AN *INSIDE HIGHER ED* SPECIAL REPORT

# The Growing Role of Mergers in Higher Ed

INSIDE HIGHER ED

# Executive Summary

Colleges and universities find themselves facing an uncertain future as student populations shift, financial pressures mount and skepticism rises about the value of a higher education. In the coming years, presidents and boards of trustees may very well find themselves fighting for the survival of their institutions—if they aren't already.

Smart leaders do more than hope to keep their heads above water. They seek strategies to navigate the coming waves, or to improve their position if they are already confident in their course. One such strategy is merger.

Mergers and acquisitions carry a stigma in higher education, where every college professes a fierce dedication to its own unique mission and the barriers to major institutional change seem dauntingly high. Concerns about preserving mission, dealing with faculty members, pleasing alumni and overcoming a culture that has long encouraged silence about problems can make the idea of pursuing a merger seem like an insurmountable challenge.

But talking about a merger doesn't guarantee a battle between constituencies on campus. Nor does it amount to a betrayal of an institution's identity.

A well-thought-out merger process can help presidents, boards, faculty members, students and staff members understand where a college stands and where it must go in order to preserve its mission and values into the future. Such a process can be successful even if it does not result in a consummated merger. It can help leaders choose from a range of actions: perhaps a strategic partnership with another college that doesn't quite amount to a full merger, or maybe a specific plan for trimming expenses and refocusing student recruitment.

Without assuming a merger is the best strategy for every institution, this report aims to serve as a guide for considering the strategy. To address practical concerns, it sketches out a basic framework around which leaders can build their own merger process, and it includes sidebars on important stumbling blocks such as approaching accreditors and talking to faculty. To answer the question of why any college would consider merging, it explores the data and projections that cause leaders to worry about the future of their institutions. For those who want to learn from others' experience, it features several case studies examining colleges that have successfully merged—and looking at some that have tried and failed.

The point is not that any institution should or should not merge with another. It is that colleges and universities of all types and sizes could benefit from asking the question "Should we merge?" and then answering it calmly and strategically. ■

Source: Wheelock College

# Table of Contents


**Executive Summary** i

**Introduction: A Tale of Two Mergers** 1

At a Glance: What's in a Label? 2

**Why Mergers Matter Today** 4

Grim Projections 6

Who Is Merging 15

At a Glance: Why Haven't We Seen More Mergers? 18

**The 2018 Tale of Two Massachusetts Mergers** 21

Wheelock's Process 23

Mount Ida's Process 26

What the Acquirers Saw 29

**Anatomy of a Merger** 33

Prepare Internally 34

Find Partners 35

Perform Due Diligence 36

Sign a Nonbinding Memorandum of Understanding 36

Sign an Agreement 37

Put the Agreement Into Effect 37

Key Considerations: The Faculty Role 38

Key Considerations: The Legal Aspects 39

Key Considerations: When to Talk to Accreditors 41

Key Considerations: The Human Element 44

Key Considerations: Checking With the Feds 46

**When It Works** 47

Berklee College of Music and Boston Conservatory 48

George Washington's Growth 49

Case Study: Going the Distance 50

At a Glance: What's Out West? 55

**Things Fall Apart** 56

An Unfinished Deal in Upstate New York 56

Fordham Folds a Women's College 58

Disagreements Decades in the Making 59

**Institution Type Matters** 61

How Public Mergers Are Different 61

Case Study: A Public and Private Say No 67

Deals With For-Profits 69

**Weighing the Costs and the Benefits** 71

**What's the Alternative?** 75

**Additional Reading** 80


Source: Cydney Scott for Boston University Photography

# Introduction: A Tale of Two Mergers

On the last Tuesday of August 2017, Wheelock College and Boston University said they were entering merger talks. Forty-three days later, they announced a deal to have Wheelock become a part of Boston University.

In late February 2018, Mount Ida College and Lasell College revealed their own merger discussions. Those talks were dead before the end of March. Then in early April, Mount Ida revealed that its land would instead be acquired by the University of Massachusetts. Mount Ida would cease to operate.

In some ways, the two cases weren't so different. Wheelock and Mount Ida were both ending their existence as independent institutions in the face of intense enrollment and financial pressures. Parts of both were being folded into much larger, better-off institutions.

But in important ways, the two colleges secured very different fates. Wheelock's name was to live on at Boston University as the Wheelock College of Education & Human Development, and operations were to continue on its campus for the immediate future. Wheelock students were granted the ability to matriculate at nearby BU, and most indicated they would do so. Some faculty and staff members were offered positions at the much larger and better-resourced BU.

Mount Ida, on the other hand, would watch its students and campus divvied up by different institutions within the public University of Massachusetts system. Students in good standing were to be offered admission to UMass Dartmouth, some 60 miles away. UMass Amherst, the system's flagship campus 90 miles away, would receive Mount Ida's 74-acre campus. The nearby UMass Boston was to receive nothing aside from the prospect of transfer students.

The UMass arrangement soon came under intense scrutiny from students, parents and public officials as confusing and conflicting details trickled out. Many students in Mount Ida specialty programs without matches in the UMass system waited anxiously to hear about teach-out plans. Massachusetts Board of Higher Education chairman Chris Gabrieli described the situation as a "hot mess."

Massachusetts wasn't the only state wrapped up in a hot merger mess in April—nor were private colleges alone in driving the conversation. In neighboring Connecticut, the Connecticut State Colleges and Universities system reeled after its accreditor rejected a plan to merge 12 community colleges. The Pennsylvania State System of Higher Education grappled with its future after two different reports released less than a year apart came to conflicting conclusions about whether mergers were appropriate for its 14 universities.

Despite the many struggles playing out last spring, hopes remained high for Wheelock and Boston University. Recent history shows other examples of mergers that were in many ways successful, like Middlebury College's addition of the Monterey Institute of International Studies in 2010, or the merger of Philadelphia University and Thomas Jefferson University in 2017. Among public institutions, the University System of Georgia pulled off a string of consolidations starting in 2011 with relatively little drama.

While every situation had its unique factors, it's still valuable to ask what the leaders steering each deal did differently. In the cases of the Boston-area mergers, why was Wheelock able to secure an agreement satisfying more

# WHAT'S IN A LABEL?

This report frequently uses the term "merger" in the broad sense of any combination of two institutions. But the labels "mergers" and "acquisitions" can be used more specifically to describe two distinct types of transaction.

In the corporate world, a merger is the combination of two entities of the same approximate size and standing. Executives from both precursor institutions are retained, and stockholders from both companies go on to hold shares in the merged business. Little if any cash changes hands in a true merger. Think of the merger completed in September 2017 between the Dow Chemical Co. and E. I. du Pont de Nemours and Co. into DowDuPont. Dow shareholders received a share of the new company for every share they owned, and DuPont shareholders received 1.282 shares for each of their shares.

In an acquisition, one institution takes ownership of another, either by buying enough shares to assume control of the corporate entity in what is called a stock sale or by purchasing parts of a company in what is called an asset sale. In an example of a deal including both a stock and asset sale, Bayer closed an acquisition of Monsanto valued at $63 billion, including outstanding debt assumed, by paying $128 per share in June 2018. To satisfy regulators, Bayer planned to sell agricultural businesses assets to BASF for 7.6 billion euros, or about $9 billion.

*CONTINUED ON THE NEXT PAGE*

## *WHAT'S IN A LABEL?*

***CONTINUED***

Higher education has generally avoided publicly using the word "acquisition," instead stretching the term "merger" to cover almost any transaction. In many cases, this is done because of the political sensitivities involved in bringing together two institutions with two distinct cultures and constituencies.

Nonetheless, most M&A activity among colleges and universities fits the definition of acquisitions.

"I would say most merger discussions are not truly the merger of equals, no matter how often they're presented that way," says Chris Gabrieli, chairman of the board of the Massachusetts Department of Higher Education. One side usually needs the merger more, and that side is usually in the weaker position.

Mergers will have to win accreditor approval, so it should be noted that accreditors consider them complex substantive changes that can trigger other types of accreditation changes.

"We often find that institutions refer generally to mergers while we work with them to determine the appropriate category for the transaction," said Heather F. Perfetti, vice president for legal affairs and chief of staff at the Middle States Commission on Higher Education, in an email.

Higher ed boards and administrators may very well choose to announce all types of M&A transactions as mergers if they feel it is appropriate. But they should be open and honest with themselves about the essence of the transactions. And they shouldn't be surprised if press coverage of the deals is specific about their true nature. ■

of its constituents than was Mount Ida? Did leaders there approach the merger process differently or follow a distinctive pathway? Could either institution have realistically done better for itself? How did those in charge at Boston University and the University of Massachusetts approach the situations?

Contrasting the Boston-area merger attempts and studying higher ed mergers elsewhere provides insights that can be applied to other situations. Such studies also prompt broader questions to answer. Which constituencies need to be heard from when a merger is on the table—and how should each group be valued? What unique considerations do leaders of public institutions need to take into account?

Many of those questions are complex and challenging to answer. Before a campus's leaders can address them, they must tackle two other questions: Why do mergers seem to be discussed with increasing frequency in higher education? And where are they most likely to take place? ■

# Why Mergers Matter Today

Virtually every indicator points to colleges and universities coming under increasing stress from all sides in the future.

Revenues have struggled to keep up with rising expenses as cash-strapped states limit new funding for universities and as increasing discount rates at private institutions eat into money that would otherwise be captured from rising tuition sticker prices. Borrowing has increased in some cases, adding the pressure of increased debt service onto annual budgets. Higher education's image has taken a beating as talking heads question the value proposition of a traditional bachelor's degree, as alternatives like boot camps gain attention and as surveys show certain members of the public holding colleges in lower esteem.

Most importantly, national population projections show significant declines in the number of high school graduates entering the college pipeline in coming years, narrowing the student populations that serve as the lifeblood of traditional educational enterprises. While institutions short on students can hope to educate more adult or minority students—or more students from any number of other populations—doing so is much easier said than done and requires resources for education and marketing that many floundering colleges lack.

Against that backdrop, struggling colleges and universities might decide merging is a better option than alternatives like shrinking, slashing student services, cutting educational offerings or shutting down. They also might decide merging is a more realistic option than growth strategies like adding new programs, changing missions or building online offerings. Or strong institutions might choose mergers and acquisitions as a way to grow and adapt to market changes. Successful institutions with the capacity to attract many more students in landlocked urban areas may find mergers attractive as a way to access additional real estate.

Before such strategies can be considered, it's important to understand exactly what is happening to the market for higher education across the country.

Recent discussions of mergers and closures tend to start in one of two places. The first is Harvard Business School professor Clayton Christensen, who has famously predicted for nearly a decade that as many as half of American universities will soon close or go bankrupt. The second is a 2015 projection by Moody's Investors Service that the number of annual small-college closures would triple in the coming years to 15, while the number of mergers would double to between four and six—or more.

The financial soothsayers have hardly walked back such predictions since then. Christensen has not backed down from his predictions. And in December 2017, Moody's predicted operating revenue for four-year colleges would lag behind expense growth by half a percentage point in the coming 12 to 18 months as tuition, state appropriations and research funding growth slows. Two months later, the ratings agency warned that international enrollment was reversing a decade-long expansion, depriving some universities of an important source of high-paying students.

"On the fundamental net tuition front, it's almost one in five colleges that are really struggling," says Dennis Gephardt, a vice president at Moody's. Add some expense pressures on the other side of the ledger, and the question becomes how sustainable operations are at many institutions, he adds.

The concerns aren't just coming from two sources. S&P Global Ratings wrote in January that institutions could find themselves at a crossroads as students simultaneously demand better services and more affordable prices. The most selective institutions and many open-access institutions were still seeing enrollment increases, but those in the middle were increasingly struggling. S&P projected that "institutions with limited flexibility, whether that be in programming, financial operations, enrollment, resources, or student draw, could face credit pressure in the upcoming year."

College and university chief business officers have become more likely to agree in recent years that higher education is in the midst of a financial crisis. In 2015 just 56 percent agreed with the idea of an ongoing financial crisis when an annual *Inside Higher Ed* survey asked. Two years later, 71 percent agreed.

## Percentage of Chief Business Officers Saying Media Reports That Higher Education Is in the Midst of a Financial Crisis Are Accurate

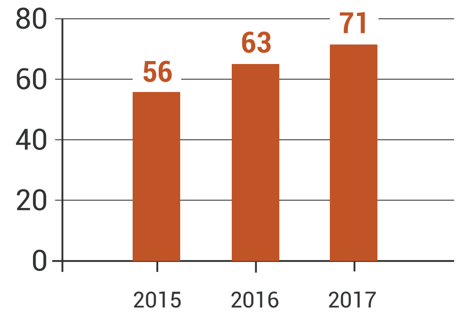



Figure 1.1
Source: The 2017 *Inside Higher Ed* Survey of College and University Business Officers

But administrators also demonstrate some optimism when it comes to their own institutions' prospects. In 2017, a majority of surveyed chief business officers, 56 percent, were confident their institutions would be stable over the next five years. Almost half, 48 percent, were confident their institutions would be stable over 10 years. The optimism was even more pronounced in a 2018 survey of presidents conducted by *Inside Higher Ed*, which found 63 percent of presidents were confident in their institutions' stability over five years and 53 percent were confident over 10 years.

Some might call those administrators bullish on higher education. Others might call them ostriches.

Leaders can't be faulted for believing in their college or university—part of their job description is to see the best in an institution and guide it toward future success. But administrators will be faulted if their institution collapses underneath them because of a lack of foresight. ■

**Total U.S. Public and Private High School Graduates, 2000-01 to 2031-32**

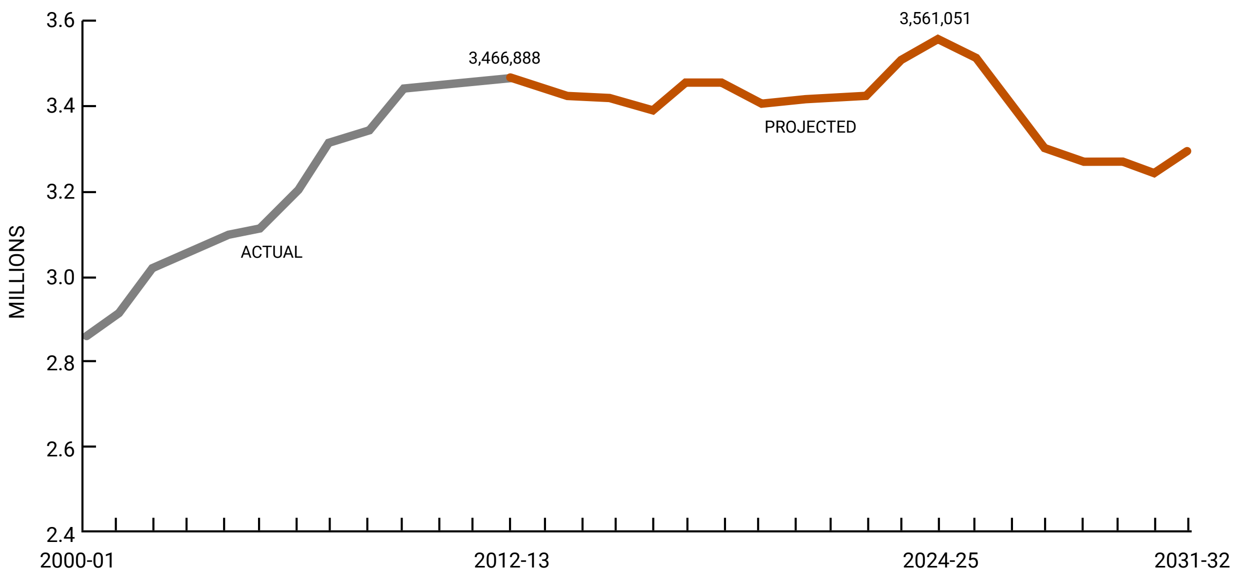



Figure 1.2
Source: Western Interstate Commission for Higher Education

# Grim Projections

And the fact remains that the outlook is stark. The number of high school graduates in the country peaked at 3.47 million in 2013, according to data and projections released in late 2016 by the Western Interstate Commission for Higher Education. It won't recover to 2013 levels until 2024 and will drop off sharply soon after that.

Of greater importance to individual colleges and universities is where high school graduates will be located and who they will be. Fewer students are expected to graduate from private high schools. Fewer will be in the college-dense regions of the Northeast and industrial Midwest. Fewer students will be white, and more will be students of color.

The number of white public high school graduates was 1.84 million in 2013, according to WICHE. It will fall by approximately 114,000 students by 2025.

Declines in the number of white high school graduates will be offset by growth in the non-white population—but not all groups will see their numbers grow. The number of black public high school graduates, which was about 474,000 in 2013, will slip by 3,000 or so students through 2025. The number of Hispanic high school graduates, which totaled some 640,000 in 2013, will rise by 277,000 by 2025. The number of Asian and Pacific Islander high school graduates will climb from 184,000 in 2013 to 210,000, and the number of American Indian and Alaska Native high school graduates will slide from 32,000 in 2013 to 25,500 in 2025.

Slicing the demographics when projecting college enrollment matters, because white students have traditionally been more likely to graduate from college than members of most other racial or ethnic groups. As of 2017, about 54 percent of white adults who

## Projected Cumulative Change in U.S. High School Graduates After School Year 2012-13, by Race/Ethnicity

Figure 1.3

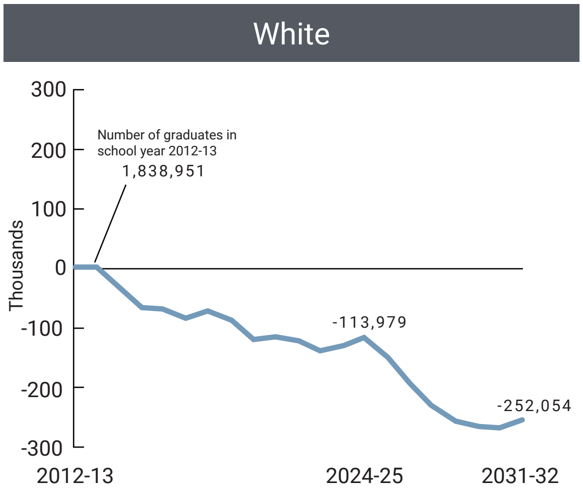



Figure 1.4

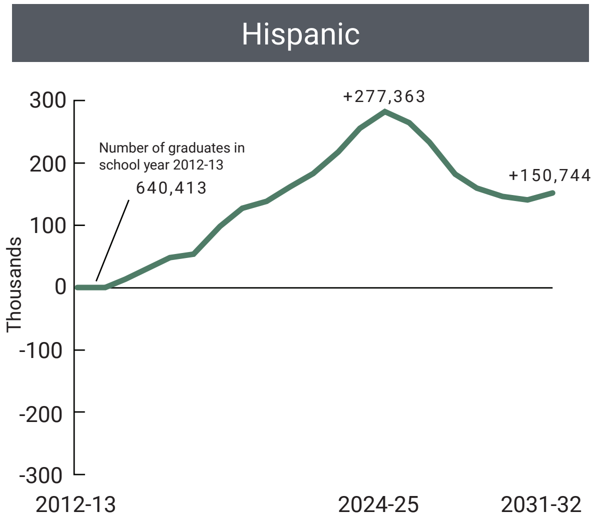



Figure 1.5

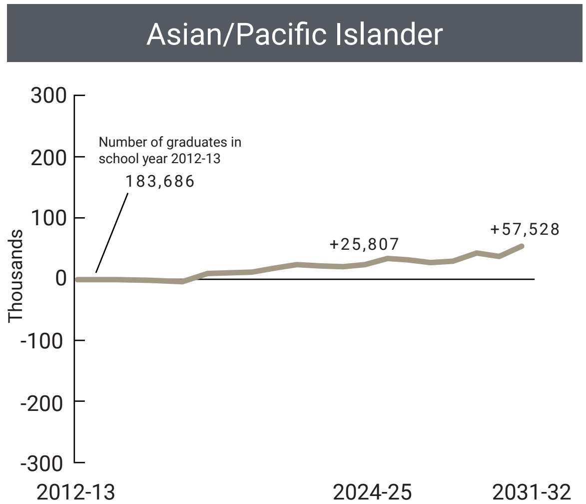



Figure 1.6

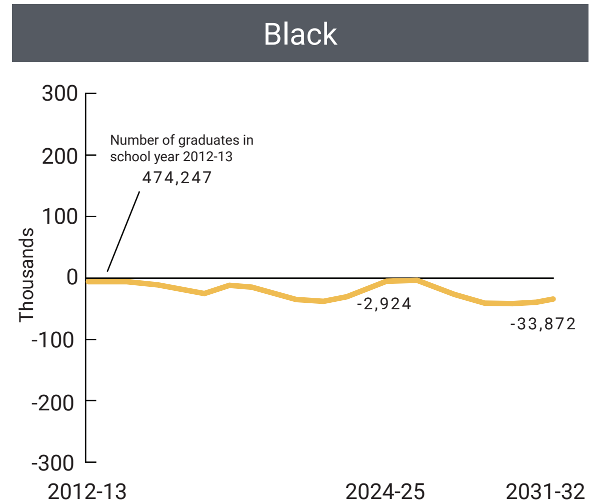
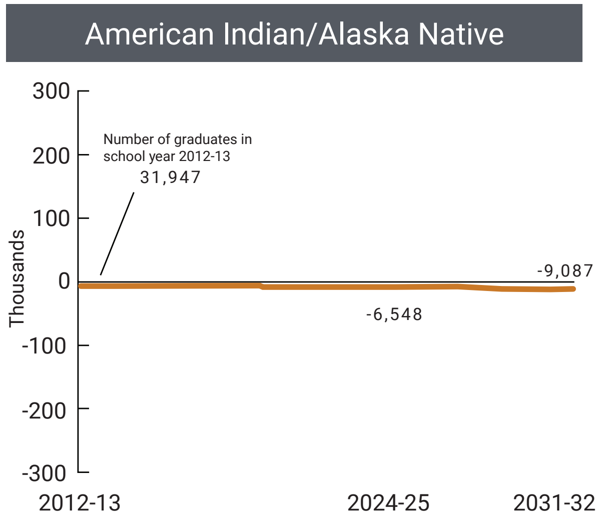



Figure 1.7



## Percent of 25- to 29-Year-Olds With an Associate Degree or Higher, 2017

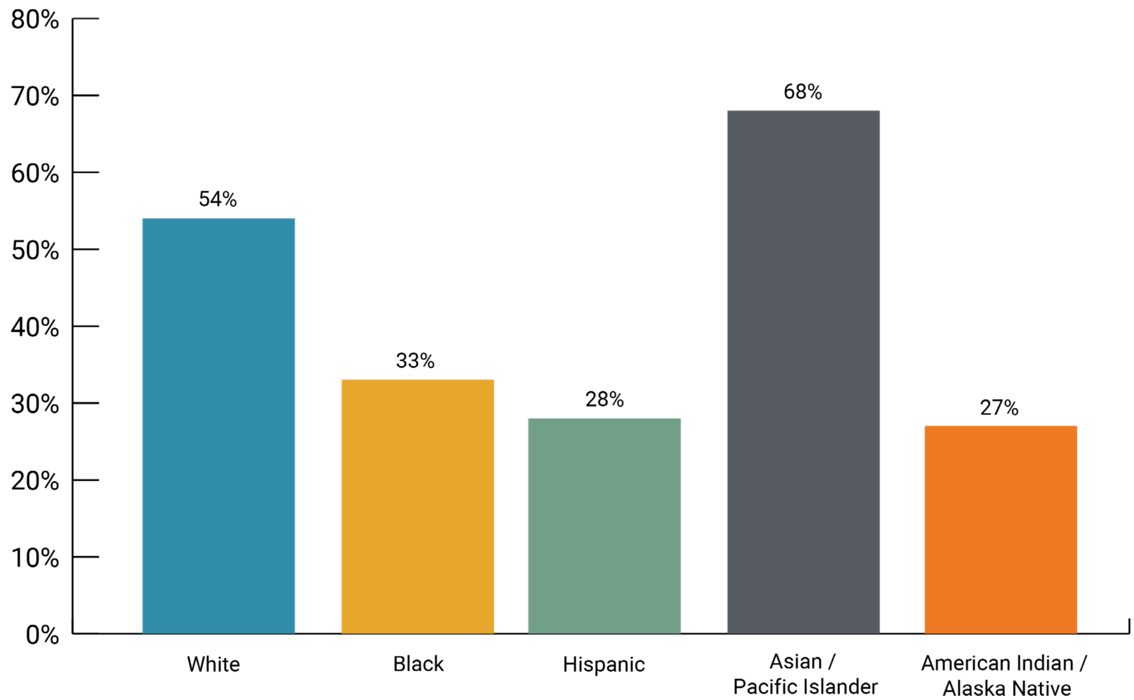



Figure 1.8
Source: U.S. Census Bureau Current Population Survey Data in *The Condition of Education 2018* report from the U.S. Department of Education

were between the ages of 25 and 29 had an associate degree or higher, according to U.S. Census Bureau data in *The Condition of Education 2018* from the U.S. Department of Education. That was significantly higher than the 33 percent of black adults, 28 percent of Hispanic adults and 27 percent of American Indian/Alaska Native degree holders in that age bracket. It was lower only than degree attainment of Asian/Pacific Islanders in the age range, which was 68 percent.

Put differently, the group that has traditionally completed college in the largest total numbers—white students—is about to decline in number most drastically. The group that has been among the least likely to complete college, Hispanic students, is the one poised for the most significant growth.

Admissions officers may be thrilled that demographics are shifting in a way that will likely increase diversity on college campuses. Those concerned about educational equity may see the demographic trends as another wake-up call to colleges that they should be better serving underrepresented minority students. And there are signs that colleges have been educating more minority students, as the percentage of 25- to 29-year-olds with an associate degree or higher increased between 2000 and 2017 for all groups except the American Indian and Alaska Native group.

But the changes will mean stresses on institutional enrollment and budgets because it can be more difficult to enroll first-generation students and because black and Hispanic families tend to have lower incomes than do those from other ethnic backgrounds, making it harder for them to pay for college.

## High School Graduates

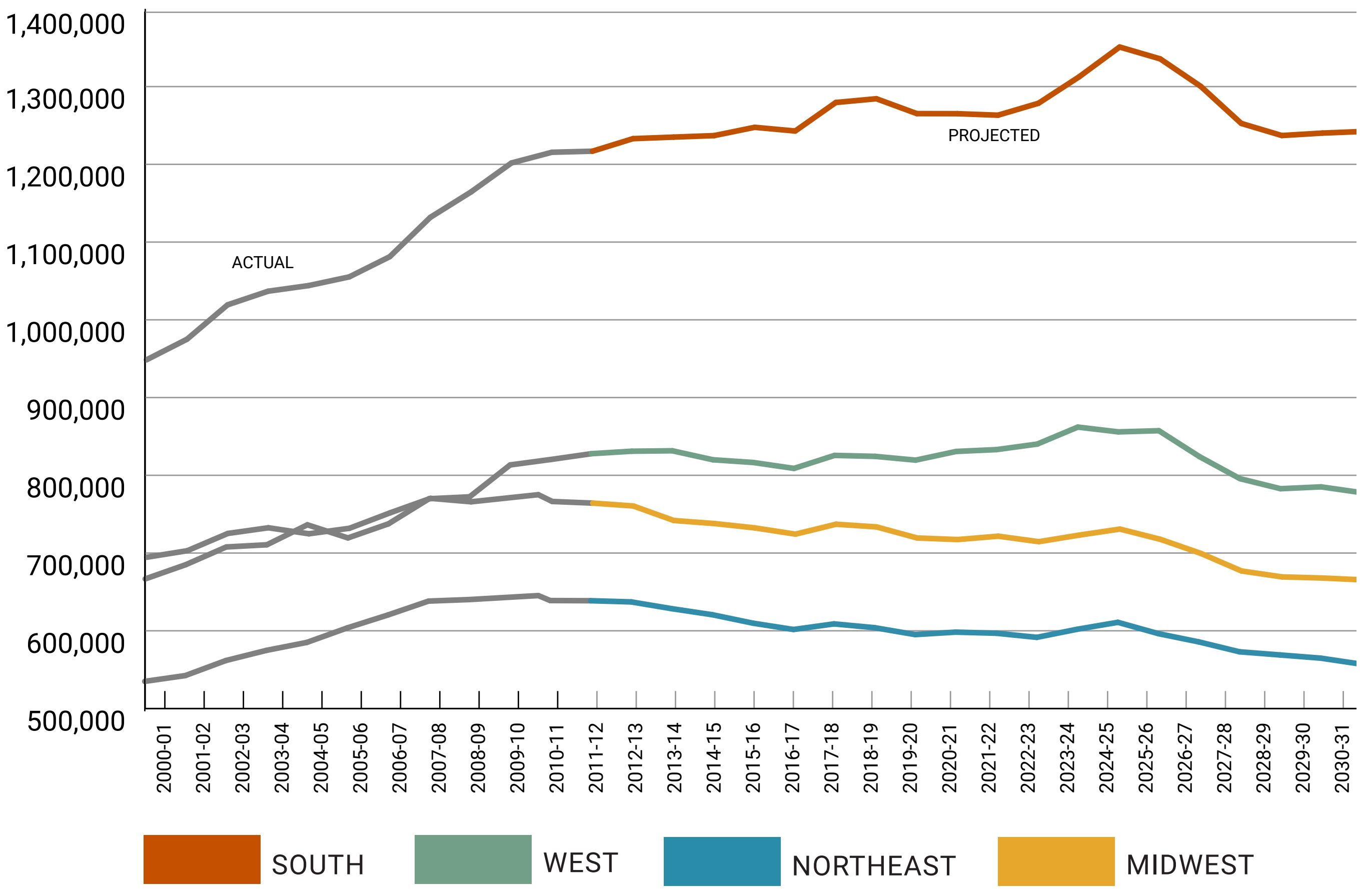



Figure 1.9
Source: Western Interstate Commission for Higher Education

In other words, difficulty could be coming for any institution that has struggled to enroll or graduate minority students.

Different parts of the United States will be in for their own distinct growth and contraction patterns. The number of high school graduates in the Midwest is expected to slide from 762,000 in 2013 to 733,000 in 2025. In the Northeast, it is expected to fall from 639,000 in 2013 to 613,000 in 2025.

On the other hand, in the South, high school graduates are expected to rise from 1.23 million in 2013 to 1.35 million in 2025. In the West, they are expected to rise from 831,000 in 2013 to 856,000 in 2025.

Afterward the population of high school graduates is expected to drop in all four regions. Across the country, it will fall from a high of about 3.6 million in 2025 to 3.3 million in 2032.

Those projections may be too optimistic for some segments of higher education—and too pessimistic for others. The WICHE data do not take into account numerous important factors likely to influence future generations of students' demand for higher education, like students' sex, parents' education levels, family income and the urban or nonurban location of students' high schools. Nor does it project where future students are likely to enroll in

## Forecasted Growth in College-Going Students, 2012 to 2029

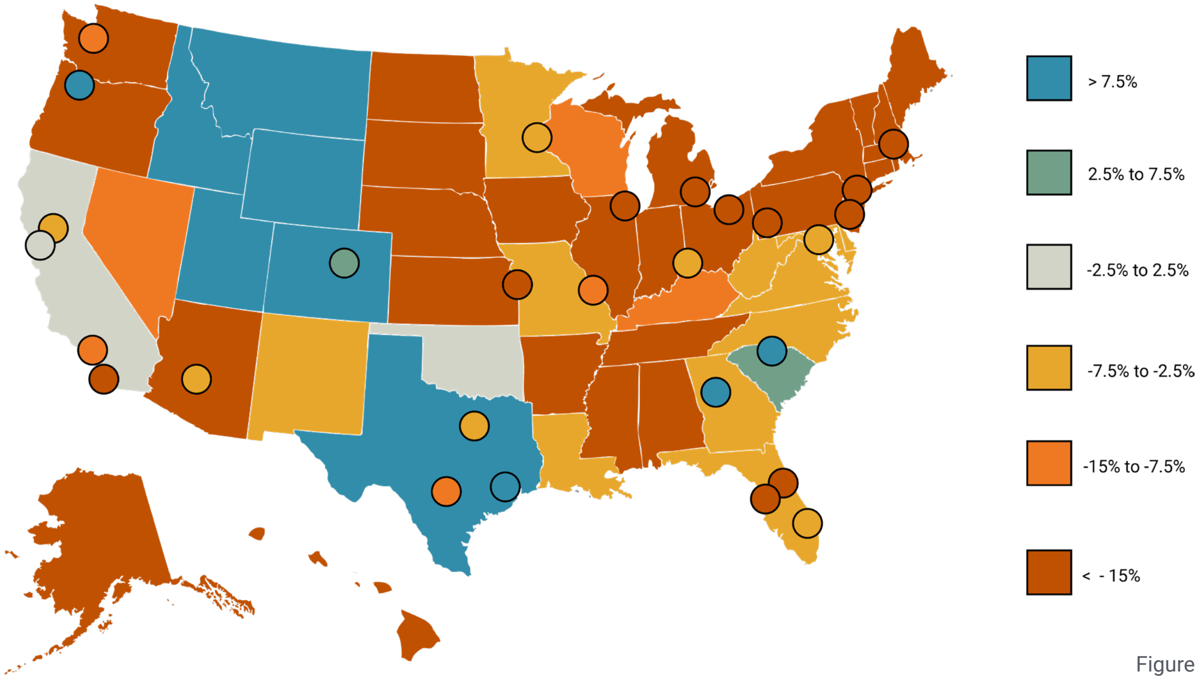



Figure 1.10
Source: Nathan Grawe, *Demographics and the Demand for Higher Education*

higher education or if they are likely to enroll at all.

A demand index in the 2017 book *Demographics and the Demand for Higher Education* (Johns Hopkins University Press) adjusts for such factors to project demand for education in the future—the probable size of future generations of 18-year-olds likely to enroll in college. Nationally, the population of college-going students is expected to be relatively steady through the early 2020s, found author Nathan D. Grawe, who is a distinguished teaching professor of the social sciences at Carleton College and former associate dean there. The population of college-going students then increases by 5 percent before a "precipitous reduction of 15 percent or more."

Within that national picture, some states and metropolitan areas are expected to see significant growth in traditional-age college-going students, while others will see extreme declines. The Mountain and West South Central Census divisions are projected to see growth between 15 percent and 25 percent by 2025, then drop back to roughly the same level of demand seen today. What Grawe calls "modest change" is expected for the South Atlantic, but all other regions "are expected to follow various paths of collapse, ranging from painful, down approximately 10 percent in the Pacific and West North Central, to highly disruptive, off almost 20 percent everywhere else, with the exception of New England, which anticipates a 25 percent loss."

That means the areas in line for the largest losses between 2012 and 2029 are those with the highest rates of postsecondary education. Student numbers are set to drop in states and metropolitan areas with the most regional colleges and the most recruiting by national universities.

## Forecasted Growth in Students Who Will Attend Two-Year Institutions, 2012 to 2029

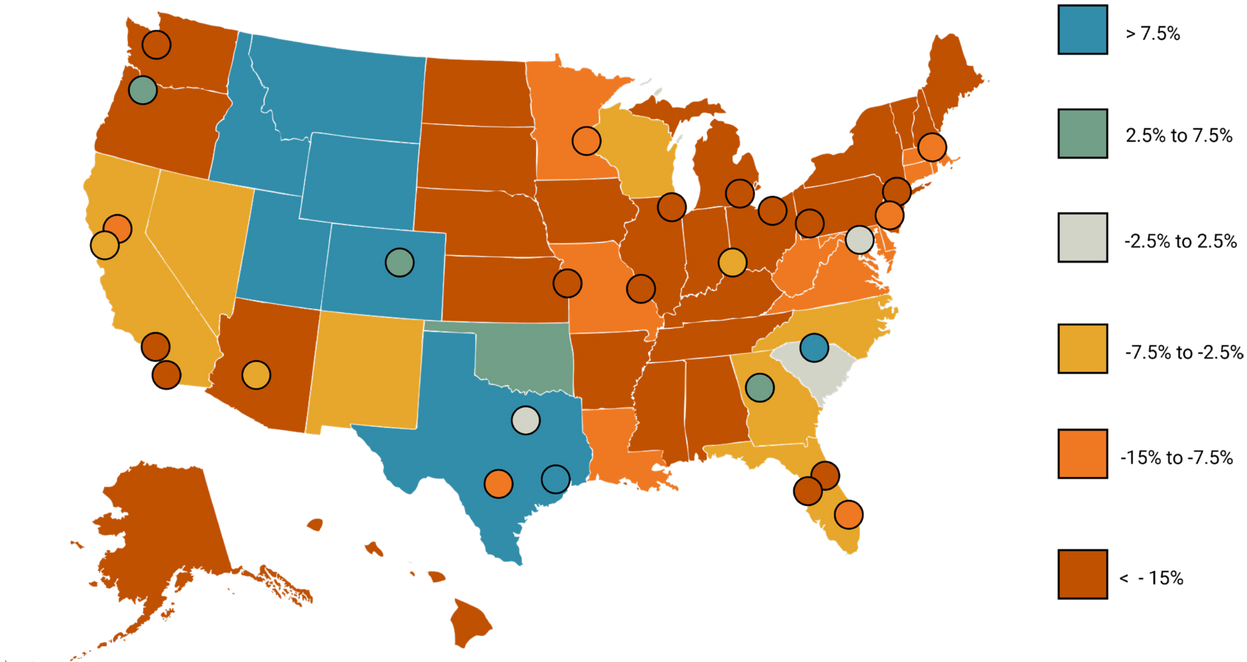



Figure 1.11
Source: Nathan Grawe, *Demographics and the Demand for Higher Education*

The picture differs for specific types of colleges, however. Generally speaking, Grawe expects more prestigious institutions to fare better than less prestigious ones in the coming years.

Demand for two-year colleges is expected to be worse than demand for college as a whole. That's because parents increasingly have gone to college themselves, which raises the chances their children will enroll in four-year institutions instead of two-year colleges. In no year between now and 2029 will the number of two-year-college students be more than 2 percent above present levels, with the exception of 2025. And after the middle of the 2020s, enrollments are expected to plunge by 16 percent in four years.

Two-year college enrollment is extremely local, which could lead to significant variations between markets. Still, some changes by 2029 are clear, like massive declines throughout the Northeast and growth in much of the northern parts of the Mountain West.

Also important is the urbanization of two-year students, which is expected to change, according to Grawe. The share of students from metropolitan areas will drop slightly, by 0.2 to 0.6 percentage points, in the Mountain, East North Central and New England regions. It will rise by 2.8 percent in the Middle Atlantic, and it will grow in all other divisions, but not by more than a percentage point. This fact indicates "the need for two-year institutions to approach the future with strategies tailored to their specific conditions rather than to national averages," Grawe writes.

Within four-year colleges, the outlook ranges for institutions depending on their ranking

## Forecasted Growth in Students Who Will Attend a Regional Four-Year Institution, 2012 to 2029

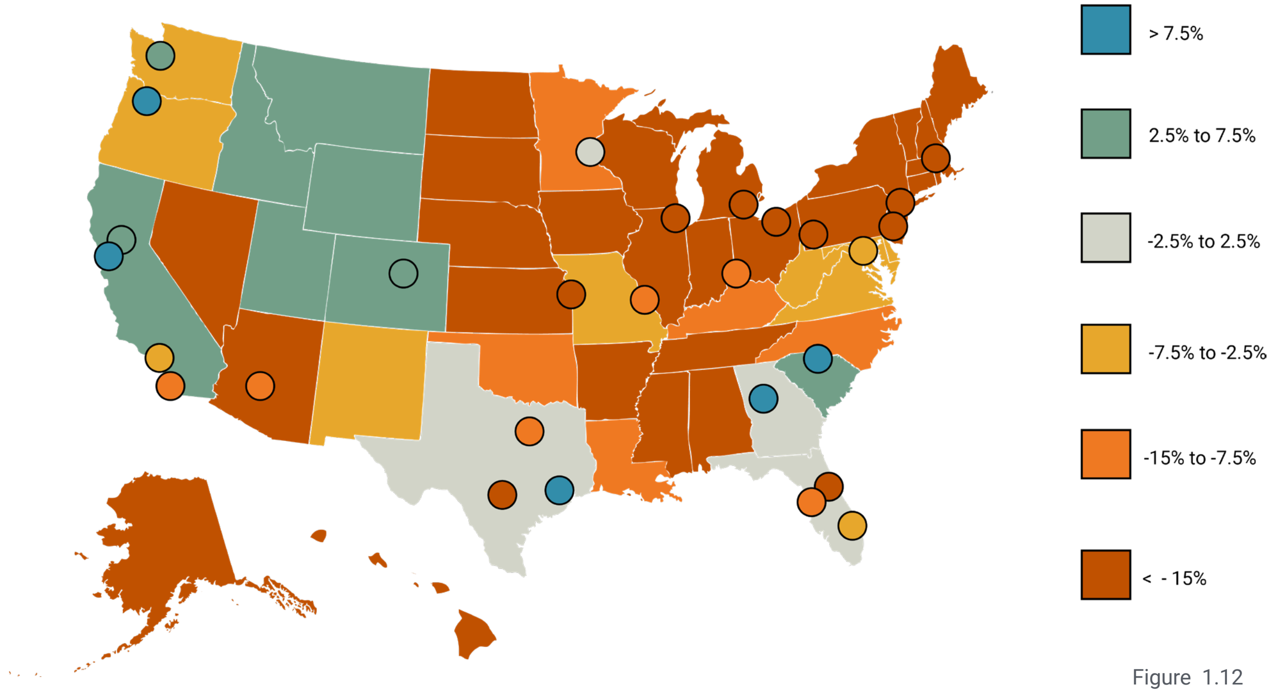



Figure 1.12
Source: Nathan Grawe, *Demographics and the Demand for Higher Education*

and recruiting reach. Those ranked within the top 50 nationally often have students traveling long distances to attend, as do, to a slightly lesser extent, those ranked 51 to 100. Those outside the top 100 tend to recruit closer to home and are regional institutions.

The highly ranked institutions are expected to see a much stronger demand picture than regional colleges are. All three groups see demand drop after 2025, but more highly ranked institutions are expected to see a smaller drop than regional colleges. The result is a "distinct advantage for elite institutions (up almost 15 percent) relative to regional colleges and universities (down by nearly an equal degree), with national schools breaking even until the final year of the forecast, when demand takes a decidedly negative dip to end down 10 percent," Grawe writes.

He also notes that elite institutions seem unlikely to expand their enrollment to fully meet the increased demand. Consequently, students might trickle down from one group of colleges and universities to the next.

Mapping the anticipated demand for regional four-year institutions through 2029 reveals a grim picture for almost every state and metropolitan area east of the Rocky Mountains, with a few exceptions like South Carolina and Atlanta.

Of great concern to many institutions, the hard-hit Midwest and Northeast make up nearly half of the regional higher education market, according to Grawe. Mapping the losses by percentage doesn't tell the full story, because the geographic areas losing the largest percentage of students who are expected to enroll in regional four-year

## Forecasted Growth in Students Who Will Attend National Four-Year Institutions, 2012 to 2029

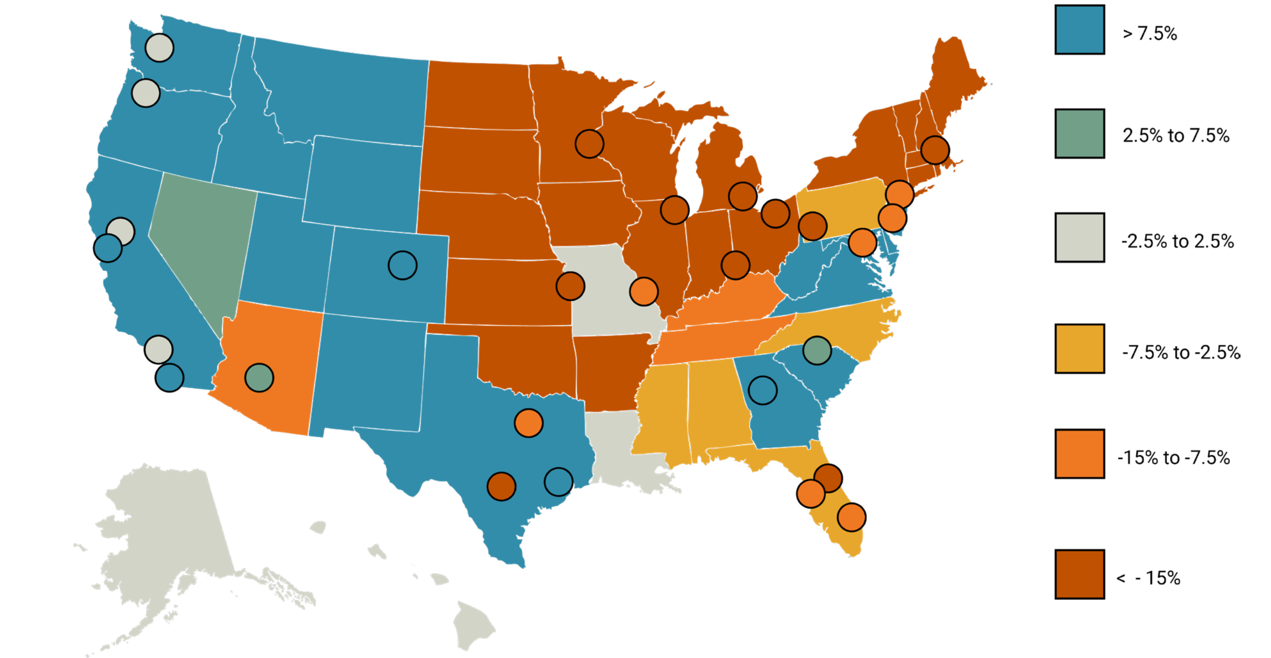



Figure 1.13
Source: Nathan Grawe, *Demographics and the Demand for Higher Education*

colleges also tend to enroll a larger number of students than those areas expected to post gains. At the state and metropolitan level, that translates into the largest losses being, numerically, almost four times bigger than the greatest gains.

It's not as ugly for institutions ranked 51 to 100, which Grawe calls national institutions. The Northeast and Midwest are still in line for heavy losses, but the West and parts of the Southeast are expected to post considerable growth in demand. It stands to reason that national institutions able to tilt recruitment efforts toward the Southeast and West may be able to stem their losses.

On the other hand, demand for elite institutions projects to move in a radically different way than demand for two-year colleges and regional four-year colleges. Although the East North Central and New England regions are both expected to lose 10 percent or more of their demand, the losses are offset by gains elsewhere. Most elite institutions can be expected to have little trouble in the coming years, although some in the hard-hit Northeast may need to modify their recruitment strategies to keep their student quality from slipping.

It is difficult or impossible to say exactly how institutions farther up the food chain will modify their recruitment strategies in response to changes in local or regional demand. It's also impossible to say for certain that the demand picture will pan out exactly as projected—or that it will impact colleges' bottom line in precisely the way one would expect.

Changes to the type of student enrolling in a particular level of college could upset the

## Forecasted Growth in Students Who Will Attend an Elite National Four-Year Institution, 2012 to 2029

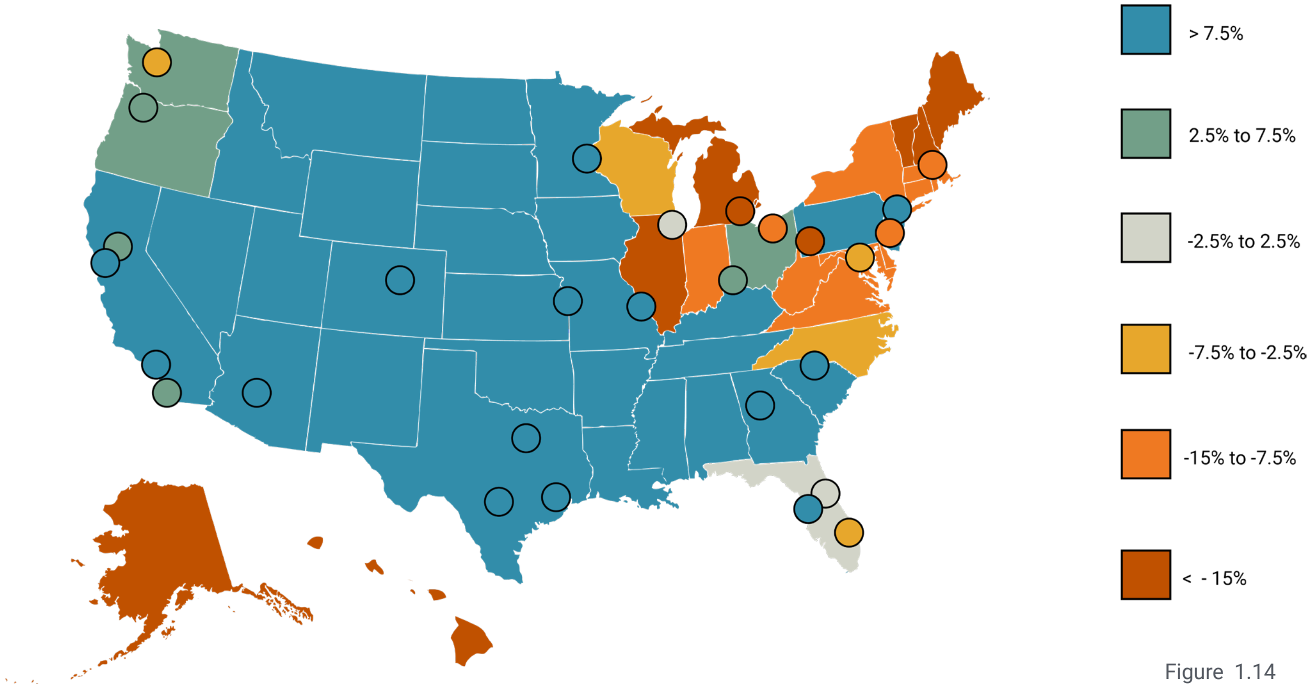



Figure 1.14
Source: Nathan Grawe, *Demographics and the Demand for Higher Education*

projections. So could other changes like increases in financial aid available for students or shifting economic conditions. A large influx of adult students earning certificates, finishing their degrees or earning graduate degrees could insulate institutional financial health from demand among traditional 18- to 22-year-old students.

Some colleges are already pinning their hopes on attracting more adult students, arguably with good reason. Across the country, about four million former students are "potential completers" with two or more years of progress toward a degree between 2006 and 2016, the National Student Clearinghouse Research Center reported in January. As the so-called knowledge economy continues to evolve, many of the fastest-growing careers are expected to require at least some college.

Higher education advocates are also excited about the prospect of offering credentials to serve students who traditionally have not enrolled for associate or bachelor's degrees.

Higher education is filled with examples of colleges that have managed to enroll new groups of students over the years, be they older, more diverse or international students. But only some colleges have the commitment and resources needed to shift focus and make real gains with new student groups.

The number of possible unexpected developments is large. The likelihood that any of them will play out on a sectorwide basis is substantially smaller.

"The drops we're looking at here are just so large that barring something disruptive in a positive sense from outside the system, we are going to experience a real disruption," Grawe says. "And if you think that you are going to be an exceptional outlier in a positive direction, you have to realize you are implicitly arguing someone else would be even more of an outlier in the negative direction."

Therefore, it's a good bet that higher education is in for a bumpy ride in the next decade-plus. All colleges and universities across the country aren't necessarily in line for an existential crisis. But the data suggest many institutions should take a hard look at the future and consider strategies to strengthen themselves, keep the doors open or maybe even wind down operations in an organized manner.

Numerous strategies related to enrollment, finances, academic programs and student mix could be good options against that backdrop. So could mergers and acquisitions.

Mergers are perhaps the most difficult of all strategies to pursue, because a successful merger—one in which both sides come together and find some mutual benefits—requires a higher level of institutional honesty at an earlier date than many colleges and universities can muster. A successful merger also requires a degree of organizational alignment between different constituencies that is rarely seen in the diffuse higher education sector.

Yet merging can also be a strategy with considerable payoffs, when done at the right time and in a wise way. For public institutions and state systems, merging can mean being better able to redistribute resources between campuses and operating more efficiently. For private institutions on the ropes, it can mean a second chance at keeping alive founding missions. For strong private institutions, mergers can be a strategic way to grow.

For everyone, a best-case scenario merger can allow an institution to preserve the most important parts of its identity, inject new resources into key programs and give students a better place to finish their education. ■

# Who Is Merging

The topic of merging can seem almost taboo among college and university leaders. It's ironic, because the higher education sector has a long history of institutions combining.

Many universities, public and private, have completed bolt-on acquisitions of medical schools, law schools, pharmacy schools and the like. Prestigious names have been created by mergers. Think of Carnegie Mellon University, created through the combination of Carnegie Institute of Technology and the Mellon Institute of Industrial Research in 1967. Another merger that same year, between Case Institute of Technology and Western Reserve University, created Case Western Reserve University.

Even the most elite universities have merged with other institutions or scooped up those they found beneficial. George Peabody College, a former normal school with a long history, became a part of nearby Vanderbilt University in 1979. Yale closed a deal to absorb Andover Newton Theological School in 2017.

Even so, hard data on the number of mergers taking place in American higher education over the years are scarce. Merged institutions are often lumped into data sets that include closed colleges and universities.

The research and consulting firm EAB has been compiling data on college and university mergers, finding numerous cases in recent years—and even a considerable number taking place in the 1800s. EAB gathered the data recently, so it's possible some older mergers couldn't be counted because they've fallen through the cracks as time passed or because they were unreported or underreported.

Even so, the firm's data set is considerable. It includes 250 mergers proposed between 1830 and the end of February 2018. Most, 220, were completed, although some remain works in progress and some of the merged institutions were later dissolved or closed.

Charting the data set of completed transactions makes clear mergers have been taking place in considerable numbers for decades. It also seems to indicate a cyclical pattern with a recent increase.

Colleges and universities like to cast all M&A activity as mergers, where two equal institutions join together to create a wholly new university. But a review of past cases shows that's not usually the case, says Helen Sdvizhkov, a strategic research analyst at EAB who compiled the data set.

"Most often, it tends to be a larger institution in some way absorbing or acquiring a smaller institution or a department or a single school," she says. Combining two institutions that look alike in terms of finances or enrollment is rare and appears less likely to work out well, she adds.

True mergers between like-size institutions might be difficult unless they bring unique aspects to the table. Merging neighboring colleges that are struggling to attract students risks doubling down on weaknesses. Still, it remains possible in theory that such a merger could allow the two sides to dedicate more to their strengths, cut redundant costs and minimize trouble spots—if they are honest with each other about each of those factors.

Analysts consider it more likely that a majority of mergers in the future will involve two institutions that differ in size, focus or financial condition. A number of freestanding medical, business and law schools have attempted to merge or successfully merged with larger institutions public and private. Strong institutions may very well want to consider a merger as a way to grow or improve certain aspects of their enterprise. This doesn't necessarily mean scouring the market opportunistically. It could mean deciding on a growth strategy that would include acquisitions when they make sense strategically.

For struggling institutions, merging into a well-off university can represent a chance at long-term preservation. Few if any will be able to negotiate a deal with a wealthy benefactor institution that allows their operations to continue without changes. Still, they can use what leverage they have, like attractive land, substantial endowed funds or some prestigious programs, to preserve what they hold most dear—whether that be their institutional name, some academic operations or other priorities.

"It is not isolated just to the smaller institutions that might be looking for partners or acquirers," says Kasia Lundy, managing director at the consulting firm EY-Parthenon. "It is also others who may be much more stable and healthy, who are looking at it from more of a growth or expansion possibility."

## College and University M&A by Decade

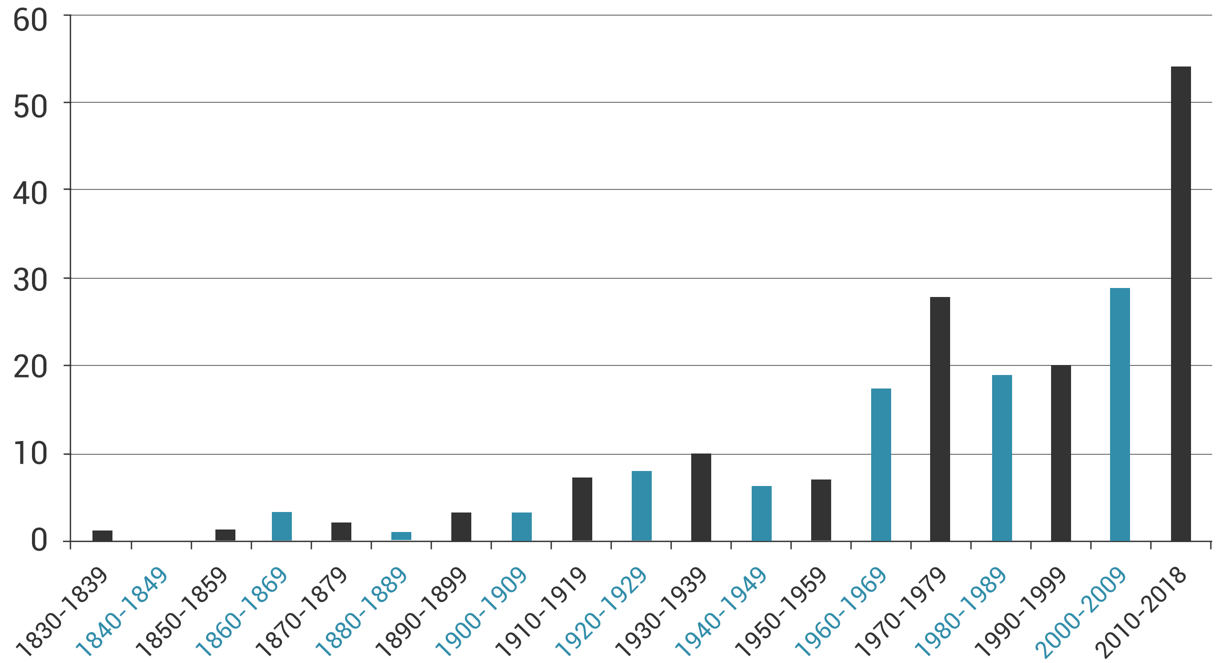



Figure 1.15
Source: EAB Data

The impetus for merging differs depending on whether an institution is public or private. Private institutions merge following internal decisions—often after a president reaches out to another college and trustees vote to move forward with talks. Public institutions frequently start work on merging with other public institutions because of outside pressure—because a state system of higher education leader encourages consolidation or politicians push for a change.

Colleges and universities tend to enter a merger process with other institutions that are geographically close. Public institutions are likely to merge with other public institutions in the same state. Other legal and accreditation factors contribute to proximity mattering, because it is easier to merge and run an institution in a single state than it is across state lines. Even for private colleges, finding a merger partner in the same region can mean having to gain approval from a single accreditor or state regulator instead of two.

Beyond the regulatory sphere, geography proves to be an important factor in which institutions can find a deep pool of merger-partner candidates. Because of the country's demographics, place influences which institutions experts think will be most likely to merge in the coming years.

"The demographics work against the small colleges and therefore are in favor of mergers in the Northeast and the Midwest," says Michael S. McPherson, president emeritus of the Spencer Foundation and former president of Macalester College. "It's a lot easier to merge between a place in Brooklyn and a place in Manhattan than it is between a place in St. Paul and anything other than Minneapolis."

# WHY HAVEN'T WE SEEN MORE MERGERS?

Mergers and acquisitions are much more frequent, and much more openly talked about, among for-profit businesses. That's true even in highly regulated sectors relying on consumer recognition and trust, like banking.

In higher education the default often seems to be considering mergers only as a last resort.

At least part of the reason mergers are more popular in business is the profit motive. Company leaders who sell their businesses get paid in cash or stock. Boards are required to consider the financial interest of shareholders.

In higher ed, stakeholders can't directly profit.

"What happens when two private entities merge is that the people who are going to be losers get paid off," says Michael S. McPherson, president emeritus of the Spencer Foundation and former president of Macalester College. "One set of owners is going to give up authority and future profit opportunities, and they're going to get paid for that. But trustees cannot get paid."

In the corporate world, legal rights and obligations are relatively well developed for M&A. Disputes sometimes arise, but experts say the picture is much clearer than it is for nonprofits.

"I think business has developed, maybe because money is on the table, more of a sense of precise, ethical and legally enforceable requirements that a board must undertake, including the ultimate shareholder vote," says Chris Gabrieli, chairman of the board of the Massachusetts Department of Higher Education, who is partner emeritus in a venture capital firm and a lecturer at the Harvard Graduate School of Education.

From a college's perspective, the up-front costs of merging are also a barrier. A merger or acquisition requires an extensive planning process that takes time and money—two things the colleges most likely to merge are least likely to have in excess. Outside funding for planning grants is relatively scarce. It wouldn't be unprecedented for an outside foundation to pay for colleges and universities to consider a merger—one gave money to Hilbert College and St. Bonaventure University in Western New York to help fund a merger exploration that ultimately did not advance past 2015—but such grants are rare.

Higher education's psychology is tilted against mergers as well. Leaders champion expansion of access and faculty often exhibit a we-can-build-it attitude, as well as a resistance to change. Broadly, nonprofit universities often have an almost spiritual sense that they exist for a reason, one tied to the intent of their donors and founders.

*CONTINUED ON THE NEXT PAGE*

So leaders find reason to believe they will succeed in building a strong institution, even if the deck is stacked against them.

"There is always a story about why things are going to get better and why we should wait and see," McPherson says. "The prospect of working through a merger is a challenging one, but it also means that someone's going to lose their status. One Board of Trustees is going to disappear, and one president is going to disappear or have to be paid off in some way. Those are all difficult discussions to get into."

Perhaps as a result, existing higher education M&A activity seems to some to be reactive and tactical—something used as a last-ditch effort to save a college that is sinking because of a bad enrollment and financial picture. Many such attempts end with no deal getting done, and even with weak colleges closing. For example, Dana College in Omaha, Neb., was prompted for decades by donors and officials to consider merging with another Lutheran college just 25 miles away. But after a deep look, the culture of the colleges was deemed too different and their resources called insufficient to complete a merger. A for-profit entity moved to take control of struggling Dana, but the effort fell apart in 2010 when the Higher Learning Commission of the North Central Association of Colleges and Schools denied a request for continued accreditation after the proposed change in control. Dana closed.

But M&A can be active and strategic, a path to increase institutions' capabilities and impact, according to Jeff Weiss, president of Lesley University in Cambridge, Mass., who is a former leader of a consulting firm and an expert in negotiations and strategic partnerships. While higher ed lacks a large group of third-party facilitators experienced in guiding colleges through the process of discussing a merger, interest in helping college merger processes become smoother and more effective is growing.

John MacIntosh is a partner at SeaChange Capital Partners, a nonprofit organization in New York that has for 10 years been making grants to encourage and support nonprofit mergers and collaborations. SeaChange is considering launching an initiative in the higher education space. The goal would be to act as a neutral facilitator and offer gentle advice around process.

The organization would then "get out of the way," because the first step is the hardest.

"Most trustees and most presidents have exactly zero experience in higher ed M&A, because they haven't done it before," MacIntosh says. ■

That said, much of the United States has become less fiercely regional than it once was, McPherson says. Improved transportation makes it easier to travel between places or separate campuses in a newly merged institution.

The consulting firm Grant Thornton has observed that mergers are developing much more slowly as a trend in higher education than might be expected under conventional business logic. A 2018 report from the firm on the state of higher education argued that opportunities exist for "larger institutions to expand their offerings and for small colleges, especially smaller tuition-dependent colleges that don't benefit from scale or a strong national brand, to gain greater stability."

So why have mergers historically been so rare in higher ed?

Experts offer a range of possible explanations. Cultural norms don't encourage discussion about possible deals. The topic carries a stigma. There are few if any neutral third parties to help fund due-diligence or facilitate talks. Institutional momentum is too great as leaders focus on keeping their heads down and enrolling the next class.

It can be tempting to avoid the discussions entirely, because leaders like to be optimistic—to think they have a new recruitment strategy or program coming online that will put a college on solid ground for the future without having to get into the messy process of merging. Giving in to that temptation can be dangerous and leave leaders acting only when a situation becomes urgent. But when a situation is urgent, it's too late to carry out a merger carefully.

The weaker college loses leverage. The closer it is to death, the less it has to offer.

"Do you think there will be institutions who are able to do considerably better for their mission by proactively exploring these things, rather than just sitting back and only taking action when there's really no alternative?" asks John MacIntosh, a partner at SeaChange Capital Partners, a nonprofit organization in New York that for 10 years has made grants to support and encourage merger and collaboration activity among nonprofits. "My hope would be, yes." ■


Source: Daderot

# The 2018 Tale of Two Massachusetts Mergers

Mount Ida College's Board of Trustees chose Barry Brown to be the college's president in 2012. About four years later, David Chard became the president of Wheelock College.

The two presidents inherited Boston-area institutions that were struggling—institutions that faced many, but not all, of the same problems. They went about handling those problems in different ways.

Mount Ida had watched its enrollment decline from a high of about 1,500 in 2009 to just under 1,400 in 2012. The college also faced significant deferred maintenance costs and "stagnation" in its academic programs, according to an October 2017 accreditor's visit report.

Barry Brown had a working group draw up a comprehensive plan, reorganizing the college into four schools and allocating resources toward three priorities: academic programming, increased student financial aid and physical plant improvements.

Enrollment fluctuated but stabilized, data from the National Center for Education Statistics show. The college's total enrollment fell all the way to 1,288 in the fall of 2013 but rebounded to 1,394 by fall 2016.

The college also increased its spending and debt load. For the year ending in June 2012, Mount Ida posted a surplus of $549,725 with total expenses of $47.7 million, according to its Form 990 filed with the Internal Revenue Service. Its liabilities totaled $40.8 million, including almost $26 million in tax-exempt bond liabilities and $6 million in secured mortgages and notes payable to third parties.

Three years later, the college's expenses were exceeding its revenue—it lost $6.4 million in 2015. It trimmed losses to $1.8 million in 2016, but expenses had still swelled to $62.2 million and liabilities had grown to $66.8 million. That included $39.4 million in tax-exempt bond liabilities and $12.5 million in secured mortgages and notes payable to third parties.

Mount Ida was also increasing the amount of financial aid it offered to entice students to enroll. Financial aid rose from $14.9 million in 2015 to $18.6 million in 2016, according to the college's 2016 audited financial report.

## Mount Ida College Financial Data, 2012 to 2016

| Year Ending June 30 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Revenue | $48,285,252 | $48,004,975 | $47,376,571 | $48,198,956 | $60,412,476 |
| Expenses | $47,735,527 | $47,024,525 | $48,392,801 | $54,618,396 | $62,176,193 |
| Revenue Less Expenses | $549,725 | $980,450 | -$1,016,230 | -$6,419,440 | -$1,763,717 |

Table 2.1
Source: IRS Form 990

## Wheelock College Financial Data, 2012 to 2016

| Year Ending June 30 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Revenue | $52,388,673 | $52,572,170 | $60,713,457 | $58,081,834 | $52,986,200 |
| Expenses | $50,783,901 | $54,865,341 | $54,315,961 | $56,981,999 | $55,594,870 |
| Revenue Less Expenses | $1,604,772 | -$2,293,171 | $6,397,496 | $1,099,835 | -$2,608,670 |

Table 2.2
Source: IRS Form 990

An unrestricted $8 million gift had helped the college meet cash requirements in the 2016 fiscal year. But it projected running an operating deficit of $10.4 million for the 2018 fiscal year, according to the accreditor's comprehensive visit report.

"In two of the last three years, the college has produced deficits which is making it difficult for the college to support its mission," the comprehensive visit report said. Accreditation reports also noted the college was selling property, soliciting donations and utilizing a revolving line of credit to fund operations and provide liquidity.

Looking further into the future, a five-year financial planning model forecast annual operating deficits falling gradually from $11.6 million in the first year to $1.2 million in year four before the college would finally swing to an $800,000 surplus in year five. That model included tuition rates increasing by between 3.6 percent and 6.1 percent per year. It also included an $85 million dormitory sale that would raise money but also have the college leasing back the dorms. And it assumed the tuition discount rate for first-time, full-time students remaining at a steep 63.4 percent.

The college was projecting paying interest expenses of nearly $2 million in 2018. It had failed to meet the terms of bond covenants, forcing it to negotiate waivers to avoid defaults for the 2017 fiscal year. Its endowment was small, about $23.5 million.

It was against this internal backdrop that Mount Ida announced in February 2018 that it was exploring a merger with Lasell College, another small institution in Newton, Mass.

### Mount Ida and Wheelock Colleges Total Fall Enrollment, 2012 to 2016

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| **Mount Ida College** | 1,389 | 1,288 | 1,320 | 1,345 | 1,394 |
| **Wheelock College** | 1,324 | 1,378 | 1,331 | 1,169 | 1,053 |

Table 2.3
Source: Integrated Postsecondary Education Data System

Those trends and that timeline are significantly different from the situation Chard stepped into and the steps Wheelock took. Wheelock's enrollment had fallen from 1,324 in the fall of 2012 to 1,053 when Chard started as president in 2016. It reported a $2.6 million net loss for the year ending in June 2016, when expenses came in at $55.6 million. Its liabilities totaled $44.6 million, including $38.8 million in tax-exempt bond liabilities.

But the college had brought down its bond debt by about $2.3 million over three years. It had held expenses relatively steady during the period, between a low of $54.3 million in 2014 and a high of $57 million in 2015.

Wheelock also resisted increasing the tuition discounts it offered to students, keeping institutional scholarships under $13 million, audited financial statements show. The college's endowment was more than twice that of Mount Ida—over $50 million—in 2016.

Wheelock was actively thinking about its future when it hired Chard. The college's presidential search committee raised the question of partnerships during the interview process. When Chard accepted the position, Wheelock's trustees asked him to pursue the possibility of partnerships that could help the college's financial stability. Partnership models in mind didn't necessarily meet the definition of a full merger but would have been geared toward sustaining the college. ■

## Wheelock's Process

In fall 2016, Chard told an all-faculty meeting that a lack of students would force Wheelock to close in two to three years if it did not make a dramatic change. At the time, he had changes in mind like deleting programs and adding others to better serve the college's traditional student market.

By December 2016, just six months after he started, Chard came to the conclusion that it would be extremely difficult for Wheelock to be secure in the future while operating as an independent institution. The college's board soon started examining the matter, bringing in a consulting firm—Parthenon—to assist.

A strategic operations committee including members of the board, administrators and staff and faculty members was also established. Leaders modeled what the institution would look like in five years if it remained independent and what it would look like if it pursued a partnership of some sort.

"We looked at two models of independence, both of which were high risk," Chard says. "We had to hit pretty aggressive enrollment projections, which we hadn't done ever, I think—hit the projections we were hoping for. And we really could not have absorbed any kind of economic downturn like 2008."

Wheelock had previously been meeting with two Boston institutions interested in partnerships, but the idea was put on hold while Chard started as president. By May 2017, Chard was ready to tell a Wheelock all-college meeting that the board was considering all options for its future, including partnerships and mergers.

Leaders decided to send out a request for proposals to find interested colleges or universities, which was an unusual step because colleges have historically tried to quietly gauge interest in prospective merger partners through one-on-one conversations between presidents and trustees. Wheelock leaders started with a list of institutions in the Association of American Universities, judging them most likely to have the financial wherewithal to complete a deal. They eliminated institutions from the list that didn't seem to line up with Wheelock's mission and added some local institutions that were not members of the AAU but were financially strong.

At the beginning of June, roughly 60 RFPs went out. Wheelock packaged a set of publicly available financial data for recipients, which had two weeks to submit letters of interest.

The college received about 20 calls from institutions around the country, according to Chard. It eventually received eight letters of interest, all from institutions in New England. They agreed to sign confidentiality agreements, at which point Wheelock granted them an in-depth look at confidential data on topics like its finances, faculty data and enrollment.

From there, institutions had a month to submit full proposals that summer. Seven of the eight that sent letters of interest submitted proposals, which Wheelock leaders evaluated using a rubric laying out what would be required of a merger partner and what would be preferable.

The RFP process allowed Wheelock to have some control over the offers it fielded. The college did not come off as desperate, according to Chard, which he thinks was critical to negotiating the best deal possible. Since several players were in competition for Wheelock, the process moved forward relatively quickly.

"Every one of the proposals was viable," Chard says. "One in particular was fascinating. They were going to liquidate everything. They were going to sell all the property, close all the programs, and the proceeds of the sale of everything was going to be used to build a building on their campus and name scholarships and endowed chairs on behalf of Wheelock."

That proposal was brilliantly constructed but misaligned with what Wheelock was seeking, Chard said. The college wanted to preserve its identity, see its name continue, continue its mission in some way and respect its employees. The two highest-scoring proposals called for integrating Wheelock's programs, faculty and buildings into the other institutions' existing portfolios.

Wheelock had wanted to maintain legacy programs that were central to the college's identity—like programs in early-childhood education and social work. It was also hoping for a sustained presence on its campus and to maintain some sort of link between its existing governance and the acquiring institution.

Wheelock held clarifying meetings with its suitors between mid-July and mid-August, Chard said. Boston University sent officials to meet with Wheelock leaders and tour campus. Then the institution that sent the second-ranking proposal withdrew because it did not feel it was in control of the conversation.

By the end of August, Wheelock had negotiated most of the major details with BU. It hired a lawyer, because it needed to start considering the regulatory aspects of the deal. On Aug. 25, 2017, the two sides signed a letter of intent. Shortly afterward, they announced the negotiations publicly. Wheelock stopped discussions with other parties. It also stopped building its own freshman class for the following year—a leap of faith for a tuition-dependent college. The goal was to have a memorandum of understanding in place by October.

The memorandum was signed by early October. The two sides went on to sign an agreement Dec. 20.

That agreement called for Wheelock's School of Education, Child Life and Family Studies to be merged into Boston University's existing School of Education, creating the Wheelock College of Education & Human Development. Other Wheelock programs were to be merged into "reasonably similar" programs at BU. Wheelock's property and assets, including its endowment, were to be absorbed by BU on June 1, 2018. The endowment was to be used to support the College of Education & Human Development.

When the deal was struck, the newly merged college was to continue to operate on Wheelock's Boston and Brookline campuses. But leaders didn't announce a long-term use for the Wheelock space—hardly a surprise, given that the location could be attractive for many different uses in the future. BU also planned to hold its own academic programs on Wheelock's land.

Wheelock students in good standing were offered the option of enrolling at BU without reapplying, and credits for courses passed at Wheelock were to be honored at BU. Wheelock students finishing their degrees at BU were to continue to pay Wheelock levels of tuition and fees, plus any annual increases charged to BU students, and BU agreed to honor Wheelock scholarships and grants.

All tenured Wheelock faculty were given the option to join BU and promised permanent employment. Faculty transitions were handled case by case, with some receiving unmodified titles with tenure, like associate professor or professor, and others receiving modified titles without tenure, like clinical professor or professor of practice. While some professors' titles may have changed with the merger, it is rare for faculty members to have such widespread job security in M&A deals. In other instances, when small colleges have tried to merge on the brink of closure, they have had no leverage and were often unable to protect faculty positions.

That was far from the end, though. In October, deans and vice presidents from each institution began meeting to assemble lists of faculty members with expertise in different areas and to create a plan for integrating them onto BU's campus. They started mapping out which programs could be matched with programs at BU. At the end of December, Wheelock students were given a program-level map so they could think about their options for finishing their education at BU or transferring elsewhere.

That work continued into 2018 for a few small programs that did not have matches at BU.

"This is going to sound hyperbolic, but they've literally been doing program mapping for every student at Wheelock, because they have to make sure the students at Wheelock know exactly what their transfer credits are, what they're going to have to do to complete their program," Chard says. "The commitment was that there would be no increase in the amount of money they would pay to transfer to BU short of any percentage increases in tuition."

The final deal allows Wheelock's leaders to retain their nonnegotiable points. Wheelock's identity will be preserved because its name will live on. Legacy programs in child development will continue.

BU is adding two Wheelock trustees to its own board, providing a level of governance continuity. A transition committee provides another, and Chard is staying on as dean of the Wheelock College of Education & Human Development at BU for a two-year transition period. ■

## Mount Ida's Process

On March 23, 2018, roughly a month after announcing their own merger talks, Lasell and Mount Ida said a deal would not be taking place. The sides mutually decided they could not reach an agreement that would be "beneficial to their constituents," they said in a brief announcement.

When Mount Ida's president, Barry Brown, announced the end of merger talks in an email to campus, he said the college was growing.

"Over the past six years, Mount Ida has undergone extraordinary growth, increasing its enrollment from under 1,100 to close to 1,600 students," he wrote, according to *The Boston Globe*. Tours for prospective students were still being held on campus that month, and students planning to enroll at Mount Ida in the fall were sending in deposits.

Two weeks later, on April 6, Mount Ida announced it was closing. Its campus and students would be divided between institutions in the five-campus University of Massachusetts system.

Mount Ida students in good standing would be automatically accepted to UMass Dartmouth and were promised they would pay no more than $13,600 per year in tuition—significantly below Mount Ida's $34,200 sticker price. Students were told they would pay a lower net price at Dartmouth and that they would have "expedited transfer admission opportunities" for the system's Boston, Lowell and Amherst campuses.

The state flagship, UMass Amherst, was to acquire Mount Ida's campus. It would take on Mount Ida's debt and some of its liabilities.

UMass Amherst promised to preserve the Mount Ida campus's character and to "serve as a custodian of its history and legacy." Officials decided to call the campus the Mount Ida Campus of UMass Amherst.

UMass Amherst would use Mount Ida's 74-acre campus as a base for career preparation and experiential learning for its students in fields including health care, business and computer science. It also envisioned using the campus to collaborate with industry.

"Mount Ida has made remarkable progress in every area over the past six years," said a statement signed by the Mount Ida Board of Trustees. "While the college has excelled by many metrics, the long-term viability of small, tuition-dependent colleges remains a significant challenge. When faced with clear long-term resource concerns, we relentlessly considered many solutions and ultimately executed that one which would provide our students with a secure academic future."

Later in April, the college sent a statement to *The Boston Globe* saying it would not have had the money to pay employees beginning in June. It had been unable to borrow money or sell property fast enough to resolve its cash crunch.

The arrangement with UMass quickly drew public attacks from almost every angle imaginable. An estimated 850 students would have to finish their degrees on a new campus, and Mount Ida had admitted more than 200 students for the upcoming fall semester. Many existing students weren't clear which programs they could transfer into at UMass Dartmouth. For example, students of Mount Ida's veterinary technology program—one of its strongest—pointed out Dartmouth didn't have a corresponding program.

Faculty members, who had only recently signed new contracts for the upcoming academic year, wanted details about severance packages. State regulators said they found out about Mount Ida's closure through the press.

Questions flew about why students were being asked to transfer to UMass Dartmouth, 60 miles away, and why the Mount Ida campus was becoming a part of UMass Amherst, with its main campus 90 miles away. UMass Boston was only about 10 miles from Mount Ida, and its students protested the acquisition, arguing Amherst's move into the region would hurt their university.

UMass officials maintained that they were simply stepping in to pick up the pieces after Mount Ida went broke. UMass Amherst was the only institution in the system with the financial strength to pick up Mount Ida's debt, estimated at as much as $70 million. UMass Dartmouth was the only one with the capacity to enroll the hundreds of Mount Ida students expected to transfer. On the question of competition between Amherst and Boston, the institutions in the UMass system are distinct and rarely compete for students, leaders said.

The agreement between UMass and Mount Ida was reached quickly because the two sides had been in talks before Mount Ida focused on Lasell as a merger partner, UMass president Marty Meehan wrote in a statement. When negotiations broke off with Lasell, Mount Ida resumed discussions with UMass.

Details spilled out over the following weeks. In early April, the *Boston Business Journal* reported that Lasell had proposed a five-year agreement under which it would have operated Mount Ida as a subsidiary. The institutions would have had separate finances. Lasell wanted a response to its offer within

24 hours, Mount Ida board chair Carmin Reiss told the *Business Journal* in a statement. She described Lasell's offer as reneging on commitments and offering no assurance Mount Ida's operating costs would be covered in the upcoming academic year.

Outrage continued, with a *Boston Globe* columnist wondering later that month where Mount Ida's Board of Trustees had been as the college's finances deteriorated, why the state's Board of Education hadn't been keeping watch over small private colleges and why UMass "still isn't bending over backward to offer stranded students clear and practical ways to complete studies they began at their ailing school in Newton?"

Reiss gave a fuller version of events unfolding between Mount Ida, Lasell and UMass on May 16, when she appeared before the Massachusetts Senate Committee on Post Audit and Oversight. Hours later, Lasell's president told the same panel that several of Reiss's statements were not accurate.

In 2014, Mount Ida discussed its options for merger or other beneficial transactions with several institutions, including Lasell and UMass Amherst, Reiss told senators. Those talks did not produce any deal.

Merger discussions reopened with Lasell in November 2016. That round of talks continued for months, with the two sides approving a memorandum of understanding in 2017 and publicly announcing negotiations in February 2018. After the memorandum of understanding was executed, but before the Lasell talks were publicly announced, Mount Ida also explored interest it was hearing from UMass. Because talks had fallen through with Lasell in the past, Mount Ida leaders thought it was prudent to have a backup plan and referred to UMass as "plan B," Reiss said.

Discussion between UMass and Mount Ida resumed in December 2017, UMass officials would later tell the committee. Talks were initiated through the UMass president's office.

Mount Ida still thought Lasell was its best option, Reiss told senators. The college, expecting to close the merger with Lasell, admitted a new class of students and sent letters reappointing faculty members.

Then the deal fell apart. Lasell wasn't able to gain approval for the merger described in the memorandum of understanding, Reiss told the committee. On March 21, 2018, Lasell presented Mount Ida with a deal that Mount Ida felt was missing key promises.

Mount Ida's Board of Trustees would have been disbanded under the proposal, according to Reiss. Mount Ida would have been saddled with additional debt, she said.

"Our board did not believe that Lasell would be able to fund Mount Ida's losses," Reiss told the committee. In the board's judgment, the offer would have driven Mount Ida into liquidation. The board rejected the deal as not being in the best interest of students.

The original transaction discussed with Lasell was a merger, but the final offer presented would have been an acquisition, Reiss said. She was then interrupted by her lawyer and told the committee she was unable to discuss further details because of a nondisclosure agreement with Lasell.

Later, Lasell President Michael B. Alexander disputed several of Reiss's statements in his own appearance before the committee. Lasell could have handled the merger and produced an operating surplus in a "very short period of time," he said.

"It was very clear in our final offer that the whole point was to keep Mount Ida going as an existing institution, that we would put it under common management and that we would fund the losses of the combined institution for the transition period," Alexander said. "And it even described how—what the mechanism would be for us to provide that funding to them."

As for why the deal didn't go forward under earlier terms outlined in the memorandum of understanding, Alexander said the public announcement of an MOU allows sides to gain approval from regulators and lenders. Lasell learned it would take longer to get those approvals than it had hoped, so leaders came up with another approach.

In the original discussions, Mount Ida was to merge into Lasell and go out of existence as its own entity, Alexander said during a separate interview with *Inside Higher Ed*. Under the final offer made after the public announcement of talks, Lasell would have operated Mount Ida as a separate subsidiary. That structure would not have required the same lender approvals as a full merger.

Mount Ida trustees repeatedly said that they needed a deal in place by March 31 or they would have to take another course of action, according to Alexander. So Lasell gave them the alternative offer in time for a March 22 Mount Ida Board of Trustees meeting. Lasell felt it needed an answer by the following day in order to turn the offer into a final agreement by March 31.

The answer was no.

"We still don't know why, or what happened in that meeting," Alexander said.

Mount Ida officially announced its closure and the UMass asset sale April 6.

A period of "stressful uncertainty" followed for students and families, Reiss told the state Senate committee. Mount Ida and UMass worked to put in place transition plans for students. Specific pathways were created for 92 percent of Mount Ida's continuing students—1,074 out of 1,164—as of the date of Reiss's appearance before the Senate committee, she said. ■

## What the Acquirers Saw

Studying the way the acquirers—and the jilted acquirer—valued Wheelock and Mount Ida provides insight for institutions large and small that might be considering a merger or acquisition, regardless of whether they are operating from a position of strength or weakness. The cases show how some of a struggling college's components might be valued and how those values can differ in the eyes of prospective merger partners. It emphasizes the costs acquirers must be willing to pay. It also shows how hard it can be to leave everyone feeling negotiations were carried out in good faith.

Any evaluation of the two Boston-area deals from the acquirers' perspective has to start with the obvious: they are real estate acquisitions allowing large research universities to sweep up valuable land on attractive terms.

Wheelock's main campus was only a few acres, but it provided new space for a Boston University landlocked in a dense urban area. At a much larger 74 acres, Mount Ida's campus would have provided Lasell with a turnkey expansion opportunity in its backyard, along with room to grow. For UMass Amherst, the Mount Ida campus represents first and foremost a foothold in the economically vibrant Greater Boston area.

For UMass, that was the end of Mount Ida's value, as evidenced by the fact that it took ownership only of Mount Ida's physical assets. UMass officials rejected the idea that they were part of a merger when they appeared at the state Senate committee May 16.

"This is not a merger," said Gerry Leone, general counsel to the UMass system. "What we're doing is we are buying assets. That is the property, the buildings on the property and equipment."

Mount Ida had about $88 million in liabilities, Leone said. UMass was spending $75 million to purchase the campus assets, although it was also negotiating to try to lower Mount Ida's bills.

UMass Amherst viewed the Mount Ida campus as an opportunity to open an extension-like location, Amherst chancellor Kumble Subbaswamy told senators. He termed the deal a strategic investment with a modest cost compared to Amherst's $1.2 billion operating budget.

Amherst planned to generate positive cash flow from the campus through newly generated tuition revenue. The campus wouldn't be directly admitting undergraduates to Amherst, although leaders hoped juniors and seniors would use it to access the Boston area, which would in turn open up beds in Amherst. Leaders also hoped to add continuing education, graduate and professional programs at the Mount Ida campus.

Aside from the $75 million, UMass Amherst was willing to risk its reputation for the acquisition. It moved into the home region of UMass Boston, which has long been saddled with poor infrastructure and seen itself as the disadvantaged redheaded stepchild of the UMass system. Faculty at UMass Boston voted no confidence in Meehan and the university's Board of Trustees in May because of the Mount Ida acquisition.

Amherst and the UMass system also risked the wrath of Mount Ida students and their families, many of whom told state senators in May that they were not consulted on key changes and they were unsure whether their programs would be transferred to another institution in a teach-out. But while UMass ultimately agreed to teach-out some Mount Ida programs, Amherst wasn't interested in keeping any of the failed college's programs in the long run.

Nearly 300 faculty members and staff members were set to lose their jobs as Mount Ida closed. Faculty members were in line for three months of pay beyond the academic year.

The UMass system also dedicated time and energy toward Mount Ida students. About 650 Mount Ida students had sent applications to

UMass as of mid-May, and roughly 450 had been accepted. Almost all of those applications not accepted were pending, meaning they were cases where the system was awaiting documents. Two students had been referred to other institutions because their grade point averages were too low for the UMass transfer deal. Several specialty programs enrolling close to 600 students were to be taught-out or transferred to other institutions so that students could finish them.

Lasell's president, Alexander, sketches out a different set of benefits a merger would have brought. First, the deal his college was offering would have been good for Mount Ida students by keeping them in their existing programs, he says. Administratively, the two institutions were already familiar with each other—Lasell's police force had covered Mount Ida's campus for the last five years.

But the scuttled deal also had significant benefits to Lasell—both up front and over time. Lasell enrolled about 2,100 students. Mount Ida enrolled roughly 1,500, and combining the two student bodies would have meant more strength, Alexander says.

"I feel pretty confident that a small college with 3,600 students is a bit more sustainable than one with 2,100 students," Alexander says. "I don't care how well you're doing, the forces impinging upon small colleges are there."

It is better to weather volatile enrollment trends with a larger student body, Alexander says. He also thinks significant economies of scale could have been realized by combining the two operations. Mount Ida's losses could have been turned into surpluses in about a year, models showed.

"So financially it made a lot of sense," Alexander says. "Academically it made sense, because of those specialty programs, primarily. They were strong in sciences."

Lasell was building science programs. Adding Mount Ida's programs would have accelerated its efforts.

Of course, Lasell valued Mount Ida's land as well. Debt to be assumed would have been less than the value of the land. That would have helped Lasell's balance sheet, and it would have provided the college with numerous options for growth in the future. Lasell's campus is more heavily built out than Mount Ida's, which offered plenty of room for new facilities, Alexander says.

In contrast to the way UMass viewed Mount Ida, Boston University saw value in some of Wheelock's programs. The university had already been trying to find a way to rejuvenate its work in K-12 teacher education, according to its president, Robert Brown. BU had been in the midst of a search for a new school of education dean before the Wheelock deal. The opportunity to add Wheelock, which traces its roots back to early childhood education advocate Lucy Wheelock, was in many ways serendipitous.

The merger will allow BU to grow at the master's level, likely in both its School of Education and School of Social Work. The university could also expand at the undergraduate level, but whether that happens will be determined by the nature of new programs being developed, Robert Brown says. BU did not, however, construct the deal with the requirement that it grow net tuition revenue.

It wasn't as simple as bolting on Wheelock's land and most attractive academic offerings. Wheelock was in a position to turn down BU if it wasn't satisfied with the entirety of the university's offer.

"The brilliance of Wheelock—and I give them a ton of credit for this—they didn't wait until they were on their deathbed to do this," Robert Brown says. "They could have walked away from the process if they found no one."

So Wheelock was able to secure job offers for all of its tenured faculty members, not just those from its strongest program, education.

As soon as possible, Robert Brown or BU's provost, Jean Morrison, spoke with faculty members in the schools and colleges to be affected. In order to get professional appointments, Wheelock faculty members transitioning to BU would have to go through the same process—spelled out in the Faculty Handbook—as any other faculty member, Morrison says.

BU ultimately offered jobs to 93 Wheelock employees, a third of whom were tenured faculty members. Another 111 employees were to be laid off—72 staff members and 39 faculty members. BU has officially hired 39 faculty members and 43 staff members.

Integrating the new faculty members and programs and mapping out where Wheelock students would land took time and effort. There was no blueprint to follow, Morrison says.

"There were six or eight senior folks who spent 30 to 50 percent of their time on this for six months," Morrison says. "One of the things that we learned quickly as we started to understand the Wheelock academic structure was that they had a very complex series of majors and minors and dual majors and four-plus-ones. They had students who were doing a lot of complex types of programs."

About 600 undergraduates and graduate students from Wheelock, out of a possible 803, planned to attend BU in the fall. Much of the attrition was among athletes who wanted to remain on Division III teams instead of moving up to the Division I BU, officials said. Few if any would have been likely to play at the Division I intercollegiate level. Some were also undergraduates in social work transferring to Simmons College in a teach-out arrangement.

The fact remained that the average Wheelock student didn't bring the same academic chops to campus as the average BU student. For the fall of 2016, a quarter of Wheelock's first-time students scored at or above a 505 on the SAT's critical reading component and at or above a 510 on its math component. BU's corresponding scores were 680 on critical reading and 740 on math.

Some students grumbled that they wouldn't have been admitted to BU with the standardized test scores posted by Wheelock students who were being granted admission with the merger. Robert Brown responded by saying that both institutions share a commitment to social justice. He stressed that it wasn't right to turn students away simply because of a vague sense of admissions fairness.

And, yes, Robert Brown acknowledges that Wheelock's land was important to BU.

"Their campus can be easily integrated into ours," he says. "If it was a long way away, it would not be this interesting." ■

# Anatomy of a Merger

The cases of Wheelock, Boston University, Mount Ida, Lasell and the University of Massachusetts system are only two of many instances of attempted mergers and acquisitions between colleges and universities. But they lay bare many of the issues that any merger must navigate.

Such issues include the basic: How do you find prospective merger partners, and how many do you consider? They also include fundamental operational issues: planning, finances, timing, value, academic programs, accreditors and regulators. And they include the murkier human elements: leadership, ego, priorities, faculty and students.

Some of those issues are best addressed at certain points in a merger process. Others, like the human elements, will have to be tended throughout. Several can come at various points as a merger comes together, depending on a particular college's situation.

Nonetheless it can help leaders who are thinking about a merger to consider the issues in light of a basic framework. Most mergers can follow some version of this path:

- Prepare internally
- Find partners
- Perform due diligence
- Sign a nonbinding memorandum of understanding
- Sign an agreement
- Put the agreement into effect

What follows is a description of each of those steps and issues that can arise. Keep in mind that the process might be significantly different depending on an institution's situation. Some mergers involving public institutions might require legislative changes, for instance.

# Prepare Internally

Internal preparation has to start with a sober look at a college or university's current financial position and a realistic examination of its future prospects. Although higher education isn't all about the money, it will be impossible to plot a strategy for the future—merger or otherwise—without a realistic evaluation of the current financial picture.

Even in merger situations that aren't motivated primarily by money, finances will have to play an important early role. Before a college can decide to merge or target prospective merger partners, it has to know where it stands financially. Enrollment, programs, revenue levels, endowment size, debt and expenses must all be evaluated.

Institutions can be at risk of closure if they meet the following indicators, according to a report from the TIAA Institute:

- Enrollment of less than 1,000
- No complete online program
- Annual tuition increases of more than 8 percent
- Tuition discount rate of more than 35 percent
- Tuition dependency of more than 85 percent
- An endowment that is less than three times as large as annual expenses
- Debt service that is more than 10 percent of expenses

It's easy to lose sight of important long-term trends when examining metrics measuring year-to-year changes. Some have suggested examining changes to key indicators over a period of at least a decade.

Former Wheelock trustee Ranch Kimball recommends monitoring total enrollment, matriculating freshmen, tuition discount rates, expenses per undergraduate, net assets, total endowment, total long-term debt and total expenses. Downward trends in some—like enrollment, assets and endowment—coupled with upward trends in others—like discount rate, expenses and debt—show an institution with an eroding position and signal that an institution needs to make changes.

Of course, there are numerous other key ratios that can be monitored. Chief business officers often watch a set of key ratios outlined in *Strategic Financial Analysis for Higher Education*, published by KPMG, Prager & Co. LLC and Attain. The primary reserve ratio measures whether an institution is flexible enough to support its mission. The viability ratio gauges its ability to cover its debts. The return on net assets ratio is self-explanatory, and the net operating revenues ratio demonstrates whether an institution is living within its means. The composite financial index combines those four markers.

Beyond the numbers, internal preparation also means deciding what an institution values most and what a prospective merger partner might value most. For example, a struggling small college might decide that its name and a specific program living on are its top priorities. It might decide a partner is most likely to value the program and its land. Experts caution that it's important to keep the list of must-haves as short as possible, because a laundry list of requirements can cause sides to hold on to too many details instead of making necessary compromises.

The internal preparation phase is likely to be limited to a small number of leaders—administrators, trustees and perhaps a consultant. But it's not a bad idea to consider who else could or should have a seat at the table at different points in the process. The question of when to bring in faculty leaders will always hang heavy in higher education, where shared governance is critical.

Some recommend asking faculty members to sign nondisclosure agreements, which can make it easier to bring them into the merger process early while minimizing risk of word of negotiations spreading. Another point to consider is that it's a best practice to keep faculty members informed about financial and strategic challenges as part of normal operations. Telling them about challenges only after merger talks are under way is a recipe for difficulty. ■

## Find Partners

There is surprisingly little consensus about the best way to go about finding prospective merger partners. Many institutions have started by reaching out to other colleges and universities with which they shared ties or where they knew the leaders. For example, when St. Bonaventure University and Hilbert College announced talks in 2013, the discussions came after Hilbert president Cynthia Zane had analyzed the Roman Catholic colleges in the Buffalo, N.Y., area. The two institutions had a two-decade partnership under which St. Bonaventure offered graduate programs on Hilbert's campus, and they shared a common heritage in the church's Franciscan order. Ultimately, though, the two institutions said in 2015 that they were unable to reach a merger agreement.

Reaching out to familiar faces might increase the chances that some sort of partnership can be struck or strengthened if a full merger proves not to be possible. Partnerships that are less than full mergers can save money, strengthen programs or even pave the way for a full merger in the future.

Wheelock raised many presidents' eyebrows when it went through a request-for-proposals process to find a merger partner. But the college's leaders feel it helped encourage a merger by introducing an element of competition and allowing it to insist on its nonnegotiable elements despite being the smaller, weaker institution in any likely deal.

For public colleges, the process of finding a prospective partner is likely to be different. In cases where public-college mergers are being driven by politicians, leaders may have fewer options surrounding timing and merger partners. A partner is most likely to be a nearby sister institution, because issues of taxpayer funding, unionization and tuition levels can make it hard for a public institution to merge with a private one. Public institutions in the same system may also find it easier to merge if they already share back-end systems, have pre-existing relationships and serve many of the same students. ■

## Perform Due Diligence

The due-diligence stage is about opening the books so that potential merger partners can confirm that their assumptions about each other are correct. It also allows the two sides to address any issues that could cause the merger to be called off down the line.

Colleges have often set up so-called virtual data rooms so that prospective partners can review key pieces of information that aren't publicly available. The process is normally confidential and conducted under a nondisclosure agreement.

In the corporate world, due diligence allows the two sides to check each other's forecasts, management and state of operations. It also gives them a chance to confirm potential economies of scale and the current state of facilities, assets and liabilities. The due-diligence period is limited and ideally ends with a takeover offer.

The phase will likely follow the same progression in higher education, although the two sides will probably add facts to be evaluated like student enrollment trends and the breakdown of tenured, tenure-track and contingent faculty positions. Wheelock's Kimball recommends drawing up an eight-year financial plan so future scenarios can be evaluated. Instead of a takeover offer, the phase will end with a memorandum of understanding.

This is also a good point to discuss the potential transaction costs a merger would bring—costs like branding, investing in updating systems and processes, severance for laid-off employees, and other changes with a clear dollar cost. Costs also include human factors, like how much time leaders will be investing in the merger and what support employees will need during or after the transition. These discussions can and should delve into issues of institutional culture. How far apart are the two sides on values, mission and approach to the world? How hard will it be to bridge the gap? ■

## Sign a Nonbinding Memorandum of Understanding

At this point, the two sides typically enter a period of exclusive talks, going back and forth and working out a litany of details. In the memorandum of understanding, they will have agreed upon the major pillars of the deal, including what the merged institution's name is going to be and what its governance structure will look like.

Private colleges have usually announced their merger talks by the time the memorandum of understanding is signed. Leaders often worry about finding the right time to make the discussions public. Do it too early in the process, and those at struggling colleges fear students will be scared away from enrolling. At a weak institution, the concern is that a deal to avoid closure can morph into a self-fulfilling shutdown prophecy if the talks fall apart after they are announced.

On the other hand, waiting too long to announce a deal comes with its own risks.

Important constituencies can feel the decision has been made before they had a chance to provide feedback or process the idea of a deal. This can be a massive problem if the faculty at large thinks it is being forced into a merger. Mergers will require some form of academic integration, after all, and shared governance in higher education gives faculty members significant power on the academic side of operations. It's also a major problem if enrolled students aren't given time to air their concerns.

There is no perfect time to make the announcement, but plenty of bad times exist. The key to good communication is making sure every group understands how they will be affected, say presidents who have been through the process. It's also critical to communicate what the merger is supposed to achieve. ■

## Sign an Agreement

Experts and leaders experienced in mergers recommend that the two sides in discussions reach an agreement in as timely a manner as can be considered judicious. The overall merger process typically takes from one to three years, depending on how aggressive the sides are being and how quickly they manage to work through issues.

A popular saying is that time kills deals. The risk of complexity, unwanted leaks and misinformation only multiplies as negotiations drag out. At the same time, those downsides could be preferable to rushing headlong into the wrong deal without careful consideration.

A final agreement will build on the pillars agreed upon in the memorandum of understanding by adding legal details addressing a wealth of issues. Finalizing the deal isn't as simple as signing a single agreement—numerous documents are signed over a course of many months. In many cases, scheduling the signing of the documents is timed based on regulatory hurdles and the academic calendar. Leaders don't want to complete a deal that would eliminate one institution in the spring, just before that institution was scheduled to have its graduation, for instance. ■

## Put the Agreement Into Effect

Plenty of hard work remains after all the documents are signed, as evidenced by Wheelock and BU's experience mapping individual program pathways for students. Administrators worked for months, in many cases going student by student.

The focus at this point should be on integrating operations and meeting any deadlines set by accreditors or regulators. Rehashing the decision to merge is universally discouraged. Staff members will have to be dedicated to new integration-related efforts, creating the challenge of balancing between continuing daily operations and the additional work.

As many as 50 to 80 work groups can be necessary to cover a dizzying array of topics, according to the TIAA Institute's report on mergers. They could include admissions, tenure processes, student and employee representation in governance, human resources, security, information technology, foundations, alumni, and more areas. Personnel issues can be hard to address if merging offices or schools have redundant employees and administrators. Allowing duplicate functions to carry on independently can create conflicting centers of power. Some institutions have tried to minimize this problem by asking that all executives resign and reapply for their positions, but this strategy can fuel turnover and instability.

Even the smallest decisions can matter here as administrators and trustees try to knit together two institutions with their own distinct cultures. Those who have been through the process say it takes time, effort and frequent interactions with students, faculty and staff. They also recommend clearly stating when the major goals of a merger have been met.

At some point, the benefits of the deal have to become apparent to everyone involved, though. So if a leader has to constantly remind campus of the future upsides for too long, it might mean the merger is failing to meet its goals. ■

# THE FACULTY ROLE

Faculty members want to know as early as possible about merger discussions.

The faculty considers itself to have primary responsibility over areas like curriculum, instruction, research and faculty status. A merger will affect those areas, so faculty groups believe they should be fully involved in merger talks.

Faculty members should play a "fundamental role" in a decision that would change the character of an institution, including affiliations or mergers that result in "abandonment or curtailment" of duplicate programs, according to statements from the American Association of University Professors. The AAUP's governance standards for institutional mergers and acquisitions call for faculties from both institutions that would merge to be involved before decisions have been made on affiliations or any program curtailment. It allows that exploratory discussions can take place without full faculty involvement but insists professors should be at the table early if the talks seem likely to lead to a deal.

Any decision to seek merger "in a context of financial exigency" should be made with the greatest level of faculty participation possible, the statement says. It acknowledges that mergers in cases of financial exigency can preserve faculty positions, but it says mergers should not be used to break tenure obligations.

"I think the merger situation is very special because it involves the possibility that there will be departments that are merged, that there are departments that may not fit into the new institution," says Hans-Joerg Tiede, associate secretary in the department of academic freedom, tenure and governance at the AAUP. "Those are issues that really need to involve the faculty."

*CONTINUED ON THE NEXT PAGE*

## *THE FACULTY ROLE*
***CONTINUED***

The AAUP has had reason to address the topic numerous times over the years.

“This statement was written very much in response to a series of mergers that happened in the late ’70s, and of course that was a period of severe financial difficulty,” Tiede says. “An annual meeting basically addressed this in the early ’50s as well, which was a period of large expansion where, in some cases, I would suspect some state systems were created and then we had mergers of individual institutions into systems.”

Even those outside of faculty groups see good arguments for talking openly about merger ideas early on.

“The conventional wisdom is we can’t tell faculty because that will cause problems,” says Ranch Kimball, a former Wheelock trustee who has served on numerous nonprofit boards. “I would argue that it’s a difficult conversation when you have it early, but if you do too much under wraps, you’re asking for major problems later on. Not because faculty have shared governance, but what on earth are a bunch of lay trustees going to do to assess the academic quality of a merger and the quality of your partners in thinking through that integration?” ■

# THE LEGAL ASPECTS

State attorneys general and courts sometimes must be brought in before a merger can be completed, often because a college’s mission statement must be modified or because restrictions on its endowment must be changed.

When George Washington University acquired the Corcoran College of Art and Design in 2014, it sought a cy pres determination from the Superior Court of the District of Columbia.

A cy pres decision essentially has a court determining the closest course to an institution’s original mission currently available. In a case where an institution’s mission can no longer be carried out, such a decision allows the institution to continue operating by following a donor’s original wishes as closely as possible.

The Corcoran Gallery of Art and Corcoran College of Art and Design, plagued by financial problems, were being split between the National Gallery of Art and George Washington. Corcoran was considered a

*CONTINUED ON THE NEXT PAGE*

charitable organization unable to exactly carry out its original mission. The court approved the changes in August 2014, about six months after the original announcement of the agreement between the institutions. That approval allowed George Washington to receive the Corcoran's Beaux-Arts building in Washington, a few blocks from the George Washington campus, along with its college of art. The National Gallery received the Corcoran's art collection.

Another question is what happens to merged colleges' endowments. Since endowments are made up of multiple distinct funds, which in turn are often restricted for purposes outlined by donors, transferring them from one institution to a larger merged institution can require work. But restrictions can be released or modified with donor consent, and modifications are also possible for donors who are dead or can't be contacted, if courts agree.

So the process can involve donors, courts and state charity regulators, which are typically attorneys general. But a state's charitable regulator is already likely to be involved in a merger process, according to Barry C. Hawkins, a lawyer at Shipman & Goodwin LLP in Stamford, Conn.

Hawkins is a Uniform Law commissioner who chaired the drafting and enactment committees for the Uniform Prudent Management of Institutional Funds Act, or UPMIFA. The act deals in large part with managing and spending from endowments, but it also comes into play in a situation where a college is closing and its endowed funds need to be addressed.

The question of merging colleges did not come up when UPMIFA was being drafted, according to Hawkins. But it should still be possible to manage separate funds from two or more nonprofit colleges being merged.

"Different use restrictions are probably not as big a problem as one might expect, as institutions being merged (whether community foundations, libraries or colleges) are most likely to be similar to one another and have similar use restrictions because their underlying goals or needs are in fact similar," he said via email. "Where the restrictions are quite different, the institutions would likely want to set up subfunds under common management to bridge the differences."

After that, common management for merged funds should not be difficult, even if the funds still have different restrictions on their use, Hawkins added. Managing multiple endowment funds with different restrictions is routine.

The ease or difficulty of the endowment transfer might depend on other merger details. Wheelock's endowment was being absorbed by BU with their merger. But the earnings from the endowment were earmarked for the Wheelock College of Education & Human Development. The merger came with a promise to honor Wheelock donor restrictions.

That's a very different case from one where a court must be petitioned for significant modifications or releases from endowment restrictions. Judges have to be convinced that such changes are consistent with the donor's intent.

*CONTINUED ON THE NEXT PAGE*

## *THE LEGAL ASPECTS*

*CONTINUED*

The other legal issues that can crop up in a merger are too numerous to count—and they can continue to be tricky years after the merger takes place. For example, when Westminster Choir College merged into Rider University in New Jersey in the early 1990s, the sides had to contend with a restriction in Westminster's original deed for its land in Princeton. The deed said Westminster's campus would become the property of Princeton Theological Seminary if the choir college ever stopped educating ministers of music.

Rider and the seminary made an agreement before the merger was finalized in 1992 to address the matter. It stipulated Rider would pay the seminary a portion of proceeds if it ever sold the Westminster campus. But when Rider announced it was selling Westminster to Beijing Kaiwen Education Technology Co., the seminary filed suit to block the deal, arguing the sale would violate the agreement as well as the original intent of the donor who gave the college its campus in the 1930s. Rider also faced a lawsuit from alumni seeking to block the sale.

Attorneys general might also take note of other transactions that they think merit scrutiny.

"We are concerned when related for-profit entities provide services to the nonprofit," said Lynn Hicks, a spokeswoman for the Office of the Attorney General of Iowa, in an email. "When done as an arm's-length transaction, we think these mergers/acquisitions are appropriate."

Since the range of legal issues—and, frankly, potential lawsuits—is so wide, some recommend trustees take a look at their directors and officers' liability insurance before embarking on a merger process. ■

# WHEN TO TALK TO ACCREDITORS

When should a college or university considering a merger consult with its accreditor? In most cases, the answer is as soon as is reasonably possible.

"We always recommend good, open communication," says Barbara Gellman-Danley, president of the Higher Learning Commission, which accredits institutions in the north central United States. "I think early is a really good idea."

Each accrediting agency has its own specific policies and procedures that will dictate how institutions merging should proceed and

*CONTINUED ON THE NEXT PAGE*

## *WHEN TO TALK TO ACCREDITORS*
***CONTINUED***

what they will have to do to remain accredited. Generally, a merger is going to qualify as a substantive change requiring an in-depth review. It could also trigger other changes for the continuing institution, like a need for additional credential levels that are being acquired but are not within the scope of its existing accreditation.

Some institutions get far down the path to merger before they reach out to the accreditor, only to find that they don't understand the accreditor's policies or that the merger won't be in the best interest of students as defined by the accreditor's metrics.

Mergers take more time and resources than anyone imagines they will when they begin, says Kevin Sightler, director of substantive change at the Southern Association of Colleges and Schools Commission on Colleges. Leaders moving down the road toward a merger have to be aware of what it's going to take to make the change successful. Sometimes college leaders will talk with the accreditor just to make sure they are aware of the accreditor's procedural requirements.

SACSCOC does not advise institutions on whether a merger is wise strategically, according to Sightler.

"That's entirely their business," he says. "Sometimes we'll ask probing questions to get them to answer the strategic questions."

Leaders might be concerned about talking to accreditors before they've publicly announced their plans. So officials at accrediting bodies offered assurances that they keep early talks with colleges private.

"We try to run a surprise-reduction program here," says Barbara Brittingham, president of the New England Association of Schools and Colleges Commission on Institutions of Higher Education. "We can also maintain confidentiality all the way along. As you can imagine, when institutions in general are undertaking these ventures, confidentiality is important."

When it comes to keeping information private before it is ready to be released, some argue accreditors are safer than other regulators. Accreditors are private entities, so documents they receive can be kept out of public view, which isn't always the case with public regulatory bodies, Brittingham says.

The fact remains that mergers will have to satisfy several regulatory levels: accreditors, state higher education regulatory bodies and the U.S. Department of Education. The Securities and Exchange Commission can also be involved in the case of a merger involving a for-profit institution. Everybody likes to be the first to be consulted and the last to sign off.

"The best practice is, No. 1, ask, 'Is this a substantive change?' " says Judith Eaton, president of the Council for Higher Education Accreditation and former chancellor of the Minnesota State Colleges and Universities. "If so, call your friendly accreditor and say, 'All right, what's the best way to go about this?' "

A merger proposed for the Connecticut State Colleges and Universities system demonstrates the challenges mergers and accreditors pose for one another. The merger

***CONTINUED ON THE NEXT PAGE***

would have combined a dozen community colleges into an institution called the Community College of Connecticut. It would have consolidated 434 degree programs into between 225 and 250.

The New England Association of Schools and Colleges Commission on Institutions of Higher Education took a skeptical view of the plan in April 2018, determining the merger would exceed a substantive change and instead create a new institution. That meant the new Community College of Connecticut would need to go through the process of becoming a candidate for accreditation and then an accredited institution—a steep hurdle, because students would not be eligible for federal Title IV financial aid until after the institution went through a comprehensive evaluation and was granted candidacy.

In a letter announcing its stance, the commission sounded several notes of concern about Connecticut's plan. The commission was not convinced planning for the newly merged college was realistic. A combination of large-scale changes, a two-year timeline and limited investment led to commission concern that the "potential for a disorderly environment for students" was too high for approval of the merged college as a candidate for accreditation.

"In addition, we are concerned that the proposed institution does not appear to have sufficient support for academic administration to plan, oversee and evaluate hundreds of academic degree and certificate programs, given that the chief academic officer will also be the chief student affairs officer and have only three other staff in the office," wrote David P. Angel, commission chair.

"It is also not clear how faculty can act in concert across up to 12 campuses to oversee the quality of the academic program," Angel wrote.

The merged institution would be one of the country's largest community colleges, the accreditor found. It continued to accredit the 12 separate community colleges while Connecticut decided how it wanted to proceed.

"When the commission looked at it, they said substantive change only goes so far," Brittingham says. "But the commission didn't say no. It wanted to say, 'here's the pathway to do that.' " ■

# THE HUMAN ELEMENT

Although process is important, those who have been through mergers emphasize that the people involved often make or break the deal.

Colleges and universities are human enterprises run by people, after all. As a result, the personalities involved at the top, their expectations and even what happens to them after the deal closes are of high importance.

"Identity is absolutely critical," says Barbara Gellman-Danley, president of the Higher Learning Commission. "I've seen institutions that would rather die than go with another institution, because they don't want to lose their identity."

That may be why issues of institutional name and identity are so important. Many recommend deciding on the name of the postmerger institution early on in the process. Not doing so allows unnecessary unease to linger, potentially derailing relationships that will be necessary for working out more detailed operational issues.

It may also be why the question of what happens to presidents is so often asked. Presidents facilitate the free flow of information during merger talks and are the ones who are most likely to be able to anticipate and overcome the issues that will arise. If presidents aren't on board with the merger idea, discussions are likely to unravel.

But presidents face a problem of self-preservation in any merger. Two colleges with two presidents are merging, and only one can be top dog after the deal.

Sometimes one president will be at a point in his or her career where retirement, stepping down or moving into a nonpresidential situation is natural. At Wheelock, David Chard was hired with the understanding he would explore partnerships. Elsewhere, presidents toward the end of their careers sometimes feel free to propose outside-the-box ideas like mergers because they know they will soon be leaving the role of chief executive.

Richard Ortner had been president of the Boston Conservatory for 18 years when the institution merged into Berklee College of Music in 2016. He decided to retire the next year. Afterward, the college did not appoint a new president for the conservatory, instead creating a new position of executive director. Doing so balanced the conservatory's own institutional identity against the fact that it had become part of the college, which then had a single president overseeing the merged institution.

Cathy Young became the conservatory's executive director after previously serving as dean of dance. Hiring someone from the conservatory to be its executive director sent a message, she says. Installing someone from the college would have been a very different signal.

"That would have meant everything would have been coming under the umbrella of Berklee," Young says.

*CONTINUED ON THE NEXT PAGE*

Some still worry the small conservatory's culture will be swallowed up in the larger school of music. Young believes one of her top responsibilities is to reassure them, in part by committing to keeping strong the conservatory's identity and brand. Yes, the conservatory is now part of a larger institution, she says. But its identity can remain elevated within that institution. Young reports only to Berklee College of Music president Roger Brown. She is part of the president's senior leadership team, showing the conservatory has a voice in shaping the institution's overall direction, she says.

Many of the same issues that crop up with executive leadership during mergers also exist with boards of trustees. Trustees tend to have deep connections to their institutions, and they are used to protecting their beloved college's identity while they carry out their fiduciary duty. Trustees often want some level of continuity, control or assurance that their values and the college's identity will continue postmerger.

The Boston Conservatory–Berklee College of Music merger demonstrates that fact as well. Eight Boston Conservatory trustees joined the Berklee board, Roger Brown says.

"It's a 150-year-old institution," he says of the conservatory. "The idea that you would say, 'Thanks, let's merge, now all of you go away'—it seems like it's not a good idea. If you're truly willing to be collaborative, you want to be collaborating."

The inclusion of the board members helped to enable the merger process and benefited the merged institution, Roger Brown says. The conservatory members brought institutional knowledge, wisdom and fund-raising abilities.

From the outside, it's easy to dismiss a president's worries about job security or a board's fears about identity as cases of ego run amok. But the situation usually looks very different to the president or trustee. Ego can end deals, and reasonable accommodations for the human element might actually aid the merged institution by adding knowledge or expertise.

"If you look at mergers in all domains—the private sector as well as nonprofit—I think ego is usually the thing that makes them fail," Roger Brown says. "Individuals are sometimes unable to put the needs of the institution first. You end up with turf battles and power struggles and people making internal decisions that don't serve the combined institution well." ■

# CHECKING WITH THE FEDS

The U.S. Department of Education will examine mergers to determine if they affect institutions' eligibility for Title IV funds. A substantial change-in-ownership process exists. The department generally examines the compliance history, finances and details of the transaction to determine whether any new limitations will be put in place after the change.

Colleges and universities will often opt for a preacquisition review, allowing the department to advise them about any problems with their proposed transaction. Requests for preacquisition review normally must be filed 45 days before a change in ownership. While many recommend the reviews, they aren't mandatory.

After a change in ownership, an institution will have 10 business days to apply to be considered for a Temporary Provisional Program Participation Agreement. The agreement can be extended on a month-to-month basis and replaced by a Provisional Program Participation Agreement covering as many as three years as the department reviews the change in control.

If a college or university is only acquiring another Title IV–participating institution's locations, the transaction can be evaluated under expansion of scope and additional location requirements. Again, a preacquisition review can be requested but is not required. The department will have to review an application for an additional location, considering limitations like enrollment caps, notifications to students and letters of credit. ■


Photo by Tim Pierce

# When It Works

With the dizzying number of institutional types, sizes and missions in the United States, any model attempting to capture the many permutations of possible mergers is bound to be exceedingly complex.

There are the bolt-ons, when a larger university sweeps in to pick up a smaller, specialized college—like when the Thunderbird School of Global Management agreed to become part of Arizona State University in 2014 or Pennsylvania State University scooped up the Dickinson School of Law in 2000. There are the consolidations within long-standing state systems, most notably a series of mergers set off in Georgia by a chancellor with deep political connections. There are growing private universities gobbling up failing small colleges in aggressive land grabs, and there are even relatively strong small colleges merging because they see their programs as complementary.

## Berklee College of Music and Boston Conservatory

A 2016 merger that brought the Boston Conservatory into the Berklee College of Music was pitched as two private institutions that were strong enough to keep going it alone but nonetheless thought they would be stronger together.

Berklee was considerably larger than Boston Conservatory, with more than 5,200 total students enrolled compared to about 790 in 2015-16, the school year beginning just after the merger was announced. Its endowment also dwarfed the conservatory's, $321 million to $15 million. Still, both institutions ran surpluses.

They were already intertwined on the business and academic sides of their operations. The college and the conservatory were part of a consortium allowing students in the Boston area to take classes from one another. They shared public safety and custodial services, and conservatory students could eat at Berklee's cafeteria. The two institutions shared faculty. Students from one institution would work on productions at the other. Their campuses, in Boston's Back Bay neighborhood, were intertwined.

The conservatory boasted music, dance and theater programs, while the college was founded with the idea that students should study and practice contemporary music in order to prepare for careers—it could train students to go on to compose for television and film, for example. Berklee students had high interest in musical theater, but the college didn't have a large program.

"The compelling and driving factor in this merger was the complementary programs," says Roger Brown, Berklee's president. "Media and art forms are merging, and boundaries are blurring, and young people are growing up with access to all styles of music and are more open to creating art that crosses boundaries."

Both the conservatory and the college of music could have continued independently, Roger Brown believes. For Berklee, though, building its own conservatory wouldn't have allowed it to match the quality of program already next door. For the conservatory, the merger opened access to a much larger institution with amenities like recording studios—and it didn't have to find the financial resources to build those amenities on its own.

As soon as the two presidents checked with their board chairs and found them open to a merger discussion, Roger Brown went to the faculty union, he says. He explained the process, described his rationale and asked them for their thoughts and concerns. The union was largely enthusiastic, Roger Brown says. Its main concern was that Boston Conservatory faculty be brought under Berklee's collective bargaining agreement. That would mean higher compensation and longer-term contracts for many of the conservatory's faculty members.

The two institutions announced that merger talks were under way in the summer of 2015, six months before a final agreement was struck and a year before the actual merger took place. As a result, different constituencies had time to process the idea and give feedback.

"It wasn't a fait accompli," Roger Brown says. "There was a one-year process of public vetting so anyone who thought it was a bad idea could have their say. That, you can imagine, would be a little bit scary for the conservatory, because they're getting the disruption of announcing a potential merger without any of the benefits. But it worked."

That's not to say every reaction was enthusiastic, Roger Brown says. People on both sides asked why the merger was taking place or argued it was unnecessary. Still, Roger Brown thinks a lack of transparency in decision making is one of higher education's biggest problems, and he felt it was important to be as open as possible.

The fact that neither institution was struggling mattered from a regulatory and accreditation standpoint. The merger wasn't paired with the closure of any programs, so no teach-out plans were necessary.

Details remained to be ironed out, of course. Some operational issues proved problematic. Revamping the student information system to make it easy for students to cross register in the merged institution was harder than expected. Some students had to walk from one registrar's office to the other.

"We discovered we have really different processes at some very different levels and in some key functions," says Camille Colatosti, dean of institutional assessment and graduate studies at Berklee. "That was not recognized at the leadership level. It was only when we got into the nitty-gritty."

Although Boston Conservatory's faculty was not unionized, Berklee's was. Today, the merged institution has unionized faculty. That was a change for the conservatory, which used to have a relatively flat organizational structure, according to leaders.

The takeaway? Talk to the people who "make the clocks run on time," Colatosti says. They can help administrators anticipate operational issues that might crop up, from integrating technology to scheduling courses. Committees addressing various parts of the educational enterprise can help as well.

It remains a work in progress. But so far, the merger has led to growth in the conservatory. It enrolls almost 840 students, up from about 790 in the fall of 2016. Applications went up 30 percent after the merger, allowing the conservatory to be more selective, administrators say.

"Truthfully, I think we're going to be working at this for years," says Cathy Young, the conservatory's executive director. "If you can handle the sense of disorientation that sometimes comes with not having everything be done the way it's been done for 50 years, there is incredible opportunity to shape your path as an institution, to be intentional about 'Who do we want to be and where do we want to go?' " ■

## George Washington's Growth

Some mergers are more complex than others—and some colleges have a longer history of mergers and acquisitions than others. George Washington University in Washington, D.C., has proven adept at mergers that helped it grow over the years.

George Washington picked up an extremely attractive location next to the White House grounds when it added the Corcoran College of Art and Design in 2014. The deal divided the financially troubled Corcoran Gallery of Art and Corcoran College of Art and Design between the National Gallery of Art and George Washington. The university received the college and real estate. The National Gallery of Art received custody of the art collection and use of space in the Corcoran building to exhibit it.

The deal had to make its way through a court process and was challenged by some students, as well as Corcoran faculty and staff members. After the merger was approved in August 2016, George Washington went on to make a string of changes.

The college was folded into George Washington, becoming the Corcoran School of the Arts and Design within the university's Columbian College of Arts and Sciences. George Washington sold a building it picked up in the merger, the Fillmore School Building in Georgetown, in 2015. It also began renovations of the Corcoran's Flagg Building near the White House.

All existing Corcoran faculty were offered one-year appointments when the merger was approved. The appointments were renewed for a year. But job cuts took place in 2016 when some contracts weren't renewed. Ten full-time faculty members did not have their contracts renewed because of "enrollment, fiscal realities and other considerations," according to

*CONTINUED ON PAGE 53*

# GOING THE DISTANCE

It would take about three hours and 45 minutes to drive the 190 miles through the peaks of the Adirondack Mountains from Clarkson University near the Canadian border in Potsdam, N.Y., to Union Graduate College, in Schenectady. That didn't stop Clarkson president Anthony G. Collins from considering an email he received from Union in 2014 pitching the idea of a merger.

Nor did it stop the institutions from doing their due diligence and ultimately agreeing to a deal. Union became a part of Clarkson in February 2016, adopting the name Clarkson University Capital Region Campus, a nod toward its location near the state capital of Albany.

The change checked numerous boxes for Clarkson, bolstering its graduate and professional degree programs and giving it a new recruiting hub. It also provided a foothold in the Albany region, which is much more densely populated than Potsdam and is home to major employers including IBM and GE.

*CONTINUED ON THE NEXT PAGE*

Absorbing Union gave Clarkson two other advantages in a highly competitive upstate New York market: additional size and diversified revenue streams. The university enrolled 3,702 students just before the merger took effect in February 2016. Union had 423. Two years later, the combined university counted total enrollment of 4,050.

Still, distance matters in mergers, especially when operations will continue on multiple campuses. The farther apart two campuses sit, the harder it can be to find savings by sharing staff members, faculty and administrators. The idea of mission and shared priorities hangs heavy as well—distance only makes harder the difficult balancing act of recognizing a newly acquired campus's unique aspects while also incorporating it into a broader institutional culture.

Two years after the merger, Clarkson shed some employees but still employed more people than it had in 2016. Just before the merger, Union employed 94 people, 51 of them faculty members. Clarkson employed 808, of which 265 were faculty members. In February 2018, the combined institution employed 893 people, with 274 faculty members. The institutions' combined budget in 2016 totaled $124.1 million. It was projected at $127.9 million for 2019.

Integration between the campuses required time and patience. The university's business school dean spent a large amount of time integrating Union faculty members, Collins says. The School of Business grew from 40 faculty members to more than 50 with the merger.

"That, I would say, took a lot of effort," Collins says. "But once you've made those connections, these days, whether you've got someone on the other side of campus or they're 300 miles away, you can Skype them on your computer or whatever you want to do."

Clarkson was likely helped because its two campuses serve largely distinct purposes. Its main campus is a more traditional, undergraduate-heavy university in a rural area with bachelor's, master's and doctoral programs, along with certificate programs. The Schenectady location is a more connected, corporate-oriented campus focused on master's degrees, professional degrees and certificates. Numerous highly educated adjuncts who work at Albany-area employers teach in Schenectady, giving Clarkson access to a talented group that it previously did not have, according to Collins.

Potsdam attracts students in part because it offers easy access to recreation and nature. Schenectady is a more urban location. Yet many on the main campus have a natural interest in Schenectady because it provides access to alumni, donors, researchers and jobs, Collins says.

In a globalized world revolutionized by communication technologies, merging universities separated by 10 miles could be more difficult than merging campuses 100 miles apart, Collins says.

*CONTINUED ON THE NEXT PAGE*

"I think it would be more difficult to do something five or 10 miles apart than at the distance we're at," he says. "I can't imagine trying to go 10 miles away and trying to merge institutions. It's almost like a slap in the face to one or the other that this or the other is the dominant campus or you're better off here or there."

Clarkson was also prepared for the merger process before the opportunity with Union surfaced. Leaders had already been discussing the prospect of expanding professional and graduate programs. They had absorbed the 14-person Beacon Institute for Rivers and Estuaries on the banks of the Hudson River in 2014.

"We had been through the exercise of developing due diligence and understanding what it was like," Collins says.

Nonetheless, maintaining far-apart campuses can accentuate a challenge inherent to mergers: it's extremely difficult to incorporate two institutions with very different histories and distinct sets of employees.

Middlebury College and the Monterey Institute of International Studies represent a prime case. The 2,400-student liberal arts college in Middlebury, Vt., absorbed the 800-student graduate institute in California in the summer of 2010. They'd been affiliated since 2005.

When they announced the 2005 affiliation—which had Middlebury taking over management of Monterey but not fully owning it—faculty members voiced some concerns. They worried about a "drain on resources" and infringement on Middlebury's identity as a liberal arts college, said Jeffrey Cason, who at the time chaired the college's Faculty Council. Monterey had been running deficits.

Fears about institutional identity existed even though Middlebury and Monterey were in many ways well aligned. Both touted language programs and international studies. Monterey had particularly strong programs in translation and interpretation. Middlebury also had a diverse set of operations. As of 2010, it included 10 language schools, a set of C. V. Starr–Middlebury Schools Abroad in 13 countries and the Bread Loaf School of English.

In other words, Middlebury was used to managing disparate enterprises in far-flung corners of the globe. Yet its biggest challenge has been to make everyone feel they are part of the same institution, says Cason, who by the spring of 2018 had become Middlebury's interim provost.

"We've done some investment in deliberately funding people to go back and forth between the campuses," he says.

The institutions' long affiliation before the full merger may have stretched out the process of faculty members accepting it. So might the fact that Monterey kept its own president until 2015, when Sunder Ramaswamy stepped down and Middlebury replaced the Monterey presidency with a vice president for academic affairs and dean. That year, Monterey was

*CONTINUED ON THE NEXT PAGE*

also renamed the Middlebury Institute for International Studies at Monterey.

Cason believes the long timeline for changes was important given the internal dynamics at play. A sense persisted among some professors that Monterey was a drain on finances. It continued even after Monterey's financial performance improved before the full acquisition in 2010. It continued into 2018, when both the liberal arts operations and Monterey were running a deficit.

Some at Monterey may feel important decisions are being made in Vermont, Cason says. That's true—the institution is run from Vermont. Yet with time and effort, the institutions have grown together.

"I think as people have gotten to know one another better, we actually want to see the whole institution succeed," Cason says. ■

a spokeswoman. They were given one year of severance and emeritus status.

The Flagg building continued to hold classes and studios during renovations, drawing complaints from students about environmental quality, pests and inappropriate behavior from construction workers. Officials told local reporters at the time that the building was safe and said they were launching new programs made possible by the George Washington relationship. They have also said the upgrades were much needed and would benefit students.

"We're in a stage where the reincarnation of the Corcoran is about pivoting," Sanjit Sethi, director of the Corcoran School, told *Washington City Paper* in 2018. "How do we see assets within being part of a larger research community, and how can those assets pay out for the benefit of students who come through our doors?"

The Corcoran deal wasn't the first time George Washington grew through merger or acquisition. In 1999, Mount Vernon College merged into the university after the struggling women's college tried a series of transactions to stave off closure. Using its campus as collateral, Mount Vernon in 1993 borrowed millions from Georgetown University in order to bolster its curriculum and improve its facilities. Just three years later, it affiliated with George Washington under an agreement that had George Washington paying off the college's $6.5 million loan in exchange for ownership of Mount Vernon's 20-plus-acre campus in the leafy northwest part of D.C. The deal also called for George Washington to take control of Mount Vernon's governance, appointing a new Board of Trustees.

By 1998, officials said Mount Vernon's administration would be phased out over 18 months as George Washington fully took over the campus. The university went on to push considerable development plans there. Today, George Washington pitches the campus as an alternative to its more urban primary setting, selling it to students who "love being close to everything the city has to offer, but also want a more traditional college campus experience" with green spaces, athletics fields and a "tight-knit community atmosphere."

The campus is also home to a women's leadership program for first-year students at George Washington. That program maintains the vision of Mount Vernon College and Seminary founder Elizabeth J. Somers, according to the university.

"We look at this M&A work from a programmatic basis," says Louis Katz, executive vice president and treasurer at George Washington. "We're looking at how we use the real estate, how we blend the programs into the institution."

George Washington has been noted in the D.C. market for its strategic use of real estate. Moody's wrote in May 2018 that the university's wealth is "uncommonly concentrated in real estate assets," with about 40 percent of its total wealth lying in real estate investments near its campus. The investments rose about 150 percent in market value between 2006 and 2017, boosting unrestricted reserves. Commercial demand for the real estate holdings is also high. As a result, George Washington has been able to increase investments in academics and compete with universities that have more donor support and bigger endowments, the ratings agency wrote.

Moody's was writing about the university's investment real estate portfolio—the properties it owns and leases out to be run as office buildings or hotels. Investment real estate produces financial support for George Washington's academics, but the university considers it a different portfolio from the land it uses for its university physical plant.

It can be argued George Washington's past mergers have helped to prevent pressure from mounting on the university to use properties in its investment portfolio differently, perhaps by converting them to academic space. Katz acknowledges the university's land holdings are all interrelated to a degree but resists the idea that strategies for the two uses of land can be so closely linked.

"We will have opportunities down the road based off of how we're structuring our investment real estate, over whether we want to continue to use it for investment real estate or whether we want to put it into the space we need for operating the university," Katz says.

University leaders didn't decide they could offer longer ground leases for office buildings after they acquired the Mount Vernon campus, Katz adds.

"On nonprofit mergers, it's very hard to make money," Katz says. "That doesn't mean it can't help you build critical mass that could lead to other things." ■

# WHAT'S OUT WEST?

Although the West Coast is not experiencing the same population shrinkage that is leading institutions in other parts of the country to consider mergers, the region has been home to several of its own deals.

Arizona State absorbed the Thunderbird School of Management in 2014, after a proposal under which Thunderbird would have partnered with for-profit Laureate Education fell apart. In 2016, Hope International University in Fullerton, Calif., finalized a merger that had it adding another Christian institution, the small Nebraska Christian College, and keeping both campuses open. Whittier College talked about merging its struggling law school with other institutions before ultimately deciding in 2017 to stop accepting new students and begin winding down operations.

Some leaders continue to search for opportunities. The president of one private, nonprofit university on the West Coast acknowledged seeking an acquisition or merger but asked not to be named due to the sensitivity of that position. The university would be absorbing a small graduate and professional school and was in the midst of a multimonth due-diligence phase shortly before publication of this report.

The two sides first started exploring a deal when the president of the smaller institution approached the 5,000-student university. In the eyes of the president of the larger institution, this is the type of merger most likely to take place among private institutions on the West Coast. They will seek deals to diversify their sources of revenue and their intellectual makeup.

Such deals also theoretically avoid the pitfalls of some other mergers—doubling down not on institutional strengths but multiplying their weaknesses in enrollment or flagging finances.

In the eyes of the anonymous president, though, long-standing institutions being absorbed are likely to worry about being dissolved or losing their institutional identity. Another challenge is that students often won't travel very far, making it hard to consolidate regionally or nationally. That could be a challenge for deal-oriented leaders located in parts of the country that aren't dense with institutions. ■

# Things Fall Apart

Not only are there many ways to put together a merger, but there are countless ways for them to unravel, as well.

Some merger ideas never make it past the discussion phase. Others are ready to go until someone pulls the plug at the last second. A few mergers have been consummated, left in place for years or decades, and then fallen apart.

Such cases serve as proof that not all mergers are good ideas—and also as proof that not all mergers will be good ideas indefinitely. They can also demonstrate how a good idea can be derailed by unrealistic expectations, the human element and shifting market realities.

## An Unfinished Deal in Upstate New York

A proposed deal between Hilbert College outside Buffalo and St. Bonaventure University, about 60 miles to its southeast, stands as one oft-cited case of a merger called off before a plan could be finalized. The two institutions in 2013 announced that they planned to study a "strategic alliance" as worries mounted about a drop in regional enrollment and net tuition revenue.

Proponents could count a number of conditions tilting in a merger's favor, including the fact that St. Bonaventure was already offering graduate classes on Hilbert's campus. Both institutions shared a Roman Catholic background, and its leaders knew each other in part through membership in a group of Roman Catholic colleges in the Diocese of Buffalo.

Yet about a year and a half later, in early 2015, the two sides decided against merging. They indicated they were unable to agree on a governance structure. Looking back, the leaders of the institutions at the time can reflect on some other factors that helped derail a deal—and on the ramifications of not merging.

St. Bonaventure had been through an athletic and leadership scandal before Sister Margaret Carney took over as president in 2004. In the aftermath of the controversy, which led to the resignation of the university's president at the time, trustees governed with a particular mind-set. They were focused less on studying broader trends in higher education than they might have been if they weren't focused on rebounding from the past, Sister Margaret says.

"They were totally focused on fixing what was inside," Sister Margaret says. "They had a tendency to see the university as having the capability of solving any problem, and they solved a lot of problems."

The corporate world of mergers and acquisitions may also have created a barrier. In the for-profit sector, a merger often takes the form of a big fish swallowing a little fish, says Sister Margaret. Trustees with experience in the business world tended to default to that model in their minds—not the model of a merger in the nonprofit sector, where the goal is to keep an absorbed institution's mission going into the future.

"Our trustees, in their honest and good-faith attempt to make the best decisions for our respective institutions, were coming from a model that was a corporate model," says Cynthia Zane, Hilbert's president throughout the merger talks, who planned to retire in the summer of 2018. "That did not necessarily fit with what we were trying to achieve, and we weren't able to get them there."

Trustees who are alumni also tend to want their institutions to continue operating as they remember it.

"They're also volunteers," Zane says. "Alumni trustees remember the way it was then, when they were students, and it wasn't even that way then. It's a tension that has to be proactively addressed."

Another sticking point was with the faculty, Sister Margaret says. St. Bonaventure tends toward the more traditional tenure-track faculty model. Hilbert had more rolling contracts with fewer professors holding tenure and more emphasis on some career-preparation programs. While many academic leaders were excited about bringing the two cultures together, it made some board members nervous.

After merger talks dissolve, there is clearly a personal and professional toll. Relationships can be frayed. Constituencies can be tempted to blame every problem on the merger discussion instead of other causes. That can be ironic, because merger talks are sometimes blamed for the very problems the merger was intended to address.

For example, just after the merger negotiations died, St. Bonaventure learned it was struggling to fill its incoming class for the fall of 2015. Some wondered whether leadership had been too focused on the idea of a merger and not focused enough on bringing in a new class, even though many other colleges in the region were experiencing the same enrollment trouble.

"There were no sit-ins in my office or votes of no confidence," Sister Margaret says. "But there was clearly a negative feeling on campus, and it was getting related to the work we had done on the merger."

Ultimately, Sister Margaret says, she doesn't believe the poor enrollment developed because of the merger discussions. Numerous factors contributed, she says. But she knew she couldn't talk her way out of the perception.

Faculty members weren't particularly happy with the way things went, either, according to Zane.

"Without a doubt, it cost us with faculty," she says. "I would say both ways. A group was just, 'Oh, thank God, we're not going to have to worry about meeting the requirements at St.

Bonaventure.' And others were saying, 'Why couldn't they get it done?' It was a mixed bag."

A period of board fatigue followed the dissolution of talks, Zane says. Trustees were still faced with the same conditions that led them to explore a merger, and now they had to start looking at other strategies to strengthen the college. Nonetheless, when it came time for Hilbert to do a new strategic plan in 2017, the board again said partnership needed to be on the agenda.

"I do think it raised their level of understanding," Zane says of the experience with St. Bonaventure. "It raised their level of awareness that the status quo remains unsustainable, and for that, I think Hilbert will be well served." ■

## Fordham Folds a Women's College

Hop across New York State for an example of a merger that was consummated but ultimately didn't work out as hoped. Financially challenged Marymount College, in Tarrytown, N.Y., agreed to merge with New York City's Fordham University in 2000. The agreement called for Fordham to operate Marymount under a management contract for 18 months, then for the two institutions to consolidate in 2002.

Fordham pledged to try to run Marymount as an undergraduate women's college as long as it was financially and academically feasible. But in 2005, Fordham trustees decided the college could not continue. They opted to close Marymount in 2007 and sold the Marymount campus for $27 million in 2008 to EF Schools Inc., a private language-education company that had a relationship with Marymount stretching to before Fordham ownership.

The university was not making a profit on the campus sale, it said when it announced the terms. The $27 million covered debt assumed when Fordham acquired Marymount as well as the price tag for operating losses and capital investments at the campus. The university also excluded four houses from the sale where sisters of the Religious of the Sacred Heart of Mary lived.

Fordham proved that it could cut Marymount's expenses and increase its enrollment, says Margaret Ball, secretary of the university at Fordham. The university had planned to turn Marymount into another one of its schools, a liberal arts campus in Tarrytown functioning much the same way its other liberal arts campuses did. Today, the university operates area campuses in Manhattan, the Bronx and Westchester.

Marymount had a residential campus in a good location between Manhattan and Connecticut. But many students who were attending didn't want a dormitory room. Further, Fordham was attempting to keep Marymount open at a time when there were substantial doubts about demand for women's colleges, according to Ball.

"We had trouble finding students who were interested in being in a Catholic women's college in Tarrytown," Ball says. "It just didn't have a draw, and there wasn't an obvious answer as to what you do with residence hall rooms for 1,000 people on a campus that's going to need some serious work."

Nonetheless, Fordham used some strategies that are worth considering elsewhere.

It set up a transition board with four members who were Fordham trustees, four members who had been Marymount trustees and four who had links to both Fordham and Marymount. It had an 18-month transition period before fully absorbing Marymount. After it decided to close Marymount, Fordham tried to graduate all students in the pipeline, keeping the college open for two years so juniors and seniors could finish and giving freshmen and sophomores a chance to complete their degrees in Fordham's other undergraduate colleges or its liberal studies college.

"I think it was a really good plan to do the 18-month period," Ball says. "There was something about that 18 months to say, 'We're taking on your debt, the payroll is going to be paid. We're going to reconstruct the administration and do all sorts of things. We're going to do it slowly. It's not going to be painful. It's going to be fine.' "

At the end of the day, Fordham thought Marymount had a good mission and wanted to keep it open, Ball says.

"We did try to keep it going," Ball says. "If you talk to some of the Marymount College folks, they might say that's a bit disingenuous for us to say, but I think that was the deal. There wasn't any ulterior motive." ■

## Disagreements Decades in the Making

It can take a surprisingly long time for mergers to unravel. Facing heavy budget pressures, Westminster Choir College in Princeton, N.J., merged into the much better-off Rider College, about seven miles away in Lawrenceville, N.J., in 1992. At the time, Rider was a savior of sorts for a choir college with fiercely loyal alumni. About a quarter century later, Rider—now a university—faced its own budget pressures and explored moving Westminster onto its own campus.

But Westminster students, faculty members and alumni feel a special bond to the college's 23-acre campus in Princeton. Many talked about the hours the college's choirs spent on campus preparing to perform with prestigious musicians from around the world. So it was no surprise Westminster's backers staunchly opposed the move.

Rider changed tactics and decided to try to sell Westminster instead. President Gregory Dell'Omo hoped to use the cash raised in a sale to help finance the development of in-demand programs in science and technology.

"It becomes pretty apparent we have to do things differently, both the cost side of the equation as well as revenue enhancement of the university, new programs and other ways we might be able to monetize some of our assets," Dell'Omo said in 2017.

In February 2018, Rider announced it had selected as the buyer a Chinese company, Beijing Kaiwen Education Technology Co. The deal would transfer Westminster's campus, facilities, programs and $19 million endowment to the company, which owns K-12 schools in Beijing, in exchange for $40 million. Dell'Omo said the company had a comprehensive plan for the choir college's future and plans to invest in it. But faculty members criticized the deal, saying the buyer only recently changed its focus from making steel and that it had no experience in higher education.

The situation seemed to descend further and further into legal maneuvering with time. Supporters of the choir college filed a federal lawsuit against the sale in 2017, saying Rider had no right to sell Westminster under its merger agreement from the early 1990s. Princeton Theological Seminary filed a lawsuit in New Jersey in 2018 claiming the donor who originally gave the Princeton campus to Westminster wanted the seminary to in turn receive the land in the event Westminster ever stopped training music ministers for evangelical churches and arguing that the proposed sale conflicted with the donor's original intent. The litigation was ongoing as this report was prepared for publication. ■

# Institution Type Matters

## How Public Mergers Are Different

More cooks pack the kitchen when it comes to mergers between public institutions. In addition to the tangle of student, faculty, alumni, presidential, board and accreditor interests swirling around a merger between two private colleges, public mergers involve politicians and, in many cases, state coordinating boards. Unions often hold power as well.

Politics changes the range of likely outcomes. State and local representatives will scratch and claw to prevent the closure of campuses in their backyards. Those campuses often provide some of the highest-paying jobs in the communities elected officials represent, and constituents want the option of sending their children to a local public institution. That's especially true in rural settings where a public institution may be the only college operating in a region.

"I think publics are harder, in the sense that closing a public location is as close to impossible as you can get," says Barbara Brittingham, president of the New England Association of Schools and Colleges Commission on Institutions of Higher Education. "Also, it's harder to do things confidentially at a public institution."

On the other hand, a state system of higher education can provide the impetus for a merger, as well as the framework for it and support like legal help. Remarkably, public mergers occur relatively frequently, considering the added challenges. Almost 40 percent of M&A activity since 2000 has been between two public institutions, according to the TIAA Institute's recent merger report.

Talks of merging public institutions often unfold under a harsh spotlight. The idea of merging some of the Pennsylvania State System of Higher Education's 14 universities has surfaced every so often as they face an increasingly challenging environment of limited public funding, population declines and intense competition from other public and private campuses outside the state system. But the merger idea has never been acted upon in an often-parochial state that also has separate state-related universities and local community colleges scattered unevenly throughout its many counties. One of the state-related universities, Pennsylvania State University, has built up branches all across the state without coordination with the rest of the higher ed system.

At the beginning of 2017, former state system chancellor Frank Brogan brought up the possibility of mergers as he discussed strategies for the future. But a consultant's report that summer recommended against closing, merging or spinning off any of the 14 state-owned universities, instead calling for significant governance changes and the creation of a statewide authority to coordinate policy across the state's higher education institutions.

The divide continued with another report commissioned by state lawmakers and released in April 2018. It favored options including merging state system universities into state-related universities like Penn State or placing the state system under the management of a state-related university.

Leaders in the system and its faculty union immediately pushed back. Then in May, when the state system hired a new permanent chancellor, Daniel Greenstein, he issued a statement saying the 14 institutions in the system were vital.

"For more than 100,000 students—and I'm proud to now say, 'our students'—the universities provide a bridge to opportunity; an affordable and reliable pathway to upward mobility, into the middle class and beyond," it said.

"These universities are the lifeblood of countless who live in communities across Pennsylvania," the statement continued. "Nearly 90 percent of our students are residents who stay here to live and work after they graduate, making our universities the engines that drive economic development and strengthen the very fabric of our society."

Some critics of the merger idea contended that state system universities would not face financial trouble if the state funded them at levels seen in the past. But to many, the idea was a red herring. The lawmaker-commissioned study, which was completed by the RAND Corporation, found additional public funding would help the system but would not change the student demographic trends expected to add mounting pressure.

"We think that revising the current system is probably not going to give the universities enough flexibility and responsiveness to truly respond to the magnitude of the changes they're facing," says Charles Goldman, senior economist at RAND and an author of the report.

Pennsylvania's many systems of publicly supported higher education—including the state system in question as well as the state-supported Penn State, University of Pittsburgh, Temple University and Lincoln University—add complexity to its landscape. More importantly, they aren't coordinated by anything but the blunt instrument of its Legislature.

As a result, RAND made its recommendations not so much on what was ideal in a perfect world, but on what might be feasible politically.

"We thought, given what we'd learned about Pennsylvania, those were politically practical options that could be implemented," Goldman says. "The legislation that authorized the study asked us to look at whether the state should have a statewide coordinating board or other agency. We're very concerned it would be extremely difficult to get wide political support for that kind of body."

Pennsylvania stands as an example of all the reasons public mergers are difficult: authority is disorganized and dispersed, dueling centers of power develop, and everyone feels they should have a say in what happens.

It doesn't have to play out that way. The University System of Georgia can be held up as the polar opposite of the Pennsylvania system when it comes to merging—Georgia has merged 18 institutions into nine since the start of a push for mergers in 2011. It has cut its total institutional count from 35 to 26.

Georgia often merged two complementary institutions, like combining a two-year college with a four-year university. Transfer patterns were frequently strong between the intuitions being merged, or leaders felt institutions being combined had complementary programs. Merged institutions often had presidents who had recently retired or departed, removing dueling leaders as a barrier. The university system also started picking the name of the merged institution in order to ease the transaction.

Campuses didn't close with the Georgia mergers. That's notable because not all of the mergers took place at campuses located near one another. Abraham Baldwin Agricultural College and Bainbridge State College were approved for consolidation even though their campuses sat 80 miles apart. Leaders said the combination would broaden academic programs and allow them to reinvest savings into the combined institution.

Georgia's mergers could be considered administrative consolidations rather than full institutional mergers realizing savings from consolidated campuses. But saving money wasn't the point, former chancellor Hank Huckaby has said.

"When we started the consolidations, our goal was not to save money on the bottom line," Huckaby told *The Albany Herald* in 2015. "We wanted to be able to invest more money on academic programs, and that is what we've done in every case."

Huckaby started the merger push in 2011, and his involvement has been credited with making it a success. He had the political clout and experience necessary.

He was chancellor of the system after spending time in numerous roles in Georgia state government. Huckaby had been a Republican state representative and director of the governor's planning and budget office, commissioner of the Georgia Department of Community Affairs and leader of the Georgia Residential Finance Authority. He's also spent time as an administrator and teacher in the university system.

After Huckaby recommended consolidations in 2011, the system's regents laid out a framework under which mergers could be evaluated. It examines whether a merger increases opportunities to raise education levels; improves accessibility, regional identity and compatibility; avoids duplication of academic programs while optimizing instruction access; creates opportunities for economies of scale and scope; boosts regional economic development; and streamlines administrative services while maintaining or improving service levels and quality.

Another factor helping to speed mergers was that Georgia didn't need lawmakers to approve them. Before the Board of Regents can create a new university, the Georgia Constitution requires approval by a majority vote in both the state House of Representatives and Senate. It does not require such a vote to "change the status of a college, institution, or university." The Board of Regents also enjoys a relatively high level of autonomy, as its members serve seven-year appointments after they are chosen by the governor and confirmed by the Senate. The Georgia system's employees are also not unionized, meaning there is one less voice at the negotiating table.

Still, officials have likened the merger process to making sausage, and they have at times been sharply criticized for their efforts. At one point, students at Southern Polytechnic State University accused the Georgia Board of Regents of "deceit and bottom-line economics" during the run-up to a merger with Kennesaw State University. University-level officials were said to have often not learned of their institutions' future until shortly before a merger announcement was made.

So why go through all the trouble? Georgia is in a part of the country expected to fare better than many in future student demand for higher education.

The answer, officials have said, is that the state's public higher education system could still be better prepared for coming changes—and better aligned to demand it's seeing today.

"We were finding that we have a number of colleges in the southern part of our state that were two-year colleges developed in the '60s and '70s," Shelley C. Nickel, executive vice chancellor for strategy and fiscal affairs at the university system, who has led consolidation work since it started in 2011, told *Inside Higher Ed* in 2017. "We no longer have growth there. We don't have the high school graduates that we had during those boom years."

State system mergers are unfolding across the country, evoking varying degrees of pushback. The University of Wisconsin System unveiled plans in October to merge two-year colleges into four-year institutions and reorganize its extension and online colleges. No physical campuses would be closed. But detractors worried the system was rushing into the mergers without proper planning and that vulnerable students would be left behind. Faculty members, many of whom were already leery of the state's direction for higher ed, said they were blindsided by the merger decision and worried that the process would be rushed.

In Connecticut, officials unveiled a controversial plan to merge the state's 12 community colleges. But the regional accreditor, the New England Association of Schools and Colleges Commission on Institutions of Higher Education, balked. The accreditor found that the merger would create a new institution instead of a system falling under substantive-change requirements. The net effect was that if the plan were to move forward, the merged colleges would have to be candidates for new accreditation.

The proposed Connecticut merger demonstrates how hard it can be to have one institution spanning multiple campuses. A program that's called the same thing on different campuses has to be consistent across locations.

"If it's the Community College of Connecticut, and you have a criminal justice program, there are ways to do it," says Brittingham, president of the regional accreditor. "You can have electives, and it has to be the same thing everywhere you offer it. That's a big undertaking."

Judith Eaton became chancellor at the Minnesota State Colleges and Universities in 1995, the same year the system was formed from a merger of three separate systems of four-year, community and technical colleges under a 1991 state law. The system was created to make it easy for students to transfer credits, but the process of making that happen took time, Eaton says. Differing requirements for general education within the community and technical colleges also had to be addressed.

"When you get into state public consolidations like this, an awful lot depends on the politics," says Eaton, who is now president of the Council for Higher Education Accreditation. "And it depends on the willingness of the academic leadership to work with the proposed changes."

Former State University of New York chancellor Nancy Zimpher also took away that lesson after that system—the nation's largest at 64 campuses—attempted to consolidate presidents at several pairs of institutions early this decade. SUNY's goal was to give campuses a financial boost from sharing back-office services. Legislators pushed against the idea, saying each campus was unique in part because it had strong, independent leadership.

A few people held presidencies at two universities for a short time before SUNY went back to one president per campus. Zimpher has said she learned how important both local and state politics can be in public mergers.

Vermont State Colleges System chancellor Jeb Spaulding preaches the same lesson. The system is poised to officially merge two of its northern colleges, Johnson State College and Lyndon State College, in July 2018, capping a roughly two-year process. The merger will create an institution to be known as Northern Vermont University.

"Take time to fertilize the ground before you start plowing," Spaulding says. "Make sure you go out and talk to the legislators, opinion leaders and businesspeople. Explain what you're doing and why you're doing it before it becomes public."

The Northern Vermont merger was considered a fit by many in higher education because the two colleges had complementary missions, with Johnson State known as a liberal arts college and Lyndon State considered a liberal arts college with a career orientation. But it came with challenges as well, because both campuses are to remain open under a unified administration, even though they are more than 40 miles apart by car.

The Vermont State Colleges System Board of Trustees moved in the summer of 2016 to consider combining the two institutions' administrations, then decided in September of that year to unify them as a single college with two campuses. The 2017-18 academic year was one of transition, with the two campuses operating under one president, one provost and one chief financial officer.

Early benefits include saving about $1 million on a combined budget of about $57 million, according to Spaulding. Additional savings will be realized as positions can be consolidated below the executive-management level.

The state provided $2 million for the merger. The money went to making sure technology systems were integrated across campuses and to marketing the new combined institution.

“It does require an up-front investment,” Spaulding said. “Don’t back down, but also look at your own situation and anticipate as many of the obstacles as you can up front.”

Several factors helped the merger move along. The Vermont State Colleges System has one board, so Johnson State and Lyndon State didn’t have to find agreement between two groups of trustees. A central board driving the merger protected leadership at the campus level, too. What to do with two presidents wasn’t a question, as the merger started after Lyndon State’s president departed to be president of Southern Connecticut State University in 2016, leaving Johnson State president Elaine Collins to become president of the unified institution.

The colleges’ faculty and staff are unionized, but they recognize the state is up against demographic challenges, according to Spaulding. In Vermont, 25 percent fewer 12th graders graduated from high school in 2018 than 10 years ago, he says.

Spaulding hopes more academic benefits will be realized in the future as faculty coordinate across campuses.

“The hard work is still ongoing,” he says. “It doesn’t end when you switch over. It’ll be a number of years before we realize the full value.”

Mergers can allow a coordinated, strategic approach to resource allocation across state systems. But they won’t be easy in cases where each public institution has its own board, says Ricardo Azziz, chief officer of academic health and hospital affairs in the SUNY System administration. Azziz is the founding president of Georgia Regents University, having led a merger between Georgia Health Sciences University and Augusta State University, which was finalized in 2013. Georgia Regents University has since been renamed Augusta University. Azziz also co-authored the recent TIAA report on mergers.

“If they have a central governing board, like SUNY, Georgia, etc., the decisions are going to be able to be made in a more cohesive, coordinated fashion,” Azziz says. “Where they have individual boards for their institutions, I think they’re going to be facing a mix of problems. They can be more proactive, yet they’re going to have issues of autonomy.” ■

# A PUBLIC AND PRIVATE SAY NO

In early 2015, Salem State University and the Montserrat College of Art announced they were discussing what would be a relatively unusual deal—a public university absorbing a private college.

The proposed deal made sense from several standpoints. At 9,200 students, Salem State was likely large enough to take on the 400-student Montserrat. Salem State leaders hoped the college of art would bolster the university's art programs, add to its footprint and boost the North Shore region of Massachusetts. The two institutions are only about four miles away from each other, across a bridge at the mouth of the Danvers River.

For Montserrat, the proposal represented a lifeline for the long run. The college had recently stabilized shaky finances, finishing in the black in the 2014 fiscal year after three straight years of operating losses. Still, it wasn't in the strongest position, with long-term debt reported at $6.3 million, property and equipment valued at just $10.3 million, and an endowment of only $740,000.

That summer, the two sides had to walk away from the deal. Salem State simply couldn't make it work financially.

"We were not able to identify the efficiencies we had hoped would be there," Salem State's president at the time, Patricia Meservey, told *The Salem News*.

The decision came after Salem State scrutinized all of the important indicators: revenue, expenses, enrollment, debt, fund-raising history, facilities' condition and more. It explored whether state economic development funding would be available to pay for facility upgrades after a deal was done.

It's impossible to definitively say whether the proposal would have worked if it hadn't been between a public university and a private college. But in hindsight, it is clear the differences between public and private institutions were major hurdles helping to scuttle the deal.

Start with tuition. Salem State tuition and fees stickered at about $9,000 for in-state students, compared to more than $28,000 at Montserrat. So the merger would have meant a price cut for many students at the private college.

Look next at salaries. Employees at the state institution were unionized, and they collected significantly higher wages than those working at Montserrat. Bringing Montserrat employees on board would have meant increasing their wages, and by extension overall expenses.

Additionally, the Commonwealth of Massachusetts was in a tight financial condition, meaning it wasn't in a position to increase Salem State's annual appropriation, which made up about a third of the institution's $160 million budget.

That means Salem State would have had to pay Montserrat's employees more money after an acquisition, even as it was forced to charge students less. And money from the state wasn't available to offset the additional costs.

*CONTINUED ON THE NEXT PAGE*

## *A PUBLIC AND PRIVATE SAY NO*
***CONTINUED***

"Those dynamics do contribute to making it very difficult structurally," says Karen House, Salem State's vice president for finance and facilities.

On the enrollment side, roughly half of Montserrat's students were from outside Massachusetts, an attractive fact for a state institution interested in broadening its reach. But some worried students wouldn't keep crossing state lines in such large numbers after an acquisition.

Officials also found few possibilities for trimming staffing levels after a deal, and staff cuts are always important sources of cost savings in mergers.

House ran multiple projections, predicting different scenarios seven years into the future. Salem State knew that acquisition, integration and capital costs would be high up front but might balance out over time.

It simply didn't work. The trade-offs were too large. Spending on the acquisition would have meant jeopardizing higher-priority items at Salem State, like new science facilities.

The decision was a blow, according to Stephen D. Immerman, Montserrat's president. The college lost trustees, donors and enrollment because the merger process had been so public.

Immerman also felt the two institutions' programs would have fit well together. Montserrat's program was more conceptual, while Salem State's was more applied or commercial, he says. The approaches would have been complementary and allowed Salem State to establish a center for excellence, Immerman says.

Strategically, the merger idea was good from the standpoint of identifying two institutions that needed each other in the long run, Immerman adds. Unfortunately, the strategy related to the politics of cultural fit, shared governance, who wins and who loses was not aligned.

For instance, Montserrat faculty would not have been able to vote on curriculum changes until after they achieved tenure, Immerman says. That's the system at Salem State, but at Montserrat, even adjuncts are allowed to vote at faculty meetings. Montserrat faculty members didn't think it was a comfortable fit for many faculty members to have no voice in curricular decisions.

Merging a private college with a public university dredges up its own set of issues.

"It's a lot more process, a lot more hurdles, a lot more players and a lot more interests," Immerman says. "There's a lot more parts and pieces that had to be considered."

The good news was that Montserrat walked into the negotiations in one of its strongest positions in recent memory, Immerman says. As a result, it could survive the merger falling apart. The college was able to use the experience to evaluate its position, decide how to better target students with financial aid, determine what curriculum changes it needed to make and create a plan for continuing to improve its situation.

Even three years later, House thinks the decision not to merge was the right one. At the

***CONTINUED ON THE NEXT PAGE***

same time, she thinks it was wise to explore the proposition.

"It allowed us to learn how to do this," she says. "It didn't work out that time, but that doesn't mean there isn't some other time in our future where it would be valuable to have a different relationship with another entity than we have now. It may not be full merger, but I think we learned a lot about the process that we have applied and will apply in the future." ■

## Deals With For-Profits

The stars have aligned in recent years to allow some nonprofit universities to use acquisitions to pick up the pieces of for-profit competitors that have been under pressure.

For-profit universities have struggled to polish the reputation of a sector tarnished by poor outcomes and the hostile regulatory policies of President Obama's administration. Even though President Trump's Department of Education has been more amenable to the for-profit cause, skepticism persists that the sector can rebound in the long run.

Nonprofit universities, meanwhile, are seeking growth from markets like online education and adult students, where for-profits used to thrive. Some nonprofits have opted to follow a strategy of buying online operations from a for-profit, rather than building their own.

In the best-known—and most controversial—case, Purdue University announced an acquisition of the online-focused for-profit Kaplan University in April 2017. The deal called for Purdue to pay a nominal fee of $1 to buy Kaplan's academic operations and its 30,000 mostly older-adult students. Purdue would then purchase a slew of support services like business office functions, financial aid administration, first-year student advising and admissions support from Kaplan Inc. under a 30-year agreement.

For the first five years of operation, the newly acquired university, named Purdue University Global, was guaranteed to earn $10 million beyond its operating costs for its new owner, or Kaplan would cover any shortfall. After required payments were met, Kaplan would be reimbursed for the costs of providing support activities plus a fee of 12.5 percent of revenue from the newly acquired university.

The setup drew criticism from several directions. Purdue faculty members complained about the role Kaplan would play and that they did not have enough say in the deal when it was taking shape. Other complaints centered around the fact that Purdue did not release parts of its contract with Kaplan and that the newly acquired university was exempted from some open-records laws. Bob Shireman, a former official in the Obama Education Department and a critic of the Purdue-Kaplan deal, said the newly acquired university "really is a different animal." In many ways, Purdue University Global challenges what it means to be a public university.

Still, the deal passed the last of three regulatory hurdles in March 2018 when the Higher Learning Commission signed off on it. The accreditor offered its support even though it said in a report that a team could not tell if Purdue officials supported the philosophy of the shared-services agreement or were accepting it as compensation for the value of Kaplan University.

Purdue's president, Mitch Daniels, has supported the deal by saying he did not want the university to be left out of online learning.

"I don't know where online is going, but I want this university, when I'm long gone, to be a leader, to be prepared at least to compete," said Daniels, a Republican former governor of Indiana, shortly after the deal was first announced. "We were not going to be there under the status quo today."

Elsewhere, Southern New Hampshire University stepped in to run a teach-out program, provide students with transfer opportunities and pick up some programs from Daniel Webster College in 2016. Daniel Webster's owner, ITT Educational Services, announced in September of that year that it was closing all of its campuses, suddenly leaving students in limbo before Southern New Hampshire, an online nonprofit, stepped in.

Southern New Hampshire was already familiar with Daniel Webster. It had examined buying the for-profit college before ITT bought it in 2009, said Paul LeBlanc, Southern New Hampshire's president. The regional accreditor also helped set up Southern New Hampshire to complete the teach-out.

"We got a couple of parent phone calls," says Brittingham, president of the New England Association of Schools and Colleges Commission on Institutions of Higher Education. "If they hadn't been there or been willing to do it, it would have been a holy mess. There were 700 to 800 students there that would have just been in class on Friday and had no class on Monday." ■

# Weighing the Costs and the Benefits

Clearly, a well-conceived and well-executed merger brings benefits like efficiencies, expanded academic offerings, improved balance sheets or the addition of attractive land. But the very real costs of a merger shouldn't be overlooked. A cost-benefit analysis can't be completed without a realistic accounting of the costs.

Broadly, for an institution, a merger process can mean years of work and hundreds of thousands of dollars invested in a process with no guarantee of success. The work can fuel a perception that senior leadership is focusing on unrealistic merger talks instead of growing a college organically or making sure it runs smoothly. If finances are tight, expect faculty to grumble about a president spending on a merger but not on their classrooms. If enrollment numbers fall short of goals, anticipate hand-wringing about a lack of emphasis on student recruitment.

Whether or not such problems are actually caused by the merger process will likely matter little. In the public imagination, the problems of the moment have a way of being attached to a college's initiative of the day.

So those who have been through mergers recommend an extensive communications and outreach plan starting at the very beginning of the process. This comes with its own costs, and messaging can only go so far to alleviate misperceptions, suspicions and problems.

Presidents often bear a personal cost whether a merger pans out or not, and they expend political capital on the effort, too. Other key administrators will be wary of losing their positions in the push for efficiencies as well. Retention agreements can curtail this problem to a certain extent, but they come with their own expenses.

Trustees must be ready to sacrifice. They will be giving up increasing degrees of control as the merger process progresses. It starts with giving up control over information and ends with giving up at least some amount of control over the college or university.

The board at an acquired institution is likely to be disbanded after the merger is complete, fueling fears of losing the institution's identity. Transition boards intended to bridge the integration period can allay some of those fears. So can adding members from the acquired institution to the acquiring institution's board. Yet at some point, only time and trust can allay fears about mission preservation.

Alumni and donors often revolt against the idea of a merger. Pursuing a merger means risking losing them. It also means spending time trying to connect with them in order to keep their faith and show them why the merger path is the right one.

Job losses will hang heavy over the heads of faculty and staff members. Some may be offered positions. Many will not.

Some presidents recommend considering first and foremost the employees who have the least ability to land on their feet elsewhere. Highly educated faculty members with advanced training in high-demand fields will find new positions, even if they have to relocate. Place-bound maintenance workers and faculty members who have focused on teaching in fields with an oversupply of Ph.D.s are much less likely to be able to do so.

Positions at the merged institution can sometimes be opened up for less-skilled employees. Or severance packages can provide some financial parachute for laid-off employees. This won't change the fact that a college's most valuable employees remain the ones most likely to keep their jobs throughout the merger—they are the ones most likely to be in programs or operations that the acquiring institution wanted in the first place.

Especially vulnerable to feeling the costs of a merger or acquisition are the current students. If the transaction closes a campus, it often means longer travel times for local students and a new hurdle standing between them and graduation—particularly in the case of colleges with large commuter populations. Programs being taught-out or transferred will be another hurdle for students, as even the most orderly process will bring uncertainty and unfamiliar requirements.

Take, once again, Wheelock as an example. Its board had to discuss the fact that everything changes with a merger and the institution will look very different in five years, says Kimball, the former trustee. The board ceases to exist. Jobs for faculty and administrative support staff disappear. Programs change, in some cases growing and in other cases shrinking but becoming more selective.

"We on balance are happy with those changes," Kimball says. "But I think sometimes people think of merger as a 'one plus one equals three.' "

At a higher level, access could become an issue. Some mergers may enable institutions to enroll more students over the long run than they had before. Many, however, will have the net effect of cutting open classroom seats in a region as efficiencies are realized. Even if it looks like the acquiring institution has added seats, will it enroll as many students as its two predecessor institutions totaled?

Price points are important as well, particularly in cases where prestigious, expensive institutions are acquiring colleges farther down the food chain that collect less tuition revenue per student. The result of such mergers can be a considerably higher price point for new students enrolling at the acquired institution. It can also mean stricter academic requirements.

Such a scenario playing out repeatedly could effectively replace cheap, accessible seats with expensive ones that are inaccessible to all but the high achieving. That future would be unfolding even as the student populations expected to grow are the ones who will need inexpensive, accessible college options if they are to enroll in higher education in great numbers.

Complicating the issue of access, not everyone is convinced students are well served by widespread access to institutions facing extreme pressures. Are students better off having access to a struggling institution that could have merged but instead is going it alone, scraping together class after class while fighting to keep the doors open?

"I'm not sure it's actually better for the students," says Michael McPherson, the president emeritus of the Spencer Foundation and former president of Macalester College. "Look at some of these places: really well-meaning places with dedicated faculty. But you've got 200, 250 students, so you can only afford to have 20, 25 faculty. And so you have the social sciences department of two people, and they teach economics, sociology, political science and anthropology. You're just not going to generate much quality when you're in that situation."

The many disparate groups with a stake in higher education make it particularly hard to perform a cost-benefit analysis on any merger. Colleges and universities are set up in a way that virtually guarantees misalignment between the interests of key constituencies. Subgroups within those constituencies don't align, either.

Take, for example, a theoretical small private college that is in financial straits and very likely to close sometime in the next five years unless it consummates a merger with a public research university. A 64-year-old faculty member may want that institution to remain open until he or she is old enough to qualify for Medicare and full Social Security benefits. A 35-year-old faculty member may want a merger to take place as soon as possible so that he or she can try to land a more attractive job with a higher salary and upward mobility—or be able to start evaluating other career options as soon as possible.

Students at the more prestigious university may be against the merger, feeling it would water down the value of their degree. A rising senior at the struggling college might want no merger talks at all, preferring everyone focus on leaving the college running as it always has until after her commencement day. A high-achieving freshman at the college might covet a more prestigious diploma and hope for a merger before her senior year.

Middle school students who hoped to attend the college because it is an accessible institution near their home may not have an opinion on the merger. But it will affect them, too, if it results in a lower chance they will enroll in college and earn a degree.

All of that is before you get into what the donors, alumni and bondholders want—or what the institution's founders would have wanted. The merger question mirrors Harold

Lasswell's definition of politics: Who gets what, when and how?

Trustees might struggle with these evaluations, particularly if they're looking to mergers in the business world as a corollary. For-profit companies have a clear fiduciary duty to pursue the best interests of their shareholders. Those running a college or university have much less clarity about whose interests they should prioritize, even though they ultimately cast the deciding votes on any deal.

How do you weight it all? Each institution is going to have to decide.

"To the extent it ever goes wrong, it's on the board," says Chris Gabrieli, chairman of the board of the Massachusetts Department of Higher Education. "It's the board's job to say, even if they are not quite as clear, 'Are we doing the right thing by the stakeholders relative to what our other choices are, and not just because management tells us it's the right thing to do?' " ■

# What's the Alternative?

Given the hurdles to overcome, presidents and boards should consider alternatives even as they are weighing mergers. A merger is not the only strategy that could be successful, even for many institutions facing downward pressure on enrollment and operating budgets.

Attempting to attract new types of students may be the most popular path forward. To those who believe the most in higher education's adaptability, low levels of degree attainment among underrepresented minority student populations mean ample room for growth. Other traditionally underserved student populations like older adults also represent huge, largely untapped markets.

The four million "potential completers" with at least two years of progress toward a degree in recent years that were identified by the National Student Clearinghouse Research Center are still out there. Looking more widely, over 31 million students left college over a 20-year period without receiving a degree or certificate, the research center reported in 2014.

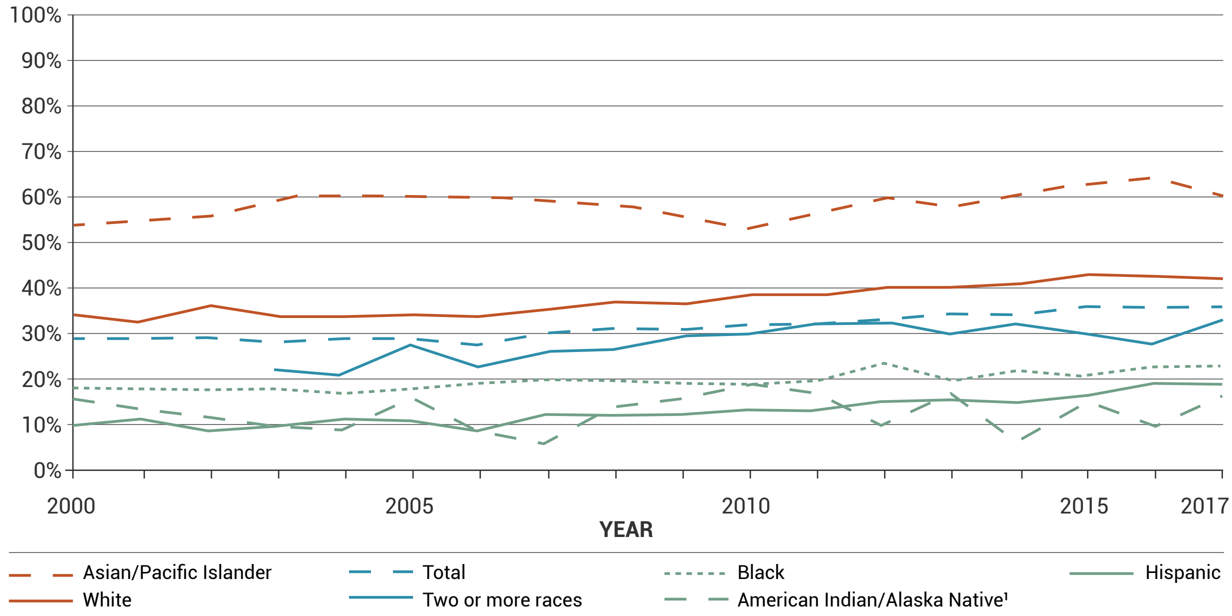
This strategy of growing the pot echoes how higher education adapted in the past to declining numbers of what were at the time considered traditional students. As the baby boomers moved on from their college years, colleges and universities admitted more and more women. More recently, many institutions turned to international students to help alleviate downturns in enrollment and net tuition revenue, relying on the full tuition paid by students from outside the country to help balance the books.

It's possible a similar expansion could unfold in the future. Given the charged political rhetoric about globalism currently circulating in the United States, enrolling more international students seems like a shaky bet, however.

"We did reach out to nontraditional markets and dramatically increase service to nontraditional students," says Nathan Grawe, the author of *Demographics and the Demand for Higher Education*, referring to higher ed's efforts to broaden its reach to previous generations of student. "I don't know if we can balance the books on international students alone."

The past provides reason to doubt colleges and universities will be able to count on an influx of adult students without making significant changes. Adult student enrollment tends to move with the economy, rising when

## Percentage of 25- to 29-Year-Olds With a Bachelor's or Higher Degree, by Race/ Ethnicity: Selected Years, 2000 Through 2017




[1] Interpret data for 2003, 2004, 2006, 2007, 2014 and 2017 with caution. The coefficients of variation (CVs) for these estimates are between 30 and 50 percent.
NOTE: Race categories exclude person of Hispanic ethnicity. Separate data on persons of Two or more races were not available prior to 2003. Data on American Indians/Alaska Natives were not available in 2001 and 2002.
SOURCE: U.S. Department of Commerce, Census Bureau. Current Population Survey (CPS), Annual Social and Economic Supplement, selected years, 2000 through 2017. *See Digest of Education Statistics 2011*, table 8, and Digest of Education Statistics 2014, 2016, and 2017, table 104.20.

Figure 9.1
Source: *The Condition of Education 2018* report from the U.S. Department of Education

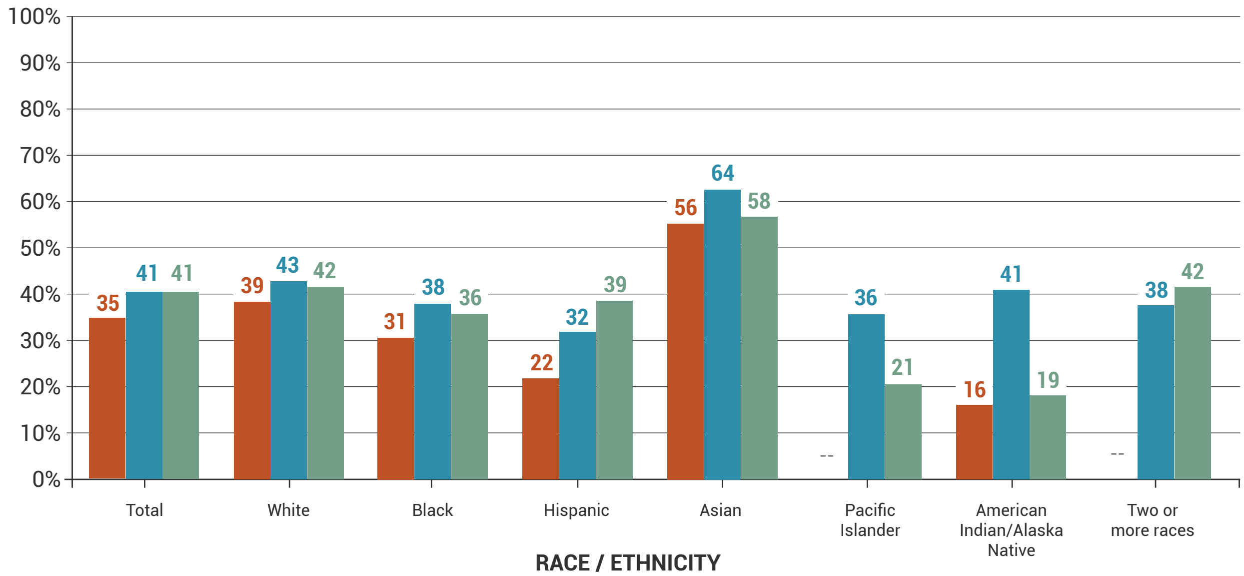
the job market is tight and falling when hiring increases. That's been true in the latest economic recovery, according to data from both the National Student Clearinghouse Research Center and the National Center for Education Statistics.

More so, adult students made up virtually the same percentage of all students in 2015 as they did in 2000, according to National Center for Education Statistics data. Fall enrollment at degree-granting postsecondary institutions among students 25 and older totaled about 6.3 million in 2000, 41.3 percent of all students. It was 8.1 million students, 40.75 percent of all students, in 2015. Fortunately, the last two decades provide some reasons to hope for increasing enrollment and degree attainment among domestic students, particularly within groups that have attended college at relatively low rates.

In 2000, just 10 percent of Hispanic adults between the age of 25 and 29 held a bachelor's degree or higher, according to data in *The Condition of Education 2018* from the U.S. Department of Education. By 2017, that number had nearly doubled to 19 percent. The percentage of black adults with a bachelor's or higher in that age group rose from 18 percent to 23 percent. The rate of white adults in the group also rose, from 34 percent to 42 percent.

For higher education to grow upon those gains enough that it will be saved by a wave of new students in the future, someone is likely to

## Enrollment Rates of 18- to 24-Year-Olds in Colleges, by Race/Ethnicity, 2000, 2010 and 2016




-- Not available.
! Interpret data with caution. The coefficient of variation (CV) for this estimate is between 30 and 50 percent.
NOTE: Data are based on sample surveys of the civilian noninstitutionalized population. Separate data for Pacific Islanders and persons of Two or more races were not available in 2000. In 2000, data for individual race categories include persons of Two or more races. Prior to 2003, data for Asians include Pacific Islanders. Race categories exclude persons of Hispanic ethnicity.
SOURCE: U.S. Department of Commerce, Census Bureau, Current Population Survey (CPS), October Supplement, 2000, 2010 and 2016. See *Digest of Education Statistics 2017*, table 302.60.

Figure 9.2
Source: *The Condition of Education 2018* report from the U.S. Department of Education

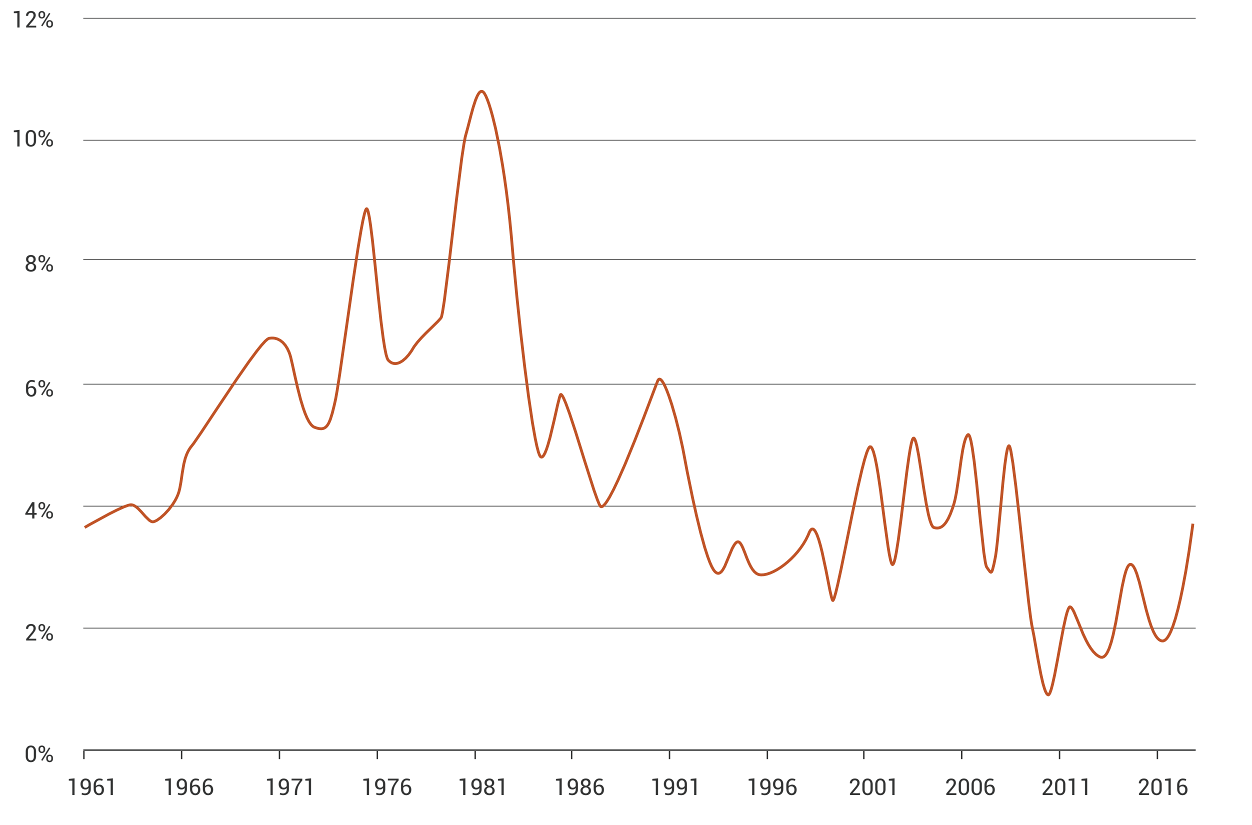
have to pay for increased enrollment among populations that tend to be poor. Where such funding could come from is an open question. Retiring baby boomers are expected to strain state and federal budgets as they increasingly draw upon entitlement programs. And history has shown that cash-strapped states tend to cut funding for education, which in turn places pressure on public institutions' budgets and state grant programs that can help students pay to attend private universities.

Also of concern, college enrollment rates among the historically critical 18-to-24-year-old group were steady between 2010 and 2016 at 41 percent. Enrollment rates increased substantially for Hispanic students, rising from 32 percent to 39 percent and providing reason for optimism. But they ticked down for virtually all other racial and ethnic groups.

Changes to college and university cost structures are another strategy that could be pursued, regardless of whether new student populations can be tapped. Expenses could be cut, balancing budgets and potentially allowing students to be charged less. Some argue mergers aren't the right idea when there is much work to be done to reform the business model of higher education.

Whether that can be accomplished on a widespread basis remains to be seen. It would be a sharp break from historical trends in higher education, a high-touch industry where

## Higher Education Price Index, 1961 to 2017




This chart traces the Higher Education Price Index (HEPI) percentage year-over-year change from 1961 to 2017.

Figure 9.3
Source: The Commonfund Institute

costs rise year after year, generally at faster rates than broader measures of inflation. The Commonfund Higher Education Price Index shows higher education has faced year-over-year cost increases for well over 50 years.

If students can't be added and costs can't be cut, a shrinking of at least some parts of the higher education sector seems inevitable. That could mean institutions cutting programs. It could also mean slow deaths, closures and teach-outs.

For individual institutions, mergers and acquisitions could be an attractive alternative offering a chance at increasing enrollment, adding program depth, widening program breadth, improving student support services and investing in new areas.

"Nobody wants to be the governing board or the president to close the college," says Azziz, the chief officer of academic health and hospital affairs in the SUNY System administration. "So if you don't want to be the president to close the college, you'd better be the president who finds partners or finds options to continue the college's mission. If you wait too long, you'll have no resources left. You will have no assets left. You will not be a welcome partner."

A full merger is only one form of collaboration, however. Cross licensing, research agreements, other collaboration agreements and strategic alliances all require different levels of integration and come with their own benefits and risks, according to Jeff Weiss, president of Lesley University in Cambridge, Mass., who is a former leader of a consulting firm and an expert in negotiations and strategic partnerships.

Other types of collaboration could include sharing administrative resources or academic programs between colleges or universities. Such arrangements could benefit students and the financial picture for institutions finding it increasingly hard to go it alone.

"It is critical to first think carefully about what the institution is trying to achieve (what problems it is trying to solve or opportunities it is trying to capture), what capabilities it believes it needs to access to do so and at what level and for how long, whether it should best build or 'rent' or buy those capabilities, what risks it is willing to run short-term and long-term, and what the profile of a potential partner would need to be (strategically, financially, operationally and relationally) for both to be successful," Weiss said via email.

A well-thought-out merger process is much more than picking a partner, signing some paperwork and walking away. It is considering multiple strategies, constituencies and alternatives, and then forming a plan.

Even if an institution ultimately decides not to pursue a merger, the process of evaluating its options can be beneficial. It can help all parties, from trustees to faculty, understand where a college currently stands and where it needs to go.

Only boards and their presidents can decide on a strategy for their institutions. Looking into a merger could very well help them make the right decision. ■

# Additional Reading


Azziz, Ricardo, Guilbert C. Hentschke, Bonita C. Jacobs, Lloyd A. Jacobs and Haven Ladd. *Mergers in Higher Education: A Proactive Strategy to a Better Future?* New York: TIAA Institute, September 2017. https://www.tiaainstitute.org/publication/mergers-higher-education.

Bransberger, Peace, and Demarée K. Michelau. *Knocking at the College Door: Projections of High School Graduates*. Boulder: Western Interstate Commission for Higher Education, December 2016. https://knocking.wiche.edu/reports.

Goldman, Charles A., Rita Karam, Mark Stalczynski and Katheryn Giglio. *Promoting the Long-Term Sustainability and Viability of Universities in the Pennsylvania State System of Higher Education.* Santa Monica: RAND Corporation, 2018. https://www.rand.org/pubs/research_reports/RR2486.html.

Grawe, Nathan D. *Demographics and the Demand for Higher Education*. Baltimore: Johns Hopkins University Press, 2017.

Jaschik, Scott and Doug Lederman. *The 2018 Inside Higher Ed Survey of College and University Presidents*. Washington: *Inside Higher Ed* and Gallup, 2018.

Jaschik, Scott and Doug Lederman. *The 2017 Inside Higher Ed Survey of College and University Business Officers*. Washington: *Inside Higher Ed* and Gallup, 2017.

Martin, James, and James E. Samels. *Consolidating Colleges and Merging Universities: New Strategies for Higher Education Leaders*. Baltimore: Johns Hopkins University Press, 2017.

McFarland, Joel, Bill Hussar, Xiaolei Wang, Jijun Zhang, Ke Wang, Amy Rathbun, Amy Barmer, Emily Forrest Cataldi and Farrah Bullock Mann. *The Condition of Education 2018*. Washington: National Center for Education Statistics, May 2018. https://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2018144.

*Pennsylvania State System of Higher Education: Strategic System Review Findings and Recommendations*. The National Center for Higher Education Management Systems, July 2017. http://www.nchemsproject.com/system-review.

Shapiro, Doug, Afet Dundar, Xin Yuan, Autumn T. Harrell, Justin C. Wild and Mary B. Ziskin. *Some College, No Degree: A National View of Students with Some College Enrollment, but No Completion*. National Student Clearinghouse Research Center, July 2014. https://nscresearchcenter.org/wp-content/uploads/NSC_Signature_Report_7.pdf.

Tahey, Phil, Ron Salluzzo, Fred Prager, Lou Mezzina and Chris Cowen. *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks, Seventh Edition.* KPMG, Prager, Sealy and Co. LLC, and Attain, 2010.

*The 2017 NACUBO Tuition Discounting Study*. Washington: National Association of College and University Business Officers, April 2018.

The State of Higher Education in 2018. GrantThornton LLP, 2018. https://www.grantthornton.com/industries/NFP/state-of-higher-education.aspx.

Weinblatt, Brian. *Higher Education Mergers: Examining College and University Mergers in the United States* (blog). http://highereducationmergers.blogspot.com/.

# About the Author

Rick Seltzer, reporter, covers business and management for *Inside Higher Ed*. He joined the publication in 2016 after working as a money and general-assignment reporter for *The Baltimore Business Journal*. Previously, he was a business reporter for *The Bloomington Herald-Times*, and he covered small business and health care for the *Central New York Business Journal*. Rick, a native of south central Pennsylvania, started his career as a local beat reporter for *The Harrisburg Patriot-News*. He graduated from Syracuse University in 2008 after interning at the *Patriot-News* and *The Syracuse Post-Standard*.

# About *Inside Higher Ed*

*Inside Higher Ed* is the leading digital media company serving the higher education space. Born digital in the 21st century at the height of the internet revolution, our publication has become the trusted, go-to source of online news, thought leadership and opinion over the last decade.

Our mission is to serve the entire higher education ecosystem—individuals, institutions, corporations and nonprofits—with the best editorial and marketing solutions in our space. As a truly mission-driven organization, we are proud to have earned the trust and loyalty of our readers by speaking as a fiercely independent voice on the pressing issues of the day.

**To learn more about *Inside Higher Ed*, please visit insidehighered.com.**

INSIDE
HIGHER ED

INSIDE HIGHER ED

Inside Higher Ed
1150 Connecticut Avenue NW, Suite 400
Washington, DC 20036
insidehighered.com