State Government Relations Update
MSU Financial Administrator Development Program

David Bertram
Assistant Vice President for State Affairs

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VPGA State Affairs Mission

- Manage relationships between the university and legislators at the State Capitol, Governor’s office, and other state officials.
- Develop and maintain relationships with potential allies.
- Keep other policy/thought leaders informed of MSU actions.
- Prepare advocacy materials – “Spartan Impact”.
- Meet with legislators and other governmental officials (aka Lobbying).
- Write letters, opinion pieces, and news articles (with CABS).
- Showcasing MSU by hosting key people at events on campus and around the state – providing a chance to both socialize and talk to them about important issues so they can learn about MSU firsthand.
Profile of the Legislature

- Effect of Term Limits
- Spartan Legislators (31)
- Appropriations
  - Appropriations Higher Education Subcommittee
- Policy
  - Higher Education reforms
  - Blending universities and community colleges and K-12 (P-20)
  - K-12 reforms
MSU State Government Funding

- Highlights of what State is providing in 2014-15:
  - $264.6 million in Higher Education Formula Funding (MSU); overall Higher Education $1.5 billion
  - $32 million in funding for AgBioResearch
  - $27.5 million in funding for MSUE (Extension)
  - $158 million (-$4.3m) in Graduate Medical Education (Overall number – not just MSU)
  - $91 million for FRIB – MSF Bond (Total project cost is $733 million)
State Revenues Impact on MSU

MSU General Fund 2014-15

Tuition & Fees = 71%
State Appropriations = 22%
Other Sources = 7%
Inflation adjusted appropriations

Inflationary increases would have given MSU an additional $180m in resources

MSU appropriations

Appropriations $180M Behind Inflation since 2000-01
Inflation Adjusted Appropriations per Student
(2014-15 dollars)

- 1970-71: $8,876
- 1980-81: $8,450
- 1990-91: $10,463
- 2000-01: $11,037
- 2014-15: $5,809

Inflation adjusted decline equal to a 47% loss in buying power.
Per Student Resources Constant After Inflation

$11,643
$6,698 APPROPRIATIONS
$4,945 TUITION
2001-02

$11,860
$3,583 APPROPRIATIONS
$8,277 TUITION
2012-13
*expressed in 2001-02 terms

Michigan Public Universities
Student Resources
Constant After Inflation

$13,630
$7,963 Appropriations
$5,667 Tuition
2001-02

$13,695
$4,099 Appropriations
$9,596 Tuition
2012-13
*expressed in 2001-02 terms
State Funding

- State once provided 78% of the cost of undergraduate education (1987 more than 60%); today MSU receives only 22% of General Funds from the State and 11.5% of all funds.

- Universities in Michigan have seen a 25% reduction in general funds over last 10 years, not including the loss of capital outlay dollars that have not been allocated in a decade.

- Reductions in state funding have led all 15 public universities to raise tuition.

- Legislature has been focused on scrutinizing Higher Education spending rather than on their lack of support.

- Little understanding of how universities operate in the public - There is a perception that universities are bloated.
State Funding 2015-16 Challenge

- In December 2014, several Mega-credit (tax credits) were filed by major Michigan corporations.
- Mega-credits cashed in by two companies alone amounted to more than $500 million.
- This caused a $325 million budget hole for the State of Michigan.
- Mega-credits were initially created in 1995 in exchange for manufacturing and job investments by companies. They were heavily expanded from 1998-2008, during the recession.
- While it was originally estimated that the State was on the hook for $6.4 billion in Mega-credits, earlier this year it was revised to $9.3 billion through 2032.
- The rate and size of these credits claimed over the next 17 years will have a dramatic impact on the state budget, including funding for Higher Education.
BLM Alliance

Long Term Strategy (Capitol)

- Ensure Michigan has a Top 10 Marketplace for Higher Education by Investing $1 billion over 10 years
- Formula Approach based on Institutional Mission
- Invest in people – not prisons

Outside Lansing

- Assure quality, productivity and increasing economic impact
- Grow out of state enrollment
- Grow research funding
- Strengthen monetization of research
State Higher Ed Formula

- In the 2012-13 budget year, a new Higher Education formula was created to allocate some of the $1.2 billion going to Michigan’s 15 public universities related to performance. Funding today is now at $1.5 billion.

- Formula is based on metrics in the following areas:
  - Weighted undergraduate completions in critical skills areas
  - Research expenditures
  - Six-year graduation rate
  - Total completions
  - Administrative costs as a percentage of core expenditures
  - NEW 2014-15 – Number of Pell Grant Students (proposed to be a % in 2015-16)

- The metrics created are based on national Carnegie peer groups so universities would be compared to their national peers but those performance results are then related to the other 15 public universities in Michigan.
State Higher Ed Formula

- Roughly $74.6 million (increased funding) was distributed through the metrics in 2014-15.
- MSU Performance funding to date = $14.8 million.
- A tuition restraint cap is set each year in order for universities to qualify for increased (or Performance) funding.
State Higher Education Proposed Funding

- In February (2015-16 Budget) – Governor’s budget proposal recommends maintaining the Higher Education formula.
- Governor proposed 2% ($27M) increase overall and included a 2.8% tuition restraint cap.
- House Appropriations Higher Education Subcommittee has reported out a bill with an increase for Higher Education at 1%, while the Senate Appropriations Higher Education Subcommittee most recently reported out a budget bill equal to the 2% proposed by the governor.
- Senate supports the governor’s proposed tuition cap of 2.8%; House increased tuition cap up to 4%.
- Differences between each house will have to be settled in a conference committee expected in late May or early June.
## Comparing 2015 Higher Education Funding Proposals

<table>
<thead>
<tr>
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<th>2% Overall Increase for Higher Ed</th>
<th>2.8% Tuition Restraint Cap</th>
<th>Runs funding through formula</th>
<th>MSU 1.9% Increase</th>
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<tr>
<td><strong>House</strong></td>
<td>1% Overall Increase for Higher Ed</td>
<td>4% Tuition Restraint Cap</td>
<td>Lowers increase but allows more tuition increase room</td>
<td>MSU .9% Increase</td>
</tr>
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<td><strong>Senate</strong></td>
<td>2% Overall Increase for Higher Ed</td>
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<td>Concurs with governor’s budget</td>
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State Funding for MSU

- MSU Higher Education Funding increase would be $5.2 million (2%) increase under the Governor’s and Senate actions.
- MSUE/AgBioResearch –Governor and Senate recommend a 2% increase or $1.2 million for a total of $60.7 million.

These unroll the budget lines into two:
- $32.6 million AgBioResearch
- $28.1 million for Extension

- House would provide for $2.5 million (.9%) increase in MSU Higher Education funding while also increasing MSUE/AgBioResearch by 1% ($545,000)
Student Debt 2013

Proportion of Students with Debt

- MSU: 46%
- State of Michigan: 63%
- National: 69%

Adjusted to 2013 dollars

Average Debt Load

- MSU: $25,821
- State of Michigan: $29,583
- National: $28,400
Other State Funding for MSU

- Higher Education is competing with Transportation funding, K-12 funding, HICCA – Medicaid reimbursement, and Ballot Proposal #1 (May 4) - could impact final 2015-16 budget
- Autism Research Funding for Universities – MSU in line for $500,000 million in the MDCH Budget
- Other State Issues:
  - Smart Zones (HB 4226)
  - Community Colleges – Four-year degrees (SB 98)
  - MI-SARA (SB 221) – On-line Learning compact
  - Ticket Scalping (HB 4015)
  - Powdered Alcohol (SB 240)
  - Many more...
David Bertram
Assistant Vice President for State Affairs

Email: dbertram@msu.edu

Phone: 517-353-9000

mispartanimpact.msu.edu