RATIONALE AND CRITERIA

FOR CONSIDERING THE EXPANSION

OF

THE TEXAS A&M UNIVERSITY SYSTEM

December, 1998

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TABLE OF CONTENTS

Executive Summary ................................................................. 3
Background ................................................................................. 4
The Future of The Texas A&M University System ...................... 8
Rationale for Considering Expansion ......................................... 9
Attributes Used for Evaluating Candidate Institutions ............... 10
Merger Consideration, Possible Approval and Implementation .......... 13
EXECUTIVE SUMMARY

The Texas A&M University System has a distinguished record of responsiveness to the higher education needs of the people of Texas and beyond through its flagship research university, an academic health science center, ten regional institutions, and the land grant agricultural and engineering research and service agencies. Because these components are interdependent, their overall impact is greater than the sum of the parts. Additions to this federation can add value to the System for the people of Texas, when the additions share the System's core values of accessibility, excellence, efficiency and service. However, indiscriminate additions can lead to a disparate collection of members that may undermine the strength of individual members and the collective effectiveness of the System.

The purpose of this document is to provide the bases for the Board of Regents' assessments and subsequent actions with respect to possible expansion of the A&M System, whether initiated by internal or external influences. The rationale and criteria established herein are intended to serve as a guide for the chancellor and other internal or external groups, organizations, or individuals who may seek expansion of the System and to prescribe a procedure to assure that decisions by the Board of Regents about expansion or contraction are based on (1) the findings of comprehensive analyses of program, financial, legal, and strategic positioning considerations, (2) provisions for securing the necessary financial support, (3) compatibility with the values and purposes of the System, and (4) the interests of state policymakers.

Various external interests will likely continue to propose new alignments and expansions when doing so fits their vision of how the System may best serve the state. In fulfilling its strategic responsibilities for assuring that the A&M System continues to maintain a leadership position in addressing the higher education needs of the people of Texas, the Board of Regents may also elect to pursue selected additions, subject to the concurrence of state policymakers. Such overtures must be weighed against the vision which guides the System, and its capability to assume additional responsibilities of leadership and oversight in support of additional members.

The capability of the System to realize its preferred vision is inexorably linked to the broader future of higher education in Texas. As a public university system, the vision and resulting strategies of the A&M System are subject to evolving public policy. The ability to stay focused on System aspirations can be enhanced through a proactive effort by the chancellor and the Board of Regents to be active participants with elected policymakers in setting the future aims and governance of higher education in the state.

The chairman of the Board of Regents and the chancellor shall confer when a serious overture is made on behalf of a candidate institution or initiative and prior to the commencement of (1) a comprehensive analysis of the proposition, and (2) prior to any commitments by an officer of the System for or against the potential expansion. It is recognized that overtures may be highly confidential and have a very short response time, particularly when made during a legislative session. The chairman shall determine the timing and content of notification to other members of the Board.
BACKGROUND

The Texas A&M University System has a distinguished record of responsiveness to the needs of the people of Texas by providing quality, cost-effective teaching, research, leadership development and service programs that are relevant to the economic, social, and environmental development of Texas. Public support for multi-campus/agency systems is based on (1) expectations for improved efficiency and quality as a result of consolidation, (2) improved responsiveness, (3) the strengthening of the member campuses, and (4) the leveraging of political support through statewide networking of elected officials and member constituencies.

The components of the System have evolved their programs and services to meet changing needs and have collaborated across member institutions and agencies to meet these needs. Through this responsiveness and strong public support, the flagship has advanced steadily toward its stated goal of preeminence, and the other institutions and agencies have made much progress, in part because of the flagship's achieved position of eminence and intrasystem collaboration.

The legislature has added several new members to the System over the past decade. These additions have expanded the geographic distribution of System resources to provide more access and quality to underserved regions of the State. The addition of the Baylor College of Dentistry complemented the existing health components and has enabled the System to develop, through the newly established A&M System Health Science Center, an integrated multidisciplinary approach to the health needs of Texans. It also provided a System service opportunity in a major metropolitan sector of the State. Beyond the direct delivery of programs by these additional members, their affiliation has resulted in opportunities for other member universities and agencies to expand their services in those areas without the expense of duplicating existing capabilities.

Some of these additions generated concerns about the System's capacity to provide necessary leadership and oversight, possible adverse impacts on existing members, and uncertainty about the adequacy of funding to support new members. Consequently, in 1990, the Board of Regents initiated an analysis that was intended to better define the criteria that would be used to assess the merits of further additions to the System. The analysis identified two key questions as prerequisites to consideration of specific candidate institutions. They were:

1. Why do we exist and what do we want to be?
2. What candidate institutions would best fit within the boundaries defined by answers to (1)?
The analysis was never completed, in part because of changes in leadership positions and the emergence of other priorities. These questions can be effectively addressed with time and effort and provide the basis for strategies to reach the shared vision, while discouraging additions that would detract from the vision and the capability of the System.

Consolidation of public higher education institutions in Texas and elsewhere has typically been directed by legislative initiative, following community and/or system advocacy efforts on behalf of the candidate institutions. One or more of the following reasons typically drives these actions:

- Expansion of institutional role and scope
- Assisting problem institutions
- Real or perceived efficiencies
- Potential for synergy
- Enhanced support from elected policymakers

These reasons are typically driven more by external forces than by comprehensive planning. The resultant alignment of institutions and governing boards in Texas has been described by the former chairman of the committee on Statewide Governance of Higher Education as "pure happenstance".

The existence of a university system implies higher performance expectations of its members and an expectation that the System will intervene whenever a member fails to meet expectations. There is also the expectation that cooperation among the members will stimulate collaboration that strengthens programs and facilitates resource efficiency. Similarly, the candidate institution anticipates enhanced political and financial support, shielding from inappropriate intrusion by external interests, access to shared services, collaborative programs, and enhanced prestige as motivating forces for joining a system. Meeting these collective expectations requires the development of a shared vision, strong involvement and leadership from the Board of Regents, the chancellor and all members, a proactive environment for collaboration, and adequate public support.

As a statewide organization, the A&M System deals with a broader set of influences than does any individual member university or agency. Regional influences, which have become more significant in the last decade, will have even more impact in the future. These collective circumstances translate into the need to define clearly the respective roles of the System Office and its member universities and agencies. For example, the System will expect loyalty to its over-arching priorities and central themes in return for extending its influence on behalf of the members.

The question of which institutions should be a part of the A&M System cannot be easily answered without consideration of the strategic purposes of the System, as well as the larger external forces that influence the System's ability to fulfill its aspirations.
The Target 2000 Project, completed in 1983, resulted from a charge by the Board of Regents "to build a Texas A&M University System that would reach recognized excellence and a Texas A&M University that would reach acknowledged preeminence by the year 2000." The Target 2000 Committee, composed of distinguished leaders from across the state, was charged with generating recommendations that would lead to fulfillment of these objectives. The resulting report encompassed three major themes:

New Priorities
• Aim Higher
• Take Bigger Risks
• Build Programs Systematically
• Embrace New Realities

Improvements in Organization
• Seize Initiatives
• Stamp Out Bureaucracy
• Build a Better Image
• Reward High Achievement

Additional Resources
• Stretch Talents
• Expand Human Capacities
• Increase Physical Capabilities
• Let Dreams Determine Dollars

Many of the specific recommendations on priorities, organization, and resource management have been embraced. A process for rewarding high achievement is currently under development. However, some items, such as reducing bureaucracy, require further attention.

The most recent analysis of the A&M System was summarized in The McKinsey Report (1990), which identified a range of possible visions for the A&M System:

• Status Quo
• "Turnaround artist" - statewide, or - regional
• "Bigger is better"
• Premier flagship "only"
• "Steward" for other schools
• College Station regional axis (based on distribution of members)
• "Multi campus single institution"
• "Land-grant system" - focus on practical arts and sciences and business
The report concluded that "for this System to take a leadership role in the State, Texas A&M University must continue to progress towards world-class status as a teaching, research, and extension university. Without a strong flagship, there is very little opportunity for the remaining System components to progress and eventually excel. Now, as never before, however, the effectiveness of the System, its reputation, and its public support depend on development of all System components. Without clearly visible outreach into the State, the System, and hence the flagship, will not retain its public support and unique funding, and the broader needs of the State will not be met."
THE FUTURE OF THE TEXAS A&M UNIVERSITY SYSTEM

The future role of The Texas A&M University System in fulfilling its responsibilities to the people of Texas and beyond will be strongly affected by demographic, economic and other influences on the economic and social status of the State. These influences include:

1. Exceptional population growth is projected for Texas well into the 21st Century.
2. Texas is shifting to a knowledge-based economy which requires a higher level of workforce expertise and an expanded flow of new knowledge and technology to ensure a competitive economy.
3. Students are increasingly searching for convenience and economy in higher education, because they are combining family and education with careers that demand life-long learning.
4. The State's deficit in baccalaureate degree production relative to the national average is increasing, which is endangering the economic future of the individual without higher education, as well as the economy of the State.
5. A diversity of institutional roles will be needed to meet the diverse interests and needs of students across the State.
6. Escalating costs for higher education demand that the State ensure that it has efficient organizational arrangements without compromising quality.

A shared sense of purpose is essential for the System to progress as a major public system of higher education. The current mission statement confirms why the System exists.

MISSION

The A&M System provides leadership and support services to its member universities and agencies which serve students and other citizens through education, leadership development, research and service to improve quality of life for individuals and enhance the well-being of the citizens of Texas, our nation, and the global community, emphasizing accessibility, inclusiveness, and continual pursuit of excellence.

VISION

The vision conveys a sense of what the System, as a federation of institutions and agencies, wants to be.

The Texas A&M University System will serve the state and nation as

• a major provider of educational opportunity by ensuring convenient, life-long access to high quality, affordable, student-centered learning experiences, including an unquestionable commitment to excellence in undergraduate education;
• an effective statewide catalyst for economic development and improved quality of life through research and relevant technology and workforce development;
• a responsive reservoir of expertise and service in support of the advancement of business, government, education, health care, communities and individuals;
• a major contributor to citizenship by developing the individual's skills, attitudes, and values as an alternative to social adversity and preparing students to play constructive roles in their communities, the state, nation, and increasingly, the world; and
• a flagship that aspires to preeminence within an increasingly integrated network of universities and agencies that are accountable to their many constituencies.
RATIONALE FOR CONSIDERING EXPANSION

Expansion is one of many strategic means of responding to the mission and vision for the System. The specific reasons for considering expansion include the following:

1. **Building a Shared Vision** - The belief that the people of the State will benefit from the inclusion of more institutions that share the core values of the A&M System, with expectations of increased efficiency.

2. **Serve More Students** - Maximizing educational opportunity for economically disadvantaged minority and other students requires convenient access. Maximizing educational opportunity also requires more convenient access to institutions and recognition of the special needs of older, non-traditional students who are balancing families and careers with the pursuit of education. The community colleges have capitalized on this trend, while enrollments in the major university systems have been fairly static in recent years. The location of the candidate institutions (rural vs. urban) dramatically affects the success of this strategy. Distance learning initiatives may eventually have a significant impact on this objective.

3. **Provide More Programs to Meet Regional Needs** - The best means of responding to public expectations for quality programs in an underserved region may be to acquire and strengthen a regional institution, e.g., TAMIU and A&M-Corpus Christi, through program expansion or import from other system institutions and agencies.

4. **Pursue Excellence by Strengthening Existing Programs and Services** - Sharing of degree programs among member institutions is increasing. Administrative, fiscal and academic practices have frequently been enhanced through assistance provided by the System Office. Joint programs, shared faculty, and access to specialized facilities or equipment can undergird an institution that is constrained by local circumstances. Peer opinion can also be a significant force in nurturing higher standards.

5. **Improve Efficiency and Effectiveness Through Collaboration** - Collaboration between a program offered by the candidate institution and one or more existing members can result in stronger, more effective programs. This is particularly true with smaller programs. Collaboration between several of the agencies and the new members of the A&M System has resulted in stronger programs in agriculture and engineering, to the credit of all involved.

6. **Broaden and Strengthen Public Support** - Interregional coalitions of political support, based on appreciation for programs and outreach efforts provided locally and regionally, are effective in building broad support on behalf of all member institutions and agencies. These alliances strengthen the political support base for all members.

Regardless of the degree of affiliation by additional universities, the System will also need to strengthen relationships with the state’s community colleges in order to encourage more students to continue toward a university degree.
ATTRIBUTES USED FOR EVALUATING CANDIDATE INSTITUTIONS

Once a decision is made to evaluate a particular candidate institution, a comprehensive analysis of the institution is necessary to provide the chancellor and the Board of Regents with an assessment of the institution's academic, financial, and legal status and to predict what resources will be required to assure that the candidate can meet or exceed expectations consistent with existing members. The key attributes of concern are:

1. **Compatibility With the Vision of the A&M-System** - The institution's history and present status should be assessed against the current vision of the System to evaluate compatibility. Does it extend the System's present emphasis on educational opportunity, service, and cost effectiveness, without compromising its commitment to excellence? Does it add value, prestige and/or political capital?

2. **Present and Projected Financial Viability** - A study of the financial viability of any prospective member institution should include in-depth analyses of the institution's historic and projected financial well-being. The analyses should include, but not be limited to, the following: an onsite visit and review of the management team; a review of no less than the last three-years financial results (balance sheet, income, statement, cash, flow, etc.); an analysis of all commitments and contingent liabilities; a review of all banking relationships, short and long-term indebtedness, debt service obligations and bond covenants; an analysis of the institution's investment policy, strategy and portfolio; a comparison to peer group entities; an analysis of computer systems, telecommunications and related infrastructure; a study of historical and projected trends; and the development of a proforma financial statement, given a proposed consolidation or merger.

Is the prospective entity financially sound today, and will it be so in the foreseeable future, without adversely impacting the System, or any of its member institutions? Are the assumptions behind its projections realistic?

Further analyses should also be done to assure the institution's projected ability to acquire adequate state appropriations through recognized formula funding.

3. **Academic Standing** - Academic weaknesses undermine program quality, student and public confidence, and detract from the reputation of other members of a system.

The academic review should include an assessment of accreditation status, with specific plans for correcting any problems. The admission requirements and retention and graduation rates should be analyzed to assess the quality of the student body and the institution's commitment to student success, relative to other members of the System.

A faculty profile should be developed to indicate how academic organization, educational levels, and requirements for continuing faculty and staff development compare with those of other institutions of similar size and role.

If the status of the institution, student body, or faculty is of concern, the analysis should indicate the probability that the institution can be corrected with System assistance.
4. **Geographic Niche and Demographics of Service Area** - The addition of an institution in an area that is presently underserved by the A&M System provides a regional identity for the System and a base for extending programs from other A&M System campuses or agencies to the region, which can enhance the recognition of the System and participating members.

Given the shifts that are occurring in population distribution, an analysis of the demographics of the "service area" of the campus should be undertaken to predict the pattern of future enrollments and the resulting implications for support of quality programs, faculty, and facilities. The projected enrollment patterns should include assessment of the potential to better serve underrepresented populations.

The current mix of programs should be reviewed against any current need assessments that are available within the "service" area and against the program inventory of other successful institutions that compete with the candidate institution.

5. **Impacts on Existing Member Institutions and Agencies** - Overlapping roles result in inefficiency and generate tension among members that is difficult to contain within the System. An analysis of the sources of students, mission statements, and a comparative analysis of present and anticipated program offerings should be undertaken to provide a basis for assessing the impact of the addition on existing member institutions. Additions can provide a means for agencies and the new institution to collaborate in programs that target local needs. Representatives from existing members should be involved during the due diligence period.

While Texas A&M University and some of the agencies and other institutions have considerable resources that can benefit new members, care should be exercised to ensure that such assumptions will not adversely impact the existing member.

6. **Cost Effectiveness of Administration and Program Delivery** - The rising costs of higher education are attracting much public scrutiny, particularly those associated with administration and unnecessary duplication of programs.

Credible benchmarks for performance analyses should be employed to determine how the institution's resources are allocated and aid in assessing flexibility to achieve any needed adjustments. Such analyses should include measures of program productivity and faculty workloads.

7. **Adequacy of Physical Assets** - The adequacy of physical assets is measured by how well they serve the institution's needs in terms of the amount (square feet), type (classroom, office, labs) and quality. Total space available should be measured against the Coordinating Board's space model as a means of determining whether adequate infrastructure funding will be available to support the facilities. The analysis should also assess the adequacy of space for planned program growth and the cost of renovations and adapting it for future uses. Deferred Maintenance must be considered and evaluated in terms of the need to restore vital systems such as heating and cooling, roofs, and utility connections and to be in compliance with state regulations.
8. **Impacts from Non-A&M System Institutions** - Multiple institutions within a region can seriously impact the development, quality and cost-effectiveness of an institution, which must compete for students as well as for financial support. Advocates for a merger typically discount the impact of competing institutions. An objective comparison of institutional strengths and weaknesses is required to indicate how the candidate institution might be positioned to excel in addressing regional needs. The analysis should also assess the willingness of the academic culture on the campus to respond to competitive forces. These analyses can also be valuable in responding to objections to the affiliation by supporters of other institutions. As distance learning becomes more attractive to students, the definition of "service area" will be expanded for the prospective member and equally so for potential competitors from beyond the region.

9. **Legal Review** - To assess its legal liabilities and responsibilities, a full review should be made of all legal obligations of the candidate institution, including those to students, faculty, staff and third parties.

Existing and potential lawsuits represent a serious drain on personnel and reserves both for the institution and the System. A review should determine the full extent of real and potential exposure, the adequacy of reserves, and the quality of the institution's overall risk management program.

An additional analysis should be made on the effect of the acquisition upon the A&M System including each of its components regarding their legal and regulatory obligations, e.g. bond covenants, agency consent orders, court decrees, etc.

Finally, a legal analysis should include the appropriate method for incorporating the candidate institution into the System and the necessity for, desirability of, and feasibility of action by the Coordinating Board, the Legislature, or both.

10. **Demands on System Infrastructure** – The level of demand on the System infrastructure by a new member is dependent on the effectiveness of campus leadership, its academic and financial status and infrastructure, and the confidence that the administration has in soliciting assistance from the System Office.

Estimates of increased demand should be based on units of efforts of legal, financial, facility, or program assistance required by existing members of comparable size and role. Exceptional circumstances will require appropriate adjustments in the estimates.

The resource requirements to cover System assessments for shared services should be included in the financial analysis, as should any additional costs associated with compliance with System or state reporting requirements for accountability.

Additional demands on the Board of Regents and the Office of the Chancellor should be noted, as appropriate.

11. **Student and Alumni Sentiment** – Resolutions, surveys, or other indicators are needed to access support for the proposed action and to identify concerns.

12. **Public Support Base** – Legislation, public officials, and other means can be used to assess public support for the proposed action and to identify the concerns of opponents.
MERGER CONSIDERATION, POSSIBLE APPROVAL AND IMPLEMENTATION

1. **Executive Notification and Consultation** - The chairman of the Board of Regents and the chancellor shall confer when a serious overture is made on behalf of a candidate institution and prior to the initiation of (1) a comprehensive analysis of the institution and (2) prior to any commitments by the System for or against the potential expansion. It is recognized that overtures may be highly confidential and have a very short response time, particularly when made during a legislative session. The chairman shall determine the timing and content of notification to other members of the Board.

2. **Conduct Analysis of Attributes** - The analysis may be initiated in response to overtures made on behalf of a possible member or in response to a decision by the Board to solicit a new member. Some cooperation will be needed from the institution to fully apply the attributes, i.e. financial viability. While the System Offices would usually have primary responsibility for the analyses, the presidents and academic and financial officers of existing members can contribute useful insights about the status of the candidate institution.

3. **Other Considerations** - These include political and regulatory considerations such as the view of the Texas Higher Education Coordinating Board and other key state policymakers.

4. **Take Action in Support of Conclusions** - The conclusions would be based on the integration of the results of items 1 and 2.

5. **If Soliciting Member, Develop Strategy to Gain Institutional Acceptance** - Merger discussions and actions frequently generate unrealistic expectations on the campus, in the community, and elsewhere. Failure to keep expectations in perspective can subsequently generate unproductive frustration or even hostility, which impairs the objectives of the merger.

6. **Guide Community, Legislative and Coordinating Board Actions in Support of Conclusions** - The portfolio should be presented in a consistent manner to all interests to avoid confusion and minimize opportunities for dissenting interests to gain an advantage. Responsibilities for leadership roles should be clearly defined.

7. **Monitor Implementation** - The first two years after a merger are very critical in assuring that the purpose(s) of the merger receive adequate attention and commitment. This is essential to minimize the frustration, both on and off-campus, that sometimes results from the reality of the merger and to assure focus on the terms of the merger. Responsibilities for leadership roles should be clearly defined.