Reorganizations, Alignments and Mergers in Higher Education

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With economic challenges requiring closer alignment of workforce preparation and postsecondary education, state higher education systems are concerned about their abilities to provide high-quality postsecondary education effectively across their states. The challenges are significant. Many state universities are facing downward trends of traditional enrollments due to shrinking numbers of traditional college-aged students and high school graduates. They also are receiving reduced state appropriations due to state budget constraints. Individually, each of these challenges are difficult. Together, they compel state policy leaders to consider new ways of restructuring and refocusing postsecondary education to their states.

One solution receiving significant attention is the notion of reorganizations, alignments and mergers among state agencies, services, programs and institutions. As part of A Legislator’s Toolkit to the New World of Higher Education series, this brief provides an overview of the issues states and institutions face when considering opportunities to reorganize. Examples of state and institutional initiatives and legislative enactments are offered to show how our states are responding.

What are the Issues Driving the Interest?

The attraction of reorganizing varies depending on the level—federal, state or institutional—of the consideration. As explored in A Legislator’s Toolkit Brief No.1, the American workforce is undergoing disruptive changes involving technology, artificial intelligence and the gig economy. These changes require a new perspective on how to prepare workers for the future. At the federal and state level, the idea of reorganizing and merging governmental agencies is focused on clarifying and strengthening missions for better workforce preparation and postsecondary education alignment to meet economic demands.

However, at the state university system and institutional level, the idea of restructuring, aligning and merging is focused primarily on better operational efficiency and effective program offerings in an environment of shrinking traditional college-aged populations coupled with state budget constraints.

About this series

With the support of the Laura and John Arnold Foundation, this is the third of eight briefs published by NCSL as “A Legislator’s Toolkit to the New World of Higher Education.” The series seeks to inform legislators about the current challenges to public postsecondary education so that they can form cohesive, strategic approaches to building effective and efficient postsecondary systems responsive to future statewide economic and community needs. In addition, a database housed on the NCSL website will identify other states’ approaches to governance, funding and affordability, allowing policymakers to share information, exchange ideas and adopt the best practices that meet their state’s particular needs.
SHRINKING POPULATION DEMOGRAPHICS

According to recently released data from the National Center for Education Statistics, public universities that saw decades of growth now face declines in enrollments due to shrinking population demographics. Nationally, this is reflected as 19,105,651 students in 2013 to 17,839,330 students in the spring of 2018. Furthermore, the decline is expected to continue due to decreasing birthrates, especially in the Northeast and Midwest sections of the country. The issue is significant because enrollment is the foundation of the current university operating model. As enrollment declines, tuition revenue declines (and state allocations can decline if using enrollment-based or outcomes-based models), thus overall institutional revenue declines. This leads to less funds available for facilities, programs, faculty and staff. University leaders in this predicament are left with difficult decisions as to which programs and majors to merge or eliminate. This, in turn, can lead to a “death spiral” in which universities find it hard to attract new students due to limited offerings and poorly maintained facilities—and the challenge starts over again, yet from a worse starting point.

SHRINKING STATE BUDGETS

State legislatures face immense competition for limited resources. As noted in A Legislator’s Toolkit Brief No. 1, state legislatures face increasing tensions in meeting budgetary responsibilities. A study by Temple University associate professor of economics Douglas Webber found that, on average, more than 50 percent of a state’s budget is “locked in” to meet K-12 educational needs, public safety requirements and Medicaid responsibilities. A report by the Center on Budget and Policy Priorities reveals that state funding for higher education has fallen by more than $7 billion nationwide since 2008. Most states are spending considerably less per student—averaging 16 percent less—in 2018 than before the 2008 recession. As a result, tuition costs increased across the board an average of 36 percent for two-year colleges and 40 percent for four-year institutions during that time.

Many state university systems were created during the “baby boom” times of demographic and economic growth. Regional “teacher colleges” aspired to university-status with the resources to pursue those dreams. Now, the “boom” has passed, and state institutions are facing the “bust” of smaller traditional populations and limited state budgets. This makes the option of restructuring and merging—an institutional “back to the future” perspective—both attractive and challenging.
WHAT IS THE STATE LEGISLATURE’S ROLE?

Just as the attraction of reorganizing varies depending on the level—federal, state or institutional—of the consideration, the involvement of the state’s legislature or state agencies vary as well. State legislatures and agencies have no role in federal reorganizational considerations; however, when considering changes among and between state-level agencies, legislatures may have a significant role in affirming executive branch reorganization orders or in advancing legislation stipulating new missions, governing board compositions and operational structures. As noted previously, changes at this level are primarily focused on clarifying missions and structures to better align workforce preparation and postsecondary education to meet statewide economic demands.

When public university systems and campuses are the focus of the changes, the state legislative role is often more indirect. These system- and institutional-level changes may be led by state university governing and coordinating boards; and in this sense, state legislators may serve an important yet ancillary role in raising policy questions and holding postsecondary governing boards accountable for the proposed changes. While system- and institutional-level changes are ultimately meant to strengthen colleges’ and universities’ abilities to meet statewide needs, the reorganizing is often primarily on better operational efficiency and effective program offerings in a challenging economic environment.

When considering the issues of reorganizing, aligning or merging, it is important for legislators to understand that the extent of their responsibility and involvement depends on the level—state or institutional—of the proposed changes.

MORE THAN ONE WAY TO MERGE

When thinking of reorganizing, aligning or merging, the tendency is to assume the complete joining of two separate institutions or agencies. However, in reality there is a continuum of options beginning with two entirely separate entities that seek to simply avoid unnecessary duplication of programs and ending with one completely blended institution. For colleges and universities, Robert Archibald and David Feldman note that in between these two endpoints are a number of partial-merger options starting with such possibilities as shared libraries and sports facilities, consolidated “back-office” administrative and business functions, and shared data software and institutional database capacities. Even within state postsecondary systems, forms of mergers could involve simply aligning, streamlining and cross-listing academic courses, transfer policies, and budget allocations and request procedures. Furthermore, individual campuses can be given academic programs and emphasis that set each apart from the other. This could lead to better coordination with reduced duplication, unnecessary competition, and enhanced multi-campus academic partnerships and a stronger sense of the whole.

This is not to say creative mergers are easy. Under any circumstances, they are not. Seton Hall professor and noted higher education scholar Robert Kelchen observes that cutting programs and tenured faculty is always difficult. This goes against institutional history, a culture of institutional autonomy, competition, cherished traditions and symbols. Legislators will undoubtedly hear from constituents regarding the changes proposed to their beloved alma mater. Change is hard, and any effort will require sustained leadership, comprehensive planning, inclusive participation, clear communication and patience.
Mergers Being Led by State Postsecondary Systems and Institutions

STATE POSTSECONDARY SYSTEMS

As noted previously, reorganizations at the state system level are generally led by state postsecondary governing boards. The reorganizing of state campuses has attracted significant interest. Among numerous examples, Connecticut has sought to undertake a plan to combine that state’s 12 community colleges in to a single system and consolidate almost 50 percent of all academic programs to create statewide efficiency, focus, and a projected savings of $28 million. In Wisconsin, the university system has worked to merge one or more of the 13 two-year colleges with one of seven public four-year institutions. The focus is on doing more with less: creating administrative efficiencies while expanding bachelor’s degree offerings to more students through the two-year campuses. In Pennsylvania, the legislature commissioned a study that recommended the State System of Higher Education consider merging its 14 small state universities into five separate institutions or recreating them as branches of one state university, among other options.

INSTITUTIONS

Beginning in 2011, the Board of Regents of the University of Georgia began a merging process that reduced the number of state colleges/universities from 35 to 28. At that time, the board approved a set of principles to guide the assessment of potential consolidation among the state institutions. The six principles included:

1. Increase opportunities to raise education attainment levels. The consolidation of any programs or institutions was to start with a focus of helping all students raise their education attainment levels.

2. Improve accessibility, regional identity and compatibility. Considerations were to be made regarding geographic proximity, transportation corridors, cultural fit and student backgrounds.

3. Avoid duplication of academic programs while optimizing access to instruction. Demand for degrees, program duplication and overlap, and optimal enrollment characteristics were to be considered.

4. Create significant potential for economies of scale and scope. Efforts expected to achieve cost efficiency in service delivery, degree offerings and enrollment.

5. Enhance regional economic development. Consolidations were expected to help improve economic development through better degree offerings, community partnerships and improved student completion.

6. Streamline administrative services while maintaining or improving service level and quality. Administrative efficiencies and savings leading to more effective service were to be considered.

What Legislatures Can Do

Understanding the different roles legislators play according to the state- or institutional-level or proposed change, some state legislatures have begun the conversation of how to position state agencies and institutions to reorganize, align or merge to better meet statewide needs. Example of state-level efforts include the following:

• In 2011, Connecticut restructured its higher education governance by eliminating its Board of Governors for Higher Education and consolidating the public universities (except for the University of Connecticut), the community colleges and the state online virtual college under a single newly created Board of Regents. The state maintains an Office of Higher Education to administer student aid, manage academic programs and regulate private institutions.
• In 2017, **Indiana** passed **Senate Bill 198** which provided for a variety of strategies to better align education and workforce systems. These included requiring the governor’s office to develop a comprehensive workforce development plan with assistance of the Department of Workforce Development, the Commission for Higher Education and the State Board of Education. Another notable component of alignment requires the State Board of Education and the Department of Workforce Development to work in partnership in the development of career-technical education programs.

• In 2013, **Kentucky** created a multi-agency database system that integrates masked data from the state’s department of education, the postsecondary coordinating board, the education and workforce development cabinet, the teacher professional standards board, and the state higher education financial assistance authority. Although the agencies remain autonomous, the database aligns agency research functions and creates a longitudinal database from preschool through adulthood. This linking of data creates opportunities to better understand how high school experiences affect college success and can tie college preparation efforts back to high school districts, and workforce preparation efforts back to specific colleges.

• In 2018, **Vermont** enacted **House Bill 919**. This act adopted multiple provisions relating to workforce development that created a better aligned, coordinated and engaged statewide process to increase and strengthen the state’s workforce, including the ability to collect data and monitor preparation programs. The act also adopted provisions relating to career pathways, Career Technical Education programs, adult training programs and workforce training. It also created the Vermont Returnship Program, which is an internship-like program for experienced workers seeking to re-enter the workforce after an extended period, particularly in a new line of work.

For system- and institutional-level reorganizations, alignments and mergers, legislators serve an important yet indirect role of holding postsecondary governing boards accountable for proposed changes. Questions that legislators may want to consider for their state governing board include:

• What is the overall strategic plan for our state’s postsecondary system and how does the proposed reorganization, alignment, or merger reflect and/or strengthen the overall plan?

• What set of principles guided the proposed reorganization, alignment or merger?

• Who were involved in the discussions leading to the proposed changes? Who has vetted this plan before the board undertook deliberations of it and/or approved it?

• How will the reorganization, alignment or merger strengthen overall economic and community development both statewide and among the regions of the state?

• What projected cost-savings and efficiencies are projected and how were these projections calculated? How much time is needed until the savings are expected to be captured? What are the projected costs required to undertake the proposed reorganization, alignment or merger?

**Conclusion**

Faced with a rapidly changing economy and population demographics, coupled with constrained state resources, state legislatures can help their state agencies and public postsecondary institutions to better align and consolidate missions, programs and resources in a manner that strengthens their ability to address statewide economic and community needs—leading to stronger institutions and states that are better prepared to meet 21st century demands.
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- Improve the quality and effectiveness of state legislatures
- Promote policy innovation and communication among state legislatures
- Ensure state legislatures a strong, cohesive voice in the federal system

The conference operates from offices in Denver, Colorado and Washington, D.C.