Mergers and Consolidations in Higher Education
Mergers and Consolidations
The Role of Governance

• Governance structures play an essential role in the consideration of mergers and consolidations in higher ed

• When institutions are chartered by the state, however, the legislature, not the governing board may have the final say

• The US has essentially three HE governance models
  - Single governing board for all HE insts. (NY, Georgia)
  - Multiple systems of insts, each with a governing board, and a state coordinating board (Calif, Texas)
  - Each institution has its own governing board (Ohio, SC), with a state coordinating board
Mergers and Consolidations

Recent Examples
The University of Maine System (UMS)

- UMS – 7 Campus System with single governing board led by a chancellor serving some 35K students
- Institutions are statutory and range in size from 12K to less than 1K
- UMS facing projected $70M shortfall by 2019
- In 2015, chancellor consolidated all administrative functions across the system and relocates system staff to institutions, eliminating central system office
- Campus closings considered and rejected
The University of Maine System

• New consolidation plan recently enacted:
  - University of Maine Orono assumed all administrative functions for University of Maine Machias, including one president for both institutions
  - Two other small campuses coalesced major administration functions but each retains name and identity
  - UMS established professional school center with consolidated MBA, law and public policy programs in Portland

• Consolidations plus previous unification of administrative operations projected to eliminate most of projected budget shortfall
UMS Mergers and Consolidations

• After 12 years and several false starts, meaningful consolidations finally achieved

• Lessons learned
  - From inception, actions driven by fiscal stress not improved academic performance and student success
  - Mergers/consolidations considerations complicated by statutory nature of the institutions and existence of faculty and staff unions
  - Actions also complicated by frequent leadership changes
The University of Georgia System (UGS)

• Prior to 2012, UGS was a 35 institution system with a mix of 2 and 4-year institutions

• Institutions range in size from 51+K at Georgia State University to 2.5 K at Bainbridge State

• Hank Huckabee, former legislator and university administrator, appointed chancellor in 2011

• Huckabee made consideration of mergers and consolidations to *better serve students* a major priority

• Board endorsed effort
The University of Georgia System

• Chancellor developed principles to guide consideration of mergers, which the board adopted

• Principles
  - Increase opportunities to raise education attainment levels.
  - Improve accessibility, regional identity, and compatibility.
  - Avoid duplication of academic programs while optimizing access to instruction.
  - Create significant potential for economies of scale and scope.
  - Enhance regional economic development.
  - Streamline administrative services while maintaining or improving service level and quality.

• Commitment to reinvest savings in student success
The University System of Georgia

• UGS staff conducted intensive analysis of potential mergers that would meet the 6 principles
• No public engagement
• Chancellor announced merger proposal a few days before Board meeting, at which they were approved
• Name of institution and its leader announced as part of Board approval
• Consolidation committees appointed immediately
The University of Georgia System

• Process to seek accreditation (SACS) of new institution begun immediately

• Timeline for first round of mergers
  - Jan 6 Chancellor announced merger recommendations
  - Jan 11 Board approved recommendations
  - Jan 20 Chancellor appointed consolidation committees with 600 tasks and Sept 1 deadline
  - Sept 1 accreditation of new institution sought
  - Dec 15 SACS approved accreditation and merger complete

• To date 9 such mergers have taken place, reducing UGS institutions from 35 to 26
The University System of Georgia

• $26M of savings produced to date, all of which have been reinvested in academic programs and student success at the merged institutions
• Names of merged institutions preserved in some form
• Faculty tenure respected
• Attempts were made to relocate staff who lost positions within UGS
• Foundations at impacted institutions in the process of merging
The University System of Georgia

• Merged institutions have been generally positive about the actions
• Private sector, legislature, general public overwhelmingly positive
• Moody’s praised the actions
• Lessons learned
  - Single governing board for all of higher ed a positive
  - Fact that consolidations do not require legislative approval was critical
  - Focus on student success, not budget reductions, disarmed critics
  - Confidentiality of review and speed of process essential
  - United front of Board and Chancellor prevented back channels
Pennsylvania State System of Higher Education

• PSSHE – a system of 14 institutions, serving some 120K students and led by a chancellor

• Institutions range in size from 16,000 to 700 students

• PSSCHE faced repeated years of enrollment declines and budget cuts

• Hired consultant, NCHEMS, to conduct review, including the possibility of closures and mergers, and make recommendation to stabilize institutions
Pennsylvania State System of Higher Education

• Consultant report just issued
• Recommends against any closures or mergers
• Calls for consolidated regional service centers to reduce administrative costs
• Calls for campuses to place more emphasis on local workforce development
• Calls for less politicized governance structure and greater campus autonomy to make needed changes
Texas AM University System

• Texas AM System – a 14 institution system serving 145K students and led by a chancellor
• System grew to current size by incrementally adding already existing campuses, with 8 joining since 1989
• In 2016, Chancellor proposed merger of two campus, which was met with strong opposition; effort abandoned
• Chancellor launched effort to consolidate business operations
• Grounds and dining operations outsourced under a single System contract
• Plans to create a single IT operation just approved by the board
Conclusions

• With the notable exception of UGS, successful mergers and consolidations in HE are relatively rare
• UGS has legislative authority to merge institutions, which is also rare
• Absent that authority, final decisions must be made by the legislature, which complicates the process
• UGS wise to establish guiding principles for the merger process and to frame the effort in terms of better serving students
• Creating consolidated and collaborative administrative centers serving multiple institutions more common than mergers and can produce savings
Consolidations and Mergers
Possible Options for Oklahoma

• Create a set of collaborative administrative centers serving multiple institutions with a commitment to reinvest savings in student success

• Develop Oklahoma appropriate principles for consideration of mergers and consolidations, focused on student access, success and workforce needs

• Charge OSRHE to serve as facilitator/mediator for pairs of institutions willing to develop consolidation or merger plans, with commitment to reinvest any savings back into the new institution(s)

• Direct OSRHE to work in partnership with the higher education institutions to develop a comprehensive merger/consolidation plan for Oklahoma higher education with savings reinvested in merged institutions