

Rice and Baylor still far from any deal on merger

Financial issues, faculty's concerns add hurdles on way to an agreement

MERGER: Many in Rice faculty skeptical

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Rice University President David Leebron announced last November that a proposed merger with Baylor College of Medicine would be resolved one way or another by May, but a spokeswoman suggested this week that the two institutions still aren't close to an agreement. The acknowledgement followed an internal Baylor update that it has reduced its \$85 million deficit by \$30 million and Rice faculty agitating for more input into what they note is the most important decision in the institution's history.

"Talks are progressing in a positive and constructive manner," said Linda Thrane, Rice's vice president of communications. "But there's still a whole lot more work ahead."

Leebron declined a Chronicle interview request, and Thrane said contractual confidentiality agreements prevent her from giving any more detail about the state of negotiations. She said there is no timetable for a final approval or rejection of the proposed merger.

Rice and Baylor, the city's most elite academic institutions, began preliminary merger talks last fall, then entered into formal negotiations in March, when the schools' governing boards signed a memorandum of understanding. Such documents are typically considered the first stage in the formation of a formal contract.

Baylor's finances

The proposed merger has excited many Houstonians because of its potential to create an academic powerhouse, the state's top private university joined with one of the country's best medical schools. It would bring Baylor financial security and perhaps move Rice into a more elite tier of universities.

Baylor's shaky finances and uncertainty about its hospital, however, are considered stumbling blocks to a deal. Baylor hopes to trim an additional \$35 million by next June, taking its deficit down to \$20 million, interim President William Butler recently told faculty. Baylor also is trying to figure out a home for its doctors who practiced at The Methodist Hospital or St. Luke's Episcopal Hospital before Baylor split from both.

"In visiting with Rice, there are two areas of concern," Baylor Trustee Bob McNair said at a faculty meeting in February, an executive summary from which recently began circulating outside the institution. "One area has been that operating losses have been growing. The other was: What are we going to do with the hospital project?"

Baylor's hospital project, a 250-bed facility near the veterans hospital, was much touted after the splits with Methodist and St. Luke's but more recently became saddled with debt. In March, Baylor announced it would suspend construction of the hospital, a move Butler said would buy time to acquire more capital before continuing. Some sources said the delay would also allow the school to sell the building.

McNair said Baylor is talking to "anybody and everybody that wants to talk to us" about a partnership, including Methodist, but he added Methodist is not showing "a lot of interest." He also said Baylor is talking to St. Luke's.

Rice's reception

At Rice, concern that the case hasn't yet been made for a merger prompted faculty to meet in April. More than 200 professors turned out for the single-issue gathering, a rare event at the usually placid university. The meeting was closed, but Rice's Faculty Senate posted minutes from the meeting on its Web site.

"The famous astronomer Carl Sagan once said, 'Big claims require big proofs,'?" computational engineering professor Moshe Vardi wrote in a letter also posted on the Web site. "The claim that the potential benefits of merging Rice with Baylor outweigh the risks is a 'big claim'; it requires a 'big proof.'?"

Vardi wrote that he is skeptical about the merger and has encountered that sentiment among colleagues.

Professors who attended the meeting, however, said faculty opinions are all over the map, often coinciding with whether that professor's discipline would stand to benefit from Rice having a medical school.

Faculty overwhelmingly adopted a resolution creating a faculty merger committee larger than the one appointed by Leebron and chaired by a professor instead of the president. Leebron accepted the resolution.

The committee is expected to bring to another meeting of the faculty in early fall a report on the potential benefits, costs and risks of the proposed merger and actions that could be taken to maximize the opportunities and minimize the risks.

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