



Response to the 2011 Joint Chairmen's Language

**Board of Regents Report on the Study Examining the
Advantages and Disadvantages of Merging
University of Maryland, College Park
and University of Maryland, Baltimore**

December 9, 2011

TABLE OF CONTENTS

2	EXECUTIVE SUMMARY
4	INTRODUCTION
4	SECTION 1: The Study Process
6	SECTION 2: A Merged University of Maryland
6	Definition
7	Vision
7	Potential Benefits
10	Potential Risks
14	The Financial Question: What Would it Cost to Succeed Under a Merger?
17	SECTION 3: The Strategic Alliance
17	Vision
19	Potential Benefits and Risks
19	The Financial Question: What Would it Cost to Succeed Under an Alliance?
20	SECTION 4: The Decision Framework
20	Guiding Principles for the Merger Study
21	Board of Regents Assessment of Merger
25	Board of Regents Final Decision on Merger
25	Board of Regents Assessment of the Strategic Alliance
29	Board of Regents Final Decision and Charge
A-1	APPENDICES
A-2	Study on the Potential Merger of UMCP and UMB Work Plan
A-8	Papers of the Study Work Groups
A-69	Referenced Rankings Document
A-79	List of Study Work Group Participants and USM Staff to Work Groups

**Response to the 2011 Joint Chairman’s Report Language
Report on a Study Examining the Advantages and Disadvantages of
Merging the University of Maryland, College Park and the University of
Maryland, Baltimore**

EXECUTIVE SUMMARY

The Joint Chairmen’s Report of the 2011 Maryland Legislative Session requests that the University System of Maryland Board of Regents (Board) conduct a study of the advantages and disadvantages of merging the University of Maryland, College Park (UMCP) and the University of Maryland, Baltimore (UMB). In response, the Board oversaw the development and implementation of a comprehensive study work plan that involved UMCP and UMB community members and representatives from all University System of Maryland (USM) institutions.

During a six-month period—June through November 2011—seven USM study work groups met to discuss and analyze various factors related to the merger question. Among those considerations were impact on research, academic programs, and cultures; impact on economies and quality of life; opportunities for commercialization and technology transfer, and projected costs and savings. In addition, the Board encouraged interested parties—including business and community leaders, elected officials, and experts on mergers in higher education—to share their opinions and insights through two public hearings, the system’s website, e-mails and printed correspondence, and other means. This report on the Board’s examination of the advantages and disadvantages of merging UMCP and UMB documents the study process, the analyses, and the Board’s conclusions. The report’s first three sections—The Study Process, A Merged University of Maryland, The Strategic Alliance—describe the wide-ranging and inclusive work of the study groups. The sections reflect the voices and thorough analysis of the groups’ members and include a detailed discussion of the identified benefits and risks of a merger.

The Board also asked the work groups to identify potential alternatives to a formal merger that could maximize benefits and minimize risks to the system. In response, the work groups came together to offer a vision for a bold and innovative UMCP-UMB Strategic Alliance.

The report’s final section—The Decision Framework—offers the Board’s views of the study results, their conclusions, and their charge to USM Chancellor William E. Kirwan. In arriving at consensus, Board members worked within the merger study’s guiding principles. Drawing on the USM strategic plan and language in the 1988 legislation authorizing the formation of the system, the principles are:

- Maintain alignment between the education and economic development policy goals of the State and the priorities of USM as expressed in its strategic plan.

- Optimize the ability of USM to address State goals within the resources available to it.
- Increase the level of collaboration between UMCP and UMB—and among all USM institutions—to maximize education, research, and service opportunities.
- Enhance the potential of UMCP and UMB to perform at the level of their respective aspirational peer institutions.
- Preserve the commitment to excellence, access, and completion across USM, as a system of complementary institutions with distinct missions.
- Ensure an organizational and governance structure within USM that best enables USM to advance the quality of its institutions, respond to the needs of the state and its communities, and be accountable to the State for the effective and efficient stewardship of its resources.

While weighing the advantages and disadvantages of a formal merger, the Board also considered the possibility of other structures that might capture the beneficial aspects of a merger without incurring the risks and disadvantages. As a result of its extensive study and deliberations, the Board has reached the following conclusions:

- Merging UMCP and UMB is not in the best interests of the students, the system as a whole, and the State of Maryland given the leadership, cultural, operational, funding, and other identified challenges. The disadvantages of merging the two institutions clearly outweigh the advantages.
- USM should capture the beneficial aspects of a merger, as identified by the work groups and as described in the report, and avoid the substantial risks and disadvantages through the establishment of a structured, accountable, and agile Strategic Alliance between the two institutions.
- As envisioned, the University of Maryland Strategic Alliance is the optimal organizational approach to the 21st-century opportunities and challenges faced by the state, the nation, and beyond. The Alliance will make way for timely joint faculty appointments, joint research in areas critical to Maryland's economy, enhanced education opportunities for students, a robust technology transfer and commercialization operation, and other opportunities.
- The University of Maryland Strategic Alliance will serve as a model and a vehicle for stronger collaborations between all USM institutions.
- The Board appreciates the opportunity afforded by the merger study to strengthen collaboration between USM institutions and thereby position the System to meet State needs better.

Fully committed to establishing the University of Maryland Strategic Alliance, the Board has charged USM Chancellor William E. Kirwan to work with UMCP President Wallace Loh and UMB President Jay Perman to develop the Alliance's administrative structure, budget requirements, and specific initial initiatives. Chancellor Kirwan, President Loh, and President Perman will submit their document outlining these elements to the Board for review and approval by the end of March 2012.

INTRODUCTION

Language on page 127 of the 2011 Joint Chairman’s Report requests the University System of Maryland Board of Regents (Board) to submit a study “examining the advantages and disadvantages of merging the University of Maryland, College Park (UMCP) and the University of Maryland, Baltimore (UMB) . . . including any issues related to merging the two institutions under a single University of Maryland.” This report summarizes the study process undertaken by the Board in fulfilling the Joint Chairman’s request, as well as the information gleaned from that effort. The information and conclusions contained in this report were developed as a result of hundreds of hours spent by the Board and other members of the USM community and external stakeholders discussing the advantages and disadvantages of a merger and its potential impact.

The report begins with an overview of the study process. It then focuses on responses to the key questions identified in the legislation, as developed through a study plan crafted by the system and approved by the Board. The report concludes with the Board’s decisions as well as a description of those factors and outcomes it considered relevant in reaching its decisions. Included in the report appendices are the key information documents generated by various university-based work groups assigned to study specific questions or issues. These documents, along with the testimony and opinions of dozens of interested stakeholders, form the basis for many of the analyses and findings included in this report.

The report is structured in two parts. Following the introduction, Part one (Sections 2 and 3) reflects the “voice” of the campuses, predominately UMCP and UMB but the other USM campuses as well, expressing the potential opportunities, benefits and risks that they themselves saw in a merger or possible alternatives to merger. Part two (Section 4) reflects the voice and opinion of the Board. It is in this part that the Board, informed by the testimony and evidence presented by the institutions, experts, and stakeholders, provides its objective analysis and final decisions.

SECTION 1: THE STUDY PROCESS

On June 17, 2011, the University System of Maryland (USM) Board of Regents approved a work plan for the study. Developed by the USM leadership after months of review, the plan was based on discussions with the institutional leadership, state officials, and other stakeholders; advice from national higher education leaders; case studies of actual and proposed mergers in other states; and USM’s own experience with institutional mergers and reorganizations. From its inception the plan sought to ensure that, to the greatest degree possible, the campuses themselves “owned” this part of the process and were in charge of identifying and assessing the potential opportunities, threats, risks, and rewards of a merger or its alternative. To ensure that no institutional viewpoint was left unheard, the study was structured so that all USM institutions and constituencies that potentially could be affected by a merger had the opportunity to weigh in.

To help accomplish this task, the work plan established an inclusive, three-phase study. It focused on 12 key questions that the Board identified as critical for assessing the advantages and disadvantages of a merger and the possible impact upon USM and its

institutions. (See Attachment 1, titled “Study on the Potential Merger of UMCP and UMB Work Plan, Approved by the Board of Regents June 17, 2011” for more information, including a list of the 12 questions and timeline for the study). The initial phase involved bringing together representatives of UMB and UMCP to help define, develop, and test potential visions, benefits, and risks for a merged campus. Following that, all the USM campuses were asked to assess and comment on the consensus visions crafted by UMB and UMCP. Additional information about each of the three phases of the study process is provided below.

Finally, it is worth noting that for the purposes of the study the institutional work groups operationally defined the term “advantages” to mean the potential benefits or opportunities afforded by a merger or its alternative. “Disadvantages,” similarly, was defined as the potential risk or level of risk inherent in a merger or its alternative.

Phase 1

The first phase of the study centered almost exclusively on UMB and UMCP and the impact of a merger on these two campuses. During this phase of the study, four work groups composed of representatives from each of the two campuses met on a bi-weekly basis to research, analyze, and discuss the advantages, disadvantages, and potential impact of a merger on the two campuses. During this phase, the presidents of the two campuses also met regularly with the chancellor to review the progress of the work groups and address their own series of study tasks.

In addition, a series of national experts on higher education governance and mergers were brought into brief the Board, system leaders, and campus presidents on issues associated with mergers in other states.

Finally, a fifth work group, made up of undergraduate and graduate student representatives from the two campuses, also met during this phase of the study to identify issues and concerns from their unique perspective and discuss possible impacts. The conclusion of the initial phase of the study was a series of public hearings on the merger held at UMB and UMCP to gain additional public input.

Phase 2

The second phase of the study focused on the broader aspects of a merger, exploring its potential advantages, disadvantages, and effects on USM as a whole, as well as the other USM institutions. During this phase, senior leadership, faculty, and staff from each of USM’s campuses, plus the advisory councils representing USM faculty, staff, and students, were brought together to consider:

- the potential impact on USM’s ability to carry out its mission and achieve the goals of its strategic plan;
- the impact of a merger on the other USM institutions and their ability to carry out their missions, and;
- the potential impact of the merger on the competitiveness of the other USM institutions as measured by their academic quality and research and scholarly activity relative to their peers.

Importantly, to help focus this phase of the study, the System-wide work group members were asked to respond to and build on the reports and information developed during Phase I of the study. UMCP and UMB representatives participated in the discussions dealing with the potential impact of a merger on USM as a whole, while discussions related to the impact on the other USM institutions were restricted to representatives from the other USM institutions.

Finally, this phase of the study also benefited from significant stakeholder input received through the USM website, written testimony, and discussions the Board and USM leadership had with key stakeholders, constituencies, and elected officials.

Phase 3

The third and final phase of the study focused on synthesizing all of the information and viewpoints collected during the prior two phases. During this phase, the Board and USM's senior leadership carefully reviewed the data and reports prepared by the various work groups in order to develop a final series of decisions. This review process included the creation of a framework for analyzing and assessing the risks and benefits under various scenarios or options. The advice and recommendations from national experts and other key stakeholders were of particular benefit to the Board.

In total, the six-month study process involved the efforts of seven different work groups, staffed by more than 80 senior administrators, faculty, staff, and students from the 12 System institutions, the three advisory councils, and the USM Office. Four national experts with experience in higher education governance and mergers were brought in to speak to the Board, either in person or by videoconferencing, and public testimony was received from 47 individuals at the two public hearings, with an additional number submitting written statements. A list of the individuals who participated in the various work groups, were brought in to advise the Board, or who submitted public testimony is attached in Appendix II.

SECTION 2: A MERGED UNIVERSITY OF MARYLAND

“The committee believes that the grand challenge revealed in this merger study is the great opportunity standing before the State of Maryland and these two great universities: to create an environment where faculty innovation flourishes, where student opportunities abound, and where the State's economy and social fabric are enhanced . . .”

Introduction to the “Blue Work Group” Merger Study Report

Definition

While the study work groups were not tasked with identifying a formal governance structure for a merged university, they did consider it necessary to define what “merger” meant. The result was the development of a consensus definition that was adopted by each of the work groups in the study. In this definition, “merger” is defined as “one or more options for ways to bring the two vibrant, mature universities together as equals into a single entity.”

Vision

The vision for a merged University of Maryland that emerged from the study process was of a single, unified academic institution with the potential to be ranked among the top American Association of Universities (AAU) and land-grant universities, to become a national leader in interdisciplinary learning and research, including the commercialization of research, and to be a statewide catalyst for change and a source of enhanced pride for all Marylanders (see the “Blue Work Group” report in the appendix for a complete discussion of the vision developed by the work group.)

Potential Benefits of Merger

The benefits that members of the UMB-UMCP work groups identified as potentially resulting from a merger were numerous and encompassed all of the core areas of university activity: research, learning, and service, as well as economic development and enhanced reputation and rankings. They included:

1. *Greater opportunities for enhanced research collaborations, including research that achieves greater impact and the development of new areas of interdisciplinary and trans-disciplinary research.*

To the degree that a merger would produce an institution-wide imperative for collaboration and reduce or eliminate obstacles to collaboration that currently exist, it was seen as likely to bolster the capacity and impact of research by both partners.

The merged university, the work groups concluded, would be more likely to advance knowledge in the critical field of the biosciences—where arguably the greatest frontiers in science now exist—by fostering collaborations not only among existing bioscience research faculty at each location, but also among physical, computer, and engineering faculty from UMCP interested in problems in the biosciences and biomedical faculty from UMB who are interested in expanding their work into areas outside traditional biosciences. In addition, since competition for scarce federal research funding will likely require increasingly large multidisciplinary teams with unique expertise in the future, greater collaboration across the unified institution could enhance its competitiveness for very large interdisciplinary and trans-disciplinary grants from the federal government and private industry. Areas of potential for such grants include: health informatics, regulatory science, public health and social policy.

In addition to greater interdisciplinary and trans-disciplinary research, a merged University of Maryland, with its proximity to the federal government’s research and executive agencies, was also considered more likely to see its faculty assume additional leadership roles in national policy debates, contributing to research advisory and review bodies within the federal government and the numerous advocacy and nonprofit organizations that surround it. This, in turn, could help the combined university cultivate a stronger network among policy and research leaders, influence the direction of national policy and future research funding decisions, and generate new research opportunities. The merged institution’s proximity to Washington, DC, combined with the range of its combined faculty and programmatic interests and expertise, could give it a competitive advantage unmatched by any other major research university.

Finally, at the statewide level, the merged institution was also seen as having a potentially greater impact on the State's economy by increasing the level of research generated and number of spin-off companies. Bringing together faculty familiar with the clinical or applied needs of medicine and other industries with faculty who have the expertise to address them, e.g., clinical physicians and bioengineers, could fuel the State's position as an international intellectual and commercialization leader.

- Enhanced educational opportunities at both the graduate and undergraduate levels.* Beyond its impact on research and commercialization activities, the merger was also seen as having the potential to substantially enhance educational and experiential learning opportunities for students at the unified institution. Conversations among the deans of UMCP and UMB had already identified opportunities for increased collaboration in dual degrees, including a 3+2 program in nursing, along with dual degree programs in public policy/law, public policy/social work, public health/social work, and public health/nursing. A merger was seen as an opportunity to develop and highlight other research or experiential learning opportunities for UMCP undergraduate students at the professional schools at UMB, thereby improving the undergraduate experience. At the same time, a merger could enhance graduate student education by providing ready access to the resources of a unified library, to unique research facilities of each institution, and to broader expertise among faculty. Graduate students in PhD programs could be drawn to interdisciplinary research opportunities fostered through a merger.

Finally, the merger discussions helped to identify a shared vision for how the educational offerings at the Universities at Shady Grove—one of USM's regional centers—could be expanded to better serve the needs of the growing biotechnology and information technology sectors of the State's economy in Montgomery and surrounding counties. Establishing a triangle of influence for economic development, research and education at College Park, Baltimore, and Shady Grove was seen as a way to strengthen the economic competitiveness of the State and opportunities for its people.

- Enhanced national and international rankings and reputation.* The work groups acknowledged enhancing rankings and reputation to be a desirable objective. Estimates developed for the work groups indicated that if the resources of the two institutions were combined at this moment, the merged university would place 7th among all U.S. universities in total research expenditures, and among the top 13 public universities in membership in the national academies, faculty awards, and doctoral degrees granted. (What impact a merger would have on rankings that rely more heavily on reputation, or if agencies would in some way restrict the merged institution's ability to combine reporting on some measures, was not known).

While both universities agreed that rankings alone are not sufficiently important to justify a merger, they also agreed that rankings can have an impact on external perceptions, and are likely to enhance the reputation of the institution. Other factors on which the universities agreed included:

- Potential students are significantly influenced by rankings; the likely enhancement of the national and international stature of the new university under a merger could help retain the most academically talented students in the State for both undergraduate and graduate education and help attract and retain the most accomplished faculty.
- A university recognized as nationally eminent could be an asset to the reputation of the State generally, helping to attract new residents, federal facilities, nonprofits, and businesses that seek value and support a knowledge-based economy.
- A merged university would have broadened national visibility among such elite universities as those in the AAU, and could help increase the stature of all Maryland's public higher education institutions. This could make Maryland as well-known for the excellence of its public universities as it is for its K-12 public school system.

4. *Greater attractiveness to academically talented and diverse students.*

The work groups also posited that, under a merger, not only might more of the State's top academically talented undergraduate students be tempted to attend college in state, but more top academically talented students from diverse backgrounds might also be attracted to the merged university's graduate and undergraduate programs.

Through coordination of recruiting activities that market the opportunities of the merged university, both universities might be able to attract a larger, more talented, and more diverse student body from the State, with particular attention to expanding upon the principles of the jointly signed Sullivan Alliance to Transform America's Health Professions, a national effort to encourage more minority students to enter the health-care professions.

Enriched educational opportunities for UMCP students with pre-med, pre-law, and other pre-professional interests through the inclusion of instruction, advice, and/or other educational experiences by the faculty and staff of the professional schools at UMB, may result in a smoother transition for 100-200 UMCP students who come to the professional schools of UMB and may build a pipeline for the most talented students from UMCP to UMB.

5. *Enhanced visibility, commitment to growth and vision for the future would attract more of the best faculty to the merged institution.*

Talented faculty, perhaps above all else, want to work at a university where the resources, facilities, students, and colleagues are at the very highest level. To the extent that a merger would increase the prestige and prominence of the university, the work group agreed that increasingly outstanding faculty would be attracted to it.

6. *Enhanced service to the community.*

Finally, the work groups acknowledged that both UMCP and UMB have a strong commitment to service and responsibility to the people of the State. In a merged environment, both campuses could further develop their service component throughout the State, providing an opportunity to strengthen the institutions' public commitment to service and what it means to be a "land-grant university" in the 21st

century. For example, the unified institution, with the combined resources of its schools of social work, public policy, law, journalism, public health education, nursing, pharmacy, and medicine behind it, might be better positioned to serve areas of the State that are currently underserved by:

- providing an enhanced and extended array of services to Maryland's poor and marginalized populations;
- preparing skilled problem solvers, broadly educated in the study of civic and social change, who could use the political process to address needed legal, policy, and regulatory reform; and
- more effectively serving and supporting pre-K-12 education, particularly in the critical Baltimore-Prince George's-Montgomery County triangle.

Such an institution could serve as a catalyst for partnering with other institutions in the State, both within the System and outside of it.

Potential Risks of Merger

As attractive as the vision of a merged institution and its benefits might be, the risks identified with a merger were particularly compelling, including serious questions of how the enormous effort to merge two large and distinct bureaucracies into a single institution could become a major distraction for the two campuses at a time when both enjoy impressive momentum. From concern over the high failure rate of mergers inside and outside higher education (up to 80 percent according to one source), to worry about the negative impact of a merger on the ability of all USM institutions to address statewide education and training needs, to the geopolitical discord and divisiveness the merger discussion has already engendered, the risks associated with the merger identified by the work groups and in public testimony were numerous. They reflected multiple levels of concern, from the impact on the various institutions; to the impact on individual faculty, staff, and students; to statewide concerns over the impact on the System as a whole and its ability to reach its strategic goals.

At the institutional level, the risks associated with merger, as identified by the institutional work groups, included the following:

1. *A merged institution would not receive the level of new funding necessary to succeed, putting both new and established institutional initiatives and collaboration at risk.* A "front and center" acknowledgement of the study group members was the need for substantial new and sustained funding, both operating and capital (see the cost estimate section beginning on page 14). Although some long-term cost savings might be achieved through a merger of administrative and information systems, the amount of potential savings relative to the projected need for new investments in research and education programs and facilities, was considered so small as to be *de minimis*. Absent significant new funds, there was unanimous agreement among the work group members that the merger would not only fail to achieve the vision and goals laid out for it, but would likely lead to the reallocation of internal funds from existing programs. If such reallocations were to occur, this could generate high faculty resistance and slow progress toward the vision and goals of the merger. This, in turn

could create a situation where the new institution becomes less than the sum of its individual campus parts.

2. *The sheer number of decisions and actions required to merge successfully, along with their complexity and time-sensitive nature, could overwhelm the capacity of the two institutions to move quickly enough and with sufficient adequacy to accomplish the merger vision.*

The work groups recognized that the level of attention required to implement a merger could simply overwhelm the ability of campus leaders to devote the time and attention needed to make the merger successful without neglecting or damaging other mission-critical activities. To mitigate this risk the work groups posited that university leaders, in a merged environment, would need to quickly establish priorities; articulate a clear strategic vision; communicate that vision at every student, staff, and faculty level; and empower management with the resources and authority necessary to achieve long-term objectives. Each of these actions could be critical to the success of the merger and failure in any one might have a high negative impact on the overall merger effort.

3. *A merged institution, geographically separate and internally focused on reorganizing itself, could become overly bureaucratic, less agile, and less able or willing to respond to new opportunities and emerging needs.*

According to the work group's analysis, added bureaucracy resulting from merger, coupled with the physical distance separating the two campuses, could slow the merged institution's ability to respond to new or emerging opportunities. The result could be a more bureaucratic institution less nimble and responsive than either of the current campuses.

4. *A merged institution could fail to overcome the impact of distance.*

Along with institutional culture, the potential impact of distance on the success or failure of a merger was one of the most difficult issues explored by the work groups. In the final analysis, the work groups concluded that while factors to ameliorate its impact exist, the "geographical distance between the two universities may add significant expense, inefficiency, and difficulty in accomplishing a merger and the goals for increased collaboration."

5. *The time frame necessary to fully integrate the institution's programs and administrative structures could result in frustration, resentment, and a reluctance to undertake new initiatives or programs.*

Although the work groups were unable to identify a standard time frame for completion of a merger (a review of recent mergers and discussions with experts found evidence that mergers could take from two to 10 years, depending on what was being merged and at what level), the work groups acknowledged that time could be a risk factor for success, particularly if faculty, staff, and students were unable to see initial progress under or benefits from a merger within a reasonable time.

6. *A merger could damage critical existing relationships on which the two institutions depend, including relationships with alumni, community groups, and related organizations (such as the University of Maryland Medical System).*

All of the work groups acknowledged the importance of maintaining and developing strong external relationships, those that currently exist or those that would need to be developed. The relationship between UMB and the University of Maryland Medical System (UMMS) was highlighted as a particularly critical element in UMB's success. Any reorganization that placed such critical relationships at risk, whether through specific action or as a result of inattention, was seen as a threat to the success of the merged institution and to the Maryland communities and citizens served by the institution.

At the individual/personnel level, the potential risks associated with merger, as identified by the institutional work groups, included the following:

7. *A merged institution, consumed by the mechanics of reorganization, could become susceptible to having many of its best, most productive faculty and staff recruited away by other institutions.*

The testimony of several of the national higher education experts experienced with mergers indicated that a merger, particularly among such large, complex campuses, was a time- and resource-consuming enterprise that could take up to a decade or more to complete. The related concern or risk expressed by many of the work group members was that during that lengthy transition period, valuable faculty and staff, disheartened by the process, could be picked off by competitor institutions or agencies, impairing not just the future competitiveness of the merged institution but the current success of the two institutions.

8. *A merged institution, attempting to combine different personnel and compensation systems, could create inequalities in faculty and staff pay and remuneration systems.* Although both institutions follow the same general Board-established policies, UMCP and UMB, due to historic differences in their mission, programs, and faculty, staff, and student expertise, each operates unique personnel and compensation systems and follows its own campus policies and procedures. To faculty, staff, and students, the inequity or perceived inequity that merging these dual systems could create—or alternately, continuing to try and maintain them as separate, dual systems could create—was seen as a major risk to the success of a merger from a personnel standpoint. This concern was especially acute among UMB representatives due to that institution's critically important faculty practice plan compensation system.

9. *Existing differences in graduate student compensation levels could result in the loss of benefits to some students and/or inequities for others.*

Similar to the above was the concern over the current differences in how graduate students are compensated at UMCP versus UMB and how these would be resolved in a merged institution.

10. *The ability of faculty, staff, and students to have equitable and effective representation under USM's current system of shared governance could be compromised.*

The final personnel equity-related concern voiced by several council representatives was the impact of a merger on the System's overall ability to ensure effective shared governance. The risk expressed by the work groups was that a system in which one

institution accounted for more than 56 percent of all personnel (including 57 percent of instructional personnel and 56 percent of administrative and classified) would effectively dominate USM's shared governance structure, destroying the current balance of power that exists. Either the representative delegations from the merged institution would have to be so large as to overwhelm all of the other delegations combined, or it would be too small to fairly and effectively represent all the interests of its constituents.

At the system- and statewide levels, the potential risks associated with merger, as identified by the institutional work groups, included the following:

11. A merged UMB-UMCP could potentially destabilize the system, placing at risk Maryland's public higher education system and its ability to serve the State's higher education needs, as outlined in the USM strategic plan.

Through the strategic positioning of its assets and resources, USM and its institutions have created a unique alignment between the System's strategic goals and the access, economic development, and service needs of Maryland's citizens and economy. The success of this alignment is seen in initiatives ranging from the development of new STEM and pharmacy programs on the Eastern Shore, to the development of new biomedical research and education programs at Shady Grove, to System-wide proposals for new programs to fill BRAC-related needs in northern Maryland. A merger that placed more than 56 percent of its total education and research resources into a single institution could compromise the System's ability to respond to such statewide needs and opportunities.

12. A merger could divert current and future resources away from the other institutions in the System, negatively impacting their ability to carry out their own missions and contribute to the goals of the State and the USM strategic plan.

To achieve their commitments under the USM strategic plan, USM institutions have put forward a request for almost \$800 million in additional funding over the next five years (\$443 million in current services costs plus an additional \$350 million in enhancements designed to boost enrollment, increase degree production, and spur additional research). That amount, combined with the additional resources the UMB and UMCP work groups have estimated as needed for merger, in combination with the billion-dollar shortfall projected in Maryland's 2012 budget, created deep concern among other System institutions that a merger, if funded at the levels requested, would by necessity divert funding from other important System and institutional initiatives. This, in turn, would hamper their progress under the USM strategic plan. In the words of one participant, "the pie is only so big. How much can the State afford?"

13. A merger could potentially inhibit the ability of the other USM institutions, particularly the research institutions, to effectively recruit faculty and students of the highest quality.

An additional risk highlighted by the work groups was the negative impact a merger could have on the ability of the other USM institutions, particularly those with "University of Maryland" in their titles, to differentiate themselves in a highly competitive marketplace. As these institutions were at pains to point out, they have

established national reputations in their own right, and to the degree that a single merged institution would be so publicly branded “The University of Maryland,” it could create confusion as to their own identity and position within the System. This in turn could impair their ability to recruit faculty and students of the highest quality, hurting not just their quality but that of the System as a whole. Similarly, work group representatives also expressed concern that a merger risked creating a *de facto* “two-tiered or even three-tiered system,” with all the other USM institutions perceived, and treated, as “second-class or even third-class citizens.” Such an outcome, they believed, would tarnish the reputation for quality and effectiveness the University System of Maryland enjoys nationally.

14. A merger would constrain the ability of the other institutions in the System, particularly those in and around Baltimore, to offer programs that compete with the merged institution.

A policy-related and competitive risk that representatives from the Baltimore institutions, in particular, pointed out was the uncertainty a merger could create for them with regard to program offerings and program duplication. Should a merged UMB-UMCP move to offer on its Baltimore campus programs in areas that are already offered by other System institutions, it could have negative effects on the ability of those programs to compete. Similarly, they pointed out, there was also a risk that such a development could be interpreted as violating Maryland’s commitments under its agreement with the U.S. Department of Education’s Office of Civil Rights.

15. The proposal to merge is extraordinarily divisive, exacerbating regional and political fears and misperceptions at a time when Maryland needs all of its institutions and citizens to pull together in support of its educational and economic goals.

Finally, and perhaps most tellingly, the submitted testimony and related comments highlight the extraordinary degree of divisiveness and angst that a merger could create. To fully succeed, a merger must have the support of the leadership, faculty, staff, and students at both institutions, as well as the support and good will of key political, community, and alumni stakeholders. As the community-based testimony, and letters to the Board from numerous UMB faculty, staff, students, and alumni indicate, there is little support and strong opposition for a merger, particularly among the UMB community, and the political, business, and community interests in Baltimore. The USM strategic plan notes that to achieve its aggressive strategic plan goals, and keep Maryland at the forefront of knowledge-based economies, the State needs the support of all of its education, research, and community assets. This is particularly true for those populations and areas of the State, like Baltimore, where participation in higher education historically has been limited. To the extent that a merger could divide the State, its institutions, and its resources, the merger is seen as extraordinarily risky undertaking.

The Financial Question: What Would it Cost to Succeed Under a Merger?

While the language of the Joint Chairmen’s report did not direct the Board to provide an estimate of the potential costs of, or cost savings from, a merger, the Board considered such an analysis to be a key component of its study and directed a special work group to develop cost estimates.

This work group, which included faculty and administrators from both UMB and UMCP, looked at a number of documents and estimates in developing its report. It also took into consideration the advice and testimony of national experts with experience in higher education mergers. As a result of these and other considerations, the final estimates developed by the work group were framed by four overarching concerns or limitations:

1. The actual costs of a merger, or cost savings that can be expected from a merger, will depend heavily on decisions about the specific structures and processes to be merged, the mechanism by which merger will be implemented, the goals and outcomes that are desired, and the time allowed. Absent such detailed information, all estimates of costs or cost savings must be considered speculative at best.
2. While mergers among higher education institutions may achieve some cost savings in terms of personnel and operational efficiencies, they typically do not, and realistically should not be expected to, achieve significant, long-term identifiable savings.
3. Based on the State's funding guideline, both UMB and UMCP are already significantly underfunded relative to their peers. Both also have well-documented needs for additional research and instructional space. Any merger-related action or decision that threatens to exacerbate the existing funding or space deficits should be viewed with great caution.
4. Finally, both institutions already consider themselves to be highly effective, highly efficient institutions. Neither institution is interested in undertaking a process that would place its current programs, or level of funding, at risk.

With these concerns/limitations in mind, the work group set out to develop a “best estimate” of the costs related to merger as requested by the Board. Using the definition of merger developed by the other study work groups—“one or more options for ways to bring the two vibrant, mature universities together as equals into a single entity”—the work group focused its initial analysis of potential costs on those administrative and support areas most likely to be affected under a merger: information technology, human resources, administration and finance, sponsored programs administration, procurement, libraries, and other areas such as technology transfer/commercialization or transportation. Each area was delegated to a sub-work group of experts from UMB and UMCP to examine and report back on estimates of potential cost, benefits, and/or cost savings as appropriate.

Administrative and Support Services Costs

The largest potential merger cost for administrative and support activities, as identified by the work group, was the integration of information technology systems (interestingly, this was also the area seen as promising the most increased efficiency over the long term). The work group judged that the merger of data systems, including the development of a shared data warehouse, could cost between \$20 million and \$60 million depending on the type of system chosen (open source versus vendor developed), the desired scope of the system, and the

timetable for its implementation. Importantly, while some of these costs were projected to be one-time, up-front costs, others were seen as having the capability to be spread out over time in order to achieve some level of savings or cost avoidance.

Combining the assets of both campus libraries was seen as a second significant area of administrative and support services cost under a merger, though as with IT, combining library resources was also seen as an area of great potential benefit to the merged institution. The total cost to merge all library holdings, including journal and database subscriptions, was estimated by the work group at up to \$7 million, if full access was granted to all faculty and students. The work group noted that the sum was likely to be much less if access was granted on a more targeted or restricted basis.

Facilities, Faculty, Programmatic, and Commercialization Enhancement Costs

While the work group recognized that the potential administrative and services-related costs of a merger could be substantial, it also saw those costs as being “orders of magnitude” smaller than the levels of new investment in facilities, faculty, and collaborative programs required if the merged university envisioned in the study was to be fully realized. That level of success was seen as requiring funding to seed collaborative projects, incentivize faculty, create new joint programs, and develop the facilities and infrastructure needed for these programs/collaborations. Such initiatives, the work group noted, would occur on—and thus require additional resources for—both campuses, as well as USM’s regional center at Shady Grove.

A very rough estimate of the cost to implement the slate of new programs/collaborations envisioned by the work group was \$39 million. Importantly, this amount did not include the estimated capital costs that would be needed to support new initiatives, which would be significant for both campuses as well as Shady Grove. To give some sense of the scale of capital investment needed to achieve this collaborative vision, the work group noted that if 100,000 square feet in a new facility were designated for specific collaborations at Shady Grove, the estimated cost could run as high as \$169 million. Similar levels of capital investment were assumed to be needed for the other locations. The work group also noted, however, that some of the capital needs projected were already incorporated into USM’s long-term capital plan and therefore did not represent new requests.

Finally, the work group also identified operational costs that would be needed to energize research commercialization at the merged institution (though this activity was seen as achievable irrespective of a merger). Estimated costs ranged from a low of \$200,000 per year to enhance basic technology and commercialization staff resources to \$10 million to implement in Maryland a national model for using technology to respond to medical needs (see the Brown Work Group’s discussion of CIMIT, the Center for Integration of Medicine and Innovative Technology).

Note on Cost Savings

Although the work group recognized that identifying cost savings that might result from a merger was not a requirement of the Joint Chairmen’s Report, it did look at cost savings and agreed that a merger could lead to savings and efficiencies, particularly in the administrative and information technology areas. Absent additional information about the scope, structure, and implementation of the merger, however, the amount of savings or cost avoidance was difficult to estimate. Evidence from a similar merger in Colorado indicated that some early savings were achieved through the reorganization and elimination of redundant positions and the centralization of core services. (This included the immediate elimination of a chancellor-level position, a savings estimated at \$217,000 annually). Similar opportunities for the reorganization and streamlining of services, conservatively pegged at under \$1 million in short-term savings, should be available under a UMB-UMCP merger.

SECTION 3: THE STRATEGIC ALLIANCE

“A formal, strategic alliance may allow us to be creative and transformational while lessening the degree of administrative, operational, academic and leadership change to our universities. Many of the benefits of a merger may be achieved with an alliance. . . . [While] the degree of risk is likely to be less.”

Final Comments “Blue Work Group” Merger Study Report

While the advantages and disadvantages of merging UMB and UMCP were the primary focus of the study, the Board also sought to identify alternatives to a formal merger that might achieve many of the potential benefits envisioned with a merger but with fewer risks to the System, its institutions, and the State. As the study showed, Maryland is blessed to have two major and complementary public research universities—its flagship campus in College Park and the USM’s founding campus in Baltimore—that have already developed many areas of collaboration. However, science and the needs of the State have evolved to a point that a more formal alliance would benefit the campuses and the State.

In recognition of this need, along with the desire to mitigate the risks posed by a formal merger, the institutional work groups came together to offer a new and innovative vision for how the excellence and impact of Maryland’s two major public research universities could be advanced and the economic and educational need of Maryland and its citizens better served.

Vision

Currently titled the University of Maryland Strategic Alliance, this exciting, forward-thinking alternative to merger would create a formal, yet exceedingly agile, collaboration between UMB and UMCP. Through the Alliance, the two institutions in a targeted manner would identify programs and initiatives that would advance their quality and

impact on the state and nation in a way that neither institution could achieve acting alone. Though the Alliance would have a small administrative structure, it would be largely free of the bureaucratic, attention- and resource-sapping risks of a formal merger, thereby allowing its faculty and leadership to focus on emerging high-profile, high-impact needs and opportunities.

The opportunities and advantages foreseen under the Alliance were numerous and included:

- Creation of a unique, innovative alliance that assists in ensuring the institutions can make timely joint appointments, market the University of Maryland Alliance, and combine research and technology transfer reporting whenever possible, which could further the national and international reputations of the two institutions, and the System as a whole,
- Creation of enhanced educational opportunities for students at both campuses, including highly articulated degree pathways for talented students who enter USM's flagship campus and desire a professional degree from USM's founding campus. This would increase learning opportunities for students at the two institutions and enhance the System's reputation as a national leader in articulation,
- Creation of a unified University of Maryland technology transfer and commercialization operation, drawing upon the pockets of expertise that exist on both campuses, including the intellectual property clinic at UMB and the Venture Accelerator at UMCP, which would advance the ability of the institutions and the System to help fuel the State's knowledge economy.
- Joint development of bioscience and biomedical academic and research programs on the two campuses, utilizing the UMCP expertise in engineering, physics, and the biological sciences, and UMB expertise in the medical sciences and pharmacology. This would enhance the research and instructional capacity of the two institutions, and the system as a whole, in these critical areas.
- Joint development of bioscience and biomedical academic and research programs at the system's Shady Grove campus, including the creation or enhancement of programs in biomedical engineering, medical sciences and other fields up through the graduate and professional (i.e., MD) level. This, in combination with a study to determine the optimal academic structure for Shady Grove, would allow the institutions and the System to better serve the research and workforce development needs of the state and the nation.
- Development of a center for biomedical innovation and technology, drawing on both campuses' expertise in nanotechnology and biotechnology modeled on a similar partnership between MIT and Harvard, which could serve as an impetus for significantly upgrading the State's technology transfer and commercialization ability as a whole.

While the above represent a sample of the potential opportunities and advantages that the Alliance would generate, additional opportunities would be identified and developed, along with the governance structure, in coming months.

Potential Risks and Benefits of the Alliance

As with the question of merger, the campus work groups engaged in developing the vision for the Strategic Alliance also provided an analysis of the risks and benefits inherent in the Alliance, as it was conceived and defined. Many of the risks for success under an alliance, the groups noted, were the same as those under merger (i.e., failure of leadership, failure to communicate effectively, threats from entrenched programs), differing in degree rather than type. Of these shared risks, the most significant was seen as the risk of underfunding. The campus work groups were careful to stipulate that, to succeed, the Alliance would require an investment of resources sufficient to achieve its identified goals.

In addition to the potential risks it shared with merger, the Alliance was also seen as having a few risks that were specific to it. These included:

- The risk that the Alliance could potentially develop less institution-wide “buy in” and support for its goals, due to its more selective, focused nature;
- The risk that there would be less institution-wide emphasis on collaboration, leading to the risk that Alliance-supported initiatives would eventually abate.

Importantly, the Alliance was also seen as having benefits that were specific to it. These included:

- The ability to be more agile and opportunistic than a merger, since it would be more focused and selective;
- The ability to demonstrate achievements earlier and in less time due to its more limited scope; and
- The ability to develop and maintain a broader base of support among partners and stakeholders outside of the two Alliance institutions.

The Alliance was also seen as being less susceptible—though still somewhat susceptible—to some of the common risks shared with merger. Because it would involve fewer administrative changes, it was thought to be less likely to place unsupportable demands on the leadership’s attention and the administrative resources of the two institutions. Similarly, its focused nature was thought likely to mean that it would require fewer meetings with fewer people attending, thereby negating some of the risks and costs associated with distance and travel. Finally, and perhaps most importantly, it was thought that the selective nature of the Alliance would mean that its total resource demand would be less than that of a merger and therefore reduce its susceptibility to failure due to underfunding.

The Financial Question: What Would It Cost to Succeed Under an Alliance?

Although the work groups were not able to cost out the specifics of an Alliance without additional information as to the governance structure, timetable, and goals, they did note that many of the resource issues identified in the merger would remain. These included the need for seed funding for collaborative projects and the development of facilities and administrative infrastructure to support those collaborations.

Importantly, however, the work groups also identified some savings or cost avoidance achievable by the Alliance, but not the merger. These included savings on information technology (IT) and human resource (HR) conversion, since there would be no

immediate need to merge IT or HR systems. Likewise, because the two institutions already do substantial collaboration with each other, issues associated with processes and procedures necessary to advance collaborative work under the Alliance are already in place.

However, as some of the work group members noted, these administrative procedures are currently regarded by many faculty as barriers to enhanced collaboration, so they would need to be improved were the Alliance put in place. Likewise, members of the work group pointed out that if the institutions were to take maximum opportunity of the Alliance, they would need to develop a common data warehouse system. These efforts would require additional resources, though the exact amount was not known.

SECTION 4: THE DECISION FRAMEWORK

Guiding Principles for the Merger Study

Drawing on language contained in its 1988 authorizing legislation, USM's 2020 strategic plan, the papers and information produced by the six campus-based work groups, and the advice and testimony presented by national experts and concerned stakeholders, the Board developed a list of six guiding principles that it used to sift through and analyze the data and information and presented to it.

1. Maintain alignment between the education and economic development policy goals of the State and the priorities of USM as expressed in its strategic plan.
2. Optimize the ability of USM to address State goals within the resources available to it.
3. Increase the level of collaboration between UMCP and UMB—and among all USM institutions—to maximize education, research, and service opportunities.
4. Enhance the potential of UMCP and UMB to perform at the level of their respective aspirational peer institutions.
5. Preserve the commitment to excellence, access, and completion across USM, as a system of complementary institutions with distinct missions.
6. Ensure an organizational and governance structure within USM that best enables USM to advance the quality of its institutions, respond to the needs of the State and its communities, and be accountable to the State for the effective and efficient stewardship of its resources.

These principles, in turn, served as the framework for the Board's final decision, helping to drive the specific questions and analysis the Board used to reach a decision.

Board of Regents Assessment of Merger

With the submission of the reports by the merger study teams to the Board of Regents; the public hearings concluded; and the interviews and discussions with public officials, community stakeholders, the business community, and other parties nearing completion, the Board entered its assessment and decision-making stage. In that stage, the regents engaged in a deliberative series of discussions focused on the key question posed by Joint Chairmen's Report language: Is a merger of UMCP and UMB both appropriate and feasible?

Based on its review of the information and findings from the study group reports and external input regarding the potential merger, and in the context of the guiding principles it had developed, the Board agreed upon the critical factors to be considered in its assessment. These critical factors were then analyzed in terms of advantages and disadvantages. The assessment categories are summarized below.

Is the case for a merger appropriate/compelling?

- No. As the study groups posited, the merger would be between two mature and successful institutions already recognized nationally as high quality universities. The Board recognized that merger could provide a platform where programmatic collaboration and multidisciplinary research and learning could be increased and the attractiveness and availability of the merged institution to business and government could result in economic benefits for the State. The Board also agreed that with dedicated leadership, political support, adequate funding, and the commitment to quality exhibited by each campus, a single University of Maryland would continue to be, in both substance and reputation, among the finest universities in the nation, as UMB and UMCP already are. However, the Board further recognized that the vision of a merger that only includes its potential benefits is incomplete. Those benefits might not be achieved, a merger might not be necessary to achieve them, and certain disadvantages would inherently accompany a merger.

Is a merger feasible?

- To assess feasibility, the Board looked at key characteristics of and threats to successful mergers. These included the following:
 - **Leadership.** Committed leadership was considered essential. Both institutions had displayed a serious commitment to collaboration prior to the call for a merger study and this commitment continued to be displayed throughout the study process. However, the two institutions were not in complete agreement regarding an organizational path forward and offered alternative organizational options different from the merger. The Board determined there was clearly not the unified, collective leadership at the two institutions in support of the merger as defined.
 - **Cultural challenges.** Cultural challenges, which face the merger of any large organization, were also an important Board consideration. Testimony heard by the Board indicated that eight in 10 mergers fail, with the most common causes being cultural and operational differences between the two organizations. In the case of the potential merger of UMCP and UMB,

the differences in culture that exist at a graduate and professional school campus and those that exist at a comprehensive undergraduate and graduate research campus were considered significant and, in the opinion of the Board, represented a potentially insurmountable level of risk.

- **Operational challenges.** Significant to the Board's assessment was the degree of difficulty that a merger would entail in terms of operations. Operational concerns focused on four issues: system integration, institutional capacity to pay sufficient and appropriate attention (i.e., time on task), distance, and funding.

Systems integration. Under the issue of systems integration, the Board noted that since both UMCP and UMB are public entities within USM, systems integration was not an immediate challenge. For example, each institution operates under common state pension and employee health systems, a state treasury function, and like requirements for procurement and real estate transactions. Thus, these important processes would not be compromised with the merger.

Time on task. The Board did conclude that the level of attention required to implement a merger could simply negate the ability of campus leadership and staff to devote the time and attention needed to make the merger successful without neglecting or damaging other mission critical activities. Further, based on the study group's report, the Board recognized the risk that added bureaucracy resulting from a merger, coupled with the physical distance separating the two campuses, could slow the merged institution's ability to respond to new or emerging opportunities.

One very specific operational challenge identified by the Board related to UMB's concerns regarding its operational partnership with the University of Maryland Medical System (UMMS). The UMMS relationship is critical to the success of the UMB medical school and the other professional schools. It is a major funding source to UMB, while UMMS relies upon the medical school faculty to staff hospital departments. Maintaining this relationship requires a priority focus. UMB felt a merger would necessarily divert the attention of UMB's leadership and faculty and could compromise the UMMS relationship. The Board agrees with this view.

Distance. The impact of distance on the success or failure of a merger was a much discussed issue. As described earlier, the work groups concluded, and the Board agrees that while factors to ameliorate the negative impact of distance exist (e.g., teleconferencing), the geographical distance between the two universities would likely add significant expense, inefficiency, and difficulty to accomplishing a merger and the goals for increased collaboration.

Funding. In reference to funding, the institutional study teams made the case for enhancements to both operating and capital appropriations and

agreed that a substantial increase in funding would be needed to fulfill the vision for a merged institution. The emphasis the groups assigned to funding was supported by the consultants to the study, who also cited its importance to the success of a merger. The Board recognized that both UMCP and UMB are currently funded below the levels of their respective national peers, and the shortage of capital facilities at the two institutions is well documented. The risk in this regard was considered significant. This was not a reaction to the current budget difficulties alone. Rather, the concern was about the overall economic condition and the prospects for investment over the long term. Under a merger budget, for example, budget reallocations within and between campuses were seen as likely to be necessary to mount collaborative programs or equip appropriate research space. This was seen as adding a likelihood that the merger could compromise the very core competencies it was intended to leverage. The Board concluded that steady and substantial incremental increases in programmatic and capital funding over the next decade would be critical to attain the maximum benefit of a merged UMCP and UMB, but would be exceedingly difficult to realize. The issue of funding, therefore, placed the feasibility of a successful merger at high risk.

Would a merger maintain alignment between USM's priorities, as expressed in the strategic plan, and the policy goals of the State?

- The impact of a merger on the priorities of the USM strategic plan was a fourth assessment category of the Board. The premise of the strategic plan is to align the work of all USM institutions with the policy goals of the state regarding access and degree completion, economic development and job creation, and the quality of life for Maryland's citizenry. The plan is a highly coordinated blueprint for helping to achieve the state's goals for a 55 percent college degree completion level among Maryland's adult population, including increased production of high demand degrees in STEM, health care and cyber security; a doubling of research activity to build the innovation economy; and a major effort to create companies and jobs through technology transfer and commercialization and other economic development activities.

In a sense, the impact of a merger on the plan is connected to the funding issue described above, especially with respect to the importance of obtaining an incremental build up of programmatic and capital funding during the implementation of this 10-year plan. Previously, the Board approved implementation estimates and capital plans to achieve the goals of the strategic plan and the institutions are making progress. As the system-wide study group indicated, there was a serious concern among the 10 campuses not directly involved in the merger that their progress on the goals of the plan—and the System's overall—could be hindered if the costs of the merger negatively affected their funding prospects. Because the vast majority of enrollment growth and retention improvements is planned to occur at the “non merger” campuses, the Board considered the 55 percent degree completion

goal to be at high risk under a merger (as well as the associated goals related to high demand degree programs and workforce preparation initiatives).

At the same time, the Board reasoned that if funding and facilities were made available per the current strategic plan, merger would provide one way to enhance USM's overall capacity for research generation as well as USM's efforts to commercialize intellectual property and create companies. The Board determined that for the foreseeable future, incremental funding increases and the capital budget should be directed toward maintaining the current alignment of the institutions with the goals of the state as defined in the USM strategic plan.

Would a merger ensure an organizational and governance structure within USM that best enables USM to advance the quality of its institutions, respond to the needs of the State and its communities, and be accountable to the State for the effective and efficient stewardship of its resources?

- The view of the potential merger from the perspective of constituencies important to USM and its institutions was a major consideration for the Board. Public testimony, correspondence from interested parties, and interviews with elected officials, community leaders, members of the business sector, as well as students, faculty, staff, and alumni of all the campuses provided invaluable input to the merger study process. Merger is an emotional issue for many stakeholders and community leaders, and as the Board observed during public hearings, it can become divisive.
 - As stated earlier, the community-based testimony, and letters to the Board from numerous UMB faculty, staff, students, and alumni indicated little support and strong opposition, particularly among the UMB community, and the political, business and community interests in Baltimore. Given prior experiences with corporate mergers, considerable angst over a UMB-UMCP merger emerged in the Baltimore region. To some stakeholders a merger was seen as a loss of another iconic enterprise for the city of Baltimore, of a locally-based leader with substantial influence, as well as the prestige associated with a national research institution. To other stakeholders there was also the substantive concern over whether critical jobs and health care services would be lost at the local level. The Board determined these concerns to be a serious risk to the support for and eventual success of a merger
 - Finally, within the political realm, the Board's canvassing of the political support for a merger showed it to be mixed. However, in interviews with numerous elected officials, the idea of increased collaboration between UMCP and UMB was strongly supported as was greater collaboration among all USM institutions.

Would a merger preserve the commitment to excellence, access, and completion across USM, as a system of complementary institutions with distinct missions?

- The Board also assessed the possible effects of a merger on the other institutions and USM as a whole. Beyond the issues surrounding the strategic plan and funding, the institutions not involved with the merger were very concerned that a UMB–UMCP merger would create some unintended consequences. Would the merger, for example, foster the perception that Maryland had a “two-tiered” system of higher education, which in turn could serve as a disincentive for potentially outstanding faculty and students to join other campuses? The Board was very concerned that the level of risk for the other USM institutions was high, and could be a potentially damaging outcome of the merger.

There was also concern that USM, which was recognized throughout the process as a high performing system of higher education, could lose its overall ability to serve the interests of the State broadly. The Regents were mindful of the fact that Maryland has an inclusive culture and a sense of oneness. And, while there are substantive differences between large research intensive universities, institutions that are primarily graduate and professional with academic health centers, and comprehensive institutions, the Board recognized the need to understand and accommodate these differences in order to maximize the potential of each in decision-making.

Board of Regents Final Decision on Merger

Following a thorough discussion of the factors critical to the success or failure of a merger, as well as the potential benefits, disadvantages, and risks, and in consideration of the guiding principles that were outlined at the start of the assessment process, the Board of Regents concluded that, in sum, the disadvantages of a merger substantially outweigh its potential benefits. The Board further concluded that many of the potential benefits could be achieved without a merger. Thus, the Board has determined that a merger of UMB and UMCP is not in the best interest of the State nor public higher education in Maryland.

Board of Regents Assessment of the Strategic Alliance

As noted earlier, during the course of its study the Board realized that many of the envisioned benefits of a merger could be achieved without the related disadvantages, and a lower cost. The Board therefore evaluated alternatives to a merger that might allow the two institutions and USM as a whole to realize the potential benefits of a merger from greater collaboration.

The Board members’ assessment of the advantages and disadvantages of merger, described earlier, began with its six guiding principles that served as a backdrop to their thinking about the decision. In assessing the advantages and disadvantages of the Strategic Alliance, the Board utilized a similar set of critical factors. These factors were assessed in terms of benefits and risks. The assessment is summarized below.

Is the case for a Strategic Alliance, as described, appropriate/compelling?

- Yes. The Board agreed that the vision for the Strategic Alliance, as described on page 17, is highly innovative and forward-thinking. It would build upon the core

strengths of two highly successful institutions with an established tradition of collaboration. It would create a formal structure through which high value and targeted programmatic collaboration and multidisciplinary research could be pursued. Like a merger, the Strategic Alliance's attractiveness and availability to business and government promised economic benefits for the State. The Board also concluded that with dedicated leadership, political support, a commitment to quality, and funding allocated on a priority basis, a formal alliance would advance the reputation and productivity of both campuses.

Is the Strategic Alliance feasible?

- To assess the feasibility of the Strategic Alliance, the Board looked at key characteristics of innovative, successful partnerships and collaborations. These included:
 - **Leadership.** As with the merger, committed leadership was considered essential, and both institutions have a history of successful collaboration. Moreover, the presidents of the two institutions had already begun discussions on substantial new areas of collaboration. The Board is convinced that there is alignment and a sense of shared commitment for a strategic alliance that simply does not exist for a merger. However, leadership commitment would need to be sustained through various transitions at each campus especially since the alliance model would be built largely on faculty initiatives that need to be recognized and supported at the highest levels of the organization.
 - **Cultural challenges.** An important consideration for the Board in this regard was the level of institutional buy-in that was likely to be achieved under the Alliance. As the study groups concluded, the potential for less acceptance (or even awareness) under the Alliance is a risk that could compromise the energy to formulate initiatives. However, the governance structure of the Alliance would provide a formalized platform for accommodating broader exchanges between UMCP faculty and those in the UMB's professional schools, something both campuses recognize as critical to promoting and enhancing their research competitiveness. Such exchanges would also be a powerful incentive to collaborate. The Board concluded the opportunities and benefits would be significant, while the risk would be manageable.
 - **Operational challenges.** One important express purpose of the Strategic Alliance is to reduce the risk of combining the highly developed and separate processes and procedures of UMCP and UMB. Another consideration is that the two institutions are already engaged in mutual collaborative efforts, and processes and procedures are in place to advance the collaborative work of an alliance. It should be noted, however, according to some, current collaborations have a "reinventing the wheel" quality to them, and the general procedures were regarded by many faculty as barriers to enhanced collaboration. This matter was considered to be a serious risk to the level of enhanced collaboration sought by the Board. As the vision for the Strategic Alliance was developed, both the Board and

the study work groups envisioned a formalized governance structure and a modest administrative apparatus dedicated to supporting initiatives and creating user friendly, and consistent processes and procedures.

While the challenges associated with distance between the campuses and the risk of insufficient funding (see below) would be similar under an alliance to those expressed in the merger analysis, the work groups suggested that the demands on leadership would be lower and the number of administrative and management decisions fewer. The Board agreed with the assessment of the work group and concluded that the operational risks were demonstrably lower than with a merger and more manageable.

Finally, and importantly, the Board also reasoned that the Strategic Alliance would not represent an impediment to the partnership between the Medical System and UMB.

Funding. The costs of systems integration would be avoided under the Strategic Alliance but some funding would be necessary to support a dedicated administrative infrastructure and a data warehouse to collect personnel, financial, student, and other information from each campus.

However, the programmatic and facilities costs of the Strategic Alliance would be still substantial if the potential benefits of collaboration were to be fully realized. As the Board articulated in its merger assessment, both UMCP and UMB are currently funded below the levels of their respective national peers, and the shortage of capital facilities at the two institutions is well documented. The same high level of risk confronts the Strategic Alliance. To be clear, this was not a reaction to the current budget difficulties alone. Rather, the concern was about the overall economic condition and the prospects for investment over the long term. As with a merger, the Strategic Alliance would likely require budget reallocations within and between campuses to mount collaborative programs and equip appropriate research space. The Board concluded that discrete funding for high value collaborative initiatives, including funding to seed programs for example, would be needed. Funding for targeted capital projects would also be necessary.

Would a Strategic Alliance maintain alignment between USM's priorities, as expressed in the strategic plan, and the policy goals of the State?

- The impact of a merger on the priorities of the USM strategic plan was a third assessment category for the Board. Again, the premise of the strategic plan is to align the work of all USM institutions with the policy goals of the state regarding access and degree completion, economic development and job creation, and improving the quality of life for Maryland's citizenry. The plan is a highly coordinated blueprint for helping to achieve the State's goals for a 55 percent college degree completion level among Maryland's adult population, including increased production of high-demand degrees in STEM,

health care and cyber security; a doubling of research activity to build the innovation economy; and a major effort to create companies and jobs through technology transfer and commercialization and other economic development activities.

The Board determined that the Strategic Alliance as envisioned would not just be compatible with USM's strategic plan but would enhance the potential for realizing the plan's goals.

Would a Strategic Alliance ensure an organizational and governance structure within USM that best enables USM to advance the quality of its institutions, respond to the needs of the State and its communities, and be accountable to the State for the effective and efficient stewardship of its resources?

- The perspective of constituencies important to the USM and its institutions was a major consideration for the Board. Public testimony, correspondence from interested parties, and interviews with elected officials, community leaders, members of the business sector, as well as students, faculty, staff, and alumni of all the campuses provided invaluable input to the study process.
 - It is important to note that much of the divisiveness that was apparent in the conversations regarding merger were absent in the discussions over a strategic alliance. Clearly, the perception of lost stature for the City of Baltimore or the perceived danger of a marginalized focus on the region caused by the talk of merger evaporated. Stakeholder arguments against the merger were never about enhanced collaboration.
 - As stated earlier, within the political realm, in interviews with numerous elected officials, the idea of increased collaboration between UMCP and UMB, as opposed to a formal merger, was strongly supported as was greater collaboration among all USM institutions.

Would a Strategic Alliance preserve the commitment to excellence, access and completion across USM, as a system of complementary institutions with distinct missions?

- Though less of a concern than under a merger, there remains concern regarding the possible effects of a strategic alliance on the other institutions and USM as a whole. Beyond the issues surrounding the strategic plan and funding, the institutions not subjects of the study were very concerned that a UMB-UMCP merger or an "exclusive" alliance would create some unintended consequences. Would the alliance, for example, also foster the perception that Maryland had a "two-tiered" system of higher education that would result in disincentives for potential outstanding faculty and students from joining other campuses? The Board recognized the vital importance of

the other USM institutions to the State and to the System and believed that partnerships or alliances between two institutions must not come at the expense of other institutions. All institutions are encouraged to collaborate. Further, if a strategic alliance did exist between UMCP and UMB, current collaborations would stay in force, other institutions would not be negatively impacted, and future collaborations between the Alliance and other institutions would be encouraged by the Board.

There was also concern that USM, which was recognized throughout the process as a high-performing system of higher education, could lose its overall ability to serve the interests of the State broadly. The difference between a merger and the Strategic Alliance is not a nuanced one. To have one institution in a system represent nearly 60 percent of the expenditures could create a serious imbalance that would permeate, in a substantive manner, the areas of policy making, academic programming, and finance in ways that are not predictable. This concern is not present with the Strategic Alliance. It is the view of the Board that success with a Strategic Alliance would bolster the System's reputation and influence in the State to the benefit of all institutions in USM.

Board of Regents Final Decision and Charge

Based on the considerations addressed above, the Board of Regents has determined that it is in the best interest of the State of Maryland and its public higher education system to pursue a strategic alliance between UMCP and UMB. At its heart, this is a decision about an innovative organizational approach to 21st century opportunities and challenges for the nation and the state. These opportunities and challenges require a 21st century design for higher education and the Board believes it has found such a design in the proposed Alliance.

While UMCP and UMB have developed many areas of collaboration in the past, the Board is convinced that the direction of science and the needs of the State have evolved to a point that require a more formal structure to promote greater alignment and collaboration between these two institutions.

Under the Alliance, the two universities would identify programs and initiatives in a targeted manner that would advance the quality and impact of the institutions on Maryland and the nation to a degree that neither could achieve acting alone. The Board recognizes that to realize the full potential of the Alliance there will need to be an administrative structure accountable to the two institutions, the System and the Board. The Board also recognizes that the full potential of the Alliance will require an investment of resources sufficient to achieve identified goals.

While precise elements of activity within the Alliance will be developed in the coming months, the Board envisions that the Alliance might include such activities as:

- Highly articulated degree pathways for talented students who enter the University of Maryland's flagship campus and desire a professional degree from the University of Maryland's founding campus.

- The creation of a unified University of Maryland technology transfer and commercialization operation, drawing upon the pockets of expertise that exist on both campuses, including the intellectual property clinic at UMB and the Venture Accelerator at UMCP.
- Joint development of bioscience and biomedical academic and research programs on the two campuses, utilizing the expertise that exists at College Park in engineering, physics, and the biological sciences and the medical sciences and pharmacology in Baltimore.
- Joint development of bioscience and biomedical academic and research programs in Shady Grove, including the creation or enhancement of programs in biomedical engineering, medicine and other disciplines at the undergraduate, graduate, and professional (i.e., MD) level.
- Joint development of programs in public health, law and public policy, sociology and social services.
- Development of a center for medical innovation and technology, drawing upon both campuses' expertise in nanotechnology and biotechnology and modeled on a similar partnership between MIT and Harvard.
- Development of the capacity to efficiently implement joint appointments between the two campuses.
- Combined reporting of research and technology transfer results whenever possible.
- Marketing of the University of Maryland Strategic Alliance.

The Board believes that with the Strategic Alliance, the institutions will be able to achieve the highest academic quality in the creation and dissemination of knowledge and yet be agile and flexible enough to operate at the cutting edge of the most important areas of science. The Board's recommendation of the Alliance should not be seen as a step toward a merger. The Board is convinced that maintaining these two exceptional institutions as separate entities is in the best interest of the State and that an alliance is a low-risk way for these two powerful research universities to address the needs of the State in an era of tremendous economic constraints and competition.

With this decision, the Board now charges USM Chancellor William E. Kirwan to work with UMCP President Wallace Loh and UMB President Jay Perman to develop a document that will identify the specific initial initiatives in the Alliance, which will be presented to the Board of Regents for review and approval by the end of March 2012. This document will include a definition of the administrative structure required to drive the Alliance forward, as well as the budget necessary to ensure its success. The budget for the Alliance will become a priority component of the funding required to implement the USM's Strategic Plan. The document will also delineate the critical success factors and benchmarks of progress for the Alliance. The Board will expect the Chancellor to include the achievement of the Alliance's objectives in the annual evaluations of the two presidents.

The Board recognizes that the initiatives included within the Alliance will grow and evolve over time as the breadth and intensity of collaboration between the institutions expand. The Board also expects the Alliance to reach out to the other USM universities as

well as other institutions within Maryland and beyond to build synergistic collaborations whenever and wherever they can advance the mission and impact of the institutions.