This case study, part of the State Structures for the Governance of Higher Education study, focuses on governance and related issues in Michigan's higher education system. The study's overall purpose was to examine differences among states in their governance structures, and to determine if differences in performance were related to governing structures and whether structure affects strategies of state policymakers. The study is based on analysis of documents and on interviews conducted in 1995 with state officials, education administrators, faculty, and staff. The first section provides information on the state, including its political culture and issues for higher education. Section 2 examines the characteristics and history of the Michigan higher education including: constitutional autonomy, the role of the State Board of Education, community colleges, 4-year public institutions, the Presidents Council, tuition, independent colleges and universities, and student financial aid. Section 3 considers work processes, including the budget process, the program planning process, relationships with K-12 schools, the transfer process, and information collection. A final section concludes that state policymakers are generally satisfied with the performance of higher education in Michigan. An appendix lists advisory board members. (Contains 35 references.) (DB)
STATE STRUCTURES
FOR THE GOVERNANCE
OF HIGHER EDUCATION

Texas Case Study Summary

A Report from

THE CALIFORNIA
HIGHER EDUCATION
POLICY CENTER

Spring 1997

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State Structures for the Governance of Higher Education

Michigan Case Study Summary

By Kathy Reeves Bracco

Spring 1997

A Technical Paper Prepared for
State Structures for the Governance of Higher Education
and
The California Higher Education Policy Center

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Preface

State Structures for the Governance of Higher Education is a national research project concerning state governing structures for higher education. This project was conducted by The California Higher Education Policy Center with support from The Pew Charitable Trusts and The James Irvine Foundation. The purpose of the research is to better understand how states differ in the design of their governance structures, what difference in performance can be related to choice of governing structures, and how structure affects the strategies available to state policy makers with regard to the state’s higher education system.

The products of the study include nine different publications: seven case studies, a comparative report, and an annotated bibliography. The case studies provide separate summaries of higher education governance for the seven states in this project: California, Florida, Georgia, Illinois, Michigan, New York, and Texas. The state systems of higher education examined in these studies include public and private postsecondary institutions as well as the arrangements for regulating, coordinating and funding them. Case study research was conducted between September 1994 and September 1996. For each state, researchers collected documents, examined archival data, and conducted interviews to obtain multiple sources of information about context, system design, governance structures, and performance. Over 200 interviews were conducted with state legislators, legislative staff, representatives from the governor’s office, representatives from state budget and research agencies, state higher education agency officials, system and institutional presidents, chancellors and board members, and faculty. Documents reviewed include state budgets, master plans, statistical reports, board agendas, system histories, and newspaper accounts. All case study reports were reviewed for accuracy by knowledgeable individuals within the state.

Following the completion of the case study reports, a comparative study was developed to provide an interpretive synthesis of the data in the case studies. An annotated bibliography has been compiled to highlight relevant literature on governance in higher education, government, business, and K–12 education. The bibliography also includes several theoretical pieces that helped to frame the conceptual design of the research.

Throughout the project, the research team was guided by the advice of a National Advisory Committee comprised of 18 experts in higher education governance issues. We would like to thank each of the committee members for their assistance in this project (their names are listed in the Appendix to this case study). In addition, we wish to thank the following individuals for

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This case study synthesizes interview data with other sources to paint a descriptive picture of governance and related issues facing Michigan's system of higher education. It is based on documents gathered from public offices, higher education institutions and relevant publications. Interviews with state officials, education administrators, board members, faculty, and staff took place in September, October and December of 1995.

State Context

Michigan is the eighth most populous state in the country, with 9.5 million residents. While the state is not projected to experience the high levels of population growth that many of the southern and western states are expected to face over the next decade, Michigan will face a changing demographic mix, with increasing numbers of minorities in the major population centers, and with a growing population in the western region. African-Americans make up the largest minority group in the state (14.5 percent of the state population) and their share of the population is expected to grow to almost 20 percent by the year 2020. Whites, who compose about 83 percent of the state's population now, are expected to constitute about 77 percent of the population in 2020. In 1995, approximately 41 percent of Michigan's population resided in its three largest counties: Wayne, Oakland and Macomb, which encompass the Detroit metropolitan area and its immediate suburbs. This concentration is expected to change somewhat, since the population growth is projected for the western part of the state rather than the Detroit area.

Of the states in this study, Michigan has the lowest percentage of its population that is non-Anglo (see Table 1). It has a low percentage of families who do not speak English in the home, and its high school dropout rate is also relatively low. The state is below average compared to other case study states in terms of educational attainment. Michigan is about average among the study states in terms of its per capita income, as well as the percentage of its families living in poverty.
# Table 1

**Contextual Variables for Michigan Compared to Selected States**
(Numbers in Parentheses Represent Rank Among the Seven Study States)

<table>
<thead>
<tr>
<th>Contextual Variables</th>
<th>High (1–2)</th>
<th>Average (3–5)</th>
<th>Low (6–7)</th>
<th>U.S. Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Capita income (in Thousands) (1995)</td>
<td>23.6 (4)</td>
<td></td>
<td>22.8</td>
<td></td>
</tr>
<tr>
<td>Potential Tax Revenue (1995–96)*†</td>
<td></td>
<td>89 (7)</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>New High School Graduates per 1,000 Population (1995–96)†</td>
<td>9.7 (2)</td>
<td></td>
<td>9.6</td>
<td></td>
</tr>
<tr>
<td>Role of Private Higher Education§</td>
<td>Major</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Role of Governor‡</td>
<td>Strong</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Population with Associate Degree (1990)</td>
<td>6.7 (2)</td>
<td></td>
<td>6.2</td>
<td></td>
</tr>
<tr>
<td>% of Population with Baccalaureate Degree (1990)</td>
<td></td>
<td>10.9 (7)</td>
<td>13.1</td>
<td></td>
</tr>
<tr>
<td>% of Population with Graduate or Professional Degree (1990)</td>
<td></td>
<td>6.4 (6)</td>
<td>7.2</td>
<td></td>
</tr>
<tr>
<td>% of Population 24 Years Old or Younger (1995)</td>
<td>35.9 (4)</td>
<td></td>
<td>35.5</td>
<td></td>
</tr>
<tr>
<td>% of Population that is Anglo (1990)</td>
<td>83.4 (1)</td>
<td></td>
<td>80.3</td>
<td></td>
</tr>
<tr>
<td>% of Population Who Do Not Speak English in Home (1990)</td>
<td></td>
<td>6.6 (6)</td>
<td>13.8</td>
<td></td>
</tr>
<tr>
<td>High School Dropout Rate (1992 to 1994 Average)</td>
<td>9.0 (5)</td>
<td></td>
<td>9.0</td>
<td></td>
</tr>
</tbody>
</table>

* This figure is expressed as an index: National Average = 100.

Sources: Unless otherwise noted, data are drawn from *Chronicle of Higher Education Almanac* 43, no. 1 (September 1996), pp. 67–68.


For many years, Michigan's economy was dominated by the American automobile industry. One reason for the relatively low educational attainment levels among Michigan's population (Michigan ranks last among the study states in terms of the percentage of the population with a baccalaureate degree) is that the auto industry historically supplied high-wage jobs that did not require education beyond high school. As a result, many Michigan residents went directly from high school to the factories, earning higher wages immediately after high school than their counterparts did after earning bachelor's degrees.

The economy has changed, however, and with it the need for higher education. Downsizing in the automobile industry has led to a shift in the state's economic emphasis. Service jobs now outnumber manufacturing jobs in the state for the first time in history. This shift to a more service-oriented economy has brought a drop in measures of wealth. In the late 1970s, Michigan's per capita income was about eight percent higher than the national average; in 1993, per capita income was two percent below the national average.

Beginning in 1987, Michigan's economy experienced a significant slowdown, from which it has only recently begun to recover. The state's fiscal problems were tied to the downsizing in the automobile industry, and possibly exacerbated by the gradual phase-out of a state income tax increase (enacted in 1983). The state tax structure had historically been dominated by property taxes but recent changes will make the property tax burden lower and the sales tax burden higher.

The state budget is divided into three categories: general fund/general purpose, general fund/special purpose, and special revenue. The general fund/general purpose portion includes the discretionary moneys over which the Governor and Legislature have control. Most of the state's funding appropriated to higher education comes from this portion of the budget. As a result, higher education finds itself in direct competition for state dollars with Medicaid and criminal justice needs—a competition that has recently, according to one legislator, defined where the big budget battles are.

Michigan has experienced some significant changes in budget priorities over the past 25 years. From 1968 to 1993, for example, K-12 education decreased from about 33 percent of the state budget to 20.5 percent. Higher education fell from 11 to 7.4 percent, and social services increased from 17 to 31 percent. (Note that these figures are percentages of the total budget: general fund/general purpose, special purpose, and special revenue.) These budget shifts were caused by high unemployment, increased federal requirements for social services, expansive prison construction, and declining enrollment in elementary and secondary schools. These trends have reversed somewhat over the past ten years.

Since the state's funding of higher education comes primarily from the general fund/general purpose (GF/GP) portion of the budget, it is useful to look at that portion in isolation. Higher education did fairly well in terms of its share of the overall GF/GP budget during the 1980s, but its share has declined in the first part of this decade. In 1980, for example, higher education
comprised about 16.7 percent of the GF/GP budget. In 1989, this share increased to 19.3 percent, but it returned to 16.7 percent in 1994.

Total dollars, however, have increased during the 1990s. The fiscal year 1996 budget called for $1.31 billion of general fund revenue for universities, an increase of 4.7 percent from fiscal year 1995. Community colleges received $253 million in fiscal year 1996, and increase of 2.1 percent over the previous year. Table 2 shows growth in General Fund/General Purpose spending to higher education from 1990 to 1996; this growth is more than twice the growth rate for general fund spending overall. Most of the individuals we interviewed said that higher education had fared fairly well during the 1990s, and that the fact that overall state support did not decrease was a positive sign.

<table>
<thead>
<tr>
<th></th>
<th>FY 1990</th>
<th>FY 1996</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Universities</td>
<td>$1,104,595.8</td>
<td>$1,308,075.7</td>
<td>18%</td>
</tr>
<tr>
<td>Public Community Colleges</td>
<td>$212,490.5</td>
<td>$253,009</td>
<td>19%</td>
</tr>
</tbody>
</table>

Source: Michigan Department of Management and Budget, "Fiscal Year 1997 Executive Budget" (www.michigan.state.mi.us), not paginated.

Political Context

Through the early part of this decade, Michigan experienced some dramatic political shifts, both in terms of party control and geographic power. Prior to the 1994 elections, Democrats controlled both the House and the Senate, and the balance of power was in the Detroit metropolitan area. The election of a Republican majority in the 1994 elections shifted the power base to the western part of the state, the home of the Governor and several key legislators. In 1995–96 Republicans held a 22-to-16 majority in the Senate, and a 56-to-54 majority in the House. This marked the first time that Republicans have had full control in the Legislature in nearly 25 years.

Republican Governor John Engler was elected to his first term in 1990, defeating Democratic incumbent Jim Blanchard by only 17,000 votes. Engler was elected on an agenda to “cut taxes, downsize government, create jobs, improve Michigan’s business climate, and improve the quality of the public schools.” He was reelected in 1994 with more than 61 percent of the vote, the second largest margin of victory in Michigan history. Prior to taking over the
Governor's office, Engler had served in the state Legislature for 20 years, serving as majority leader in the state Senate from 1983 to 1990.

One respondent described the election of Engler as the "first break in the old power structure." During an earlier era, the Legislature was seen as all-powerful. With recent shifts in the control of the Legislature (Republicans now control both houses), the Governor is in a position to exert much greater political influence, and has done so.

Constitutionally, Michigan is a strong Governor state, due primarily to the Governor's budget and line-item veto powers. The Governor has exercised his veto power with regard to higher education, as evidenced by his 1995 veto of the appropriation for Highland Park Community College, an institution in the Detroit area. In making his veto, the Governor cited financial mismanagement and declining enrollment. The Governor is seen as the most influential person for higher education because he introduces the budget, which becomes the key document used by the Legislature. The Governor also appoints 10 of the 13 university governing boards in the state.

Governor Engler has exerted his power in other ways as well. He has eliminated about 40 to 50 commissions and boards since taking office; he has also eliminated the public relations offices in all state agencies, leaving only his own office with a public relations component. Several interviewees suggested that the Governor has tried to reduce the influence of elected boards in the state by moving key programs from agencies with boards to those without boards. One example can be found in the recent transfer of the state's financial aid programs from the Department of Education to the Department of Treasury. In addition, Governor Engler hand-picks the Republican candidates for the three elected boards in higher education, the first Governor to develop this practice.

Legislature

Republican control of the House and Senate has meant major changes in the power structure in the Legislature, and additional changes are likely to occur over the next several years. The state has recently enacted a term-limit initiative that will limit terms of House members to six years and Senators to eight. The Governor is limited to two four-year terms. Many of our respondents suggested that term limits will change the system significantly; in the past, the system relied heavily on people who have progressed through seniority to positions of greater power, but in the process have been socialized to a traditional set of values and a way of doing business. Term limits will change that, but no one knows for sure what the impact will be.

With regard to higher education, the two most powerful legislative committees are the Senate Subcommittee on Appropriations for Higher Education and the House Appropriations Committee. We were told that the chairs of these two committees are very powerful, and that much of what happens in terms of funding for higher education has to do with who holds these two chairmanships. The House and Senate appropriations committees are said to take a
very different approach to higher education. One senator said that while the Senate holds congenial hearings on the campuses of institutions, the House Appropriations Committee tends to "bring presidents in and browbeat them." A House member said there are many representatives who would like to be more prescriptive about what higher education can and cannot do, but the Senate and the more experienced members of the House would be unlikely to support such efforts.

Both the Senate and the House rely on non-partisan fiscal agencies for information and analysis on higher education and other public issues. These agencies have very small staffs, but believe they have sufficient resources to handle the requests that are received. The fiscal agencies operate under a requirement of confidentiality: they cannot reveal anything that a legislator asks them to do.

The Legislature is said to have a fairly good relationship with institutions of higher education. Generally speaking, legislators try to keep everyone "healthy," and no one is out to "kill" an institution.

Issues for Higher Education

"Priorities come and go with various Governors," said one respondent. They "depend particularly on the state's economic situation," said another. A university board member echoed what we heard from many respondents, arguing that "There is no consensus opinion as to what the state collectively looks for in its higher education system." Nonetheless, our respondents did identify a number of issues that have been and continue to be implicit priorities for the state, including: economic development, efficiency, quality, relevance, and affordability.

Affordability was the issue most commonly cited as a "state priority" by our respondents. Concern over access is directly related to affordability: while the state does not expect a large increase in the number of students entering higher education, there is a great deal of concern about whether the students who want to attend institutions of higher education will be able to afford it. Michigan is a high-tuition state that relies increasingly on student and parent contributions. As tuition has increased, students and their families are paying a larger share of the cost of education. Michigan's "tuition factor"—that is, the percentage of tuition relative to total revenues (state and local appropriations plus student tuition)—rose from 34.4 percent in 1986 to 44.5 percent in 1995. The national average for the tuition factor in 1995 was 31.4 percent. Most policy makers and educators acknowledge that the issue of affordability will have to be addressed if the state is to continue to provide access to future students.

Another key policy issue that has received a fair amount of public attention is the percentage of out-of-state undergraduates at the University of Michigan. Many legislators—and in particular a previous chair of the House Appropriations Committee—have indicated that the university is doing a disservice to Michigan residents by enrolling too high a percentage of out-of-state students. The legislators have argued that access is unfairly denied to Michigan residents in
favor of out-of-state students who bring in significantly higher tuition revenues. (Tuition for non-residents is close to $15,000 per year compared to $5,000 for state residents). University officials have said that the university is becoming less a state university and increasingly a national and international university, and therefore it is appropriate to have a very selective admissions process that admits a large percentage of students from out of the state. Several years ago the Legislature asked that the university take no more than 30 percent of its undergraduate student body from out-of-state. After the university failed to meet this target, the Legislature withheld resources temporarily. The Legislature eventually gave the university the money that was withheld, but the tension over out-of-state enrollment continues.
Higher Education System Characteristics and History

There are 109 institutions of higher education in the state: 15 public four-year institutions, 30 public two-year institutions (including one tribally controlled community college), 56 private four-year institutions, and 8 private two-year institutions. Total enrollments include approximately 551,000 students by head count. Public four-year institutions account for 47 percent of total enrollment, public two-year institutions enroll 38 percent, and the independent colleges and universities enroll 15 percent. Enrollment has declined somewhat between 1991 and 1995; it is down by 1.2 percent at the four-year institutions and by 6.7 percent at the two-year institutions. This enrollment decline is due primarily to decreasing numbers of high school graduates. The state expects relatively stable enrollment growth over the next decade or so, with a 13 percent increase in the number of high school graduates projected between 1996 and 2006, compared to an increase nationally of 20 percent.

Each of Michigan’s public institutions has its own governing board (with the exception of the University of Michigan’s two branch campuses at Flint and Dearborn, which are governed by the same board as the University of Michigan, Ann Arbor). All boards have nine members, including the institutional president who serves as an ex-officio member. Other board members serve eight-year terms. The boards of the University of Michigan, Michigan State University, and Wayne State University are elected by the public in statewide elections. The Governor appoints the board members governing the rest of the public four-year institutions. Each of the public two-year community colleges has a regionally elected governing board.

As Table 3 indicates, Michigan is about average relative to the seven states in this study with regard to participation in higher education among new high school graduates. The state has the highest percentage of students enrolled in public four-year institutions per 1,000 population among the study states, and average undergraduate, graduate and professional enrollments per 1,000 population. This indicates a possible change among generations in the emphasis on higher education: the percentage of the entire population that has completed a degree is low, yet the enrollment levels now are high.
Table 3

System Characteristics for Michigan Compared to Selected States
(Numbers in Parentheses Represent Rank Among the Seven Study States)

<table>
<thead>
<tr>
<th>System Characteristics</th>
<th>High (1-2)</th>
<th>Average (3-5)</th>
<th>Low (6-7)</th>
<th>U.S. Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Degree-Granting Institutions (1994–95)</td>
<td></td>
<td></td>
<td>109 (7)</td>
<td></td>
</tr>
<tr>
<td>Public Four-Year Institutions (1994–95)</td>
<td></td>
<td></td>
<td>15 (5)</td>
<td></td>
</tr>
<tr>
<td>Public Two-Year Institutions (1994–95)</td>
<td></td>
<td></td>
<td>30 (6)</td>
<td></td>
</tr>
<tr>
<td>% of Enrollment in Public Institutions (1994)</td>
<td></td>
<td></td>
<td>84.6 (3)</td>
<td>78.0</td>
</tr>
<tr>
<td>FTE Students per 1,000 Population (Public Institutions Only) (1995–96)*</td>
<td>33.1 (2)</td>
<td></td>
<td></td>
<td>31.8</td>
</tr>
<tr>
<td>% High School Graduates Going on to Higher Education Anywhere (1994)†</td>
<td>60.6 (3)</td>
<td></td>
<td></td>
<td>57.3</td>
</tr>
<tr>
<td>State Appropriations plus Tuition Revenues per FTE Student (1995–96)*</td>
<td>$9,057 (1)</td>
<td></td>
<td></td>
<td>$7,020</td>
</tr>
</tbody>
</table>

Sources: Unless otherwise noted, data are drawn from Chronicle of Higher Education Almanac (September 1996), p. 67.

Constitutional Autonomy

Michigan differs from the rest of our study states in that it has no statewide agency, board or commission responsible for the coordination of higher education, and all four-year institutions have constitutional autonomy. Constitutional autonomy provides for vesting of exclusive management and control of the institution in the governing board.15

In 1850, the University of Michigan was granted constitutional autonomy, making it the first institution in the country to be accorded such status. This was primarily the result of many years of political interference in the operation of the university, including legislative and gubernatorial involvement in the selection and removal of the faculty.16 Michigan’s language regarding constitutional autonomy, which can be found in all four state constitutions, is designed to keep the Legislature from getting involved in areas considered to be the domain of the faculty and university administration.
Michigan Case Study Summary

In 1963, Michigan rewrote its constitution and once again included constitutional status for all universities in the state. Article VIII, Section III states, "The power of the institutions of higher education provided in this constitution to supervise their respective institutions and control and direct the expenditures of the institutions funds shall not be limited to this section." Based on this language, individual boards have the power to set tuition and to determine how their state appropriations will be spent.

While reaffirming the autonomous status of institutions, the language of the 1963 constitution also reflects a shift toward the demands for greater public accountability for higher education, with several new provisions: the state Board of Education would be charged with "planning and coordinating" the educational policies of those institutions with constitutional status (though in such a way as not to impinge on that autonomy); the Legislature would be given an annual accounting of all income and expenditures; the Governor could reduce institutional expenditures in the event state revenues fell short of estimates on which the appropriations were made; formal meetings of the institutional governing boards would be open to the public; and the state auditor would be given the power to audit the books of universities that were accorded constitutional status.

The Constitution also gives the State Board of Education responsibility for leadership and general supervision of community colleges. It does, however, affirm that community colleges shall be supervised and controlled by locally elected boards.

During the 1960s, when many states were creating centralized state coordinating or governing agencies, Michigan resisted organizing its higher education services into a centralized system. One university administrator speculated that Michigan retained autonomy for its institutions in the 1960s in part because of the "battles" between the University of Michigan (U of M) and Michigan State University (MSU) in the middle of the century. While Michigan State might have been willing to organize with other institutions into an overall system of higher education, the University of Michigan did not want such a system, and did not want MSU to have that kind of political clout either. Others speculate that the main reason for preserving autonomous campuses while other states were developing consolidated systems was that those responsible for developing the constitution felt very strongly about keeping the state's institutions of higher education separate and autonomous.

On many occasions, the universities have gone to the court to preserve their autonomous status. One major result of these court decisions is that the Supreme Court has told the state Board of Education that it has no authority over public institutions of higher education.

According to many individuals we interviewed, the autonomous status of institutions in Michigan gives presidents a great deal of power. A legislator commented that the system has been able to attract very qualified candidates for president because of their relative independence. It is important, he said, that the presidents "know that they are essentially the boss, that they don't have to report to a higher, system-level agency or to more than one..."
coordinating board.” At the same time, however, presidents are more vulnerable in Michigan, more at-risk because they have no system office or board to insulate them. “There is no place to hide,” said one president.

Individuals we interviewed were very proud of the autonomy of their institutions, and cited this often as a unique characteristic of higher education in the state. The conventional view in the state is that systems do not work, and that Michigan is much better off without the added layer of bureaucracy. A university president suggested, however, that while constitutional autonomy may be valuable for the “big three” institutions (the University of Michigan, Michigan State University and Wayne State University), it is somewhat dysfunctional for the comprehensive institutions. “The state cannot control growth of programs at those institutions,” he argued, and this is problematic from a statewide perspective.

At least according to some in Michigan, autonomy can lead to inefficiencies and to many duplicative programs. We were told that the proliferation of programs is most problematic in the area of doctoral degrees; there used to be four public institutions in the state that offered doctorates, and now there are eight. The Legislature could stop this, either through intent language in the budget bill or funding directed toward undergraduate education, but they do not. Institutions are free to develop and offer new programs as they wish, and the only limits on implementing new programs are those that are driven by the “market.”

In fact, advocates of the Michigan structure seem to be true believers in the power of the “market” to take care of inefficiencies such as duplication of programs. While almost everyone admits that there is more duplication than is desirable in the state, there appears to be little concern about this. “Market forces in Michigan control both enrollment and the number of programs,” said one political staff member, echoing the sentiments of many of our respondents. Most of those we interviewed believe that the market is also a good check on duplication of programs. If the need for the program is not there, many respondents said, students will not come and the program will eliminate itself.

State Board of Education

The closest Michigan comes to a statewide agency for higher education is the state Board of Education. The board includes eight members who are chosen in statewide elections. Members serve eight-year terms, and the Governor serves as an ex-officio, nonvoting member. The board, which in 1995–96 consisted of six Republicans and two Democrats, appoints the superintendent of public instruction.

According to the Michigan Constitution of 1963, the state Board of Education “shall serve as the general planning and coordinating body for all public education, including higher education, and shall advise the Legislature as to the financial requirements in connection therewith.” While these functions are stipulated in the constitution, the past 30 years have provided numerous examples of how the courts view this as somewhat contrary to the notion of
in institutional autonomy. After the adoption of the 1963 constitution, the Board of Education tried to get involved in several areas of planning and coordinating. The superintendent at the time tried to assert the board's authority to gather information about and exercise control over the number of out-of-state students and program duplication.

According to many people we interviewed, the institutions, often through their voluntary associations, challenged every attempt of the state board to fulfill these planning and coordinating responsibilities. One of the most commonly cited legal cases is the Salman Decision in 1975, in which the courts found that the University of Michigan does not need approval of the state Board of Education to expand or establish programs or departments, or to expand branch campuses. Essentially, this decision limited the authority of the state board to advising the Legislature concerning requests for funds. As a result of this and other similar cases, the planning and coordinating activities of the state Board of Education are essentially nonexistent for higher education.

Although the board does not have much authority with regard to higher education in general, whatever authority it does have has been further limited by the actions of the current Governor and the Republican Legislature, according to some of those we interviewed. The state board has been affected by the Governor's effort to eliminate bureaucracy, as the budget appropriation for the board was cut by almost 60 percent in fiscal year 1995.

Interestingly, the state board has more authority over the independent institutions than it does over the public colleges and universities. Independent colleges and universities operate under charters from the state; when an institution wants to change its charter (to add a degree level), it must petition the state board. Public institutions do not need to go through such a procedure.

Community Colleges

Michigan's community colleges enroll approximately 208,000 students. Community colleges currently serve about 80 percent of the state's population (there are no colleges in some service districts). Each college has its own regionally elected governing board.

While the percentages vary from college to college, community colleges receive about 30 percent of their funding from local property taxes, about 34 percent from state funds, and about 32 percent from tuition.

There are two statewide agencies serving the community colleges. The first is the Michigan Community College Association, a statewide association that represents the colleges, each of which contributes funds for membership. The principal role of the association is legislative advocacy. Lobbying the Legislature through a single statewide organization is necessary, we were told, because of the relatively small size of state appropriations to community colleges; in fiscal year 1996, the state appropriation for all community colleges was less than the state appropriation for Michigan State University alone. The community colleges believe that
they enhance their political clout by negotiating with the Legislature as a group instead of lobbying on their own.

The Community College Association also facilitates information sharing and provides in-service professional development programs for trustees. According to one college president, the association fosters voluntary coordination among colleges even though there is no formal mechanism for collaboration and communication. The limited resources in the state, he said, force colleges to coordinate services.

The second statewide agency is the Community College Board, which was created in the 1963 constitution as an advisory body to the state Board of Education. The board has the power to approve programs that will receive federal funding, such as the Carl Perkins Funds. Community colleges, therefore, collect and report information to the department regularly to ensure their eligibility for federal money. The board’s role, according to one president, is “minimal at best,” and “That is best.”

The Community College Board is quickly losing the little influence it has had in Michigan. One reason is that prior to 1978, the board was responsible for allocating the lump-sum state appropriation to each of the community colleges. Institutional funding is now based on a formula, and the allocation function of the board has been stripped. In addition, the board has experienced severe funding cuts, and the Governor has eliminated all per-diem expenses for board members, effectively reducing the number of meetings that the board holds. Currently, the board meets only three times a year, and according to one staff member, even that is about to end. At the time of our visit there were three vacancies on the eight-member board.

**Four-Year Public Institutions**

There are 15 public four-year institutions in Michigan, enrolling approximately 260,000 students (see Table 4).
Michigan’s four-year public institutions vary widely in size and mission. Three large research universities (the University of Michigan, Michigan State and Wayne State) each enroll over 30,000 students and offer the full range of graduate and undergraduate programs. Western Michigan University is classified under the Carnegie Classification of Colleges and Universities as a doctoral I institution, and the rest of the institutions are general comprehensive universities, four of which offer the doctorate. Michigan Technological University, which focuses on engineering, is the one specialized institution.

Many of the individuals we interviewed described a certain “pecking order” that exists for institutions of higher education in the state. This hierarchy, which places the University of Michigan at the top, followed by Michigan State and Wayne State, is generally “accepted and understood,” according to most individuals we spoke with. The acceptance of this hierarchy has helped to keep the amount of bickering among institutions down, at least until this past year. According to several respondents, presidents generally maintain a united front as long as the status quo and pecking order are maintained.

Constitutional autonomy and the lack of any statewide governing mechanism gives faculty much more power in Michigan, according to many of our respondents. Faculty have greater influence, said one president, because they only have to sway the president and the board. There are fewer end runs because there are no higher-level boards to which the faculty must go. Most of Michigan’s four-year faculties are unionized, but the University of Michigan, Michigan State University and Grand Valley State University are exceptions.

Faculty groups have limited visibility at the state level. While faculty unions have the opportunity to present information to the House and Senate Appropriations Committees, the
faculty voice is minimal in the state policy-making process. According to some of the politicians we met with, unions have less influence now because of the shift in control of the Legislature from Democrats to Republicans. In today’s environment, said one legislator, unions “do not have as much clout.”

Research Universities

In discussing public four-year institutions in the state, many people separate the “big three” (Michigan State, University of Michigan, and Wayne State) from the rest. According to one university board member, what happens particularly at Michigan and Michigan State tends to spill over into public perceptions of higher education generally. This is due in part to the size of these institutions and to the fact that elected, rather than appointed, governing boards “elevates” the autonomy of these institutions.

Board members of the big three institutions are elected to eight-year terms. There are concerns that individuals elected to boards are often more representative of their particular special interest than they are interested in higher education; by and large, however, most people feel that once elected, the board members have been able to set partisan politics aside and serve as “statesmen” for their institution.

Circumstances at the University of Michigan (U of M) at the time of our visit brought the issue of elected boards to the public’s attention. After the 1994 elections, the U of M board consisted of four Republicans and four Democrats. The Republicans were representatives of the far-right, while the Democrats were backed by the unions. As a result, there was gridlock within the board, which resulted in the inability to elect a chair for over a year.

In October of 1995, the president of the U of M surprised many in the higher education community by announcing his resignation. While he did not say so, many speculate that the infighting among his board, and his inability to get the board to move, contributed to his decision to resign.

Governor Engler has taken the president’s resignation as a sign of problems with elected boards, and is using this event to call for the appointment, rather than election, of all higher education boards. Until the president’s resignation, appointed versus elected boards was not a public issue.

The University of Michigan

The University of Michigan is the “flagship” institution in the state, considered one of the best public research institutions in the country. It enrolls over 36,000 students in its highly selective undergraduate and graduate programs, attracting students from across the state, country, and world. In fiscal year 1996, the University of Michigan received about $288 million from state appropriations. Depending on which revenues are counted (whether or not auxiliary enterprises are included), this ranges from 10 to 37 percent of the institution’s total revenues.
The University of Michigan has spearheaded many of the battles in the courts to preserve its autonomy (and that of other institutions). According to one long-time observer of Michigan higher education, these suits have been over “long-standing, substantive issues of conflict between the university and the state.” The university is currently suing the state over its sunshine laws, challenging the open meetings act for the “big three” institutions.

**Michigan State University**

Michigan State University, located just outside of the state capitol in East Lansing, is the largest institution in the state—with over 40,000 students enrolled in 1995. Over 30,000 of these students are undergraduates. As the state’s land-grant institution, Michigan State provides a wide array of undergraduate, master’s and doctoral programs, including several programs in agriculture and natural resources. In 1995, the president, concerned with rising costs to students, instituted a tuition guarantee which said tuition would not increase by more than the rate of inflation, as long as state appropriations kept pace with inflation. MSU received approximately $256 million in state funding in fiscal year 1996.

**Wayne State University**

Located in Detroit, Wayne State University (WSU) differs from the other two research universities in the state in that it is located in an urban center. The university’s 30,000-plus students are from very diverse backgrounds. WSU has a larger percentage of students from low-income and minority backgrounds than any of the other four-year institutions. Tuition at WSU is lower than in the other research institutions, and even lower than in some of the comprehensive institutions. The president has argued that if tuition increases too rapidly, the institution will lose enrollments and ultimately lose revenues. Unlike the other “big three” institutions, Wayne State has a unionized faculty, and union-administration relations are said to be a constant source of tension on campus. Wayne State received approximately $205 million dollars in state appropriations in fiscal year 1996.

**Regional Universities**

Michigan’s regional universities include many doctoral, comprehensive, and liberal arts institutions located throughout the state. These institutions receive significantly less money from the state than the “big three”: in fiscal year 1996, state appropriations to the regional institutions ranged from $98 million at Western Michigan University to $11 million at Lake Superior State University.

Many of our respondents argued that because of the autonomy of individual institutions, the Michigan system produces a creative university community that is responsive to the needs of the educational market. The regional universities are said to be especially responsive. According to one interviewee, “Individual institutions have been able to develop their own character, to cultivate their own mission” in response to student and economic needs. There is competition for students among these regional institutions, another respondent argued, but that
competition makes for better institutions. "We don’t want to keep an institution from getting out of a category" because of some artificial constraints, said one university administrator.

One example of this responsiveness can be found in the establishment of an evening MBA program in Lansing by Western Michigan University (WMU), which is located in Kalamazoo. Michigan State, which is in East Lansing, was not interested in offering an evening MBA program; WMU, however, saw a demand for such a program, and set up shop in Lansing. Demand for the program proved high enough that MSU eventually decided to offer the same type of program, resulting in two evening MBA programs in Lansing.

Those arguing against the “creativity” of institutions and the capacity of the institutions to develop their own missions have pointed to the duplication of programs and a “mission creep” where every institution wants to be like the University of Michigan or Michigan State. There is no mechanism, except for the budget, for keeping institutions from offering new kinds of degrees or for duplicating what is offered by their neighbor. Some we spoke with argued that this is wasteful and produces institutions that have no real focus and no real expertise; others said that the market takes care of duplication—that if there is no market for a program, an institution will not be able to maintain it. In general, however, those who admit that there is duplication and waste are not too concerned about it; they still think that this is less costly and more effective than a bureaucratic structure designed to control duplication and costs.

Universities have begun to extend their reach beyond their traditional geographic service areas, a practice that is viewed by some as a significant benefit and by others as evidence of the need for greater coordination. University centers are being developed with the intention of extending the range of opportunities for the bachelor’s of science degree and for master’s level work. In some cases, it is possible to earn a bachelor’s degree without attending the main campus of the institution granting the degree.

Supporters of the centers suggested that the universities are extending services into communities where the programs and services have not been offered previously, and therefore are providing a key statewide benefit. A critic of this process argued that this has become a free-for-all, where institutions can expand all over the state, regardless of need. No one decides who can set up a center and where, he argued, and as a result, there is an increasing problem with duplication.

**Presidents Council**

The four-year public institutions in Michigan have established a voluntary organization known as the Presidents Council. The council began in the late 1940s, when presidents of many of the state's colleges and universities met informally to discuss the challenges facing higher education in the state. The council was formally established in 1952.
The presidents of the 15 public four-year institutions provide overall direction for council activities. In addition, there is an extensive committee structure, through which provosts, academic deans, business officers, governmental relations officers, etc., gather to discuss particular policy and programmatic issues.

The council's roles include: developing positions on the state budget for higher education; reviewing and monitoring legislation affecting higher education; collecting and disseminating data, reviewing academic programs, and interacting with state agencies and organizations. The council operates, according to its executive director, within the "unique context of Michigan and its autonomous institutions." The council serves as a referee among institutions that want to offer services in the same locale, and through its lobbying efforts tries to ensure that community colleges do not become upper-division institutions.

There are some disagreements among the various participants in the Michigan system as to the role the Presidents Council plays. One president we spoke with described the council as a "forum" but not much else. It is important for the presidents to gather, he said, because there are issues that must be resolved that do not necessarily affect the institutions directly or significantly. He cited the State Postsecondary Review Entities (SPRE) and the grants for Native American students as examples of the kinds of issues the council handles effectively.

He went on to say that the council works well together on these types of issues, but that there is no common ground when it comes to questions of allocation of funding. Presidents do not necessarily have common goals and missions, he said, so the role the group can play is limited. He said that it is a forum for solving immediate problems, but other than that, the council does not play a very important role.

One political staff member agreed with this assessment, arguing that the universities use the Presidents Council for those issues that benefit them, but that they prefer to stand by themselves on most issues. This staff member noted that all institutions have a substantial lobbying presence in Lansing and do not rely on the council to speak for them.

An authority on the organization of state higher education, however, argued that the Council—as the only vehicle for communication among the presidents in the state—reveals that voluntary coordination can be successful. It particularly works well, he pointed out, when there are lots of resources and when the institutional pecking order is maintained. Other respondents suggested that the Presidents Council is an important vehicle for bringing institutions together on key issues of consensus, and most importantly, for presenting a united front to the Legislature on the budget.

**Tuition**

Institutional governing boards in Michigan are responsible for setting their own tuition. Tuition at each level of public higher education in Michigan is above the national average, as shown in Table 5.
Table 5

<table>
<thead>
<tr>
<th>Institutional Type</th>
<th>Michigan Average</th>
<th>National Average</th>
</tr>
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<tr>
<td>Research Universities</td>
<td>$5,842</td>
<td>$3,613</td>
</tr>
<tr>
<td>State Colleges and Universities</td>
<td>$3,213</td>
<td>$2,763</td>
</tr>
<tr>
<td>Community Colleges</td>
<td>$1,505</td>
<td>$1,391</td>
</tr>
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</table>


Students and families in Michigan contribute approximately 43 percent of total funding for higher education (state appropriations plus tuition), while the national average on this measure is 31.6 percent.28

We heard from many of our respondents that affordability is a great concern to policy makers in Michigan. "Tuition is the number one issue in the Legislature," one university board member said. Michigan institutions have some of the highest tuition rates in the country and many worry that students are being priced out of the market.

The state has undertaken several initiatives to address affordability. In the late 1980s, Governor Blanchard (the previous Governor) tried to use the threat of financial sanctions to convince governing boards to hold down tuition: he suggested that tuition increases would result in cuts in the executive budget the following year. Despite constitutional autonomy, a tuition freeze was in effect from 1987 to 1989 due to political pressure.

In 1995, Governor Engler also emphasized the need to keep tuition increases down. After a 44 percent increase in tuition over a four-year period in the early 1990s,29 the Governor developed a tuition tax credit plan that worked as follows: at institutions where tuition increases were held below the rate of inflation for the previous year, students attending those institutions (or their parents) would receive a tax credit equal to four percent of that institution’s tuition. The plan was meant to encourage institutions to hold down tuition, and to encourage students to attend those institutions that were keeping tuition increases to a minimum. Four public universities—Michigan State, Grand Valley State, Western Michigan, and Lake Superior State—were able to hold tuition increases below the inflation level, and thus their students were eligible for the tax credit.

This incentive, however, was not popular with some institutions, many of which argued the state should have provided more money for all institutions, thus helping institutions to keep tuition increases down. In addition, there was some concern that the Legislature interfered with
institutional autonomy, since the constitution grants to individual boards the right to set tuition. This issue caused a fair amount of divisiveness between elected officials and the campuses. Several legislators who were early supporters of the tax credit told us that they were reconsidering their position. The tax credit was not continued in the 1996–97 budget.

Not everyone agreed that tuition increases need to be avoided. One respondent told us that the state has not yet reached its tuition threshold, and there is significant untapped revenue in terms of tuition. Another respondent suggested that at some institutions, tuition can still be increased significantly, while many of the smaller regional institutions may have reached their limits.

Independent Colleges and Universities

Private colleges and universities in Michigan enroll about 15 percent of the full-time-equivalent (FTE) enrollment in the state. There is no dominant private university in the state, and few of the colleges are nationally visible or very large. Many of the private institutions are credited with being creative, finding a niche that is not occupied by the public sector. A public university president argued that the privates present Michigan residents with a diversity of choice.

Private colleges do serve a high percentage of minority students: almost 19 percent of students at the private colleges and universities are from underrepresented groups.

The Association of Independent Colleges and Universities is the lobbying arm of the private institutions in the state. The association’s lobbying efforts focus primarily on a number of financial aid and degree reimbursement programs available to the private sector. There are three degree reimbursement programs, the first of which is the general degree reimbursement program covering all degrees except in areas such as theology and divinity. The state awards $425 to private institutions for each bachelor’s or master’s degree that they grant to a Michigan resident in the preceding year, and half that amount for each associate degree granted to a Michigan resident.

The second degree reimbursement program provides awards for each degree that is awarded to a Michigan resident in allied health fields requiring clinical experience or state licensing. In 1994–95, institutions received $2,325 for each bachelor’s or master’s degree awarded in this area. The philosophy behind this reimbursement, according to one respondent, is that the state needs professionals in these fields, and this type of training is very high cost—the state gets a bargain by paying $2,325 for these degrees.

The third reimbursement program includes a grant to the University of Detroit’s Mercy Dental School. This is a flat grant of $4 million. Essentially, the state does not want to open another public dental school (there is one now at the University of Michigan) and this is a way to support the need for dental training at a lower cost to the state.
Financial Aid

The state operates several financial aid programs aimed at making college more affordable. Need-based aid awarded by the state increased from $70 million in 1989–90 to over $89 million in 1994–95, an increase of 15 percent. During this same period, however, tuition increased by more than 44 percent.

The two largest state financial aid programs are the competitive scholarships (for students at public and private institutions) and the tuition grants (for students attending private colleges and universities). The competitive scholarships, which have need- and merit-based components, award a maximum of $1,200 per student. Approximately 26,500 scholarships totaling $32 million were awarded in 1994–95, with 78 percent of the grants awarded to students at public institutions.

The Tuition Grant Program, available to students attending the state’s private colleges, is need-based and is meant to promote choice. The maximum grant under this program in 1994–95 was $1,975. This amount is a function of the total appropriations to the program divided by the number of eligible students. Because almost 85 percent of students at independent colleges in Michigan are Michigan residents, there are large numbers of eligible students. As a result, the maximum award is lower than it is in most states. In 1994–95, this program awarded approximately $45 million to over 31,000 students.

The Michigan Educational Opportunity Grants, provide public institutions with discretionary financial aid money. Approximately $1.7 million was given for 5,000 awards under this program in 1994–95.

There are two entitlement programs in Michigan as well. The first is a tuition incentive program, which is a guarantee to children from welfare families; if these children stay in school, the state will provide the first two years of college tuition, equal to the average of two-year public tuition in the state. A second entitlement program is the Indian Tuition Waiver Program, which the Governor has proposed eliminating.

One university board member said that although financial aid programs are serving poor students in Michigan well, working class students must borrow in order to attend institutions of higher education. This is an increasing concern among the general public, according to several individuals, because the public tends to equate low tuition with access; increasing prices, without commensurate increases in financial aid, means that the system is no longer able to provide the access it once could.
Work Processes

Although the state constitution gives the state Board of Education the responsibility for statewide planning in higher education, this function does not exist in practice. While this lack of statewide organization is seen as a blessing by most, there are a few (typically individuals who work in the state agencies) who see it as a disadvantage. In interviews with state officials, we were told that without any statewide agency or leadership to bring the institutions together, there is no place where discussions about the future of higher education in the state can occur. There are no formal mechanisms for providing information to consumers, or for making decisions about state priorities or targeting resources.

Budget Process

The lack of a mechanism for planning or priority-setting makes the budget process particularly significant in Michigan. Since there is no statewide agency coordinating higher education, and since institutions enjoy constitutional autonomy, the only way to significantly influence higher education is through the budget and appropriations processes. As one university board member explained, “The power to influence public university policies resides primarily in the appropriations process.”

Budget Development

The budget process begins when the Department of Management and Budget (DMB), the Governor’s budget office, solicits annual requests from colleges and universities concerning their budget needs. Budget requests include information on current and prior year FTE positions, faculty salaries, enrollments, tuition and fee rates, etc. A second part of the budget development request consists of justifications for changes to the prior year’s base.

Historically, the instructions sent out by the DMB asked for information on program revision requests and facilities openings, two areas that allowed for institutions to get special-item funding, in addition to their regular appropriations. Program revision requests provided an opportunity for institutions to request extra operating funds. At times these requests were designed to respond to the special interests of legislators on the committee. This was one way that the Legislature could appropriate additional money to the institutions they favored or to the programs they wanted to reward. Apparently, with the new chair of the Senate Appropriations
Subcommittee, the amount of money awarded through this type of request has decreased significantly.

A second type of request that institutions could submit was in the area of “facilities openings.” Essentially, if an institution built a new facility, it was entitled to request funds in the subsequent year’s budget for the operation of that building. Many institutions, however, began to build faculty requests into that amount, and eventually the state stopped funding this category. Now, the philosophy is that if institutional representatives want a new building, they must figure out how to operate it from their regular appropriations.

Although the DMB solicits budget requests annually, staff suggested that the requests do not make much of a difference. “Once we get the requests,” said a budget official, “we proceed to ignore them” because they are always way too high and out of reach. In 1995–96, he explained, both the University of Michigan and Michigan State asked for more than the entire budget for higher education in the state.

In a process concurrent to the institutions’ submission of budget requests, the Presidents Council works to develop consensus on key priorities and to present to the state’s executive branch the major points around which there is consensus. For the past two years, the council has focused on three areas of consensus. The first is that increases in appropriations should at least be at the level of inflation. Second, the council calls for a minimum amount of funding per student (a funding floor) to be established, with different floors for the three different types of institutions (general comprehensive, doctoral I and research I). The third area of consensus calls for a willingness for differential budget recommendations based on changes in institutional role and mission.

The DMB begins its budget process by looking at the percentage revenue growth expected in the state during the coming year. This growth then determines the level of increase higher education will receive.

By most accounts, the Governor’s executive budget is the key budget document. After the Governor’s budget is introduced in the Legislature, it serves as the base budget, or point of departure, from which the Legislature works. The executive budget is “a reflection of the influence of the Governor,” according to one respondent. The Legislature is very attentive to the Governor’s recommendations because there are teeth behind them; the threat of a veto is taken seriously.

Each year, the initial legislative work on the budget alternates between the House and Senate. In 1995, for example, the budget process began in the House; in 1996, it began in the Senate. As legislators work on the budget bill, the Presidents Council continues to push for consensus items and individual institutions lobby for their own priorities as well. The executive director and chair of the Presidents Council make presentations to the Legislature on overall priorities,
and individual presidents and institutional representatives push for their specific institutional requests. The process was described to us as "dynamic."

**Allocation of Funds**

The allocation of funds is based primarily on historical funding patterns, and on the particular power base in the Legislature over the past 20 to 30 years. Prior to 1980, the Legislature set budget levels through a type of formula that used both enrollment and program data to establish the appropriation an institution would receive. After the recession of 1980, however, when funding was cut across the board, this process was dropped and never brought back.

Equitable treatment in the budget process in Michigan has come to mean that each institution will receive the same percentage increase, regardless of their base budget. A university president describes the political process in Michigan as one that maintains the status quo to ensure each institution's share of funding. Across-the-board increases lock in the base funding for institutions.

Essentially, institutions receive lump-sum funding; there is intent language in the legislation, but it is not binding. One political staff member suggested that legislators like this mode of operation, for it absolves them of responsibility for tasks they would rather not perform, like monitoring the performance of institutions.

There are exceptions to the across-the-board treatment of institutions in Michigan. The first category of exceptions are those that the Presidents Council agrees upon. In the past few years, for example, the council has begun to argue for a minimum floor of funding per student, and for differential funding based on changes in institutional mission. Under this approach, all institutions do not necessarily enjoy the same rate of increase. In 1994–95, Grand Valley State University received a 19 percent increase in its budget in response to its large enrollment growth during recent years, and in response to the widely accepted belief that its funding had not kept pace with this growth; most other institutions that year received a 5 percent budget increase. The institutional presidents were united on this proposal, arguing that there were inequities in funding that needed to be addressed.

**Fiscal Year 1996 Budget Process**

The fiscal year 1996 budget process provides a second example of an exception to across-the-board increases in Michigan. In this budget process, the generally accepted practice of institutions presenting a united front on budgetary matters was challenged, leaving some presidents, state officials and other observers suggesting that the Presidents Council had become ineffective.

In spring 1995, the Governor's budget recommendation called for an increase in appropriations to Michigan State University (MSU) of $10 million for technology initiatives,
significantly more than the increase for any other institution in the state. While the budget proposal called for larger than average increases for two other institutions—Grand Valley State (GVSU) and Western Michigan University (WMU)—these had been suggested by the Presidents Council because of growing enrollments at GVSU and a change in mission at WMU. The additional appropriation for MSU was seen by many, however, as a purely political move, the result of political favoritism. Many presidents said that the MSU president had lobbied against general across-the-board increases for all institutions.

There were several explanations for why this special increase happened. Some argued that the Governor favored the increase because MSU is his alma mater and its president is a personal friend. The president of MSU, however, attributed the increase to the Legislature's perception that MSU is accomplishing important state priorities, including establishing a tuition guarantee, holding tuition increases down, increasing emphasis on undergraduate education, and beginning to address issues of cost. Another view is that the MSU president was picking up messages from the Legislature and refocusing his institution in order to stay ahead of the Legislature in terms of accountability issues. The president was then rewarded for his actions. One legislator provided still another justification for the increase in funding to MSU: over the years, he said, the gap in appropriations between the University of Michigan and MSU had grown too wide. This was simply an attempt to close that gap.

Regardless of the rationale, the large increase in appropriations for MSU did not sit well with many of the presidents at other four-year institutions. They were particularly angry that the MSU president lobbied lawmakers to reject across-the-board increases in favor of extra money for his institution. The presidents argued that the actions of the MSU president established a clear break in the common mode of operation in Michigan, where presidents are collegial and fight for increases for all universities—not just their own institution. A university president argued that the Presidents Council was "effectively neutered" that year by these actions. It is interesting to note that during the fiscal year 1997 budget process, the state went back to essentially across the board increases: there was no apparent favoritism to any institution, and the standard mode of operation appeared to return.

Community College Budget

The community colleges are funded by a formula that is driven largely by enrollment increases. The formula, developed by the House Appropriations Committee, was implemented in 1984. The formula determines the gross amount needed by each institution to operate its programs. The state then subtracts the level of funding that each institution is projected to raise through local taxes and tuition revenue. The formula has never been fully funded, we were told, and non-formula factors such as inflation are often inserted by the Governor and Legislature. According to one analyst, there is typically about a two percent increase across the board for community colleges, and then the other one or two percent is allocated to institutions based on the formulas. In the 1997 budget process, the Governor called for a five percent
increase to community colleges, with one-half of the increase based on across-the-board increases to cover inflation and the rest based on the formula process.

**Capital Outlay**

Capital Outlay projects are funded through bonds. The Department of Management and Budget (DMB) asks universities to list their capital outlay projects (which can include new construction, major renovation and repair) by the priority in which they would like them funded. Generally, project negotiations take place between DMB and the institutions; requests are then submitted to the Capital Outlay Committee, a joint committee of the House and Senate. Typically, by the time the requests are considered by the Legislature, universities are not at odds with one another over their projects.

The general rule of thumb on capital outlay projects is that when money is available, every campus will get one project. Community colleges are required to provide a 50 percent match to state funds for capital outlay, because it is assumed that they can get local tax dollars to cover the match. There is no matching requirement for four-year institutions.

**Program Planning**

There is no state control over institutional mission in Michigan; each institution sets its own mission, changing missions or program offerings in response to its determination of market needs. Program review for four-year institutions takes place on a voluntary basis, under the auspices of the Presidents Council. Through this peer review process, institutions can endorse (or not endorse) proposals for new programs. This process was described to us as beneficial because it strengthens the hand of campus academic administrators who can reject or discourage a new program if they do not think it is ready to be critically reviewed by a group of peers. In effect, the process makes it necessary for institutions to develop a strong case for new programs. In addition, the process allows for recommendations for strengthening or improving programs.

If a program is not endorsed by the council in the review process, that program will not be added to the Legislature's boiler plate language in the appropriations bill. However, this is not always a deterrent. For example, Ferris State established a pharmacy school even though the program was not endorsed through the program review process. The Legislature attempted to control the program and punish the institution for offering it, but to no avail: the program is still in operation. Likewise, GVSU began an engineering program even though it was not initially endorsed by the council.
Michigan Case Study Summary

Relationships with K–12 Schools

The relationship between higher education and the K–12 system is described as relatively poor. There are few connections, according to one respondent, between most of the K–12 reform activities and the missions of the universities.

The 1995–96 appropriations bill includes language that calls on institutions of higher education to provide information to high schools on the performance of their graduates once they go on to college. While some people point to this as an example of better communication between sectors, others see the idea as somewhat laughable, and doubt that anything will ever come of it. Legislative language is not binding, since institutions are constitutionally autonomous, and therefore institutions cannot be required to do this kind of reporting.

There are also dual enrollment programs in which high school seniors can enroll in college or university courses for credit, and the state will cover the cost of tuition. The idea behind this program, according to one legislator, is not to graduate students more quickly, but to address the fact that many students waste their senior year in high school.

Transfer

Transfer agreements between institutions are established under an agreement developed in 1973 by the Michigan Association of Collegiate Registrars and Admissions Officers (MACRAO). This agreement establishes the courses (acceptable to each signatory to the agreement) that fulfill general education requirements. One of the problems with the MACRAO agreement is that not all of the state’s four-year institutions (public or private) participate in the agreement.

There is no real statewide effort at transfer, though there are local agreements between individual institutions. The absence of statewide articulation can be traced to the fact that there is no agency responsible for managing such an effort. There is no alternative but to rely on local arrangements.

Information Collection

One political staff member told us that “There is no formal, systematic way to collect feedback on the performance of higher education in Michigan.” Almost everyone we spoke with echoed this statement, though individuals differed in the extent to which they think this is problematic.

Most of the information that is collected and used for any sort of analysis goes into the Higher Education Information Data Inventory (HEIDI) data base. The data base, which resides in the Department of Management and Budget, is oriented to expenditures and faculty compensation data. Several individuals expressed dissatisfaction with this data. “We cannot use it to measure
performance,” said one political staff member. The data base is “woefully inaccurate” according to another source. It is not kept up well, said another.

One of the more significant problems with the HEIDI data base is that it is not compatible with the Integrated Postsecondary Education Data System (IPEDS) data base, which is maintained by a separate department. As a result, institutions have to report data to two different systems even though the IPEDS data are rarely used.

The HEIDI data base is used primarily by the House and Senate fiscal agencies. According to one of the analysts we spoke with, the data base is sufficient for the kinds of request they receive in the fiscal agencies: they rarely receive requests for data that HEIDI does not provide, such as faculty workload, progress of minority students, performance of students in remedial education, etc.

The Department of Education has made several attempts to address the issue of poor information collection, and has tried on several occasions to get funding and authorization for studies of minority participation, remediation, institutional performance, etc. However, the department’s activity has effectively been killed each time by the Legislature, presumably under pressure from the Presidents Council. One president mentioned that four-year institutions have been adamant about keeping any type of information gathering out of the Department of Education. He noted that when the department did get a mechanism for information collection in their budget a few years ago “because we weren’t paying attention,” the four-year institutions effectively got this removed the following year. Institutions prefer to have the Department of Management and Budget collecting information, this president said, because this is where the budget decisions are made.

To some, the lack of information means that no one has any idea how efficiently state funding for higher education is being spent, or what the state gets for its investment. “The state has no clue about what universities do,” said one political staff member. Another respondent worried that the state does not know how to address the needs of certain groups, particularly minorities and women, because it has not gathered information on participation of these groups for many years.

Another observer of the Michigan system argued that no one cares that there is no centralized data collected because no one would trust that the data would be accurate or that it would be used rationally or properly.
Concluding Observations

There is general satisfaction among those we spoke with concerning the structure and organization of higher education in Michigan, and there is little interest in experimenting with changes. Our respondents appreciate the autonomy of the institutions; they said they consider a little duplication of programs and a few inefficiencies as reasonable tradeoffs for a less bureaucratic structure.

The official coordination and planning functions in Michigan are technically the responsibility of the state Board of Education, but because of the constitutional status of institutions, the board effectively has no power to take on this role. Efforts to collect statewide data on performance in higher education have been challenged by institutions as infringements on their autonomy. As a result, the state places less emphasis on information collection. This scarcity of information makes it difficult to tell how efficient or inefficient the system is, or how the state is spending its money.

Constitutional status of the institutions means that policy makers have no way of setting priorities or holding institutions to those priorities except through indirect mechanisms and the budget process. Attempts to influence institutional actions, such as the 1995 tuition tax credit, are seen by institutions as micromanagement.

Although Michigan is referred to by most as a “market model,” the relatively small role played by the independent institutions in the state suggests that it is really more of a public monopoly. Institutional funding typically involves incremental, across-the-board increases, and there are no mechanisms for holding institutions accountable for performance.

The Presidents Council encourages voluntary coordination and brings presidents together to reach consensus. There has generally been harmony in the system as long as the pecking order of institutions has been maintained in the budget process.

The Michigan structure, with no statewide coordinating mechanism, does not have the mediating force for conflict that other states have. The absence of such a force means that there is direct conflict between the Legislature and institutions—and among institutions. This was evident in the battles after the budget process in 1995. It is not clear, however, whether this conflict is any greater than that found in states where there is a mediating force.
Several of the individuals we spoke with feel that the independent boards are particularly important during fiscal crises. They told us that during the significant budget cuts of the 1980s, institutions were able to remain strong because governing boards pressed them to sharpen their missions and focus and prioritize their services, thereby helping them withstand the tough fiscal conditions. In a system like Michigan’s, institutions—if they are well managed—may have more flexibility in economic downturns.

Most individuals within the system support the system structure and maintain that it allows institutions to be responsive to the market in the programs they offer; decisions can be made quickly about offering new programs, and there is no complicated review and approval process that needs to be conducted in order to offer what the market demands.

Although flexibility and responsiveness are advantages to the Michigan structure, there are also some disadvantages to constitutionally autonomous boards. First, it is difficult to control costs with this structure, because it is much easier for an institutional governing board to ask students to pay higher fees than it is to ask faculty to control their costs. Michigan has the highest public tuition of any of the states in this study, and affordability is a serious concern now to many policy makers in the state. Statewide boards or legislatures in systems where institutions do not have constitutional autonomy may have more success in getting institutions to control costs. In addition, it is difficult to control program duplication under this structure because the focus is more on opportunities for individual institutions rather than the overall needs of the state.

Generally, state policy makers are satisfied with the performance of higher education in Michigan. Some admit that it is inefficient and that there may be too much duplication of programs, but they are not overly concerned with this. The most significant concerns are that growing numbers of students may not be able to afford a public college education in Michigan, and that institutions may have reached the limit on increases in tuition. The system operates on the assumption that the public and professional interests are balanced through the market, and that students will not pay to attend programs or courses that they do not want.
Appendix

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Notes

4 Ibid., p. 303.
5 Ibid., p. 297.
6 Ibid., p. 298.
7 Michigan Department of Management and Budget, “Fiscal Year 1997 Executive Budget” (www.michigan.state.mis.us), not paginated.
10 Michigan Office of the Governor, “Profile of Governor John Engler” (www.migov.state.mi.us), not paginated.
14 Ibid.
21 J. Minter Assoc., Boulder. CO. 1996 (www.edmin.com/jma/cohort/carneige.html). Doctoral I institutions offer a full range of baccalaureate programs and are committed to graduate education through the doctorate. Research I institutions offer a similar range of services, but also place a high priority on research. General comprehensive universities offer a full range of
baccalaureate programs and are committed to graduate education through the masters' degree.


23 Ibid.

24 Ibid.

25 Ibid.


27 Ibid.


31 Ibid.

32 Ibid.


The California Higher Education Policy Center

The California Higher Education Policy Center is a nonprofit, independent, nonpartisan organization created to stimulate public discussion and debate concerning the purposes, goals and organization of higher education in California.

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