



College and University Mergers: Recent Trends

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Context

Given the current economic turbulence characterized, in part, by unprecedented business consolidations, talk of mergers has spread to higher education.

At first glance, merger discussions may seem more appropriate to the corporate world than academe because American colleges and universities were not created in accordance with a centralized national plan or business organizational chart. Instead, they were partly established according to the needs of American settlers spreading throughout the country. Political forces in new and growing communities also played a role. As prominent higher education scholars point out, there were even instances where a higher education institution was situated in a community as a “consolation prize” for the community’s having lost a bidding war for a mental health facility or a penitentiary.¹

This free-wheeling history notwithstanding, American higher education *does* also have a history of mergers. Many involve two or three institutions; however, larger mergers have also taken place. For example, in 1971 the former University of Wisconsin system began a merger process with the former Wisconsin State Universities system to create one system, completing the process in 1974. In 1995, 21 Minnesota community colleges, 34 technical colleges, and seven state universities were consolidated to create a new Minnesota State Colleges & Universities system consisting of five community colleges, 12 merged community and technical colleges, and seven state universities. In 2006, the Medical University of Ohio and the University of Toledo merged, thus becoming the third-largest public higher education institution in Ohio.

What characterizes the current generation of proposed and completed mergers in American higher education? This paper explores the growing complexity of higher education mergers and considers their various pros, cons and ramifications.

¹Brubacher, J. S., & Rudy, W. (1997). *Higher education in transition: A history of American colleges and universities* (fourth edition). New Brunswick, New Jersey: Transaction Publishers.

Observations

College and university mergers are becoming increasingly complex.

A snapshot of recent proposed or actual mergers in American higher education includes the following:

- A proposed three-way partnership between a state, a for-profit higher education corporation and a private not-for-profit college. This merger would save the college from permanent closure (the state of New Mexico, Laureate Education and the College of Santa Fe).
- A proposal to merge a flagship university and a regional college system (the University of Vermont and the Vermont State College system, which consists of Castleton State College, Johnson State College, Lyndon State College, Vermont Technical College and the Community College of Vermont).
- An “administrative merger” of 13 technical colleges in a state college system, creating six larger colleges (the Technical College System of Georgia).
- A separate proposal in the same state college system (above) to merge a community college system with the technical college system (the University System of Georgia’s eight community colleges would merge with the Technical College System of Georgia).
- A potential bicoastal merger of two private not-for-profit Seventh-day Adventist institutions (Loma Linda University, California and Atlantic Union College, Massachusetts).
- A merger of a community college and a vocational school (Pueblo Community College and San Juan Basin Vocational School, Colorado).
- A nontraditional private education college signing a letter of intent to affiliate across state lines with a private school of psychology (Pacific Oaks College, California and The Chicago School of Professional Psychology, Illinois).

- A United Methodist Church-affiliated university in financial difficulty exploring the prospects of being merged into its state university system (Lambuth University, Tennessee).
- A merger between a private not-for-profit university specializing in Jewish culture and literature and the Hebrew language and a regional state university (Baltimore Hebrew University and Towson University, Maryland).

This list does not include mergers completed within the past few years, such as the merger of New York University (New York) and Polytechnic University (New York).

These mergers run the gamut from a for-profit corporation allying with a state and a not-for-profit college to a not-for-profit religious institution considering a merger into a state university system. The common thread is cost savings, but the ramifications—particularly in the case of more intricate mergers—are not only financial, but academic and legal.

As the Middle States Commission on Higher Education reminds those considering mergers, “Most institutions of higher education are corporations established under the provisions of state law, and may have legal responsibilities (holding title to real property, for example) that may require the continued existence of the corporation after the educational activities of the institution have been terminated” (Middle States Commission on Higher Education, 2009). Institutions must meet not only their educational and financial obligations to affected students, but their obligations to faculty, staff and donors as well as state and federal agencies.

Institutions of higher education functioning simultaneously as not-for-profit corporations and academic entities present complications that generally do not occur in a corporate merger. For example, most businesses undergoing a merger do not have to deal with the associated legal ramifications posed by special collections, endowments, wills and special trusts set up

by donors to a college. A college or university, however, must take these into account. It may even need to discuss the merger at length with donors, estate executors and other stakeholders outside the institution. This would help ensure that the stakeholders' intent (in terms of donated funds or collections) is carried out and decrease the risk of the college or university being sued by any or all stakeholders as a result of the merger process.

As part of a merger, the merging institution must also complete all legal actions necessary to ensure that obligations to its students are carried out. In the case of students being permitted to receive their degree from a merged institution, as Middle States points out, this includes making arrangements "with the appropriate state and accrediting agencies in advance in order to assure that the degree is awarded by a legally authorized and accredited institution" (Middle States Commission on Higher Education, 2009). This is only one of the lengthy processes required in a merger.

This brief discussion of issues that surface during a merger illustrates how convoluted the process can be for two merging not-for-profit institutions. Factoring in special issues pertaining to public institutions (e.g., the necessity for legislative approval), as well as issues specific to for-profit institutions owned by corporations with shareholders (as opposed to either public or private not-for-profit institutions), the ramifications—and costs—of cross-sectoral mergers become even more complex.

Simultaneous and contradictory movements are occurring toward centralization and decentralization of public higher education. This is not a new trend. As Ami Zusman comments, "At the campus level, the past two decades have seen contrary movements toward more centralization and more decentralization of authority."² However, this makes potential mergers more difficult to

²Zusman, A. (2005). Challenges facing higher education in the twenty-first century. In P. G. Altbach, R. O. Berdahl, & P. J. Gumpert (Eds.), *American higher education in the twenty-first century: Social, political, and economic challenges* (second edition) (p. 160). Baltimore, MD: The Johns Hopkins University Press.

both evaluate and explain to internal and external stakeholders. Ultimately, there is no single example to point to regarding cost savings or efficiency; the case can be made for both centralization and decentralization depending on the particular set of institutions, state demographics and other unique variables involved.

Economic hardship, the rise of the for-profit higher education sector, and the simultaneous and contradictory movements noted above are prompting an overall examination of public and private not-for-profit higher education in terms of efficiency and cost savings. As the for-profit higher education sector—known for its focus on cost-efficient delivery of higher education services (particularly to nontraditional groups that find it more difficult to attend other types of institutions)—becomes more prominent in American higher education, politicians and other stakeholders have asked why "traditional" higher education cannot follow suit.

Due to the intricacy of the modern higher education enterprise, this becomes an exceedingly nuanced discussion. Even the language used (such as "administrative costs" and "instructional costs") includes umbrella terms covering myriad roles and functions within individual campuses as well as a multi-campus system. Finding cost savings in the public and private not-for-profit higher education sectors requires close scrutiny of institution and system operations to understand what might be consolidated and what might appear redundant at first glance but is actually necessary.

In terms of mergers in the public sector, a particular problem is merging two parts of one state system of higher education without adversely affecting the different missions and populations served by the system's components. For instance, the proposed merger between the University of Vermont and the Vermont State Colleges system would combine two very different types of institutions. The majority of the student population at the University of Vermont is from out of state; the institution receives less than 10 percent of its budget from the state and largely relies on out-

of-state tuition for financial support. By contrast, the Vermont State Colleges' student population is overwhelmingly from Vermont, with 51 percent of the student population being the first in their families to attend college.

Both the president of the University of Vermont and the chancellor of the Vermont State Colleges have expressed reservations about whether the governor's proposed merger plan would yield significant savings. They agree, however, on the need for the two entities to discuss ways to collaborate to cut costs for Vermonters and complement each other's educational offerings. They have suggested collaborative alternatives short of a full merger, citing the recent move of the University of Vermont's dental hygiene program to the state colleges and potential collaborations in teacher education and agriculture as some examples.³

This illustrates the delicacy involved in prospective mergers between state institutions whose public service missions and populations are not—and were not designed to be—identical.

Conclusion

Mergers are part of the historical cycle of American higher education and not aberrations stemming from the current recession. As such, it is prudent for state and institutional decision-makers to examine the history of higher education mergers when considering merger proposals.

The current economic climate means that cross-sectoral mergers may become more common in American higher education. With the recent advent of “vulture capitalists” (those who invest in struggling firms expecting them to turn around) eyeing higher education as yet another potentially

profitable business sector, specialized merger issues in the cross-sectoral area—including accreditation, educational quality, conflicts of interest, global ownership and others—will undoubtedly materialize.

In addition to consulting the history of previous mergers, the potential efficiencies of public-sector mergers should be carefully examined with respect to the unique mission of public higher education. American public higher education's roots are decentralized and tangled in a web of differing governance structures, population shifts, and a locus of control fixed at the state rather than federal level. Imposing mergers on public higher education without attention to this unique history may not ultimately be in the best interests of students, parents and taxpayers.

This is *not* to say that mergers are never a good idea or that duplicative programs and services should not be evaluated for consolidation or merger. However, even during a recession, care should be taken to balance both the budgets and unique missions—including institutional culture, populations served, public service missions, programmatic needs and local workforce development needs. Given the disparate missions of institutions within state higher education systems (ranging from community and technical colleges to flagship land-grant universities), potential state higher education mergers must be considered not only in terms of cost/benefit analysis, but what effect they have on states' educational and public service missions.

Resources

Association of Governing Boards of Universities and Colleges (AGB). www.agb.org/

Middle States Commission on Higher Education (2009). *Closing or merging a postsecondary institution*. Available from www.msche.org/?Nav1=POLICIES&Nav2=INDE

³Vermont college merger plan getting chilly reception (April 20, 2009). *Community College Week*, p. 9.