction is transferred to the College of Architecture and Urban Studies for disbursement to the School. It is included in the budget as a decrease in the College of Engineering budget, but is not a separate line item from other decreases. Thus, it is impossible to know if the College of Engineering allocations to the Myers-Lawson School of Construction have increased. Unfortunately, the College of Architecture and Urban Studies budgets, which include the Myers-Lawson School of Construction departmental allocations, have not yet been made available to the researcher. According to one interviewee, the Myers-Lawson School of Construction's budget is approximately \$750,000 per year, including \$500,000 from the donors, \$250,000 from the university, and supplemented somewhat by events the department holds (Anonymous 15, personal communication, February 10, 2011). This comports with the State Council of Higher Education for Virginia documentation of program support, and thus it is likely the Myers-Lawson School Construction's budget has not increased since the school was proposed.

<b>College of Engineering Budget Comparison</b>					
<b>Aerospace &amp; Ocean Engineering</b>		<b>Chemical Engineering</b>		<b>Civil &amp; Environmental Engineering</b>	
FY11	3,327,994	FY11	2,781,265	FY11	7,703,760
FY10	3,417,809	FY10	2,906,055	FY10	7,977,240
FY09	3,599,560	FY09	3,287,878	FY09	7,625,563
FY08	3,407,073	FY08	3,021,826	FY08	7,954,517
FY07	3,062,319	FY07	2,327,004	FY07	7,774,981
FY06	3,017,579	FY06	2,216,263	FY06	7,543,502
FY05	2,767,283	FY05	1,795,439	FY05	6,226,374
FY04	2,720,698	FY04	2,126,265	FY04	5,978,005
<b>Electrical and Computer Engineering</b>		<b>Engineering Science &amp; Mechanics</b>		<b>Industrial and Systems Engineering</b>	
FY11	11,289,551	FY11	4,998,384	FY11	4,489,589
FY10	12,032,750	FY10	5,715,740	FY10	5,215,670
FY09	13,069,123	FY09	5,583,346	FY09	5,303,167
FY08	12,718,714	FY08	5,494,702	FY08	4,998,082
FY07	12,002,004	FY07	5,189,286	FY07	4,664,891
FY06	9,814,830	FY06	4,984,442	FY06	4,201,848
FY05	8,902,207	FY05	4,868,321	FY05	4,508,229
FY04	8,615,554	FY04	4,392,587	FY04	4,205,102
<b>Mechanical Engineering</b>		<b>Materials Engineering</b>		<b>Engineering Fundamentals</b>	
FY11	8,100,397	FY11	2,284,935	FY11	2,964,976
FY10	8,336,873	FY10	2,520,314	FY10	2,561,788
FY09	8,658,292	FY09	2,953,723	FY09	2,420,578
FY08	7,998,723	FY08	3,194,775	FY08	2,377,436
FY07	6,606,751	FY07	2,520,223	FY07	2,268,717
FY06	6,396,059	FY06	2,479,172	FY06	2,083,743
FY05	5,816,946	FY05	2,210,974	FY05	1,833,880
FY04	5,135,955	FY04	1,597,571	FY04	1,385,124
<b>Mining and Minerals Engineering</b>		<b>Biomedical Engineering</b>		<b>Dean</b>	
FY11	1,481,035	FY11	2,092,093	FY11	6,725,666
FY10	1,526,236	FY10	2,196,909	FY10	7,303,239
FY09	1,587,203	FY09	1,787,321	FY09	4,221,326
FY08	1,654,168	FY08	2,027,792	FY08	3,226,857
FY07	1,544,574	FY07	3,081,555	FY07	2,646,693
FY06	1,529,717	FY06	1,876,224	FY06	2,588,971
FY05	1,405,618	FY05	1,255,864	FY05	2,396,525
FY04	1,339,039	FY04	1,273,337	FY04	3,691,868
<b>Computer Science</b>				<b>Total</b>	
FY11	6,259,046			2011	65,851,609
FY10	6,597,948			2010	69,615,922
FY09	7,755,520			2009	69,451,708
FY08	6,980,280			2008	66,875,562
FY07	6,847,113			2007	62,728,017
FY06	6,665,768			2006	59,053,090
FY05	5,026,958			2005	51,932,598
FY04	5,088,531			2004	49,672,748

Table 5.2 Comparison of College of Engineering Departmental Operating Budgets, 2004-2011

College of Engineering Percent Change in Budget from Previous Year					
<b>Aerospace &amp; Ocean Engineering</b>			<b>Chemical Engineering</b>		<b>Civil &amp; Environmental Engineering</b>
FY11	-2.62785%	FY11	-4.29414%	FY11	-3.42825%
FY10	-5.04926%	FY10	-11.61305%	FY10	4.61182%
FY09	5.64963%	FY09	8.80435%	FY09	-4.13544%
FY08	11.25794%	FY08	29.85908%	FY08	2.30915%
FY07	1.48265%	FY07	4.99674%	FY07	3.06859%
FY06	9.04483%	FY06	23.43850%	FY06	21.15401%
FY05	1.71224%	FY05	-15.55902%	FY05	4.15471%
FY04	-	FY04	-	FY04	-
<b>Electrical and Computer Engineering</b>			<b>Engineering Science &amp; Mechanics</b>		<b>Industrial and Systems Engineering</b>
FY11	-6.17647%	FY11	-12.55054%	FY11	-13.92115%
FY10	-7.92994%	FY10	2.37123%	FY10	-1.64990%
FY09	2.75507%	FY09	1.61326%	FY09	6.10404%
FY08	5.97159%	FY08	5.88551%	FY08	7.14252%
FY07	22.28438%	FY07	4.10967%	FY07	11.01998%
FY06	10.25165%	FY06	2.38524%	FY06	-6.79604%
FY05	3.32716%	FY05	10.83038%	FY05	7.20855%
FY04	-	FY04	-	FY04	-
<b>Mechanical Engineering</b>			<b>Materials Engineering</b>		<b>Engineering Fundamentals</b>
FY11	-2.83651%	FY11	-9.33927%	FY11	15.73854%
FY10	-3.71227%	FY10	-14.67331%	FY10	5.83373%
FY09	8.24593%	FY09	-7.54519%	FY09	1.81464%
FY08	21.06893%	FY08	26.76557%	FY08	4.79209%
FY07	3.29409%	FY07	1.65584%	FY07	8.87701%
FY06	9.95562%	FY06	12.13031%	FY06	13.62483%
FY05	13.25929%	FY05	38.39598%	FY05	32.39825%
FY04	-	FY04	-	FY04	-
<b>Mining and Minerals Engineering</b>			<b>Biomedical Engineering</b>		<b>Dean</b>
FY11	-2.96160%	FY11	-4.77107%	FY11	-7.90845%
FY10	-3.84116%	FY10	22.91631%	FY10	73.00817%
FY09	-4.04826%	FY09	-11.85876%	FY09	30.81850%
FY08	7.09542%	FY08	-34.19582%	FY08	21.92034%
FY07	0.97123%	FY07	64.24238%	FY07	2.22953%
FY06	8.82879%	FY06	49.39707%	FY06	8.03021%
FY05	4.97215%	FY05	-1.37222%	FY05	-35.08638%
FY04	-	FY04	-	FY04	-
<b>Computer Science</b>				<b>Total</b>	
FY11	-5.13648%			2011	-5.40726%
FY10	-14.92578%			2010	0.23644%
FY09	11.10614%			2009	3.85215%
FY08	1.94486%			2008	6.61195%
FY07	2.72054%			2007	6.22309%
FY06	32.60043%			2006	13.71103%
FY05	-1.21003%			2005	4.54948%
FY04	-			2004	-

Table 5.3 Comparison of College of Engineering Departmental Operating Budgets Percent Change Over Previous Year, 2004-2011

<b>College of Engineering Teaching Department Budgets as Percent of Total</b>					
<b>Aerospace &amp; Ocean Engineering</b>		<b>Chemical Engineering</b>		<b>Civil &amp; Environmental Engineering</b>	
FY11	5.05378%	FY11	4.22353%	FY11	11.69867%
FY10	4.90952%	FY10	4.17441%	FY10	11.45893%
FY09	5.18282%	FY09	4.73405%	FY09	10.97966%
FY08	5.09465%	FY08	4.51858%	FY08	11.89450%
FY07	4.88190%	FY07	3.70967%	FY07	12.39475%
FY06	5.10994%	FY06	3.75300%	FY06	12.77410%
FY05	5.32860%	FY05	3.45725%	FY05	11.98934%
FY04	5.47724%	FY04	4.28055%	FY04	12.03478%
<b>Electrical and Computer Engineering</b>		<b>Engineering Science &amp; Mechanics</b>		<b>Industrial and Systems Engineering</b>	
FY11	17.14393%	FY11	7.59037%	FY11	6.81774%
FY10	17.28448%	FY10	8.21039%	FY10	7.49206%
FY09	18.81757%	FY09	8.03918%	FY09	7.63576%
FY08	19.01848%	FY08	8.21631%	FY08	7.47370%
FY07	19.13340%	FY07	8.27268%	FY07	7.43669%
FY06	16.62035%	FY06	8.44061%	FY06	7.11537%
FY05	17.14185%	FY05	9.37431%	FY05	8.68092%
FY04	17.34463%	FY04	8.84305%	FY04	8.46561%
<b>Mechanical Engineering</b>		<b>Materials Engineering</b>		<b>Engineering Fundamentals</b>	
FY11	12.30099%	FY11	3.46982%	FY11	4.50251%
FY10	11.97553%	FY10	3.62031%	FY10	3.67989%
FY09	12.46664%	FY09	4.25292%	FY09	3.48527%
FY08	11.96061%	FY08	4.77719%	FY08	3.55501%
FY07	10.53238%	FY07	4.01770%	FY07	3.61675%
FY06	10.83103%	FY06	4.19821%	FY06	3.52859%
FY05	11.20095%	FY05	4.25739%	FY05	3.53127%
FY04	10.33958%	FY04	3.21619%	FY04	2.78850%
<b>Mining and Minerals Engineering</b>		<b>Biomedical Engineering</b>		<b>Dean</b>	
FY11	2.24905%	FY11	3.17698%	FY11	10.21337%
FY10	2.19237%	FY10	3.15576%	FY10	10.49076%
FY09	2.28533%	FY09	2.57347%	FY09	6.07807%
FY08	2.47350%	FY08	3.03219%	FY08	4.82517%
FY07	2.46234%	FY07	4.91257%	FY07	4.21932%
FY06	2.59041%	FY06	3.17718%	FY06	4.38414%
FY05	2.70662%	FY05	2.41826%	FY05	4.61468%
FY04	2.69572%	FY04	2.56345%	FY04	7.43238%
<b>Computer Science</b>					
FY11	9.50477%				
FY10	9.47764%				
FY09	11.16678%				
FY08	10.43771%				
FY07	10.91556%				
FY06	11.28775%				
FY05	9.67977%				
FY04	10.24411%				

Table 5.4 Comparison of College of Engineering Departmental Operating Budgets as Percent of Total 2004-2011

### *Changes in Human Resource Allocations*

Neither the Building Construction department nor the Vecellio Construction Engineering and Management Program have received additional faculty lines. The Myers-Lawson School of Construction, however, was given three tenured faculty lines and a professor of practice position. Defined as Primary Faculty, those scholars hired into the Myers-Lawson School of Construction do not have tenure in it. Instead, they must choose one home department within Civil and Environment Engineering or the Building Construction department in which the faculty member will have tenure. As such, both the Building Construction department and the Vecellio Construction Engineering and Management Program have gained faculty resources from the creation of the School. Furthermore, with a number of faculty members retiring or leaving, it is notable that during a time of severe budget cuts, neither the Building Construction department nor the Vecellio Construction Engineering and Management Program have lost the ability to fill a position. Instead, for each faculty member that departed the university, both departments were able to backfill the positions. This is notable during a time in which the strategic plan mid-term review states “faculty and staff have been impaired by position losses and an overall reduction in the hiring of new employees” (Virginia Tech, 2009, pg. 4). As one interviewee noted, this is likely the result of the donation as it would be unseemly to create the school and then not continue to support it, particularly during its infancy stages (Anonymous 15, personal communication, February 10, 2011).

One administrator noted that when hiring faculty after the Myers-Lawson School of Construction was created, it was hoped that the new hire would want to collaborate with the new School, but Civil and Environmental Engineering’s needs were considered first and foremost. Faculty would be encouraged to work with the Myers-Lawson School of Construction but could

not be mandated to do so. Furthermore, interest in research or teaching that would help meet the needs of the Myers-Lawson School of Construction was not the primary concern when filling a position (Anonymous 10, personal communication, February 9, 2011).

Additionally, the School was originally assigned a fundraiser, but the position was eventually returned to the College of Architecture and Urban Studies (Anonymous 9, personal communication, February 8, 2011). One administrator noted that a 50 percent position, or part-time fundraiser, was part of the original gift for the School. Thus, the College of Architecture and Urban Studies' Associate Director of Development is supposed to spend 50 percent of the time on development efforts for the Myers-Lawson School of Construction (Anonymous 14, personal communication, February 10, 2011).

The Myers-Lawson School of Construction is overseen by a Stakeholder's Group. This consists of six individuals: the Deans of Colleges of Architecture and Urban Studies and Engineering, the department heads of the Building Construction department and Civil and Environmental Engineering, and the Director and Associate Director of the Myers-Lawson School of Construction. A subset of this group, the Leadership Group, which consists of the latter four individuals, makes most decisions regarding the School. The larger Stakeholder's Group is involved primarily when a decision that changes the Myers-Lawson School of Construction in some way (Anonymous 14, personal communication, February 10, 2011). This dual reporting structure renders the Myers-Lawson School of Construction different than other Schools within the College of Architecture and Urban Studies or Departments within the College of Engineering. One interviewee noted that this brought increased visibility to the construction programs with the College of Engineering dean (Anonymous 16, personal communication, February 11, 2011).

In addition to the faculty and staff of the institution, the School has established an Industry Board, which was created by drawing the Advisory Boards of the Vecellio Construction Engineering and Management Program and the Building Construction department together. The Industry Board's "mission is to support the Myers-Lawson School of Construction in setting, establishing, and retaining its identity, establishing vision, identifying aspirations, goals, and objectives while working with ...Building Construction and the Vecellio Construction and Engineering Management Program to help them set their individual direction and achieve their identity, objectives, and goals" (Virginia Tech Myers-Lawson School of Construction, 2010, pg.5). Drawn from industry, members of these committees are expected to help with finances, alumni relations, research, and outreach. While not supporting sponsored research, by virtue of the mission of the Board, one interviewee confirmed this group is meant to help encourage the School to pursue types of scholarship that are particularly salient to industry (Anonymous 7, personal communication, February 7, 2011). Restructuring of the Industry Board is underway as of February 2011 and it will be reorganized to be smaller (see discussion in Decisions subsection) (Anonymous 14, personal communication, February 10, 2011; Anonymous 15, personal communication, February 10, 2011; Anonymous 16, personal communication, February 11, 2011).

### *Changes in Decisions*

A review of Virginia Tech's Annual Reports from 2001-2002 to 2009-2010, reveals several mentions of Construction. The 2002-2003 report notes that a bond referendum passed by Virginia voters included a number of Virginia Tech capital investments, including a project for building construction (Virginia Tech, 2003a). In the 2004-2005 Annual Report, Virginia Tech reported that the Institute for Critical Technology and Applied Science would draw together

faculty from six different departments to work in the Center for Innovation in Construction Safety and Health (Virginia Tech, 2005h). Mr. Myers's and Mr. Lawson's gift to begin the School was highlighted in the 2005-2006 Annual Report, while the 2006-2007 Annual Report denotes that work had begun on Bishop-Favrao Hall, which houses the School of Construction as well as the Department of Building Construction (Virginia Tech, 2006c; Virginia Tech, 2007). Additionally, the 2007-2008 Annual Report notes that philanthropic support for facilities such as Bishop-Favrao Hall, the home of the Myers-Lawson School of Construction and Department of Building Construction, helps to create better scholarship opportunities (Virginia Tech, 2008a). The lack of mention in fiscal year 2009 and 2010 could be due to the inability of the departments to work together to create significant accomplishments. As with the UVa case study, a point of contention in the Virginia Tech case was fundraising.

The Industry Board became a challenge largely because of concerns about fundraising. In particular, it was often unclear which program (the Building Construction department, the Myers-Lawson School of Construction, or the Vecellio Construction Engineering and Management Program) should receive a donation if one was raised by the Board. While one faculty interviewee noted that this was a very sophomoric view of fundraising as fratricidal rather than complimentary, another faculty member noted that reorganization of this very confused development model would help to bring clarity to the process, which it is hoped will ease some of the tension that has existed to date (Anonymous 15, personal communication, February 10, 2011; Anonymous 16, personal communication, February 11, 2011). This smaller, reorganized Board will coordinate its fundraising efforts and create a process to explicitly denote what department a potential funder is being solicited to support. Therefore, it will be clear what department will receive the donation upon successful solicitation. Additionally, the Building

Construction department will re-create its own Advisory Board. The Vecellio Construction Engineering and Management Program's Advisory Board will be maintained within the Civil and Environmental Engineering Advisory Board (Anonymous 14, personal communication, February 10, 2011; Anonymous 16, personal communication, February 11, 2011). It is hoped that these changes will result in a neater fundraising system and less conflict over development efforts and donors, which may impede collaboration between faculty, who reside in departments which have separate development programs (Anonymous 16, personal communication, February 11, 2011).

### *Summary*

Virginia Tech has a successful history of fundraising and does consider the ability to acquire resources from private donors in planning. As a result of these efforts, the University was able to develop a new entity to act as a face for the University's different disciplines that provide research and education in Construction. This gift is a direct result of relationships between the donors and multiple university administrators and faculty.

The Myers-Lawson School of Construction is a new entity that aims to create interdisciplinary collaboration by bridging two distinct academic cultures. Formed by one of the largest gifts to Virginia Tech to date, the School has also been able to attract additional funding, such as an endowed professorship. It is unknowable whether this would have happened without the creation of the Myers-Lawson School of Construction (Anonymous 14, personal communication, February 10, 2011). What is known is that the School has gained attention for Virginia Tech and serves to provide momentum for faculty, students, and industry to work together. This, however, has proved difficult in terms of merging two very different cultures

within one interdisciplinary structure which is very different than the traditional academic silos of the university.

As such, it has resulted in the university expending many more resources to try to rectify the challenges than anticipated. For example, one founding donor paid to bring in a professional to aid with facilitation of development of solutions to create better collaboration. One strategy was to appoint a new director from outside the two affiliated departments, which allowed him to be perceived as more of an honest broker who could navigate the challenges (Anonymous 10, personal communication, February 9, 2011). Additionally, because of these cultural differences, the School has not produced the results it had hoped. One interviewee expressed concern that the opportunity to make a name for the School is closing and therefore hopes that the appointment of a new director and changes in the Industry Board will result in more academic exchange (Anonymous 16, personal communication, February 11, 2011).

The recurrent suggestion by interviewees that the challenges of organizational culture had not allowed the Myers-Lawson School of Construction to reach its potential or grow as much as desired by its fifth year. This potentially limited its ability to become a top priority for either College. It is known, however, that despite these challenges, the university, Colleges, and donors continue to expend resources in an effort to help the Myers-Lawson School of Construction better fulfill its vision and mission. This is notable during a time of steep declines in state tax receipts, mandatory budget cuts, which included academic departments “absorbing a 1 percent reversion and administrative departments a 2 percent reversion of funds” to address 2010 fiscal year budget reductions (Virginia Tech, 2010b, pg. 2). Virginia Tech estimates that by fiscal year 2012, “the University will have lost approximately \$75 million in state support by 2011-2012 over the...2007-2008 base appropriation, and will have no stimulus support to help

mitigate the shortfall in 2011-2012” (Virginia Tech, 2010b, pg. 4). Additionally, the university implemented an Alternative Severance Option in fiscal year 2010 in order to reduce personnel costs (Virginia Tech, 2010a). That the Myers-Lawson School of Construction and related departments have been able to fill open faculty positions speaks to the priority of the program.

In relationship to Proposition 1, this case study suggests that while size of gift relative to the endowment may result in changes in salience of priorities, a more pertinent measurement may be in terms of the endowment size or organizational budget of the department where the recipient department reports. While the combined pledges represented two percent of the university’s total endowment size, the School, which falls within two colleges, did not attract a great deal of attention at the university level. This could be due to the relatively short span of time the School has been operating. It could also be that organizational culture challenges endured by the Myers-Lawson School of Construction and faculty tend to suppress the public touting of the School at either the college or university level even though it is still a priority. There is some evidence to support this, given that the school has required a great deal of resource to try to engage faculty in meaningful collaborations with each other as well as with students.

The Myers-Lawson School of Construction provides support for Proposition 2. Neither Vecellio Construction Engineering and Management Program nor Building Construction faculty felt as if their respective programs were priorities of the organization prior to the gift, which was restricted to create the Myers-Lawson School of Construction. In both cases, these affiliated programs, along with the School were elevated in terms of priority within the two colleges. Vecellio Construction Engineering and Management Program in particular, which falls within a department, was elevated onto the agenda of the College of Engineering Dean.

Support of Proposition 3 is debatable in this case. Both donors had close relationships with the university and at least one had close relationships with faculty members. Interestingly, however, the result was dependent not on the university or stated college priorities, but rather the faculty within the Vecellio Construction Engineering and Management Program and the Building Construction department that started plans for the gift. Thus, it could be that it is not the relationship to the university that matters solely, but rather those affiliations in conjunction with the connections to individual administrators and faculty members. This could be an anomaly for higher education, where faculty members are largely independent but exist within organizational structures. It does indicate an ability of particular faculty members to drive agendas, however.

## Section II:

### Conclusion: How Mega-gifts to the University of Virginia and Virginia Tech Affected Salience of Priorities

Historical, archival, and interview data were collected to study any changes in salience of priorities as a result of a mega-gift. The case studies explored on areas that served as indicators to study any changes in priority salience: university planning documents, budget and human resource allocations, decisions, donor relationship to the institution, size and type of gifts, and length of time since the donation was made. The research for the case studies revealed further indicators that affected changes in salience of priorities: history of the recipient program(s), the persons responsible for negotiating the gift, and perceived ability to fundraise from other sources. This section analyzes these indicators across the two cases. It then re-examines the original three propositions that guided the current research and suggests areas for future research.

#### *Context of the Cases*

The history of fundraising has much more significance at UVa than Virginia Tech. In large part, this is because of the characteristics of UVa's alumni base, which is more akin to that of an Ivy League School (Anonymous 4, personal communication, February 4, 2011). As such, UVa is able to secure larger gifts than many public institutions. At Virginia Tech, however, fundraising is based on volume of gifts and not necessarily size, as indicated by the much smaller size of this university's largest publicized gift (Anonymous 12, personal communication, February 9, 2011). Both schools, however, have completed or are in the midst of \$1 billion-plus campaigns and consider gifts in the university planning processes, particularly given the state budget cuts.

In both cases, data indicated that fundraising is considered when contemplating new projects and making decisions about resource provision. Although donations do not drive visioning and planning, it may determine the level at which the university will choose to pursue a particular goal. Interviewees noted that fundraising is a mechanism to reach excellence in programs rather than remain mired in mediocrity due to lack of funding. At both institutions, however, visioning and planning documents did not include mention of the structures created by the gift until after the donation. Such a change would suggest that both schools became a priority for the university because of the gift. This result, however, also could be because strategic plans are not well constructed, not taken as a serious endeavor by all parties, or not emphasized in operations.

#### *Changes in University Plans*

In both cases, university plans changed following the gift or when the gift was proposed. Also at both universities, the donors were involved in the planning of the Schools. While in the case of the Myers-Lawson School of Construction, the donor's involvement from the beginning of planning for the new degree program and school was recognized by interviewees, that was not the case at UVa. Instead, at UVa, differences exist among the faculty members' recollections of when the donor was engaged in negotiations of a gift agreement to support public policy.

In the case of UVa, where a school that reports to the Provost was created and the university publicly does more planning, the plans changed to more succinctly include the purposes for which the gift was given, both the Public Policy and Leadership components. Prior to the gift, a School was not a focus of the university's stated vision or strategic goals, although one interviewee suggested that the goal was always to eventually create a school for Public Policy. Leadership, however, was not defined as a goal for academic endeavors prior to the

Indicators	University of Virginia Batten School of Leadership and Public Policy	Virginia Tech Myers-Lawson School of Construction
University Planning Documents	Changed from plans to have a small accelerated, interdisciplinary Bachelor/Master in Public Policy degree within College to plan for stand-alone school at the university level that includes both Leadership and undergraduate studies at request of donor	University level strategic plan included the new school as part of a way to reach a stated institutional goal; College of Architecture of Urban Studies strategic plans did not include expansion of construction programs; College of Engineering strategic plan mentioned a proposed School of Construction, but did not place emphasis on it
Budget allocations	Budget for school primarily from endowment income with small portion received via state allocations Other stated priority schools and at least one Center have lost budget allocations No losses can be attributed to Batten School	Budget for school from gift and endowment income (two-thirds) and allocations from university (one-third), which has remained same through cuts No information available regarding revenue source for university allocations
Human capital allocations	Full-time equivalent employee growth as school builds operations Encouraging faculty from across university to participate, with full voting rights, and possibly other incentives but no salary exchange	Full-time equivalent employment growth as school builds operations Full-time equivalent employee losses in new School or affiliated construction programs have been back filled
Decisions	Tension created among faculty regarding future fundraising goals suggested in both faculty meeting minutes and interviews No discernible trend in other publications	Some increase in publication mentions at time of gift Tension surrounding future fundraising goals suggested in interviews and organizational change No discernible trend in other sources

Table Sec2.1 Cross-Case Comparison of Indicators

<b>Explanatory Variable</b>	<b>University of Virginia Batten School of Leadership and Public Policy</b>	<b>Virginia Tech Myers-Lawson School of Construction</b>
History	Degree program idea began in part with faculty. While some faculty believe donor was not engaged until after degree program was finalized by the State Council of Higher Education for Virginia, there was active donor engagement since the idea for the program was introduced. While the donor may not have been publicly engaged with the planning of the program, interview data suggests he was knowledgeable about the program and may have provided ideas, which may or may not have been filtered through university administrators to the faculty planning committee.	One donor was actively engaged with the faculty members planning the program from the beginning of the process and the vision for the program was written by faculty in such a way that it would be supported by the donors. Although the School or resultant degree program was not a priority for college administrators, the faculty solicited the money and brought together the affiliated programs to design operations and articulate vision.
Donor Relationship	Longstanding relationship with university as alumni, major donor, and a school foundation board member. Met regularly with university officials to learn of priorities and offer ideas.	Two donors for one gift. At least one donor had long history with construction programs faculty and with the college. Other donor was member of university governing board.
Size of gift	\$100 million 3% of total campaign goal 2% of foundation assets	\$10 million 1% of campaign goal 2% of foundation assets at time pledge was made
Type of gift	Outright gift for endowment principal, which lost value due to recession	Pledge of endowment principal to start payouts 5 years later. Additional gifts made in amount of estimated endowment payout in interim
Length of time since given	Announced in spring 2007, school started operations in fall 2007 although accelerated five-year Bachelor of Arts/Master of Public Policy operating since 2006	Announced in fall 2005, degree began in fall 2006
Principal Negotiators	Administrators and Board Members	Faculty Members

Table Sec2.2 Cross-Case Comparison of Explanatory Variables

donation. However, following the announcement of the gift, it became more prominent in these documents. Additionally, other priorities, such as the Fine and Performing Arts, seemed to decrease in visibility in these plans over time, although at the beginning of the decade they were prominent. While the two occurrences cannot be correlated, it seems as if the donation at least propelled the work of the Batten School higher in terms of priority, although this could be a result of the lack of focus for the latter strategic planning mentioned by multiple interviewees. It could also be because some faculty members perceive plans to be useless, as all that matters is where the donor chooses to give money, as some interviewees argued.

At Virginia Tech, the Myers-Lawson School of Construction was mentioned in the University's six-year plan, written shortly after the gift was made. Subsequent reviews of that plan do not mention the Myers-Lawson School of Construction, but it could be because of the limited scope of this work and resulting brevity of these newer documents. The College of Architecture and Urban Studies' 2002 Strategic Plan does not mention a School of Construction nor was the Building Construction department given a great deal of attention in the plan. While the College of Engineering's 2006 plan mentions the proposed School, it does not place an emphasis on Construction. This could be because Construction Engineering was a relatively small part of a larger department, and thus not a focus for the administrators creating the plan. In both Colleges, interviewees indicated that the School of Construction was not a priority, nor would a Bachelor of Science degree in Construction Engineering and Management likely have been created without the gift. Interviewees also confirmed that the Construction programs did not appear to be high on the college deans' agendas, if it appeared at all.

What emerges from these findings is that in transforming the university, the donors' gifts and involvement in planning may change strategic plans and visions for the future of the

university by strengthening the gift recipient, which may be a new structure. Two interviewees also shared stories where a donor designated a gift that was very large in terms of an existing department's budget. The result was a transformation of a mediocre department into one that consultants recognized as a strength of a university. Therefore, efforts to strengthen the university's scholarship going forward include reliance on that program (Anonymous 3, personal communication, February 3, 2011; Anonymous 4, personal communication, February 4, 2011). While this case was beyond the scope of this research, the anecdotal evidence shared by two administrators combined with the findings of the two gifts researched suggest donations can make a difference in university planning and dedication of resources, including funding.

### *Changes in Budgets*

Both Schools required space on campus, which affected capital budgets and physical asset allocations. In the case of UVa, this displaced employees from one school in order to give the Batten School a place on Central Grounds, which signifies importance at the University. At Virginia Tech, the program was placed in a building that was planned for one of the affiliated departments, Building Construction. In both cases, the space evoked comments from interviewees. At UVa, it was noted that the allotted space, which is being renovated for the Batten School, was not optimal in terms of size but the placement was in keeping with the gift agreement. Furthermore, placement on Central Grounds resulted in the removal of the College and Graduate School of Arts Sciences offices in order to accommodate the Batten School. At Virginia Tech, the placement of the program in Building Construction's new building made the Vecellio Construction Engineering and Management Program faculty feel as if they were interlopers or lessees of space, rather than partners. The way in which recipient departments physically fit into the built environment could be an important consideration to negotiate

between the university community and donors, along with inclusion in and devotion of resources from operating budgets.

The opaqueness of the university budgeting process for operations makes it difficult to determine how money is allocated and where money is cut to fund other programs. Both gifts occurred shortly before a decline in the economic market which resulted in steep state budget cuts. Additionally, the gifts also occurred in the midst of \$1-billion-plus fundraising campaigns. Thus, there are changes in budgets that cannot be attributable to the gifts at either university. What is notable is that at UVa, the Batten School's budget has grown, largely through endowment admittedly, but also through some allocation of state monies, presumably nongeneral fund allocations, or tuition and fee revenue, for its enrolled students. One interviewee noted that this state allocation is likely low based on enrollment because of the Batten School's endowment income. In essence, it is felt by the School supporters that it is actually subsidizing other departments by not receiving the tuition and fee revenue it would otherwise have gotten. It also appears that at least one program that does work similar to that of the Batten School has a declining budget. The correlation in these budget changes could not be reconciled as a result of the gift. What was determined is that some faculty members perceive that the gift to create a new School takes away donations from the College and Graduate School of Arts & Sciences, of which the philanthropist was an alumnus, and furthermore, drains resources away from other units that report to either Deans, the Provost, or the President.

For the Myers-Lawson School of Construction, the Provost, College of Architecture & Urban Studies, and College of Engineering provide monetary resources to the school per planning documents and interviewee data. However, College of Architecture and Urban Studies' budgets were not made available to the researcher to confirm the amount. One administrator

indicated that the budget has not declined and Virginia Tech's commitment has remained the same, and thus it is assumed that the university also provides support to the School. Thus, money that could support other priorities is used for the Myers-Lawson School of Construction. Additionally, the School and participating department and program were not subject to human capital losses.

### *Changes in Human Capital*

Similar to the budget, it is difficult to determine how full-time equivalent employee allocations are made at the university level beyond historical basis. In a labor intensive field such as higher education, however, human capital cannot be divorced from budget discussions and remains an indication of priorities. At Virginia Tech, budget cuts have resulted in programs to incentivize early retirement for faculty members. The Building Construction department and Vecillio Construction Engineering and Management Program have both had faculty members depart or retire over the past years. Both programs have maintained their faculty lines, however, and the Myers-Lawson School of Construction has been able to hire faculty during a time when other university departments have been unable to hire given strict budget cuts.

The University of Virginia's Batten School is increasing both its faculty and administration also. First, there are new faculty hires, which were originally planned to be shared jointly between schools, but were not due to existing schools' lack of resources to collaborate. Additionally, the Batten School engages faculty from across Grounds. This leads to concerns that faculty being paid by one entity are being enticed to teach and do research for another entity, creating an imbalance in work or unfair use of resources. While some interviewees felt this was not the case, others were adamant about the Batten School's unfair use

of resources. The data collected from historical and other documents does not provide enough information to support or deny either side's viewpoint.

Beyond direct involvement of faculty, there was also a concern that Batten School would use faculty resources of other Schools by enrolling students in classes offered across grounds. Given the small size of Batten, however, some faculty doubted there would be fair reciprocity of that school educating students from other departments. This may change as the School grows and begins to offer the programs envisioned by the donor for undergraduate majors and courses. At the Myers-Lawson School of Construction, however, the major success to date has been the exchange of students between programs and ability of faculty from both departments to engage with undergraduate majors and graduate student committees in either program. This variance in the two cases suggests that structuring the gift to provide some type of incentive to collaborating departments as well as the gift entity may be an important point for universities to negotiate with donors if the gift is to have a positive outcome.

Lastly, in both cases, organizational structures changed to include reporting lines from the head of the new Schools to the central administration level of either the university or college. This led to placement on the university or colleges' agendas of the Batten School and the Myers-Lawson School of Construction respectively. Thus, it may be important to consider changes in organizational charts when negotiating gifts.

### *Changes in Decisions*

Reviews of publications did not reveal any significant change in the focus of the university in either area. At the University of Virginia, as the largest gift in the university's history, it did receive considerable attention in publications in terms of announcements. Meeting

minutes, interviews and aforementioned documents, however, also revealed an expanded scope for the Batten School from the University's original vision and also an increased fundraising goal. At Virginia Tech, the School falls within two Colleges, and thus does not often rise to the level of university matters in terms of meeting minutes or publications, although annual reports did include references to Building Construction's capital project and the donors' gifts to the university. At both places, more attention was given to the donations in terms of future fundraising than communications about the Schools.

At the University of Virginia, this was expressed directly by interviewees but also through university documents published in close proximity to the gift announcement which referenced donations that created new schools as possible impediments to collaboration. Additionally, the fear was expressed that fundraising for the Batten School now and in the future may impede other entities ability to attract donations. At Virginia Tech, the Industry Board's involvement in fundraising and the lack of clarity of which department should receive funds created problems. Thus, both cases indicated that fundraising endeavors beyond the gift itself create concerns about competition for donors. This also lends support to the view of fundraising as an important revenue stream for departments.

Lastly, gifts may also allow faculty members to raise money outside administrators' priorities. In both cases, faculty pursued the intent of the gift without it being a priority of their dean. At the University of Virginia, however, the School was of interest to central administration, and therefore, department members within the College and Graduate School of Arts & Sciences were asked to work with high level administrators to formulate proposals. Interviewees, however, noted that Arts & Sciences administrators had targeted the donor for a gift to programs within the college. Furthermore, securing a donation from Mr. Batten was a

large part of the strategy to meet the fundraising goal for the Arts & Sciences. Furthermore, the new School has a goal of raising an additional \$50 million. It remains to be seen if the School will attract alumni and friends of other units at the University, given that the new School has likely not established a donor base through alumni given the infancy of its programs. One interviewee noted that given the excitement surrounding a new School at the university; however, it may attract other donors. At Virginia Tech, no one implied that the donors were targeted for other gifts. The ability to raise monies from other donors, however, has created a challenge to establishing a strong presence for the Myers-Lawson School of Construction. Thus, going forward, both Schools' may result in organizational competition for more donations.

Additionally, archival, historical, and interviewee data revealed the donors wanted to engage faculty across the institutions in a new ways that were for interdisciplinary applied research rather than basic scholarship, particularly work done in individual departments without collaboration with other disciplines. Both gifts created structures to foster interdisciplinary work, which is at odds with the history and tradition of the academy. Speaking about another possible interdisciplinary endeavor, the then Faculty Senate chair confronted the Senate with a particular challenge “If UVa ... is going to have to learn to do very well what it has had trouble doing in the past: it will have to learn how to organize itself in ways that foster collaboration in research, teaching and service across traditional departmental and school divides” (University of Virginia, 2008b, pg. 2). This finding could be a result of the choice of case studies that resulted in new structures. Multiple interviewees indicated that donors of this magnitude did not want to give to just support core functions that already existed, however. Instead, they wanted a large return on investment by funding something “sexy”, an entity that would make a meaningful difference in either their community or industry.

Thus, this research suggests donors may have interest in supporting programs at the university periphery and not the core. In Virginia, however, the state also does not support the core functions of the university at an adequate level. This is evidenced by the perpetual allocation of funds well below the levels determined by the Base Budget Adequacy formula, which was part of Restructuring. Institutions, however, are still held to performance metrics instituted by the state in exchange for the management agreements. Therefore, the imposition of new structures in addition to a lack of public funding may stretch resources further unless total capacity grows as a result of the gift.

### *Summary*

The cross-case analysis of the data suggests support for Proposition 1, that gifts that are large relative to the university endowment size, the more change in salience of priorities as observed through differences in budgets, strategic plans, human capital, and decisions. Both gifts were of significant size in relation to the university endowment, each representative of approximately 2 percent of the total endowment value at the time the gift was made. Virginia Tech, however, has a much smaller endowment value than the University of Virginia. Therefore, the entity resulting from the gift was not at the same organizational level as that of the Batten School. Both schools, however, are small in comparison to others at the university, regardless of organizational level. Furthermore, given the control that already existing faculty have over the new structures, there may be a more nuanced explanation of any changes that occur. Therefore, a proposition that relates the size of gifts to operating budgets and another that relates changes to organizational culture may be useful.

Both gifts were restricted to support of the schools that were created, and thus the usefulness of Proposition 2 is supported, but may seem somewhat difficult to study. Given that

the gifts were restricted to new purposes that otherwise may not have been supported, it does appear to verify the proposition that donors' restrictions can change the university's plans for programs. Given that gifts of this size are rarely unrestricted (for exception, see Stephenson, et al, 2009), however, another proposition may link the mega-gifts to those restricted to new programs rather than existing research. Such a proposition would build on Rothschild's (2001) practitioner-based argument that donor support is critical but not typically given for research already conducted by scholars. Instead, support is provided for new and innovative projects, which may change an academic's research trajectory. The proposition would broaden this finding to the institutional level where mega-gifts change university structures and seek to institutionalize new fields or forms of education and research within the institution. This would enable the study of indicators not included in the current project.

Furthermore, it may be that the restrictions of the gift require the university also to employ resources to support the recipient department, which was occurred in both of these case studies. Multiple interviewees in both cases noted that donors want confirmation that organizations are committed to ensuring a return on investment (interviewee language). This is achieved by requirements or expectations that the university will support the department beyond the resources provided by the gift, particularly notable in these cases where the donation created a new entity. These commitments may be in addition to what is already in the university resource base. Thus, the institution would be required to identify additional funds to support these activities either from new or existing resources. Thus, another way to understand gift restrictions and changes in salience of priorities is to understand the requirements the gift imposes on the institution.

Proposition 3, which suggests that the closer the donor-university relationship, the less there change in salience of priorities should be reconsidered. The donors in both cases had very close relationships with the universities. The relationships resulted in the consultation with the donor about the structure of recipient programs, but there were noted differences in the individual characteristics of the donors, which affect the outcome of the relationships. Several interviewees at UVa noted that Mr. Batten was an extraordinarily unique donor in that he did not treat the gift process as a negotiation and understood his role as a donor to be one of consultation but not management of the institution. Furthermore, Mr. Batten's interest was in building leadership qualities in students for the betterment of society, not in his own business.

No one from Virginia Tech noted that this was the case with the two donors for the Myers-Lawson School of Construction where there was interest in education and research that would benefit the philanthropists' shared industry as well as the university. There may be variance from the UVa case because there are two donors involved, which may have changed the negotiation process. It could also be that the resulting structure was not viewed as an entirely new endeavor by faculty as evidenced by interview data that indicated the Building Construction department considered disbanding and instead merging into the Myers-Lawson School of Construction, an idea which was abandoned after Vecellio Construction Engineering Management Program and College of Architecture and Urban Studies expressed disinterest in such a plan.

Variance could also be caused by the magnitude of the gifts, and although the gifts were similar in terms of percentage of campaign goals and total endowment, negotiations were simply not at the same level within the universities. The Myers-Lawson School of Construction was negotiated by a faculty member from the beginning, whereas the Batten School was negotiated

by administrators. While faculty members were not aware of engagement in discussions concerning the Master of Public Policy degree or program prior to the gift, some administrators were. The level to which this affected the decision to encourage planning efforts is unknown.

Another consideration for this proposition is the relationship of the negotiator to the university. Administrators may have more interactions with donors, given the centrality of fundraising to administrative duties, and thus have more experience in fundraising. It also could be that the administrator, who may be more engaged with governance of the university, has more knowledge of the strategic vision for the institution. On the other hand, faculty members that need resources for research may be able to fundraise to increase the prioritization of particular programs. Resulting structures, however, may not be structured in such a way as to allow for it to be unhinged from other operating struggles within the university. To date, the Myers-Lawson School of Construction has not been as effective as hoped because of the internal struggle regarding the industry board, which is a result of disagreement over fundraising efforts.

### Section III:

Conclusion: What the study showed us and directions for future research

Based on the literature review, methodology, data, and analysis, this section provides the conclusions from this study and suggestions for future research. Chapter six combines elements of each of the preceding sections to provide insights into the meanings of the current research. It also provides recommendations for alternative frameworks for the study and analysis of the phenomenon.

## Chapter 6: Conclusions

### *Pervasiveness of Philanthropy*

The importance of philanthropic donations to public organizations appears to be increasing in the United States, particularly as state budget cuts constrain resources. Concurrently, billionaires are encouraged by their peers to commit vast sums of money to charitable causes. In part, this new trend, termed “bilanthropy”, has been focused on solving problems in public organizations with the Gates Foundation committing more \$90 million to school districts across the country and Facebook Founder Mark Zuckerberg pledging \$100 million to a public school district in New Jersey. Meanwhile, some school districts continue to struggle without money for the most basic of supplies.

A two-fold question arises from these changes. First, could this philanthropy mask the need for additional resources for public institutions? This question is beyond the scope of this research, but others have shown that philanthropy can stop public discourse about social needs (see for example Wirgau, Webb Farley & Jensen, 2010; Nickel & Eikenberry, 2009). The second question, which this research does address, relates to public organizations relying on funds from private donors, and in particular very wealthy donors. While there are laws that guard against donor control of charitable contributions, Ostrander (2007a) notes that organizations are hesitant to discuss such matters with donors, while she also argues that such giving can be undemocratic (see also Eikenberry, 2006). Taken together, the two trends noted by Ostrander suggest that there is the possibility that reliance on philanthropy can lead to private control in organizations. Given the rise in donations of millions of dollars to public organizations, which are supposed to be under the control of elected officials as representatives

of the public, questions arise about the ability of these resources to serve the public interest as donors direct significant organizational resources through restricted gifts. These questions focus on three interrelated issues: can the agencies priorities be bought, who controls the organization, and can the public dimensions of the agency be preserved? There is very little empirical research to understand the possible implications of philanthropy in the public sector, however.

### *The quagotization of public higher education*

One subset of public organizations that has a depth of history in fundraising and donor interactions is state universities and colleges. Public higher education's reliance on philanthropy has become professionalized, largely since the 1980s. Thus, these institutions offer scholars studying philanthropy in public organizations a starting point for research into the effects of private giving in this sector, particularly as a response to public policy. While state postsecondary institutions are often argued to be different than other public organizations given the governance structures and missions, this sector has been changed by the neoliberal agenda which seeks to shrink government's size while maintaining or growing service provision.

In particular, public postsecondary education institutions are changing in response to shifts in policy which grants more autonomy to public higher education in exchange for adherence to performance metrics and demands that these entities garner more resources from sources external to the state. The higher education literature refers to this trend as privatization. In general, this scholarship points to the growing autonomy of organizations from states creating market-like trends, as institutions seek to increase efficiencies by self-management, rely on revenue derived from sources other than state general fund allocations, and achieve accountability for state-defined performance goals through various mechanisms. The literature accounts for the political realities of this changed environment, which include limitations on

institutions' ability to raise tuitions, oversight mechanisms that may be costly, and increased demands for in-state enrollments. In some cases, these changes create more costs for institutions, particularly as states demand institutions accept more in-state students who typically pay only a portion of the total cost of education based on residency (regardless of whether state allocations make up the cost differential) in high demand areas, such as Science, Technology, Engineering, and Math, which are costly education and research programs.

This is salient to this research, where the state universities studied were promised institutional autonomy through Restructuring in exchange for meeting performance metrics including increased enrollments of Commonwealth citizens, particularly in Science, Technology, Engineering, and Math fields. Implemented in 2005, Restructuring has not had the success hoped, as evidenced by the work of the 2010 Governor's Commission on Higher Education Reform, Innovation and Investment. The final report indicates that the Commonwealth has not met its promise of funding institutions at 66 percent of the level required by the state's higher education funding formula, that reporting of unnecessary data may increase costs for institutions, and all institutions should achieve higher levels of autonomy in exchange for meeting state goals for areas such as degree attainment and economic development. The Commission's work is not uncommon as states throughout the United States grapple with the cost of higher education, declining tax receipts, and calls to do more with less. The privatization literature, however, suggests that public institutions will become state-located, rather than state or state-assisted institutions.

As such, it over-simplifies the continued demands of state elected officials, who maintain an interest in the institutions. States still employ oversight mechanisms, such as program approval and requirements to meet particular performance metrics. These entities also still treat

individual employees as agents of the state.<sup>21</sup> The literature review provided in Chapter 2 suggests that rather than understanding state universities and colleges as privatized, it is more useful to start from the basis of understanding public postsecondary institutions as quasi-autonomous organizations, or quagos, which have characteristics of government, for-profit, and non-profit organizations. Drawing from the public administration literature, this view of these organizations aids us in questioning and understanding these state colleges and universities as institutions that have incorporated auxiliary businesses and foundations to garner additional public resources from the external environment. This acknowledges the continued importance of both the political controls on organizations but also the importance of state funding, which was noted in both case studies to be irreplaceable given the level of endowment that would be necessary to replace the contributions. It also allows us to question the effects of blending organizational types.

This research project focused on an implication of the introduction of foundations into the fabric of the state university enterprise changes the ways in which internal entities conduct their business. The inclusion of private, separate, non-profit structures created changes that were evidenced in this research in several ways. First, in both cases, there was internal conflict over donations. At UVa, this conflict occurred over which existing entity would attract and retain the donor's gift. At Virginia Tech, there was conflict over additional donations made after the gift occurred, which ultimately led to restructuring of the Industry Board, much as it had many years earlier when the two departments had tried to collaborate in a similar board structure. The

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<sup>21</sup> This relies on a principal-agent argument where individual state employees act on behalf of the elected officials. As such, it also raises questions about how the state controls its agent, particularly when more autonomy is granted. The usefulness of this argument is debated highly in higher education literature (for example, see Olssen & Peters, 2005 and Massy, 1996)

potential for additional donations was also mentioned as an area of concern by interviewees at UVa, although no evidence for this existed beyond the additional \$50 million fundraising goal stated on the fundraising campaign's website.

Second, there was a hesitancy to be interviewed about a structure resulting from a gift. This was most evident at Virginia Tech, where one potential faculty interviewee first accepted and then declined to give an interview until development gave the individual clearance. Subsequent attempts to schedule the interview resulted in correspondence that acknowledged development had not responded and therefore, the interview could not be conducted. In both cases, administrators and faculty declined the interview request and referred the researcher to development officials for further information.

These observations suggest that competition for donations potentially creates tension and changes actors' attitudes within institutions. Therefore, the pursuit of these resources may change the actions of individuals within the institutions. Individuals may not find themselves willing to work together as doing so may result in sharing of potential donors. Rather than being open to questions about a public organization's operations there appeared to be hesitation about participation in research since it had to do with a gift made through private foundations. Given that these are state institutions, this was an interesting response that suggested a shift towards prioritizing accountability or appeal to donors over the pursuit of knowledge. Furthermore, it may represent a situation in which the culture of foundations, which typically do not disclose in-depth information on relationships and negotiations with donors, reverberates across the organization. These separate 501(c)3's, therefore, may influence the actions and openness of organizational actors supported by the state.

Beyond internal organizational changes, quagotization also presents questions about the ability of public institutions to provide services to constituents beyond what state funding levels support and the implications of control by the providers of those resources. Understanding these institutions through this lens leads one to critically question the role of these alternative forms of organization in response to public policy. Thus, questioning the role of donors becomes an inquiry of individual control over a public good.

Rather than uncritical acceptance of donations as benevolent and benign, this re-imagining of institutions becomes a question of political decisions about who gets what on multiple levels. For example, a donor may decide to endow a department, a decision about who gets what within the university, or perhaps give a gift that creates a new degree program, which adds the question about what kinds of education and research the institution may engage in more broadly. Other research has shown that when gifts are very large they may prove transformational, it may create organizational change and may result in crisis as Stephenson, Schnitzer and Arroyave argue (2009). Gifts represent negotiations between the public university and the state agents it employs with a private interest regarding the form of transformation.

The outcomes of these gifts and ability to fulfill public need will likely depend on the recipient institution's ability to successfully negotiate gifts in a way that meets strategic priorities for the organization, as suggested by the social relations theory of philanthropy (Ostrander & Schervish, 1990) and effective institutional leadership (Stephenson, et al, 2009). We understand very little about these mega-gifts in terms of their institutional effects, however, particularly in terms of public organizations. Thus, empirical research is needed to fill our gaps in understanding. This study attempts to serve as a starting point for such inquiries.

### *Empirical Findings from the Cases*

The cases represented in this research explore the effects of these negotiations with one and two private individuals at the University of Virginia and Virginia Tech respectively. The research presented a number of interesting findings, particularly in relationship to changes in priorities, vision, and transparency. This section explores data from the cases as it relates to these three categories of findings.

#### Priorities

Both universities count on philanthropic dollars to meet the long-term visions and strategic plans of the organization. This was more pronounced in the UVa case, particularly with the list of resources considered for the “Big Ideas.” These ideas are evaluated in a manner that seems similar to that of a private corporation where economic considerations drive decisions (see Appendix B). Additionally, both donations resulted in higher prioritization of the recipient programs than would have existed if the donation had not occurred. In the case of Virginia Tech, interviewees indicated that the Myers-Lawson School of Construction would probably not exist if not for the gift. UVa’s pursuit of a public policy school might have occurred, but likely not the focus on Leadership research and education, which interviewees indicated was included because of the donor’s interest. Thus, one interpretation suggests that the salience of priorities of the university can change, at least to some extent, as a result of responsiveness to donor interest.

Universities can choose to decline gifts, however. This is difficult in an environment where resources are constrained. Instead, the universities appeared to negotiate with the donor to meet both the donor and recipient needs. In each of these cases, the close relationship between university and donor likely helped to ensure that the gift was reflective of the priorities of these

entities. If critical philanthropic research holds true, however, the distance between donor and recipient may be growing or philanthropists may gain control relative to the institution due to resource constraints, which would result in more change in salience of priorities. As such, it may increase donor control as institutions become responsive to philanthropists to attract gifts.

## Vision

Each case study resulted in a structure which, as defined in organizational documents and suggested by interviewees, conformed to a vision that would secure the gift for the university. In the case of the Batten School, the vision was different from that of some administrators and faculty members. As such, it created divisions in support for the school, which one interviewee suggested resulted in members of the Faculty Senate purposefully missing the first meeting to vote on the school so as to not have a quorum. Additionally, multiple interviewees noted that faculty members remain skeptical of the inclusion of Leadership as a scholarly endeavor. At Virginia Tech, an interviewee suggested that the recipient entity was formed specifically to conform to the wishes of the donor, so it is unknown how the Myers-Lawson School of Construction might have been structured if not for the donor.

This finding relates to Koppell's (2003; 2005) controllability argument and thus represents a shift in accountabilities as a result of public policies, which grant autonomy to universities but also devolve responsibility for funding to the agency level. It is imperative that the university must try to negotiate to try to lessen the specified restrictions. It can do so by building appeals based on the essence of program, although donors often may want to specify the particulars of implementation. In UVa's case, several interviewees noted that the donor was unique in his approach to philanthropy and recognized his position as a donor, treating the transaction as a gift rather than a negotiation where something was to be won. At Virginia Tech,

the vision for the Myers-Lawson School of Construction appears to have come from faculty but was admittedly written in such a way that the donors would support it. This vision included industry participation in setting scholarly agendas through a board, which was originally chaired by one of the donors. Ultimately, one administrator noted that these issues resulted in internal strife of the magnitude that a psychology consultant was brought in to try to foster relationship building. In part, this may be the reason the Myers-Lawson School of Construction has not been as productive as hoped, as acknowledged by several administrators and faculty members.

Furthermore, there was an interesting dynamic in both cases regarding hierarchy. Although higher education has traditionally been seen as employing democratic governance, there are reporting lines within universities and there are individuals appointed as academic administrators.<sup>22</sup> In both cases, however, faculty members of departments were able to approach donors for programs that may not have been a priority of their dean or department head. In UVa's case the donor was targeted for gifts to other programs to the College and Graduate School of Arts & Sciences per several interviewees. Interestingly, however, Arts & Sciences faculty were able to pursue departmental goals regardless of the Dean's priorities. As such, it suggests donor appeal may allow entities to overcome hierarchical decision-making processes.

### Transparency

Despite the autonomy granted by Restructuring and increased reliance on philanthropy to pursue goals as a result of decreased state funding, interviewees in both cases reiterated that state support could not be replaced by donations. Furthermore, the state maintains control

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<sup>22</sup> The author acknowledges the existence of literature that suggests that changes in governance at the state and institutional levels are eroding democratic governance of public postsecondary institutions, but the argument is not about the democratic nature of the institution. Rather, the author wishes to convey a point about the ability of individuals to work beyond hierarchy, which may result in a different notion of change in democratic governance.

mechanisms through oversight mechanisms such as performance metrics and degree approval. In both cases, however, the gifts were announced prior to program approval.

This is interesting as it suggests the potential ability of universities to withhold information from the state regarding gifts in the State Council of Higher Education for Virginia approval process. In the case of UVa's Master of Public Policy degree, the Council gave approval for the degree program, which was to accommodate only enrolled undergraduates, just six months prior to the announcement of the gift. Administrators suggested negotiations with the donor regarding expansion of the program were well underway at the time of approval. Thus, the gift created a School to house degree programs beyond the scope approved by the state. Similarly in the case of Virginia Tech, the gift was announced prior to the State Council of Higher Education for Virginia program approval, but announcement acknowledged this requirement. This raises questions as to whether it would have been politically tenable for the State Council of Higher Education for Virginia to deny degree program approval, although this is unknowable after the fact. One can look at the Smithsonian Institution case that was introduced in Chapter 1 and wonder if the same would have happened had the State Council of Higher Education for Virginia denied the degree program and the donors withdrew their pledges.

Combined, the changes in priority salience, controllability of vision, and transparency of the agency indicate that mega-gifts create multiple lines of accountability where both states and donors have some control. This supports the notion that quagotization is more appropriate to describe the changes in higher education than is privatization. Change as a result of gifts occurred not just because the university has gained resources from a private entity, but because the gift was made to a public university where it was then negotiated and controlled by public employees. Thus, there are several different ways to understand these findings.

### *Competing Explanations of the Findings*

In public organizations, operating margins are slim and cost of failure is extremely high. This is the same in public universities, which must carefully balance budgets to ensure quality education, conduct research, and stimulate economic development. Despite these resource constraints, donations that seek to transform the organization may not provide all the resources necessary to support the organizational change, as donors want to ensure universities are also vested in the outcome. As such, these institutions may have to shed older programs that markets or funders do not value, as evidenced by enrollments and gift and endowment income. One interviewee questioned the implications of this for departments such as the humanities, which may not attract either donors or student majors but still provide value to society (Anonymous 18, personal communication, February 15, 2011), a sentiment echoed by Rothschild (2001). Thus, reliance on very large gifts may provide an interesting conundrum for universities in the future as both public and private actors have oversight of what has resources and value at the institution.

There are several ways to interpret the data provided by the current study that add meaning to this conundrum. One alternative is to understand it through an institutional perspective that results in an understanding that the gift does not result in great change in the salience of priorities as institutional culture and members shape outcomes. Instead of radical organizational change, it is a nuanced and textured change in salience of priorities as actors exercise discretion and shape the recipient of the gift in ways that conform to existing organizational norms and work. Another interpretation, however, suggests that by virtue of changing structures in the long-run, there are changes in the salience of priorities within the institution which now has a different agenda. Each of these alternatives is explored within this conclusion.

## Outcomes Mediated by Organizational Culture

Traditionally, higher education institutions are understood to be loosely coupled structures in which faculty governs the institution (Weick, 1976). Clark (1983) suggests that the looseness of these systems results in ambiguous goals, which means academic research and teaching activities of any particular field can be inserted or cut from the organization with no effect on other fields. In such distinctive systems, organizational change is understood to be difficult and often unsuccessful as actors contest any shift and instead conform the organization to original visions (Boyce, 2003; Weick, 1976). In other words, the means may change but the ends do not as organizational actors work to preserve the organization (Weick, 1976).

Interpreted from this viewpoint, the data presented in the cases would suggest that the mega-gift will not result in a drastic change in salience of priorities. Instead, organizational actors would accept the gift and then move forward by shaping the gift to fit their original visions. As such, rather than raising the priority of the recipient program's research and educational endeavors, the beneficiary department would be shaped to serve the interests of existing organizational members.

For example, at the University of Virginia, the Batten School was created to not only pursue public policy scholarship and education but also Leadership studies at the donor's request. While the Leadership component of the School was not originally part of the plan, the administrators and faculty who have been hired to fulfill these endeavors are ones whose work complements those of the already existing faculty. Therefore, while donors may seek to enact organizational change, this is not successful as faculty, who do the research and are given

authority over hiring decisions in this loosely coupled system which has ambiguous goals, developed a new entity to compliment work already being performed at the University.

In the Virginia Tech case, interviewees suggested that organizational culture prohibited large-scale change. Faculty members from the two primary participant programs in the new School each had different expectations. As such, they have created their own understandings of the organization, which are not in concert with each other. For example, one of the departments wanted to disband and merge into the school while the other program desired to remain part of its own department and use the School as a bridge for both students and faculty to engage in education and research. These different approaches to the new School suggest that the faculty in each case have a different view of the new structure based on their own cultures. Given these differences, the faculty have been unable to come together to make the new interdisciplinary School a success despite the input of resources from the gift and the university alike. Instead, the entrepreneurial culture and autonomy of the faculty has overcome the outside influence by mirroring the new School in the existing cultures.

These data suggest that the ability of mega-gifts to transform institutions is limited by the culture of higher education institutions. As loosely coupled systems, the shock of a mega-gift does not result in organizational actors changing trajectory, but rather finding ways to manipulate the gift to meet current purposes. Thus, outcomes are mediated by the organizational culture.

#### Outcomes Mediated by Negotiations for Control

Another way to understand the data is that in both cases individuals within the institutions have been able to overcome the threat of organizational change by formally and informally negotiating for control. Similar to interpretations of organizational culture, such a view espouses

that despite giving large sums of money to create new structures within the university, the outcomes of the gift are not organizational change but rather organizational stability. In both cases, data suggests that there is negotiation for control of the gift resources and therefore, administrative discretion plays a role in shaping the outcomes of the gift.

The Batten School was the result of the negotiations between a number of different departments within the University. While the original proposal from the Miller Center was not accepted for the gift, it was part of the original team put together by administration to shape a public policy program. Other departments, however, were also interested in advancing proposals and also invited to participate. Eventually the Economics and Politics faculty's proposal was accepted as the plan of choice by University administration and advanced to the donor.

Although the proposal to the donor was for a School of Public Policy, the gift amount was doubled in order to include Leadership as a major component of the new entity's activities. During the implementation of the gift, through exercise of discretion in making hiring decisions, the already existing faculty members were able to exert some control over the outcomes of the gift. As one interviewee noted, new faculty are hired based on ability to fit within one of the other departments. Furthermore, these faculty members selected the founding dean, who structures faculty search committees to include faculty from around the University. The result of these is that the work of the new School reflects education and research endeavors that are complimentary to that of existing faculty.

Similarly, there is a different way to interpret the situation at Virginia Tech. While one department wanted to disband and be known solely as the new School, the dean of that department and the faculty of the other participant program preferred to create a separate School

that reports to two Colleges. One interpretation of this is that there were actors on both sides that did not wish to give up control over the new School but also wanted to maintain control by keeping intact traditional academic departments, which exist in silos. To date, it was the quest to build programs and new resources through interdisciplinary work that has been the major point of contention and inhibitor of change according to interviewees. This suggests that existing organizational structures and entities do not change due to the mega-gift, but rather that these entities try to take control of the gift and use it for their purposes, regardless of fit with donor intent.

#### Structure as Mediator of Outcomes

Both of these understandings are somewhat at odds with another notion of change. Greenwood and Hinings (2000) suggest that change will occur where structures and systems are put into place to meet a particular vision. In this research, both cases resulted in a new structure that brought the discipline into focus for centralized administrators. In the case of the Batten School, there is now a Dean that reports to the University of Virginia's Provost, thereby bringing the disciplines of leadership and public policy to the forefront rather than falling within other structures. In the case of the Myers-Lawson School of Construction, another structure related to this discipline was put on the Dean of the College of Architecture and Urban Studies' agenda. The College of Engineering Dean had previously not had construction on his agenda, as the Construction Engineering faculty were a small part of a much larger Civil Engineering Department. Thus, by changing the structure, in both cases different actors were able to shape the agenda and require the input of university resources beyond those provided by the gift.

In sum, these findings suggest there is a relationship between agenda-setting and mega-gifts. The ability of actors both internal and external to the university to find opportunities to

work together to increase the level of importance of one of their own priorities can be explained by John Kingdon's (1984) theory of policy-making and agenda setting. University officials and donors may find ways to work together to create new structures that may or may not have been approved by the state prior to the announcement. The resources provided by mega-gifts, particularly for those that create new structures, create the opportunity for participants to shape the future of the university in ways that may or may not be democratic.

This is most obvious in the UVa case where the Dean had priorities for the College and Graduate School of Arts and Sciences for which they wanted to approach the donor and others. Centers had been involved in planning for the Public Policy program. Despite this, the proposal from department faculty of Arts and Sciences was accepted given its appeal to the donor. In turn, the donor offered a much larger gift to the University to support both its proposed program and the additional Leadership component which was of interest to the donor but not necessarily faculty. This is not to suggest that the Leadership component of the School is unworthy. It is simply meant to suggest that a group of actors with similar ideas may come together, including private interests, gain resources from non-public entities, and thus change the programs and potentially structure of these public entities.

As such, it may require universities to devote resources to disciplines that are not of high-priority to the state. If the gift provided all the financial and other resources necessary to fulfill the requirements of new programs, this may not be a significant point. Interviewees at both universities, however, suggested that donors want to ensure institutions have a stake in the program. Therefore, in both cases institutional inputs beyond those provided by the gift were required, thereby tying the hands of administrators. As a matter of administrative policy making

and discretion, this means mega-gifts are not an insignificant matter for public administration and policy scholars.

Mega-gifts that change structure may result in the reallocation of organizational resources to activities not in line with the state priorities. While the gifts may create the possibility for research and education endeavors that are of great value, if these areas do not comport with stated areas of interest for the public, then organizational resources may be diverted to support not-critical activities from the state's perspective. For example, given the interest in advancing Science, Technology, Engineering, and Math, creation of a school to advance scholarship in leadership and public policy may not have been in the state's interest. Although a valid argument can be made for the importance of these fields and the current research does not dispute such contentions, the state's advancement of particular goals is presumed to be legitimate. This directly pertains to the political control of these organizations so that the expenditure of public funds results in outcomes that advance particular priorities of the state. By placing items on the institution's agenda that may not be a priority of the state, the result of changing structures may be considered a shift away from public control towards economic accountability. This raises significant questions about the ability of the state to build plans on organizations that are quasi-autonomous.

### *Future Research*

The nuances, similarities, and differences in these explanations suggest there is a need for continued research in this area. If either of the first two interpretations hold true, the inability to create substantive change may result in a decline in mega-gifts to public postsecondary institutions as donors become frustrated with inertia. If the third hold true, then it suggests states ought to be worried about public postsecondary institutions prioritizing programs that may not

meet needs for high-demand areas, upon which states build economic development plans. Both of these outcomes are reasons for concern. Thus, future research should seek to build on the findings of this study in several ways.

### Researching mega-gifts

First, it is important to note that these findings are not generalizable beyond the mega-gift and research should build specifically on these types of donations. Given the different definitions of these gifts in the literature, which range from static dollar amounts (see for example Panas, 1984; Tobin et al, 2003) to more contextual definitions (see for example Grace & Wendroff, 2001), the researcher asked interviewees about their perceptions of mega-gift characteristics. All interviewees indicated the size of the gift was relative to the donation recipient rather than a concrete number. For example, at UVa, it took \$100 million to create a school, while at the departmental level, the University saw transformation of a mediocre program to one of national stature with an approximately \$15 million gift. At Virginia Tech, \$10 million allowed construction entities to create a School that placed at least the program on the agenda of decision makers at the College level. The gift also helped to ensure ongoing resource provision in an environment in which cuts are steep. Therefore, the interview data was affirmed by the historical data in that in both cases two very different sized gifts were able to achieve somewhat similar objectives through the creation of a new structure to foster interdisciplinary applied research and education. Thus, any definition of the term mega must be dependent on context, even within the same institution.

Furthermore, the purpose of the gift appears to matter. Several interviewees thoughtfully noted that gifts for operating funds may need to be larger than gifts for facilities to inspire transformation, even if a building can achieve such a lofty goal, no matter how important the

facilities, the programs also matter. Some also noted that although facilities are often a high priority for faculty and college and department level administrators, buildings do not usually make transformational gifts and donors are not prone to fund these at high levels. One interviewee contended that sophisticated development programs do not focus fundraising efforts on capital projects, but rather raising programmatic endowment support which can then be leveraged to fund capital projects.

Thus, future research should build on a definition of a mega-gift that is not based on absolute size, but rather is context-dependent. The research suggests that mega-gifts are those that enable the department to pursue excellence, and thus are relative to the resources and needs of the recipient department. Furthermore, the purpose of the mega-gift matters as it is likely one that is made for operational support and not capital projects. Explanatory variables of gifts, therefore, should include size relative to context and purpose.

#### Expanding case studies

The most obvious way to expand this research is through expanding the case studies across additional institutions and states. Support for Propositions 1 and 2 resulted in an indication that mega-gifts can influence the salience of priorities within universities by changing the structures in which decisions are made. Future research should seek to build upon the current study by exploring similar gifts made more than five years ago to determine if the initial indications of shifts in salience of priorities hold true over time.

These cases would allow for the inclusion additional indicators that would reflect changes in both organizational and scholarly priorities. Organizationally, research could determine if the indicators studied in the current project reflect change. In terms of scholarship, indicators that

should be studied would include any changes in the types of research pursued by faculty as indicated by publications, grants, and conference participation. Additionally, the courses offered and seminars and guest speakers hosted may serve as indicators of organizational priorities. If these indicators change significantly from those types of activities pursued prior to the mega-gift, in conjunction with changes in organizational statements of goals, it would suggest changes in the salience of priorities. This research must hold constant for any effects of changes in public policy, however, since trends over the recent past have been to reduce budgets, which has been shown to have an effect on giving.

Private industry boards in public universities, such as the one described in the Myers-Lawson School of Construction case, may provide an additional avenue of research. One interviewee suggested these boards allow industry and higher education to partner to define research trajectories through gifts rather than contracts. Thus, this may be a way for interested individuals or companies to support and direct desirable research through gifts. Traditionally accomplished through sponsored research contracts, as gifts, these funds are tax deductible and allow more flexibility at the institutional level. Given the attraction of this type of giving at both the institutional and donor level, it may be difficult to study these through any interview data. One way may be to study these boards, institutional donor lists, completed research, and industry output. Even with this amount of data, it would be extremely difficult to draw succinct conclusions about this trend.

#### Donor relationships

The relationship between the donors and recipients may also have an effect on the outcomes of the transformation, as already suggested by philanthropy literature (see for example Ostrander & Schervish, 1990; Ostrander, 2007a), and the analysis of the current research. In

both case studies undertaken for this research, the donors had relationships with university administrators and faculty. These relationships resulted in the donor offering input into the gifts but also administrators and faculty working with the proposal to structure it in such a way that would benefit needs of the university.

As aforementioned, some research data suggests that donors wish to fund peripheral and not core functions. Given academia's history, research that spans the boundaries of academic disciplines may currently fall into this category, regardless of its benefits. Interdisciplinary education and research is a trend not only for private fundraising, as evidenced by these two large gifts and expressed by several interviewees, but also for grants and contracts. This trend means that the silos of the academy may be changing and that there will be a need for thoughtful leadership for this type of change in order to appropriately incentivize and manage the differences it may cause. Organizational change is difficult and can potentially limit the ability of the gift to make an impact, as seen in the Myers-Lawson School of Construction. Perhaps the larger donation for Batten School limits this because the School has resources that make it essentially self-supporting and able to attract faculty members from across disciplines. Future research should seek to determine if this is a trend in mega-gifts, and if so, seek to help identify managerial successes and challenges in this area to inform university leaders and policy makers.

Institutional leaders, however, will have to work to ensure that donations do not create a two-tiered system of rich and poor programs. Visibility can enable programs to garner more resources from the environment, and mega-gifts can provide that visibility as evidenced in these two cases. Numerous interviewees noted that success in fundraising attracts more donors who also seek a return on investment. Additionally, resources are gained through requiring university commitments such as operating funds, capital assets, or combination thereof. One interviewee

noted that an example of this success is the Vecellio Construction Engineering and Management Program. As a first step to growth, Civil Engineering recruited a \$100,000 gift for a professorship to attract a leading researcher in Construction Engineering. The program grew and secured a \$1 million endowment. Eventually, this aided in the creation of the Myers-Lawson School of Construction by building upon success (Anonymous 7, personal communication, February 7, 2011).

Large gifts, however, can stifle small ones, as seen at the University of Virginia where such a small percentage of alumni give the majority of donations. Several interviewees noted that very large donations of magnitudes such as the Batten gift may result in major gift prospects at both lower and upper levels choose to make their donations to other organizations where it may seem to be more significant. In contrast, Virginia Tech has built its campaign on breadth of donations, so large gifts have not crowded out smaller ones. Although beyond the scope of this research, this may present an area for growth in philanthropic scholarship. In public organizations, where participation should be high, Eikenberry's (2009) notion of democratic giving could be stifled if this is the case. Perhaps this is only a problem at very elite universities, however. This could be pursued by comparing levels of annual fund donations over time in comparison to endowments, as a means of understanding mega-gifts effect on more broad-based, lower level giving.

#### Philanthropy and discretion

Lastly, several questions emerged regarding how to account for gifts in management processes such as setting institutional visions, strategic plans, budgets, and human capital plans. In at least the first three categories, which help to determine the fourth activity, fundraising played a role in decision-making. Additionally, very large donors may be considered important

prospects for one unit's priorities but decide to make donations to another unit. While endowment income may remain fairly steady, although this is not necessarily the case, annual fund gifts, which often provide important discretionary funding, may fluctuate, perhaps drastically. Thus, determining the implications for management of reliance on potentially unstable resources is a necessary concrete area for managerial studies. One way to do this would be through studying budgeting processes and philanthropic goal setting in institutions widely to determine how often development programs meet goals and if there are any discernible trends in reliability on these funds. Future research could include surveys of faculty and administration from public postsecondary institutions across the states to determine the role of fundraising in the management of these public institutions and how to maintain control within the organization.

### *The way forward*

With the growing emphasis on transformational philanthropy, such as the so-called "bilanthropy", and further entrenchment of neoliberal rhetoric that demands services with no or little tax increase, it is likely that the reliance on philanthropy to support our public institutions will continue and expand beyond public postsecondary and arts and cultural organizations. Already, several primary and secondary school districts have accepted very large donations to transform themselves by increasing teacher effectiveness and efficiencies. While these gifts are not inherently bad, this research suggests they may hand some control over public institutional priorities to private actors. As such, the publicness of the institution may change as economic controls take the place of political oversight.

Thus, public policy makers, institutional administrators, and citizens should work to define ways to maintain meaningful control mechanisms. In a democratic society, creating a philanthropic aristocracy may result in control by private actors of quasi-autonomous

organizations that include both public and private entities. Thus, the provision of public services may be altered to conform to the visions of a few elite individuals, which indicates controllability and a quagotization of public institutions as a response to the operating environment.

One way to help ensure adherence to mutually agreed upon goals could be through plans that concretely define long-range visions and short-term strategic goals rooted in an understanding of the public good provided by higher education. Along with establishing a concrete public purpose for higher education, states will have to design governance structures that allow institutions the flexibility necessary to operate as quasi-autonomous organizations but ensure adherence to meeting state goals. This relates to the need to develop accountability mechanisms that ensure institutions are responsive not only to market functions but also public demands.

To ensure institutions are able to meet these goals, however, the state would have to commit to meeting funding requirements for projects in conjunction with finding additional funds from sources such as donation. Alternatively, there will be need for new accountability mechanisms, which are not easy to define in hybrid organizations. Either solution may help to balance economic control with continued political control. These are issues that states and public agencies must address as organizational hybridization increases as a result of public policy that grants autonomy and devolves funding responsibility to the public agency level.

### Section III:

Conclusions: The need for more research as public organizations reliance on philanthropy grows

This section has presented a review of the research including the rise of philanthropy in public organizations, particularly state higher education institutions and research methodology. The research suggests that there may be changes from political to economic control as institutions rely on donations, which represents a quagotization of public higher education. This is particularly important when mega-gifts, the definition of which depends on the context and purpose of the gift, are able to provide enough resources to create transformation in the organization. As such, priorities, visions, and publicness may change.

In this cases presented it suggests that institutional agendas may be set when faculty and administrators are able to connect with donors, however, it requires that agents of the state (university faculty and administrator) negotiate with donors, who are able to restrict gifts for particular purposes. Another interpretation is that there is no change as organizational actors negotiate to control the resources or organizational culture prohibits transformation. In either case, the outcome creates the need for strong leadership in the institution to ensure fulfillment of accountabilities to both states and donors. Therefore, these lines of inquiry will become more important as the institutions become more dependent on philanthropy. As such, future research should focus on expanding these case studies to enhance this research and elected officials, oversight bodies, and institutions should work together to address accountability mechanisms through public policy.

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## Appendix A: Recruitment Email

Email to interviewees

Subject: Request for interview related to a university donation

Dear X,

I am currently a Doctoral Candidate in Virginia Tech's Center for Public Administration and Policy. My dissertation research, entitled "Publicness, Priorities, and Mega-Gifts in State Universities: Does Money Change Anything?," focuses on the effects of mega-gifts in Virginia's public universities. The purpose of this research is to better understand the effects of declining state funding and increasing reliance on donors on priorities within public universities. This research is intended to better help public administration scholars, government officials, and faculty and staff of universities better understand the potential consequences of reliance on private funds.

I have identified "Donor X's" gift as a case study for this interview. As someone affiliated with (the recipient department/receipt of gift/or non-recipient but related department), I would like to interview you about the university following this generous donation. This interview will last no more than 60 minutes. While interviewees will not be compensated, your insights will be invaluable in helping better understand the understudied phenomenon of mega-gifts.

As someone who previously worked in the Development Department at the Smithsonian Institution and University of Virginia, I understand the sensitive nature of fundraising at the university. Therefore, I will take all possible steps to ensure any information you provide me with is not personally identifiable. Any information I gather in these interviews will be used only to provide insights into data already collected by examining official university record made publicly available. Your name, title, or department identity will not be used in any documentation or writings.

I would be happy to answer any questions or address any concerns you may have. Please feel free to contact me at 703-431-2001 or [webb@vt.edu](mailto:webb@vt.edu).

Sincerely,

Kathryn Webb Farley

Doctoral Candidate, Center for Public Administration and Policy  
Phone: (703)431-2001  
Email: [webb@vt.edu](mailto:webb@vt.edu)

Appendix B: University of Virginia Commission on the Future of the University Committee on Programmatic Initiatives “Big Ideas”  
Evaluation Tool

Committee on Programmatic Initiatives  
Appendix B

Evaluation Criteria									
	<b>Ranking Scale</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>		
	<b>0 = don't know/can't tell/not applicable, 1 = low, 5 = high</b>								
U	Addresses important needs in the nation & the world								
U	Differentiates the School and/or University from peer institutions								
U	Barriers to entry for others is high								
U	Potential competition can be outperformed								
U	Potential impact internally (incremental to transformative)								
U	Potential impact externally (incremental to transformative)								
									<b>0 subtotal</b>
V	Supports and sustains core mission								
V	Supports multiple missions (e.g. teaching, research, service)								
V	Promotes multi-disciplinary interaction								
V	Builds on existing strengths (e.g. location, talents, infrastructure)								
V	Strength of implementation team								
V	Essential to being a pre-eminent university								
									<b>0 subtotal</b>
A	Leverages important external partnerships								
A	Attracts important and identified constituencies (students, donors, faculty, patients)								
A	Enhances the reputation of the University with public audiences								
A	Financial resources needed exist or can be found								
A	External environment (e.g. national research agenda) favorable								
A	Plans for sustained funding sources								
A	Proposed structure is appropriate for programmatic goals								
A	New infrastructure needs are justified								
									<b>0 subtotal</b>
	<b>U = Unique Preeminence</b>								
	<b>V = Virginia (UVA) core institutional needs</b>								
	<b>A = Actively sustainable (i.e., fundable)</b>								
									<b>0 total</b>

Source: University of Virginia, 2007b

Appendix C: IRB Approval Letter

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## MEMORANDUM

**DATE:** December 2, 2010

**TO:** James F. Wolf, Kathryn Webb Farley

**FROM:** Virginia Tech Institutional Review Board (FWA00000572, expires October 26, 2013)

**PROTOCOL TITLE:** Publicness, Priorities, and Mega-Gifts in State Universities: Does Money Change Anything?

**IRB NUMBER:** 10-379

Effective December 2, 2010, the Virginia Tech IRB Chair, Dr. David M. Moore, approved the new protocol for the above-mentioned research protocol.

This approval provides permission to begin the human subject activities outlined in the IRB-approved protocol and supporting documents.

Plans to deviate from the approved protocol and/or supporting documents must be submitted to the IRB as an amendment request and approved by the IRB prior to the implementation of any changes, regardless of how minor, except where necessary to eliminate apparent immediate hazards to the subjects. Report promptly to the IRB any injuries or other unanticipated or adverse events involving risks or harms to human research subjects or others.

All investigators (listed above) are required to comply with the researcher requirements outlined at <http://www.irb.vt.edu/pages/responsibilities.htm> (please review before the commencement of your research).

### PROTOCOL INFORMATION:

Approved as: **Expedited, under 45 CFR 46.110 category(ies) 6, 7**

Protocol Approval Date: **12/2/2010**

Protocol Expiration Date: **12/1/2011**

Continuing Review Due Date\*: **11/17/2011**

\*Date a Continuing Review application is due to the IRB office if human subject activities covered under this protocol, including data analysis, are to continue beyond the Protocol Expiration Date.

### FEDERALLY FUNDED RESEARCH REQUIREMENTS:

Per federal regulations, 45 CFR 46.103(f), the IRB is required to compare all federally funded grant proposals / work statements to the IRB protocol(s) which cover the human research activities included in the proposal / work statement before funds are released. Note that this requirement does not apply to Exempt and Interim IRB protocols, or grants for which VT is not the primary awardee.

The table on the following page indicates whether grant proposals are related to this IRB protocol, and which of the listed proposals, if any, have been compared to this IRB protocol, if required.

Date*	OSP Number	Sponsor	Grant Comparison Conducted?

\*Date this proposal number was compared, assessed as not requiring comparison, or comparison information was revised.

If this IRB protocol is to cover any other grant proposals, please contact the IRB office ([irbadmin@vt.edu](mailto:irbadmin@vt.edu)) immediately.

cc: File