

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