Original Research Article

Analysis of control rights in higher education budget management modes

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Abstract: This study analyzes higher education budget management modes from the perspective of control rights. Corresponding reform implications are proposed: first, enhance the autonomy of resource allocation for universities and their secondary colleges/departments, realize the transformation of higher education fiscal budget management from "compliance-oriented" to "performance-oriented", and achieve the shift from "university-run colleges" to "college-run university"; second, adjust the structure of higher education fiscal appropriation, increase the proportion of autonomous or quasi-autonomous funds, and strengthen the integration and coordination of project funds.
Keywords: higher education; budget management; control rights

1. Introduction

Zhou Xueguang proposed the control rights theory under the framework of property rights theory to analyze the principal-agent relationship within governments, dividing residual control rights (referred to as control rights) into three dimensions: goal-setting right, inspection and acceptance right, and incentive distribution right. The different combinations of these rights are key determinants of resource allocation structures and governance model changes. Goal-setting right refers to the power to formulate target tasks; inspection and acceptance right is the power to supervise and evaluate the completion of tasks; incentive distribution right involves the organization and implementation during the execution process as well as the power of rewards and punishments. Applying Zhou Xueguang's "control rights" theory to decompose the control rights in the higher education budget management process helps to understand and improve the existing management modes.

This study focuses on the combination and distribution of control rights in different budget management modes, explores the operational logic and existing problems of each mode, and puts forward targeted reform suggestions, aiming to provide theoretical support and practical reference for optimizing higher education budget management systems.

2. Analysis of budget management modes

2.1. Budget management modes between governments anduniversities

Governments allocate resources to universities through fiscal appropriations, and the use of various funds is determined by budget management between governments and universities. Governments act as principals, conveying resource allocation goals to university agents through superior-subordinate instructions or "task contracting". Different combinations of goal-setting right, inspection and acceptance right, and incentive distribution right result in different budget management modes. Taking universities directly under the Ministry of Education as examples, the specific combinations are shown in **Table 1.**

Table 1. Combination of control rights in budget management modes between governments and universities.

Allocation Mode	Planned Type	Quasi-planned Type	Quasi-autonomous Type	Autonomous Type
Goal-setting Right	Government	Government	Government	University
Inspection and Acceptance Right	Government	Government	University	University
Incentive Distribution Right	Government	University	University	University
Fund Structure	Project Funds ⟷ Basic Funds			
Resource Allocation Right	Government ⟷University			

2.1.1. Planned type

Governments hold the goal-setting right, inspection and acceptance right, and incentive distribution right. They directly control the entire process of budget formulation, execution, and inspection. Although universities may participate in the implementation process, they have almost no discretionary power and can hardly obtain residual control right benefits from the tasks.

2.1.2. Quasi-planned type

Governments retain the goal-setting right and inspection and acceptance right, but delegate the incentive distribution right to universities. That is, after setting goals, governments ensure universities complete budget tasks through inspection and acceptance, but do not interfere in the internal incentives of universities during budget execution. Although universities have certain residual control rights, governments still maintain strong control, hence the name quasi-planned type.

2.1.3. Quasi-autonomous type

After setting goals, governments delegate both funds and tasks to universities, and transfer the inspection and acceptance right as well as the incentive distribution right to universities. This mode grants universities considerable discretionary power, making them the actual owners of various control rights.

2.1.4. Autonomous type

Universities possess the goal-setting right, inspection and acceptance right, and incentive distribution right. Except for some targeted usage requirements and restrictions, universities have almost full discretionary power.

When the budget management mode is planned or quasi-planned, governments exercise the goal-setting right and inspection and acceptance right, maintaining strong control over funds. Universities have limited discretionary power in budget management and cannot use surplus funds independently, which weakens their ability and motivation to optimize resource allocation. In contrast, autonomous and quasi-autonomous modes transfer the inspection and acceptance right from governments to universities, enhancing universities' ability and motivation to optimize resource allocation, but the government's guidance and management of universities will be weakened. In this case, third-party evaluation institutions can be introduced as a buffer between governments and universities to evaluate the performance of universities' resource allocation. This not only grants universities sufficient autonomy but also enables third parties to guide universities' resource allocation behaviors on behalf of government departments.

2.2. Budget management modes between universities and colleges/departments

In the principal-agent relationship within universities, due to information asymmetry, secondary colleges/departments (referred to as "colleges" below for convenience) as agents may deviate from the university's interests to maximize their own interests. Therefore, it is necessary to design an incentive-compatible mechanism to align the interest goals of secondary colleges with those of the university to the greatest extent, without hindering the colleges' performance of duties and while motivating their enthusiasm.

Based on different combinations of control rights, the budget management modes between universities and colleges can be divided into four types: university-centralized, quasi-university-centralized, quasi-college-autonomous, and college-autonomous (see **Table 2**).

Table 2. Combination of control rights in budget management modes between universities and colleges.

University-College Decentralization Mode	University Centralization	Quasi-University Centralization	Quasi-College Autonomy	College Autonomy
Goal-setting Right	University	University	University	College
Inspection and Acceptance Right	University	University	College	College
Incentive Distribution Right	University	College	College	College
Resource Allocation Right	University ⟷ College			

In the university-centralized or quasi-centralized mode, the university controls the budget. While the university holds the goal-setting right and inspection and acceptance right, it restricts the autonomy of colleges. On one hand, colleges lack motivation to optimize resource allocation because they cannot use the saved funds independently; on the other hand, various colleges try to apply for as much budget as possible from the university, even through fraudulent means. In contrast, the college-autonomous or quasi-autonomous mode is dominated by college-controlled budgets. Undoubtedly, colleges in this mode have stronger ability and motivation to optimize existing resources and are more conducive to the overall planning of resources by colleges. It can be seen that implementing scientific two-level management between universities and colleges is an important means to ensure the optimization of higher education fiscal resources.

3. Conclusion

3.1. Enhance the autonomy of resource allocation

Focus on improving the autonomy of resource allocation for universities, properly handle the relationship between centralization and decentralization, shift the focus from process supervision to effect evaluation, and continuously promote the separation of "management, operation, and evaluation". To realize the transformation of public university fiscal budget management from "compliance-oriented" to "performance-oriented", third-party evaluation institutions can be introduced as a buffer between governments and universities to evaluate the budget performance of each university. This not only grants universities sufficient autonomy but also enables third parties to guide universities' resource allocation behaviors on behalf of government departments. Similarly, universities should also realize the transformation from "university-run colleges" to "college-run university" and construct a budget formulation mode with secondary colleges as the main body. Transfer the focus of financial power matching with administrative power downward, reduce the proportion of funds directly managed by the university, increase the total amount of funds disposable by secondary colleges, and enhance colleges' independent power in fund use. Under the guidance of the university's strategy and performance goals, colleges should formulate their own resource allocation plans and optimize resource allocation.

3.2. Adjust the structure of higher education fiscal appropriation

Increase the proportion of autonomous or quasi-autonomous funds, reduce the proportion of planned or quasi-planned funds, continuously eliminate unreasonable restrictions on the use of public university fiscal funds by governments, and enhance universities' ability of resource coordination and their enthusiasm and initiative in optimizing resource allocation. Meanwhile, strengthen the integration and coordination of project funds, and realize the transformation of public university project-based governance from fragmentation to integrity. It is necessary to consider the overall situation, strengthen project integration, promote the overall use of fiscal funds, and avoid problems such as fixed fund investment and fragmented use.

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