State Government Relations Update

MSU Financial Administrator Development Program

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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 (30) – Was 31 but recent resignation lowered the number
- Appropriations
  - Appropriations Higher Education Subcommittee
- Policy
  - Higher Education reforms
  - Blending universities and community colleges and K-12 (P-20)
  - K-12 reforms/lower K-12 numbers in Michigan
MSU State Government Funding

- Highlights of what State is providing in 2016:

  - $268.8 million in Higher Education Formula Funding (MSU); overall Higher Education $1.421 billion
  - $32.5 million in funding for AgBioResearch
  - $27.9 million in funding for MSUE (Extension)
  - $158 million 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%
Appropriations $180M Behind Inflation since 2000-01

Inflation adjusted appropriations

Inflationary increases would have given MSU an additional $180m in resources.
Inflation Adjusted Appropriations per Student
(2014-15 dollars)

$8,876  $8,450  $10,463  $11,037

Inflation adjusted decline equal to a 47% loss in buying power

$5,809

$0  $2,000  $4,000  $6,000  $8,000  $10,000  $12,000  $14,000

Per Student Resources
Constant After Inflation

- **2001-02**
  - Tuition: $4,945
  - Appropriations: $6,698

- **2012-13**
  - Tuition: $8,277
  - Appropriations: $3,583

Michigan Public Universities

*expressed in 2001-02 terms*
Student Resources
Constant After Inflation

MSU

2001-02

$13,630

$7,963 APPROPRIATIONS

$5,667 TUITION

2012-13

$13,695

$4,099 APPROPRIATIONS

$9,596 TUITION

*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
- Public 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 2017 Challenges

- Flint Water Crisis
  - $28 million Supplemental Appropriation – Approved in January
  - $30 million – state paying home owner’s water bills – Approved in February
  - $37 million for Safe Drinking Water Efforts (2017 Proposed Budget)
  - $15 million Food & Nutrition programs (2017 Proposed Budget)
  - $63 million for Physical, Social and Educational Well-Bering (2017 Proposed Budget)
  - $50 million in reserve funding for future needs in Flint (2017 Proposed Budget)
- Total = $232 million
State Funding 2017 Challenges

- Detroit Public Schools (DPS)
  - Debt expected to reach $515 million this year
  - New system = $200 million in startup/reinvestment (2017 Proposed Budget)
  - The previous DPS system would be responsible for that $200 m + $515 m in legacy costs and would have to repay the state by FY 28 – Michigan’s Tobacco settlement proceeds

- Statewide Infrastructure Prioritization
  - $165 million (2017 Proposed Budget)
  - Replacement of known high-risk lead and cooper service lines
  - Infrastructure upgrades while repairing roads or other utilities
  - Development of asset managements plans – including an inventory and analysis of the current infrastructure and prioritization of needs based on a right sizing compared to population
State Funding 2017 Challenges

- Mega-credits cashed in by two companies alone amounted to more than $500 million in late 2014.
- 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 $1.4 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 $29.9 million (increased funding) is being distributed through the metrics in 2016
  - MSU share is $4.3 million
- MSU Performance funding to date = $14.1 million
- A tuition restraint cap is set each year in order for universities to qualify for increased (or Performance) funding. It has been set at 3.2% for the past two years.
State Higher Education Proposed Funding

- On February 10, (2017 Budget) – Governor’s budget proposal recommends maintaining the Higher Education formula
- Governor proposed 4.3% ($60 M) increase overall and included a 4.8% tuition restraint cap
- House leaders have indicated that the governor’s tuition cap is too high
- First action by the Legislature on the proposed budget will be in late March
- Differences between each house will have to be settled in a conference committee expected in late May or early June
State Funding for MSU

- MSU Higher Education Funding increase would be $10.4 million (3.9%) increase under the Governor’s proposed budget. This would bring MSU’s funding up to $279.1 m.
- MSU still one of five institutions below 2011 funding levels
  - Gov. Snyder cut HE by 15% in 2011 – has promised to restore
  - MSU is 1.6% or -$4.5 million below 2011 levels
- MSUE/AgBioResearch –Governor recommends a 2.3% increase or $1.4 million for a total of $61.9 million. These unroll the budget lines into two:
  - $33.2 million AgBioResearch
  - $28.7 million for Extension
Student Debt 2013

Proportion of Students with Debt

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<th></th>
<th>MSU</th>
<th>State of Michigan</th>
<th>National</th>
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<tbody>
<tr>
<td></td>
<td>46%</td>
<td>63%</td>
<td>69%</td>
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Average Debt Load

<table>
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<th></th>
<th>MSU</th>
<th>State of Michigan</th>
<th>National</th>
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<tbody>
<tr>
<td></td>
<td>$25,821</td>
<td>$29,583</td>
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Adjusted to 2013 dollars
Other State Funding for MSU

- Higher Education is competing with a lot of state funding priorities in the state budget including:
  - K-12 funding, Flint, DPS, Infrastructure and more
- Autism Research Funding for Universities -- $2.5 million; MSU in line for $500,000
- Other State Issues:
  - Community Colleges – Four-year degrees (SB 98)
  - Ticket Scalping (HB 4015)
  - Tax Credits for Charitable Contributions (SB 461)
  - Local Ballot Issue Activity Restrictions - SB 571 (PA 269 of 2015) – Preliminary Injunction ordered by Federal Judge
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